

**COUNTY OF MONTEREY**

**ANNUAL HOUSING REPORT**

**2009**



*APPROVED BY THE BOARD OF SUPERVISORS ON FEBRUARY 24, 2009*

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## **2009 ANNUAL HOUSING REPORT EXECUTIVE SUMMARY**

The Annual Housing Report is prepared each year to provide a comprehensive overview of existing housing conditions, summarize prior year activity, and define the priorities, strategies, and funding allocations of the County's housing efforts for the upcoming year.

### **Housing Context:**

The entire country is experiencing crises in the housing marketplace. This crisis is a result of numerous intersecting factors, including speculation and overbuilding, high personal and corporate debt, risky mortgages, and lack of government regulation of financial markets. These factors have resulted in unprecedented foreclosures, significant home value reductions, and virtually no production of new housing.

The principal findings related to the current housing context are summarized below:

- Foreclosures have flooded the market creating an oversupply of single family for sale units.
- Although prices are decreasing there is still a gap between incomes and prices. This, in combination with constraints in availability of credit and limited down payment funds continues to prevent many households from purchasing homes.
- Foreclosures are increasing demand for and the cost of scarce rentals, which is particularly impacting special needs groups.
- The flooded market and constraints in obtaining financing is resulting in virtually no new construction.
- The undersupply of rental housing is resulting in overcrowded conditions and a disincentive for maintenance.
- There are opportunities available due to reduced sales prices, reduced interest rates and new infusions of funds through economic stimulus packages to reduce the oversupply of housing units and potentially allow access to the housing market by moderate and low-income households.
- Successful and healthy housing communities do not exist in a vacuum. In order to thrive, they need accessible services such as medical care, educational facilities, child care and other support services. Equally critical are infrastructure such as water, sewer and transportation to support the community.

### **Prior Year Accomplishments:**

In spite of the many challenges that the County experienced in 2008, the Redevelopment and Housing Office (RHO) undertook the following activities and projects as summarized below:

- Continued to implement community and specific plans which will provide areas for new housing where infrastructure and services are available once the economic conditions improve.
- Initiate an update of the County's Housing Element, as required by State law.
- Directly assisted affordable housing projects through funding and/or entitlement assistance including Inclusionary rental units in the Commons at Rogge Road project,

the Cynara Court affordable rental project, the Sunflower Gardens supportive housing project, and the Chapin-Castroville rental project.

- Continued to assist infrastructure and public facilities projects that help retain existing affordable housing and support new housing opportunities, including infrastructure improvements in Boronda, San Jerardo, Castroville and San Lucas and public facilities in Pajaro.
- Continued to improve existing housing programs including code enforcement, Down Payment Assistance, Inclusionary Housing Program, loan monitoring activities, homebuyer education and foreclosure prevention counseling.
- Facilitated the creation/retention of housing for special needs groups through rental assistance for farmworkers, projects assisted with Mental Health Services Act (MHSA) funding, and assisting the redevelopment of the Camphora Farm Labor Camp.

### **2009 Strategies:**

In order to address the market adjustments and other challenges currently facing the County, a number of strategies have been formulated for this upcoming fiscal year. These strategies are directed at efforts to create new affordable rental housing for special population groups, facilitating homebuyer capacities to purchase market rate units currently in the foreclosure process, and enhancing code enforcement actions by creating new relocation housing opportunities. Maximize new opportunities now available as a result of lower home prices and state and federal economic stimulus packages. These strategies will be especially tailored to the priorities and recommendations contained in the draft Annual Report are summarized below:

- Assist non-profit housing providers in implementing affordable rental housing projects that contain deep levels of affordability and serve special needs populations.
- Support and enhance homebuyer capacity and opportunities.
- Protect and retain existing affordable housing through innovative code enforcement activities.
- Facilitate construction of affordable units through implementation of Community/Specific Plans, emphasizing rental units.
- Assist in infrastructure and public facility improvements that support existing and new affordable housing.
- Actively seek and promote additional funding opportunities for affordable housing, as well as for infrastructure and public facilities that will support new and existing housing.
- Encourage partnerships to create affordable supportive housing.

### **Funding Recommendations:**

The Annual Report contains a description of funding sources and specific funding recommendations for fiscal year 2009-2010, as well as refinements for the remainder of fiscal year 2008-2009. Following is a summary of the funding recommendations for specific projects that are incorporated into the Annual Report:

## 2009 HOUSING FUNDING RECOMMENDATIONS

PROPOSAL	FUNDING REQUEST	FUNDING RECOMMENDED
<u>Housing Authority of the County of Monterey (HACM)</u> – Hitchcock Road Farm Labor Camp reconstruction	\$750,000 in Housing Funds	Reapply under “Emerging Opportunities” once land-use entitlements are approved and financial analysis completed.
<u>Mid-Peninsula Housing</u> – Cynara Court gap financing	\$1,100,000 in RDA Housing Funds	\$1,100,000 in RDA Housing Funds
<u>South County Housing Corp.</u> – Camphora predevelopment, site acquisition, redevelopment, and code enforcement relocation facility	\$615,000 for site acquisition option and predevelopment and \$1,700,000 for site acquisition	\$615,000 in RDA Housing Funds. \$1,700,000 reservation of future HOME funds
<u>Pajaro Valley Unified School District</u> – Construction of a family resource center in Pajaro	\$500,000 for construction	\$500,000 reservation of future CDBG funds
<u>Monterey County Public Works Department</u> – Contingency funding for the San Jerardo Water Project	\$375,595 for project budget contingency	No funding recommended at this time

## CURRENT HOUSING CONTEXT

The housing market downturn has been one of the most significant economic challenges in the U.S. and in the world in recent memory. The housing crisis, plagued by the severe foreclosure situation, has had a “domino effect” on the stock market, credit markets, financial and lending institutions, commercial and industrial production, governmental institutions and many other areas.

Monterey County has not been immune to the impact of the downturn. Foreclosure rates in areas of the County rank as some of the highest in California. The staggering negative effects of the foreclosure crisis are just now surfacing. Not only are foreclosures directly impacting individual households, they are also causing entire neighborhoods to be negatively affected with vacant properties and depressed values.

While the foreclosure situation is likely the most significant housing issue for 2009, there are other issues that affect the Monterey County housing market. There continues to be a significant need for rental units affordable to very low-, low-income and special needs households. The continuing disparity between wage rates in the County and rental unit costs affects the ability of very low- and low-income households to afford decent housing. Special need households, who are frequently lower income households, face particular difficulties accessing housing that will meet their needs. As new construction has virtually come to a standstill in the County, the importance of maintaining the existing housing stock becomes even more critical. And, finally, there is recognition that successful housing in neighborhoods and communities are dependent on more than just individual houses. Households thrive in communities where there are accessible support services and infrastructure.

While many of these challenges seem overwhelming, they can be addressed with a thoughtful and realistic strategic plan. This 2009 Annual Housing Report provides the background information and strategies to implement such a plan. Following is a more detailed description of the current housing market challenges, followed by a description of 2008 accomplishments and a detailed strategy to address the significant issues facing the County in 2009.

## **Challenges**

### **Housing Market Instability and Foreclosures**

#### **Existing Foreclosure Crises**

The housing market has been in crisis for most of 2008. A myriad of factors have contributed to this crisis including the inability of homeowners to make their mortgage payments, poor judgment by borrowers and/or lenders, speculation and overbuilding during the boom period, risky and expensive mortgages and securitization products, high personal and corporate debt levels, financial products that distributed and perhaps concealed the risk of mortgage default, State and Federal monetary policy, lack of government regulation, and inadequate education of potential homebuyers. The primary result of this crisis has been the increase in foreclosure rates on a level unexperienced in decades. California is one of the top five states with high foreclosure rates in the country.

Foreclosure rates are significant in Monterey County, especially in Salinas and Seaside and the southern cities of Gonzales, Greenfield, King City and Soledad. As of October 2008, there were a total of 5,224 units affected by foreclosure in the County, including 2,309 units in pre-foreclosure and 2,915 units that were bank-owned.

Current indicators suggest that more households will fall into foreclosure this year. It is estimated that at least 10% of all households nationally are either one month behind in their house payments or in the pre-foreclosure process. While the current foreclosure situation was routed largely in the improper use of sub-prime lending instruments (approximately 50% of all foreclosed properties nationally were purchased with sub-prime mortgages), experts predict that the situation will only get worse in the coming year (s) because many adjustable mortgages will be resetting. These financing products allowed homebuyers to avoid paying down their mortgages either by paying only the interest or some other specified minimum payment for up to 5 years. Many people who took out these loans had good credit and expected to “flip” the property or refinance within 5 years. Current home values have decreased to levels that constrain refinancing these loans. These owners are faced with drastic increases in their mortgage payments and, in some cases, actually owe more than their home is now worth.

#### **Sales Price Decline**

Monterey County, like many other communities in California, has experienced an unprecedented decline in the sales price of new and existing homes. Foreclosed properties have flooded the market causing further declines in sales prices and constraining the production of new housing units. The California Association of Realtors (CAR) reports that the median sales price for an existing single-family unit was \$324,000 in July 2008, a 52% decline from the year before.

While the value of housing has declined, it also presents an opportunity for households who have not been able to afford a home in the past. Unfortunately, tightened credit standards and a reduction in mortgage and bank financing assistance have created new barriers to these homeownership opportunities. Lenders are typically requiring down payments of 20% to 30% and excellent credit scores to qualify for mortgages.

## Housing Production has stagnated

Housing starts are down statewide and locally. Housing starts in California are projected to be down nearly 70% from the 2004 and 2005 peak years. In Monterey County, residential building permits have declined significantly from 2007 when permits for 415 units were issued, in 2008 when permits for 196 units were issued. In 2007, only 37 multi-family units were actually constructed in the unincorporated area and in 2008, no building permits for multi-family units were issued by the County.

Even when permits have been issued, the likelihood that units will still be constructed in today's economy is questionable. Many developments that were in the implementation stage have now been "put on hold." For example, the East Garrison project at Fort Ord with an estimated 1,475 new dwelling units has been delayed for at least 1-2 years. Infrastructure for the first phase of the project has been mostly completed but the schedule for construction of the housing units and accompanying commercial developments have been delayed. Further complicating the situation is that lending institutions that traditionally financed new construction projects have reduced or temporarily deferred from providing financing for new projects. The banks have been consistently increasing equity requirements to 40% or higher, and as such, land purchases by developers remain constrained.

## **Rental Housing is Constrained**

Rental units are a critical piece of the County's housing stock because they provide affordable housing opportunities for lower income and special needs households. Further, households who were previously homeowners and lost their homes in foreclosure have now been added to the pool of people seeking rental units. This, in combination with virtually no new rental housing production, has put tremendous pressure on the rental market and has resulted in increases in rental housing costs, overcrowding and deferred maintenance.

Very low- and low-income households are especially vulnerable to increases in housing costs. The average 4-person very low-income household in Monterey County can afford a maximum rent of \$810 per month. According to Realfacts, the average apartment rent in Monterey County has increased in the past year from \$1,135 per month to \$1,222 per month, thereby making the average apartment rent clearly unaffordable to lower income households.

To cope with these higher housing costs, families have to devote a greater share of family resources to housing and have less money to spend on transportation, medical care, education, child care and other goods and services. In addition, families are often forced to "double or triple up" creating overcrowded conditions and causing deterioration of existing housing stock.

## **Rental Housing Conditions**

Rental housing conditions are influenced by several factors including age of housing, lack of owner maintenance and overcrowding. The County's current Housing Element estimates that over half of the County's housing units are 50 years of age or older. Units of special concern are non-owner occupied units where the landlords have not maintained the units and/or allowed more persons to occupy the unit than legally permitted under housing code standards. In addition, as mentioned above, the constrained supply of rental units coupled with increasing demand is creating a disincentive for landlords to properly maintain the properties. Further,



incidence of individuals living in substandard housing is increasing as property owners are converting garages into living spaces or creating unsafe housing units to take advantage of the tight rental market. This situation is resulting in significant code enforcement and health and safety issues within many areas of the County.

