

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: MEGAN BASINGER, HOUSING AND COMMUNITY SERVICES
MANAGER
SUBJECT: HOUSING AND COMMUNITY SERVICES DEPARTMENT
THIRD FURTHER ADVANCE REQUEST FROM BURBANK
HOUSING DEVELOPMENT CORPORATION IN THE AMOUNT
OF \$3,400,000.00 FOR COSTS ASSOCIATED WITH THE
REFINANCING, PRE-DEVELOPMENT AND CONSTRUCTION OF
LANTANA PLACE LOCATED AT 2975 DUTTON MEADOW (APN
043-121-006) - LOAN NOS. 9932-2871-17, 9932-2791-17, and
9932-2801-17 AND CONVERSION OF LOAN TO SILENT
SECONDS
AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, approve a further advance in the amount of \$3,400,000 to Burbank Housing Development Corporation for the refinancing, pre-development and construction of Lantana Place, a 48-unit homeownership development, located at 2975 Dutton Meadow and upon completion of the project convert the loan to silent seconds to the individual homebuyers.

EXECUTIVE SUMMARY

Lantana Place is a four-acre site, located at 2975 Dutton Meadow, owned by Burbank Housing Development Corporation (BHDC). In 2007, the project received a loan from the Housing Authority that included Community Development Block Grant (CDBG) funds for site acquisition and pre-development. The project has not proceeded with development due to funding constraints at the state and local level; the financing of the project was structured with Multifamily Housing Program (MHP) funding, oversubscribed and now exhausted, from the State and approximately \$7 million in local subsidy no longer available due to the loss of Redevelopment and the recession. BHDC has revised the project to a 48-unit ownership development with readily available funding sources and anticipates commencing construction in Spring 2018.

BACKGROUND

In 2007 the Housing Authority approved a loan in the amount of \$1,878,703 for the acquisition of a four-acre site located at 2975 Dutton Meadow. The project was a 100-unit, multifamily rental complex known as Lantana Place targeted to households at 30% and 50% of Area Median Income (AMI) with 2 unrestricted manager's units.

At the time of acquisition, the project had an anticipated cost of \$32.7 million. Several factors led to the project's inability to obtain funding as intended: 1) the State MHP Program was exhausted, eliminating \$6.3 million in anticipated funding; 2) due to the elimination of Redevelopment and the recession of 2008, the Housing Authority's production budget decreased substantially; and 3) as the economy recovered, construction costs rose, increasing the funding gap for the project.

Since the project was approved in 2007, staff has been working with BHDC to determine how to proceed with the project. Staff also provided regular updates to the U.S. Department of Housing and Urban Development (HUD) through their reporting systems a requirement of CDBG funding.

In April 2017, Housing and Community Services (HCS) was notified by the HUD's Office of the Inspector General (OIG) regarding the project. Staff has provided the requested information and is planning to provide a proactive project update following the Housing Authority meeting. Simultaneously, staff and BHDC have been advocating for the project with the assistance of state and federal representatives to allow for the financial resources to stay in the project.

On June 13, 2017, BHDC received a loan commitment in the amount of \$13 million from First Community Bank for the construction of the project. The loan commitment, along with a further advance of \$3,400,000 from the Housing Authority, will allow the project to proceed and provide the opportunity for homeownership to 48 low- and moderate-income households.

In addition to the Housing Authority loan, California Department of Housing and Community Development (HCD) provided an \$800,000 pre-development loan that is in first lien position. With the requested further advance, BHDC will pay off the principal and accrued interest, currently at \$968,000, associated with this loan; reducing the carrying costs of the project.

PRIOR HOUSING AUTHORITY REVIEW

On December 17, 2007, Housing Authority, by Resolution No. 1402, approved a loan in the amount of \$1,878,703 of CDBG and In-lieu Fee funds to Burbank Housing Development Corporation for the acquisition and pre-development of Lantana Place, a

multifamily rental complex. The construction commencement date was established as June 30, 2009, and the construction completion was established as August 31, 2010.

On June 15, 2009, the Housing Authority, by Resolution No. 1447, approved the extension of the construction date from June 30, 2009 to June 30, 2010 and the construction completion date from August 31, 2010 to August 31, 2011.

On June 14, 2010, the Housing Authority, by Resolution No. 1483, approved the extension of the construction commencement date from June 30, 2010 to June 30, 2011 and the construction completion date from August 31, 2011 to August 31, 2012.

On August 23, 2010, the Housing Authority, by Resolution No. 1495, approved a further advance in the amount of \$500,000 (Low-Mod funds), a reduction of project size to 96-units, and an extension of the construction commencement date from June 30, 2011 to February 28, 2013 and the construction completion date from August 31, 2012 to June 30, 2014.

