

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: NICOLE RATHBUN, PROGRAM SPECIALIST
HOUSING AND COMMUNITY SERVICES
SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER
RECOVERY NOTICE OF FUNDING AVAILABILITY – FUNDING
RECOMMENDATIONS

AGENDA ACTION: RESOLUTIONS

RECOMMENDATION

It is recommended by the joint City Council and Housing Authority Ad-Hoc Review Committee and the Housing and Community Services Department that the Housing Authority, by resolutions, approve a conditional commitment of funds to: 1) BRJE Phase I Housing Partners, L.P. in the amount of \$11,917,110 for construction-related costs for 3575 Mendocino Avenue Phase I; 2) Caritas Homes Phase I L.P. in the amount of \$8,945,657 for construction-related costs for Caritas Homes Phase I; 3) The Cannery at Railroad Square, L.P. in the amount of \$10,300,000 for construction-related costs for The Cannery at Railroad Square; 4) WSA Burbank Housing Partners I, L.P. in the amount of \$5,000,000 for construction-related costs for Burbank Avenue Apartments; and 5) Caufield Lane Senior Housing, Inc. in the amount of \$2,190,340 for construction and rehabilitation-related costs for Linda Tunis Senior Apartments, and authorize staff to submit the respective project applications to the California Department of Housing and Community Development for approval.

EXECUTIVE SUMMARY

In response to the Community Development Block Grant – Disaster Recovery (CDBG-DR) Notice of Funding Availability (“NOFA”) for the Disaster Recovery – Multifamily Housing Program (DR-MHP) announcing approximately \$38 million of funds for affordable housing, the Housing Authority received seventeen applications requesting \$149 million for 1,283 total new units. A separate Request for Proposals (RFP) for Project-Based Vouchers was conducted simultaneously with the intent to improve the financial feasibility of projects seeking DR-MHP or other competitive financing. The timelines for both the NOFA and the RFP were expedited in an effort to position projects applying for 4% tax credits in February 2021. A joint City Council and Housing Authority Ad-Hoc Review Committee comprised of Councilmembers Sawyer and Schwedhelm

and Housing Authority Commissioners Burke and Test met to review the projects that had responded to the DR-MHP NOFA.

BACKGROUND

In October 2017, the Tubbs fire destroyed 3,043 residential units in Santa Rosa, constituting a loss of approximately five percent of the City's housing stock. In response to the 2017 wildfires, the United States Department of Housing & Urban Development (HUD) allocated CDBG-DR funds to the State of California Department of Housing & Community Development (HCD) to be distributed statewide to disaster-affected areas. Through the newly developed DR-MHP program, up to \$38,469,772 of CDBG-DR funds are allocated to the City of Santa Rosa for rehabilitation, reconstruction, and/or new construction of affordable multifamily housing. Due to the Housing Authority's relevant experience and program knowledge, the Santa Rosa City Council delegated DR-MHP program administration to the Housing Authority in October 2020 via Resolution 2020-171.

A CDBG-DR NOFA was published on November 3, 2020 with developer project applications due on December 3, 2020 (see Attachment 1). As communicated in the NOFA, up to \$38,353,107 of CDBG-DR funds are available through the California Housing and Community Development (HCD)'s DR-MHP program. The remaining \$116,665 are used for Santa Rosa's administrative costs. A Request for Proposals for projects seeking Project-Based Vouchers was announced simultaneously with the CDBG-DR NOFA.

The NOFA was drafted to attract projects that align with HCD's DR-MHP Policies and Procedures and meet the DR-MHP program requirements. Seventeen applications were received, requesting approximately \$149 million for 1,283 affordable housing units, far surpassing the \$38,353,107 available. Of the seventeen project applications received, thirteen applications were complete and aligned with the DR-MHP Policies and Procedures.

Factors for project evaluation included the following:

- project readiness;
- the status of the project's National Environmental Policy Act (NEPA) review and entitlements, and estimated construction timeline;
- financial feasibility of the project;
- the percentage of total development cost that had already been committed to the project and the project's development cost per unit;
- qualifications, capability and expertise of the development team to finance, design, build/rehabilitate and manage affordable housing;
- affordability levels; and
- completeness, accuracy, and quality of the proposal/application.

Based on these factors, projects were ranked in order of the degree to which they met each of the criteria according to the DR-MHP Policies and Procedures and in relation to the other project applications.

ANALYSIS

The CDBG-DR NOFA resulted in the following 13 complete applications, 2 withdrew, leaving 11 applications for consideration (listed in alphabetical order), seeking \$80,371,514 in funding.

