



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: RES 23-114, Version: 1

Adopt Resolution to:

- a. Receive a status report on housing at Kents Court;
- b. Direct staff to return to the Board of Supervisors by December 31, 2023, with financing and management plans to address unfunded deferred maintenance due within the next 5-years at an approximate cost of \$1,472,874;
- c. Direct staff to return to the Board of Supervisors by December 31, 2023, with a financing plan to replace two Kents Court units with Americans with Disabilities Act compliant units at an approximate cost of \$574,482;
- d. Adopt the Kents Court Temporary Relocation Plan for tenants of the manufactured homes at Kents Court;
- e. Support an increase to the Fiscal Year 2023-24 appropriations in the Castroville-Pajaro Housing Successor Fund 175, Appropriation Unit HCD006 Unit 8547 by \$310,000 funded by General Fund Contingencies to fund one month of tenant relocation expenses;
- f. Authorize the Auditor Controller to amend the Fiscal Year 2023-24 Adopted Budget to increase appropriations by \$310,000 for the Castroville-Pajaro Housing Successor Fund 175, Appropriation Unit HCD006, funded by an operating transfer from General Fund Contingencies, Fund 001, Appropriation Unit CAO020 of \$310,000 (4/5th vote required); and
- g. Transfer \$310,000 from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, to the Castroville-Pajaro Housing Fund 175, Appropriation Unit HCD006, where General Fund Contingencies has sufficient appropriations in the FY 2023-24 Adopted Budget to cover the transfer (4/5th vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

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- g. Transfer \$310,000 from General Fund Contingencies, Fund 001, Appropriation Unit CAO020, to the Castroville-Pajaro Housing Fund 175, Appropriation Unit HCD006, where General Fund Contingencies has sufficient appropriations in the FY 2023-24 Adopted Budget to cover the transfer (4/5th vote required).

SUMMARY:

The County owns 19 manufactured housing units at Kents Court, Pajaro. These units were damaged during the

flood in March of 2023 leading to a yellow placard from the County Building Official. Since that time, the tenants have not been allowed to return while the County works with insurance to repair the flood damage. Since the flood, the County has undertaken 2 projects at Kents Court. The first project, which has been approved for insurance reimbursement, involved removing debris and contaminated soil from the site. The second project, currently being reviewed for insurance reimbursement, involves restoring the site and buildings to pre-flood condition. The flood damage repairs are anticipated to be completed on July 25, 2023. While the County repairs flood damage, tenants of Kents Court have either found their own temporary living arrangements or have been provided temporary housing through the County's non-congregate housing program.

Prior to the flood, the County planned maintenance and repairs, totaling \$1.3 million for the manufactured units at Kents Court. The maintenance project has been postponed due to the flood and staff is now reviewing the scope, costs, timeline, and the need for temporary relocation of tenants during construction. The County is using the tenant evacuation as an opportunity to complete maintenance and repairs related to tenant health and safety and that will extend the economic life of the units. These include addressing pre-existing water damage to floors in bathrooms, replacing electric outlets near water sources with ground fault circuit outlets, and structural repairs to the footings underneath the units. The goal is to have these maintenance and repair issues corrected by the time tenants can move back into the units. Table 1 summarizes the current and proposed scope of work to address flood recovery and deferred maintenance concerns and the status of funding associated with those scopes of work.

See Attachment 5 - Table 1

At the hearing, staff will provide an update on:

1. Flood damage, flood damage repairs work, timeline for completion of the flood damage repairs, and temporary housing challenges until the repairs are complete;
2. Needed maintenance and modernization of the manufactured units (not directly related to flood damage repairs), timeline for the modernization work, temporary housing relocation needs, costs, and options.
3. Long-term plans for Kents Court are also being contemplated. Should the County Housing & Community Development (HCD) department continue to own and operate the 19 unit manufactured home development, or is there a higher and better use of the property to plan for in the future?

Staff is seeking direction on each of these items. After receiving direction from the Board of Supervisors, HCD staff will prepare plans and a budget for the selected option and return to the Board of Supervisors for final approvals.

