

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: MEGAN BASINGER, DIRECTOR
HOUSING AND COMMUNITY SERVICES
SUBJECT: INFILL INFRASTRUCTURE GRANT FUNDS; ACCEPTANCE OF A
REVISED AWARD AMOUNT, APPROVAL OF A BUDGET
REVISION, AND AUTHORIZATION FOR THE HOUSING AND
COMMUNITY SERVICES DIRECTOR TO EXECUTE PROGRAM
AND AWARD DOCUMENTS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services and Recreation and Parks Departments that the Council, by resolution: 1) accept and appropriate a revised award from the State of California Department of Housing and Community Development's Infill Infrastructure Grant funds for the 2022 Santa Rosa Qualified Infill Area in the amount of \$19,652,636, reduced from \$20,651,354 due to a direct grant award to the Bennett Valley Apartments project; 2) approve a budget revision to reduce the appropriation in the Housing and Community Services Department budget to reflect this revised award amount, transfer \$7,407,551 into the Recreation and Parks Department budget for improvements to Martin Luther King Jr. Park; and 3) authorize the Director of Housing and Community Services to execute a Standard Agreement, program and award documents for projects funded by the grant, and any additional documents for administration of the grant and related projects and programs.

EXECUTIVE SUMMARY

In August 2022, the Housing and Community Services Department and the Renewal Enterprise District (RED) prepared an application to the California Department of Housing and Community Development's (HCD) Infill Infrastructure Grant (IIG) Program for grant funding associated with a Qualified Infill Area (QIA) designated the "2022 Santa Rosa Infill QIA" which incorporated several housing projects located within Santa Rosa and improvements to Martin Luther King Jr. Park. In February 2022, HCD awarded IIG funding of \$20,651,354 to the City for the infrastructure project and six housing projects – Ponderosa Village, Caritas Homes Phase II, Bennett Valley Apartments, Pullman Lofts Phase III, Downtown Station and 556 Ross Street. In addition to being included in the City's QIA application, the Bennett Valley Apartments

INFILL INFRASTRUCTURE GRANT FUNDS; ACCEPTANCE OF A REVISED AWARD AMOUNT, APPROVAL OF A BUDGET REVISION, AND AUTHORIZATION FOR THE HOUSING AND COMMUNITY SERVICES DIRECTOR TO EXECUTE PROGRAM AND AWARD DOCUMENTS
PAGE 2 OF 4

project applied separately to HCD, received a direct award of IIG funds and was removed from the City’s QIA. HCD issued a revised award letter on September 6, 2023, to reflect the reduced award amount of \$19,652,636 to the City for the Martin Luther King Jr. Park improvements and the remaining five housing projects. The IIG funds were appropriated into the Housing and Community Services budget at the initial award amount. A budget revision is needed to reduce the award amount and to transfer the funding associated with the infrastructure project to the Recreation and Parks Department budget. The City will enter into a Standard Agreement with HCD to administer and loan the IIG funds. To facilitate expeditious use of the funds, it is recommended that the Director of Housing and Community Services be authorized to execute all program and award documents for projects funded by the grant.

BACKGROUND

In June 2022, HCD released the Infill Infrastructure Grant (IIG) Program Notice of Funding Availability (NOFA) for approximately \$160 million; IIG Guidelines require the applicant for a QIA to be either a city, county or public housing authority with jurisdiction of the area, and that the housing developments in the QIA contain at least 15% affordable units for a minimum of 55 years. In August of 2022, the RED, in coordination with City staff, developed an application for a QIA that incorporates housing development projects in the greater downtown area and an infrastructure project.

In February of 2023, HCD awarded IIG funding in the amount \$20,651,354 to the City for improvements to Martin Luther King Jr. Park and six housing projects – Ponderosa Village, Caritas Homes Phase II, Bennett Valley Apartments, Pullman Lofts Phase III, Downtown Station and 556 Ross Street.

