

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: NICOLE DEL FIORENTINO, HOUSING AND COMMUNITY
SERVICES MANAGER
HOUSING AND COMMUNITY SERVICES DEPARTMENT

SUBJECT: FISCAL YEAR 2023-2024 NOTICES OF FUNDING AVAILABILITY
– FUNDING RECOMMENDATIONS

AGENDA ACTION: RESOLUTION(S)

RECOMMENDATION

It is recommended by the Housing Authority Ad-Hoc Review Committee and the Housing and Community Services Department that the Housing Authority, by resolutions, approve conditional commitments of loan funds to: 1) WSA Burbank Housing Partners I, LP in the amount of \$3,500,000 for acquisition and construction-related costs for Burbank Avenue Apartments located 1780 Burbank Avenue; 2) Petaluma Ecumenical Properties dba PEP Housing in the amount of \$1,073,583 for acquisition and rehabilitation costs for Vigil Light Senior Apartments located at 1945 Long Drive; 3) Burbank Housing Development Corporation in the amount of \$1,300,000 for acquisition, predevelopment and construction-related costs for Caritas Homes Phase II located at 360 Seventh Street; and 4) BRJE Housing Partners, LP in the amount of \$2,585,610 for predevelopment and construction-related costs for 3575 Mendocino Avenue Phase III located at 3575 Mendocino Avenue.

EXECUTIVE SUMMARY

In response to the Fiscal Year 2023-2024 Notice of Funding Availability (“NOFA”) announcing approximately \$8,100,000 and the HOME Investment Partnership Program (HOME) NOFA announcing approximately \$653,000 of funds for acquisition, development, and rehabilitation of affordable housing; the Housing Authority received five applications, of which four were determined to be complete. From the four applications the funds requested exceeded \$9.7 million for 207 total units. Three applications were received for new construction projects and one application was received for an acquisition/rehabilitation project.

The projects were evaluated and ranked based on project readiness, affordability, bedroom size, special needs set asides, leveraging, project competitiveness, developer

and management experience, services and amenities, and other factors. A Housing Authority Ad-Hoc Review Committee comprised of Vice-Chair LaPenna, and Commissioner Newton met on July 7, 2023, to review the projects and scoring details. The Ad-Hoc Review Committee is recommending funding for four of the five applications received.

BACKGROUND

The Fiscal Year 2023-2024 NOFA was published on May 10, 2023, with project applications due on June 9, 2023 (Attachment 1). As communicated in the NOFA, approximately \$8,100,000 of funds are available. The NOFA funds are comprised of approximately \$5,700,000 of Local Funds, \$1,300,000 of Community Development Block Grant (CDBG) funds, and \$1,100,000 in state Permanent Local Housing Allocation (PLHA) funds. A separate NOFA was also published on May 10, 2023, to solicit developer applications for approximately \$653,000 from HOME funds (Attachment 2). Applications will continue to be accepted for the HOME NOFA on a rolling basis, until all HOME funds are awarded.

Four complete applications were received, three for new construction projects and one for rehabilitation and acquisition. The requests totaled approximately \$9.7 million, surpassing the funds available. No applications were received for the HOME-CHDO funds.

Project applications were scored using a point system as follows:

- Readiness – up to 10 points
- Affordability – up to 20 points
- Bedroom Sizes – up to 8 points
- Special Needs Set Aside Units – up to 12 Points
- Leveraging – up to 10 points
- Project Competitiveness (CDLAC/TCAC/MHP scoring if applicable) – up to 10 points
- Developer/Manager Experience – up to 15 points
- On-Site Services – up to 7 points
- Amenities – up to 3 points
- Other Factors – up to 5 points

A Housing Authority Ad-Hoc Review Committee comprised of Vice-Chair LaPenna and Commissioner Newton met on July 7, 2023, to review the projects and scoring details and developed the funding recommendations.

PRIOR HOUSING AUTHORITY REVIEW

On April 24, 2023, the Housing Authority held a Study Session to review information about the NOFA process, solicit public comments, and provide direction.

ANALYSIS

The Fiscal Year 2023-2024 NOFA and the HOME NOFA yielded four complete project applications which were scored and ranked. The applications were comprised of three new construction projects and one rehabilitation/acquisition project. New construction projects were scored out of 100 points possible and rehabilitation/acquisition projects were scored out of 90 points possible, omitting the readiness category as not applicable.

The NOFA Ad Hoc Committee reviewed the applications and have developed a recommendation to fund all four projects. A summary of the project applications and their scores is provided below.

