



# CITY OF ATASCADERO

## CITY COUNCIL STAFF REPORT

Item H2

**Department:** Community  
Development  
**Date:** 10/14/2025  
**Placement:** Management  
Report

**TO:** JAMES R. LEWIS, CITY MANAGER

**FROM:** PHIL DUNSMORE, COMMUNITY DEVELOPMENT DIRECTOR

**PREPARED BY:** ERICK GOMEZ, ASSOCIATE PLANNER

**SUBJECT:** Authorization of Inclusionary Housing Funds for Del Rio Ridge

### RECOMMENDATION:

Council:

1. Authorize the Director of Administrative Services to appropriate \$527,573 of In Lieu Low/Moderate Income Housing Funds for the Peoples' Self-Help Housing Del Rio Ridge Affordable Housing Project Loan.
2. Direct staff to bring back a loan agreement for Council approval at a future date.

### DISCUSSION:

Peoples' Self-Help Housing Corporation (PSHHC) is requesting a commitment of \$527,573 of In Lieu affordable Housing Funds to facilitate the development of the Del Rio Ridge Multifamily Development, a 42-unit affordable housing project at 2455 El Camino Real (APN 049-151-056). The City already authorized a commitment of \$400,000 in 2020, therefore the additional amount would bring the total funding to \$927,573. The funding will be utilized to pay for development impact and permit fees. PSHH originally expected to receive traditional state funding, which requires a 15-year affordability compliance period as a prerequisite to refinancing or restructuring debt, and would have allowed them to participate in the City's Development Impact Fee Deferral Program. However, the State has awarded the project funding with a 20-year period prior to refinancing or restructuring the debt, necessitating a loan with a term longer than 17-years. Thus, financial assistance is now being requested through the issuance of a 22-year soft loan from the City's affordable Housing Funds. The 22-year repayment term would begin after Certificates of Occupancy are issued. This alternative offers virtually the same incentive as the deferral policy, but allows the City's timelines to better coincide with the stipulations of the awarded state funding.

### BACKGROUND

The site is identified in the City's General Plan Housing Element (Appendix 1, Table V-45) as a designated site for "by-right" development that could be developed without discretionary approval, subject to design review. This project was reviewed and endorsed by the Design Review Committee on September 25, 2019. The applicant team is in the process of finalizing construction documents

for permit issuance. This final City funding allocation will allow the project to move forward with permit issuance by the end of the year. All units, except for the manager’s unit, will be deed-restricted to low, very low, and extremely low-income households. These housing units will contribute to meeting the City’s Regional Housing Needs Allocation (RHNA) as assigned by the State.

The City’s In Lieu (affordable) Low/Moderate Income Housing Fund is expected to have an available balance of approximately \$1.3 million as of June 30, 2025. Affordable housing in-lieu fees are collected from applicable residential projects that are subject to the City inclusionary housing policy. Additionally, the City deposits equity sharing from the sale of moderate-income units into the fund. The City can use these funds to support affordable housing projects, rehabilitate existing affordable housing units, and support administering the City’s affordable housing programs.

**ANALYSIS**

The project includes forty-two (42) apartments, forty-one (41) of which will be deed-restricted for qualifying affordable households with one (1) unit reserved as a manager’s unit. The development will incorporate a mix of one, two, and three-bedroom apartments. The unit mix and income levels are as follows:

UNIT TYPE	Very Low & Extremely Low Income			Low Income*		TOTAL UNITS
	30% AMI	45% AMI	50% AMI	55% AMI	60% AMI	
1 Bedroom	6	0	0	0	0	6
2 Bedroom	3	9	0	4	8	24
3 Bedroom	4	0	3	1	3	11
Manager’s Unit	-	-	-	-	-	1
<b>TOTAL UNITS</b>	<b>13</b>	<b>9</b>	<b>3</b>	<b>5</b>	<b>11</b>	<b>42</b>

\*Low-income is defined as 80% of AMI. Units listed at 60% of AMI will count as low-income units for the city’s RHNA.

The project will include amenities including a clubhouse, a centralized courtyard with play equipment, and enhanced energy efficiency. PSHH will be managing the property and the Resident Services Coordinator will provide case management services. PSHH is the largest nonprofit affordable housing developer on the Central Coast and was established in 1970. All funds would be provided in the form of a soft loan for a term of 22-years at 3% simple interest. The commitment of funds from the City allows PSHH to proceed to construction. The total amount allocated to PSHH for this project would be \$927,573 (\$22,085.07 per unit).

**REGIONAL HOUSING NEEDS ALLOCATION**

When constructed, this affordable housing project will increase the City’s affordable housing inventory and promote General Plan policies related to housing. Increasing affordable housing will advance the City’s goals with regard to the General Plan Housing Element Regional Housing Needs Assessment (RHNA), pursuant to state policy. For the current cycle (2019-2028), the City has a remaining RHNA balance of 307 units: 203 extremely low/very low-income units, 8 low-income units, 7 moderate-income units, and 89 market-rate units. The proposed project will

provide 42 new units, 25 of which will count toward the extremely low/very low-income housing allocation, 16 of which will count toward the low-income allocation, and one which will count toward the moderate-income rate as an affordable by design unit.

**ALTERNATIVE:**

1. The City Council may recommend alternative amount and/or terms of agreement.
2. The City Council may request additional information and continue the item to a future meeting.
3. The City Council may deny the use of additional inclusionary funds for the Del Rio Ridge project.


**FISCAL IMPACT:**

PSHH is requesting an allocation of \$527,573 from In Lieu Low/Moderate Income Housing Funds in the form of a soft loan. The soft loan requested would be for a term of 22 years and at simple interest rate of 3%. Allocation of these funds for the Del Rio Ridge project will leave a remaining fund balance sufficient to cover on-going costs associated with the administration of the City's affordable housing program.

**REVIEWED BY OTHERS:**

This item has been reviewed by the City Attorney, Planning Manager, Community Development Director, and Administrative Services Director.

**REVIEWED AND APPROVED FOR COUNCIL AGENDA**



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James R. Lewis, City Manager

**ATTACHMENT(S):**

1. Funding Request Letter from PSHHC dated 09/26/2025