### **Special Needs Housing**

Households with special needs face formidable barriers as they maintain or seek housing in Monterey County. These households include farmworkers, people experiencing homelessness, people with disabilities, and seniors. In most cases, these special needs housing groups have extremely low incomes and require units with special design features and/or supportive services. This type of housing is provided exclusively by non-profits or government agencies. These factors combine to create significant obstacles for non-profit developers to implement projects that address existing housing demand without significant government subsidy.

#### **Farmworkers**

Agriculture is the major employment sector in Monterey County. According to the draft “Comprehensive Economic Development Strategy 2009”, agricultural employment represented approximately 24% of all workers in Monterey County. Agriculture is the sector of Monterey’s economy that occupies the top position in three categories: number of businesses, number of employees and overall payroll. However, it also represents the lowest in one category, annual salary. According to the U.S. Department of Labor, the average annual agricultural salary in May 2007 for the Salinas area was approximately \$18,000. Given their low incomes and comparatively high housing costs, farmworker families typically share housing and housing costs with other persons. This situation often results in overcrowded housing and housing with code compliance issues.

#### **Homeless**

The 2007 “Monterey County Homeless Census and Survey” indicated that an estimated 3,766 persons experienced homelessness during 2007 in Monterey County. Of survey respondents, 35% were considered unsheltered and 65% were living in a shelter. The survey also reported on specific characteristics of the homeless population. For example, the survey reported that nearly 55% of the survey respondents indicated that they were suffering from a disabling condition. Homeless persons with special needs such as disabilities also require supportive services including counseling, medical services, job training and access to public transportation.

The Executive Officer of the Coalition of Homeless Service Providers reported anecdotal information that the number of homeless has increased in recent months with the foreclosure situation. Many families who experience foreclosure have exhausted their resources and often become homeless due to their situation.

#### **People with Disabilities**

According to a 2006 survey entitled *Housing Needs of People with Disabilities*, people with disabilities often have limited funds and require housing which is affordable to extremely low and very low-income households. Additionally, survey results found that 43% of the survey respondents indicated that they currently live in housing that does not meet their accessibility needs. In regard to seniors with disability needs, data recently collected by the Housing Alliance

for People with Disabilities (HAPD) indicates that there are a total of 573 people on the waiting list for senior housing developments managed by CHISPA. Of those 573 people, 39 applicants requested an accessible unit.

### Seniors

According to the 2008-09 Agency on Aging Area Plan Update, approximately 10% of the County's population is 65 years and older (40,852 persons). Of those persons, 6% are estimated to be living below the poverty level. Because of the large number of baby boomers aging into the future, it is estimated that the county's population of persons 65 years and older will double in the next 20 years. As the population ages and more seniors live longer and healthier lives, it is essential that Monterey County begin to develop housing options to meet the demands of this growing population, including providing "universal design" features to accommodate seniors with disabilities.

In addition, housing options for seniors should include residential retirement areas with continuum of care options. Continuum of care projects often provide separate housing for those who live independently, assisted living facilities that offer more support, and nursing homes for those needing skilled nursing care. With all options located on the same grounds, residents can move from one housing choice to another as their needs change, allowing people to age in place and access the services they need while remaining a part of the community.

### **Housing As Part of a Successful Comprehensive Community Strategy**

Many factors denote positive and successful housing developments and neighborhoods in a community. For example, research indicates that accessibility of such key services such as medical, education, child care and other support services is critical to successful communities, especially lower income communities. Further, the "new urbanism" policies of walkable communities with commercial and job opportunities in close distance have also emphasized the spatial relationship of housing to other amenities. Adequate infrastructure is still another component that is critically important to successful neighborhood development. All of these factors need to be evaluated and strengthened when addressing housing conditions and opportunities.

An equally critical component is the retention and creation of jobs in a community. In large part, the ability of households to afford housing is based on their employment and income. Monterey County has higher unemployment rates and lower per capita income than the State of California as a whole. Experts predict that, as the recession continues into 2009, unemployment rates are expected to continue to rise. In addressing housing needs, it is important to consider the impact of jobs and to encourage the retention and expansion of job opportunities whenever possible.

### **Future Housing Needs (Regional Context)**

The adopted AMBAG "Regional Housing Needs Allocation Plan (RHNA)," identified the future housing needs by income group of Monterey County for the time period of 2007-2014. The RHNA is used as a basis for updating the Housing Element which is currently underway. In order to put this into some perspective, listed below are the estimated housing unit needs for the 5-year period for the unincorporated areas of Monterey County and the current maximum household income for a household to qualify for a unit.

	Maximum 2008 Income (4 person household)	# of Units Needed 2007-2014
Very low-income	\$32,400	347 units
Low-income	\$51,850	261 units
Moderate Income	\$77,800	295 units
Above Moderate	\$77,801 +	651 units

## Conclusions

Following is a description of the primary findings resulting from analysis of the data collected on the current housing context in the County.

### Findings

- Foreclosures have had a significant and dramatic impact on the Monterey County housing market. Foreclosed homes have flooded the market creating an oversupply of single-family for sale units.
- Although sales prices have fallen, there is still a gap between incomes and prices. This, in combination with the limited constraints on obtaining a home loan without excellent credit and a large down payment, continues to prevent many households from purchasing homes.
- Households that have lost their homes to foreclosures are increasing pressure on the rental market resulting in an increased demand for very low- and low-income rental units.
- The current economic crisis is manifesting in virtually no new construction of rental housing units as the construction costs and limited supply of construction financing make projects financially infeasible.
- The pressures on the supply of existing rental housing are resulting in overcrowded conditions and a disincentive for property owners to maintain rental units.
- The limited supply of affordable rental housing, coupled with increased demand, is particularly affecting access to housing by special needs groups. At the same time, the ability of non-profits to construct new special needs housing is constrained by reductions in funding sources.
- While the housing market situation presents a challenge, it also presents opportunities in terms of reduced sales prices, reduced interest rates and new infusions of funds into the mortgage funding process through federal, state and local actions. These actions provide new opportunities for qualified lower and moderate income households who previously could not afford the “high” price of housing to become homeowners.
- Successful and healthy housing communities do not exist in a vacuum. In order to thrive, they need accessible services such as medical care, educational facilities, child care and other support services. Equally critical are infrastructure such as water, sewer and transportation to support the community.

## **HOUSING ACCOMPLISHMENTS**

Although the County faces numerous challenges in developing affordable housing, including continued limited Housing Office staff resources, there were significant achievements in 2008, as described below. In particular, the County had considerable success in moving forward planning efforts necessary to create new housing opportunities, assisting specific projects, facilitating partnerships with various non-profit organizations and other agencies, improving existing housing programs, and facilitating community and specific plan implementation efforts.

### **Prepare Land for Development of New Housing**

#### **Community and Specific Plans**

Over the past several years, the County has been preparing community plans for Castroville and Boronda and facilitating implementation of an adopted specific plan for East Garrison on the former Fort Ord. The planning processes have included extensive participation by residents, business owners, property owners and developers (both for-profit and non-profit) within each community. This participation has resulted in detailed programs and strategies intended to produce significant amounts of new housing affordable to the residents and workers of the County. Over 1600 new housing units are being planned for Castroville, 600 for Boronda, and 1400 in East Garrison.

The plans include programs to provide for the needed infrastructure, commercial and industrial uses, and public amenities to create healthy, mixed-income communities with move-up job opportunities. The plans include specific development regulations that will result in the efficient utilization of land and residential densities that will support affordable housing and mixed-use development, combining high density residential with commercial uses.

#### **Castroville**

The Castroville Community Plan was adopted by the Board of Supervisors in April of 2007. The areas that are located in the Coastal Zone require approval of a Local Coastal Program (LCP) Amendment by the California Coastal Commission. The LCP Amendment has been submitted and is currently being processed. It is anticipated that the Coastal Commission will consider the Amendment request in early to mid 2009. The Community Plan embodies “smart growth” concepts that are intended to improve the quality of living for the existing residents as well as allow well-planned, new development to help address the County’s need for new housing. A major goal of the Community Plan is to provide for a range of housing types and affordability within the context of an integrated community.

The Community Plan includes a number of specific implementation activities that were undertaken in 2008 including preparing draft amendments to the County’s zoning ordinance, preparing a development and design review process, engineering design of significant traffic improvements, and initiation of a Downtown Façade Grant Program. The Redevelopment and Housing Office has also been coordinating with property owners and potential developers to facilitate implementation of new infill projects with a particular emphasis on rental housing. The economic crisis has delayed moving forward with some private development projects but has provided the County with the opportunity to expend resources on important efforts such as infrastructure and traffic safety improvements and downtown beautification that will compliment future development opportunities as the economic conditions improve.

Also, in 2008, the County was awarded an Economic Development Administration (EDA) grant to prepare an economic development strategy for a planned industrial park envisioned in the Community Plan. While not directly tied to the provision of affordable housing, this effort will help implement the economic development goals of the Community Plan to increase the number of quality employment opportunity for residents, including job training. These efforts are intended to enhance the quality of life of the residents as well as provide more “buying power” for access to housing.

### Boronda

A Boronda Community Plan was drafted in late 2004 with considerable participation by the existing community. Adoption of the Plan was delayed pending negotiations related to a new Memorandum of Understanding (MOU) between the City of Salinas and the County and submittal of a development plan for a mixed-use project in South Boronda (Boronda Meadows) by a private developer. The Boronda Meadows developer delayed the project for most of 2008 to refine the project engineering and to address financing issues. The refinement of the draft community plan was therefore delayed as well. It is anticipated that a revised project will be submitted in early 2009 enabling the Community Plan to be completed and processed.

The land use entitlements for Boronda Meadows project will be processed by the County then annexed to the City of Salinas for implementation in accordance with the City/County MOU. The existing community of Boronda (North Boronda) will remain in the County’s jurisdiction. The Community Plan will be finalized to incorporate the Boronda Meadows project and address other areas of Boronda to result in a well-planned integrated community. The Community Plan addresses infrastructure challenges within both the existing community and in the new development areas. The Community Plan also includes design standards and guidelines to improve the quality of the existing development and allow higher housing densities, while ensuring that the existing rural character desired by the current residents is preserved.

### East Garrison

The Fort Ord Redevelopment Project Area and Redevelopment Plan were adopted by the County and Redevelopment Agency in 2002. In 2005, the East Garrison Specific Plan and the associated EIR was completed and approved by the County. The Specific Plan provides for approximately 1400 new housing units in conjunction with commercial uses, public amenities such as a library and fire station, and the rehabilitation of historic buildings on the site to provide space for arts and cultural activities. The project approvals require 20% Inclusionary units (approximately 280) and 10% Workforce Level II units (approximately 140). The project is to be implemented in several phases. The phasing incorporates affordable housing within each phase. Memoranda of Agreements (MOA) have been executed by the developer and three non-profit housing developers to provide 196 affordable rental units in order to partially satisfy the Inclusionary housing requirements for the project. The MOA provides for Mid-Peninsula Housing Corporation to construct 65 affordable rental units in the first phase.

The Redevelopment and Housing Office, working with departments in the Resource Management Agency, undertook a number of implementation activities related to this project during the past year. However, on May 28, 2008, the developer informed the County that the downturn in the local and statewide housing market had reached significant proportions and requested County approval of provisions in the Development and Disposition Agreement (DDA) relating to “Enforced Delay”. The project is currently on hold.

## **General Plan Update**

The County has been preparing a General Plan Update (GPU) over the past several years. In 2007, the Board of Supervisors approved a General Plan and certified an Environmental Impact Report (EIR). However, that General Plan was the subject to voters' referendum and subsequent litigation. In July of 2007, the Board of Supervisors directed staff to prepare a revised draft General Plan and undertake a supplemental EIR. The draft GPU was released on December 22, 2007 for public review. This new draft includes policy recommendations related to community areas targeted for future growth and the provision of affordable housing in future developments. Subsequent environmental review has been completed and consideration of the General Plan is scheduled for 2009.

