



Monterey County

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Board Report

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Matter Type: General Agenda Item

- a. Approve an agreement with the Monterey Bay Housing Trust to support the creation and retention of affordable housing in Monterey County
- b. Authorize the County Administrative Officer to execute the agreement; and,
- c. Authorize Monterey County's deposit of \$500,000 as a financial contribution to the Monterey Bay Housing Trust.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve an agreement with the Monterey Bay Housing Trust to support the creation and retention of affordable housing in Monterey County;
- b. Authorize the County Administrative Officer to execute the agreement; and,
- c. Authorize Monterey County's deposit of \$500,000 as a financial contribution to the Monterey Bay Housing Trust.

SUMMARY:

The recommended action will implement direction received from the Board of Supervisors during FY 2017-18 budget hearings to partner with the Monterey Bay Housing Trust (MBHT). Specifically, the action will authorize the County Administrative Officer to enter into an agreement with MBHT that will contribution of \$500,000 will be used to support the creation and retention of affordable housing in the County of Monterey.

DISCUSSION:

The Monterey Bay Housing Trust (MBHT) is a revolving loan fund sponsored by the Monterey Bay Economic Partnership (MBEP) and Housing Trust Silicon Valley (HTSV). The goal of this fund is to increase the supply of affordable housing for low-income households. MBHT loans are used primarily to finance acquisition of land, entitlement and predevelopment costs for affordable housing projects in the Monterey Bay Region, including Monterey, Santa Cruz and San Benito counties.

To launch MBHT, MBEP entered an agreement with HTSV, whereby HTSV provides 80% of the funds and MBHT provides 20% of the funds for each loan made in the Monterey Bay region. To date, MBHT has received commitments for \$2.25M (including Monterey County's \$500,000 commitment), making the total fund equal to \$11.25M. The fund is expected to revolve every 3 years and make almost \$40M available to support affordable housing over 10 years. HTSV qualifies affordable housing projects and developers, makes lending decisions, initiates and prepares loan documents, participation agreements, security filings, and the collection and distribution of principal and interest payments to loan participants. HTSV also acts as fiscal and security agent in case of default. MBHT works with HTSV to market the loan program, identify qualifying projects in the Monterey Bay region, and to prioritize projects in

the case of limited funds in consultation with its partners.

Affordable housing project types include multi-family rental, permanent supportive housing, and mixed income ownership housing. Loans will range from up to \$500,000 unsecured to \$2,000,000 secured, with term up to 5 years. Interest rates are competitive and based on the transaction structure, credit worthiness of the borrower, and cost of funds (which is a blend of borrowed money and grants). The interest rate will reflect a reasonable return to HTSV and MBHT to account for risk, cost of capital, and preserving an ongoing pool of funds to invest in future affordable housing. Currently, the interest rate is approximately 5%. Fees include \$2,500 at time of loan application, 2% of loan amount up to \$2M (1.5% thereafter), and borrower is responsible for lender's legal fees and third party costs. Predevelopment loans are interest only, payable monthly, and interest may be capitalized through an interest reserve established at the time of loan closing and paid out of loan proceeds. Loans will have full recourse to the borrower, including guaranties from project sponsor and parent organizations, as applicable.

MBHT is one element of a three-part strategy by MBEP to drive an increase in the housing supply in our region. In addition to MBHT, MBEP is also engaged in advocacy at board of supervisors, city council and planning commission meetings for affordable and market rate housing. It is also acting as a convener and sharing best practices to facilitate more employer sponsored housing, particularly farmworker housing (e.g. the Tanimura and Antle project in Spreckels, for which T&A and the County of Monterey received MBEP's Public/Private Partnership Award last year).

OTHER AGENCY INVOLVEMENT:

County Counsel has approved the Agreement as to form.

Due to the late submission of this report, the CAO Budget and Analysis Division was not provided adequate time to review for potential fiscal, organizational, policy or other implications to the County of Monterey.

FINANCING:

The funds for the County's contribution to the Housing Trust Fund are budgeted in Appropriations Unit DEO001, Fund 001 (General Fund), Organization 8221 (Economic Development).

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Small Business Revolving Loan Fund supports the Board's Economic Development Initiative by providing a local source of capital to finance business start-up and expansion that conventional financial resources will not support.

Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- Administration
- X Health & Human Services
- X Infrastructure
- Public Safety

Prepared by: _____
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Approved by: _____
David L. Spaur, CEcD, EDFP, Economic Development Director, Ext. 5387

Attachments:
Monterey County Monterey Bay Housing Trust Funding Agreement
(Attachments are on file with the Clerk of the Board)