

6 AT-RISK AFFORDABLE HOUSING

Pursuant to California Government Code, Section 65583(a)(9), an analysis of existing assisted housing developments that are eligible to change from low-income housing uses during the 6th Cycle planning period due to termination of subsidy contracts, mortgage prepayment, or expiration of restrictions on use must be identified in the Housing Element. There are no affordable housing units at risk of reverting to market-rate during the 6th Cycle Housing Element planning period.

This Housing Element makes use of multiple definitions of Monterey County to convey its different meanings. For purposes of this Housing Element, Monterey County will be defined as follows:

- County of Monterey Government (County) – Represents Monterey County as the government entity responsible for the preparation of this Housing Element and its implementation.
- Unincorporated Monterey County (UMC) – Represents the geographic area overseen by the County as a government entity.
- Monterey County (Monterey County) – Represents the entire Monterey County geographic area, including incorporated and unincorporated communities.

Government-assisted housing plays a crucial role in providing affordable housing in UMC. The following content discusses assisted rental housing in unincorporated Monterey County and assesses the potential for such housing to transition to market-rate within the 6th Cycle planning period (2023 - 2031). The subsequent discussion examines available options and associated costs for preserving these units. Covenants and deed restrictions serve as common mechanisms to sustain the affordability of publicly assisted housing, ensuring accessibility for lower- and moderate-income households in the long run. Over time, there is a potential risk of losing some affordable units as covenants and deed restrictions expire.

An inventory of assisted rental housing units in UMC can be found in **Table 6-1. Inventory of Assisted Units – Unincorporated Monterey County**. The majority of these units have long-term affordability covenants, either due to funding sources like HOME Investment Partnerships Program (HOME), Redevelopment Housing Set-Aside, and Low-Income Housing Tax Credits (LIHTCs) requiring extended deed restrictions or as a result of the County's inclusionary housing requirements.

2023–2031 Housing Element

Chapter 6. At-Risk Affordable Housing

Table 6-1. Inventory of Assisted Units – Unincorporated Monterey County

Project Name	Total Units	Assisted Units	Type	Funding Source	Earliest Date of Conversion	# Units at Risk
Moro Lindo Townhomes	30	30	Family	LIHTC	2046	0
Grey Goose Townhomes	9	9	Family	LIHTC/Inclusionary	2049	0
El Cerrito Townhomes	60	60	Family	LIHTC	2056	0
Brooklyn Street	2	2	Family	HOME	2033	0
Nuevo Amanecer	63	62	Family	Redevelopment Set-Aside, HOME, LIHTC, United States Department of Agriculture (USDA), Rural Community Assistance Corporation (RCAC), Joe Serna	2060	0
Rippling River	79	78	Elderly/ Disabled	LIHTC, HOME, Community Development Block Grant (CDBG)	2061	0
The Commons at Rogge Road	48	48	Family	Inclusionary	2062	0
Jardines de Boronda	16	15	Family	Redevelopment Set-Aside, HOME	2062	0
Pacific Meadows	200	200	Elderly	LIHTC, HOME	2065	0
Cynara Court	58	57	Family	Redevelopment Set-Aside, LIHTC, HOME, Joe Serna, Multifamily Housing Program (MHP)	2065	0
Sea Garden	59	58	Family	Redevelopment Set-Aside, LIHTC, HOME	2067	0
Manzanita Place	66	65	Family	Neighborhood Stabilization Program (NSP1-rental), LIHTC, HOME	2068	0
Geil Street Apts	11	11	Family	CDBG, Redevelopment Set-Aside, California Housing Rehabilitation Program - Rental	2070	0
Camphora Apartments	44	44	Farm Labor	Redevelopment Set-Aside; CDBG, LIHTC, HOME, USDA, MHP	2070	0