## **Housing Element Update**

The County's existing Housing Element, a component of the General Plan, was adopted in 2003. Under State law, Housing Elements are updated approximately every five years in contrast to the rest of the General Plan, which is typically prepared to address a 20-year planning horizon. The Housing Element update process and content is dictated by the State Department of Housing and Community Development (HCD). The next update for Monterey County is due in 2009. In 2008, the County retained a consultant to assist in the preparation of the Housing Element Update and the Housing Advisory Committee (HAC) appointed a Subcommittee to work with the consultant and County staff on the effort. The consultant has determined the specific requirements and important issues that need to be included in the update relative to Monterey County. These include ensuring that adequate sites are made available through appropriate zoning to allow for meeting the Regional Housing Needs Allocation (RHNA), addressing special needs housing including emergency shelters, and addressing housing needs of extremely low-income households. Policy and program strategies to address these issues are being formulated and a draft Housing Element Update will be prepared by mid 2009 in order to meet the State submittal deadlines.

## **Project Assistance**

In 2008, the County directly facilitated and assisted a number of affordable and workforce housing developments. These projects include the construction of a 171-unit development (The Commons at Rogge Road) north of the City of Salinas that, upon build-out, will consist of 123 market-rate single-family homes and 48 Inclusionary rental apartments; 58 rental units in downtown Castroville (Cynara Court); 18 units in the Sunflower Gardens (formerly called Casas del Sol) supportive housing project; and 58 rental units in the Chapin Axtell Apartment Project, which includes 10 restricted Inclusionary Units, 48 market-rate rental units, and one manager unit.

### **The Commons at Rogge Road**

The project includes 171 housing units on a 12.5-acre parcel located east of the City of Salinas. The project site is in an urbanized area close to jobs, shopping and services. The project will create a compact, mixed-income neighborhood compatible with the existing development in the area. Housing will include both single-family detached units on small lots and rental apartments,

along with project amenities including a par course, playing field, tot lot, and transit stop. The rental units will be affordable to very low-, low-, and moderate- income households as part of the Inclusionary Housing Program.

The project was approved in 2006. The County provided several incentives to facilitate the project including processing fee waivers, modification to development standards to accommodate a more innovative design, and entitlement processing assistance. The rental apartments were completed in 2008 and RHO staff worked with the developer to income qualify prospective tenants.

Approximately 15 of the single-family units have been completed but the developer is delaying the remainder of the project due to the current housing market downturn. Also, in response to the current market conditions, the County processed a modification to the approved project to eliminate the restrictions related to the Workforce Housing component.

### Mid Peninsula Housing – Cynara Court

In 2006, the Redevelopment Agency (RDA) provided Mid-Peninsula Housing Coalition (Mid-Pen), a non-profit housing developer, with a \$470,000 loan to purchase a 1.5-acre site in downtown Castroville at Rico Street (Site #1). Concurrently, the County provided an Over-the-Counter grant for \$25,000 to Mid-Pen to undertake pre-development activities related to developing an affordable housing project on the site. The loan was increased by \$70,000 to \$540,000 in 2008. Also in 2006, the County was awarded a \$100,000 Transportation for Livable Communities Grant from the Transportation Agency of Monterey County (TAMC) to help fund a signal near the site and enhance pedestrian crossing facilities to provide safe access from the project on Merritt Street to the elementary school, new library and family resource center, retail services and other community facilities. Site #1 will be developed with a 40-unit rental project with an office, homework center, and small commercial/retail use on the ground floor. Landscaped courtyards and a tot lot are also included.

In 2008, the Redevelopment Agency provided a loan of \$883,333 to allow Mid-Pen to purchase a second site (Site #2) and to provide funding for development expenses related to both sites. Site #2 is located on Merritt Street between Washington and Mead Streets and will consist of an 18-unit affordable rental component and a retail commercial component in a separate building to be a separate developer.

The Cynara Court project (located on both sites) will provide a total of 58 units. All of the units will be restricted to low- and very low- income households below 60% of the Monterey County Area Median Income (AMI). This project will help address the need for affordable rental housing in Castroville, where there are serious overcrowding problems and limited affordable housing opportunities. Cynara Court will meet the housing needs of both families and singles by including a high percentage of 2-bedroom and 3-bedroom units in its unit mix. The proposed project design is consistent with the adopted Castroville Community Plan and will further redevelopment efforts in the downtown area.

In addition to funding assistance, the RHO also provided significant entitlement assistance to the project. The developer has requested additional funding under the 2008 NOFA to address a funding gap resulting from decreases in the amount of low-income tax credits that can be obtained for the project due to the overall economic downturn.

## Sunflower Gardens CDBG Grant

On July 17, 2008, the County of Monterey was awarded a State Community Development Block Grant (CDBG) for Interim Inc.'s Sunflower Gardens project. Sunflower Gardens will be an 18-unit supportive housing facility for 23 very low-income adults with serious mental illness who are homeless or at risk of homelessness. State CDBG will fund approximately \$500,000 in construction costs associated with the transitional housing units in this project. Sunflower Gardens will replace the existing Casas del Sol farmworker housing facility on 25 Sun Street in the City of Salinas. Casas del Sol was intended to house 44 single farmworkers but is highly underutilized despite extensive marketing by the Housing Authority. The Housing Authority is selling the site to Interim because they have not been able to occupy the existing facility with qualified tenants. The project site has deed restrictions in place, which run with the land. The restrictions are anticipated to be modified to be consistent with Interim's proposal. Interim intends to begin construction in early 2009 and finish in 2010. The total project cost is currently estimated to be \$5,632,349.

## Axtell Housing Project

During 2008, the RHO began working with a private developer on a proposed 59-unit rental project on an infill site in Castroville. The project is located on a 3.4-acre site at Preston and Axtell Streets and will consist of 58 rental units and one manager's unit. The project will restrict 10 units for very low-, low- and moderate-income households in compliance with the Inclusionary Ordinance and, in addition, will provide much needed rental housing in the community. The project furthers the goals of the adopted Community Plan by providing compact, higher density development on in-fill parcels. The apartments are to be two and three bedrooms in size and the project incorporates a resident/community room and recreation facilities. The site is located within walking distance to schools, parks, the new Castro Plaza, and shopping. RHO staff helped facilitate land use entitlement processing. The Planning Commission will consider the application in early 2009. The project could be developed in late 2009 or early 2010.

## **Correct Infrastructure and Public Facility Deficiencies**

Provision of adequate infrastructure, including roadways, water systems and wastewater systems is essential to retaining existing housing stock as well as providing for new housing. In addition, providing public facilities that matches the needs of the communities compliments and supports existing and future affordable housing. During 2008, the County continued to make critical infrastructure improvements and implement public facility projects in Boronda, Castroville, Pajaro, San Lucas, and San Jerardo.

## Boronda Storm Drain Master Plan

In 2000, the County adopted a Stormdrain Master Plan for Boronda to address deficient storm drainage facilities that impact the existing housing in the community. Since 2001, the County has been constructing the road and drainage improvements recommended in the Master Plan using a phased approach. The first two phases have been completed and funding for the construction of the third phase was approved in 2008. The design of the fourth phase will commence in 2009.



## San Jerardo Water System

In 2007, a \$25,000 Over-the-Counter (OTC) Grant was provided to the County Public Works Department to facilitate replacement of the water system for the San Jerardo Farm Labor Community. The existing water system has been determined to be substandard and the system is currently under a State “bottled water order”. The County has installed and is operating a temporary filtration system to ensure that potable water is supplied to the residents. The County Public Works Department is in the process of finalizing design of a new water system that includes a new well and distribution facilities. The County has been awarded a \$1,000,000 CDBG grant to help finance development of the new system and the Public Works Department has taken lead responsibility for the implementation of the project. An additional \$300,000 in Inclusionary funding has also been committed to the project. The remaining funding is being obtained through the State Department of Health Services and other grant funding. The project has encountered many challenges including difficulties in obtaining a well site and delays in the environmental review process.

## Artichoke Avenue – Castroville

The Castroville Community Plan identified a number of transportation improvements needed to address existing congestion and support new redevelopment projects. Improvement of the intersection of State Highways 1 and 183 (Merritt Street) is the most critical transportation improvement in the Plan.

In 2006, the RHO retained a consulting team to prepare preliminary engineering for the project and work with Caltrans and the County Public Works Department to obtain necessary approvals. Preliminary design was completed in November 2006 and final design completed in 2008. Final engineering, environmental clearance, and right-of-way acquisition is scheduled for 2009. Construction is dependent on funding but anticipated in 2010.

In addition, the RHO has recently been putting considerable efforts into preparing a competitive application to the State for Proposition 1C (Infill/Affordable Housing) funds. The application will be for approximately \$1.5 million for traffic safety improvements along Merritt Street, including intersection improvements, a new traffic signal, traffic calming facilities and pedestrian safety improvements. These improvements will compliment the planned new roadway called Artichoke Avenue at State Highway 1 and Merritt Street. This roadway will help eliminate congestion and accidents at a dangerous intersection in Castroville, thus allowing for new housing and business development.

## Pajaro Medical and Dental Clinic

During 2008, the RHO worked with the Monterey County-based non-profit Clinica de Salud del Valle de Salinas, to develop a clinic providing medical and dental services to Pajaro area residents. Following completion of a community-wide site location survey, it was determined that the presently under-utilized Senior Center on Bishop Street was the best location for the future medical/dental clinic. Efforts are currently underway to relocate the senior program that currently uses the building to another nearby location in Pajaro, Nuevo Amanecer Community Center. It is anticipated the relocation will be completed the first quarter of 2009, allowing the medical and dental clinic to move in the Senior Center building.

## Pajaro Community Park

Granite Construction Company has agreed to the transfer of a five-acre parcel located in Pajaro for the development of a new community park. The Pajaro community has a predominately low-income population with a significant number of young children living in over-crowded housing conditions. Other than two small tot lots, the community lacks any park facilities. Once completed, the Pajaro Sunny Mesa Community Service District (PSMCSD) has conceptually agreed to accept ownership, operate, and maintain the park. In 2008, the Redevelopment Agency retained a consultant to prepare design plans, specifications, and bid documents for construction of the park facilities. Once transfer of the property is completed, the design, environmental, land-use entitlement, and permitting phase will commence. Construction of the first phase of improvements is anticipated to occur in the spring/ summer of 2010.

## 2008 CDBG Planning and Technical Assistance (PTA) Grant for San Lucas Water System Well

On December 10, 2008, the County was awarded Community Development Block Grant (CDBG) Planning and Technical Assistance (PTA) grant for \$40,000 to conduct water system well testing and test well drilling for the community of San Lucas. The level of total dissolved solids in the existing water well that supplies the community of San Lucas has recently increased and now exceeds the maximum allowed levels under State law. This is an aesthetic hazard rather than an immediate health hazard. The Monterey County Health Department Division of Environmental Health has informed the San Lucas Water District that they are required to find an acceptable source of supply by either using another well or installing treatment. Further, it is not possible to increase the number of permitted connections to the system until an acceptable source of supply is obtained, inhibiting CHISPA from going forward with their approved 33-unit affordable housing development in San Lucas.

## Enhance Housing Programs

### Code Enforcement for Housing

The need for enhanced residential code enforcement in the Pajaro community has been identified as an issue of long-standing concern in many of the unincorporated areas of the County. In 2008, the RHO, in collaboration with the County Social Service and Building Departments, retained HomeBase to design a “soft landing” program for individuals displaced as part of code enforcement activities. As part of this effort, RHO staff began to develop a relocation implementation program for the use of 19 “swing” housing units located at Kents Court in Pajaro. These units were developed by South County Housing with RDA assistance. The HomeBase analysis will be completed in early 2009.

### Down Payment Assistance Program

During 2008, two households received assistance from the County’s Down Payment Assistance Program (First Time Homebuyer Program) allowing them to purchase homes in the unincorporated areas of the County. During previous years, this program was primarily funded with State grants. The effectiveness of the program proved constrained due to limitations imposed by the State grant requirements related to maximum sales price and housing quality standards. The State grant includes a maximum sales price of \$355,000 for homes that can be purchased through assistance from the program and also requires that the home to be purchased

meet federal Housing Quality Standards. At the time, very few market rate homes in Monterey County were priced under this amount that met the housing quality standards. In addition, the homebuyers must be within the lower income category (80% of County median income). Buyers in this income category often experience difficulty in qualifying for sufficient financing.

Given the recent economic crises and resulting drop in home prices, additional opportunities may be available to secure new grants and move forward with a more effective program. During 2008, the RHO was able to provide Down Payment Assistance by using Redevelopment Housing Funds. This enabled two new Inclusionary units in Castroville to be assisted.