SUMMARY OF RECOMMENDED PROJECTS

Burbank Avenue Apartments – Application for acquisition and construction-related costs.

Project Description. A new construction 64-unit, multifamily apartment development with 20 one-bedroom, 25 two-bedroom and 18 three-bedroom units. The unit affordability mix is: 16 units targeted to households with incomes up to 20% of Area Median Income (AMI), 8 units targeted to households with incomes up to 30% of AMI, 13 units targeted to households with incomes up to 40% AMI, 14 units targeted to household incomes up to 50% AMI, 12 units targeted to household incomes up to 60% AMI and one unrestricted manager unit. Sixteen units, equating to twenty-five percent (25%) of the project will be dedicated to individuals or households at-risk of homelessness.

The project is located at 1780 Burbank Avenue in the Southwest quadrant of Santa Rosa. The site is located in close proximity to Roseland Creek Elementary School and Roseland Accelerated Middle School. The Burbank Avenue Project Summary is included as Attachment 3.

Application Scoring. Burbank Avenue Apartments ranked first out of the three new construction applications received with a score of 85%.

❖ **Readiness: Score 5 out of 10.**

All Planning approvals are completed, a Grading Permit is under review and a Building Permit for the structure has not yet been submitted.

❖ **Affordability: Score 18 out of 20.**

The project provides 25% of the units to households at or below 20% AMI, 13% to households at or below 30% AMI, and 21% to households at or below 40%.

- ❖ **Bedroom Size: Score 8 out of 8.**
28% of the units are three-bedrooms.
- ❖ **Special Needs Set Asides: Score 9 out of 12.**
25% of the units are set-aside individuals or families at-risk of homelessness
- ❖ **Leveraging: Score 5 out of 10.**
The current funding requested from the Housing Authority is 7.9% of the total development cost.
- ❖ **Project Competitiveness: Score 10 out of 10.**
The project has received a \$25 million conditional funding commitment from the Housing and Community Development (HCD)'s California Housing Accelerator Program. The current funding request will fill the gap, allows the Accelerator award to be committed and the project will be required to start construction within 180 days.
- ❖ **Developer & Management Experience: Score 15 out of 15.**
The project is a partnership with Burbank Housing which has extensive development and management experience.
- ❖ **On-Site Services: Score 7 out of 7**
The project's Resident Services Plan outlines significant on-site services for residents, including food support, parenting classes, exercise and health classes, financial wellness, and has a 0.2 FTE on-site Services Coordinator.
- ❖ **Amenities: Score 3 out of 3.**
A community park and Citybus Transit stop are within 0.5 miles of the site.
- ❖ **Other Factors: Score 5 out of 5.**
The project has received prior funding commitments from the Housing Authority of the City of Santa Rosa, including \$5M from Community Development Block Grant – Disaster Recovery funds, \$4.7M from state and local sources and a conditional commitment of Project Based Vouchers. Committed funding sources comprise 92% of the total development cost, with only \$3.5M needed to begin construction.

Loan Terms. The conditional commitment amount is \$3,500,000. 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 through a Regulatory Agreement will be 55 years from the date of initial occupancy.

Environmental. The project is exempt from CEQA; a NEPA Environmental

Assessment is in process and will be published upon identification of the project's final funding sources.

Vigil Lights Apartments – Application for acquisition, rehabilitation, and/or preservation-related costs.

Project Description. An existing 49-unit, senior apartment complex comprised of 12 studios, 36 one-bedroom, and 1 two-bedroom unit. The property was constructed in 1983 through the HUD 202 Senior financing program, the current HUD Regulatory Agreement expires in 2041. Vigil Lights is being acquired by Petaluma Ecumenical Properties (PEP Housing) and will continue to be operated and maintained as affordable, senior housing. The unit affordability mix is: 24 units targeted to households with incomes up to 30% of AMI, 24 units targeted to households with incomes up to 50% of AMI, and one unrestricted manager unit. The property, constructed in 1983, requires rehabilitation work that includes dry rot repair, signage, walkway repairs, accessibility updates, and energy efficiency upgrades.

The project is located at 1945 Long Drive, next to the Safeway on 4th Street and Farmers Lane. The property was acquired by PEP Housing in July 2021; the Vigil Lights Project Summary is included as Attachment 4.

Application Scoring. Vigil Lights Apartments project ranked second among the project applications received with a score of 76%.

❖ **Readiness: Not Applicable**

The project is constructed and does not require Planning approvals prior to Building Permit application.