Project Name	Applicant	Location	Total Units	DR Affordable Units	Funding Request
3575 Mendocino Avenue Phase I	BRJE Phase I Housing Partners	3575 Mendocino Avenue	94	93	\$11,917,110
Bennet Valley Apartments	Freebird Developer	702 & 716 Bennett Valley Road	62	61	\$9,496,321
Burbank Avenue	WSA Burbank Housing Partners I, LP	1780 Burbank Avenue	64	63	\$5,000,000
Caritas Homes Phase I	Caritas Homes Phase I	Morgan Street and 7th Street	64	63	\$8,945,657
Casa Roseland	MP Roseland Village Associates	665/883 Sebastopol	75	74	\$3,563,876
Hearn Veterans Village	Community Housing Sonoma County	2149 W. Hearn Avenue	32	31	\$3,679,536
Linda Tunis Senior Apartments	Caulfield Senior Housing	625 Acacia Lane	26	25	\$3,403,014
Mahonia Glen	MP One Calistoga	5173 Highway 12	99	98	\$10,091,000
Ponderosa Village	Danco Communities	250 Roseland Avenue	80	79	\$7,000,000
Ridley Family Apartments	Milestone Housing Group, LLC	1801 Ridley Avenue	60	59	\$6,975,000
The Cannery at Railroad Square	The Cannery at Railroad Square, LP	3 West Third Street	129	70	\$10,300,000
Total			785	716	\$80,371,514

The joint City Council and Housing Authority Ad-Hoc Review Committee met to review the projects that applied for DR-MHP funding on January 11 and again on January 14, 2021, and is recommending funding the following projects:

<u>Project</u>	<u>Funding Recommendation</u>
3575 Mendocino Avenue Phase I	\$11,917,110
Caritas Homes Phase I	\$8,945,657
The Cannery at Railroad Square	\$10,300,000
Burbank Avenue Apartments	\$5,000,000
Linda Tunis Senior Apartments	\$2,190,340
Total	\$38,353,107

SUMMARY OF RECOMMENDED PROJECTS

3575 Mendocino Avenue, Phase I

Project Description. A 94-unit, apartment development for seniors with one-bedroom and two-bedroom units. The unit affordability mix is: 13 units targeted to households with incomes up to 30% of Area Median Income (“AMI”), 56 units targeted to household incomes up to 50% AMI, 24 units targeted to household incomes up to 60% AMI and one unrestricted manager unit.

The project is located at 3575 Mendocino Avenue, the site of the former Journey’s End Mobilehome Park that was destroyed by the 2017 Tubbs Fire. The site is located in close proximity to transit, medical care, and retail.

Recommendation for Funding. 3575 Mendocino Avenue, Phase I is recommended for a conditional commitment of funds for the following reasons:

- **Affordability:** provides needed affordable housing for seniors in one- and two-bedroom units, targeted to extremely low-, very low- and low-income households. 14 % of project is extremely low income.
- **Readiness – Financing:** Project has received FCAA tax credits and has commitment letters for the permanent loans. The CDBG-DR request is to fill the remaining funding gap.
- **Readiness – Approvals:** A General Plan Amendment, Rezoning, and Tentative Map for the project were approved by City Council in November 2020.
- **Readiness - Timelines:** Construction is anticipated to start by September 2021 and be completed by March 2023.
- **The Project will provide a community room, media room, computer room/library, community garden, and laundry room.**
- **Services – YMCA of Sonoma County will provide programming through educational health and wellness classes. The Sonoma County Area on Aging will provide services that include in-home support and companion programs.**

Loan Terms. The loan amount is \$11,917,110. 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.

Developer Experience. Burbank Housing Development Corporation, a general partner in BRJE Housing Partners, has constructed over 2,559 rental units and manages over 2,400 units.

Environmental. In compliance with CEQA, the City Council approved a Sustainable Communities Environmental Assessment in December 2020; the NEPA Environmental Assessment has been initiated and is anticipated to be completed in spring 2021.

Caritas Homes, Phase I

Project Description. A 64-unit, multifamily apartment development with studio, one-bedroom and two-bedroom units. The unit affordability mix is: 30 units targeted to households with incomes up to 30% of AMI, 21 units targeted to household incomes up to 50% AMI, 12 units targeted to household incomes up to 60% AMI and one unrestricted manager unit. Approximately half of the units are dedicated to chronically homeless persons with disabilities.

The project is located on what is known as the “the Block,” a site that Catholic Charities and Burbank Housing Development Corporation have been working to develop for several years. Caritas Homes, Phase I is one of two phases of affordable housing that will be constructed along with the Caritas Center, a family shelter with a variety of services. The site is located in close proximity to transit, medical care, and retail.

