

RESOLUTION NO. RES-2017-081

RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA APPROVING A CONDITIONAL COMMITMENT OF AFFORDABLE HOUSING INCENTIVE FUND PILOT PROGRAM FUNDING IN THE AMOUNT OF \$220,000 TO HABITAT FOR HUMANITY OF SONOMA COUNTY TO ASSIST WITH THE DEVELOPMENT OF HARRIS PLACE (FORMERLY COMSTOCK PLACE), FOUR LOW-INCOME OWNERSHIP HOMES, AND/OR TO PROVIDE DIRECT LOANS TO LOW-INCOME HOMEBUYERS, LOCATED AT 2863 WEST STEELE LANE (APN 015-533-046)

WHEREAS, the City of Santa Rosa (the “City”) faces a significant housing shortage, particularly housing available for moderate-income and lower income families; and

WHEREAS, to increase housing production, the Council unanimously accepted a Housing Action Plan with a goal of Housing for All on June 7, 2016; and

WHEREAS, as an early step in implementing the Housing Action Plan, the Council adopted Resolution No. 28878 on November 1, 2016, approving and initiating an Affordable Housing Incentive Fund Pilot Program (“AHIFPP”), funded with \$3 million from General Fund Reserves; and

WHEREAS, the AHIFPP objective is to incentivize the production or preservation of the most affordable housing in the shortest timeframe, utilizing the least amount of City funds, targeted to the lowest income level for the longest time period; and

WHEREAS, the City issued a Notice of Funding Availability on November 17, 2016, announcing the availability of \$3 million of AHIFPP funds; and

WHEREAS, the City received eight applications seeking all or part of the \$3 million on or before the deadline of December 22, 2016, for a total request of over \$16 million to assist with the development or rehabilitation of 325 units; and

WHEREAS, funding recommendations were made by a review team consisting of Vice-Mayor Tibbetts, Councilmember Rogers and staff from the Housing and Community Services Department, Planning and Economic Development Department, and the City Attorney’s Office; and

WHEREAS, Habitat for Humanity of Sonoma County (the “Developer”) proposes to develop Harris Place (formerly Comstock Place), located at 2863 West Steele Lane (APN 015-533-046) (the “Property”), with four ownership homes for low-income households (up to 80% of area median income), of which three will be newly constructed, and the existing home will be rehabilitated for new homeowners (the “Project”); and

WHEREAS, as an incentive to construct the Project, the Developer requests a loan of AHIFPP funding for pre-development and development costs and/or direct loans to homebuyers, which together with sweat equity, grants and donations, first mortgage loans and other subordinate loans will help the homebuyers purchase the homes at fair market value, in accordance with the Habitat for Humanity financial model; and

WHEREAS, the review team recommends AHIFPP funding for Harris Place in the amount of \$220,000 (the “Harris AHIFPP Funding”); and

WHEREAS, the Harris AHIFPP Funding meets program goals by providing four homes for low-income families, the lowest feasible income level for homeownership in a short amount of time with construction starting in fall of 2017 and being completed in summer of 2018; and

WHEREAS, the Project is consistent with General Plan 2035 Housing Element Policies H-A-3, H-B-1, H-C-8, and H-C-13; and

WHEREAS, the project is exempt from the California Environmental Quality Act (“CEQA”), qualifying for a class 32 categorical exemption under CEQA Guidelines Section 15332 in that it is consistent with the General Plan land use designation and applicable zoning regulations; the project occurs within the City limits and on a parcel smaller than five acres; the project site has no value in terms of habitat that hasn’t already been mitigated for endangered, rare, or threatened species; the proposed changes would not result in any significant environmental impacts; and each parcel can be adequately served by utilities and public services; and

WHEREAS, other lenders may require that the City subordinate its loan to their financing; and