### 2008 CDBG Planning and Technical Assistance (PTA) Grant for a Housing Study

On December 15, 2008, the County was awarded a Community Development Block Grant (CDBG) Planning and Technical Assistance (PTA) grant for \$30,000. The grant will provide funding to complete a housing study to develop a Down Payment Assistance Program for the unincorporated areas of Monterey County in response to the current economic crises and potential State and federal funding. As part of this study, the current housing stock and current income levels in Monterey County would be examined. Then, based on funding sources available for homebuyer assistance, including the potential funding from the Neighborhood Stabilization Program, an appropriate assistance program will be recommended.

### Inclusionary Housing Program

The County adopted a new Inclusionary Housing Ordinance (#04185) in 2003, which requires that new residential development provide a contribution equal to 20% of new residential developments affordable to 6% very low-income, 6% low-income, and 8% moderate-income households. In addition, the Ordinance generally requires that the required Inclusionary Units be constructed on the project site. An Administrative Manual was adopted in conjunction with the new Ordinance, providing a detailed description of administrative processes, including the establishment of underwriting criteria for calculating sales prices, rent levels, in-lieu fees, and the selection of buyers through a lottery system.

During the past several years, revisions to the Ordinance have been discussed and considered by the Housing Advisory Committee and Planning Commission, specifically related to the term of affordability, inheritance and an update to the In-Lieu Fee Schedule. However, due to policies contained in the draft General Plan Update, revisions to the Inclusionary Ordinance have been delayed to ensure consistency.

During 2008, the Housing Advisory Committee (HAC) considered potential revisions to the Inclusionary Ordinance pertaining to agricultural subdivisions. Requests were made from the agricultural industry to move forward with revisions in advance of the General Plan Update being adopted. The HAC voted to recommend that staff prepare draft Ordinance revisions and take the amendment forward to the Planning Commission and to the Board of Supervisors. The recommended revisions would provide for the payment of Inclusionary In-Lieu Fees to be deferred for qualified agricultural subdivisions until residential building permits are issued. These revisions will be taken forward for consideration in early 2009.

During 2008, 48 new Inclusionary Rental Units (Rogge Road) and three single-family Inclusionary Ownership Units (Union Square) were constructed. In addition, seven units were committed through the project approvals or recordation of Inclusionary Housing Agreements.

Staff also processed 43 requests for home values and 10 requests to refinance existing units, which lowers the housing costs for the existing owners due to a lower interest rate. One existing Inclusionary unit was re-sold to a qualified household through the lottery process. The three new Inclusionary Units at Union Square in Castroville were also sold to qualified buyers. During 2008, the Housing Office received default notices for four Inclusionary units. In order to preserve the affordability restrictions on these units, the Housing staff and County Counsel have been working directly with the owners and the mortgage holders to cure the defaults or sell the units to qualified households.

The Inclusionary Ordinance and Manual require that the County monitor all Inclusionary units for compliance with the Inclusionary Agreement/Deed Restrictions recorded on each property. For the last several years, the RHO has been actively monitoring all Inclusionary Units in compliance with Program requirements. During 2008, considerable efforts were undertaken to improve the monitoring process, including preparing clear correspondence materials and a detailed tracking system. In addition, RHO staff is developing a comprehensive data base to track monitoring and other aspects of the Inclusionary program. In 2008, the annual monitoring program was completed for 236 existing Inclusionary ownership units. A total of 28 owners did not respond to the monitoring request and RHO staff is conferring with County Counsel to determine appropriate remedies and actions based on the individual Inclusionary Agreements recorded on those properties. Of those 28, eleven owner-occupied units located in Castroville are currently the subject of litigation and have notified the County that they would not respond to the monitoring requests for that reason. Monitoring of 106 Inclusionary rental units was also completed in 2008.

### Loan Monitoring

The County and Redevelopment Agency provide funding to affordable housing projects and to individuals for housing rehabilitation and down payment assistance in the form of loans. Each loan has a loan agreement that sets forth the terms, including occupancy requirements and loan repayment. Specific monitoring requirements are based on the funding source. Funding sources for the County loans include Redevelopment Housing Set-Aside funds (RDA), CDBG, HOME, BEGIN, and Inclusionary. During 2008, the RHO undertook an extensive program to revise its loan monitoring procedures to improve effectiveness, including developing a loan monitoring schedule that corresponded with State monitoring requirements to eliminate duplicative efforts. In 2008, monitoring for loans funded with HOME grant funding was completed for 40 rental units and will be initiated for 125 owner-occupied units in early 2009. Monitoring of RDA loans for 30 rental units located in the Kent's Court and Nuevo Amanecer (New Beginnings) affordable rental projects will be conducted in early 2009.

### CDBG Grant for Foreclosure Counseling

On July 17, 2008, the County of Monterey was awarded a State Community Development Block Grant (CDBG) in the amount of \$300,000 for a Homeowner Preservation and Foreclosure Prevention Service (HPFPS) program. The Monterey County Housing Alliance (MoCHA), a HUD-certified Housing Counseling Agency, will administer these services to residents in the unincorporated and non-entitlement areas of the County. The HPFPS program will provide counseling to current homeowners who are behind or at risk of becoming behind on their mortgage payments in order to stabilize their financial situation and bring their payments current. The cities of Greenfield, Soledad and Gonzales have each agreed to provide \$10,000 in local leverage funds to bring these services to their cities. The RHO will provide a total of \$19,000 in local leverage funds from Inclusionary and Redevelopment Housing funds to support service in

the unincorporated areas of the County. These funds will ensure that workshops and services are not only marketed heavily but also physically provided in the aforementioned areas. This program is anticipated to be available in the spring of 2009.

### Neighborhood Stabilization Program

The Federal Housing and Economic Recovery Act of 2008 (HERA) includes a \$3.9 billion special Community Development Block Grant (CDBG) allocation to finance, purchase, acquire, or redevelop abandoned and foreclosed homes. This newly established “Neighborhood Stabilization Program” (NSP) must assist families at or below 120% area median income and units assisted must be restricted as affordable. The NSP program will provide California communities with approximately \$530 million to address local foreclosure issues.

According to draft guidelines released on November 14, 2008, Monterey County jurisdictions have been allocated approximately \$3.2 million to alleviate problems caused by abandoned and foreclosed homes. Of that \$3.2 million, the City of Salinas is eligible to apply for \$1.8 million. The remaining jurisdictions in the County are eligible to apply as part of a joint application for \$1.3 million with specific allocations of \$589,058 for the County, \$217,056 for Greenfield, \$103,199 for King City, \$177,724 for Seaside, and \$247,751 for Soledad.

The County has formed a Foreclosure Workgroup and has held a series of meetings with the cities in Monterey County. The goal of this Workgroup is to join together in addressing the foreclosure crisis locally. This Workgroup presents an important opportunity to address the negative impacts that foreclosures continue to have on our communities including blight and crime. The Workgroup is currently preparing to submit a joint application to HCD for the NSP funding. The group is looking into NSP program design options including a down payment assistance or an acquisition/rehab program, as well as how to leverage NSP funds for maximum impact. HCD anticipates releasing the NSP application in early 2009.

### Special Needs Housing

#### CDBG for Rental Assistance for Households Impacted by 2007 Freeze

In 2007, the County was awarded a Community Development Block Grant (CDBG) in the amount of \$300,000 to provide rental assistance to qualified low-income households that were affected by the freeze disaster that occurred in January of 2007. The County provided a \$30,000 local match contribution from CDBG Program Income. In November of 2007, the County entered into a Subrecipient Agreement with the Monterey County Housing Advocacy Counsel to administrate the rental assistance program on behalf of the County. The program is supplying up to three months of rental assistance to eligible applicants. It is estimated that the grant will assist approximately 100 households.

#### Mental Health Services Act

The Mental Health Services Act (MHSA) is a tax on millionaires in California to provide supportive services for individuals with psychiatric disabilities, including housing for those who are homeless or at risk of homelessness. In December of 2007, the RHO entered into a Memorandum of Understanding (MOU) with the County Health Department’s Behavioral Health Division to increase the provision of permanent supportive housing in accordance with the MHSA. In the future, this funding source will be incorporated into the County’s Notice of

Funding Availability (NOFA) process and the HAC will be asked to make recommendations on MHSA applications received.

The first MHSA application submitted to the California Housing Finance Agency (CalHFA) for review was the Sunflower Gardens project, which is described in more detail above. Sunflower Gardens will be an 18-unit supportive housing facility for 23 very low-income adults with serious mental illness who are homeless or at risk of homelessness. On November 12, 2008, CalHFA awarded this project approximately \$1.6 million in construction funding and approximately \$1.5 million in operation subsidies.

The County anticipates submitting a second MHSA application to the State in early 2009 for CHISPA's Wesley Oaks Subdivision. Wesley Oaks will consist of 10 single-family affordable homes. CHISPA will retain one low-income four-bedroom unit for the MHSA program and collaborate with the County's Behavioral Health Division to provide supportive housing and services for transitional aged youth (18-25) who meet MHSA criteria. The project will be located in the City of Salinas close to public transit, businesses, and health care services. CHISPA is requesting \$400,000 in MHSA construction funding through the County with operating subsidies to be determined. Construction is scheduled to begin in April of 2009.

### **Over-the-Counter Grants**

The Over-the-Counter (OTC) Grant Program provides Inclusionary Housing and Redevelopment Housing Set-Aside funding on a year-round basis to non-profit organizations and private developers to develop affordable housing projects and other housing initiatives that promote the availability, quality or stability of housing. Allocations are limited to \$25,000 per calendar year per project. The following describes OTC grants awarded or completed in 2008.

#### **Village Mobile Home Park**

In March 2008, an OTC Grant was approved for \$25,000 to the owners of the Village Mobile Home Park for the preparation of an engineering feasibility study to identify an improvement or replacement concept for the park's wastewater treatment system. The Village Mobile Home Park is located in an unincorporated area of Monterey County, just north of the City of Salinas. The Park contains 139 units consisting of 116 mobile homes and 23 rental apartments. The mobile home units are owned by the occupants, who pay the park for space rental. Most of the current residents are low-income seniors. The applicant has stated that the current space rents range from approximately \$250 to \$420, with the average rent being less than \$400 and that the park owners only raise rents in very small increments to maintain affordability. The Park's existing wastewater system consists of a septic system developed in the early 1960's. This older system has experienced continuous problems, particularly during heavy rains.

The park owners retained an engineering firm to prepare the study which was submitted in late 2009. The recommendations will allow the park owners to proceed with a feasible solution in the upcoming year and assist in addressing infrastructure problems related to retaining existing housing stock for special needs groups (seniors).

#### **Camphora Labor Camp**

In November of 2008, an OTC Grant was approved for \$25,000 to South County Housing (SCH) Corporation, a non-profit affordable housing developer, to prepare site plans and a financial

feasibility study for a potential project to redevelop the existing Camphora Farm Labor Camp located near the City of Soledad. SCH has negotiated an option to purchase the facility. The requested \$25,000 OTC Grant Application will fund the completion of a feasibility study to provide initial site planning and financial analysis. SCH will also use the funding to work collaboratively with the existing residents to ensure that a future project meets their needs. SCH anticipates replacing the existing, dilapidated 44-unit complex with a new 60-unit high quality affordable rental project, including a community room and recreational space. The project will serve low- and very low-income families, including farmworkers. The project may also include a component of relocation housing that would be used for the tenants of the existing units during construction and then be available for code enforcement activities in the South County area.

## **RECOMMENDED 2009 HOUSING STRATEGIES AND PRIORITIES**

The 2009 Annual Housing Report continues to build upon the strategies contained in the previous Annual Reports while introducing new areas of focus in response to the current economic crises. In previous years, the priorities were primarily directed at implementing and improving housing programs such as the Inclusionary Housing Program and planning for new housing development through adoption of community plans and specific plans. In response to the housing context at the time, the 2008 Annual Report prioritized the production of multi-family units in high need locations and the creation of affordable rental units. In addition, the 2008 priorities included providing resources to help households prepare to become homeowners, to retain their homes through credit and foreclosure counseling and increase buyer education related to purchasing homes, including credit counseling.