Recommendation for Funding. Caritas Homes, Phase I is recommended for a conditional commitment of funds for the following reasons:

- Provides needed affordable multifamily housing in studios, one- and two-bedroom units, targeted to extremely low-, very low- and low-income households.
- Readiness: Approvals – an Environmental Impact Report, General Plan Amendment, Minor Use Permit, and Tentative Parcel Map for the project were approved by City Council in March 2020 and received approval from the Cultural Heritage Board in August 2020.
- Readiness - Financing: Project has received FCAA tax credits, has commitment letters for the permanent loans. The CDBG-DR request is to fill the remaining funding gap.
- Readiness - Timelines: Construction is anticipated to start by August 2021 and be completed by December 2022.

- The Project is located within the Downtown Station Area Specific Plan area, a Priority Development Area.
- The Project will provide office and services space, platform vehicle parking, covered bicycle parking, laundry and utility spaces.
- As part of the “No Place Like Home” funding awarded to the Project, there will have behavioral health services provided by Sonoma County Behavioral Health.

Loan Terms. The loan amount is \$8,945,657. 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.

Developer Experience. Burbank Housing Development Corporation, a general partner in Caritas Homes Phase I, has constructed over 2,559 rental units and manages over 2,400 units.

Environmental. In compliance with CEQA, the City Council approved an Environmental Impact Report in March 2020; the NEPA Environmental Assessment has been initiated and is anticipated to be completed in spring 2021.

The Cannery at Railroad Square

Project Description. A 129-unit, multifamily apartment development with studio, one-bedroom and two-bedroom units. The unit affordability mix is: 33 units targeted to households with incomes up to 30% of AMI, 37 units targeted to household incomes up to 50% AMI, 58 units targeted to household incomes up to 80% AMI and one unrestricted manager unit.

The project is located at 3 West Third Street in Railroad Square. The site is located in close proximity to transit - including the Downtown Santa Rosa SMART station, medical care, and retail.

Recommendation for Funding. The Cannery at Railroad Square is recommended for a conditional commitment of funds for the following reasons:

- Provides needed affordable multifamily housing in studios, one- and two-bedroom units, targeted to extremely low-, very low- and low-income households.
- Readiness - Approvals: the project was granted ministerial through SB 35 approval in August 2020.

- **Readiness - Financing:** Project has commitment letters for the permanent loans, a prior Housing Authority loan commitment of \$450,000, and is investing over 75% of the Developer fee into the project. The CDBG-DR request is to fill the remaining funding gap.
- **Readiness - Timelines:** Construction is anticipated to start by July 2021 and be completed by June 2023.
- The Project is located within the Downtown Station Area Specific Plan area, a Priority Development Area.
- The Project will provide a community room with a warming kitchen and patio, computer lab, outdoor play area, offices for onsite staff, and laundry rooms.
- The Cannery will be coordinating with LifeSTEPS, to offer resident services that include adult education and health and wellness services.

Loan Terms. The loan amount is \$10,300,000. 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 the Regulatory Agreement will be 55 years for date of initial occupancy.

Developer Experience. The John Stewart Company has developed over 5,000 units, the majority of which are affordable and manages over 33,400 units statewide, including units in Santa Rosa.

Environmental. The project is exempt from CEQA; a NEPA Environmental Assessment will be completed in spring 2021.

Burbank Avenue Apartments

Project Description. A 64-unit, multifamily apartment development with one-bedroom, two-bedroom and three-bedroom units. The unit affordability mix is: 24 units targeted to households with incomes up to 30% of AMI, 27 units targeted to household incomes up to 50% AMI, 12 units targeted to household incomes up to 60% AMI and one unrestricted manager unit.

The project is located at 1780 Burbank Avenue in the Southwest quadrant of the city. The site is located in close proximity to Roseland Creek Elementary School and Roseland Accelerated Middle School.

Recommendation for Funding. Burbank Avenue Apartments is recommended for a conditional commitment of funds for the following reasons:

- Provides needed affordable multifamily housing in one-, two-, and three-bedroom units, targeted to extremely low-, very low- and low-income households.
- Readiness - Approvals: the project is fully entitled and was approved by the Santa Rosa City Council in June 2020 through Resolution RES-2020-088.
- Readiness - Financing: Project has commitment letters for the permanent loans, , and is investing 30% of the Developer fee into the project. Along with an upcoming application to HCD's Multifamily Housing Program and tax credits in 2021, the CDBG-DR request is to fill the remaining funding gap.
- Readiness - Timelines: Construction is anticipated to start by April 2022 and be completed by July 2023.
- The Project will provide a community room, wifi common areas, offices for onsite staff, three separate laundry rooms, an enclosed mailroom with package lockers, community barbeques, dining tables, child play areas and green space.
- Resident services will be provided on-site by Burbank Housing's Resident Services Programs.
- The Project is located within the Roseland neighborhood, a Priority Development Area.