2023–2031 Housing Element

Chapter 6. At-Risk Affordable Housing

Project Name	Total Units	Assisted Units	Type	Funding Source	Earliest Date of Conversion	# Units at Risk
Chualar Farm Labor Center (Vista del Valle) ¹	29	29	Farm Labor	USDA	Perpetuity	0
Castroville Farm Labor Housing Center	48	48	Farm Labor	USDA, CDBG, HOME	2074	0
Artichoke Inn	6	6	Family	Inclusionary	Perpetuity	0
Belmont Heights	4	4	Family	Inclusionary	Perpetuity	0
Caterina Estates	6	6	Family	Inclusionary	Perpetuity	0
Morse Place	24	24	Family / Employer Sponsored	Inclusionary	Perpetuity	0

Note: 1. HCD identifies the Chualar Farm Labor Center as at risk of conversion, listing an expiration date of 6/1/2024 in the 2022 Regulatory Expiration Report. However, the Housing Authority of the County of Monterey confirmed that although the HCD restrictions expired in 2024, the property is also financed by USDA, whose affordability restrictions remain in place in perpetuity. As a result, the property is not at risk of losing its affordability status

Source: County of Monterey, 2023

It should be noted that the 5th Cycle Housing Element recognized the two developments listed below in **Table 6-2. 5th Cycle Identified At-Risk Units – Unincorporated Monterey County** as affordable housing units which, based on the “earliest date of conversion date” provided in the 5th Cycle Element, were possibly at risk of conversion during the 6th Cycle planning period.

Table 6-2. 5th Cycle Identified At-Risk Units – Unincorporated Monterey County

Project Name	Total Units	Assisted Units	Type	Funding Source	5 th Cycle Reported Earliest Date of Conversion	6 th Cycle Reported Earliest Date of Conversion
El Cerrito Townhomes	60	60	Family	LIHTC	2031	2056
Castroville Farm Labor Housing Center	48	48	Farm Labor	USDA, CDBG, HOME	2032	2074

Sources: Community Housing Improvement Systems and Planning Association, Inc., 2022; Monterey County Housing Authority Development Corporation, 2022

Community Housing Improvement Systems and Planning Association, Inc. (CHISPA) owns and operates El Cerrito Townhomes. Per the regulatory agreement recorded by the Tax Credit Allocation Committee (TCAC) in 2001, the project’s income restriction compliance period shall be a period of 55 consecutive taxable years commencing from 2001, or the first year of the credit period, marking the earliest date of

2023–2031 Housing Element

Chapter 6. At-Risk Affordable Housing

conversion as 2056. Monterey County Housing Authority Development Corporation (HDC), part of the Housing Authority of the County of Monterey, owns and operates the Castroville Farm Labor Housing Center. The Housing Authority recently redeveloped the project from a 48-unit project to a 54-unit, newly constructed, multifamily project. The redevelopment resulted in a slight increase in the number of extremely low- and very low-income units available. Per the regulatory agreement recorded by TCAC in 2021, the project's income restriction compliance period shall be a period of 55 consecutive taxable years commencing from 2019, or the first year of the credit period, marking the earliest date of conversion as 2074.

The above two developments are not at risk of conversion during the 6th Cycle planning period, nor are any other affordable housing developments within the Unincorporated Monterey County.

6.1 Preservation and Replacement Options

To safeguard the current affordable housing inventory, the County must either maintain the existing assisted units or facilitate the creation of new ones. The choice of options to preserve or replace these units depends on the circumstances of the at-risk projects. Preservation alternatives usually involve: 1) transferring the project to non-profit ownership; 2) offering rental assistance to tenants; and 3) acquiring affordability covenants. As for replacement, the most straightforward approach is the development of new assisted multifamily housing units. However, since there is no specific project at risk of converting to market-rate housing within the next ten years, these options are generally outlined below.

6.1.1 Transfer of Ownership

Handing over ownership of a project at risk to a non-profit housing provider is typically one of the more cost-effective methods to guarantee the continued affordability of at-risk units in the long term. This transfer of property ownership to a non-profit entity allows for the preservation of low-income restrictions and opens up the potential eligibility for a broader array of governmental assistance.