As indicated in the context presented in the previous section, the housing market is experiencing tremendous shifts, including significant decreases in values, very high foreclosure rates, and constraints in the credit industry impacting the availability of home purchase mortgages. This situation presents significant challenges but also unique opportunities. The housing program priorities and strategies for the next year are intended to address the challenges to help reduce the impacts of the economic crises on our communities and take full advantage of the reduction in the sales prices of existing units and new state and federal funding opportunities. These strategies are intended to facilitate future construction of affordable housing, correcting infrastructure and community facility/services deficiencies, providing affordable housing project assistance, enhancing housing programs and enhancing homebuyer capacity, and addressing the housing needs of special populations, including extremely low-income households. The following summarizes the recommended priorities and related strategies for 2009.

### **Support and Enhance Homebuyer Capacity and Opportunities**

In order to capitalize on current market trends and new government financing, targeted homebuyers must be prepared to purchase homes. In the past, the County has partnered with several different non-profits to facilitate this objective. In 2008, the County was awarded a CDBG grant that includes \$300,000 in funding for the Monterey County Housing Alliance (MoCHA) to provide credit counseling and foreclosure prevention services. In addition, the County has taken a lead role in organizing a joint approach with participation by the County and cities located in Monterey County to apply for funding under the Federal Neighborhood Stabilization Program (NSP). Following are specific activities related to this strategy for 2009:

- Coordinate with the Monterey County Housing Alliance (MoCHA) to provide homebuyer counseling and education through recently awarded CDBG grant funds.
- Identify an appropriate Down Payment Assistance Program using the recently awarded CDBG Planning & Technical Assistance (PTA) grant to ensure that the program matches the current needs by geographical area.



- Continue to identify and apply for funding to implement acquisition and resale of foreclosed units, including the Neighborhood Stabilization Program (NSP) funding, Redevelopment Housing Set Aside Funds and a potential future HOME grant. Explore the possibility of expanding the Housing Advocacy Council rental assistance program.
- Implement economic development strategies for Castroville, Moss Landing and Fort Ord to provide move-up job opportunities in conjunction with vocational training that result in improving income levels and access to new housing.

### **Enhance Existing Housing Programs**

The County has been administrating a number of housing programs over the past several years. These programs are currently being refined and enhanced to better address the current housing needs and context. Following are specific activities that will be undertaken this year related to this strategy:

- Complete an update of the County's Housing Element in compliance with State law and adopt into the County's General Plan. The primary focus of this update is to ensure that adequate sites are made available through appropriate zoning, thus allowing the RHO to meet the Regional Housing Needs Allocation (RHNA), addressing special needs housing, including emergency shelters, and housing needs of extremely low-income households. Policy and program strategies to address these needs will be formulated with participation by the Housing Advisory Committee.
- Complete ordinance revisions to refine and improve the Inclusionary Housing Program, consistent with recommendations by the Housing Advisory Committee pertaining to inheritance, agricultural subdivisions and updated in-lieu fee provisions.
- Continue to assist the Housing Alliance for People with Disabilities (HAPD) in their efforts to create accessible and adaptable housing units within new multi-family housing projects.

### **Facilitate Construction of Affordable Units Through Implementation of Community/Specific Plans**

Over the past several years, the County has been working on putting planning documents into place for East Garrison, Castroville and Boronda. A primary goal of this effort has been to create livable communities that respect the historic rural character of the County while providing a range of housing opportunities with appropriate public amenities, services, and facilities.

The County has also been preparing a General Plan Update over the past several years. Adoption of an updated General Plan has been extremely controversial, resulting in significant delays. Conflicting priorities and viewpoints related to resource protection, location of new growth and the ability to provide infrastructure have constrained the goal of achievement of consensus. A new draft of the General Plan Update (GPU5) was released for public review in late 2007 with completion of environmental review in 2008. This draft recognizes the

community and specific planning documents in place for Castroville and East Garrison and that the Community Plan for Boronda is underway. The GPU5 also designates other areas for future growth such as Pajaro and Chualar and includes policies related to affordable housing. The General Plan Update is scheduled for consideration for adoption in early 2009.

The following are descriptions of the strategies related to implementing the East Garrison Specific Plan and the Community Plans for Castroville and Boronda.

### East Garrison I

East Garrison I, located on the former Fort Ord, is an example of a project that creates a “new urbanism” community. The project consists of approximately 1,400 housing units, commercial uses, public amenities, and open space. Construction of the first phase of the development was initiated in 2008. This phase will provide 414 housing units with 30% of the units designated as affordable to households in the very low-, low-, moderate-, and workforce-income categories. The project is currently “on-hold” due to the downturn in the housing market. It is not expected that the project construction will get underway again during 2009.

### Castroville Community Plan

The Castroville Community Plan encompasses areas located in the Coastal Zone and non-Coastal Zone. The County approved the Community Plan in 2007 for the non-Coastal areas. Approval of the Community Plan for the Coastal areas requires an amendment to the County’s Local Coastal Program (LCP). An application for a LCP Amendment has been submitted to the California Coastal Commission. Consideration of the LCP Amendment is expected in March of 2009.

During 2009, the RHO will be coordinating with the Planning Department to facilitate adoption of zoning code amendments (Title 20 and Title 21) that correspond with the Community Plan. These amendments will also include adoption of the Development Standards and Design Guidelines prepared for the Community Plan and a design review process.

The Community Plan includes a number of infrastructure and community-wide amenities that will need to be funded by development impact fees. In 2009, an impact fee program will be developed that will specifically identify each infrastructure improvement and amenity, the cost of each and establish the nexus between the improvement/amenity and new development.

### Economic Development Administration (EDA) Grant – Castroville/Moss Landing

The County has been awarded an EDA grant to prepare an economic development strategy to use the existing agricultural base to spin off new businesses and technologies. Specifically, the economic strategy is directed at encouraging the development of new technologies, distribution, and marketing opportunities in the agricultural industries that will, in turn, increase the need for expanded industrial facilities. The new jobs associated with this expansion will generally be better paying and offer more career advancement than traditional field work thereby facilitating access to new housing opportunities. In order to meet this anticipated demand the economic strategy proposes to enhance the planned development of an industrial park which will be located directly adjacent to Highway 156, a major regional truck and transportation corridor. This superior location will help to ensure that the industrial park, when completed, will be successful and attractive to a number of different business types. The type of businesses that are expected to locate in the industrial park include food processing, manufacturing, electrical and metal

fabrication, construction firms, and wholesale/distributing firms. In order to achieve these goals, the EDA grant will fund the preparation of an infrastructure and market analysis.

### Boronda Community Plan

A community plan for Boronda was drafted in 2004. Adoption of the Community Plan has been delayed pending submittal of a general development plan for the South Boronda area (Boronda Meadows). The developer for the Boronda Meadows project has been working on refining the project to address specific infrastructure conditions with submittal of a general development plan (GDP) application anticipated in early 2009. Concurrent with processing the GDP, the RHO will finalize the Community Plan to incorporate the Boronda Meadows project and address other areas of Boronda to result in a well-planned integrated community.

### **Assist in Infrastructure and Public Facility Improvements that Support Existing and New Affordable Housing.**

The County will continue to identify and assist in the construction of infrastructure and public facilities that support new and existing affordable housing while creating healthy communities. Specifically, the following activities will be undertaken in 2009:

#### Castroville

- Complete design engineering and permitting for traffic and pedestrian safety improvements on Merritt Street to address existing safety concerns and accommodate additional residential development in the existing community, including the downtown area.
- Apply for potential funding from existing State sources (Proposition 1C) and new sources (Federal and State Economic Stimulus funding) to fund infrastructure and public facility projects.

#### Boronda

- Continue to implement the Boronda Storm Drain Master Plan by completing construction of the existing phase and preparing design plans for the remaining phase.
- Continue to facilitate the planning work associated with the Boronda Community Plan and Boronda Meadows project related to an extension of Rossi Street, and improvements to both the Markley Swamp and the Reclamation Ditch drainage facility.

#### Pajaro

- Complete the development of a community park, located on the former Granite Construction Corporation Yard property, to provide recreational opportunities to an underserved community. In addition, facilitate the transfer of ownership of the park site to the Pajaro-Sunny Mesa Community Services District, which will undertake the construction and operation of the park.
- Complete the development of a medical/dental clinic to serve the Pajaro residents, partnering with Monterey County-based non-profit Clinica de Salud del Valle de Salinas.

- Assist the Pajaro Valley Unified School District in the development of a Family Resource Center that will provide childcare services.

#### San Jerardo

- Continue to coordinate with the Public Works and Health Departments to construct a new water system at the San Jerardo Farm Labor Community.

#### San Lucas

- Facilitate the completion of the improvements to the wastewater system in the community of San Lucas and assist in addressing the need for a new water well through the recently awarded CDBG grant.

### **Protect and Retain Existing Affordable Housing Through Code Enforcement Actions**

Complete the preparation of a program intended to facilitate enhanced code enforcement efforts undertaken by the County Building Department by providing relocation housing to households displaced by code enforcement. The RHO, in collaboration with the County Social Service and Building Departments, retained HomeBase, a non-profit organization that specializes in addressing homeless issues, to design a “soft landing” program for individuals displaced as part of code enforcement activities. An important component of this effort is to use the 19 relocation housing units constructed by South County Housing Corporation with Redevelopment Agency assistance on Kents Court in Pajaro to provide initial relocation housing. The County will also be evaluating opportunities to create additional relocation housing in the South County area to enhance code enforcement activities. Specifically, the proposed Camphora Labor Camp redevelopment project is being planned to include relocation housing that would be first used for the relocation requirements of redeveloping the labor camp, but then would be available for County-wide code enforcement activities.

### **Assist-Non Profit Housing Providers in Implementation of Affordable Rental Housing Projects that Contain Deep Levels of Affordability and Serve Special Needs Populations**

In recent years, the County has provided assistance for several new affordable housing projects developed by non-profit organizations. These include Boronda Oaks, Jardines de Boronda, Nuevo Amanecer (formerly known as Salinas Road), Kents Court, Valley Views, and Cynara Court. The County has also assisted existing developments with repairs and renovations, such as the two senior housing developments in Carmel Valley, Pacific Meadows and Rippling River. In 2009, the County will continue to assist projects that contain a high percentage of affordable rental housing. Assistance could include direct funding as well as entitlement and permitting facilitation for the following projects:

- Cynara Court – The Redevelopment Agency has provided site acquisition and construction funding to Mid-Peninsula Housing (Mid Pen), a non-profit affordable housing developer, to develop a 58-unit affordable rental project on Merritt Street in Castroville. Due to the downturn in the economy which has impacted the amount of low-income tax credits available for project funding, Mid-Pen has requested additional

assistance under the 2008 Notice of Funding Availability (NOFA). The RHO will continue to facilitate permitting for the project which will be affordable to very low- and low-income households.

- Camphora Labor Camp Redevelopment and Relocation Facility – South County Housing (SCH), a non-profit affordable housing developer, has been working with the owner of the Camphora Labor Camp to pursue redevelopment of the facility with 60 new affordable rental units affordable to very low- and low-income households including farm workers and relocation housing that would address the relocation requirements of the project then would be available for County-wide code enforcement efforts. SCH has applied for an Over-the-Counter (OTC) Grant to prepare conceptual site plans and a funding strategy and SCH has applied under the 2008 NOFA for site acquisition and construction funding.
- Hitchcock Road Farm Labor Camp – The Housing Authority of Monterey County (HAMC) is working in partnership with the owners of the Hitchcock Road Farm Labor Camp to rehabilitate it to better match the needs of farm labor that will be supplied through the H-2A Program (Guest Worker). The HAMC has applied for funding under the 2008 NOFA.

### **Actively Seek and Promote Additional Funding Opportunities For Affordable Housing**

Over the past several years, the County has successfully pursued State, federal and local funding for affordable housing opportunities. The County has actively participated in the development and revision of legislative language impacting new funding opportunities. In 2006, State voters approved several new initiatives providing additional funding for affordable housing and infrastructure. In 2007, the County sponsored a workshop in conjunction with the State Department of Housing and Community Development (HCD) in order to present information on the funds available to develop affordable housing. Over 60 participants attended the workshop, representing non-profit and for-profit developers as well as community groups. During this next year, the County will undertake the following activities related to continuing this strategy.

