

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST II  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: HARRIS VILLAGE (FORMERLY COMSTOCK PLACE) MODIFICATION –  
2863 WEST STEELE LANE

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, modify certain terms of a previously approved loan commitment to Habitat for Humanity of Sonoma County for Harris Village (formerly Comstock Place), located at 2863 West Steele Lane, to align with project changes and with the terms of the City Council's Affordable Housing Incentive Fund Pilot Program funding commitment.

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EXECUTIVE SUMMARY

The Housing Authority adopted Resolution No. 1611 on June 13, 2016, approving a commitment of loan funds in the amount of \$180,000 to Habitat for Humanity of Sonoma County ("Habitat") for Harris Village. At that time, the project included three new ownership houses for low-income households (up to 80% of Area Median Income ("AMI")); and Habitat planned to sell the existing house on the property at market rate to help finance the development. Habitat has since modified the project to rehabilitate the existing home for a low-income Habitat family, rather than sell it on the market. In addition to these project changes, the City Council conditionally committed Affordable Housing Incentive Fund Pilot Program ("AHIFPP") funds for Harris Village on May 23, 2017. Some of the terms of the Council's funding commitment differ from the terms of the Housing Authority's funding commitment.

BACKGROUND

On June 13, 2016, the Housing Authority adopted Resolution No. 1611 committing \$180,000 to Habitat for Harris Village, located at 2863 West Steele Lane (APN 015-533-046) (the "Property"). Part of the project proforma included selling the existing house on the property at market rate to help finance the rest of the development. Due to delays in processing subdivision maps, Habitat has not yet accessed the Housing Authority funds. The subdivision process is nearing completion.

Since that time, Habitat decided to rehabilitate the existing house for a Habitat family, rather than sell it on the market. As a result, Harris Village now includes three new homes and one rehabilitated home for low-income households (up to 80% of AMI) (the "Project").

In addition to expanding the scope of the Project, Habitat has been working to secure donations and other funding sources, including a donation from the Harris Family Foundation, a PG&E solar grant, Federal Home Loan Bank WISH Program funding, and the AHIFPP funds. The Project name was changed to honor the generous Harris family donation. Project costs and funding sources are shown in the table below.

<b>Harris Village Development Costs and Financing Sources</b>		
Prior Housing Authority Funding	\$180,000	
Total development cost	\$1,594,842	
Total development cost per unit	\$398,711	
Acquisition cost	\$500,000	
Acquisition cost per acre	\$819,672	
Acquisition cost per unit	\$125,000	
Soft cost per unit	\$86,348	
Hard cost per unit (construction & contingency)	\$160,775	
Developer fee	106,349	
<b><u>Proposed construction financing sources:</u></b>	<b><u>Amount:</u></b>	<b><u>per (affordable) unit:</u></b>
City Council AHIFPP Loan	\$220,000	\$55,000
Prior Housing Authority Funding	\$180,000	\$45,000
Developer Equity	\$75,500	\$18,875
PG&E Solar Program Grant	\$40,000	\$10,000
Habitat for Humanity	\$370,342	\$92,586
Harris Family Foundation	\$209,000	\$52,250
Seller Carryback Note	\$200,000	\$50,000
Construction Loan	\$300,000	\$75,000
<b>TOTAL</b>	<b>\$1,594,842</b>	<b>\$398,711</b>
<b><u>Proposed permanent financing sources</u></b>	<b><u>Amount:</u></b>	<b><u>per (affordable) unit:</u></b>
First Mortgage Loans	\$885,500	\$221,375
Fed. Home Loan Bank WISH Program	\$60,000	\$15,000
AHIFPP Loan	\$220,000	\$55,000
Prior Housing Authority Funding	\$180,000	\$45,000
Habitat for Humanity/fundraising	\$342	\$86
Harris Family Foundation	\$209,000	\$52,250
PG&E Solar Grant	\$40,000	\$10,000
<b>TOTAL</b>	<b>\$1,594,842</b>	<b>\$398,711</b>

The project will include one 2-bedroom unit, one 3-bedroom unit, and two 4-bedroom units.

Habitat originally anticipated commencing construction by October 31, 2016, and completing construction by June 30, 2017. Those dates were extended twice by the Executive Director, as authorized by Housing Authority Resolution No. 1534, adopted December 12, 2011, due to a delay in processing a final subdivision map splitting parcel into three lots and then another

subdivision map adding a fourth lot. The final subdivision map is being processed, and construction will begin by October 31, 2017, and be completed by July 30, 2018.

#### PRIOR HOUSING AUTHORITY REVIEW

The Housing Authority adopted Resolution No. 1611 on June 13, 2016, approving a commitment of loan funds in the amount of \$180,000 to Habitat for three new ownership houses for low-income households.

#### ANALYSIS

Several modifications to the funding commitment approved by the Housing Authority are recommended to align with new project name, project modifications, and terms of the AHIFPP funding. The proposed terms of the Housing Authority's loan are described below:

1. Funds shall be loaned to Habitat to assist with pre-development and development costs for the Project at zero percent (0%) interest for a term not to exceed 18 months with payment due upon the initial sale of the homes.
2. Upon the initial sale of each home by Habitat, the Housing Authority 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.
3. Upon subsequent sales of homes, the Housing Authority funds may, at the discretion of the Executive Director, be loaned directly to 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.
4. Habitat shall commence construction of the Project no later than October 31, 2017, unless that date is extended by the Executive Director.
5. The loan to Habitat shall be due and payable in full if construction is not completed by July 30, 2018, unless that date is extended by the Executive Director.
6. As required by the Housing Authority, Habitat and homebuyers shall execute (and record, as applicable) a loan agreement, promissory note secured by a deed of trust, regulatory agreement, and/or other agreements and notices in forms approved by the Housing Authority General Counsel.
7. The units shall be restricted by recorded resale restrictions, option agreements and notice(s) of affordability restriction. Resale restrictions between the homeowner and the Housing Authority and between the homeowner and Habitat (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 Housing Authority's agreement) and 59 years (in the case of Habitat's agreement). Option agreements between the homeowner and the Housing Authority and between the homeowner and Habitat shall provide Housing Authority and Habitat (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 Housing Authority's agreement) and 59 years (in the case of Habitat's agreement).

8. Subordination: The Executive Director is authorized to execute subordination agreements to subordinate Housing Authority loans to senior financing, if required by other lenders.
9. Article XXXIV: Reverse the allocation of three Article XXXIV affordable units, as such allocations apply only to affordable rental units.

### FISCAL IMPACT

The funds have been previously committed. No additional funding is requested.

### ENVIRONMENTAL IMPACT

Review pursuant to the National Environmental Policy Act is not applicable because no federal funding has been or is intended to be committed to this project at this time.

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.

### COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On May 23, 2017, the Council adopted Resolution No. RES-2017-081 conditionally committing \$220,000 for Harris Village.

### NOTIFICATION

The applicant was notified of this meeting by email.

### ATTACHMENTS

- Attachment 1 – Locational Graphic
- Attachment 2 – Housing Authority Resolution No. 1611
- Resolution

### CONTACT

Frank Kasimov, [fkasimov@srcity.org](mailto:fkasimov@srcity.org), (707) 543-3465