

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: NICOLE DEL FIORENTINO, HOUSING AND COMMUNITY
SERVICES MANAGER
HOUSING AND COMMUNITY SERVICES
SUBJECT: BENNETT VALLEY APARTMENTS – \$272,000 REDUCTION TO
PRIOR FUNDING COMMITMENT FOR COSTS ASSOCIATED
WITH THE DEMOLITION OF THE SITE PRIOR TO DEVELOPER
ACQUISITION

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, approve a reduction up to \$272,000 to a prior conditional commitment of loan funds in the amount of \$5,800,000 to Freebird Development Company, LLC for the Bennett Valley Apartments project to allow funds to be utilized for demolition of the site prior to developer acquisition.

EXECUTIVE SUMMARY

The City of Santa Rosa entered into a Disposition and Development Agreement with Freebird Development Company LLC (the “Developer”) to develop the site of the City-owned former Bennett Valley Senior Center Complex at 702 Bennett Valley Road for affordable housing. The agreement contains a provision for the sale of the site to the Developer once all funding required to construct the project has been committed. On May 10, 2021, the Housing Authority approved a conditional commitment of \$5,800,000 in loan funds for construction-related costs for Bennett Valley Apartments (the “Project”). The Developer has applied to several funding programs and anticipates all funding source commitments will be in place by April 2023, at which time the Developer will purchase the property from the City. On October 20, 2022, a fire occurred, which resulted in the City “red-tagging” the site and necessitating the demolition of the structures before the anticipated April 2023 sale. The Developer has agreed to reduce the conditional commitment of loan funds awarded by the Housing Authority by \$272,000 so that those funds may be utilized by the Housing Authority and City for costs associated with the demolition of the site.

BACKGROUND

On May 19, 2020, the City Council approved an Exclusive Negotiation Agreement with the Developer, based on their response to a Request for Proposals that had been issued for the development of the City-owned site for affordable and/or permanent supportive housing. On May 10, 2021, the Housing Authority approved a conditional commitment of loan funds in the amount of \$5,800,000 to be used for construction-related costs. Subsequently, the Developer requested, and the Housing Authority approved a modification to the award to allow \$2,000,000 to be used for predevelopment-related costs, with the remaining \$3,800,000 unchanged.

The City Council approved the Disposition and Development Agreement with the Developer on June 29, 2021. This agreement contained a provision that the Developer would purchase the site from the City upon receiving funding commitments for the full development cost of the Project. The Developer has secured significant funding for the Project, including funds from the State of California's Housing and Community Development (HCD) Multifamily Housing Program, Housing for a Healthy California Program, and a recent award recommendation of tax credits and bonds from the California Tax Credit Allocation Committee (CTCAC). The Developer anticipates receiving all funding commitments by April 2023, at which time they will purchase the site from the City and can begin sitework and construction. Until the Developer purchases the property is the responsibility of the City a cannot initiate any sitework such as demolition.

On October 20, 2022, a fire occurred on the site that caused significant damage to the structures, resulting in the City's Building Division "red-tagging" the structures indicating that it is dangerous and not safe for occupancy. The need to demolish the structures has become a priority following the fire and the City, Housing Authority staff and the Developer have been in discussion on how to expedite the process.

ANALYSIS

Both the City and the Developer wish to have the structures demolished prior to the April 2023 sale of the site to the Developer. To demolish the structures on the site now, the City, as the land owner, must take action to procure demolition services. Bids received by the City for demolition of the site indicate the cost for demolition is approximately \$272,000 which includes contingency funds.

Since demolition was an expense that was included in the Developer's construction budget, the Developer has agreed to reduce the Housing Authority award of \$5,800,000 by up to \$272,000 to demolish the structures before they purchase the property from the City. This reduction would be applied to the principal amount of the loan, bringing the total award amount down to \$5,528,000. All other loan terms would remain unchanged. and no interest would accrue on the \$272,000 principal reduction. The amount of loan reduction for demolition is fluid based on the amount of City insurance proceeds that are

able to be applied to the demolition. The City is working with its Risk Manager and Insurance Carrier to finalize the potential payment.

Housing Authority approval of the loan modification and use of the funds for demolition by the City will allow the project to proceed a bit quicker following the transfer to the Developer as the demolition has already occurred.

PRIOR HOUSING AUTHORITY REVIEW

On May 10, 2021, the Housing Authority adopted Resolution No. 1717 conditionally committing \$5,800,000 of loan funds to the Developer for the Project.

On June 21, 2021, the Housing Authority adopted Resolution No. 1719 modifying the Housing Authority award to allow \$2,000,000 of the conditional commitment to be utilized for predevelopment-related costs.

On September 13, 2021, the Housing Authority adopted Resolution No. 1726 allocating thirty (30) Project-Based Vouchers to the Project.

On January 24, 2022, the Housing Authority approved a modification to the \$5,800,000 conditional commitment to the \$2,000,000 predevelopment award to be secured by a repayment guarantee until the Developer purchase the property and the loan can be secured against the property

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. An Article 34 allocation was made for 61 units at Bennett Valley Apartments by Resolution No. 1717.

FISCAL IMPACT

The funds committed by Resolution No. 1717 are included in the Housing Authority's 2022-23 budget as encumbered loan funds. Reducing the award would unencumber and make available up to \$272,000 in the Housing Authority's budget to fund demolition of the site.

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.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable

NOTIFICATION

Not Applicable

ATTACHMENTS

- Attachment 1 – Housing Authority Resolution No. 1717
- Resolution

CONTACT

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