



County of Monterey

Item No.62

Board Report

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

Legistar File Number: A 26-318

July 07, 2026

Introduced: 6/29/2026

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Agreement

- a. Approve a subordination agreement that will place the County's loan in a lower collateral position behind a loan from the California Department of Housing & Community Development HOME ARP program; and
- b. Authorize the Assistant Director of Housing and Community Development to sign the Subordination Agreement.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve a subordination agreement that will place the County's loan in a lower collateral position behind a loan from the California Department of Housing & Community Development HOME ARP program; and
- b. Authorize the Assistant Director of Housing and Community Development to sign the Subordination Agreement.

SUMMARY:

On June 23, 2026, the Board of Supervisors approved a Subordination Agreement (agenda item 26-238) for a County loan to Interim, Inc. for their Shelter Cove transitional housing development. After the Board's action, Interim, Inc. and the State Department of Housing and Community Development determined that Interim, Inc. did not need all the proposed funding that the County loan was being subordinated to and a new Subordination Agreement is required.

DISCUSSION:

Interim, Inc. gained control of five buildings on Bayonet Circle in Marina through the McKinney Act in 1996. Since then, Interim has developed several residential treatment programs and community facilities. The County has supported these projects with loans to Sandy Shores and Shelter Cove. Cumulatively, these developments provide 32 bedrooms of transitional housing for homeless individuals with psychological disabilities. In 2018, Interim obtained approval from the U.S. Department of Health and Human Services (HHS) to operate under a "health facility designation" rather than the U.S. Department of Housing and Urban Development (HUD) definition, allowing a broader range of eligibility for these transitional units. The change in designation allows Interim to house formally homeless persons exiting treatment programs than were allowed under the HUD definition.

Interim, Inc. is proposing to demolish one building on Bayonet Court that currently provides transitional housing beds and replace it with a new, three-story building with 23 studio apartments and one resident manager unit. All 23 units will be restricted to those who are homeless or at-risk of

homelessness with a preference for adults who have a serious mental illness using a housing first philosophy. Prospective tenants will benefit from having an onsite manager and supportive services.

The recommended action is necessary to facilitate development of the Marina Kai Apartments. As previously discussed, there are 5 buildings on one parcel, all of which are encumbered by the County's Deed of Trust securing its loan for Shelter Cove. Interim needs the County to subordinate its security interest to the California Department of Housing and Community Development to record a loan from the HOME Investment Partnership Act - American Recovery Program that will finance construction of Marina Kai.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

County Counsel has approved the amended Shelter Cove Declaration of Affordability Covenants and Shelter Cove State HOME-ARP Subordination Agreement as to form. The City of Marina is the lead agency for permitting and building inspection of the Marina Kai Apartments. The project is receiving density bonus consideration and must comply with the City's Inclusionary Housing Ordinance. The City will be recording a City Rental Regulatory Agreement and Declaration of Restrictive Covenants on the property. This document is senior to all lien holders and runs with the land.

HOUSING IMPACTS:

- Reduces constraints on Housing Development
- Increases constraints on Housing Development
- Neutral
- Not applicable [N/A]

Approving the recommended actions will allow Interim, Inc. to secure construction financing for 23 new affordable units.

FINANCING:

There is no impact on the General Fund associated with the recommended actions. Interim, Inc. is current on all its loans from the County of Monterey.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

The recommended action will allow Interim, Inc. to increase the number of affordable permanent supportive housing units available for Monterey County residents. This supports the Boards Goals for improving well-being and quality of life and creates more affordable housing infrastructure for the present and future.

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future
- Safe and Resilient Communities
- Diverse and Thriving Economy
- Dynamic Organization and Employer of Choice

Link to the Strategic Plan:

<https://www.countyofmonterey.gov/home/showdocument?id=139569>

Prepared by: Darby Marshall, Housing Program Manager, x5391

Approved by: Joshua Bowling, Housing and Community Development Director, x5227

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

Attachment 1 - Shelter Cove State HOME-ARP Subordination Agreement

Attachment 2 - Agenda Item 26-238 Board Report