6.1.2 Rental Subsidies

Rent subsidies may be employed to sustain the affordability of at-risk affordable units. These subsidies could be fashioned to align with the federal Section 8 program, where the U.S. Department of Housing and Urban Development (HUD) covers the disparity between what tenants can afford (calculated as 30% of household income) and the fair market rent (FMR) estimated by HUD for the unit. The viability of this option hinges on the accessibility of dependable funding sources required for rent subsidies and the property owners' willingness to engage in the program.

2023–2031 Housing Element

Chapter 6. At-Risk Affordable Housing

6.1.3 Purchase of Affordability Covenants

An alternative approach to preserve the affordability of at-risk projects involves offering an incentive package to the owner to retain the project as affordable housing. Incentives may encompass reducing the interest rate on the remaining loan balance, offering a one-time payment, and/or supplementing rents to align with market levels. The viability of this approach hinges on whether the complex is excessively leveraged. By providing lump-sum financial incentives or ongoing subsidies in rents or reduced mortgage interest rates to the owner, the County can ensure the enduring affordability of some or all of the units.

6.1.4 Construction of Replacement Units

Constructing new housing units for low-income residents serves as a strategy for substituting at-risk units in case of conversion to market-rate status. The development expenses are influenced by various factors such as density, unit size (including square footage and bedroom count), location, land prices, and construction type. One of the County's more recent affordable housing developments in East Garrison, a 65-unit project developed by non-profit developer CHISPA in 2023, came in at a cost of \$700,569 per unit. This example serves as a general estimate of the development of affordable housing in the current housing climate, with the actual cost contingent on factors like existing site conditions, zoning, the number of units to be built, unit size, and amenities, among other considerations.

6.2 Qualified Entities to Acquire and Manage Affordable Housing

Pursuant to Government Code, Section 65863.11, the State (California or State) maintains a list of Entities Interested in Participating in California's First Right of Refusal Program. This list, as follows, includes entities interested in properties in Monterey County:

- Affordable Housing Foundation
- CHISPA Inc.
- L + M Fund Management LLC
- Mid-Peninsula Housing Coalition
- People's Self-Help Housing Corp.
- ROEM Development Corporation
- South County Housing, Inc.

There are also a number of entities interested in properties in any county in the State. A comprehensive list of all entities, including contact details, can be found on the California Department of Housing and

2023–2031 Housing Element

Chapter 6. At-Risk Affordable Housing

Community Development's (CA HCD) website at <https://www.hcd.ca.gov/policy-and-research/preserving-existing-affordable-housing>.

6.3 Potential Funding Sources to Preserve Affordable Housing

Detailed information about potential funding sources for preserving affordable housing is provided in Chapter 4, Housing Resources and Opportunities, within this Housing Element. Notably, the considerable costs associated with acquiring, rehabilitating units, and developing through new construction surpass the existing funding sources. Securing financing for affordable housing is a complex process that involves multiple federal, State, and local funding sources. The County is dedicated to collaborating with owners of at-risk units, effectively leveraging available resources, and providing financial assistance whenever feasible to preserve these units at risk. The goal is to extend covenants for as long as possible.

3RD DRAFT

This page intentionally left blank.

2023–2031 Housing Element

Chapter 6. At-Risk Affordable Housing

6	At-Risk Affordable Housing.....	1
6.1	Preservation and Replacement Options.....	4
6.1.1	Transfer of Ownership.....	4
6.1.2	Rental Subsidies	4
6.1.3	Purchase of Affordability Covenants.....	5
6.1.4	Construction of Replacement Units.....	5
6.2	Qualified Entities to Acquire and Manage Affordable Housing.....	5
6.3	Potential Funding Sources to Preserve Affordable Housing.....	6
	Table 6-1. Inventory of Assisted Units – Unincorporated Monterey County.....	2
	Table 6-2. 5 th Cycle Identified At-Risk Units – Unincorporated Monterey County	3

3RD DRAFT