

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: MEGAN BASINGER, INTERIM DIRECTOR
HOUSING AND COMMUNITY SERVICES
SUBJECT: LOAN MODIFICATION REQUEST FROM CATHOLIC CHARITIES
FOR "THE BLOCK" AND RELEASE OF LOAN AND
REGULATORY AGREEMENT FROM PARCELS TO BE
DEVELOPED WITH CARITAS HOMES PHASE I AND II

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, approve the following modifications to Loan No. 9020-2525-15 to Catholic Charities of the Diocese of Santa Rosa for "The Block:" 1) partial termination and release the Deed of Trust and Regulatory Agreement on APNs 010-041-001, 010-041-015, 010-014-016, 010-041-041 and a portion of 010-041-020 Tract B (Caritas Homes Phase I) and a portion of APN 010-041-020 Tract C (Caritas Homes Phase II); 2) require Catholic Charities to enter into and record an Affordability Agreement for Caritas Homes Phase II to preserve the future affordability; 3) modify the existing Regulatory Agreement to eliminate the six (6) rental units that have been demolished; 4) release the Mitigation Declaration recorded against the Block; and 5) approve modification to the terms of the loan to reflect Caritas Center on APNs 010-041-004, 010-041-005, 010-041-011, 010-041-013, 010-041-017, 010-041-018, 010-041-014 and portions of 010-041-010, 010-041-008, and 010-41-019 (Tract A).

EXECUTIVE SUMMARY

A loan of Community Development Block Grant (CDBG) funds, approved by the Housing Authority on September 22, 2014, was used to acquire 11 parcels between Morgan Street, 6th Street, 7th Street, and A Street, which comprised "The Block." Since 2015, Catholic Charities has acquired the two remaining privately owned parcels within the confines of the block, and the City of Santa Rosa has sold Catholic Charities additional bordering land, otherwise known as remnant parcels. Catholic Charities obtained development approval and is proceeding with the development of Caritas Village which will include a homeless support services facility named Caritas Center, and an affordable housing development named Caritas Home Phases I and II. As a result of the new development, Catholic Charities is requesting the Housing Authority's

existing loan for "The Block" which is secured against the entire development site be moved to the newly created parcel for Caritas Center and release the remaining parcels (Tracts B and C) from the Housing Authority loan. Tracts B and C will be developed with Caritas Homes Phases I and II and will be subject to separate regulatory restrictions.

BACKGROUND

1. Memorial Hospital owned 11 parcels (437 A Street -APN 010-041-005, 439 A Street - APN 010-041-004, 465 A Street - APN 010-041-020, 501 A Street - APN 010-031-002, 507 A Street - APN 010-031-003, 516 Morgan Street - APN 010-041-013 and 010-041-018, 520 Morgan Street - APN 010-041-014, 600 Morgan Street - APN 010-041-015, 608 Morgan Street - APN 010-041-016, and 612 Morgan Street - APN 010-041-001) totaling 2.24 acres, on "A" Street and Morgan Street known as the old General Hospital site. Two of the parcels are located north of 7th Street, and nine parcels are located south of 7th Street and comprise much of the city block (the "Property"). Catholic Charities calls the site "The Block."
2. Memorial Hospital leased the various properties to Catholic Charities to operate the Family Support Center emergency homeless shelter, the Homeless Services Center day center, and six affordable housing units in residential buildings.
3. In or around 1996, the Housing Authority provided a loan of \$750,000 toward rehabilitation of the Memorial Hospital facilities that are used as the Family Support Center.
4. On September 22, 2014, the Housing Authority adopted Resolution No. 1582, approving conditional commitments of the 1996 rehabilitation funding, to Catholic Charities to be applied to the acquisition/preservation of The Block. That loan was closed on in June 2015 and executed the following loan documents which include a Promissory Note, Loan Agreement, Regulatory Agreement, and Deed of Trust. The Regulatory Agreement recorded against The Block requires the following:
 - a. Compliance for fifty-five (55) years to June 30, 2070;
 - b. Use the six (6) existing residences on The Block for households at or below 80% of Area Median Income; and
 - c. Operate an emergency shelter for limited clientele.
5. Catholic Charities acquired 506 Morgan Street (APN 010-041-011) in 2018 and 512 Morgan Street (APN 010-041-017) in 2019, which made Catholic Charities the owner of all parcels except the City owned parcels on the southern boundary of the Block.