The Bennet Valley Apartments Project, now called South Park Commons, also applied to HCD’s IIG program for funding as a Qualified Infill Project (QIP) and received a direct award of funds. The developer chose to move forward with the QIP direct award from HCD in lieu of receiving funds as part of the City’s larger QIA. The project was removed from the City’s QIA and a revised award letter was issued to the City in the amount of \$19,652,636 for the infrastructure project and the five remaining housing projects as follows:

	Project	Total Units	Market Rate Units	Affordable Units
1	Ponderosa Village	50	1	49
2	556 Ross Street Apartments	118	118	0
3	Caritas Homes Phase II	63	0	63
4	Downtown Station Phase I	114	105	9
5	Pullman Phase III	44	38	6
	Total	389	262	127

INFILL INFRASTRUCTURE GRANT FUNDS; ACCEPTANCE OF A REVISED AWARD AMOUNT, APPROVAL OF A BUDGET REVISION, AND AUTHORIZATION FOR THE HOUSING AND COMMUNITY SERVICES DIRECTOR TO EXECUTE PROGRAM AND AWARD DOCUMENTS

PAGE 3 OF 4

Percentage of Total	100%	67%	33%
----------------------------	-------------	------------	------------

HCD’s IIG guidelines require the City to enter into a Standard Agreement for the \$19,652,636 award for the above referenced projects within the Santa Rosa QIA, as well as the Capital Improvement Project at Martin Luther King Jr. Park to renovate the grounds and construct a soccer field with lights.

The Standard Agreement with HCD will direct authority, purpose, scope of work, budget detail and payment provisions, and general and program specific terms and conditions of the IIG funds. To utilize the funds, the City Council must adopt a resolution substantially in the form as provided by HCD, attached, to accept the grant funds.

PRIOR CITY COUNCIL REVIEW

On August 23, 2022, the Council by Resolution No. RES-2022-185, authorized submittal of the IIG application to HCD for up to \$22M and authorized execution of a Standard Agreement and authorized the Assistant City Manager to execute the IIG program documents.

ANALYSIS

The award of IIG funds will assist with the construction and infrastructure costs associated with new housing units, including 127 units affordable to households at or below 60% of AMI, and will assist the City in meeting the following goals:

- Deliver housing for all – construction of housing units; and
- Build and maintain sustainable infrastructure– construct infrastructure improvements associated with the QIA.

The funds will be distributed as work is completed in the Santa Rosa QIA. IIG Program guidelines require that the housing units begin construction within two (2) years of grant award and that construction of the housing units is completed within three (3) years of award. The developers of the identified housing projects have indicated that they will be able to meet HCD’s timeliness requirements.

The initial award amount of \$20,651,354 was appropriated to the City’s budget in Fund 2282- Housing Grant Fund, Project Key 42145 within the Housing and Community Services Department budget during the Fiscal Year 2023-2024 budget process. In light of the revised award amount and the need for the Capital Improvements funds to be moved to the Recreation and Parks budget for proper expenditure, a budget revision is necessary to reduce the total award amount to \$19,653,636, and transfer \$7,407,551 to

INFILL INFRASTRUCTURE GRANT FUNDS; ACCEPTANCE OF A REVISED AWARD AMOUNT, APPROVAL OF A BUDGET REVISION, AND AUTHORIZATION FOR THE HOUSING AND COMMUNITY SERVICES DIRECTOR TO EXECUTE PROGRAM AND AWARD DOCUMENTS
PAGE 4 OF 4

Fund 1410, Project Key 09785 for the Martin Luther King Jr. Park project, leaving \$12,246,085 in Fund 2282, Project Key 42145 for the five housing projects.

FISCAL IMPACT

Approval of this action does not have an impact on the City's General Fund. The initial amount of the IIG award was appropriated as part of the Housing Authority's FY 23-24 Annual Budget in project key 42145. This resolution moves \$7,407,551 of appropriations out of the Housing Authority (project key 42145) and into the City of Santa Rosa's Capital Improvement Fund 1410 (project key 09785 – Martin Luther King Jr. Park Improvement). Project key 09785 is managed by the Recreation and Parks department. In addition, this resolution reduces the budget in the Housing Authority Fund 2282, Project Key 42145 by \$998,718 as a result of the overall award reduction, and by 7,407,551 as a result of the transfer to project key 09785.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 - Award Letter dated September 6, 2023
- Resolution

PRESENTERS

Julie Garen, Program Specialist, jgaren@srcity.org
Nicole Del Fiorentino, Housing and Community Services Manager, ndelfiorentino@srcity.org