

HOUSING INVESTMENT OPPORTUNITY WITH
PG&E SETTLEMENT FUNDS

RENEWAL ENTERPRISE DISTRICT (RED)
&
RED HOUSING FUND

CITY COUNCIL
JULY 20, 2021



Clare Hartman
Interim Assistant City Manager
Community Development & Engagement

REPORT:
DISCUSSION
&
ACTION
ITEMS

BY RESOLUTION:

- Allocate \$10 million to the RED Housing Fund
- Accept City Loan Term Sheet and authorize execution of loan documents
- Execute the First Amendment to the RED's Joint Exercise of Powers Agreement
- Allocate \$50,000 to the RED for member assessment

BY MOTION:

- Make appointment to RED Housing Fund Board

PRESENTATION OUTLINE

- Clare Hartman – Introduction & Overview
- Michelle Whitman – Renewal Enterprise District (RED)
- Forsyth Street Advisors – RED Housing Fund
- City team – Wrap up & Questions

Megan Basinger, Interim Director
Housing & Community Services

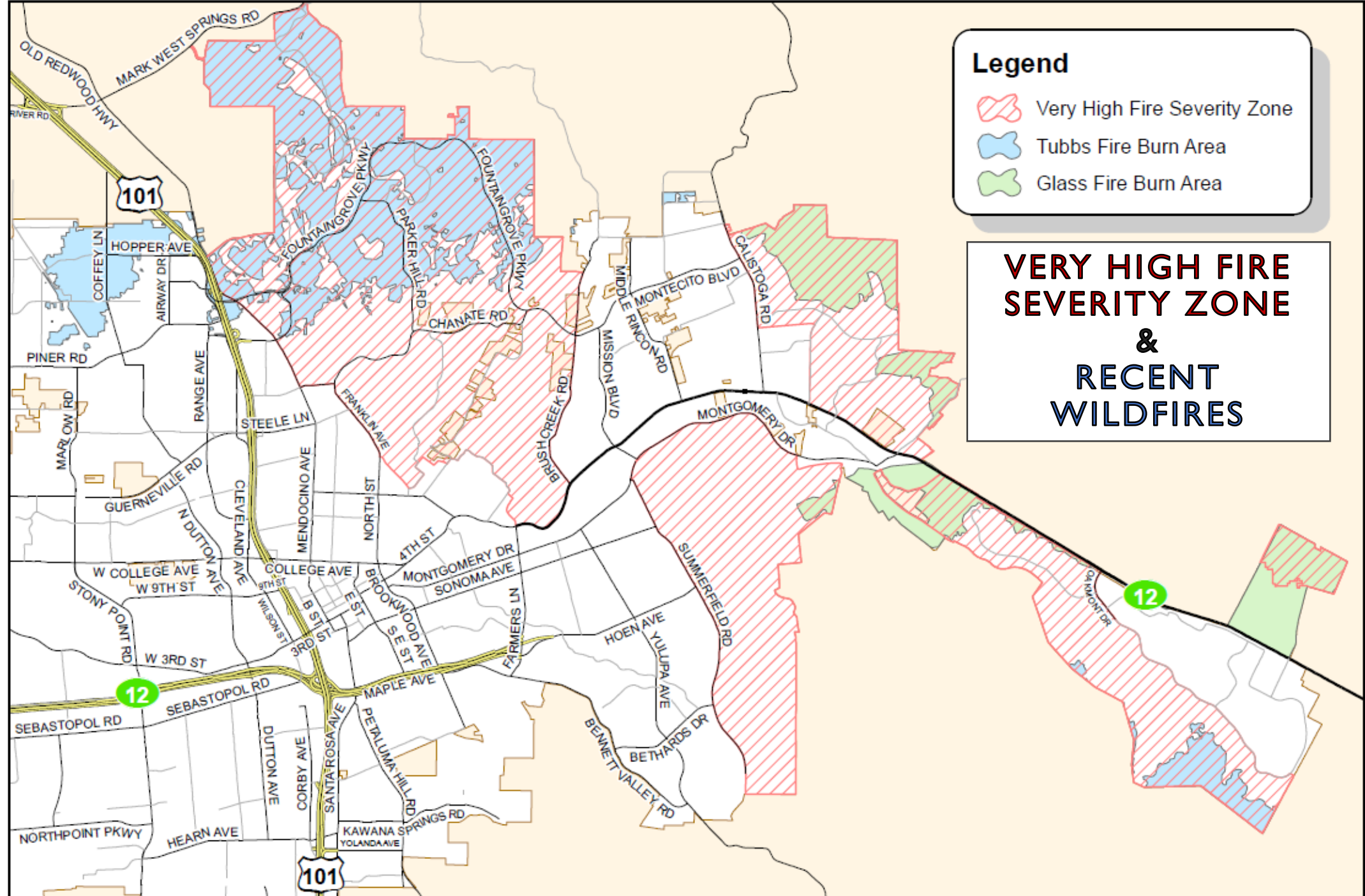
**Clare Hartman, Interim Assistant
City Manager,** Community
Development & Engagement