### **Encourage Partnerships to Create Affordable Supportive Housing**

As highlighted in the previous section on the Housing Context, supplying supportive housing for special needs groups is extremely challenging. Not only are these groups typically extremely low-income, but they often require specially designed housing and supportive services such as counseling, medical condition monitoring, and access to public services. Specific activities related to implementing this strategy for this next year are as follows:

- Continue to implement the partnership between the County Mental Health Division and the Redevelopment and Housing Office to access Proposition 63 funding (MHSA) and facilitate supportive housing projects that serve people with mental health disabilities. This will include incorporating this funding source and potential project evaluation into the NOFA process conducted by the Redevelopment and Housing Office.

### Encourage Partnerships to Create Affordable Housing for the Workforce

Continue to encourage partnerships between the County, non-profit affordable housing developers, and the private sector, particularly the agriculture and hospitality industries to pursue opportunities to develop housing for employees.

## **HOUSING FUND PROGRAM RECOMMENDATIONS**

The County's adopted Housing Allocation Manual provides that County funding will be allocated to five program components as listed below. Further, funding for specific projects is to be provided to housing development providers as part of an Annual Notice of Funding Availability (NOFA) process. The following sections of this report summarize the primary program components, funding objectives, provide an estimate of available revenues, a recommended expenditure program for Fiscal Year 2009-10, and specific project recommendations related to the annual NOFA process.

### **Program Funding Components for 2009-10**

#### **Down Payment Assistance (First Time Homebuyer)**

The Down Payment Assistance Program (First Time Homebuyer Down Payment Assistance Program) provides qualified homebuyers with down payment assistance to increase access to available housing units. The program is generally funded through new grants, CDBG and HOME Program Income, and Redevelopment Housing Set-Aside funds. New funding may be available this year through the Neighborhood Stabilization Program (NSP).

#### **Emerging Opportunities/Reserve**

This program is used to establish reserve funding to assist projects during the year and to ensure adequate funding for future affordable housing projects currently in the planning process. Funding can be through new grants and loans, Redevelopment Housing Set-Aside, program income, and Inclusionary housing funds.

#### **Service and Supplies**

This allocation is for staffing and office operation and administration costs. The costs can be funded through the administrative and activity delivery allocations of grants, program income and inclusionary funds.

#### **Over-the-Counter (OTC) Grants**

This program provides small loans and grants for predevelopment activities related to future affordable housing projects. The program guidelines direct allocations to providing grants for predevelopment activities such as technical studies, architecture and engineering services, and financial feasibility studies. In addition, funding from this program, as a loan, should be available for emergency financing on a short-term basis for affordable housing projects. Funding for this program is derived from inclusionary funds and redevelopment set-aside revenues.

#### **Project Assistance (NOFA)**

This program provides grants or loans to qualified projects that benefit the provision of affordable housing, generally through a Notice of Funding Availability (NOFA) process. Funding for individual projects selected through the NOFA process is obtained through County sponsored programs, redevelopment set-aside revenue, and inclusionary housing funds. The

Housing Advisory Committee (HAC) reviewed the submitted projects in late 2008 and provided input necessary to formulate the project funding recommendations contained in this Annual Housing Report.

## **Funding Objectives**

In developing the recommended expenditures program it was necessary to balance a number of different objectives as outlined below:

- Housing expenditures should promote achievement of the recommended housing priorities and strategies included in the Annual Housing Report.
- Housing expenditures should support on-going program commitments in order to maximize staff/organizational capacity.
- Housing expenditures/programs must be managed in accordance with State requirements and should be targeted to maximize competitiveness as part of the State and federal grant processes.
- The recommended expenditure program should include sufficient financial reserves to fund future year project opportunities in recognition that it may take several years to fund and implement affordable housing opportunities and the uncertainty related to future funding sources.

## **Fiscal Year 2008-09 and 2009-10 Revenue and Expenditure Estimates**

Appendix 1 contains estimates and refinements for the current fiscal year 2008-09, Appendix 2 includes detailed estimates of revenues and expenditures for Fiscal Year 2009-10 and Appendix 3 describes the individual projects recommended related to the 2008-09 NOFA process.

Assumptions related to refinements to the revenues and expenditures for fiscal year 2008-09 are reflected in Appendix 1. The remaining balance at the end of the current fiscal is estimated at \$3,872,044 for all funds combined. This amount, along with estimated revenues for FY 2009-10 of \$5,236,144, totals \$9,108,189 available for FY 2009-10. Expenditures for next fiscal year are projected to equal the total funds available, including an allocation of \$1,219,163 for Emerging Opportunities/Reserve and \$1,000,000 to purchase property for future affordable housing developments in Redevelopment Project Areas.

The following table summarizes the programmatic funding recommendations:



	FY 08-09	FY 09/10
<u>Housing Rehabilitation</u>	\$ 18,850	
<u>Down Payment Assistance</u>	365,000	\$300,000
<u>New Project Assistance</u>		
Mid-Peninsula Housing - Cynara Court Funding	1,100,000	
SCH - Camphora Labor Camp	615,000	
PTA – San Lucas Well	111,800	
SCH – Camphora HOME Grant		1,000,000
Neighborhood Stabilization Program		590,000
PVUSD - Pajaro Family Resource Center		500,000
CDBG		
Planning & Technical Assistance Grant		35,000
<u>Previously Funded Projects</u>		
DPW – Chualar Water	22,128	
San Jerardo Water Improvements	251,254	950,000
Mid-Peninsula Housing - Cynara Court Funding	953,333	
Housing Counseling – CDBG	368,000	
Sunflower Gardens – CDBG	500,000	
PTA – Homebuyer Analysis	30,600	
Freeze Grant	262,338	
Pacific Meadows		444,427
<u>Over the Counter Grants &amp; Loans</u>	150,000	100,000
<u>Planning &amp; Consulting</u>	939,088	1,232,195
<u>Services and Supplies</u>	1,123,448	660,720
<u>Investment Loss</u>	428,991	
<u>Land Acquisition</u>		1,000,000
<u>Emerging Opportunities / Reserve</u>		1,219,163
<u>2009 NOFA</u>		1,076,685
<b>TOTAL:</b>	<b>\$7,239,830</b>	<b>\$9,108,189</b>

Down Payment Assistance (First Time Homebuyer)

The recommended allocation of \$300,000 will continue the County’s existing homebuyer assistance program using redevelopment housing set-aside funds. It is possible that additional funding may become available from the Neighborhood Stabilization Program (NSP). In addition, the County anticipates applying for HOME funding for the Camphora Labor Camp project in the summer of 2009, however if this project is not far enough along to qualify for a HOME application at that time, the County may apply for HOME funds for additional Down Payment Assistance funding in the amount of \$1,000,000.

Project/Program Assistance

The recommended allocations for new project assistance of \$1,826,800 for the remainder of Fiscal Year 2008-2009 and \$2,125,000 for Fiscal Year 2009-2010 include funding for the following projects and programs:

- \$1,100,000 in RDA Set-Aside funds for construction gap funding for Cynara Court

- \$111,800 comprised of \$40,000 in awarded CDBG funds, \$71,000 in Program Income, and \$800 in Inclusionary funds for an analysis of a new well for the San Lucas Water District
- \$615,000 in RDA Housing Set-Aside funds for the Camphora Farm Labor Camp
- Up to \$1,000,000 in funding from the HOME program for the Camphora Farm Labor Camp
- \$590,000 in new CDBG funding through the Neighborhood Stabilization Program (NSP)
- \$500,000 CDBG application for the Pajaro Valley Unified School District Family Resource Center

### Emerging Opportunities/Reserve

The Emergency Opportunities/Reserve fund is for projects and activities that are unknown at this time. These may include projects that submit a funding request under the NOFA and meet the stated priorities but are not found to be ready for funding at this time that may become ready later in the year. A total of \$1,219,163 is recommended to be reserved for future projects, including the Hitchcock Road Farm Labor Camp and the San Jerardo Water System Project.

### Service and Supplies

The recommended allocation of \$660,720 for Fiscal Year 2009-2010 will fund on-going costs based on projected workload. Funding will be from inclusionary funds, redevelopment revenues, and administrative and activity delivery funds from new grants.

### Planning and Consulting

The recommended allocation of \$1,232,195 for Fiscal Year 2009-2010 provides for consulting services required to continue to assist with grant administration and refinement of housing programs.

### Over-the-Counter Grants

The recommended allocation of \$100,000 for Fiscal Year 2009-2010 will continue the Over-The-Counter Grant Program.

### Planning and Technical Assistance (PTA)

Each year the County is eligible to apply for CDBG grants of up to \$35,000 to be used for planning efforts that support affordable housing and community development activities benefiting lower income households. In addition, the County may apply for an additional \$35,000 CDBG grant for planning and technical assistance for economic development activities that support the creation of jobs for lower income individuals and households. The funding is awarded on an over-the-counter basis by the State Department of Housing and Community Development. It is recommended that the County apply for a \$35,000 PTA Grant for project or program yet to be determined.

**APPENDIX 1**

**SUMMARY OF HOUSING FUND PROJECTIONS/REFINEMENTS  
FOR FISCAL YEAR 2008-09**

**Appendix 1**  
**Summary of Housing Fund Projections/Refinements for Fiscal Year 2008-2009**

2008-2009	<u>Total</u>	<u>Inclusionary</u>	<u>Redev Hsg Set-Aside</u>	<u>Program Income</u>	<u>New Grants</u>
<b>Adjusted Beginning Fund Balance, 7/1/08</b>	<b>7,508,178</b>	<b>905,368</b>	<b>5,499,579</b>	<b>1,103,231</b>	
<b>Revenues:</b>					
Recurring Revenues					
Interest Earned	131,262	27,215	80,500	23,547	
Tax Increment	1,420,838		1,420,838		
Loans Paid	168,216	35,125	91,000	42,091	
Fees Earned	101,830	101,830			
Miscellaneous Revenues	49,000				49,000
Grant Funds:					
CDBG - Freeze Grant	262,338				262,338
CDBG - San Jerardo Water System	50,000				50,000
New Grants:					
CDBG - Housing Counseling	300,000				300,000
CDBG - Sunflower Gardens	576,340				576,340
* CDBG PTA - Homebuyer Analysis	30,000				30,000
* CDBG PTA - San Lucas Well	40,000				40,000
<b>Total Revenues</b>	<b>3,129,824</b>	<b>164,171</b>	<b>1,592,338</b>	<b>65,638</b>	<b>1,307,678</b>
<b>Total Available:</b>	<b>10,638,001</b>	<b>1,069,539</b>	<b>7,091,917</b>	<b>1,168,868</b>	<b>1,307,678</b>
<b>Expenses:</b>					
Housing Rehabilitation					
Espinoza	18,850			18,850	
First Time Homebuyer	365,000		350,000	15,000	
Infrastructure/Capital Projects:					
DPW - Chualar Water	22,128	22,128			
San Jerardo Water Improvements	251,254	201,254			50,000
NOFA					
Grants/Loans to Agencies					
Mid-Peninsula Housing - Cynara Court 1	570,000		570,000		
Mid-Peninsula Housing - Cynara Court 2	383,333		383,333		
* Mid-Peninsula Housing - Tax Credit Gap	1,100,000		1,100,000		
* Camphora Farmworker Housing	615,000		615,000		
CDBG - Housing Counseling	368,000	9,000	10,000		349,000
CDBG - Sunflower Gardens	500,000				500,000
CDBG PTA - Homebuyer Analysis	30,600	600			30,000
* CDBG PTA - San Lucas Well	111,800	800		71,000	40,000
HAC - Freeze Grant	262,338				262,338
Over-the-Counter Grants					
OTC - ABHOW	25,000	25,000			
* OTC - So Co Hsg Camphora Highlands	25,000		25,000		
OTC - San Jerardo Water Improvements	25,000	25,000			
OTC - Village Mobile Home Feasibility Study	25,000	25,000			
* OTC - HomeBase/Social Services	25,000		25,000		
OTC - Unallocated	25,000		25,000		
Planning & Consulting Services	939,088	306,893	461,420	170,775	
Investment Loss	428,991	57,683	308,123	63,185	
Services and Supplies	649,575	60,283	380,819	132,133	76,340
<b>Total Expenses</b>	<b>6,765,957</b>	<b>733,641</b>	<b>4,253,695</b>	<b>470,943</b>	<b>1,307,678</b>
<b>Ending Balance 6/30/09</b>	<b>3,872,044</b>	<b>335,897</b>	<b>2,838,222</b>	<b>697,925</b>	