6. Through a series of actions, the "remnant parcels" which are a portion of three parcels (APNs 010-041-010, 010-041-008, and 010-041-019) located on the southern end of The Block were conveyed back to the City of Santa Rosa and the City completed the sale and transfer of a portion of those parcels to Catholic Charities in 2020 to incorporate the land into the Caritas Village project.
7. In March 2020, Catholic Charities received approval from the City Council for the development of Caritas Village. Caritas Village is a comprehensive revitalization of "The Block" through the development of three separate phases that provide the following: 1) Caritas Center – a comprehensive homeless support services facility with family units, respite beds, day center and associated services; 2) Caritas Homes Phase 1 – a 64-unit multifamily rental complex affordable to households at or below 60% of area median income; and 3) Caritas Homes Phase 2 – a 64-unit affordable rental complex.
8. Catholic Charities began pursuing financing for the Caritas Homes Phase 1 multifamily rental housing component of the project in 2020. The Housing Authority reviewed an application and on June 22, 2020 awarded thirty (30) Project Based Vouchers to Caritas Homes Phase I.
9. Catholic Charities conducted the consolidation, through mergers and lot line adjustments, of the parcels in Spring 2021. This resulted in three tracts being created: Tract A - 439 A Street - APN 010-041-004, 437 A Street - APN 010-041-005, 506 Morgan Street – APN 010-041-011, 516 Morgan Street - APN 010-041-013, 512 Morgan Street – APN -010-041-017, Morgan Street – APN 010-041-018, 520 Morgan Street - APN 010-041-014, and portions of 010-041-010, 010-041-008 and 010-041-019; Tract B – 321 W. 7th Street – APN 0101-041-001, 600 Morgan Street – APN 010-041-015, and 608 Morgan Street – APN -010-041-016; and Tract C - 465 A Street - APN 010-041-020, 501 A Street -APN 010-031-002, 507 A Street - APN 010-031-003, and 010-041-018, and 612 Morgan Street - APN 010-041-001.
10. The Housing Authority approved a conditional commitment of \$8,945,657 of Community Development Block Grant - Disaster Recovery (CDBG-DR) Disaster Recovery – Multifamily Housing Program (DR-MHP) loan funds for Caritas Homes Phase I on January 25, 2021 to assist with the construction of the project. The award was approved by the California Housing and Community Development, administrators of the DR-MHP, on July 28, 2021.
11. As a result of the Caritas Village project proceeding, Catholic Charities is requesting that the Housing Authority amend the existing loan and Regulatory Agreement as follows:
 - a. Release the parcels that will be developed with Caritas Homes Phases I and II from the existing loan and Regulatory Agreement for "The Block";

- b. Revise the purpose of the loan and Regulatory Agreement to reflect that it applies solely to Caritas Center, a homeless services shelter and facility;
- c. Revise the terms of the loan to remove the requirement of "surplus cash payment" as the loan will be secured against an emergency shelter;
- d. Add a provision to the loan that it is forgivable at the end of the term;
- e. Eliminate reference to the six (6) affordable housing units as they will be demolished as part of the redevelopment of the site;
- f. Eliminate the Mitigation Declaration associated with the structures that will be demolished; and
- g. Modify the income requirements of the Regulatory Agreement to remove the six (6) affordable housing units.

PRIOR HOUSING AUTHORITY REVIEW

On September 22, 2014, Housing Authority by Resolution No. 1582, approved a conditional commitment of loan funds in the amount of \$750,000 to assist in the acquisition of "The Block," pending completion of tasks to be performed by the applicant.

On February 23, 2015, the Housing Authority by Resolution No. 1591, approved the loan in the amount of \$750,000 to assist in the acquisition of "The Block."

On June 22, 2020, the Housing Authority by Resolution No. 1695, approved the allocation of thirty (30) Project Based Vouchers to Caritas Homes Phase I.

On January 25, 2021, the Housing Authority by Resolution No. 1702, approved a loan in the amount of \$8,945,657 to assist with the construction of Caritas Homes Phase 1 on the northern portion of The Block.

ANALYSIS

The Housing Authority provided the loan in 2015 to acquire 11 parcels known as "The Block" from St. Joseph's Health Centers. Following the acquisition of "The Block," Catholic Charities embarked on the planning process to redevelop the site with the multi-phase project known as "Caritas Village."