❖ **Affordability: Score 18 out of 20.**

The project provides 50% of the units to households at or below 30% AMI.

❖ **Bedroom Size: Score 2 out of 8.**

25% of the units are studios and 75% are one-bedroom units.

❖ **Special Needs Set Asides: Score 12 out of 12.**

100% of the units are reserved for seniors.

❖ **Leveraging: Score 8 out of 10.**

The funding requested from the Housing Authority is 3.46% of the total financing structure for acquisition and rehabilitation.

❖ **Project Competitiveness: Score 3 out of 10.**

The project's financing structure includes a tax credit award. The Tax Credit Allocation Committee (TCAC) application self-score for the project

was not within the top 2% of total points possible.

- ❖ **Developer & Management Experience: Score 15 out of 15.**
PEP Housing has 16 completed projects in Sonoma County.
- ❖ **On-Site Services: 7 out of 7.**
Project will provide a variety of health, wellness and educational services to residents and employ a 0.4FTE Resident Services Coordinator.
- ❖ **Amenities: Score 3 out of 3.**
The site is adjacent to the 4th Street Safeway shopping center and has access to transit via an existing transit stop for City Bus.
- ❖ **Other Factors: Score 0 out of 5.**
The project does not meet the criteria listed in the NOFA to receive any points in this category.

Loan Terms. The conditional loan amount is \$1,073,583. 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. This loan award would include a condition that the developer's May 2023 TCAC application for tax credits is successful and the project receives a tax credit award in 2023.

Environmental. The project is exempt from CEQA. The project is categorically excluded subject to Section 58.5 of NEPA.

Caritas Homes Phase II – Application for acquisition, predevelopment and construction-related costs.

Project Description. A 64-unit, multifamily apartment development with 29 studios, 27 one-bedroom, 8 two-bedroom units. The unit affordability mix is: 30 units targeted to households with incomes up to 20% of AMI, 33 units targeted to household incomes up to 60% AMI and one unrestricted manager unit. The developer anticipates targeting 30 units to homeless individuals and families through a future rental subsidy program to be determined.

The project is located at 360 Seventh Street, within the Caritas Village development and immediately adjacent to the Caritas Homes Phase I project and the Caritas Center shelter and services building. The Caritas Homes Phase II Project Summary is included as Attachment 5.

- ❖ **Application Scoring.** The Caritas Homes Phase II project ranked third out of the applications received with a score of 70%.

- ❖ **Readiness: Score 4 out of 10.**
The project is fully entitled and has not yet submitted applications for building permits.
- ❖ **Affordability: Score 18 out of 20.**
48% of the units are restricted to households at or below 20% of AMI. The remaining 52% of the units are designated for households at 60% of AMI or less.
- ❖ **Bedroom Size: Score 3 out of 8.**
Out of the 63 restricted units, 46% are studios, 43% are one-bedrooms, and 11% are two-bedroom units.
- ❖ **Special Needs Set Asides: Score 11 out of 12.**
47% of the units are targeted to homeless individuals and families.
- ❖ **Leveraging: Score 9 out of 10.**
The funding requested from the Housing Authority is 2.7% of the total development cost.
- ❖ **Project Competitiveness: Score 3 out of 10.**
The project's financing structure includes a tax credit award. The Tax Credit Allocation Committee (TCAC) application self-score for the project was not within the top 2% of total points possible.
- ❖ **Developer & Management Experience: Score 15 out of 15.**
The project is a partnership with Burbank Housing which has extensive development and management experience.
- ❖ **On-Site Services: Score 4 out of 7**
The project will provide on-site services such as case management, crisis intervention, and substance abuse services for the 30 homeless units, and some off-site services for the remainder of the households.
- ❖ **Amenities: Score 3 out of 3.**
The site is located within 0.5 miles of transit, including the Sonoma Marin Area Transit (SMART) Station, parks, and retail, and within 1 mile of grocery.
- ❖ **Other Factors: Score 0 out of 5.**
The project does not meet the criteria listed in the NOFA to receive any points in this category.

Loan Terms. The conditional loan amount is \$1,300,000. 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 through Regulatory Agreements will be 55 years from the date of initial occupancy. This loan award would include a condition that the developer identify the source for rental subsidy needed for the 30 homeless units within one year of award, which could be extended by an additional year at the discretion of the Executive Director.

Environmental. The greater Caritas Village development that contains the Project completed the required California Environmental Policy Act (“CEQA”) Environmental Impact Report which was approved by the Santa Rosa City Council on March 3, 2020; a NEPA Environmental Assessment for the Caritas Village development was completed in 2021.