Sue Gallagher, City Attorney
City Attorney's Office




Jan Mazyck, Chief Financial Officer
Finance

BACKGROUND

- 2015 - Present - City Council Priority - Housing & Affordable Housing
- 2018 - Renewal Enterprise District (RED) formed – City & County JPA
- 2020 - PG&E Settlement Funds & Community Outreach
- 2020 - Sonoma County Board of Supervisors direct \$10M investment of PG&E settlement funds into the RED Housing Fund contingent on a City match
- Dec 8, 2020 - City Council Study Session – Housing Investment Opportunities
- **Feb 19, 2021 - City Council Goal Setting - \$10M loan to RED Housing Fund**
- June 24, 2021 – City’s Long Term Financial & Audit Subcommittee – Term Sheet
- July 20, 2021 - City Council Report – RED Housing Fund Term Sheet & JPA First Amendment, and Allocation of PG&E Settlement Funds

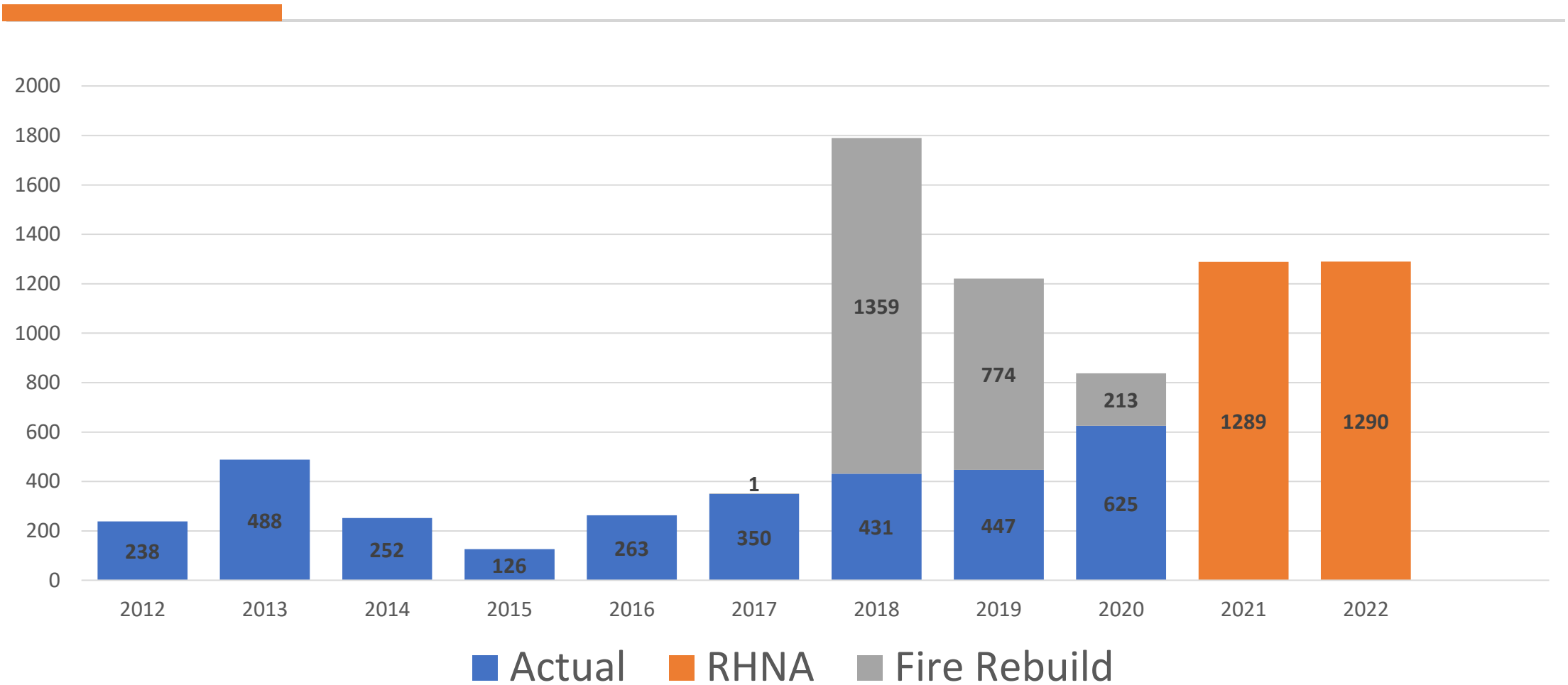


Legend

-  Very High Fire Severity Zone
-  Tubbs Fire Burn Area
-  Glass Fire Burn Area

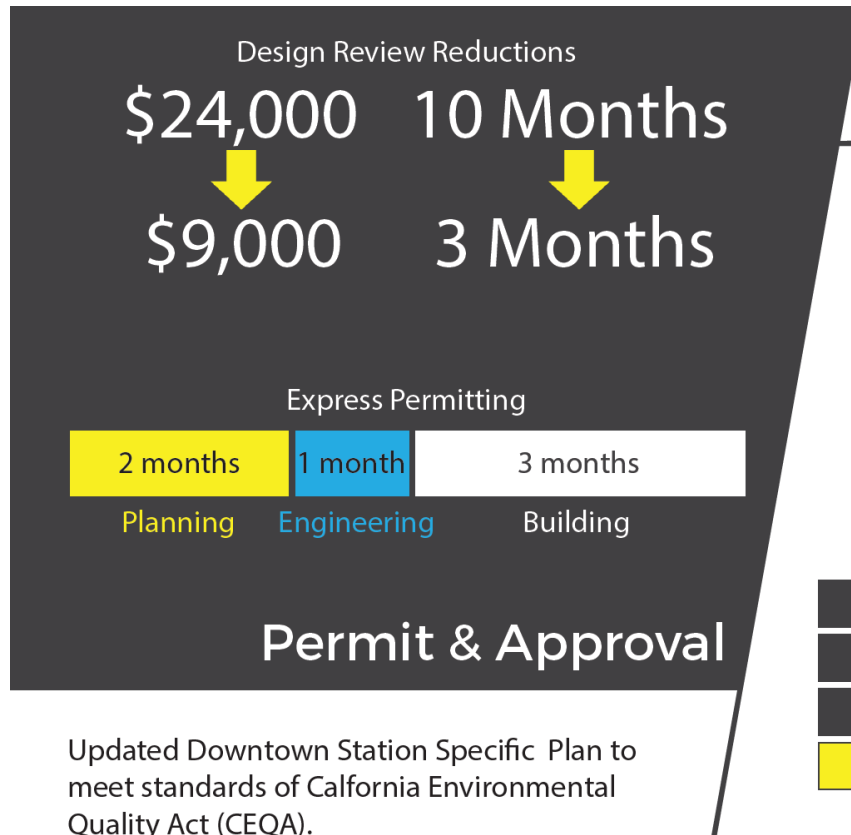
**VERY HIGH FIRE SEVERITY ZONE
&
RECENT WILDFIRES**

HOUSING PROGRESS

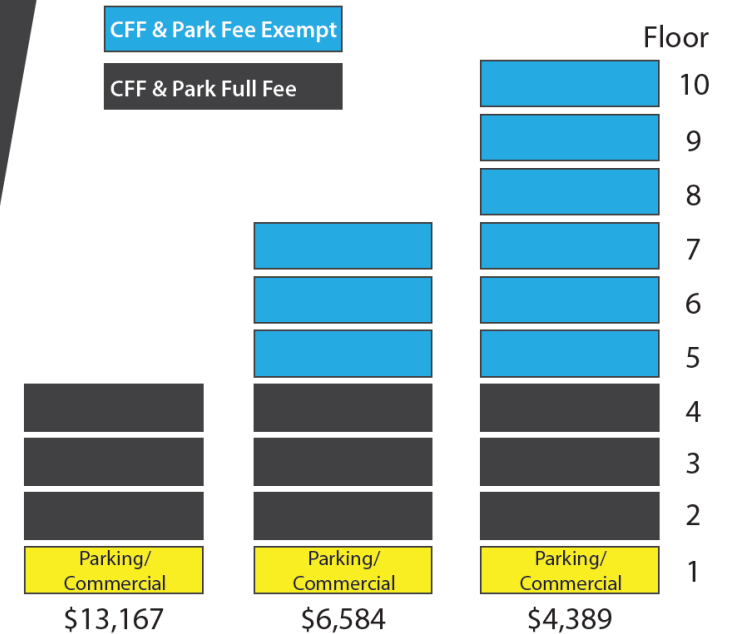


UP DOWNTOWN SANTA ROSA

- Council Priority
- Permit Streamlining
- CEQA Streamlining
- Fees & Incentives
- Opportunity Zone
- Downtown Plan Update
- **RED Housing Fund**