DISCUSSION:

The Kents Court units were purchased by South County Housing (SCH), with approximately \$1.1 million in Redevelopment Agency funds and pass-through state financing plus a lease of the Kents Court property, in 2005. The units were part of the 1995 flood recovery effort to demolish a privately owned but poorly maintained motor court and replace it with 66 units of affordable housing. The state portion of the debt was repaid however, the County loans were not repaid, and the County has assumed ownership of the units after SCH defaulted on the loan. The plan at the time was that once the units were no longer needed by SCH, the units would be relocated around the County to provide temporary relocation housing to tenants displaced by code enforcement. The units were not intended to become part of the permanent housing inventory. Because these units were never intended as permanent housing, the County did not develop a Facility Management Plan for them. The consequences of not having a Facility Management Plan were highlighted by the 2019 Facility Assessment that found that appliances, cabinetry, flooring, and roofing were nearing the end of their service

life. The Assessment also found that the property was not ADA compliant because it was a gravel surface, lacked wheelchair ramps, and none of the units had interior dimensions that met accessibility requirements.

2023 Flood Impacts

The March 12, 2023, Pajaro Flood has created challenges and opportunities at the County's 19-unit Kents Court property. Flood damage to Kents Court was limited to damaged skirting around the units; heating, air conditioning, and ventilation ducts (HVAC) under the units; wooden stairways; fencing; and soil contamination. Flood repairs will also address making the property compliant with the Americans with Disabilities Act (ADA) mobility requirements by paving the path of travel and installing wheelchair ramps at two units. PWPF anticipates that addressing the flood damage and making the units habitable will keep tenants out of their home through July 25, 2023. The County is collecting utility bills from tenants for services provided between March 12, 2023 and July 25, 2023 and will process reimbursement checks to the affected households.

Deferred Maintenance

In February, Housing and Community Development entered into a \$1,324,722 Reimbursable Services Agreement (RSA) with Public Works, Parks, and Facilities (PWPF) for to modernize the Kents Court units based on the 2019 Facility Assessment. While inspecting the units for flood damage, Facilities identified additional deferred maintenance issues that they recommend be addressed at this time. PWPF and Housing Office staff evaluated the required work and prioritized addressing health and safety concerns; deferred maintenance that would do the most to extend the economic life of the units and could be completed before July 25, 2023; and finally, deferred maintenance that needs to be addressed over the next five years. The funded deferred maintenance also took into consideration those activities that require tenants to vacate their homes, such as replacing flooring and interior painting. By including these tasks now, the unfunded deferred maintenance projects should not trigger relocation as they are funded. Based on the finding contained in the 2019 Facility Assessment, the County should plan to address the remaining deferred maintenance within the next three years before major systems, such as the roofs become more likely to fail. Table 2 summarizes the work required by phase and funding status.

See Attachment 5 - Table 2

Tenant Relocation

It is not the County's intent to use the modernization project to permanently displace the current tenants or to justify increasing rents.

Due to the tenants being evacuated from their homes as the result of a natural disaster, during the time between the incident (i.e., the flood) and the area being deemed re-habitable (i.e. when Building Official removes the yellow placards), the ordinary legal requirement to provide tenant relocation benefits does not apply. Tenants are eligible and have been encouraged to register for FEMA Individual Assistance (IA) payments or shelter through the County's Congregate and Non-Congregate Shelter (NCS) programs. On June 6, 2023, there were 50 households benefitting from the NCS program. Of these, 12 were from Kents Court. These 12 households were occupying 19 hotel rooms.

In preparation for implementing the PWPF RSA, the County retained Overland, Pacific and Cutler LLC (OPC) to prepare the Kents Court Temporary Relocation Plan (the "Plan") (Attachment 3) at a cost of \$55,300. Government Code sections 7260-7269 require the County to provide temporary relocation assistance to its tenants if their unit is subject to rehabilitation that requires them to vacate the unit. Relocation assistance essentially means that the tenants experience no increase in their cost of housing because of the County project.

This assistance includes helping tenants find alternative housing; paying the difference between the tenants monthly rent and cost of temporary housing; per diem if the temporary housing does not include kitchens; pet boarding; and, packing, moving, and storing tenant property for the duration of the project. The recommended relocation plan also includes a mileage stipend if the alternative housing is located more than 15 miles from Pajaro. The relocation plan estimates that the monthly relocation cost for all 19-tenants at \$376,542.

The current project cost includes packing, moving, and storing tenant property for one month. The project budget anticipated all work being completed concurrent with the flood recover work and not triggering tenant relocation. The work plan currently underway could trigger one month of relocation costs for Kents Court residents depending on contractor availability and scheduling. Should work extend into August 2023, it may be necessary to pay tenant relocation benefits of up to \$310,000 that is currently unfunded.