3575 Mendocino Avenue Phase III – Application for predevelopment and construction-related costs.

Project Description. This project is the third and final phase of the 162-unit affordable component of a 532-unit mixed market-rate and affordable housing development at the former site of the Journey’s End mobilehome park. The project is a new 30-unit, senior apartment development comprised of one-bedroom units. The unit affordability mix is: 6 units targeted to households with incomes up to 30% of AMI, 17 units targeted to household incomes up to 50% AMI, and 7 units targeted to household incomes up to 60% AMI.

The project is located at 3575 Mendocino Avenue and the Project Summary is included as Attachment 6.

- ❖ **Application Scoring.** The project ranked fourth out of the applications received with a score of 66%.
- ❖ **Readiness: Score 6 out of 10.**
The project is fully entitled and has applications for building permits under review.
- ❖ **Affordability: Score 10.8 out of 20.**
The project provides 20% of the units to households at or below 30% of AMI, 57% of the units to households at or below 50% of AMI and the remaining 23% are targeted to households at or below 60% of AMI.
- ❖ **Bedroom Size: Score 1 out of 8.**
All thirty units are one-bedrooms.
- ❖ **Special Needs Set Asides: Score 12 out of 12.**
100% of the units are reserved for seniors.

- ❖ **Leveraging: Score 2 out of 10.**
The funding requested from the Housing Authority is 14.27% of the total development cost.
- ❖ **Project Competitiveness: Score 10 out of 10.**
The project's financing structure includes a tax credit award. The TCAC application self-score for the project was 100% of total points possible with a tiebreaker of 50.713%.
- ❖ **Developer & Management Experience: Score 15 out of 15.**
The project is a partnership with Burbank Housing which has extensive development and management experience.
- ❖ **On-Site Services: Score 6 out of 7**
The project will provide on-site services from external service providers for varying durations on the topics of health and wellness, lifestyle, social gatherings and health screenings, and employ a 0.1FTE Services Coordinator.
- ❖ **Amenities: Score 3 out of 3.**
The site is located within 0.5 mile of transit and medical services, and within 1 mile of grocery and parks.
- ❖ **Other Factors: Score 0 out of 5.**
The project does not meet the criteria listed in the NOFA to receive any points in this category.

Loan Terms. The conditional loan amount is \$2,585,610. 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 through Regulatory Agreements will be 55 years from the date of initial occupancy.

Environmental. The Project has been reviewed in compliance with the California Environmental Quality Act ("CEQA") in that a Sustainable Communities Environmental Assessment ("SCEA") was prepared and circulated for public review for a 30-day period, and the SCEA determined that there would be no significant and unavoidable environmental impacts of the Project, and was in compliance with standard measures and project-specific mitigation measures, as approved by the Santa Rosa City Council on December 15, 2020 via Ordinance No. ORD-2020-019 and completed a NEPA Environmental Assessment in 2021.

PROJECTS NOT RECOMMENDED FOR FUNDING

One incomplete application was received and was not able to be fully ranked. Staff will provide feedback to the applicant based on the information provided so that the project may be reviewed for a future NOFA if so desired.

ARTICLE XXXIV

Article 34 of the California Constitution applies to low rent housing that is developed, constructed or acquired by a public entity or by private developers who receive federal, state or local assistance. Article 34 allocations are necessary for Caritas Homes Phase II and Mendocino Avenue Phase III and are included in the resolutions.

FISCAL IMPACT

The funds are included in the Housing Authority's fiscal year 2023-2024 budget.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) pursuant to 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 environment, and no further environmental review is required.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Notification of this meeting was sent to each of the applicants.

ATTACHMENTS

- Attachment 1 – Fiscal Year 2023-2024 Notice of Funding Availability
 - Attachment 2 – HOME Notice of Funding Availability
 - Attachment 3 – Burbank Avenue Apartments Project Summary
 - Attachment 4 – Vigil Light Senior Apartments Project Summary
 - Attachment 5 – Caritas Homes Phase II Project Summary
 - Attachment 6 – 3575 Mendocino Avenue Phase III Project Summary
 - Attachment 7 – Locational Graphic of All Recommended Projects
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- Resolution – Burbank Avenue Apartments
 - Resolution – Vigil Light Senior Apartments
 - Resolution – Caritas Homes Phase II
 - Resolution - 3575 Mendocino Avenue Phase III

CONTACT

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