Loan Terms. The loan amount is \$5,000,000. 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 for date of initial occupancy.

Developer Experience. The development team for Burbank Avenue Apartments is comprised of a partnership between Waterstone Residential, LLC and Burbank Housing Development Corporation. Burbank Housing Development Corporation, a general partner, has constructed over 2,559 rental units and manages over 2,400 units. WSA Partners I, LLC, an affiliate of Waterstone, will serve as the Administrative General Partner, and will take the lead role in the development of the project. Waterstone and its affiliates have significant combined experience affordable and market rate development.

Environmental. The project is exempt from CEQA; a NEPA Environmental Assessment will be completed before construction commences.

Linda Tunis Senior Apartments

Project Description. A 26-unit, senior apartment development with studio units. The unit affordability mix is: 5 units targeted to households with incomes up to 30% of AMI, and 20 units targeted to household incomes up to 50% AMI and one unrestricted manager unit.

The project is located at 600 Acacia Lane, the former site of the Scottish Rite Event Center in the Rincon Valley neighborhood of Santa Rosa. The site is located in close proximity to transit, two supermarkets, retail and banking services, and Rinconada Park.

Recommendation for Funding. Linda Tunis Senior Apartments is recommended for a conditional commitment of funds for the following reasons:

- Provides needed affordable senior housing in studios, targeted to extremely low-, and very low-income seniors.
- Readiness - Approvals: the project's building plans were approved in April 2020 with permits currently pending issuance.
- Readiness - Financing: Project has commitment letters for the permanent loan and various grants, a prior Housing Authority loan commitment of \$690,000, and is investing all of the Developer fee into the project. Along with a commitment from the County Fund for Housing, the CDBG-DR request is to fill the remaining funding gap.
- Readiness - Timelines: Construction is anticipated to start by August 2021 and be completed by March 2022.
- The original dining hall/event space and kitchen utilized by the former Scottish Rite Event Center will be rehabilitated made available to tenants. A community room, gardens, and exercise equipment at the neighboring Acacia Lane Senior Apartments will be made available to tenants from the Linda Tunis Senior Apartments as well.

Loan Terms. The loan amount is \$2,190,340. 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 for date of initial occupancy.

Developer Experience. Petaluma Ecumenical Properties (PEP Housing) has 42 years of experience serving seniors, has constructed and manages 473 units in 17 properties in Sonoma, Butte, Marin, and Mendocino Counties.

Environmental. The project is exempt from CEQA; a NEPA Environmental Assessment has been completed with a Finding of No Significant Impact.

PROJECTS NOT RECOMMENDED FOR FUNDING

Twelve projects are not recommended for funding at this time; a summary of these projects is presented in Attachment 5.

PRIOR HOUSING AUTHORITY REVIEW

None.

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.

- 3575 Mendocino Avenue requires an allocation of 93 units; and
- Burbank Avenue Apartments requires an allocation of 63 units.

FISCAL IMPACT

The funds were added to the Housing Authority's 2020-2021 budget upon receipt of the DR-MHP Standard Agreement for with HCD.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

A joint City Council and Housing Authority Ad-Hoc Review Committee, comprised of Councilmembers Sawyer and Schwedhelm, and Housing Authority Commissioners Burke and Test unanimously recommend a conditional commitment of funds to BRJE Phase I Housing Partners, L.P. in the amount of \$11,917,110 for construction-related costs for 3575 Mendocino Avenue Phase I, Caritas Homes Phase I L.P. in the amount of \$8,945,657 for construction-related costs for Caritas Homes Phase I, The Cannery at Railroad Square, L.P. in the amount of \$10,300,000 for construction-related costs for The Cannery at Railroad Square, WSA Burbank Housing Partners I, L.P. in the amount of \$5,000,000, and Caufield Lane Senior Housing, Inc. for construction and rehabilitation-related costs in the amount of \$2,190,340 for Linda Tunis Senior Apartments, and authorize staff to submit the respective project applications to the

California Department of Housing and Community Development for approval.

NOTIFICATION

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

ATTACHMENTS

- Attachment 1 – Notice of Funding Availability
- Attachment 2 – Project Summaries
- Attachment 3 – Project Narratives
- Attachment 4 – Loan Applications
- Attachment 5 – Projects Not Recommended for Funding at this Time
- Resolution 1 – 3575 Mendocino Avenue
- Resolution 2 – Caritas Homes Phase I
- Resolution 3 – The Cannery at Railroad Square
- Resolution 4 – Burbank Avenue Apartments
- Resolution 5 – Linda Tunis Senior Apartments

CONTACT

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