Other Considerations

Before deciding how to address the immediate issue of modernizing Kents Court, the Board should consider its long-term objective for the property. Factors the Board may want to consider include:

- What is the highest and best use of Kents Court property?
- How much does the County want to invest in the existing affordable units?
- There are no ADA accessible units on the property. The Board may wish to replace one two-bedroom and one three-bedroom unit so that the property is ADA compliant.
- Kents Court was originally intended to be emergency temporary housing for households displaced by code enforcement action, does the Board want to possibly replace the existing units with new ones and reuse the existing units as emergency housing?
- What, if any, role does the Board want the County to have in providing emergency relocation housing so that Code Enforcement and Environmental Health officials are not faced with the choice of leaving a household in unsafe housing or making them homeless?

These issues are discussed in greater detail in Attachment 1.

OTHER AGENCY INVOLVEMENT:

Public Works, Parks and Facilities is coordinating the renovation project. County Counsel has reviewed Amendment #1 and the Plan as to form and the requirements of Government Code section 7260 et. seq. County Counsel has also reviewed the County's legal obligations to provide emergency housing assistance to the tenants of Kents Court while their homes are uninhabitable.

FINANCING:

The total estimated cost of correcting all deferred maintenance is \$2,219,967, plus \$310,000 in tenant relocation costs. This exceeds the available FY2023 Fund 175 beginning fund balance of \$1,238,995, leaving an unfunded balance of \$1,398,556. Table 3 shows the projected cash flow Kents Court is expected to have through FY 2027. As shown in the table, at the end of FY 2027, Kents Court is expected to have positive cash balance of \$304,851, roughly one-quarter of what is needed to address all deferred maintenance. Staff will return to the Board with modifications to the adopted FY2023-24 budget as shown in Table 3.

See Attachment 5 - Table 3

As noted elsewhere in this report, there are other things the Board may wish to consider putting Kents Court on a sounder financial footing, address ADA concerns, create emergency housing opportunities, and beautify the property. These projects and their estimated costs are shown in Table 4.

See Attachment 5 - Table 4

Implementing any of these programs is beyond the ability for Kents Court to self-finance the improvements.

Options to Finance Deferred Maintenance & Other Improvements

The County has limited options to fill the deferred maintenance financing gap. The first challenge is that Kents Court is in a floodplain. Most state federal funds for affordable housing will not fund projects in floodplains. Because the California Tax Credit Allocation Committee has identified Pajaro as a Low Opportunity Area, Kents Court will not be competitive for tax credits or most state managed grant programs.

The Monterey County Local Housing Trust Fund (MCLHTF). The MCLHTF will have approximately \$681,000 available over the next 5-years to support rental housing. The annualized amount of funding from this source is still less than required to complete the deferred maintenance (if relocation is triggered) and establish a replacement reserve. Using it for Kents Court will preserve affordable units but not leverage funding for new affordable housing as intended.

During the May 30-June 1, 2023 Budget Hearings, the Board approved use of contingency funding, leaving an estimated contingency balance of \$3.4 million to be included in the Adopted Budget for FY 2024 as of the time this report was written. The available balance for contingencies could be used to cover the unfunded deferred maintenance. The staff recommendation includes authorizing \$310,000 to cover one month of relocation expenses. This will allow the County to implement the repair and modernization projects that require tenants to vacate their homes and will reduce future modernization costs considerably.

The County has asked the Housing Authority for the County of Monterey (HACM) about the possibility of applying for Project Based Vouchers (PBV). Unlike traditional rental assistance vouchers (Housing Choice/Section 8), the voucher is awarded to a unit and not the tenant to provide a guaranteed subsidy to the property owner. The PBV for a 2-bedroom unit will pay a fair market rent of \$2,675 and 3-bedroom units have a fair market rent of \$3,790. Depending on the number and mix of PBVs awarded, rent collections could result in approximately \$491,000 in additional net income annually. The HACM is currently evaluating how many PBVs they can make available through a competitive process.

The County is actively working with its insurance carrier and the Federal Emergency Management Agency (FEMA) to capture all eligible reimbursements for flood damage, including business losses associated with uncollectable rent. These losses are estimated at \$87,030. Insurance proceeds, when received will be used to complete additional modernization work.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The modernization of the Kents Court Affordable Housing Development supports all the Board of Supervisors Strategic Initiatives by providing a safe, sanitary, and pleasant housing environment for its tenants.

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

Prepared by: Darby Marshall, Housing Program Manager, x5391

Approved by: Craig Spencer, Interim Director of Housing and Community Development, x5233

The following attachments are on file with the Clerk of the Board:

Attachment 1 - Kents Court Items for Consideration

Attachment 2 - Kents Court Key Dates

Attachment 3 - Kents Court Temporary Relocation Plan

Attachment 4 - Draft Resolution

Attachment 5 - Tables referenced in Staff Report