

Attachment C

Detailed Discussion

Background

On September 25, 2018, the Board of Supervisors committed County of Monterey (County) staff, under the terms of a Memorandum of Understanding (2018 MOU), to coordinate with City of Salinas (City) to establish a homeless shelter, permanent supportive/transitional housing, and funding for operation of a warming shelter in the city of Salinas. Additionally, it was agreed that the County and City of Salinas would coordinate efforts to expedite the development of Shelter and Housing.

In the 2018 MOU, the site identified for the affordable housing was 1220 Natividad Road, Salinas. Upon further evaluation, the County and the City of Salinas decided the preferred housing site would be 845 East Laurel Drive, on the undeveloped area next to the SHARE Center since site preparation and utility work have been completed. The County and City also determined that the site at East Laurel is most appropriate for affordable housing with a focus on families. To memorialize the change in development site location and type of affordable housing, the County and the City entered into an updated 2021 Memorandum of Understanding Regarding Coordination of Responsibilities Related to the Operation of the SHARE Center and Development of Affordable Housing at 845 East Laurel Drive in Salinas, California (2021 MOU – Attachment A). It should be noted that while the MOU identified 845 East Laurel Drive as the address of the proposed affordable housing site, it is 855 East Laurel, and staff will use this correct address moving forward when referring to the site.

For the proposed affordable housing development, the 2021 MOU designated, pending funding, that the County be Lead Agency for purposes of environmental review. The City was designated to act as lead project manager and facilitator during the process for the selection of Housing Developer for the affordable housing project, in coordination with the County. Final selection of an affordable housing developer is subject to Board of Supervisors and City Council approval. After selection of an affordable housing developer, the 2021 MOU anticipated the City would take the lead, but continue working with the County as owner of the property, in negotiating and drafting an Exclusive negotiating Agreement (ENA) and Ground Lease. The ENA and Ground Lease must be approved by the Board of Supervisors. Since adoption of the 2021 MOU, County and City staff have worked closely to take initial steps for a proposed affordable housing development.

Request for Qualifications

On May 6, 2022, the City, in collaboration with the County, released the Request for Qualifications for the Design and Development of an 100% Affordable Multifamily Rental Housing Development (Attachment B). The RFQ identified the project will be geared toward very low and low-income families with a minimum of 50 rental units. The RFQ indicated that, at a minimum, the selected developer would be required to enter into a lease agreement with the County and City that will include a 55-year term, 55-year affordable housing restriction, and additional terms regarding the developer's on-site professional management and maintenance responsibilities. Projects that provide greater affordability will be awarded higher points in the selection process.

Attachment C

Detailed Discussion

The RFQ closed on June 24, 2022, and City and County have assembled a rating and ranking panel to review, evaluate proposals and interview top development teams. Panel members include 2 staff from the City Community Development Department, 2 staff from County HCD, 1 staff from County Administrative Office-Homeless Services, 1 staff from the City of Monterey, and one from the Salinas Regional Soccer Complex. The panel completed its ranking of proposals on July 21, 2022, and top ranked teams have been invited to interview with the panel the week of July 25th.

Issues and Considerations

Land and Financial Contributions

The selected developer will be responsible for securing sources of financing and operating subsidies. The City and County will be partners in discussions with the developer and funding agencies. In addition, pending availability of funding, the County and City may be needed to participate financially by providing gap financing to assist meeting the project's development costs. The City of Salinas identified it has access to approximately \$7 million in competitive funds for affordable housing projects in the City for which this project could compete.

The County as the landowner and consistent with the 2021 MOU, plans to encumber its land to support an affordable housing project by providing the land through a long-term lease. The lease value will be used to account as part of the County's financial contribution toward the project. At this time the County does not have any identified additional funding that could be made available for this project; however, the County may identify additional funding sources to support affordable housing development for which this project could compete.

Access and Compatibility

The RFQ requested proposals consider and evaluate the potential access points to the project site. One access point for the project is Veterans Way, the existing County-owned driveway that provides access to the County of Monterey Corporation Yard, SHARE Center, and Mission Trails Regional Occupational Program (ROP). Improvements to and considerations for on-going maintenance of Veterans Way will need to be addressed with the developer, and the terms of which will be negotiated as part of a lease agreement. Access via Veterans Way would also have value and should be accounted for as part of the County's financial contribution to the project.

A second potential access point is off East Laurel Drive at the southeastern portion of the parcel. Access at this location would be new and need to be designed and developed. Access at this location would need to be compatible with any potential future recreational development at the site the adjacent to East Laurel Drive, currently a proposed bike and skate park.

Regional Housing Needs Allocation Credits

The housing units to be constructed as part of this proposed affordable housing development count toward satisfying the region's Regional Housing Needs Allocation (RHNA). RHNA credits are given to the jurisdiction that issues the building permits for affordable housing units. The 2021 MOU identified that the City of Salinas, subject to funding, will provide staff resources to assist and expedite permitting of facilities at the Property. However, it was not the intention of the 2021 to give, by default of anticipated permitting roles, all the RHNA credits to

Attachment C

Detailed Discussion

the City. County and City staff have been discussing a potential approach for assigning the RHNA credits for this project that may include the County and City issuing building permits for different portions of the development proportional to each jurisdiction's financial contribution to the project.

Next Steps

Once the interview panel selects and recommends a top development team, County and City staff intend to present the RFQ process, outcomes, and recommendation for developer selection to the Board of Supervisors and City Council, respectively.