

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: NICOLE DEL FIORENTINO, HOUSING AND COMMUNITY SERVICES MANAGER
SUBJECT: MODIFICATION TO HOUSING AUTHORITY RESOLUTION NUMBER 1760, CONDITIONAL COMMITMENT OF LOAN FUNDS IN THE AMOUNT OF \$1,073,583 TO PEP HOUSING FOR VIGIL LIGHT SENIOR APARTMENTS TO EXTEND THE DATE BY WHICH THE PROJECT MUST RECEIVE A TAX CREDIT AWARD

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, modify the terms of the \$1,073,583 conditional commitment of loan funds to PEP Housing for Vigil Light Senior Apartments in Resolution Number 1760 to extend the date by which the project must receive a tax credit award to include the third round of applications in September 2023.

EXECUTIVE SUMMARY

PEP Housing received a conditional commitment of loan funds in the amount of \$1,073,583 for acquisition, preservation, and rehabilitation-related costs for the Vigil Light Senior Apartments (Project) on July 24, 2023, Housing Authority Resolution Number 1760. The conditions included a provision that the Project must receive a funding award from the California Tax Credit Allocation Committee (CTCAC) from the developer's application submitted in May 2023. The May 2023 application did not receive a funding award. PEP Housing has adjusted the Project's financing stack and reduced hard costs for the proposed rehabilitation to increase the Project's competitiveness for a future CTCAC award. The developer submitted an application to CTCAC's third round of tax credit funding due on September 6, 2023, and has requested a modification to the Authority's conditional commitment to allow for a CTCAC award from the September 2023 application.

BACKGROUND

The Vigil Light Senior Apartments is an existing 49-unit senior multifamily rental housing development comprised of 1-bedroom and studio units located at 1945 Long Drive in

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Santa Rosa. The property was constructed in 1983 through the HUD 202 Senior financing program, and the related HUD Regulatory Agreement ensuring the development's affordability was set to expire in 2024. The Project received a commitment of loan funds from the Authority in the amount of \$2,220,000 on June 20, 2022, for acquisition, preservation, and rehabilitation-related costs for the Project. The Authority's funding commitment to PEP Housing for acquisition of the Project ensures the ongoing affordability of the 48 restricted units through a new 55-year term Regulatory Agreement with the Authority. The affordability mix includes 24 units at 30% of Area Median Income (AMI) and 24 units at 50% of AMI.

On July 24, 2023 the Authority awarded a second conditional commitment of loan funds to the Project in the amount of \$1,073,583 for acquisition, preservation, and rehabilitation expenses. This commitment was conditioned on the Project receiving an award of tax credits from the developer's May 2023 application to CTCAC.

The May 2023 application was unsuccessful. To increase the Project's tiebreaker score, the developer has made the following changes which were incorporated into the September 2023 CTCAC application:

- Reduced hard costs and the deferred developer fee by \$2,316,500
- Conversion of a \$1 million 5-year loan from PEP Housing to the Project to a permanent loan payable through residual receipts over 55 years.

PEP Housing has requested a modification to the Authority's conditional commitment of \$1,073,583 in loan funds to allow for a CTCAC award from the September 2023 application.

PRIOR HOUSING AUTHORITY REVIEW

On June 20, 2022, the Housing Authority approved a conditional commitment of loan funds in the amount of \$2,220,000 to the Project for preservation and rehabilitation-related expenses.

On September 26, 2022, the Housing Authority approved a clerical correction to the June 20, 2022, award resolution.

On July 24, 2023, the Housing Authority approved a conditional commitment of loan funds in the amount of \$1,073,583 for acquisition, preservation, and rehabilitation-related expenses, and further clarified the prior \$2,220,000 commitment of funds could also be used for acquisition-related costs.

ANALYSIS

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The Vigil Light Senior Apartments development is an existing 49-unit affordable housing development for seniors built in 1983 and financed through the HUD 202 Senior financing program. The period of affordability for the Project was set to expire in 2024. Because of the Housing Authority's \$2,220,000 commitment of loan funds and the associated Regulatory Agreement, the term of affordability has been extended by 55 years.

Due to the age of the property, significant rehabilitation is needed, including dry rot removal, walkway repairs, lighting, accessibility upgrades, siding and window replacements, and unit interior upgrades, in the approximate amount of \$29 million. To address these needs, the developer applied for tax credit financing to CTCAC in May 2023 and applied to the Housing Authority's Fiscal Year 2023-2024 Notice of Funding Availability (NOFA) in June 2023.

In response to the Authority's Fiscal Year 2023-2024 NOFA, the Project was awarded a subsequent conditional commitment of loan funds in the amount of \$1,073,583. One of the conditions of the award was that the May 2023 application to TCAC was successful in securing tax credit financing for the Project. The May 2023 application was not successful.

In light of the unsuccessful May 2023 tax credit application, the developer has modified the Project's scope of work and financial structure to increase its CTCAC tie breaker score from 82% to 94% and has requested that the Authority's conditional commitment of \$1,073,583 be modified to allow for a successful tax credit award from the application submitted in September 2023. Award determinations are expected to be published by CTCAC in December 2023.

Housing Authority Resolution Number 1760 conditionally committed local funds which do not have the expenditure timeliness requirements associated with federal or state funds. Approval of the requested extension would not have a negative impact on the Authority's budget or future funding allocations. If the Project does not receive a tax credit award from their September 2023 application, the \$1,073,583 would remain in the Authority's budget and made available for a future request.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the Housing Authority's budget.

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

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environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable.

NOTIFICATION

PEP Housing was notified of this meeting.

ATTACHMENTS

- Attachment 1 – PEP Housing Request Letter
- Attachment 2 – Housing Authority Resolution Number 1760
- Resolution