



Watsonville
CALIFORNIA

CITY COUNCIL AGENDA REPORT

MEETING DATE: Tuesday, May 13, 2025

TO: CITY COUNCIL

WRITTEN BY: INTERIM COMMUNITY DEVELOPMENT DIRECTOR MEEK
ASSISTANT PUBLIC WORKS & UTILITIES DIRECTOR FONTES

RECOMMENDED BY: INTERIM COMMUNITY DEVELOPMENT DIRECTOR MEEK
PUBLIC WORKS & UTILITIES DIRECTOR LINDBERG

APPROVED BY: TAMARA VIDES, CITY MANAGER

SUBJECT: AUTHORIZE THE CITY TO SUBMIT AN APPLICATION FOR AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM FUNDING AS CO-APPLICANT FOR UP TO \$50,000,000 IN LOANS AND GRANTS WITH \$4,000,000 FOR BICYCLE AND PEDESTRIAN INFRASTRUCTURE IMPROVEMENTS; AND AUTHORIZE

RECOMMENDATION:

Adopt a resolution authorizing:

1. The City Manager to submit an application for Affordable Housing and Sustainable Communities Program funding as co-applicant with MidPen Housing Corporation (MidPen) and Santa Cruz Metropolitan Transit Agency (METRO) for up to \$50,000,000 in loans and grants, with a \$4,000,000 grant for bicycle and pedestrian infrastructure improvements.
2. Execution of all agreements; and
3. Preparation and submittal of the MidPen/City of Watsonville STI Letter.

BACKGROUND:

On March 25, 2025, the California Strategic Growth Council (SCG) and the California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for Round 9

of the Affordable Housing and Sustainable Communities (AHSC) program.¹ The AHSC program provides funding for affordable housing development that supports sustainable communities. A key component of the AHSC program is to include projects that achieve greenhouse gas (GHG) emissions reductions to benefit communities throughout California, particularly through increasing accessibility to affordable housing and to vital community amenities and resources via low-carbon transportation, resulting in fewer vehicle miles traveled through shortened or reduced trip length or mode shift from single occupancy vehicle use to transit, bicycling, or walking.

DISCUSSION:

AHSC program funds are allocated through a competitive process, based on the application's merits to support a sustainable housing development that improves transit, walking, and biking infrastructure.² The AHSC program is designed to implement GHG emission reductions through fewer auto trips and/or a decrease in vehicle miles traveled. The AHSC grant allows the City to partner with MidPen Housing Corporation and Santa Cruz Metropolitan Transit District (Santa Cruz METRO) to receive funds for bicycle and pedestrian infrastructure improvements.

Beginning in February 2025, MidPen discussed with City staff and METRO about partnering on an AHSC grant application. Partnering will result in a more complete and competitive AHSC grant application by including eligible pedestrian and bicycle improvements throughout downtown. As a large transit agency, METRO is well-positioned to support a competitive application by providing a significant GHG reduction component. The discussions resulted in a proposed AHSC grant application that, if successful, will receive funding for the affordable housing project, local bus improvements including transit shelters, and/or installation of transit signal priority infrastructure, pedestrian and bicycle infrastructure improvements, transit passes, and other program elements.

The AHSC program limits the total requested program funding to not exceed \$50,000,000, of which up to \$35,000,000 may be requested as a loan for affordable housing development (to fund the Watsonville Metro affordable housing project) and housing-related infrastructure (to fund offsite improvements). The remaining maximum amount of \$15,000,000 may be awarded to implement sustainable transportation infrastructure projects. The table below provides an overview of the requested funding amount by type and recipient.

METRO and MidPen are requesting \$33,000,000 and are partnering to redevelop the existing Watsonville Transit Center into a transit-oriented affordable housing project consisting of a METRO transit center and ticket office on the ground floor and 70+ units on the upper floors. METRO and the City will request

¹ HCD website – AHSC Program (visited on May 2, 2025, <https://www.hcd.ca.gov/grants-and-funding/programs-active/affordable-housing-and-sustainable-communities>)

² AHSC is a component of California Climate Investments, a statewide initiative that utilizes Cap-and-Trade revenues to reduce greenhouse gas emissions, strengthen the economy, and enhance public health and environmental conditions—especially in disadvantaged communities. Eligible projects under this program include affordable housing development and transportation infrastructure improvements.

funding to implement sustainable transportation infrastructure projects, including \$7,000,000 by METRO for bus shelter and transit operation improvements and \$4,000,000 by the City for pedestrian and bicycle infrastructure in and around the existing METRO Transit Center and within the downtown area.

TABLE 1 AHSC Funding Request Amounts

Type	Anticipated Request (Up to Amounts)	Project Description	Recipient
Affordable Housing Development (AHD) & Housing Related Infrastructure (HRI)	\$30,000,000 (AHD) \$3,000,000 (HRI)	Affordable housing development – 70+ units Offsite improvements on Rodriguez Street and W Lake Ave	MidPen
Sustainable Transportation Infrastructure (STI)	\$4,000,000	Sidewalk improvements – Main St Road Diet Class III-B Bike Blvd. on Brennan St and portions of 2 nd St, 5 th St, Ford St, Maple St and Union St	City
	\$7,000,000	Bus Shelter & funding for Transit Operations	METRO

City of Watsonville Project

Participation in the AHSC grant provides a funding opportunity to complete a project that is important to the City of Watsonville. As shown in the table above, the AHSC application includes up to \$4 million to support pedestrian and bicycle infrastructure improvements identified in the Downtown Watsonville Specific Plan—potentially covering some of the unfunded portion of the Main Street "road diet" project within the City's right-of-way (between Beach Street and Riverside Drive). As with any program, there are certain requirements that the proposed project must meet to be eligible for funding. The proposed City project that meets the program requirements includes pedestrian improvements in the form of widening the sidewalk on Main Street between Central Avenue and First Street. The grant application also includes funding of bicycle improvements by installing Class III Bicycle Boulevards with traffic calming improvements along Brennan Street and portions of 2nd Street, 5th Street, Ford Street, Maple Street and Union Street. City costs funded by the grant would include design, construction, project management, and grant administration.

The AHSC application deadline is May 28, 2025. AHSC award recipients will be announced in August 2025.

CEQA DETERMINATION:

Applying for funding from the Affordable Housing and Sustainable Communities (AHSC) Program does not meet the definition of a "project" under the California Environmental Quality Act (CEQA), as defined in Section 15378 of the State CEQA Guidelines. According to Section 15378(a), a "project" refers to an activity which may cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and which is undertaken, funded, or approved by a public agency. Since applying for AHSC funding is merely a preliminary administrative action and does not constitute an approval of or commitment to a specific project or result in any physical change to the environment at this stage, it is not subject to CEQA review.

STRATEGIC PLAN:

This action is consistent with the following Strategic Plan goals:

- Infrastructure & Environment
- Public Safety

FINANCIAL IMPACT:

Submittal of the grant application will not result in an immediate fiscal impact on the City. If the application is approved and grant funds are awarded, City costs funded by the grant would include design, construction, project management, and grant administration.

ALTERNATIVE ACTION:

No reasonable alternatives are known at this time.

REFERENCES:

City of Watsonville. *Downtown Watsonville Specific Plan*. Adopted October 10, 2023 (Ordinance No. 1457-23 [CM]). (Available at <https://www.watsonville.gov/DocumentCenter/View/23797/Adopted-DWSP-10-25-23>)

ATTACHMENTS:

1. MidPen / City of Watsonville STI Letter