



County of Monterey

Item No.

Board Report

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

Legistar File Number: A 24-029

January 30, 2024

Introduced: 1/18/2024

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Agreement

- a. Accept as complete improvements specified in the Certificate of Occupancy for the East Garrison Phase Two Rental Affordable Housing Project. Improvements, consisting of 65 very-low and low-income affordable housing units, were constructed by the Community Housing Improvement Systems and Planning Associates (CHISPA) at 21131 Ord Avenue East Garrison;
- b. Acknowledge that the Successor Agency to the Redevelopment Agency for the County of Monterey accepts that the obligations of the Completion Guarantee by Casa Acquisition Corp. for East Garrison Phase 2 have been met and approves the release of the associated bond (Bond No. 2282539) to Casa Acquisition Corp.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Accept as complete improvements specified in the Certificate of Occupancy for the East Garrison Phase Two Rental Affordable Housing Project. Improvements, consisting of 65 very-low and low-income affordable housing units, were constructed by the Community Housing Improvement Systems and Planning Associates (CHISPA) at 21131 Ord Avenue East Garrison;
- b. Acknowledge that the Successor Agency to the Redevelopment Agency for the County of Monterey accepts that the obligations of the Completion Guarantee by Casa Acquisition Corp. for East Garrison Phase 2 have been met and approves the release of the associated bond (Bond No. 2282539) to Casa Acquisition Corp.

SUMMARY:

In consideration of the East Garrison project, the County and the developer entered into a Disposition and Development Agreement (DDA). The DDA, among other things, requires that the developer construct 196 residential units that would be available for rent to people or families of "very low income" and/or "low income". Affordable rental housing units are to be built in each of the three phases of residential construction. The Phase One Affordable Housing Project was completed July 2013 and included construction of 66 units. The Phase Two Affordable Housing Project included 65 affordable apartment units to be constructed by a non-profit developer, Community Housing Improvement Systems and Planning Associates (CHISPA). The Phase 3 Affordable Housing Project (another 65 units) has not commenced.

On 9 July 2019, the Board of Supervisors acknowledged that the Agency would accept a completion Guarantee with Casa Acquisition Corp. a Delaware Corporation (Casa), a parent of United Communities Partnership (UCP), and authorized the Chair to execute the acknowledgement (Board Res: 19-0536). On July 27, 2019, Casa Acquisition Corp., and the Agency entered into a Completion Guarantee for this Project (Guarantee) requiring UCP (via Casa) to guarantee the completion of the

Project by March 31, 2025. Pursuant to the Guarantee, UCP (via Casa) delivered to the Agency a \$17,500,000 surety performance bond to secure completion (SARDA RES 19-004).

Under the terms of the Guarantee for the Project, UCP (via Casa) is deemed to have fulfilled the requirements of its bond evidenced with the issuance of a “certificate of occupancy” for each of the completed buildings. Staff recommends the Board accept as complete the Project, deem the obligations under the Guarantee have been satisfied in full and approve the release of the bond.

DISCUSSION:

The DDA required as part of the construction of the 1,400 residential units, that 6% of all units must be affordable to “very low income” persons and families, and 8% must be available to “low income” persons and families, in the form of Rental Affordable Housing for a total of 196 affordable apartment units.

On January 16, 2007, the Master Developer and Community Housing Improvement Systems and Planning Associates (CHISPA) entered into a Memorandum of Agreement (MOA), in which the Master Developer designated CHISPA as the Project Developer for 65 units of very low and low-income affordable apartments plus one unrestricted manager’s unit. Pursuant to the MOA, UCP and CHISPA agreed to enter into a purchase agreement for CHISPA to purchase the Phase Two Apartment parcels and develop the Project. UCP and CHISPA subsequently entered into an Agreement for Purchase and Sale of Real Property and Escrow Instructions dated February 17, 2020. This Agreement included an option for UCP to repurchase the apartment parcels if, among other things, CHISPA failed to meet any of the deadlines for construction.

In early 2019 CHISPA was awarded a tax credit reservation to meet the requirements of being a non-profit developer. However, it was still working through some of the other requirements to acquire, construct and own the Phase Two Affordable Units as well as to secure the associated financing. To enable the continued building and sale of market rate units in light of the affordable housing funding challenges, UCP requested that the County and the Successor Agency accept a guarantee by Casa Acquisition Corporation to complete the Phase 2 very low and low-income rental affordable housing units by March 31, 2025 (Attachment 1). The Board of Supervisors, acting as the Board to the Successor Agency approved this request (Attachment 2) and accepted receipt of the bond on July 25, 2022 (Attachment 3). The Board of Supervisors, acting on behalf of the County, also acknowledged the Guarantee (Attachment 4).

In November 2023, CHISPA approached the County to finalize the Certificates of Occupancy relating to the construction at 21131 Ord Avenue East Garrison. These Certificates were finalized by the County on November 20, 2023 (Attachment 5). Noting that the obligations of the Guarantee have been satisfied, a separate Board Report at this meeting will be put to the Board of Supervisors, acting as Board of Directors to the Successor Agency, asking them to approve the repayment of the associated bond.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has reviewed the Completion Guarantee, the bond release request and the Certificates of Occupancy and has approved this acknowledgement as to form.

FINANCING:

Staff time to finalize this bond release request to the Board is funded as part of the Housing and Community Development Department Approved Fiscal Year 2023-24 budget, Appropriation Unit HCD010, Fund 406. The DDA obligates the (now) Successor Agency to use tax revenues (“tax increment”) generated from the East Garrison project to provide financial assistance for affordable housing. The total Agency obligation for Phase Two affordable apartments was \$6,051,106 as of November 30, 2021. The Successor Agency has reimbursed CHISPA for the majority of its construction costs (\$6,050,973.17) by June 2023, and is processing final reimbursement and release of the 5% of withheld funds to CHISPA (\$302,548.66) to complete the Agency’s financial obligation.


BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Completion Guarantee for the East Garrison Phase Two Rental Affordable Housing Project supports the Board of Supervisors’ Strategic Initiatives for Economic Development, Infrastructure, and Health and Human Services. The completion of the CHISPA Project provides 65 units of very low and low-income affordable housing apartments plus one unrestricted manager’s unit for East Garrison Phase Two development.

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

Prepared by: Damian Bye, Management Analyst II, 831 755-5141

Reviewed by: Melanie Beretti, AICP, Acting Chief of Planning

Approved by: Craig Spencer, Acting HCD Director 

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

- Attachment 1 - Completion Guarantee for Phase 2 Agreement
- Attachment 2 - SARDA Board Order - Approval of the Completion Guarantee by Casa Acquisition Corp.
- Attachment 3 - Performance Bond 2282539
- Attachment 4 - Board Order - Acknowledgement of the Completion Guarantee by Casa Acquisition Corp.
- Attachment 5 - Certificates of Occupancy for 21131 Ord Avenue East Garrison