\* denotes new Project Assistance in 2009 housing report

**APPENDIX 2**  
**SUMMARY OF HOUSING FUND PROJECTIONS**  
**FOR FISCAL YEAR 2009-10**

**Appendix 2**  
**Summary of Housing Fund Projections/Refinements for Fiscal Year 2009-2010**

2009-2010	<u>Total</u>	<u>Inclusionary</u>	<u>Redev Hsg Set-Aside</u>	<u>Program Income</u>	<u>New Grants</u>
Estimated beginning balance 7/1/09	<b>3,872,044</b>	<b>335,897</b>	<b>2,838,222</b>	<b>697,925</b>	
Revenues:					
Recurring Revenues					
Interest Earned	103,764	7,000	74,865	21,899	
Tax Increment	1,420,838		1,420,838		
Loans Paid	77,216	35,125		42,091	
Fees Earned	50,000	50,000			
Grant Funds:					
Housing Rehabilitation:					
04HOME - Res Rehab -Pacific Meadows	444,427				444,427
CDBG - San Jerardo Water System	950,000				950,000
* CDBG - Pajaro Family Resource Center	500,000				500,000
* CDBG - Planning & Technical Assistance	35,000				35,000
Planned Grant Applications					
* HOME	1,000,000				1,000,000
* Neighborhood Stabilization Program	654,900				654,900
<b>Total Revenues</b>	<b><u>5,236,144</u></b>	<b><u>92,125</u></b>	<b><u>1,495,703</u></b>	<b><u>63,989</u></b>	<b><u>3,584,327</u></b>
<b>Total Available:</b>	<b><u>9,108,189</u></b>	<b><u>428,023</u></b>	<b><u>4,333,924</u></b>	<b><u>761,915</u></b>	<b><u>3,584,327</u></b>
Expenses:					
Housing Rehabilitation:					
Pacific Meadows	444,427				444,427
First Time Homebuyer	300,000		300,000		
Grants\Loans From Prior Years					
San Jerardo Water Improvements	950,000				950,000
NOFA					
2009 NOFA	1,076,685		1,076,685		
Planned Grant Applications					
* HOME	1,000,000				1,000,000
CDBG - Neighborhood Stabilization					
* Program	590,000				590,000
* CDBG - Pajaro Family Resource Center	500,000				500,000
* CDBG - Planning & Technical Assistance	35,000				35,000
Over-the-Counter Program					
Unallocated	100,000		100,000		
Land Acquisition	1,000,000		1,000,000		
Emerging Opportunities Reserve	1,219,163	113,023	1,000,000	106,140	
Planning & Consulting Services	1,232,195	250,000	461,420	520,775	
Services and Supplies	660,720	65,000	395,820	135,000	64,900
<b>Total Expenses</b>	<b><u>9,108,189</u></b>	<b><u>428,023</u></b>	<b><u>4,333,924</u></b>	<b><u>761,915</u></b>	<b><u>3,584,327</u></b>
<b>Ending Balance 6/30/10</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(0)</u></b>	

\* denotes new Project Assistance in 2009 housing report

## **APPENDIX 3**

### **PROJECT ASSISTANCE RECOMMENDATIONS**

The adopted Housing Allocation Manual specifies that the County will loan and grant funds to housing providers and other public/private organizations on an annual basis. To facilitate preparation of the 2009-10 expenditure programs, a Notice of Funding Availability (NOFA) was disseminated to providers in the fall of 2008. The following Project Summary sheets describe each application submitted and the recommended funding.

## 2008 NOFA PROJECT SUMMARY

Applicant: Housing Authority of Monterey County  
Project: Hitchcock Road Farm Labor Camp  
Location: South of the City of Salinas  
Requested: \$750,000  
Recommended: Apply for a reservation of RDA housing funds as an “emerging opportunity” at a later time

### Project Summary

The Housing Authority is requesting \$750,000 for the reconstruction of an existing farmworker housing project located south of the City of Salinas on Hitchcock Road. The site is currently owned by General Farm Investment Company (the Bunn Family) and leased to the labor contractor, Fresh Harvest, Inc., which is a subsidiary of Valley Harvesting and Packing (Scaroni). The existing facility consists of 150-200 beds and is proposed to be replaced with a 250-bed facility developed in 11 new buildings with common kitchen and bathrooms. The project will include demolition of all existing buildings, construction of the 11 new buildings and site improvements including sewer upgrades. Conceptual site planning has been prepared.

The project is proposed to serve as the housing for the H2A farmworker program where “guest workers” are brought from Mexico by a farmer or farm labor contractor to provide seasonal labor. The workers must be provided room and board by the farmer or labor contractor while working in the U.S. Once the agricultural season comes to an end, the workers are transported back to Mexico.

The Housing Authority is proposing to partner with the owner and/or operator of the facility through the creation of a LLC. They have not yet determined the specifics of the partnership but may manage and operate the rehabilitated housing under the H2A Program. It is anticipated that the project will house the H2A farmworkers for eight to nine months out of the year and will remain vacant for the remainder of the year. According to the Housing Authority, the existing facility is currently entitled by the County for farmworker housing; however it is unclear if additional approvals will be required due to the proposed intensification of use. The proposal does anticipate the need to upgrade the wastewater system which currently consists of an on-site septic system.

The total project cost is currently estimated to be \$3,290,300. Anticipated funding sources include the following: a construction/permanent loan for \$2,000,000 (source to be determined) and owner financing of \$540,300. The owner will be responsible for operating costs. The project will not generate rents or other income.

**Total Project Costs: \$3,290,300**

### Application Eligibility/Performance

The Housing Authority has a long history of developing affordable housing in Monterey County. They have developed, built and put online over 400 affordable housing units in Monterey County in the last 18 months alone. The proposed project may be eligible for Boronda Redevelopment Housing Set-Aside funding as it serves farmworkers who work in unincorporated Monterey County including the Boronda area.



### Eligible Activity

This project is eligible to receive County funding because it serves the special needs population of farmworkers by providing lodging for seasonal workers, thereby helping to preserve the agricultural industry in Monterey County. The project also could help achieve the strategies contained in the 2008 Annual Housing Report pertaining to developing partnerships between the public and private sectors to supply workforce and special needs housing.

However, the need for County funding has not been evaluated. The H2A Program requires that the farmer/labor contractor provide housing and in turn allows them to bring in “guest workers”. The applicant must demonstrate that provision of County/RDA funding is not a “gift of public funds” to the farmer/labor contractor allowing them to achieve higher profits. The provision of County/RDA funding must clearly be necessary and provide a public benefit. In addition, it is unclear if affordability restrictions, in compliance with RDA law can be placed on the facility.

### Location

The project is located on Hitchcock Road just south of the City of Salinas in unincorporated Monterey County.

### Project Readiness/Financial Viability

The zoning of the project site allows farmworker housing, however, the Housing Authority has not yet determined if additional County approvals, based on the increased intensity of the use proposed, will be required. A wastewater system upgrade will be required, but the specifics of the upgrade have not been determined. The Housing Authority indicated that the existing water system, which consists of an on-site well, has shown adequate capacity for the proposed project.

The facility owner currently has fee title to the site. The Housing Authority has not yet determined what their role will be in the project; however, have requested in their application that the funding be provided to them not to the facility owner. The facility owners will secure the other required funding through a construction/permanent loan and provision of cash. The Housing Authority anticipates completing the project by May of 2009.

### Compatibility/Design

The Hitchcock Road Farm Labor Camp has been in continuous operational use for over 50 years. This proposed project will replace badly dilapidated, confined quarters with new, livable single-room occupancy units. The proposed project will significantly improve the appearance and habitability of the facility and will be compatible with the site vicinity.

## **RECOMMENDATION**

It is recommended that the County:

Recommend that the Housing Authority re-apply for RDA funding as an “Emerging Opportunity” once the following takes place:

1. Land use entitlements are approved, including provision of adequate infrastructure.
2. Submittal of documentation that County/RDA funding is required to fill a funding gap and that the County/RDA funding would not be a “gift of public funds”.

3. Submittal of an executed agreement between the Housing Authority and the facility owner and/or labor contractor defining the role of the Housing Authority and supporting the requested funding going to them.
4. Other funding commitments are secured for entire project.
5. Confirmation from County Counsel that required findings can be made that RDA Housing Set-Aside Funds can be used outside the Boronda RDA project area.

## 2008 NOFA PROJECT SUMMARY

Applicant: Mid-Peninsula Housing Coalition  
Project: Cynara Court  
Location: Castroville  
Requested: \$1,100,000  
Recommended: Reservation of RDA housing funds in the amount of \$1,100,000.

### Project Summary

Mid-Peninsula Housing Coalition (Mid-Pen) is planning to construct an affordable housing project to be located on two sites in downtown Castroville. The project is called Cynara Court and consists of a total of 58 affordable rental units. Mid-Pen is requesting construction gap funding in the amount of \$1,100,000. The requested funding would be allocated towards the project budget shortfall caused by the significant decline in the market pricing of low-income tax credits that has recently occurred. Funds would be administered as a gap construction loan with any excess funds repaid at permanent loan conversion.

In February 2006, Mid-Pen acquired, with Redevelopment Agency (RDA) assistance, a 1.55-acre site (Site #1) on Merritt Street near Rico Street in downtown Castroville for the purpose of developing 40 affordable housing units, a homework/community room and a commercial/office component. In 2008, Mid-Pen purchased approximately 26,000 square feet of a 39,000 square foot property on Merritt Street between Mead and Washington Streets (Site #2) where they will develop 18 affordable apartments. The previous owner of Site #2 will retain the remainder of the property and develop a retail/office building to create a mixed-use project consistent with the Castroville Community Plan. Mid-Pen has obtained land use entitlements for both sites through the County.

All of the units at Cynara Court will be restricted to low- and very low-income households below 60% of the Monterey County Area Median Income (AMI). This project will address the need for affordable rental housing in Castroville, where there are serious overcrowding problems and limited affordable housing opportunities. Cynara Court meets the housing needs of both families and singles by including a high percentage of 2-bedroom and 3-bedroom units in its unit mix.

### Application Eligibility/Performance

Mid-Peninsula Housing Coalition has been developing affordable housing throughout the greater San Francisco and Monterey Bay Areas for more than 35 years, with a particular focus on serving low-income and very low-income populations. They have developed over 6,000 units for 94 projects in 8 counties including new construction, rehabilitation and preservation of affordable housing. They currently have 316 new units under construction, including stand-alone, infill and mixed-use family housing, farmworker housing, senior housing and housing for developmentally and psychiatrically disabled adults. In the Monterey Bay region, they have rehabilitated 544 units at Abrams Park and Preston Park on the former Fort Ord, built 50 units and a child care center in downtown Watsonville, replaced dilapidated farm labor camps at the San Andreas Facility in La Selva Beach and Jardines del Valle in Watsonville, and built an award-winning affordable housing and child care center for low-income families at The Farm in Soquel, among other projects. Mid-Pen has an excellent reputation of developing and managing quality affordable housing projects.

## Eligible Activity

This project will provide 58 units of affordable rental housing to very low- and low-income households in a community targeted by the County for future growth. The project is consistent with the adopted 2007 Annual Housing Report in that it will facilitate the construction of new affordable multi-family housing units in a Community Plan area, incorporating resident-serving retail uses and on-site management offices on the ground floor at Site #1 and a retail commercial building on Site #2 to be developed by a separate developer.