In addition to "The Block," Catholic Charities acquired the remaining privately owned parcels that were located within the boundaries of "The Block." The City, through the Successor Agency of the Redevelopment Agency of the City of Santa Rosa, sold the remanent parcels located on the southern edge of "The Block" on 6th street between Morgan Street and A Street to Catholic Charities, who merged the parcels and conducted a lot line adjustment to create three "tracts" to accommodate each phase of Caritas Village.

Catholic Charities is requesting that the Housing Authority release and terminate the

loan obligations from Tracts A and B which will be used for Caritas Homes Phase I and II. Caritas Homes Phase I has received CDBG-DR funding through the California Department of Housing and Community Development's DR-MHP program for the development of a 64-unit affordable rental complex. The funding commitment will be accompanied by a recorded Regulatory Agreement that will restrict the units for 55 years. In order to ensure that Caritas Homes Phase II (Tract C) remains affordable housing, staff is recommending that a Notice of Affordability be recorded when the existing Housing Authority loan documents are terminated and released.

The Housing Authority Deed of Trust in the amount of \$750,000 will remain recorded against Tract A, the parcel that will house Caritas Center. The Regulatory Agreement will remain recorded against the property restricting the use for the remainder of the 55-year term. To reflect that the funds provided to Catholic Charities are associated with an Emergency Shelter and associated services, it is recommended that the Housing Authority support the request to remove the "Residual Cash Receipt" repayment clause from the Note. As an Emergency Shelter, the site will not generate operating income and will not have revenue that can be applied to repayment. Loan repayment will still be required at the end of the loan term and in the event of default by the Borrower.

Catholic Charities has also requested that the loan be forgiven at the end of its term. Staff is recommending that the Housing Authority not support this component of the request. Past practice of the Housing Authority has been to extend the terms of loans and associated Regulatory Agreements when they are approaching the end of the term. Continuing this practice is consistent with other loans in the portfolio; should the loan be repaid; the Housing Authority will benefit from the repayment and have the ability to generate new loans for affordable housing or projects in Santa Rosa.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on any Housing Authority funds.

ENVIRONMENTAL IMPACT

The City Council certified an Environmental Impact Report (EIR) in compliance with the California Environmental Quality Act (CEQA) for Caritas Village in March 2020. An Environmental Assessment in compliance with the National Environmental Policy Act (NEPA) Environmental Assessment was completed on October 1, 2021.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On February 27, 2020, the Planning Commission made the following recommendations to City Council for Caritas Village: 1) certify the Final Environmental Impact Report; 2) adopt findings of fact, mitigation monitoring and reporting requirements, and a statement of overriding considerations; 3) amend the General Plan from Medium Density Residential and Retail and Business Services to Transit Village-Mixed Use; 4)

amend the Downtown Station Area Specific Plan to include all the project parcels within the Courthouse Square Sub-Area; 5) rezone the parcels from Multi-family Residential to the Transit Village-Mixed Zoning District; 6) approve a Tentative Map for the Project; and 7) make findings and determinations and recommend the City Council approve a Minor Use Permit for an Emergency Shelter at Caritas Village.

On March 3, 2020, the City Council conducted a public hearing and approved the following for Caritas Village: 1) the Final Environmental Impact Report; 2) adopted findings of fact, mitigation monitoring and reporting requirements, and a statement of overriding considerations; 3) amended the General Plan from Medium Density Residential and Retail and Business Services to Transit Village-Mixed Use; 4) amended the Downtown Station Area Specific Plan to include all the project parcels within the Courthouse Square Sub-Area; 5) rezoned the parcels from Multi-family Residential to the Transit Village-Mixed Zoning District; 6) approved a Tentative Map for the Project; and 7) made findings and determinations and approved a Minor Use Permit for an Emergency Shelter at Caritas Village

NOTIFICATION

Len Marabella, Chief Executive Officer of Catholic Charities
Bert Bangsberg, Consultant for Catholic Charities
Paul Pitingaro, Carle Mackie Power & Ross, Legal Counsel for Catholic Charities

ATTACHMENTS

- Attachment 1 – Letter from Carle Mackie Power and Ross, 5/13/2021
- Resolution

CONTACT

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