Opportunity Zones



RENEWAL ENTERPRISE DISTRICT

The County of Sonoma and the City of Santa Rosa formed a Renewal Enterprise District, or RED, as a Joint Powers Authority. The purpose of the RED is to create a trusted, replicable and enduring model of housing and community development to meet the changing needs of the 21st century by:

- Taking a regional approach to housing planning and production
- Pooling and leveraging financing tools and funding sources
- Sharing the risks and benefits of development in new ways
- Streamlining environmental review of housing near jobs and transit
- Putting equity, affordability, and climate resiliency in the center of our housing and economic development



Renewal Enterprise District (RED)

County of Sonoma | City of Santa Rosa

RED HOUSING FUND

In response to an unmet need for affordable and market rate infill housing in urban areas of Sonoma County, the Renewal Enterprise District (RED) has launched an effort to design and implement a new Housing Fund that could help accelerate the creation of infill, mid-to-high density housing near transit, jobs, services and other amenities that help build healthy, complete communities.

Forsyth Street Advisors (Forsyth Street), a firm that has established housing funds across the state and country, is guiding the RED through this process.

RED HOUSING FUND

- \$10M City Loan Investment matched with County's \$10M
- Leveraging potential
- Eligible Project Criteria adopted and amended by the RED Board
- Initial push is to activate the market for mid- and high-rise housing in downtown Santa Rosa
- Fund is intended to be flexible and will offer a variety of investment platforms and products
- Housing Fund will be stand alone entity – 501(c)(3) or CDFI
- Administrative readiness – potential to use City's Housing Authority staff for initial NOFA support

CITY TERM SHEET CONSIDERATIONS

\$10 million loan; 0% interest

- 20-year term; principal due at maturity
- Target closing is August 2021
- Subordinate to all other debt
- Comply with City's Investment Policy

Product types

- Affordable – all phases
- Middle income & market
 - construction loan
 - permanent loan

Eligible Projects

- City funds initially only eligible to projects within City limits
- Thereafter proceeds distributed in proportion to City's share
- Linked to RED Board Project Criteria
- Projects to remain residential (30 days or longer) for loan term

