

COUNTY OF MONTEREY ANNUAL HOUSING REPORT 2011

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Sunflower Gardens - Photographs courtesy of Wald, Ruhnke & Dost Architects, 2010

APPROVED BY THE BOARD OF SUPERVISORS ON _____

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EXECUTIVE SUMMARY

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The County of Monterey continues to struggle with a downward spiraling economy and diminishing resources with which to respond. Unemployment is at an all time high with companies downsizing and people uncertain that they will retain their jobs. There is an overall mood of fear that is impacting any chance of recovery in the near term. The housing market is directly tied to the local economy. Until unemployment is reduced and people with jobs feel confident that they will retain their jobs, the housing market can not recover.

Given this backdrop, it is imperative that housing strategies proposed for this upcoming fiscal year are linked to economic development activities. It is critical to prioritize bold efforts to break the current downward cycle. For example, linkages could include promoting the “green industry” segment where there is a strong potential for creating new jobs within the context of assisting affordable housing and realizing immediate reductions in utility costs. Priority should be given to increasing consumer demand for green products and systems, promoting job training directed at green industries, and encouraging developers to incorporate green products and systems into their projects. In addition, the housing strategies need to address housing in the context of overall economic opportunities. For example, the East Garrison Project which includes 1400 new housing units is getting underway again. Facilitating this project not only increases the inventory of affordable housing units but also creates a significant number of construction jobs.

Another important objective this year is to concentrate the limited resources available to help those at the very bottom of the economic ladder: the very low income and special needs populations. This segment is the most vulnerable during these tough economic times and requires a safety net to retain and access housing that meets their specific needs. Partnering with non-profit housing developers to improve or construct rental housing for farmworkers and disabled people should be prioritized.

Although the crash of the housing market has negatively impacted our communities in many ways, the resulting low prices of homes and land does present a positive opportunity. Moderate income families can finally afford market rate housing in some areas of the County. However, the inventory of for-sale units is being kept artificially low by lenders holding onto foreclosed homes. Buyers are experiencing “fatigue” due to investors who snatch up available units with all cash deals. The County can assist with the NSP Program, an aggressive downpayment assistance program, and by preparing buyers through homebuyer education courses. With land prices at a record low, in some areas up to 35% lower than a few years ago, the County can take advantage of this situation by allocating funding to assist with land banking for future affordable housing projects.

All the strategies presented in this year’s Annual Housing Report have been formulated with the goal of creating healthy communities. Ensuring that the necessary infrastructure to support this goal is maintained or installed is critical. Safe water, wastewater, and storm drainage systems must be addressed so that existing communities are retained and enhanced. Healthy communities also rely on providing appropriate community amenities such as parks, health

clinics, and functioning resident-serving uses. Putting resources and energy toward specific community improvement efforts must be a high priority.

In light of the challenges the County faces, it is particularly important to leverage all available resources to the greatest extent possible to get the “most bang for every buck”. Partnering with other agencies and organizations to achieve common goals, approaching funding opportunities in a way that maximizes every available dollar, and prioritizing staff resources to focus on efficiently undertaking very strategic work directed at specific outcomes are all critical. Some of the primary strategies are:

- Develop an Energy Retrofit program for homeowners to reduce their utility costs, potentially affecting their ability to retain their homes while promoting job creation.
- Facilitate new rental housing for low, very low income and special needs households by completing Cynara Court and implementing the Axtell Apartment project, both located in Castroville, and the Manzanita Court project in East Garrison on the former Fort Ord.
- Prioritize the implementation of the East Garrison Specific Plan to provide further affordable housing, commercial development, and create jobs.
- Facilitate land purchases for future affordable housing projects in key locations while acquisition prices are low.
- Finish infrastructure and community amenity improvement projects including the Boronda Storm Drain, the Pajaro Park, and the San Lucas Well Replacement projects to support the creation of healthy communities and new affordable housing opportunities.

CURRENT HOUSING CONTEXT

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The Monterey County housing market continues to face uncertain times as the economic recovery from the Great Recession shows little visible improvement in local job growth. Combined with a very low sales inventory, competition from well capitalized investors, increasing mortgage rates, and further declines in housing prices, buyers have been very slow to return to the home ownership market. The pool of potential buyers has been reduced substantially by the credit damage incurred from record-level foreclosures. Many credit-worthy buyers have been effectively shut out of the market as sellers, many of which are banks, opt for offers from investors featuring very high equity percentages.

At the national level, some have deemed the recession to be over since June 2009. However, the volume of jobs lost between 2007 and 2009 is more than the past four recessions combined. Although job growth in 2011 is anticipated to be twice as high as in 2010, it is projected that it will take until 2015 to recover all the jobs lost. Federal Reserve Chairman Bernanke recently predicted that the national unemployment rate will stay elevated for another five years. Moreover, some economic reports predict that state and local governments will shed another 150,000 jobs this year, a trend which is especially apparent in California. As the State struggles to correct its budget deficits, California was forecast to lose jobs through 2010 and only begin positive net job growth in 2011.

Economists note that the labor market weakness is suppressing a housing recovery, as disposable income remains depressed and signs of job recovery remain uncertain. Home prices nationally are forecast to decline again in 2011 despite an increase in housing starts. In Monterey County, the loss of jobs and the high unemployment rate are affecting the ability of households to afford home ownership.

Employment Trends

According to the Employment Development Department (EDD) Labor Market Information Division, in November 2010 there were approximately 189,100 jobs in Monterey County and 26,300 people unemployed throughout the County representing an unemployment rate of 12.2%. The unemployment rate is up from 11.4% a year ago when there were 189,700 jobs in the County and 24,400 people unemployed. The unemployment rate is significantly higher than it was five years ago when the annual average unemployment rate was 7.3% with approximately 191,800 jobs and 15,100 people unemployed.

There were a total of 43,600 agricultural jobs and 121,500 non-agricultural jobs in the County as of November 2010. The number of jobs is down slightly from a year ago when there were approximately 42,600 agricultural and 120,100 non-agricultural jobs in the County. This represents a decrease of approximately 1,000 agricultural jobs and 1,400 non-agricultural jobs. Of the non-agricultural jobs, the sectors that have resulted in the greatest losses over the past year include: 1) the government sector which experienced a decrease of 700 jobs; 2) the manufacturing sector which experienced a decrease of 600 jobs, 3) the construction sector which

experienced a decrease of 300 jobs; and 4) the information, financial activities, and the leisure and hospitality sector which each experienced a decrease of 100 jobs.

Housing Supply

Despite the slowing pace of foreclosures, the Salinas Californian newspaper recently reported that nearly one in every four property transfers in Monterey County was a foreclosure in 2010. This report quotes industry observers who predict a peak nationally in foreclosure activity in 2011. This may or may not happen in Monterey County, but banks still have large numbers of foreclosed homes that are not currently on the market. The long period of time needed to absorb these properties will mean that housing prices which are down 25-50% from 2008 levels will not recover for a long time.

New housing starts in Monterey County continued to be very low in 2010. For single family houses, there were 117 building permits issued countywide compared with 118 issued in 2009. These figures are well below the 239 issued in 2008. For multi-family units, there were 165 building permits issued in 2010, substantially above the 95 issued in 2009 but equal to the 169 issued in 2008. Most of the increase can be attributed to the 58 units in the Cynara Court Project in Castroville for which significant funding is being provided by the County Redevelopment Agency. The average value per unit of the permits increased for both single and multi-family units in 2010.

Observers also noted that the lack of inventory of existing units for sale in the marketplace. During the early part of 2010, the inventory increased a bit over late 2009 levels but then stabilized at lower levels later in the year and, most recently, dropped even lower. This is attributed in large measure to banks holding foreclosed properties off the market to avoid further significant price declines. This not an issue of capital availability as qualified buyers can still get conventional loans; rather, it is a business decision by financial institutions to parse out the inventory of foreclosed properties.

Overall foreclosures seem to be on a downward trend. According to the Monterey County Tax Collector's Office, the number of notices of defaults, the first step in the foreclosure process, that were filed in 2010 was down by approximately 37.4% compared to 2009. The number of notices of trustee sales, a notice that a sale that is scheduled by the bank on a specific day, was down by approximately 11.2%. The number of trustee deeds, deeds recorded after the foreclosure sale by the bank is final, was down by approximately 19.4% for the same time period.

Home Sales and Median Home Values

The median sales price for a single family home in Monterey County was \$250,000 in January 2010 and \$245,000 in November 2010, representing a decrease of approximately \$5,000 (2%) over the past ten months. The median sale price for a condominium/townhome was \$205,000 in January 2010 and \$129,500 in November 2010, representing a reduction of \$75,500 (37%) over the past ten months. Compared to the current median sale prices from 2008 when the median

sale price for a single family home was \$320,000 and \$270,000 for a condominium/townhome, current median sale prices represent an overall reduction of \$75,000 (23%) for a single family home and \$140,500 (52 %) for a condominium/townhome from two years ago. Further, the overall sales volumes in 2010 was comparable to that in 2005 but prices are 48% lower now. According to the Multiple Listing Service, 2,139 single family homes and 272 condominiums/townhouses were sold in the first ten months of 2010 in Monterey County. Over half of the home sales were in the north Salinas area and southern Monterey County with 615 and 586 single family homes sold, respectively. In the north Salinas area, the majority of the home sales were in the northern city limits of Salinas as well as some in the community of Boronda. In southern Monterey County, the majority of the home sales were within the incorporated cities of King City, Soledad, Greenfield, and Gonzales.

The Monterey County Association of Realtors (MCAR) reports that sales in the Salinas Valley dropped 33 percent in 2010 over 2009 levels. Realtors attribute some of the drop to “buyer fatigue” with many buyers being unable to purchase a house after three to four attempts because “all cash” investors have the ability to snap up properties. Significant uncertainty also remains in the market with mortgage rates going up and the perception that prices are continuing to decrease in the market.

The Monterey Peninsula market has shown a contrasting trend with sales up 18% over 2009. It appears that the higher-end segment of the market has become attractive to buyers with cash, including foreign investors. For example, Carmel Valley registered 167 sales in 2010 compared to 142 in 2009 and Pebble Beach had 75 sales in 2010 compared to 64 in 2009.