WHEREAS, on May 23, 2016, the City Council considered the recommendations of the application review team, the staff report, presentation, comments from the public and applicants.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Santa Rosa hereby approves conditional commitment of AHIFPP funds in the amount of \$220,000 for a loan to Habitat for Humanity of Sonoma County to assist with pre-development and development costs for the Project at zero percent (0%) interest for a term not to exceed 18 months from the date of this resolution with payment due upon the initial sale of the homes, subject to the fulfillment of each condition listed below:

- 1) The Developer shall commence construction of the Project no later than October 31, 2017, unless that time is extended by the Housing and Community Services Director;
- 2) The loan to Habitat for Humanity of Sonoma County for the Project shall be due and payable in full if construction is not completed by July 30, 2018, unless this time extended by the Housing and Community Services Director;
- 3) As required by the City, the Developer may be required to execute (and record, as applicable) a loan agreement, promissory note secured by a deed of trust, regulatory agreement, and/or other agreements and notices (the “Loan Documents”) in a form approved by the City Attorney.
- 4) The units shall be restricted by recorded resale restrictions, option agreements and notice(s) of affordability restriction (“Affordability Restriction Documents”). Resale restrictions between the homeowner and the City and between the homeowner and the Developer (or designated third party) shall require the affordable units to be owner occupied, restrict income eligibility of future owners, and secure the affordability of the units for a term of 30 years (in the case of the City’s agreement) and 59 years (in the case of the Developer’s agreement). Option agreements between the homeowner and the City and between the homeowner and the shall provide the City and the Developer (or designated third party) an option to purchase the home and/or identify another income-eligible buyer upon resale for a term of 30 years (in the case of the City’s agreement) and 59 years (in the case of the Developer’s agreement).

BE IT FURTHER RESOLVED that the Council hereby approves that upon the initial sale of each home by the Developer, the AHIFPP funds shall be loaned directly to homebuyers, as needed for their purchase of the homes, at three percent (3%) interest per annum for a term of 30 years with deferred

payments, and payment (principal and interest) due upon sale or transfer, subject to execution (and recordation, as necessary) of all Loan Documents and Affordability Restriction Documents.

BE IT FURTHER RESOLVED that the Council hereby approves that upon subsequent sales of homes by homebuyers, the AHIFPP funds may, at the discretion of the Housing and Community Services Director, be loaned directly to the subsequent homebuyers, as needed for their purchase of the home, at three percent (3%) interest per annum for a term of up to 30 years with deferred payments, and payment (principal and interest) due upon sale or transfer, subject to subject to execution (and recordation, as necessary) of all Loan Documents and Affordability Restriction Documents.

BE IT FURTHER RESOLVED that the Council hereby approves subordination of City AHIFPP loans to senior financing using a standard form subordination agreement, and the Housing and Community Services Director is authorized to execute subordination agreements if required by other lenders.

BE IT FURTHER RESOLVED that the Council hereby authorizes the Housing and Community Services Director or his designee to execute agreements with the Developer and homebuyers related to the Project, consistent with this Resolution, including but not limited to loan agreements, regulatory agreements, resale restriction agreements, option agreements, notices of affordability restriction, reconveyances and releases, subordination agreements, assignment and assumption agreements and/or other agreements and notices in a form approved by the City Attorney.

BE IT FURTHER RESOLVED that the Council hereby authorizes the Chief Financial Officer to pay all claims for the loan in an amount not to exceed \$220,000 as set forth above from the following Key Number (or as otherwise determined by the City Manager or his designee).

Fund	Key	Source	Amount
2130	42122	Operating Reserve Fund	\$220,000
Total Amount			\$220,000

IN COUNCIL DULY PASSED this 23rd day of May, 2017.

AYES: (6) Mayor Coursey, Council Members Combs, Olivares, Rogers, Sawyer, Schwedhelm

NOES: (0)

ABSENT: (0)

ABSTAIN/

RECUSED: (1) Vice Mayor Tibbetts

ATTEST: _____
City Clerk

APPROVED: _____
Mayor

APPROVED AS TO FORM:

City Attorney