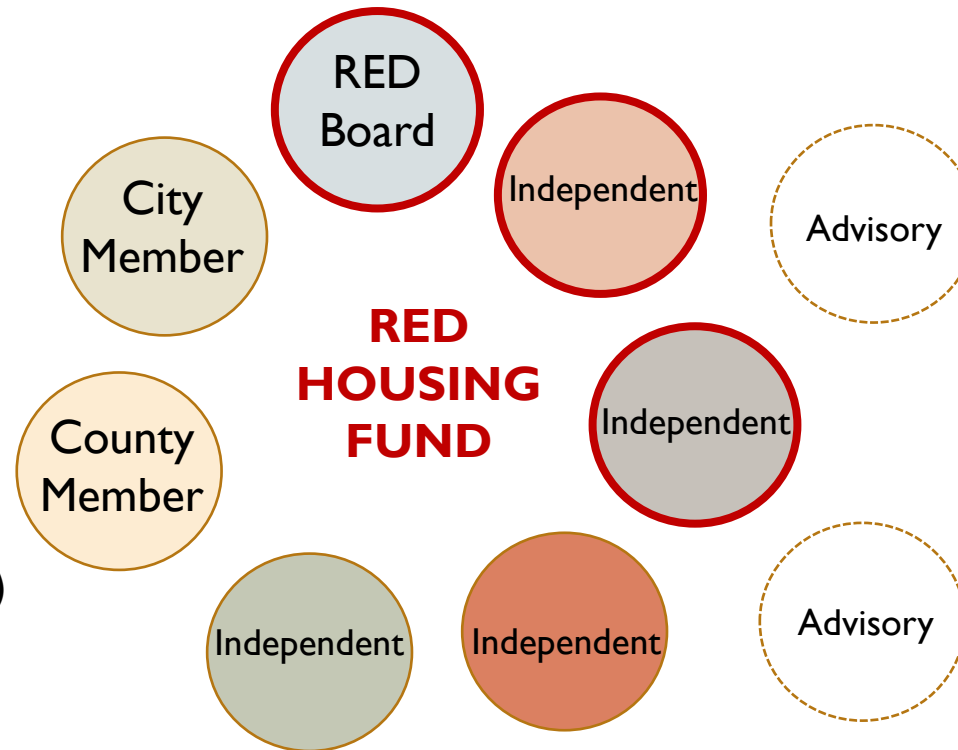
Soft costs maximums

- Affordable projects – 25%
- Middle and market – 15%

CITY TERM SHEET CONSIDERATIONS

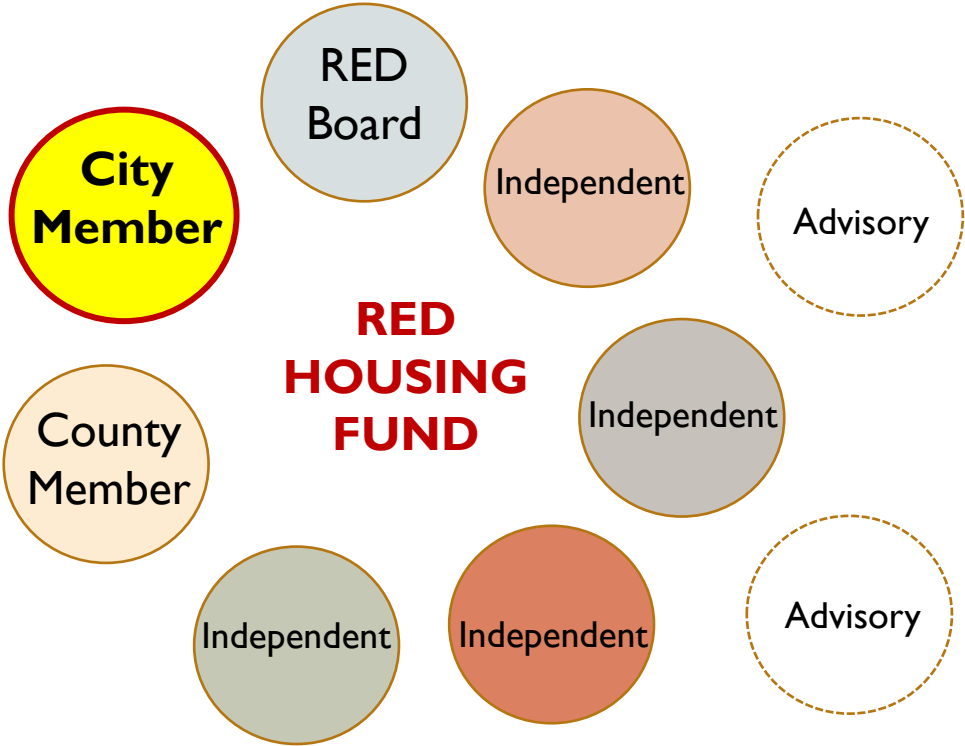
- Accountability
 - Quarterly Reports
 - Annual Reports w/ audited financial statements
- RED Housing Fund Board

- 7 voting members*
 - 2 advisory members
- *Minimum 3 members for a 501(3)(c)*



RED HOUSING FUND CITY MEMBER APPOINTMENT

- Understands the goals of the RED and Project Criteria
- Relevant professional experience (*finance, development, planning, nonprofits, public agencies, etc.*)
- Informs and advises on credit decisions
- Represents the community, as well as the Fund's goals
- Provides strategic and organizational guidance to the Fund



RED JPA FIRST AMENDMENT

Section 4.02 – New Members. After two (2) years from formation of the Agency, upon submittal of an application for membership, New Members ~~shall~~ may be admitted to the Agency so long as: 1) the New Member is an incorporated city or town located within the jurisdictional boundaries of the County of Sonoma; and 2) the New Member agrees to the terms of this Agreement.

RED MEMBER ASSESSMENT

The JPA (Section 8.06 – Agency Funding) states “All fees, costs and expenses incurred by the Agency may be funded from:

- (i) voluntary contributions from third parties, such as grants;
- (ii) advances or loans from the Members or other sources;
- (iii) bond revenue;
- (iv) taxes, assessments, fees and/or charges levied by the Agency under the provisions of the Act or otherwise provided by law;
- (v) contributions from an Infrastructure Financing District or other tax increment generating mechanism; and,
- (vi) **subject to the unanimous vote of the Board, assessments on the Members to carry out the activities of the Agency generally applicable to all Members.”**

RED MEMBER ASSESSMENT

- On May 28, 2021, the RED Board moved unanimously that members assess themselves a one-time total of \$50,000 each to support a combined one-time total of \$100,000 (city and county combined) to be used for RED fund reserves for FY2021-2022.
- Unless another source is identified by the Council, staff is recommending that the Council allocate \$50,000 in one-time PG&E settlement funds to the RED to reflect this one-time member assessment.

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BY MOTION:

- Approve process for appointment to RED Housing Fund Board



QUESTIONS?

Clare Hartman, Interim Assistant City Manager
Community Development & Engagement

Megan Basinger, Interim Director
Housing & Community Services

Sue Gallagher, City Attorney
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