Overall countywide, MCAR reports that, while sale volumes are down, prices have not fallen nearly as much, reflecting the increased proportion of sales at the upper segments of the market. However, there appears to be a vacuum in the mid-range market between \$400,000 and \$800,000 with little sales activity. Home sales will not truly rebound until move-up buyers are attracted back to this segment of the market.

Rental Prices

The average rent for a two bedroom, two bathroom apartment in Monterey County is \$1,352 per month. This is up from approximately \$1,250 in 2005 reflecting a very modest increase of 8.2% over a five year period. The rental market has expanded as foreclosed properties are converted to rental units. While rents generally have increased, the recent increase of supply may help to stabilize rent prices in the near term. While this is generally good news for moderate income renters, low income and special needs renters continue to struggle as they compete for units.

Mortgage Lending

The high number of foreclosures has resulted in a large segment of households who can no longer participate in the housing market due to bad credit. Current FHA rules require households with foreclosure history to wait three years before they can qualify for a new home loan. A key

caveat here is the qualification threshold in regard to household income. It is generally recognized now that a major cause of the housing crisis was the significant relaxation of underwriting criteria on home mortgages, leading many households to purchase homes that they could not afford over the long term. This change in underwriting criteria was stimulated by the development of mortgage investment products intended to spread risk more efficiently. However, the effect was to generate hyper-inflation in housing prices and to significantly destabilize the consumer base. With no margin for error, any reduction in household income due to lay-offs or reduced hours precipitated loan defaults. This fueled extraordinary inflation in housing prices but as demand cooled, prices began to drop and households became “upside down” in their mortgages. Both the ability and willingness to work out of bad financial circumstances evaporated.

In the current market, lenders report that capital is available to highly qualified buyers, but the lack of both housing inventory and buyer confidence in the market continue to restrain the housing market recovery.

The Prognosis for 2011

Most predictions are that the first quarter of 2011 will be a wait and see period for home buyers. As mortgage rates inch upward, the key unknown is whether housing prices will fall further before stabilizing and whether the job market in Monterey County will hit bottom and begin to recover or whether a further prolonged period of job loss will continue.

Whether or not housing prices continue to decline, few industry observers expect any real price recovery in the foreseeable future. Developers planning new projects do so only if they can come to market with products at current price levels. Developers who enjoy a low basis in their land will be better able to meet current market prices. Even with very low land prices, it is necessary to build units at very low costs to meet market prices. There is some question whether small builders can compete even at rock bottom land prices.

Some industry representatives contacted for this analysis expressed a cautious optimism that the last quarter of 2011 will see a modest strengthening of consumer demand and housing market activity with the potential for improved conditions in 2012. Others are dubious that the Monterey County job market will recover fast enough to forestall further stagnation in the housing market for several years to come.

Implications for Monterey County Housing Programs

One major outcome of the housing crisis has been the expansion of the rental market as former homeowners have had to abandon their mortgages. This led initially to rental price increases, but the supply of rental housing has also increased due to foreclosed units being added to the rental market. This has helped to keep rent levels from increasing significantly. For 2011, some focus is needed on improving access to moderate priced homeownership opportunities in order to help restore balance to the overall housing market.

Below is a summary of program implications derived from the market conditions described above.

- Recovery of the job market is essential to the long term health of the housing market. Opportunities for the housing programs to contribute to job growth should be pursued. For example, a program to promote energy efficiency upgrades or solar installation would have the double benefit of reducing homeownership costs and creating jobs in the energy efficient industry.
- Given the level of price uncertainty created by the remaining large inventory of foreclosed properties, it appears unlikely that County efforts to purchase housing for rehabilitation and resale alone can significantly improve housing choices for many households. The most effective use of housing funds is likely to be in terms of financing assistance based on realistic underwriting criteria for qualified buyers, particularly first time homebuyers.
- At current market prices, development costs need to be reduced substantially. Local government efforts to defer fees, where feasible, would assist the private sector to build more homes. However, it must be recognized that such fees help to fund essential infrastructure and little benefit is gained by creating unfunded expenditure gaps through reducing fees. Further, Monterey County should prioritize facilitating those moderate priced projects, such as East Garrison, where the developers have a low basis in their land and market recovery seems most likely.
- Finally, a low land cost basis is critical to delivering feasible housing products to market. Where appropriate, land acquisition and land banking can help to preserve opportunities for future housing development in targeted locations.

HOUSING STRATEGIES AND PRIORITIES

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In order to respond to the current housing context in a manner that leverages available financial and staff resources, a number of key strategies are recommended for 2011. An important focus this year is to identify strategies that address overall economic conditions in the County as they specifically relate to housing needs. These strategies have been designed to promote economic recovery of the County's local housing market while addressing the housing needs of those special population groups most impacted by the current economic conditions.

Support Economic Development Efforts

The County is facing a critical time. Healthy communities are directly tied to economic conditions. As described in the Housing Context Section, the County is part of a nation-wide downward economic spiral. Job loss impacts the ability of households to qualify for housing and affects consumer demand, which in turn negatively impacts the local housing new construction market. In an era of diminishing governmental resources, it is imperative that the County's housing programs and projects be designed to create housing for the County's workforce while also leveraging economic development strategies to promote and jump start long-term economic recovery. The County should also aggressively implement Capital Improvement Program (CIP) projects within targeted communities. As part of this effort, agreements should be structured to create local jobs and spur consumer confidence.

"Green Technology" represents one of the most promising economic opportunities in the Monterey County region. For 2011, it is recommended that the County focus on promoting enhanced consumer demand by aggressively implementing a residential retrofit program to encourage homeowners to install energy efficient systems in their homes. Increased consumer demand will create new jobs while achieving emission reduction mandates and reducing utility costs for homeowners who may be struggling with the cost of retaining ownership of their homes.

Specific activities recommended to be undertaken this next fiscal year related to supporting housing related economic development activities in Monterey County include the following:

- Explore implementing a new loan program through the Housing Rehabilitation Program that is compatible with State initiatives such as Energy Upgrade California to provide funding to qualified homeowners to install energy efficiency systems.
- Support the existing Hartnell College/Monterey County Workforce Investment Board (WIB) Partnership's Green Building Training Program by facilitating use of trainees on County-supported affordable housing projects and identifying potential funding to integrate the program into other affordable housing efforts.
- Focus on facilitating the implementation of the East Garrison Specific Plan. Approved by the County Board of Supervisors in 2005, the project has been designed to be affordable by building high density and modest-sized housing units within a walkable

community. Current economic forecasts indicate that this type of housing will be the first market segment to recover. The new developer group for the project, UCP East Garrison LLC, intends to capitalize on this trend and is aggressively working to complete entitlements for the first two phases of the projects. Housing units in the first phase are anticipated coming on the market in 2012. Taking advantage of current trends related to the cost of housing, this project could provide housing for an important segment of the County's workforce that has previously been priced out of home ownership opportunities. The project could also create several hundred local construction jobs.

Facilitate the Creation of New Affordable Rental Housing

As documented in the Housing Context Section, the rental market for single family units has benefited from the lower home prices and availability of units through foreclosures. This situation helps meet the housing needs of moderate income families for the short term. However, low and very low income households typically cannot afford these units without doubling or tripling up. There continues to be a limited supply and fierce competition for subsidized units affordable to the very low and low income population. Significant numbers of households are forced to live in substandard, overcrowded and/or inappropriate units that do not meet their needs. Developing affordable rental housing and/or rehabilitating existing units for low and very low income households usually requires significant subsidies. Since the County has limited local funding sources, it is therefore very important to leverage available funding. Strategies to be implemented this coming fiscal year to assist in the development and rehabilitation of rental housing include:

- Complete the Boronda Community Plan and facilitate potential development of the mixed use areas of the South Boronda Area in order to incorporate a significant amount of new high-density housing.
- Take advantage of current low land prices to purchase land within existing communities for future affordable rental projects, specifically reserving funding to purchase land at key locations on Merritt Street in Castroville and in the South Boronda area.
- Implement code enforcement activities to rehabilitate and retain existing rental housing including providing relocation housing and rental assistance as available and as needed.
- Assist affordable housing developers to implement well-designed rental housing projects within established or planned communities by 1) providing funding through available local, state and federal funding sources, specifically reserving funding for furthering the Axtell Apartment project in Castroville this upcoming Fiscal Year; 2) assist MidPen with the development process for and to commence construction of Manzanita Place on the former Fort Ord; and 3) providing assistance in completing land use approvals.

Facilitate the Creation and Rehabilitation of Housing for Special Needs Populations

Low income and special needs populations have been particularly impacted by the current economic conditions. Farmworkers, people with disabilities, and the elderly most often have limited income and very specific housing needs. Housing for people with disabilities is particularly challenging because, in addition to housing unit design, it is critical to address project location to ensure access to medical and other services required by the target population. It is also desirable to facilitate the provision of on-site supportive services where appropriate. A large number of individuals in this target population are extremely low income and require significant housing subsidies. Partnering with non-profits is the best way to effectively provide this type of housing. In order to address these unique challenges, it is recommended that the RHO undertake a number of activities as described below:

- Undertake the NSP3 Program. In October of 2010, the County was notified that it was eligible to receive \$1,284,794 in NSP3 funds directly from the Federal Department of Housing and Urban Development (HUD). Of the total anticipated grant award, 25% of the funds must be used in support of rental housing for households earning less than 50% of the County Area Median Income (AMI). The balance of the funding may be targeted to those households earning up to 120% of the AMI. Unlike NSP1, the majority of the funds must be concentrated in one target area to ensure that the program has a noticeable effect in stabilizing neighborhoods impacted by foreclosures. If awarded, NSP3 funding will be used to:
 - a. Purchase and rehabilitate houses to assist non-profits in providing rental housing for special needs populations.
 - b. Provide funding to Interim, Inc. for the Rockrose Gardens project in Marina which will provide permanent housing with supportive services for adults with mental disabilities who are homeless or at the risk of becoming homeless.
- Work with the Building Department to address health and safety code violations at farm labor camps and other farmworker housing facilities by providing temporary housing at Kents Court and financial assistance through the Homelessness Prevention and Rapid Re-housing Program.
- Facilitate implementation of the Axtell Apartment project in Castroville to provide new rental units, some of which will be targeted to special needs population groups and their families.
- Take advantage of low land prices to acquire property that has the potential to be developed as special needs housing.
- Support the County Behavioral Health Division in implementing the Mental Health Services Act (MHSA) program which funds the development and operation of supportive housing for people with mental disabilities.
- Support the County's General Plan Implementation efforts related to providing affordable housing for special needs populations including reasonable accommodation regulations

and processes to allow relaxation of development standards in order to address specific physical features for accommodating people with disabilities.

Complete Infrastructure and Community Facility Projects to Address Community Deficiencies

Creating healthy communities requires that safe water, adequate wastewater systems, and functioning drainage systems are critical. In addition, basic public amenities such as parks and community meeting/gathering spaces are necessary to enhance community involvement and provide safe activity spaces and facilities for youth. Following are specific strategies and projects to be undertaken during this upcoming fiscal year:

- Continue implementing public infrastructure improvement projects such as the Boronda Storm Drain Project to ensure that required infrastructure is in place to support existing housing and development of new higher density housing.
- Apply for new funding to facilitate infrastructure improvement efforts that preserve existing housing, serve new housing, and benefit existing communities. Specifically, identify funding to complete the San Lucas Well Replacement Project and apply for CDBG funding for assistance in constructing a reclaimed water pipeline on Inter-Garrison Road in Fort Ord to facilitate development of planned affordable housing.
- Identify and assist the development of appropriate public facilities that will support families living in areas of higher density housing that currently lack such facilities. Specifically, support the development of community parks in Chualar and Pajaro. In furtherance of these activities, the County is currently working on final plans and specs for the Pajaro Park project with plans to bid the project in early 2012 and begin construction of the park in the spring of 2012. Additionally, the County is in the process of applying for funding for a park facility in Chualar that will be funded through the State Housing Related Parks Program. Funding is based upon new affordable housing starts in the County, specifically from the Cynara Court project in Castroville. It is expected that grant funds will be in the range of approximately \$100,000.

Assist Qualified Households to Access Homeownership Opportunities

As described in the Housing Context section, home prices continue to be down significantly from the high prices of just a few years ago. This provides unprecedented opportunities for moderate income households to access market rate housing. In many instances, these households have sufficient income and excellent credit but are prevented from accessing ownership opportunities due to a lack of a sufficient downpayment. There are several funding sources for downpayment assistance that the County is eligible for. If awarded, this funding could be used to provide downpayment assistance in the form of “silent seconds” to qualified households. In addition, the County will continue to provide access to units through the Inclusionary Housing

Program and will implement a new self-help loan program. A description of the specific programs that will be undertaken this next fiscal year related to this strategy follows.

- Continue to implement the NSP1 Program where foreclosed homes are purchased, rehabilitated, and resold to qualified households. NSP1 provides downpayment assistance in the form of a “soft second” allowing the households to purchase a house with a small equity investment and a conventional loan.
- If the County is awarded an \$800,000 HOME Grant, implement a downpayment assistance program in the unincorporated areas of the County.

Maintain and Enhance Existing Housing Programs to Protect Existing Affordable Housing

Over the past several years, the County has developed a number of housing programs that have provided funding for the development of affordable housing or access to affordable housing by qualified households. It is important to focus energy on maintaining and, if appropriate, enhancing these existing programs. Specific activities that will be undertaken this upcoming fiscal year include the following:

- Enhance the County’s Inclusionary Housing Program through annual unit monitoring; addressing foreclosures through improved noticing and other legal mechanisms to ensure that the existing units remain affordable; and addressing program implementation issues such as inheritance and in-lieu fee updates.
- Enhance access to County-restricted housing units through improvements to the buyer qualification process including coordination of required homebuyer education.
- Monitor the existing housing loan portfolio to ensure compliance with affordability restrictions and loan requirements.
- Explore funding sources such as HOME and CDBG to purchase Inclusionary Units that are facing foreclosure in order to preserve their affordability.

Leverage New Funding Opportunities

The RHO has had considerable success in securing grants from State and Federal programs over the past several years. Sources have included CDBG, State HOME, CalHOME, NSP, EDA, and, most recently, State Proposition 84. These funding sources allow the County and Redevelopment Agency to leverage available local funding sources in order to assist affordable housing projects and programs. Several activities will be undertaken this next year related to accessing outside funding.

CDBG Entitlement Jurisdiction

Over the past several years, the County has been notified annually by the Federal Department of Housing and Urban Development (HUD) that it meets the criteria to apply as an “Urban County” for participation in the Community Development Block Grant (CDBG) program. In order to qualify for this designation, the County needs to enter into cooperative agreements with interested cities located in the County that are not currently CDBG Entitlement Jurisdictions. Salinas, Monterey and Seaside are currently the only Entitlement Jurisdictions located within the County. Once the cooperative agreements are in place and HUD approves the application, the County would be “entitled” to receive a certain amount of CDGB funds directly from HUD each year. These funds would be shared with the participating cities. Currently, the County and the non-entitlement cities must apply to the State for CDBG funding through a competitive process. In previous years, the non-entitlement cities have declined to participate, primarily due to the determination that they could access greater amounts of funding through the direct competitive State CDBG process on an individual basis. However, the process has become more competitive with cities not receiving funding awards as they have in the past. Therefore, it appears there is more interest in participating in an entitlement jurisdiction. It is anticipated that the direct annual allocation of funding will range between \$1.5 and \$2 million depending on which cities elect to participate. The funding can be used for CDBG eligible activities such as construction of new affordable housing, improvements to infrastructure, and construction of public facilities that directly support new housing. It is anticipated that the entitlement process will take approximately 18 months to complete.

Other Funding Opportunities

In addition to pursuing CDBG entitlement status, it is recommended that the following activities be undertaken during the upcoming fiscal year.

- Apply for HOME funding for either a project or program as determined through the established NOFA or Emerging Opportunities process.
- Apply for CDBG funding through the State for a potential infrastructure project on Fort Ord to support planned affordable housing.
- Investigate funding sources to provide loans to qualified homeowners to retrofit existing units with energy efficient systems in order to lower the cost of utilities.

HOUSING FUND PROGRAM RECOMMENDATIONS

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The County's adopted Housing Allocation Manual provides that County funding may be allocated based upon six 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 and funding objectives and provide an estimate of available revenues, recommended expenditure program for the remaining months of fiscal year 2010-11 and for Fiscal Year 2011-12, and specific project recommendations related to the annual NOFA process.

Funding Objectives

In developing the recommended expenditures program for 2011-12, 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 must be consistent with the adopted Housing Allocation Manual including criteria associated with location, levels of assistance, and project/program readiness.
- Housing expenditures/programs must be managed in accordance with State requirements and should be targeted to maximize competitiveness for the State and federal grant processes.
- The recommended expenditure program needs to include sufficient financial reserves to fund future year project opportunities in recognition of 1) that it may take several years to fund and implement affordable housing opportunities and 2) the inherent uncertainty related to future funding sources.

Program Funding Components for Remaining Fiscal Year 2010-11

Down Payment Assistance (First Time Homebuyer)

The County's 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. In the past, the program has been funded through new grants such as NSP and HOME as well as Program Income and funding from the Redevelopment Housing Set-Aside funds.

An enhanced DPA program that is more directed at the target households and matched to the available funding sources has been developed. A description of the funding being allocated to the DPA Program for the remaining months of Fiscal Year 2010-11 follows.

- *NSP1*: The County's NSP1 Program implemented over this past year includes a component of DPA consistent with the new DPA Program. The NSP1 Program will be continued during the rest of this fiscal year as the initial homes purchased are sold and Program Income is generated. A majority of the \$1,586,444 NSP1 Program Income has been targeted to homebuyer assistance for the remaining months in Fiscal Year 2010-11.
- *HOME Grant*: In 2010, the County applied for \$800,000 in HOME funds for downpayment assistance. To date, grant awards have not been announced. If awarded, the grant would be allocated to the County's DPA Program with total of \$743,000 for the activity and \$57,000 for administration and activity delivery costs. It is estimated that \$52,000 in activity and activity delivery and \$5,000 in administration will be expended during the remaining months in this Fiscal Year.

Housing Rehabilitation

Depending on funding availability, Monterey County administrates a housing rehabilitation program that provides assistance to very low- and low-income homeowners and owners of rental units occupied by low-income households. Program assistance includes financial subsidies as well as management of the actual rehabilitation process. The program is typically funded with new grants, HOME and CDBG Program Income, and Redevelopment Housing Set-Aside funds. During the past several years, funding and staff resources that could be devoted to this program have been constrained. Although no specific allocation is being included for the remaining monies of Fiscal Year 2010-11, the NSP Program includes a component of rehabilitation which includes retrofitting homes with energy efficient appliances and other limited improvements. In addition, the RHO will be developing a program to provide funding to retrofit homes with energy saving features.

Over-the-Counter (OTC) Grants

This program provides small loans and grants (up to \$25,000 each) for pre-development activities related to future affordable housing projects or programs. The program guidelines provide grants for pre-development activities such as technical studies, architecture and engineering services, and financial feasibility studies. In addition, funding from this program is available for emergency financing on a short-term loan basis for affordable housing projects. Funding for this program historically has been derived from Inclusionary funds and redevelopment set-aside revenues, however Inclusionary funds are currently very constrained.

The County has awarded CHISPA with a \$10,000 OTC Grant to assist with their Construction Technology Training Program, in partnership with Hartnell College. CHISPA purchases properties and constructs affordable homes on them in conjunction with Hartnell students who are trained in both pre-development and actual construction activities. The OTC grant funding in the 2010-2011 Fiscal Year is for site feasibility studies for two properties in Boronda.

Project Assistance/Emerging Opportunities

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 or Emerging Opportunities Process. Funding for individual projects is obtained through County sponsored programs, State and Federal housing programs, and/or redevelopment set-aside revenue. The following funding allocations are recommended for the remaining months in Fiscal Year 2010-11:

- *CHISPA/Hartnell Construction Technology Training Program:* The Redevelopment Agency (RDA) is in the process of completing a purchase of a property on Hyland Drive in Boronda through a tax default sale. The property currently contains an abandoned home that is a serious safety hazard and is subject to a County Code enforcement action. In addition to the OTC grant described above, it is recommended that \$150,000 of Redevelopment Housing Set-Aside funding be reserved for costs associated with the property acquisition by the RDA, demolishing the existing structure and re-selling the property to CHISPA for use by the Construction Technology Training Program. The RDA will enter into an Agreement with CHISPA/Hartnell to perform the required demolition and build a new affordable housing unit using people currently enrolled or who have graduated from the training program. This effort will assist in eliminating blight in the Boronda Community, provide additional affordable housing, promote and incorporate green technology, and create jobs for those who are going through the training program.
- *Axtell Apartments:* In fiscal year 2009-10, the County Redevelopment Agency approved a funding agreement with CHISPA in the amount of \$1.1 million for the purchase the Axtell Apartment project site. When constructed, the project will provide 58 units of affordable housing in Castroville. It is recommended that an additional \$700,000 be provided during this fiscal year to complete the land purchase.
- *Camphora Farm Labor Camp:* In fiscal year 2009-10, the County Redevelopment Agency approved a funding in the amount of \$300,000 for South County Housing for the purchase of the Camphora Farm Labor Camp located near Soledad in southern Monterey County. The project consists of 44-dilapidated market rate rental units that are primarily occupied by farmworkers. The purchase was completed in October of 2010. SCH intends to demolish the existing the facility and construct a new affordable rental housing project. In addition to replacing the existing units, additional units may be included that could be used for relocation housing. SCH is in the process of finalizing design plans and assembling funding. In the mean time, the Camphora facility has some deficiencies that need to be corrected. It is recommended that an additional \$35,000 be provided during this fiscal year to complete improvements to the facility in order to meet health and safety codes.

Program Funding Components for Fiscal year 2011-12

Following is the recommended funding program for the upcoming fiscal year.

Down Payment Assistance (First Time Homebuyer)

It is recommended that the County's enhanced Down Payment Assistance Program (DPA) be continued in Fiscal Year 2011-12 as described below:

- *NSP1*: The NSP1 Program will be continued during the next fiscal year as Program Income is generated. A total of \$1,451,010 of NSP-1 Program Income is budgeted to be received through the sale of NSP1 homes with the majority targeted to homebuyer assistance for Fiscal Year 2011-12.
- *HOME Grant*: If HOME funding is awarded in early 2011, it is estimated that \$728,000 will be expended on activity and activity delivery and \$15,000 in administration expenditures during Fiscal Year 2011-12.
- *Park Grant*: The County is in the preliminary stages of investigating an opportunity to apply for a state grant known as the Housing Related Parks Program (HRP). Approved as a part of Prop 1C, the program creates incentives and rewards local governments for building affordable housing. The amount of grant funds available is based upon the number of affordable housing foundation inspections in the 2010 calendar year. Due to construction progress on the Cynara Court project, the County may be able to access this funding. There is a complicated funding model with many bonuses. Due to the preliminary stage of the grant cycle and the unknown amount of funds the County will qualify for, no funding has been included in the 2011-12 budget.

Housing Rehabilitation

Although no specific allocation is being included for fiscal year 2011-12, the NSP Program includes a component of rehabilitation which includes retrofitting homes with energy efficient appliances and other limited improvements. The expenditures for rehabilitation in the NSP1 program are dictated by the condition of the homes purchased. Aside from NSP1, funding will be identified to implement an energy efficiency retrofit program for homeowners to install energy efficient systems in their homes. Potential funding and assistance may be available through the State Energy Upgrade California Program and from the existing PG&E Rebate Program. Depending on the amount of outside funding available, funding from the Emerging Opportunities and Reserves may be shifted into this effort.

Over-the-Counter (OTC) Grants

The recommended allocation of \$50,000 would be funded with redevelopment funds and would provide small loans and grants for projects or programs located within the Redevelopment Project Areas or found to have direct benefit to the Project Areas.

Project Assistance

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, State and Federal housing programs, and/or redevelopment set-aside revenue.

- *NOFA*: Three entities responded to the NOFA issued in October, 2010. An allocation of \$325,000 in NSP-3 funding is recommended for the Rockrose Gardens Supportive Housing Project located in the City of Marina on the former Fort Ord. The project is being undertaken by Interim Inc., a non-profit housing developer/operator focused on providing housing for adults with mental disabilities that are homeless, or at risk of becoming homeless. Rockrose Gardens will consist of 22 one-bedroom units, a community room, and a services office. Interim has entered into an exclusive negotiating agreement with the owner, the City of Marina. All tenants are anticipated to be extremely and very-low-income individuals typically earning less than 35% of AMI.
- *New Grants*: The County has had considerable success in applying for and being awarded CDBG and HOME Grants. No projects were identified through this year's NOFA which were a fit to apply for these funds. It is therefore recommended that a separate NOFA for the HOME Grant application be released in the spring of 2011 to solicit potential projects. Additionally, it is recommended that a CDBG application be prepared and submitted to assist in funding a new reclaimed water line on Inter-Garrison Road in Fort Ord. This will free up a potable water allocation to serve future affordable housing projects elsewhere on Fort Ord. The CDBG application deadline varies but is typically in early summer while the HOME application is usually due to the State in August.

Aside from project grants, the County is eligible to apply for a CDBG Planning and Technical Assistance grant up to \$35,000 to be used for planning efforts that support affordable housing and community development activities benefiting lower income households. The County may also 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 during Fiscal Year 2011-12 to advance the infrastructure planning efforts necessary to promote affordable housing and jobs in the Chualar area.

Finally, the County is in the process of applying to HUD for NSP3 funding in the amount of \$1,284,794 to undertake a program to assist in the stabilization of neighborhoods programs. An award is expected in May or June of 2011. Funds will be used to support a project (see NOFA section re Rockrose Gardens above) and a program which will be to purchase, rehabilitate, and resell single family homes in Soledad to non-profits for use as rental housing for special needs housing.

Emerging Opportunities/Reserve

This program is used to establish reserve funding to assist projects or opportunities during the year that emerge outside the NOFA timeline or solicitations related to specific funding opportunities. The Emerging Opportunities program is also intended to ensure adequate funding for future affordable housing projects currently in the planning process, opportunities to purchase

land, and programs that enhance existing housing programs. Funding can be through new grants and loans, Redevelopment Housing Set-Aside, and/or Program Income.

For Fiscal Year 2011-12, a recommended total allocation of \$1,374,265 would be funded with redevelopment funds and Program Income and provide funding for future housing projects, infrastructure projects to support existing and/or planned affordable housing, and/or purchase of land for future affordable housing projects. Of this allocated funding, \$250,000 is specifically reserved for the San Lucas Well Replacement Project from CDBG Program Income. The balance of the allocation, \$1,124,265, is reserved for other future projects or activities, such as land acquisitions in Castroville and Boronda.

Mental Health Services Act (MHSA) Supportive Housing funding

The MSHA Program provides funding for permanent supportive housing for individuals with mental illness who are homeless or at risk of homelessness. Funding through Proposition 63, the Mental Health Services Act (MHSA), was first available in 2007. Management of the program and the application process in Monterey County is primarily the responsibility of the Behavioral Health Division, County of Monterey Health Department. However, through an MOA, the Redevelopment and Housing Office assists the Behavioral Health Division to identify affordable housing developers and review project applications. Since the Behavioral Health Division is responsible for administering the MSHA funds, no specific funding allocation is included in this report. However, MHSA funds of \$917,820 are being recommended for Interim's Rockrose Garden project by the Health Department.

Other Housing Funding Allocations for 2011-12

In addition to the six funding programs described above, funding is allocated to Planning and Consulting Services and Services and Supplies as described below.

Planning and Consulting Services

The recommended allocation of \$423,621 for Fiscal Year 2011-2012 provides for consulting services required to continue to assist with grant administration and specialized legal services required for certain housing programs and projects.

Services and Supplies

The recommended allocation of \$1,338,532 for Fiscal Year 2011-2012 will fund on-going staff and overhead costs based on projected workload. Overhead costs include such items as office supplies, training, publications, and legal notices. Funding would be from inclusionary funds, redevelopment revenues, and administrative and activity delivery funds from new grants.

Fiscal Year 2010-11 and 2011-12 Revenue and Expenditure Estimates

Appendix 2 contains estimates and refinements for the current fiscal year 2010-11. Appendix 3 includes detailed estimates of revenues and expenditures for Fiscal Year 2011-12. Appendix 4 describes the individual project recommendations related to the 2010-11 NOFA process.

The following table summarizes the programmatic funding expenditure recommendations:

	FY 10-11	FY 11-12
<u>Down Payment Assistance (new HOME Grant, if awarded)</u>	\$57,000	\$743,000
<u>New Project Assistance</u>		
Neighborhood Stabilization Program (NSP-1) – P.I.	1,586,444	1,451,010
Neighborhood Stabilization Program (NSP-1)	443,649	
Neighborhood Stabilization Program (NSP-3)	40,000	1,244,794
CDBG/HOME		62,000
<u>Previously Funded Projects</u>		
Pacific Meadows - HOME	377,783	
Water Improvements – San Jerardo	1,070,254	
Housing/Foreclosure Counseling – CDBG	175,000	74,372
Sunflower Gardens – CDBG	1,340	
San Lucas Well Study - CDBG	40,000	
San Lucas Test Well and Environmental – CDBG	183,000	
Camphora	335,000	
Other RDA transfer		255,960
<u>Over the Counter Grants & Loans</u>	35,000	50,000
<u>Debt Service</u>	39,875	0
<u>Planning & Consulting</u>	237,555	423,621
<u>Services & Supplies</u>	778,456	1,338,532
<u>Emerging Opportunities Reserve</u>	1,400,000	1,374,265
<u>EG Housing DDA Commitment</u>		500,335
<u>Reservation – CHISPA – Axtell Rental Project</u>	700,000	
TOTAL:	\$7,500,356	\$7,517,888

APPENDICES

APPENDIX 1
2010 HOUSING ACCOMPLISHMENTS

2010 HOUSING ACCOMPLISHMENTS

In spite of significant challenges presented by the continuing economic crises, the County was able to achieve a number of successes related to affordable housing. In particular, the County provided critical assistance for specific projects, facilitated partnerships with various non-profit organizations and other agencies, accessed new funding sources, improved existing housing programs, and facilitated community improvement efforts.

Creating Opportunities for Development of New Housing

Community and Specific Plans

Over the past several years, the County has prepared and facilitated implementation of community and specific plans for Castroville, Boronda, and East Garrison on the former Fort Ord. The plans include programs to provide for needed infrastructure, commercial and industrial uses, and public amenities to create healthy, mixed-income communities with appropriate housing and move-up job opportunities.

- Castroville
The Castroville Community Plan was adopted by the Board of Supervisors in 2007. Since that time, the Redevelopment and Housing Office (RHO) has been incrementally implementing the Plan. Over the past year, RHO staff worked closely with the Planning Department to prepare and process a Zoning Code Amendment that incorporates the Community Plan land use classifications, development standards, and design guidelines for non-costal areas. This amendment was adopted in 2010. During the past year, the RHO has begun focusing on revitalization efforts for the Downtown Corridor as envisioned by the Community Plan.
- The Castroville Community Plan identified a number of necessary traffic circulation improvements for addressing problems of congestion and to support new redevelopment projects. Improvement of the intersection at State Highways 1 and 183 (Merritt Street) is one of the most critical transportation elements in the Plan. In order to facilitate that project, the RHO completed a draft Project Study Report (PSR) that was reviewed by Caltrans and several meetings were conducted. Comments from Caltrans indicate that the project may not be feasible as envisioned and the RHO staff is now in the process of discussing options with the Transportation Agency of Monterey County (TAMC) which oversees projects on State highways.
- Boronda
A Boronda Community Plan was drafted in late 2004 with considerable participation by the community. Included in the draft Community Plan was a development concept for the undeveloped South Boronda area. In 2007, a developer submitted an application for a project called Boronda Meadows located in South Boronda and work was done to revise the Draft Community Plan to incorporate the land use concept and start an EIR. However, the application has subsequently been withdrawn, primarily due to the downturn in the economy.

Subsequent to the Boronda Meadows project being withdrawn, the RHO proceeded with drafting a revised Community Plan which incorporated some of the concepts from the Boronda Meadows Project but also reflected the current economic conditions in the region. An EIR is now underway. It is anticipated that the Community Plan will be considered for adoption in mid-to-late 2011.

- East Garrison

The Fort Ord Redevelopment Project Area and Redevelopment Plan were adopted by the County and Redevelopment Agency in 2002. The East Garrison Specific Plan and the associated EIR were completed in 2005 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. Affordable housing agreements were executed with non-profits for three phases of affordable rental housing totaling 195 units.

In 2008, the developer informed the County that the downturn in the local and statewide housing market had reached significant proportions and requested approval of provisions in the Development and Disposition Agreement (DDA) relating to “Enforced Delay”. In 2010, the development was foreclosed and subsequently purchased by a new developer who is currently working with the County on a revised DDA. It is anticipated that work on the project implementation will begin in 2011.

In 2010, the County and MidPen Housing Corporation, the non-profit that executed an affordable housing agreement for the first phase of affordable housing in the East Garrison development, applied for and were awarded a \$10 million Neighborhood Stabilization Program (NSP1-3) grant. The grant will be used as a primary funding source of permanent financing for Manzanita Place, the first of the three affordable housing rental projects in East Garrison. The project will consist of 66 units and just over half of the units will be affordable to very low income households with the balance of the units affordable to those earning between 50 and 60% of the Area Median Income. It is anticipated that the project will begin construction in May of 2011 with completion in August of 2012.

General Plan Update

The County has been preparing a General Plan Update (GPU) over the past several years. A revised GPU was adopted on October 26, 2010. The new GPU includes a number of policies that will enhance the County’s ability to provide affordable housing opportunities in areas that have access to the necessary infrastructure and services. Appendix 3 includes the 2010 General Plan policies that pertain to affordable housing.

Housing Element Update

A major component of the General Plan is the Housing Element. In 2010, the RHO completed an update to the County’s Housing Element as mandated by State Law. The primary purpose of the Housing Element is to identify and zone sites that will provide for development of housing

units to meet Regional Housing Needs Allocation (RHNA) established by the State. The majority of the sites identified in the Housing Element Update available to meet the RHNA are located in the Redevelopment Project Areas. The Housing Element also includes implementation programs specific to assisting in the provision of affordable housing and special needs housing. Several amendments to the County's Zoning Codes were identified as necessary to comply with State law. The County Planning Department is in the process of preparing the draft amendments which are anticipated to be considered for adoption in mid-2011. State Housing Element Law also requires that the County prepare and submit an Annual Housing Element Implementation Report to the State Department of Housing and Community Development (HCD). This report is due in April of each year and includes a report on the specific status on each implementation program included in the Housing Element.

Project Assistance

In 2010, the County directly facilitated and assisted several new affordable housing developments. These projects include Cynara Court (58 rental units in downtown Castroville); Sunflower Gardens (18 supportive housing units in Salinas); Axtell Apartments (58 rental units in Castroville); and the Camphora Project (44 units near Soledad). They are described in more detail below.

Cynara Court

For the past few years, the Redevelopment Agency (RDA) and the County has been assisting MidPen Housing Corporation (MidPen), a non-profit housing developer, with an affordable rental project located in downtown Castroville. The RDA has provided \$2.77 million in direct funding assistance in addition to providing staff assistance to obtain the required land use entitlements. Located on two separate sites, Cynara Court will provide a total of 58 rental units for low and very low income households. Additionally, about one quarter of the units will be reserved for farmworkers. This project will help address the need for affordable rental housing in Castroville where there are serious overcrowding problems and limited affordable housing opportunities. Construction began on this project in the fall of 2010.

Sunflower Gardens

In 2008, the County was awarded a State Community Development Block Grant (CDBG) in the amount of \$500,000 for Sunflower Gardens, a project being developed by Interim Inc., a non-profit supportive housing developer. Sunflower Gardens is located within the City of Salinas and consists of 18 units of supportive housing for 23 very low-income adults with serious mental illness who are homeless or at risk of homelessness. Construction of the project was completed in the spring of 2010. In addition to providing housing, the project incorporates a full range of supportive services including on-site counseling and education to assist the residents in transitioning out of homelessness.

Axtell Housing Project

In early 2009, the County approved the Axtell rental housing project located at Preston and Axtell Streets in Castroville. Initially developed as a market rate project, the project consists of 58 apartments, a manager's unit and six single-family residences. The project approval required

that 10 of the rental units be restricted for affordability in compliance with the County's Inclusionary Ordinance. The project developer subsequently entered into a partnership with CHISPA, a non-profit affordable housing developer, to purchase and develop the rental portion of the project as a 100% affordable rental project. In furtherance of this effort, in June of 2010, the Redevelopment Agency approved a \$1,100,000 loan to assist CHISPA with the acquisition of the project. CHISPA is currently in the process of assembling additional funding and construction is anticipated to begin in 2012.

Camphora

The Camphora Farm Labor Camp is located near Soledad in southern Monterey County. The project currently consists of 44-dilapidated market rate rental units that are primarily occupied by farmworkers. In 2010, the County Redevelopment Agency provided a \$300,000 loan to South County Housing (SCH) to assist SCH to purchase the Camphora facility and convert it to affordable housing. The ultimate concept is to demolish the existing structures and build a new rental housing project. In addition to replacing the existing units, additional units may be included that could be used for initial relocation of some of the existing tenants. Subsequent to the completion of the rental units, the relocation units could then be used for other relocation purposes. SCH is in the process of finalizing design plans and assembling funding.

Manzanita Place

In September of 2009, the County and MidPen Housing Corporation submitted a joint application for a \$10 million grant from the Neighborhood Stabilization Program (NSP1-3). In August of 2010, MidPen was notified that an award of funds had been approved. The grant will be used as a primary funding source of permanent financing for Manzanita Place, the first of three affordable housing rental projects in East Garrison. The project will consist of 66 units with affordable rents for very low income households (those earning less than 50% of the Area Median Income (AMI) and low income households limited to those earning between 50 and 60% of the AMI. It is anticipated that the project will begin construction in May of 2011 with completion in August of 2012.

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, public facilities that match community needs are critical in creating healthy communities and supporting new affordable housing. During 2010, the County continued to make critical infrastructure improvements and implement public facility projects in Boronda, Pajaro, and Castroville.

Boronda Storm Drain Master Plan

In 2000, the Boronda Storm Drain Master Plan was prepared to identify drainage and road improvements needed in the existing, developed portions of North Boronda. Implementation of the Master Plan has been underway for the past several years using a phased approach as funding becomes available. In 2010, activities related to the Hyland Drive/ El Rancho Way Improvement Project (Phase 3) continued. These activities included: finalizing the engineering plans,

specifications and bid documents; obtaining regulatory environmental permits; acquiring easements from property owners for the utility relocations and improvements; and obtaining construction rights of entry from all property owners along the project frontage. Construction of this phase of the drainage and road improvements is tentatively scheduled to begin in 2011. The next phase will include improvements on Virginia Avenue, El Rancho Way, and Boronda Road. It is anticipated that the engineering design and utility relocations will be implemented during 2011 and construction will begin in 2012.

Madison Lane

Madison Lane is an existing County road in Boronda which has a very high volume of heavy truck traffic. The road is in substandard condition. The Redevelopment Agency is working with the local property owners to implement improvements.

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 whose residents are primarily low income. The existing water system had been identified as substandard and the system was under a State “bottled water order”. The County installed and operated a temporary filtration system to ensure that potable water was supplied to the residents while a new system was being designed and constructed. In 2007, the RHO applied for and was awarded a \$1,000,000 CDBG grant to help finance a portion of the construction of the new system. The County Public Works Department then took lead responsibility for the implementation of the project. An additional \$300,000 of Inclusionary Housing funding was also committed to the project. In the fall of 2009, the County obtained American Recovery and Reinvestment Act of 2009 (ARRA) stimulus funding and State Revolving Funds (SRF) to complete the necessary funding of the project. The construction of the project commenced in December of 2009 and was substantially completed in 2010.

Merritt Street Improvements

The RHO is in the process of implementing a Traffic Safety Improvement Project on Merritt Street in Castroville that will involve intersection improvements, bulb-outs for traffic calming, and pedestrian safety improvements. The project is being developed in conjunction with other downtown improvement efforts in downtown Castroville. When implemented, these activities will enhance the quality of life and address safety issues in support of existing and new residential development under construction on Merritt Street.

Pajaro Medical and Dental Clinic

Over the past year, the RHO has been working with the non-profit Clinica de Salud del Valle de Salinas to develop a medical and dental clinic in Pajaro. Following completion of a community-wide site location survey, it was determined that the presently under-utilized and County owned Senior Center on Bishop Street would be the best location for a new clinic in Pajaro. The Redevelopment Agency has committed \$134,690 to the project. Construction of the tenant improvements will begin in early 2011 and the project is expected to be completed in late 2011.

Pajaro Community Park

In 2010, Granite Construction Company donated 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. There are no park facilities currently located in the community. Over the past year, the RHO worked closely with the community to prepare conceptual design plans for the park. An Environmental Impact Report (EIR) was prepared and certified. The property transfer was completed in mid-2010. In late 2010, the RHO was awarded a \$5 million State Park grant under Proposition 84 which will allow for enhancement of the planned facilities at the park including installation of artificial turf. Construction of the park is anticipated to commence in 2011. The project will have a direct beneficial impact on providing facilities to a community with some of the highest density housing in the County.

San Lucas Water System Well

In December of 2008, the County was awarded a 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 has recently increased and now exceeds the maximum allowed levels under State law. Thus, it is not possible to increase the number of permitted connections to the system until an acceptable source of water supply is obtained. This has prevented CHISPA from moving forward with an approved 33-unit affordable housing development in San Lucas. Therefore, it appears a new well is required. The well study was completed in 2010. The County has also received approval to transfer funds from Community Development Block Grant (CDBG) Program Income into the project in order to complete the necessary environmental review and construction of a test well. These activities should be completed by mid-2011. The County is currently working with the San Lucas County Water District to identify funding for construction of a permanent well and transmission line.

Enhance Housing Programs

Code Enforcement

The need for enhanced residential code enforcement has been identified as an issue of long-standing concern in many of the unincorporated areas of the County. In 2009, the RHO applied for and was awarded a Homelessness Prevention and Rapid Re-housing program (HPRP) grant in the amount of \$1.6 million to be used for rental assistance and social services for those that are homeless or at risk of becoming homeless. Approximately 25% of the funds are designated to assist code enforcement efforts. The program is currently being implemented by the Department of Social and Employment Services (DSES). To date, a total of 141 households (385 people) have been assisted through the program.

In 2010, the RHO worked with the Building Department on enhanced code enforcement to address substandard housing conditions within the County's redevelopment project areas. Kents Court, an affordable manufactured housing development of 19 units owned by the Redevelopment Agency and located in Pajaro was identified as a source of units for short term relocation of families impacted by County code enforcement actions.

Homebuyer Assistance Study

In December of 2008, the County was awarded a CDBG Planning and Technical Assistance (PTA) grant which included \$30,000 for the preparation of a housing study to develop an effective Downpayment Assistance Program for the unincorporated areas of Monterey County. Completed in 2010, the study examined the current housing stock and current income levels in the County and identified funding sources available to match the need of County residents. From this, a new Downpayment Assistance Program was developed and approved by the Board of Supervisors in 2010. Subsequently, the County applied for an \$800,000 grant from the State HOME program in the summer of 2010. Awards are expected to be announced in early 2011. If awarded, the grant funds will be used to provide downpayment assistance to qualified new homebuyers. The Housing Study was also used to enhance the Neighborhood Stabilization Program (NSP1).

Inclusionary Housing Program

The County adopted a new Inclusionary Housing Ordinance in 2003 which requires that new residential development provide for a contribution equal to 20% of the total number of units for affordable housing. An Administrative Manual was adopted in conjunction with the Ordinance which provides 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. Due to the current economic crisis, very little new development is being entitled through the County. As a result, no new Inclusionary Units were produced in 2010.

Over the past several years, the County's Housing Advisory Committee (HAC) has discussed potential revisions to the Inclusionary Ordinance to address specific issues including inheritance, agricultural subdivisions, and service fees for re-sale and refinance requests. An amendment is being prepared to implement recommendations from the HAC. It is expected that the amendment will be considered by the Board of Supervisors in early 2011.

The Inclusionary Ordinance and Manual requires that the County monitor all Inclusionary units for compliance with the occupancy restrictions recorded on each property. During 2010, a total of 222 units were monitored excepting 51 units due to litigation. Of those monitored, 82% were completed or substantially completed. Efforts are underway to improve compliance with the monitoring requirements for ownership units, including adjusting the schedule and content of the request letters to clearly state the owner's obligations and legal actions that may be taken for not responding.

In addition to the ownership unit monitoring process, the RHO completed monitoring of all 43 Inclusionary rental properties which include 305 individual units. These properties are monitored for compliance with restrictions on rents and incomes of the tenants.

Loan Monitoring

The RHO has provided 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. During 2010, all required monitoring was completed and the loan-monitoring schedule was refined to more closely correspond with State monitoring requirements thereby eliminating duplicative efforts.

Foreclosure Counseling and Homebuyer Education

In July of 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 Housing Resource Center of Monterey County (HRC) is providing these services to residents in the unincorporated and non-entitlement areas of the County under a grant subrecipient agreement with the County. The HPFPS program provides 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. Since the inception of the program and as of the end of 2010, 169 households have been assisted, 20 foreclosures prevented, 7 short sales have been completed, 118 households are still in the process of resolving their loan issues, and 24 households have dropped out.

In 2010, the County received approval from the State to allocate \$50,000 in HPFPS funding to provide homebuyer educated and related services to assist families to become homeowners. To date, 85 households have been assisted of which 15 are in various stages of purchasing a home.

Neighborhood Stabilization Program (NSP1 and NSP1-3))

The Federal Housing and Economic Recovery Act of 2008 (HERA) included a special Community Development Block Grant (CDBG) allocation to purchase, acquire, rehabilitate and finance foreclosed homes. In 2009, the County was awarded \$2,140,714 from NSP1. This funding has been used to purchase and provide rehabilitation for 13 foreclosed units to date. The grant is being implemented in cooperation with the Cities of Gonzales, Greenfield, King City, Marina, Seaside and Soledad through a Memorandum of Understanding (MOU). The RHO is in the process of qualifying buyers and closing sales. All of the homes are expected to be sold in 2011. The proceeds from the sales will be rolled back into the program to fund soft second loans and to purchase, rehabilitate and re-sell additional units.

In partnership with MidPen Housing Corporation, the County was awarded a \$10 million NSP1-3 grant for affordable rental housing on Fort Ord in August of 2010. A more detailed description is included in the accomplishments for the East Garrison Project described above.

Mobile Home Rent Stabilization Initiative

Mobile homes are a source of affordable housing for County residents. The 2010 Annual Housing Report contained an initiative directed at evaluating ways the County can assist mobile home residents to stabilize the amount of rent they pay. Typically, the owner of the mobile home park rents space in the park to the owners of mobile home units. The owners of the mobile homes then have two components of housing cost: the space rent for their mobile home and the actual cost of the mobile home itself including mortgage, taxes, insurance, homeowners association dues, and maintenance. While the mobile homeowner can control the fixed cost in regards to the mobile home unit itself, space rents fluctuate at the discretion of the mobile home park owner. Mobile homeowners therefore have little control over their long term housing costs.

If the park owners raise rents to a level that exceeds a mobile homeowner's ability to pay, there is usually no alternative other than to sell or abandon the home.

In response to concerns in the County in regard to increasing space rents, the RHO surveyed a number of jurisdictions that currently have mobile home rent control ordinances in place. A number of challenges were identified associated with adopting and implementing an ordinance. According to the staff of the jurisdictions surveyed, in many cases rent stabilization has led to situations where some of the park owners that are subject to these ordinances only do the minimum amount of maintenance necessary to meet State standards. This has often resulted in a decline in the condition of the park and, in some cases, has created blight. In addition, a legal challenge of an ordinance is likely from existing mobile home park owners. Numerous jurisdictions have incurred significant legal expenses in order to defend their ordinances.

Special Needs Housing

Mental Health Services Act

The Mental Health Services Act (MHSA) is a tax on millionaires in California which provides funding for housing and supportive services for individuals with psychiatric disabilities who are homeless or at risk of homelessness. The County was awarded a total of \$4,615,000 in MHSA Housing Program funding. Previously, 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 MHSA requirements. The MOU provides for the two departments to collaborate in reviewing and evaluating requests for MHSA funding as it relates to housing.

The County has provided MHSA funding to Interim, Inc. in the form of a permanent loan of \$1,649,000 and an operating subsidy grant of \$1,538,400 in addition to \$500,000 of CDBG funding for project construction for the Sunflower Gardens Housing Project. The project is an 18 unit supportive housing project located in the City of Salinas which serves 23 adults with psychiatric disabilities who are homeless or at risk of homelessness. Construction was completed in 2010. The project provides a full range of on-site supportive services such as counseling and education to address the specific needs of the tenants.

Pacific Meadows

The County has provided funding in the amount of \$625,334 in HOME funding for structural repairs at the Pacific Meadows senior facility housing facility located in Camel Valley. The facility consists of 200 units and is operated by American Baptist Homes of the West (ABHOW), a non-profit housing provider. The project was completed in late 2010.

Farmworker Housing

The 2009 and 2010 Annual Housing Reports included initiatives and priorities related to improving the conditions and availability of farmworker housing. These reports cited the importance of providing safe housing in appropriate locations for this special needs population to preserve the labor force for the County's most important industry. Achieving this goal presents a number of challenges including the relatively low wages associated with farm labor jobs, limited

existing supply of affordable rentals, lack of available land with the necessary infrastructure to develop new housing, the large family size of many of the farmworker families requiring larger units and amenities for families with children, and the lack of funding sources to construct or rehabilitate farmworker housing units.

During 2010, the County made progress in addressing these challenges which included securing \$1.6 million for the Homelessness Prevention and Rapid Re-Housing Program (HPRP), the Kents Court Swing Housing Facility which provides temporary housing for primarily low-income farmworker families, and assistance to the Cynara Court rental project in Castroville where fifteen of the units are reserved for very low and low income farmworkers. In addition, the County has been assisting in efforts to redevelop the Camphora Farm Labor Camp, has replaced the water system at the San Jerardo Farm Labor Cooperative, and is in the process of assisting the community of San Lucas with a well replacement project.

NSP3 Program for Special Needs Housing

In October of 2010, the County was notified that it was eligible to receive \$1,284,794 in NSP3 funds directly from the Federal Department of Housing and Urban Development (HUD). Of the total anticipated grant award, 25% of the funds must be used in support of rental housing for households earning less than 50% of the County Area Median Income (AMI). The balance of the funding may be targeted to those households earning up to 120% of the AMI. Unlike NSP1, the majority of the funds must be concentrated in one target area to ensure that the program has a noticeable effect in stabilizing neighborhoods impacted by foreclosures. If awarded, NSP3 funding will be used to:

- Purchase and rehabilitate and resell houses to assist non-profits in providing rental housing for special needs populations (farmworkers and/or the disabled).
- Provide funding to Interim, Inc. for the Rockrose Gardens project in Marina which will provide permanent housing with supportive services for adults with mental disabilities who are homeless or at the risk of becoming homeless.

Over-the-Counter Grants

The County's Over-the-Counter Grant Program (OTC) provides Inclusionary Housing and Redevelopment Housing Set-Aside funding on a year-round basis to non-profit organizations and private developers to facilitate the development of affordable housing projects and other housing initiatives that promote the availability, quality and/or stability of housing. Allocations are limited to \$25,000 per project per calendar year. During 2010, the County awarded an OTC grant to CHISPA, a local non-profit affordable housing developer who has formed a partnership with Hartnell College through which students from Hartnell's Construction Technology Program build single-family affordable homes under the supervision of CHISPA staff. CHISPA is seeking to acquire one or more single-family lots for the program in Boronda. Two potential properties have been identified. An OTC Grant in the amount of \$10,000 was awarded for costs associated with the preparation of site feasibility reports. These reports will consist of site concept plans, a summary of development requirements and appraisal information. This program offers valuable training for Hartnell's students in construction and green building methods while advancing the County's goals of encouraging partnerships, providing affordable housing, and promoting sustainable green building.

APPENDIX 2
SUMMARY OF HOUSING FUND PROJECTIONS/REFINEMENTS
FOR FISCAL YEAR 2010-11

Appendix 2
Summary of Housing Fund Projections/Refinements for Fiscal Year 2010-2011

	Total	Inclusionary	Redev Hsg Set-Aside	Program Income	New Grants
2010-2011 Forecast					
Adjusted Beginning Fund Balance, 7/1/10	4,897,952	419,554	3,731,468	746,930	
Revenues:					
Recurring Revenues					
Interest Earned	63,522	16,655	36,873	9,994	
Tax Increment	1,308,827		1,308,827		
Loans Paid	1,652,190	21,700	6,160	1,624,330	
Reimbursements	74,910	74,910			
Miscellaneous Revenues	12,308	6,174	6,000	134	
Grant Funds:					
04HOME - Res Rehab -Pacific Meadows	313,063				313,063
CDBG - San Jerardo Water System	874,000				874,000
CDBG - Foreclosure/Housing Counseling	175,000				175,000
CDBG - Sunflower Gardens	1,340				1,340
CDBG PTA - San Lucas Well	40,000				40,000
NSP 1	443,649				443,649
New Grants:					
NSP 3	40,000				40,000
HOME FTHB	57,000				57,000
Total Revenues	5,055,809	119,439	1,357,860	1,634,458	1,944,052
Total Available:	9,953,761	538,993	5,089,328	2,381,388	1,944,052
Expenses:					
Housing Rehabilitation					
04HOME - Res Rehab -Pacific Meadows	377,783			64,720	313,063
Camphora Farmworker Housing	335,000		300,000	35,000	
Infrastructure/Capital Projects:					
San Jerardo Water Improvements	1,070,254	196,254			874,000
Grants/Loans to Agencies/Nonprofits					
CDBG - Foreclosure/Housing Counseling	175,000				175,000
CDBG - Sunflower Gardens	1,340				1,340
CDBG PTA - San Lucas Well	40,000				40,000
CDBG PI Transfer - San Lucas Well	183,000			183,000	
NSP PI Revolving	1,586,444			1,586,444	
NSP 1	443,649				443,649
NSP 3 *	40,000				40,000
HOME FTHB **	57,000				57,000
Over-the-Counter Grants					
CHISPA/Hartnell Site Feasibility Study	10,000		10,000		
Unallocated	25,000		25,000		
Emerging Opportunities					
Self Help Revolving Loan Fund	150,000		150,000		
CHISPA / Axtell land acquisition	700,000		700,000		
Land Acquisition	1,000,000		1,000,000		
Other Emerging Opportunities	250,000		250,000		
Debt Service	39,875		39,875		
Planning & Consulting Services	237,555	58,893	172,162	6,500	
Services and Supplies	778,456	158,098	612,558	7,800	
Total Expenses	7,500,356	413,245	3,259,595	1,883,464	1,944,052
Forecast Ending Balance 6/30/11	2,453,405	125,748	1,829,733	497,924	

* Of \$1,284,794 Grant, \$40,000 expended in fiscal year

** Of \$800,000 Grant, \$57,000 expended in fiscal year

APPENDIX 3
SUMMARY OF HOUSING FUND PROJECTIONS
FOR FISCAL YEAR 2011-12

Appendix 3
Summary of Housing Fund Projections/Refinements for Fiscal Year 2011-2012

2011-2012	Total	Inclusionary	Redev Hsg Set-Aside	Program Income	New Grants
Estimated beginning balance 7/1/11	2,453,405	125,748	1,829,733	497,924	
Revenues:					
Recurring Revenues					
Interest Earned	35,739	11,050	18,545	6,144	
Tax Increment	1,367,200		1,367,200		
Loans Paid	1,506,378	16,450	6,160	1,483,768	
Fees Earned	10,000	10,000			
Miscellaneous Revenues	21,000		21,000		
Grant Funds:					
CDBG - Foreclosure/Housing Counseling	74,372				74,372
NSP 3	1,244,794				1,244,794
HOME FTHB	743,000				743,000
Planned Grant Applications					
CDBG/HOME - TBD	62,000				62,000
Total Revenues	5,064,483	37,500	1,412,905	1,489,912	2,124,166
Total Available:	7,517,888	163,248	3,242,638	1,987,836	2,124,166
Expenses:					
Grants/Loans to Agencies/Nonprofits					
CDBG - Foreclosure/Housing Counseling	74,372				74,372
NSP 3 *	1,244,794				1,244,794
HOME FTHB **	743,000				743,000
NSP PI Revolving	1,451,010			1,451,010	
Planned Grant Applications					
CDBG/HOME - TBD ***	62,000				62,000
Over-the-Counter Program	50,000		50,000		
RDA Project Areas Reserve					
East Garrison DDA commitment	500,335		500,335		
Other Housing Set-Aside	255,960			255,960	
Emerging Opportunities Reserve					
Phase II San Lucas Well Replacement	250,000			250,000	
Other Emerging Opportunities	1,124,265		1,124,265		
Planning & Consulting Services	423,621	2,548	408,353	12,720	
Services and Supplies	1,338,531	160,700	1,159,685	18,146	
Total Expenses	7,517,888	163,248	3,242,638	1,987,836	2,124,166
Forecast Ending Balance 6/30/11	0	0	(0)	0	

* Of \$1,284,794 Grant, \$885,315 expended in fiscal year
** Of \$800,000 Grant, \$743,000 expended in fiscal year
*** Of \$500,000 Grant, only \$62,000 expended in fiscal year

**APPENDIX 4
NOFA RECOMMENDATIONS
FOR FISCAL YEAR 2011-12**

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 2011-12 expenditure programs, a Notice of Funding Availability (NOFA) was disseminated to providers in the fall of 2010. The following Project Summaries describe each application submitted and the recommended funding.

2010 NOFA PROJECT SUMMARY

Applicant: Interim, Incorporated
Project: Rockrose Gardens
Location: Marina
Requested: Revised request of \$325,000 grant
Recommended: A Reservation of Funds in the amount of \$325,000 from NSP3 funds, if awarded, subject to certain terms and provisions

Project Summary

Interim is requesting funds for a new affordable housing project to be located in the City of Marina. The 3.32 acre site was previously developed with eleven multi-family units which have been vacant since Fort Ord was closed in 1994. Due to the extensive deterioration of the units over the last 16 years, the buildings are now a blight on the neighborhood, beyond repair, and will have to be demolished. Interim has entered into an exclusive negotiating agreement with the owner, the City of Marina, and anticipates site control by January 31, 2011.

The proposed 22 unit project will be comprised of one-bedroom apartment units, a community room, and a services office. One unit will be used for a resident manager and will not be income restricted. The project will be designed to provide quality permanent supportive housing for adults with psychiatric disabilities. All tenants are anticipated to be extremely and very low-income, earning less than 50% of the AMI. It is proposed that nine of the units be designated for use under the Mental Health Services Act (MHSA) Housing Program. Supportive services will be offered both on and off site. The project will also be designed to meet the requirements of a platinum LEED certification. To receive this rating, the project may incorporate some or all of the following: photovoltaic panels, solar thermal hot water, recycling of demolished building materials, and numerous other energy saving features. A preliminary site concept has been developed

Interim originally presented three different funding models depending upon the size of the project and the availability of HUD 811 funding. Since then, with further information in regard to other potential funding sources, anticipated funding has been revised as follows:

State HOME (Monterey County)	\$ 3,102,605
State MHP –Supportive Housing	\$ 2,175,306
Monterey County	\$ 325,000
Deferred Developer Fee	\$ 300,000
MHSA Capitalized Operating subsidy	\$ 917,820
Interim Capitalized Rent subsidy	\$ 700,000
Total Project Funding	\$ 7,520,731

Application Eligibility/Performance

Over the last 35 years, Interim has provided affordable supportive housing, residential treatment, mental health and dual recovery services, outreach and intensive support for homeless adults, supported education and employment, and peer support for adults with mental illness in Monterey County. Over the last 15 years, Interim has financed, developed, managed and

provided services for 19 affordable housing and treatment facility projects throughout the County of Monterey.

Eligible Activity

The Rockrose Gardens project will provide 21 units of very-low and extremely-low income rental housing plus a manager's unit in the City of Marina. While not located in the unincorporated area of Monterey County or in a County redevelopment area, the project is consistent with the adopted 2010 Annual Housing Report and in conformity with the proposed 2011 Annual Housing Report in that it will facilitate the construction of new affordable multi-family housing units that will benefit special needs individuals from throughout the County.

The requested funding conforms to the County's per unit subsidy targets for rental projects as delineated in the Housing Allocation Manual.

Location

The project will be located at 3012-3032 Lexington Court on a section of the former Fort Ord located in the City of Marina.

Project Readiness/Financial Viability

The project is in the beginning stages of development and assembly of financing. Project estimates are for plans, permits and funding to be completed by the end of 2012. Construction is estimated to be completed in early 2014.

Compatibility/Design

Rockrose Gardens will be compatible with other housing on Lexington Court which is currently owned by Shelter Outreach Plus (SOP) and occupied by homeless single men and women or homeless families. SOP is currently leasing 6 of their units to Interim for use as transitional housing for homeless single adults with mental illness. All SOP units are used for transitional housing.

The project design will incorporate green design features and include community space. Additionally, the project design will be compatible with the development standards and design guidelines set forth by the City of Marina.

RECOMMENDATION

It is recommended that the County reserve funding for this project in the amount of \$325,000 to be funded from NSP3 grant funds expected to be awarded in the spring. The recommendation of funding is subject to the following:

1. An enforceable Option to Purchase for the site based upon a price not to exceed 99% of the appraised value.

2. Application and award for as much State funding as is available and necessary to fund the project including applications for MHP and HOME funding or other sources as necessary.
3. The County will apply for \$325,000 in NSP3 funding for project construction which would encumber seven of the units.
4. Approval and award of State MHSA funds in the amount of \$917,820 or that sufficient to capitalize the required operating subsidy.
5. An equity contribution of \$700,000 or that sufficient to capitalize the required rent subsidy.
6. Completion of construction and a certificate of occupancy within three years of the award of NSP3 funding.

Based on the conditions precedent above, funding would be provided as follows:

1. Based upon a commitment of total funds for the project, funds in the amount of \$325,000 would be used for land acquisition, pre-development costs, and construction costs and shall, in no case, be issued no later than three years from the award of NSP3 funding, estimated to be May of 2014. Funding would be on a pro rata basis for the seven units.
2. Based on awards of State and/or federal or other grant funds to the project, enter into a loan agreement and affordability restriction agreement to provide \$325,000 of NSP3 funding if the County is awarded NSP3 financing by HUD.

2010 NOFA PROJECT SUMMARY

Applicant: Housing Resource Center of Monterey County
Project: Home Ownership education and counseling
Location: Countywide
Requested: \$36,650 grant
Recommended: No Funding

Project Summary

The Housing Resource Center of Monterey County (HRC) is requesting funding in the amount of \$36,650 in support of their existing homeownership education and counseling program.

HRC's homeownership group education and one-on-one confidential counseling provide the information and support needed to assist those families who wish to pursue homeownership, understand the complicated home buying process, and the impact credit has on obtaining a loan. By offering this education in Spanish as well as English, HRC assists Monterey County residents who have limited English proficiency to gain the knowledge they need to stay away from predatory lenders and become and remain successful homeowners.

HRC's group foreclosure education (mortgage delinquency) and one-on-one confidential counseling for Monterey County residents offers assessment and assistance to local homeowners filing for loan modifications and/or other options to prevent foreclosure.

HRC has requested \$36,650 to continue providing these services when two other current sources of funding expire and/or run out. If new funding is not secured, the level of service to Monterey County residents will decrease.

Applicant Eligibility/Performance

HRC has been providing services related to housing counseling for decades. In 2006, HRC was designated a Housing Counseling Agency by HUD. The County has a history of providing funding to HRC (and its predecessor, MocHA) for services specific to the inclusionary and NSP programs. HRC staff are trained in delivering foreclosure and pre-purchase education and counseling.

In the past year, HRC has provided services related to the requested funding for the following numbers of households:

Pre-purchase education	62 households
Pre-purchasing counseling	121 households
Delinquency and default education	256 households
Delinquency and default counseling	733 households
NSP Orientation	209 individuals

Eligible Activity

HRC's services directly benefit Monterey County residents who earn less than 120% of the Area Median Income with many earning less than 80% of the AMI. The service and benefit are

consistent with the 2010 Annual Housing Report and in conformity with the proposed 2011 Annual Housing Report in that it will assist very-low, low, and moderate income households to retain their housing.

Location

Project services are available to all residents county-wide and are provided in Salinas as well as other cities.

Project Readiness/Financial Viability

HRC currently offers these programs in the County at various locations, is knowledgeable, and is an established organization

RECOMMENDATION

While the program is deemed to be of value to Monterey County residents, no funding has been identified that is available for these services. Therefore, no funding is recommended at this time. If funding becomes available in the future, it is recommended that HRC apply for it through the Emerging Opportunities process.

2010 NOFA PROJECT SUMMARY

Applicant: Gateway Center of Monterey County (Gateway)
Project: Gateway Center Capital Project
Location: Pacific Grove
Requested: \$50,000 grant
Recommended: No Funding

Project Summary

Gateway Center serves 49 individuals with developmental disabilities in Pacific Grove. Due to recently revised State regulations, Gateway Center is no longer in compliance and will not be able to serve those with developmental disabilities after 2011. In order to meet State regulations and continue to provide housing for very-low income adults with developmental disabilities, the facility needs to be reorganized into three smaller centers each serving 15 individuals. Gateway is requesting a \$50,000 grant to convert the facility from a single program into three smaller, more effective residential programs. The request would be for reconstruction of two of the three facilities. The project will allow Gateway to enrich services and improve the living environment for clients by providing a smaller and more personalized setting. The requested \$50,000 would fund construction costs. Project funding is as follows:

San Andreas Regional Center	\$ 1,062,000	Secured
Monterey Peninsula Foundation	\$ 50,000	Secured
Harden Foundation	\$ 30,000	Secured
Community Foundation of Monterey County	\$ 30,000	Pending
County Grant	\$ 50,000	Pending
Donor Solicitation	\$ 4,000	Pending
Total Project Funding:	\$1,226,000	

Applicant Eligibility/Performance

During their thirty year history, Gateway has developed a school program for developmentally disabled children, an adult day activity program, an infant stimulation program, a residential/respite program, a supported employment program, acquired and opened three group homes, and developed a senior day activities program. Gateway has owned and operated the residential facility in Pacific Grove for 30 years.

Eligible Activity

Gateway Center's services directly benefit developmentally disabled adults who are low or very-low income. While located in Pacific Grove, Gateway houses and serves clients countywide. The project is consistent with the 2010 Annual Housing Report priority to assist special needs populations and in conformity with the proposed 2011 Annual Housing Report.

Location

The project is located at 850 Congress Avenue in the City of Pacific Grove.

Project Readiness/Financial Viability

Gateway currently owns the site and construction began in June of 2010. Completion is anticipated in 2011. Of the \$1,226,000 budget, Gateway has secured funding in the amount of \$1,142,000 to date. Of the remaining \$84,000 funding to be identified, Gateway has a pending request for additional funding of \$30,000. Gateway did indicate that they could fundraise for the remaining funds through donor solicitation and further grant applications.

RECOMMENDATION

The project is located in the City of Pacific Grove but does serve a county-wide special needs population. However, currently there are no funding sources for this type of project. Therefore, no funding is recommended.

2010 MHSA NOFA PROJECT SUMMARY

Applicant: Interim, Incorporated
Project: Rockrose Gardens
Location: Marina
Requested: Request of \$917,820 grant
Recommended: A Reservation of Funds in the amount of \$917,820 from MHSA funds, subject to certain terms and provisions

Background

On September 13, 2010, Monterey County issued a Notice of Funding Availability (NOFA) for the availability of the remaining \$917,820 of Mental Health Services Act Housing funds. Funds are specifically for the development of permanent affordable housing for individuals with psychiatric disabilities who are homeless or are at risk of homelessness. To date, a total of twenty-five (25) permanent units have been built with MHSA funds. In this last NOFA, there were a total of two proposals received, one from Interim, Inc. and another from CHISPA.

Process

Behavioral Health conducted a review of the applications submitted. The committee reviewed the following criteria: sponsor capacity and demonstrated performance, site control, probability of local approvals, project readiness, financial feasibility, cost efficiency, neighborhood compatibility, livable communities and smart growth. These criteria were outlined in the NOFA and both applicants included information regarding all criteria. The review committee rated the proposal submitted by Interim, Inc. with the highest score. Interim scored highest in the areas of sponsor capacity and demonstrated performance, financial feasibility, neighborhood compatibility, and livable communities and smart growth.

The project as proposed would add an additional 9 permanent housing units to the housing stock for the homeless population with psychiatric disabilities in Monterey County. This would bring the total number of permanent housing units developed with MHSA funds to thirty-four (34). The proposed site for the project lies in the redevelopment area of the City of Marina on the former Fort Ord. Interim is working with the City of Marina to leverage additional funding for the development while working with stakeholders to ensure appropriate design and development for the project.

RECOMMENDATION

It is recommended that the County reserve MHSA funding for this project in the amount of \$917,820 000 to be funded from MHSA grant funds subject to certain terms and conditions. Staff requests the HAC's endorsement of its recommendation prior to forwarding it to the Board of Supervisors for consideration and action.