

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: JULIE GAREN, PROGRAM SPECIALIST I
HOUSING AND COMMUNITY SERVICES
SUBJECT: BENNETT VALLEY APARTMENTS – MODIFICATION TO PRIOR
FUNDING COMMITMENT TO ALLOW FUNDS TO BE USED FOR PRE-
DEVELOPMENT AND/OR CONSTRUCTION RELATED COSTS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, modify a prior conditional commitment of loan funds in the amount of \$5,800,000 to Bennett Valley Apartments, Freebird Development Company, LLC to allow funds to be utilized for project costs including predevelopment and/or construction-related costs.

EXECUTIVE SUMMARY

In response to the 2021-2022 Focused Notice of Funding Availability (“NOFA”) announcing approximately \$8,900,000 million of funds for affordable housing, the Housing Authority approved a conditional commitment of \$5,800,000 in loan funds for construction-related costs for Bennett Valley Apartments (the “Project”) to Freebird Development Company, LLC, (the “Developer”). On May 27, 2021, the Developer requested that the Housing Authority modify the prior approval to also allow the funds to be utilized for predevelopment costs including, but not limited to, architecture/engineering and other professional consultants. Accessing the Housing Authority funding for predevelopment costs will save the Project over \$100,000 in interest costs from loans and expedite the design development and construction document phases to better position the project for new funding opportunities.

BACKGROUND

The focus of the NOFA was to position projects which were seeking funding from the California Tax Credit Allocation Committee (TCAC), California Debt Limit Allocation Committee (CDLAC), or other state funding sources. On May 10, 2021, the Housing Authority considered applications for approximately \$8,900,000 of available local and federal funds of which two were recommended for funding. The Housing Authority adopted Resolution No. 1717 (see Attachment 1) conditionally committing loan funds in the amount of \$5,800,000 to Freebird Development, LLC, for construction-related costs of the Project, as requested by the Developer (see Attachment 2). The Developer is on schedule to start construction by the end of January 2023.

Project Description

Bennett Valley Apartments is a 62 unit, multifamily apartment development with 19 0-bedroom, 19 1-bedroom, 8 2-bedroom and 15 3-bedroom units with an affordability mix that includes 32 units targeted to households with incomes up to 30% of Area Median Income (“AMI”), 29 units targeted to household incomes up to 50% AMI, and one non-restricted manager unit.

The site of the Project is the former Bennett Valley Senior Center Complex located at the corner of Bennett Valley Road and Rutledge Avenue at 702 Bennett Valley Road, 716 Bennett Valley Road, 921 Rutledge Avenue and 927 Rutledge Avenue, