

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: FRANK KASIMOV, PROGRAM SPECIALIST
HOUSING AND COMMUNITY SERVICES
SUBJECT: 2018 NOTICE OF FUNDING AVAILABILITY – ROUND 2 FUNDING
RECOMMENDATIONS: (1) CONDITIONAL FURTHER ADVANCE
COMMITMENT IN THE AMOUNT OF \$285,000.00 TO COMMUNITY
HOUSING SONOMA COUNTY FOR HEARN VETERANS VILLAGE,
2149 WEST HEARN AVENUE AND (2) CONDITIONAL LOAN
COMMITMENT IN THE AMOUNT OF \$200,000 TO DANCO
COMMUNITIES FOR BOYD STREET APARTMENTS, 811 BOYD
STREET

AGENDA ACTION: RESOLUTIONS

RECOMMENDATION

It is recommended by Housing and Community Services Department that the Housing Authority, by two resolutions, (1) approve a conditional Further Advance to Community Housing Sonoma County in the amount of \$285,000 for predevelopment costs associated with 24 units of permanent, supportive veterans housing at its existing Hearn Veterans Village site, 2149 West Hearn Avenue; and (2) approve conditional commitment of loan funds to Danco Communities in the amount of \$200,000 for construction costs for Boyd Street Apartments, 46 rental apartment units, located at 811 Boyd Street.

EXECUTIVE SUMMARY

In response to a Notice of Funding Availability (“NOFA”) issued July 26, 2018, announcing approximately \$4.1 million of federal and local funds for affordable housing (see Attachment 1), the Housing Authority received 11 applications requesting almost \$22 million. The housing types in the applications included new multifamily rental housing for families, homeless veterans, and seniors displaced by the 2017 wildfires, new home ownership housing and rehabilitation. On October 22, 2018, the Housing Authority approved funding for two projects totaling \$3.7 million and deferred consideration of additional commitments of remaining funds. The Housing Authority approved a conditional commitment of funds to Burbank Housing Development Corporation (“Burbank Housing”) in the amount of \$2.4 million for acquisition of Parkwood Apartments a 56-unit garden apartment development, and conversion from market rate to affordable housing. The loan closed on January 9, 2019. In addition, the Housing Authority approved a Third Further Advance in the amount of \$1.3 million to Burbank Housing for pre-development and construction costs for Lantana Place, 48 single family ownership homes, and a conversion of the loan to homebuyer mortgage assistance loans. On December 12, the NOFA Ad Hoc Committee and staff further considered the nine other applications and selected four for further review of the remaining NOFA funds. One applicant declined to be

further considered stating that the remaining funds would be insufficient to finance the project. Two projects are recommended for funding.

BACKGROUND

The NOFA was issued on July 26, 2018, and applications were due on August 31, 2018. Eleven applications were submitted seeking almost \$22 million of funds. The applications were for a range of projects, including new multifamily rental housing for families, homeless veterans, and seniors displaced by the 2017 wildfires, new home ownership housing and rehabilitation. The NOFA funds include approximately \$2 million of local funds, \$1.1 million of Community Development Block Grant (“CDBG”) funds and \$1 million of HOME Partnership Program (“HOME”) funds administered by the U.S. Department of Housing and Urban Development (“HUD”). Funds may be used for all eligible affordable housing activities, such as new construction, land acquisition, rehabilitation (with or without acquisition), conversion from market rate, or preservation. Selection criteria include readiness, timeliness, financial feasibility, qualifications, capacity and experience of the development team, and any information requested in the as part of the application, Housing Authority policies and preferences, CDBG and HOME regulations.

The Housing Authority Chairman Harris appointed Commissioners Burke, Johnson-Morgan and himself to the NOFA Ad Hoc Committee. The Committee and staff reviewed the applications on September 20 and 27, 2018, to make funding recommendations to the Housing Authority.

On October 22, 2018, the Housing Authority approved Round 1 funding for two projects, totaling \$3.7 million (see Table 1). The remaining funds were not committed at that time pending further review and consideration of the other nine applications.

The Housing Authority approved a loan in the amount of \$2.4 million to Burbank Housing Development Corporation (“Burbank Housing”) for acquisition of 56 existing units and conversion from market rate to affordable housing. The loan closed on January 9, 2019. Additional acquisition funding was provided as a bridge loan from a private lender and a seller take-back note. In addition, Housing Authority approved a Third Further Advance in the amount of \$1.3 million to Burbank Housing for pre-development and construction costs for Lantana Place, 48 single family ownership homes, and a conversion of the loan to homebuyer mortgage assistance loans. Construction is expected to begin September 2020

On December 12, the NOFA Ad Hoc Committee (Commissioners Burke and Johnson-Morgan present) and staff further considered the other nine applications and selected four applications for further review of the remaining NOFA funds. These four projects are listed in Table 2. The applicant for Ridge Pointe declined to be further considered because the remaining funds would be insufficient to finance the project. Table 3 shows the projects that are not being considered for funding at this time.

Table 1: Projects Funded in Round 1

Project Name	Applicant	Location / Quadrant	Funding Request
Parkwood Apartments	Burbank Housing	6899 (aka 6867) Montecito Blvd	\$2,400,000
Lantana Place	Burbank Housing	2979 Dutton Meadow	\$1,300,000

Table 2: Projects Considered in Round 2

Project Name	Applicant	Location / Quadrant	Funding Request
Boyd Street Family Apts	Danco Communities	811 Boyd St / SW	\$4,000,000 ¹
Dutton Flats	Dutton Flats LP (Phoenix Dev./ Loren Brueggemann)	206, 208, 214 W Third Street / SW	\$500,000 ²
Hearn Veterans Village	Community Housing Sonoma County	2149 W Hearn Ave / SW	\$285,000
Ridge Pointe	Central California Housing Corp.	2384 & 2410 Old Stony Point Rd / SW	\$2,846,000

Table 3: Projects Not Considered for Funding at this Time

Project Name	Applicant	Location / Quadrant	Funding Request
Del Nido Apts	Eden Development Inc	850 Russell Ave / NW	\$4,000,000
Journey's End	Burbank Housing Development Corp.	575 Mendocino Ave / NE	\$1,000,000
Quail Run Apts	Eden Development Inc	1018 Bellevue Ave / SE	\$4,000,000
Roseland Village	Mid-Peninsula Hermanas Inc.(MidPen)	665 & 833 Sebastopol Rd / SW	\$1,000,000
Somerset Place	Habitat for Humanity of Sonoma County	2786 Dutton Meadow / SW	\$500,000

ANALYSIS

The NOFA Ad Hoc Committee and staff selected the projects identified in Table 2 for further funding consideration. Staff recommends that the Housing Authority approve a conditional Further Advance in the amount of \$285,000 to Community Housing Sonoma County (“CHSC”) for predevelopment costs associated with the development of 24 permanent supportive studio units/bedrooms at the existing Hearn Veterans Village site. Twenty-three units will be targeted to veterans who are homeless or at risk of becoming homeless. This is the second phase of the Hearn Veterans Village that commenced in 2007 with a Housing Authority loan for acquisition and development of the existing facility.

In addition, staff recommends that the Housing Authority approve a conditional commitment of funds in the amount of \$200,000 to Danco Communities for construction costs associated with a new 46-unit multifamily Boyd Street Apartments development. The County has supported the Boyd Street project with a loan commitment in the amount of \$1,500,000. Boyd Street Apartments plans to commence construction in March 2020 and be completed in March 2021 if successful in obtaining 9% tax credits.

¹ Reduced to \$200,000 from \$4 million for Round 2.

² Reduced to \$200,000 from \$500,000 for Round 2.

HEARN VETERANS VILLAGE

Recommendation for Funding. Hearn Veterans Village is recommended for a conditional Further Advance for predevelopment costs for the following reasons:

- All 24 units (except the manager unit) will be reserved for veterans, who are homeless or at risk of becoming homeless. The manager may be a veteran, but is not required to be.
- 17 units @ 30% Area Median Income (“AMI”) and 6 units @ 50% AMI.
- This is a planned expansion at the existing Hearn Veterans Village campus for which the Housing Authority loaned funds in 2007.
- The loan funds will be used for predevelopment costs, including environmental studies, preliminary architectural and engineering studies, applications for planning entitlements, relocation plan, appraisal, fees, project management, and organizational costs.
- Hearn Veterans Village is a planned Zero Net Energy (“ZNE”) Development.
- CHSC owns the site.
- CHSC is an experienced developer of affordable housing and supportive housing.

Project Description. Hearn Veterans Village is an existing 15-bed facility for homeless veterans seeking drug and alcohol treatment. The property also currently has a duplex housing two veterans, and vacant, developable land. The property is located at 2149 Hearn Avenue (see Attachment 2 aerial location graphic). Since 2007, the planned second phase of the development has included new permanent supportive housing on the vacant portion of the site, which at the time of the application was contingent upon annexation of the Project into city limits. The site was annexed in 2017 as part of the Roseland Annexation Area.

This second phase of the Hearn Veterans Village project is development of 24 new studio units/bedrooms as permanent supportive housing at the existing Hearn Veterans Village site. Twenty-three units will be targeted to veterans who are homeless or at risk of becoming homeless. Seventeen of the units will be targeted to veterans with household incomes up to 30% of AMI, and six units will be targeted to veterans with household incomes up to 50% of AMI. One non-restricted unit will be reserved for a part-time, property manager. Two of the units within the mix will be reserved for part-time, on-site House Managers.

CHSC intends to apply for project-based Veterans Affairs Supportive Housing (“VASH”) for 22 units. Pursuant to the California Veterans Housing and Homelessness Prevention Program (“VHHP”) regulations, one unit will be reserved for a veteran who is ineligible for VA benefits, including VASH. Support services will be provided.

In this second phase project, the undeveloped portion of the property will be subdivided into four 20,000 square foot lots. Three lots will include a newly constructed house and accessory dwelling unit (“ADU”). Each house will be approximately 2,450 square feet and will include a living area, dining room, kitchen, laundry area and office, as well as six studio units/bedrooms. Each unit will be 288 square feet and will include a bathroom, small counter/sink area for a

microwave, an under-counter refrigerator, a walk-in closet, and built-in shelves and dresser. Each will include a sliding glass door leading to a private deck area. These units will connect to the central, shared area of the house by a hallway or breezeway. The shared area of each of the four homes will include kitchen/cooking area, laundry and common areas for relaxing. Each ADU will be approximately 1,100 square feet with two 288 square feet studio units/bedrooms connected to a common area. Fourteen of the 24 units/bedrooms will be relocated from CHSC's tiny homes site at the Sonoma County Center and incorporated within the project design.

The fourth lot will be reserved for a future 3rd phase and is envisioned to include a house and ADU similar to Phase 2. Phase 3 will provide permanent supportive housing to 8 veterans and/or another special needs population. CHSC's original application included all 32 units in Phase 2. Project phasing changed because of VHHP financing limitations to 10 units or 25% of total units developed.

CHSC is an experienced developer of affordable housing and supportive housing. Since 1994, CHSC has helped to develop 285 units of affordable rental housing, with 168 set aside for supportive housing. In Santa Rosa, CHSC recently completed Benton Veterans Village, and is developing Veterans Village at the County Center, and housing for veterans in Sebastopol. In the past, CHSC has developed McMinn Avenue Shared Housing Henry House, Brown Street, Carrillo Place and housing in Santa Rosa as well as in other parts of the County. CHSC is also a Community Housing Development Organization ("CHDO") which contracts with the City of Santa Rosa to meet HUD HOME funding requirements.

Construction is anticipated to commence September 2020 and be completed by June 2021. Additional project information is provided in the Project Summary (Attachment 3).

Loan Terms. The loan amount is \$285,000. The terms include three percent (3%) simple interest per annum deferred for fifty-five (55) years, secured by a deed of trust, and payments based on residual receipts. Interest shall commence with the recordation of the deed of trust. The term of affordability will be 55 years. See Attachment 4 for the Loan Application and Attachment 5 for the Project Proforma and Budget.

Future Loan Requests. Future funding requests in amount of approximately \$2.3 will be made to the Housing Authority and/or Sonoma County. This future funding requests will be increased if CHSC is successful at obtaining California Homeless Emergency Aid Program ("HEAP") funds. CHSC has submitted an application requesting \$1 million of HEAP funds.

Goals and Policies. Development of 24 units for homeless, extremely low- and very low-income veterans is consistent with several General Plan housing policies and, therefore, public objectives to meet community needs with housing for low-income households, for example, General Plan Housing Policies H-A-1, H-C-1, H-C-4, H-C-5, H-C-7, H-C-8, H-C-9, H-D-1, H-D-5, H-D-8 and H-D-9. See Attachment 10 for General Plan Housing Policies referenced in this report.

BOYD STREET APARTMENTS

Recommendation for Funding. Boyd Street Apartments is recommended for a conditional commitment of funds (conditional upon the completion of environmental review) for the following reasons:

- The project will provide 45 affordable units and a non-restricted manager unit.
- 8 units @ 30% AMI and 37 units @ 50% AMI.
- The site is located in the Roseland / Sebastopol Road Specific Plan Area, Priority Development Area, and Corby Olive Neighborhood Revitalization Program Area.
- The County of Sonoma has supported the project with a loan in the amount of \$1,500,000.
- Construction is anticipated to commence March 2020 and be completed by March 2021 if successful in obtaining 9% tax credits.
- There are 12 3-bedroom units for families, 30 2-bedroom units and four 1-bedroom units.
- Boyd Street Apartments is a planned Zero Net Energy development.
- The site design maximizes open space.

Project Description. Boyd Street Apartments is a proposed 47-unit multifamily apartment development located at 811 Boyd Street Avenue (see Attachment 6 aerial location graphic). The developer plans to request a 35% density bonus over the base zoning of 18 units per acre to 24 units per acre. The historical use of the property has been an orchard. There are two residences on the eastern edge of the 1.9 acre parcel which would be removed.

The 2-story building design has 12 three-bedroom units, 30 two-bedroom units, and four one-bedroom units. Each apartment will open to common open spaces and have its own private balcony or patio space.

Common areas include linked open spaces throughout the development and include a play area. A one-story community room will have a meeting room, manager's office, community kitchen, restrooms, mail collection area and common laundry room.

Boyd Street Apartments is a planned Zero Net Energy development with an all-electric, passive solar design; high insulation factors; high-efficiency appliances, water heating and space heating; and roof-mounted solar photovoltaic arrays. The combination of energy efficient strategies is expected to exceed California Title 24 Building Energy Code compliance standards and reduce energy costs. All units are adaptable per Building Code standards, and 10% of the ground floor units are fully accessible.

Danco Communities, a company of the Danco Group, has developed (or is in the process of developing) 17 Low Income Housing Tax Credit projects since 2003. The Danco Group also has construction, property management and assisted living companies. Danco has partnered in eight projects with Central Valley Coalition for Affordable Housing, which is co-general partner on two projects in Santa Rosa, Crossings at Santa Rosa and Crossings on Aston.

Construction is anticipated to commence March 2020 and be completed by March 2021 if successful in obtaining 9% tax credits.

Additional project information is provided in the Project Summary (Attachment 7).

Loan Terms. The loan amount is \$200,000. The terms include three percent (3%) simple interest per annum deferred for fifty-five (55) years, secured by a deed of trust, and payments based on residual receipts. Interest shall commence with the recordation of the deed of trust. The term of affordability will be 55 years. See Attachment 8 for the Loan Application and Attachment 9 for the Project Proforma and Budget.

Future Loan Requests. The recommended funding amount has been approved in the Housing Authority's 2018-2019 budget. Danco had originally requested \$4,000,000 and proposed a financing model that included 4% tax credits and tax-exempt bond financing. Danco had also requested the needed \$4,000,000 from the County of Sonoma. The County approved a loan commitment to Danco Communities for Boyd Street Apartments in the amount of \$1,500,000. The applicant now proposes to structure the project financing with the County funds, the Housing Authority loan commitment, a 9% tax credit financing model, and value engineering.

The competitive 9% tax credit tie-breaker score is approximately 31% with 11 Section 8 Project-Based Vouchers ("PBV's") allocated by the Housing Authority to the project. This is a moderate score with the possibility of an allocation. The PBV's increase the tie breaker score and enable the developer to leverage an additional \$1.6 million of debt.

If Danco Communities is unsuccessful in securing an allocation of 9% tax credits in both the first and second rounds, they plan apply for additional soft loans from the City, County and/or State to secure a total of \$2.3 million additional funds and apply for an allocation of 4% tax credits combined with the issuance of a tax-exempt bond to finance the project.

Goals and Policies. Development of 47 affordable multifamily housing units for extremely low-income, very low-income and low-income households is consistent with several General Plan affordable housing policies and, therefore, public objectives to meet community needs with housing for low-income households, for example, General Plan Housing Policies H-A-1, H-A-2, H-C-1, H-C-4, H-C-5, H-C-7, H-C-8, H-C-9, H-C-13 and H-C-15. See Attachment 10 for General Plan Housing Policies referenced in this report.

PROJECTS NOT RECOMMENDED FOR FUNDING AT THIS TIME

Two projects identified by the Housing Authority's NOFA Ad Hoc Committee for further review in Round 2 are not recommended for funding at this time: Ridge Pointe and Dutton Flats. The Ridge Pointe Developer declined to be further considered in this round since the remaining funds are insufficient to finance the project. The applicant had requested \$2,846,000, and with those funds scored a 25.5% tie-breaker score for 9% tax credits. The other project not recommended for funding at this time is Dutton Flats. This 41-unit project is located at West Third Street/Dutton Avenue. In addition to the \$200,000 that is currently available, Dutton Flats needs \$900,000 of funds that are not presently available. Staff suggests that the Dutton Flats applicant resubmit a funding request in the next NOFA round. Attachment 11 shows the projects not considered for funding at this time.

PRIOR HOUSING AUTHORITY REVIEW

The Housing Authority adopted Resolution No. 1399 on October 22, 2007, approving a loan in the amount of \$245,407 for Hearn Veterans Village to assist CHSC, and Vietnam Veterans of California (VVC) with the acquisition of the existing, vacant residential care facility for the development of a transitional housing facility for homeless veterans.

On September 26, 2011, the Housing Authority adopted Resolution No. 1525 approving a change to the ownership structure from VVC to CHSC and approving the subordination of the Housing Authority's \$245,407 loan to the loan in the amount of \$954,433 from the California Department of Housing and Community Development's Emergency Housing and Assistance Program Capital Development Program.

On October 22, 2018, the Housing Authority adopted Resolution No. 1654 approving a conditional commitment for funds in the amount of \$2,400,000 to Burbank Housing for acquisition of 56 existing units and conversion from market rate to affordable housing. The loan closed on January 9, 2019.

On October 22, 2018, the Housing Authority adopted Resolution No. 1655 approving a Third Further Advance in the amount of \$1,300,000 to Burbank Housing for pre-development and construction costs for Lantana Place, 48 single family ownership homes, and a conversion of the loan to homebuyer mortgage assistance loans.

ARTICLE XXXIV

Article 34 of the California Constitution applies to low rent housing that is developed, constructed or acquired, owned by private developers who receive federal, state or local assistance, annually in an amount not to exceed one percent of the existing housing units in Santa Rosa. An Article 34 allocation must be made for 23 units at Hearn Veterans Village and 45 units at Boyd Street Apartments.

FISCAL IMPACT

The funds are included in the Housing Authority's 2018/2019 budget.

ENVIRONMENTAL IMPACT

Hearn Veterans Village. This action is exempt from the California Environmental Quality Act ("CEQA") because the activities to be undertaken with the proceeds of the Housing Authority loan are predevelopment activities, including environmental studies and initial site design that will enable the borrower to apply to the City of Santa Rosa for entitlements. The Housing Authority loan is not a commitment by the City of Santa Rosa to approve the project; and the loan is due and payable on its terms whether or not the City of Santa Rosa approves the project. As a result, the predevelopment activities are not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378. Similarly, pursuant to CEQA Guidelines Section 15061(b)(3), the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

Environmental analysis to be conducted pursuant to this loan includes working with state and federal resources agencies on permitting and mitigation requirements for any impacts to California Tiger Salamander (“CTS”) habitat, wetlands, and special status plants. Several wetlands and biological studies have been prepared as part of the first phase project. In addition, CHSC anticipates conducting a Phase One Environmental Site Assessment (“Phase One”) update. The original Phase One indicated potential presence of an underground chemical plume, which originated at the former OCLI site located northwest of the Hearn site. However, testing has confirmed no presence of contaminants in the well water at Hearn Veterans Village.

The loan is conditional upon verification of prior environmental approvals pursuant to the National Environmental Policy Act (“NEPA”).

Approval of the development project is subject to environmental review pursuant to the CEQA and NEPA.

Boyd Street Apartments. The project is subject to environmental review pursuant to the CEQA, and the loan commitment is conditional upon standard conditions including CEQA approval review. The site has historically been an orchard.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Commissioners Burke and Johnson-Morgan and Chair Harris served on the NOFA Ad Hoc Committee appointed by the chair. For this Round 2, Commissioners Burke and Johnson-Morgan were present at a meeting on December 12, 2018, at which four projects identified above were selected for further consideration.

NOTIFICATION

Notification of this meeting was sent to each of the 11 original NOFA applicants.

ATTACHMENTS

- Attachment 1 – Notice of Funding Availability
- Attachment 2 – Hearn Veterans Village aerial location graphic
- Attachment 3 – Hearn Veterans Village Summary
- Attachment 4 – Hearn Veterans Village Loan Application
- Attachment 5 – Hearn Veterans Village Proforma and Budget
- Attachment 6 – Boyd Street Apartments aerial location graphic
- Attachment 7 – Boyd Street Apartments Summary
- Attachment 8 – Boyd Street Apartments Loan Application
- Attachment 9 – Boyd Street Apartments Proforma and Budget
- Attachment 10 – General Plan Housing Polices referenced in this report
- Attachment 11 – Projects Not Recommended for Funding at This Time
- Resolution Hearn Veterans Village
- Resolution Boyd Street Apartments

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