

# Attachment 5

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CHISPA has followed the rise, fall, and subsequent resurrection of the East Garrison subdivision since we signed the Development Agreement with East Garrison Partners in April 2007.

CHISPA's intent always has been to develop 65 affordable apartments in the subdivision. Unfortunately, our forward motion has been stalled - initially by the financial crash and later by the disintegration of East Garrison Partners.

We are pleased that Century Communities has advanced the development to where it is today.

### **CHISPA's Investment to Date in East Garrison Apartments**

CHISPA has invested close to \$350,000 in architectural and engineering work. Our architectural plans are 75% complete, and we secured development approval from Monterey County Planning Staff.

We hoped to have identified and closed adequate funding before now to construct the apartment building.

Affordable Housing developments like this one rely upon local (County or City) funding and State Bond funding to fill the funding gap between the cost of construction and the tax credit equity and tax exempt bond proceeds.

We calculate that we must secure about \$8,000,000 of low-interest long-term loans to fill the funding gap (\$123,000/ unit).

Although the County anticipates investing tax increment funding in the East Garrison Apartments development, those funds are not yet available. CHISPA cannot predict when the funds will become available, but perhaps the County can reveal that to us.

Unfortunately, the State Housing Programs that we and other affordable housing developers rely upon ran out of funding several years ago.

**Most 4% Tax Credit developments that have been funded and constructed in California in the past five years have been built in Counties that provide Housing Trust Funds or Affordable Housing Bond Funds to fill the funding gap. State 4% tax-credit and bond financing tends to go to Counties with Trust Fund/Housing Bond funding because the funding serves as leverage and makes the applications competitive.**

**Monterey County does not offer this financial tool for affordable housing developers.**

Affordable housing advocates in Monterey County have discussed putting an affordable housing bond on the ballot, but this probably will not happen until the 2020 presidential election ballot.

That leaves State bond programs as the only significant funding available for the development.

We will apply for State funding now that it will become available again going forward in 2019, as a result of Proposition 1 and Proposition 2 passing in November 2018.

**Proposition 1 - \$4 billion housing bond on November 2018 ballot.**

Now that Prop 1 passed, these funds will be added to existing loan programs with regulations already published.

Two loan programs could be useful for East Garrison Apartments:

**Multifamily Housing Program: \$1.5 billion for multi-family rental housing**

Although this funding program is most useful in Counties with a higher median income than Monterey County, we intend to pursue this.

**Joe Serna Farmworker Program: \$300 million (50% of the E. Garrison Apartments would be reserved to house farmworkers if we used this program).**

We intend to apply for this funding when it is made available.

**Additional State funding possibilities are now available, but they are not necessarily appropriate for East Garrison:**

### **Veterans**

Funds must be used to serve veterans and their families.

At least 50 percent of the funds awarded shall serve veteran households with very low-incomes. (50% AMI and below)

Of those units targeted to very low-income veteran housing, 60 percent shall be supportive housing units. This means that we would need to have some on-site case management or something similar.

Developments receiving this funding will house primarily homeless veterans.

*We do not think there are enough homeless veterans in this area (with families) to occupy half of the East Garrison Apartments, so we are unlikely to pursue this funding.*

### **Proposition 2: No Place Like Home (Administered by California Department of Housing and Community Development)**

- Funding for housing individuals with mental illness
- Funding goes to the County Behavioral Health Department. We would apply from or with the County.

*This funding may be inappropriate for this development. It is probably best for one-bedroom apartments with supportive services, not for two-and three bedroom family apartments. We will investigate to see if it could be relevant for us.*

### **AHSC: Affordable Housing Sustainable Communities: Cap and Trade**

This funding is scored entirely on the project's reduction of greenhouse gas, so successful applications are often located near public transit stations.

There is a sub-category for rural developments. Successful applications in the past have provided van service for agricultural employees to reduce car commuting to fields.

We can look into this, but it is not a promising source of funding for East Garrison.

We have called TAMC and MST to schedule a meeting to discuss their transit plans for East Garrison.

### **Federal Home Loan Bank's Affordable Housing Program (AHP)**

This funding may be a source. We are using it now at a property we are constructing in Marina. Our rural developments, away from services, are typically less competitive than urban projects, close to services. But, it is worth applying for. Not more than \$500,000 - \$800,000 of funding, so we would need to get most of our funding from the State programs. Application is once a year.

