

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: MEGAN BASINGER, HOUSING AND COMMUNITY SERVICES  
MANAGER  
HOUSING AND COMMUNITY SERVICES

SUBJECT: AUTHORIZATION OF PURCHASE OPTION AGREEMENT WITH  
THE CALIFORNIA PUBLIC FINANCE AUTHORITY (CALPFA)  
FOR 1020 JENNINGS AVENUE; SUPPORT FOR CALPFA'S  
ISSUANCE OF TAX-EXEMPT BONDS FOR ACQUISITION OF  
1020 JENNINGS AVENUE; AND APPROPRIATION OF ANY  
SURPLUS CASH RECEIVED FROM THE PROJECT INTO FUND  
2282 FOR AFFORDABLE HOUSING PURPOSES

AGENDA ACTION: RESOLUTION

---

RECOMMENDATION

It is recommended by the Housing & Community Services Department (HCS) that the Council, by resolution, authorize the Director of HCS to execute a Purchase Option Agreement between the City of Santa Rosa and the California Public Finance Authority (CalPFA) associated with the potential acquisition of 1020 Jennings Avenue (Property), support CalPFA's issuance of tax-exempt bonds for the acquisition of the Property, and appropriate any surplus cash and sales proceeds received from the Project into Fund 2282 to be used by HCS for the acquisition, construction, preservation, and rehabilitation of affordable housing units in Santa Rosa. Participation in the Purchase Option Agreement does not have a financial impact on the City.

---

EXECUTIVE SUMMARY

CalPFA, a Joint Powers Authority that funds community public benefit projects throughout the state, is considering the acquisition of a currently market-rate multi-family rental complex at 1020 Jennings Avenue in Santa Rosa. CalPFA is a public agency that will own and operate the complex and is requesting that the City enter into a Purchase Option Agreement for the potential acquisition of the Property. If approved by the Council, the Purchase Option Agreement may be exercised by the City, if the City so desires, between years 16 and 35 of CalPFA's ownership. The Property will be

restricted by a CalPFA Regulatory Agreement to households earning 80% to 120% of Area Median Income (AMI). Support for the Project by the City will help address the housing needs of a segment of the population that generally does not benefit from the creation of affordable housing units. The acquisition of the project and entering into an option agreement does not create a financial liability for the City.

## BACKGROUND

1. One of the City's primary goals is meeting the housing needs of its residents by actively supporting housing for all through the protection, preservation, and production of market-rate and affordable housing units.
2. Staff was recently briefed by an affordable housing investor, Catalyst Housing Group, on its creation of this middle-income housing program, developed in coordination with CalPFA staff, and CalPFA's proposal to purchase the existing units at 1020 Jennings Avenue (Property), to be financed with tax-exempt bonds issued by CalPFA, and to restrict the units to households earning between 80% and 120% of Area Median Income (AMI), referred to as "middle-income" households. CalPFA's proposal allows in-place tenants to remain in their units following CalPFA's acquisition. CalPFA is not requesting financial investment in the acquisition by the City or the Housing Authority.
3. The tax-exempt bonds utilized by CalPFA to finance its acquisition of the Property will be issued by CalPFA, a political subdivision of the State of California that was established under the Joint Exercise of Powers Act to issue tax-exempt and taxable bonds throughout California. The City is an Additional Member of CalPFA for the purpose of securing tax-exempt and taxable bonds to finance or refinance specific future housing projects.

## PRIOR CITY COUNCIL REVIEW

On September 4, 2018, the Council approved a resolution authorizing the City to join CalPFA as an Additional Member.

## ANALYSIS

1. The acquisition of the Property by CalPFA will increase the supply of affordable housing units in Santa Rosa. The units will be restricted to middle-income households, defined as those earning between 80% and 120% of AMI.

2. As part of CalPFA's acquisition of the Property, CalPFA has requested that the City enter into a Purchase Option Agreement with CalPFA that can be first exercised 15 years following the acquisition of the Property, for a period of 20 years. This Agreement allows the City to acquire the Property if desired but does not create an obligation to do so. The City might consider acquiring a Property like 1020 Jennings Avenue if there were a threat to the affordability level of the Property for unforeseen reasons.
3. Through the collection of rents and other charges, the Property produces operating revenue for itself. In order to provide the City with the economic benefits of ownership of the property, any surplus cash and sales proceeds generated by the property will be provided to the City. If surplus economics are generated, they will be remitted to the City to be used for affordable housing production or preservation. If the City chooses to forgo its purchase option, all net proceeds resulting from an eventual sale of the property shall also be remitted to the City to be used in a similar manner. Should these potential funds be paid to the City, they would be deposited into Fund 2282 – Housing Grant, then utilized by HCS.

### FISCAL IMPACT

There is no fiscal impact to the City or the Housing Authority associated with executing the Purchase Option Agreement. If the Purchase Option Agreement is exercised between years 16-35, a nominal fiscal impact could result from the acquisition costs. Such potential acquisition costs may be covered by the surplus cash provided to the City and are anticipated to be insignificant in comparison to the level of total surplus economics provided to the City.

### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is 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.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

N/A

### NOTIFICATION

N/A

AUTHORIZATION OF PURCHASE OPERATION AGREEMENT WITH THE CALIFORNIA PUBLIC FINANCE AUTHORITY (CALPFA) FOR 1020 JENNINGS AVENUE; SUPPORT FOR CALPFA'S ISSUANCE OF TAX-EXEMPT BONDS FOR ACQUISITION OF 1020 JENNINGS AVENUE; AND APPROPRIATION OF ANY SURPLUS CASH RECEIVED FROM THE PROJECT IN TO FUND 2282 FOR AFFORDABLE HOUSING PURPOSES  
PAGE 4 OF 4

## ATTACHMENTS

- Resolution
- Sample Purchase Option Agreement

## CONTACT

Megan Basinger, Housing and Community Services Manager  
(707) 543-3303  
[mbasinger@srcity.org](mailto:mbasinger@srcity.org)