

RESOLUTION NO. _____ (2022 SERIES)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, APPROVING AFFORDABLE HOUSING FUND AWARDS TO THE HOUSING AUTHORITY OF SAN LUIS OBISPO FOR THE ANDERSON INN IN THE AMOUNT OF \$1,700,000 AND TRANSITIONS MENTAL HEALTH ASSOCIATION FOR THE PALM STREET STUDIOS IN THE AMOUNT OF \$300,000

WHEREAS, the City Council of the City of San Luis Obispo met in the Council Chamber of City Hall, 990 Palm Street, San Luis Obispo, California, on April 19, 2022, for the purpose of considering requests for Affordable Housing Fund (AHF) assistance; and

WHEREAS, the proposed projects, The Anderson Inn, by The Housing Authority of San Luis Obispo (HASLO) and Palm Street Studios by Transitions Mental Health Association (TMHA) meet the award eligibility criteria established by the City Council; and

WHEREAS, Housing Element policies and programs encourage and support the preservation and rehabilitation of affordable housing in the City; and

WHEREAS, the City Council has duly considered all evidence, including the testimony of the applicant, interested parties, and the evaluation and recommendations by staff at the said meeting; and

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of San Luis Obispo as follows:

SECTION 1. Findings. The City Council does hereby make the following findings in support of the proposed AHF awards:

1. **Eligibility:** Use of the AHF for the requested purposes will increase or improve the City's affordable housing inventory and promote General Plan policies regarding housing, as follows:

The Anderson Inn is eligible for Affordable Housing Funds because it improves and preserves the City's affordable housing inventory and implements several General Plan policies regarding housing. The project will preserve the supply of affordable housing for extremely low, very low, and low-income households with the construction of 68 units.

The Palm Street Studios is eligible for Affordable Housing Funds because it improves and expands a structure to convert to 6 supportive housing apartments, add 2 separate on-bedroom accessory dwelling units and provide affordable housing for low income persons identified as the most vulnerable homeless individuals in the County and provide them with behavioral health treatment and services.

2. **Need:** There exists a substantial or overarching need for the types of units to be assisted, as follows:

HASLO's longest waiting list in terms of unit types is for 1-bedroom or studio units. The Anderson consists of all 1-bedroom and studio apartments that are identified as at risk for being lost in the City's affordable housing inventory.

TMHA houses over 250 clients annually with the goal of creating supported, permanent housing for adults with mental illness. Once opened, Palm Street Studios will provide 8 housing units to this population. TMHA receives over 300 applications for their housing units, which demonstrates a clear continued need for this type of supported housing.

3. **Suitability:** The projects to be assisted are appropriate for its location both in terms of land use and design, as follows:

Both proposed housing acquisitions has been chosen for close proximity to TMHA and County services. The Anderson Inn is in the middle of downtown SLO. Palm Street Studios is .7 miles from Hope House Wellness Center on 1306 Nipomo Street, 1 mile away from TMHA headquarters on High Street, 1.1 miles from County Behavioral Health on Johnson Avenue, and 2.4 miles from Growing Grounds Nursery on Orcutt Road. Both projects are near the Ludwick Community Center and Santa Rosa Street, with easy access to rapid transit.

4. **Timing:** The projects would better serve the City's needs if they were built immediately as opposed to later, as follows:

Both projects provide immediate housing. HASLO units include 68 Section 8 voucher eligible units for clients at or below 60% of the Area Median Income and long term affordability would be ensured through recording of a new 550year deed restriction.

TMHA received around 300 applications for the 34 units under construction in the Bishop Street Studios project, meaning there are approximately 266 community members in need of safe, supportive housing. TMHA knows that stable housing and recovery go hand-in-hand. Palm Street Studios will bring TMHA a few steps closer to providing housing for the hundreds of San Luis Obispo residents living with mental health diagnoses.

5. **Financial Effectiveness:** But for the requested funding, the projects would not be economically feasible; or AHF funding "leverages" significant additional funding from other sources, as follows:

Funding for the Anderson Hotel would constitute 4.6% of project funding, equivalent to \$25,000 per unit (68 units). The project leverages direct congressional appropriation (\$2 million), County ARPA funds (\$2 million) and low-income housing tax credits (\$26.4 million).

TMHA is currently in escrow for a purchase price of \$1,185,000. The cost to convert the house to six (6) one-bedroom units and two (2) one-bedroom ADUs is approximately \$1,815,000. TMHA is applying for \$2.03M in No Place Like Home grant funding from the State of California and they have been successful in the past two years with an award of \$1.49 million to purchase 6 units in the City of San Luis Obispo. While the numbers continue to get clearer, and relocation fees are an unbudgeted expense of \$60,000, THMA anticipates the financial gap will be \$865,000. TMHA will raise a portion of this through a private capital campaign, and requests \$300,000 in housing funds from the City of San Luis Obispo.

6. **Readiness:** The projects have all necessary City approvals and is ready to proceed, as follows:

Both the Anderson Inn and the Palm Street Studios projects do not need to obtain any City discretionary approvals.

Award of the City will enable HASLO to proceed with a highly competitive application for state low-income tax credits in June 2022 and position the project to move forward with acquisition within the year.

Upon award of the City, THMA plans to immediately close escrow on the property.

HASLO and THMA will then make improvements to the units as needed and submit any plans to the City Building division as necessary.

.

SECTION 2. Environmental Determination. The project to award affordable housing funds is exempt from environmental review per the California Environmental Quality Act as it does not apply to the recommended actions in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

SECTION 3. AHF Award for The Housing Authority of San Luis Obispo (HASLO) and Transitions Mental Health Association (TMHA). The City Council does hereby approve an AHF awards in an amount not to exceed \$1,700,000, for HASLO and \$300,000 for THMA subject to the following condition of approval:

1. Prior to release of any portion of the AHF award, the applicants shall enter into an affordability agreement with the City.
 - For HASLO's project for the Anderson Hotel, it shall be for sixty-eight (68) for-rent affordable housing units located at 965 Monterey Street, for a term of fifty-five (55) years, which will be recorded against the title of the property.
 - For TMHA's project for Palm Street Studio's, it shall be for 8 for-rent affordable housing units located at 1118 Palm Street, for a term of fifty-five (55) years, which will be recorded against the title of the property.

Upon motion of Council Member _____, seconded by Council Member _____, and on the following roll call vote:

AYES:

NOES:

ABSENT:

The foregoing resolution was adopted this _____ day of _____ 2022.

Mayor Erica A. Stewart

ATTEST:

Teresa Purrington, City Clerk

APPROVED AS TO FORM:

J. Christine Dietrick, City Attorney

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, on _____.

Teresa Purrington, City Clerk

R _____