### **Central California Alliance for Health (CAAH)**

CHISPA's Junsay Oaks Senior Apartment development in Marina benefits from a \$2,500,000 grant from the Central California Alliance for Health. CCAH manages all MediCal patients and services in Monterey County.

CHISPA will reserve 20 of the 47 Junsay Oaks apartments for CCAH clients who have had multiple medical issues, have been homeless or at risk of homelessness, and who have been hospitalized several times in the past year.

CAAH anticipates that providing housing for these individuals will improve their health, thereby reducing their heavy use of the MediCal system. Hospitals and other medical providers will pay attention to this pilot partnership between CHISPA and CCAH. Perhaps new funding would be made available for the East Garrison Apartments, if this pilot is successful.

## **Senate Bill 2- \$75 Recording Fee on some real estate transactions**

**2019:** 70% of funding raised will be allocated to localities to be distributed based on CDBG formula. 30% distributed by the State: 10% for farmworker housing, 15% for mixed income multi-family.

East Garrison may not be considered mixed income, because all units will be low-income, but we will investigate. We anticipate that we can find a way to use this, and we assume that the County will be receiving funding this year.

## **Deadlines**

We understand the deadlines included in the current County DDA that impact the development of the East Garrison Subdivision.

According to the DDA, Century Communities cannot pull more than 88 building permits in Phase III of the subdivision until the CHISPA apartments are completed to point of enclosure and weatherproofing.

Century Communities anticipates being ready to pull the 89<sup>th</sup> building permit by early 2019.

The State funds approved under Proposition 1 probably won't be available until mid-2019 or later for application.

The early schedule released by the Department of Housing and Community Development shows the Joe Serna guidelines not being available until 2020.

This is frustrating, because the Joe Serna program itself has been in place for years. We would assume they could make minor changes to the existing regulations and just re-fund the program.

We have met with State Senator Anna Caballero to request a change to the scheduling of these funds, and we will meet this week with staff at the California Department of Housing and Community Development.

Although we are appealing the published schedule, we cannot guarantee that we can make those funds appear earlier.

If the funding programs are opened for application in June 2019, and we apply for the funding, it will take about six months before we learn that we are awarded funds. We may also need to apply for non-state funding, such as the AHP grant. That adds more time.

If we are awarded enough funding to fill the funding gap, we then apply for tax credits and bonds, which are offered by the State five times a year. Upon receiving an award of tax credits, it takes about 180 days to close all financing.

Therefore, the delay in funding for our East Garrison Apartments is a constraint upon the entire subdivision development, if Century Communities is prevented from pulling more permits because the CHISPA apartments are not yet built.

This is a counterproductive result.

After all, part of the funding anticipated for the apartments is from the subdivision's Tax Increment fund. Each time a market-rate home is built, more is added to that fund.

### **CHISPA's Commitment to East Garrison Apartments**

CHISPA is committed to constructing the East Garrison apartments, as soon as we secure adequate funding.

We will be ready to apply for the State funding as soon as it becomes available. We also will keep seeking out other, non-governmental funding, like CCAH.

When the County Tax-Increment funding becomes available from E. Garrison homes sales,, we assume that the County will direct it toward the East Garrison affordable apartment development.

In the meantime, we request that the County allow Century Communities to proceed with its single-family development.



The County and CHISPA gain nothing by enforcing the building permit restriction in the Development Agreement.

**We hope we can rely upon the County to be CHISPA's and Art Space's Partner in the Affordable Development**

CHISPA has a long history of successful applications to the State, and we assume that our success will continue, now that funding is being made available again.

However, we do not control the situation at the State level, and we are competing with developments from throughout California.

In contrast to our relationship with the State Funding, we hope that we can count on a partnership with the County of Monterey for the East Garrison Development.

We realize that developers elsewhere in the County and even in local Cities may present themselves to Monterey County for funding now and in the future.

But, these developments will not be ones to which the County has already committed and is vested in completing as the County is committed to East Garrison.

We suggest that the County prioritize funding (such as inclusionary funds or local HOME funds or Senate Bill 2 Transfer Tax Funds) for CHISPA's East Garrison affordable apartments and for the Art Space apartment development. This commitment will provide us with the leverage we need to be competitive when we apply for State Funding.

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