On March 28, 2011, the Housing Authority, by Resolution No. 1512, approved the Subordination of its loan to the California Housing and Community Development Department's Pre-development Loan.

On December 12, 2011, the Housing Authority, by Resolution No. 1534, approved the delegation of authority to the Executive Director for approval of construction timeline extensions. Extensions approved by the Executive Director are communicated in writing to the Housing Authority.

- On February 27, 2013, the Executive Director approved the extension of the construction commencement date from February 28, 2013 to February 28, 2015 and the construction completion date from June 30, 2014 to July 31, 2015;
- On February 26, 2015, the Executive Director approved the extension of the construction commencement date from February 28, 2015 to May 1, 2017 and the construction completion date from July 31, 2015 to August 1, 2018; and
- On April 27, 2017, the Executive Director approved the extension of the construction commencement date from May 1, 2017 to May 1, 2019 and the construction completion date from August 1, 2018 to November 1, 2020.

On June 12, 2017, the Housing Authority, by Motion, directed staff to continue working on the project as a homeownership development.

ANALYSIS

1. BHDC and staff met in mid-April to begin discussions on the future of the project. Since that meeting, BHDC has developed a homeownership project with 48-units targeted to households between 60% and 120% of AMI and identified readily

available funding sources.

2. While the repurposing of the rental development into a homeownership development requires additional work by the project designers, BHDC is realizing efficiencies by using floor plans and elevations for a project they are currently constructing in Napa County.
3. The Housing Authority reviewed the project at its June 12, 2017, meeting and directed staff to examine other options for the CDBG funds in the project. The funds were conditionally committed in 2007 and expended in 2008. Repayment to HUD would require the Housing Authority to use another Fiscal Year 2017/2018 funding source, such as Real Property Transfer Tax or In-Lieu Fee funds. There is no assurance that HUD would allow the repayment to be applied to another project. Staff sees this option as a risk as it would use Fiscal Year 2017/2018 funds without advancing construction of Lantana Place.
4. Committing \$3,400,000.00 million to Lantana Place will assist BHDC with refinancing, pre-development and construction of this stalled project and will provide 48 low- and moderate-income households with the opportunity to become homebuyers within the next two years. The proposed financial summary for the project is as follows:

Lantana Place		
Total units		48
Affordable units		48
<u>Funding Sources:</u>	<u>Amount:</u>	<u>Per unit:</u>
Housing Authority Loan	\$5,778,703	\$120,390
First Mortgages	\$15,104,456	\$314,676
Homeowner Downpayment (1%)	\$216,000	\$4,500
CalHFA CalPlus or MyHome	\$648,000	\$13,500
AHP, Vinters or MCC	\$720,000	\$15,000
BHDC Fund	\$700,000	\$14,583
HCD PDLP	\$800,000	\$16,667
TOTAL	\$23,967,159	\$499,316

5. Representatives from the San Francisco Office of the HUD have requested an update on the Housing Authority's actions prior to a final decision on the status of Lantana Place.

OTHER

1. The Housing Authority previously allocated 94 affordable units under Article XXXIV. As a homeownership project, Article XXXIV units cannot be allocated and will be rescinded.
2. The project, as a homeownership project, exceeds the Maximum Cost Schedule under the Low-Income Housing Production (LIHP) Policy. The previously proposed rental development also exceeded the LIHP Policy.
3. Use of the requested funds to pay off the loan from the HCD, currently in first lien position, will place the Housing Authority in first lien position until other financing comes into the project and will reduce the carrying costs for the project.
4. Upon completion of the project, the Housing Authority funds will be reassigned to the individual homebuyers as "silent seconds" for a 30-year term at 3% simple interest.

FISCAL IMPACT

The \$3,400,000.00 million is available in the Fiscal Year 2017/2018 budget and through budget appropriations made by the Housing Authority in a previous action.

ENVIRONMENTAL IMPACT

To receive federal funding in 2008, the project had an environmental review conducted under the National Environmental Protection Act (NEPA) and a Finding of No Significant Impact on the Environment was published on March 4, 2008.

A Mitigated Negative Declaration for Lantana Place, as a 96-unit rental development, was approved by the City Council on September 22, 2009. The project will be subject to additional review under the California Environmental Quality Act (CEQA) as it is reviewed as a 48-unit homeownership development.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On September 22, 2009, City Council approved a Density Bonus and Mitigated Negative Declaration for the 96-unit multifamily, rental complex.

NOTIFICATION

Not applicable.

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ATTACHMENTS

1. Third Further Advance Loan Application
2. Resolution

CONTACT

Megan Basinger, Housing and Community Services Manager
mbasinger@srcity.org
543-3303