The Housing Allocation Manual “Assistance Per Unit Guidelines” states that, generally, the per unit subsidy target for rental projects is \$20,000 per unit. If this current funding request is approved the RDA/County funding for the 58 units will total \$2,548,000. This would result in a per unit subsidy of \$43,931. The amount of additional subsidy per unit is justified because the project will serve as a model for multi-family/mixed-use development in downtown Castroville, consistent with the Board-approved Castroville Community Plan, which requires specific design elements. It is anticipated that the mixed-use concept and quality design proposed by Mid-Pen will encourage other mixed-use development to be undertaken in Castroville, creating more affordable housing opportunities.

## Location

This project site is located in downtown Castroville in the Castroville/Pajaro Redevelopment Area.

## Project Readiness/Financial Viability

The total development cost for both Sites #1 and #2 is estimated to be approximately \$21.9 million dollars. The Redevelopment Agency (RDA) provided an acquisition loan of \$540,000 to purchase Site #1, an Over-the-Counter (OTC) Grant of \$25,000 for predevelopment activities, and \$883,000 for the acquisition of Site #2 and for construction costs for both sites. Land use entitlements have been obtained for both sites and all other funding is in place.

Wells Fargo Bank Loan	\$766,100	Secured
HCD – MHP	\$3,658,423	Expected 1/09
HCD – HOME	\$4,000,000	Secured
HCD - Joe Serna Jr.	\$1,500,000	Expected 1/09
AHP	\$342,000	Expected 12/08
GP equity Mid-Pen The Farm, Inc.	\$1,122,000	Secured
Def Dev fee Mid-Pen Housing	\$250,000	Secured
Tax Credit Equity Investor	\$7,717,662	Secured
Monterey County OTC	\$25,000	Secured
Monterey County (Site #1 Acquisition)	\$540,000	Secured
Monterey County (Project Development)	\$500,000	Secured
Monterey County (Site #2 Acquisition)	\$383,333	Secured
Monterey County (Gap Financing)	\$1,100,000	Anticipated

**Total Secured and Anticipated Funds: \$21,834,518**

## Compatibility/Design

The proposed site plan for both sites includes 1-, 2- and 3-bedroom units within three 2- and 3-story buildings, arranged around landscaped courtyards. The buildings are positioned close to the sidewalk on Merritt with parking behind or on the side of the buildings. The project location in downtown Castroville will provide the future residents with easy access to essential services such as schools, parks, the public library, shopping, and public transportation. The sites are located within walking distance to many of these services, which will minimize the number of car trips. Mid-Pen will encourage Cynara Court residents to form a residents' council and become involved with the broader Castroville community. The Corporation will also coordinate referrals to community services needed by residents to help them improve their lives.

## **RECOMMENDATION**

It is recommended that the County:

Amend the existing Loan Agreement between the Redevelopment Agency and Mid-Pen to include additional redevelopment housing set-aside funds (Pajaro/Castroville) in an amount not to exceed \$1,100,000. The loan will be structured as a 0% interest deferred gap construction loan with any excess funds repaid at permanent loan conversion. The term of the loan will be 55 years in compliance with RDA law.

## 2008 NOFA PROJECT SUMMARY

Applicant: South County Housing Corporation  
Project: Camphora Labor Camp  
Location: Unincorporated area, near Soledad  
Requested: \$315,000 for predevelopment  
\$2,000,000 for a site acquisition loan (\$300,000 needed upfront)  
Recommended: Reservation of RDA housing funds in the amount of \$615,000 and HOME funds in the amount of \$1,700,000

### Project Summary

South County Housing Corporation (SCH) is requesting \$615,000 for predevelopment/initial site acquisition costs and \$1,700,000 in acquisition loan financing to purchase the Camphora Labor Camp near Soledad. The project will ultimately demolish and replace the existing dilapidated 44-unit farmworker housing facility and create a 60-unit high quality affordable housing community including common area facilities and recreational space to serve the existing low- and very low-income families including farmworkers. The project will also include the development of relocation housing for use by the households currently residing at the project site, and then will be available for County-wide code enforcement activities.

In November 2008, SCH was awarded a \$25,000 Over-the-Counter (OTC) Grant to prepare a feasibility study which will include the preparation of concept site plans, a preliminary financial analysis and workshops with the current residents. This funding request is for additional predevelopment assistance (\$315,000) for an appraisal, environmental studies (Phase I and Soils Report), preliminary design of site improvements, architectural plans, administrative fees, and emergency repairs, if necessary, for habitability. This request also includes site acquisition funding (\$300,000) to obtain site control through an option to purchase. SCH has executed an Option Agreement with the current property owner which provides SCH with a 90-day window to complete their analysis of the site development constraints to determine whether it is feasible to proceed with the acquisition of the property. If deemed feasible, SCH will have an additional 180 days to close escrow. SCH will use the County's \$300,000 loan for the initial purchase payment. The Seller has agreed to take a "backnote" for the difference between this amount and the appraised value of the property for a term of up to 3 years.

SCH anticipates pursuing the following funding sources for this project:

Construction Loan -	\$12,000,000
Permanent Loan -	\$1,259,060
MHP Loan -	\$3,705,422
State HOME (Deferred Loan) -	\$4,000,000
Joe Serna FWHG -	\$1,500,000
FHLBB Affordable Housing Program -	\$240,000
County Acquisition Loan -	\$1,983,880
County OTC -	\$25,000
County Predevelopment Grant -	\$250,000
Limited Partner Capital (Investor TBD) -	\$6,123,138
Repayment of Construction Loan -	\$12,000,000
<b>Total Funding:</b>	<b>\$19,086,500</b>

## Application Eligibility/Performance

SCH has developed nearly 2,700 affordable homes and apartments since it was founded in 1979. In addition to providing general affordable housing, SCH serves seniors, families in transition, people with disabilities and families with children in Monterey, Santa Clara, San Benito and Santa Cruz Counties.

## Eligible Activity

This project is consistent with the County's 2008 Affordable Housing Program to develop rental housing for low- and very low-income families such as farmworkers. The Camphora Labor Camp faces overcrowding and families typically pay more than 30% of their income for rent and utilities. The requested \$615,000 in RDA funding would result in a per unit subsidy of \$10,250. If a HOME grant is awarded for the requested \$1.7 million, that would bring the assistance provided by the County and RDA to \$2,315,000, which results in a per unit subsidy of \$38,583, which substantially exceeds the \$20,000 per rental unit specified in the "Assistance Per Unit Guidelines" contained in the Housing Allocation Manual.

## Location

The project is located outside of the City of Soledad in unincorporated Monterey County.

## Project Readiness/Financial Viability

SCH has obtained an Over-the-Counter (OTC) Grant from Monterey County to determine the feasibility of acquiring and rehabilitating the Camphora Labor Camp. Should the project be deemed feasible, the County would be the first funding source in providing predevelopment and site-acquisition. This funding would then be leveraged in order to obtain additional funding sources. No additional funding has been secured at this time. The project will require County approval of land use entitlements including environmental review. SCH will not apply for land use entitlements until after the feasibility study and pre-development work has been completed.

## Compatibility/Design

SCH is proposing to demolish the existing dilapidated 44-unit facility and replace it with 60 units of high quality affordable housing. The unit mix as currently envisioned would include 8 one-bedroom, 24 two-bedroom, and 28 three-bedroom units. Rents will be targeted to families earning between 30% and 60% AMI. The proposed project would address a serious housing condition issue at the existing facility, compatible with the project vicinity.

## **RECOMMENDATION**

It is recommended that the County:

1. Approve a recommendation that the Redevelopment Agency reserve \$615,000 in Boronda Redevelopment (RDA) Housing Set-Aside funds to be provided as an initial site acquisition/predevelopment loan with the following terms:
  - Three-year term
  - 3% simple interest

- In the event that the project does not proceed, SCH would re-pay the funding.
  - Confirmation by County Counsel that the required findings can be made to allow RDA housing set-aside funds to be used outside the Boronda RDA project area boundaries.
2. Approve a recommendation that the County reserve up to \$1,700,000 from a future HOME grant in Fiscal Year 2009-10 on behalf of the project.



## 2008 NOFA PROJECT SUMMARY

Applicant: Pajaro Valley Unified School District (PVUSD)  
Project: Pajaro Family Resource Center  
Location: Pajaro  
Requested: \$500,000  
Recommended: Reservation of CDBG funds in the amount of \$500,000

### Project Summary

PVUSD is requesting \$500,000 for construction of a Family Resource Center in Pajaro that will act as a hub for early childhood and parent education, family resource and referral programs and outreach. The proposed facility will house State preschool programs for 48 children along with parent education, family involvement activities, and family resource programs. Eligibility for the preschool program will be first given to low-income families. The program would serve the growing number of students in the Pajaro community. Program operating funds for the preschool services have been obtained from the California Department of Education. However, the project is at a standstill until funds needed to proceed with the construction of a facility are obtained.

Construction funding for this project includes:

CDD Resolving Facility Fund (State of CA) -	\$210,000	Secured
Monterey County Community Foundation -	\$12,500	Pending
County of Monterey CDBG Grant -	\$500,000	Pending
<b>Total Funding -</b>	<b>\$722,500</b>	

Construction could be completed by Fall of 2009 depending on funding availability.

### Applicant Eligibility/Performance

The PVUSD includes a fully-staffed facilities division that constructs new schools and associated public facilities including childcare centers. In addition, the Superintendent of Business Services, the accounting, purchasing and finance departments for the District routinely handle construction projects.

### Eligible Activity

This project is eligible to receive County funding because it serves low-income children and families in the unincorporated community of Pajaro. The program would provide much needed education and family resource services to the Pajaro Community. A similar project located in the community of Castroville has been very successful.

### Location

The unincorporated community of Pajaro.

### Project Readiness/Financial Viability

The project has secured all program operation funding and some construction funding.

### Compatibility/Design

The proposed facility will be located within an existing residential neighborhood in Pajaro adjacent to the middle school. The project will consist of a new building with 2 classroom spaces, teacher offices, small kitchen, parent education office, registration staff office and restrooms. Site development will include parking, playground facilities, American Disabilities Act (ADA) access and landscaping.

### **RECOMMENDATION**

It is recommended that the County:

Approve a recommendation that the County reserve up to \$500,000 from a future CDBG Public Facility Grant in Fiscal Year 2009-10 on behalf of the project.

## 2008 NOFA PROJECT SUMMARY

Applicant: Monterey County Public Works Department  
Project: San Jerardo Water System Project  
Location: Unincorporated Monterey County  
Requested: \$375,595  
Recommended: Deny funding at this time

### Project Summary

The County Public Works Department is requesting \$375,595 in CDBG Program Income to restore contingency funding for the San Jerardo Water System Improvement Project. The project includes replacement of the failed water system serving the San Jerardo Farm Labor Community. Water contaminants, including nitrates, were found in the water supply several years ago. It currently costs the County's General Fund \$12,000 to \$15,000 monthly to filter the water for it to be safe for the residents. Once completed, the project will provide a new well and distribution facilities, including an inter-tie with an adjacent water system, for the existing community of 67 farmworker households.

To date, the Redevelopment and Housing Office (RHO) has provided a \$1-million CDBG grant and \$300,000 in inclusionary funds for the project to date. Construction is scheduled to be complete by December 2009.

### Applicant Eligibility/Performance

The applicant is the Public Works Department which implements infrastructure projects for the County. The project has encountered numerous problems including a significant delay in acquiring a well site, delays in preparing adequate environmental review documents, and obstacles in finalizing the engineering plans. Only recently have the "special conditions" associated with the CDBG grant been cleared which allow funds to be drawn down from the grant. These delays have prevented meeting the CDBG performance milestones for the \$1 million CDBG grant. According to the Public Works Department, these obstacles and delays have caused a significant increase in the "soft costs" for the project and depleted the contingency funding.

### Eligible Activity

The project is eligible for County funding as it serves the special needs population of farmworkers in the unincorporated area of Monterey County, however it is not eligible for CDBG Program Income funding as the County has not adopted Program Reuse Guidelines for public works projects.

### Location

Unincorporated Monterey County.

### Project Readiness/Financial Viability

All funding sources for the project implementation are currently in place. A viable well site has been acquired and a test well has been drilled. Engineering is currently underway for the system design.

## **RECOMMENDATION**

It is recommended that the County:

Deny funding at this time. The applicant can reapply at a later time as an “Emerging Opportunity” based on submittal of documentation that the project requires the funding requested and availability of funds.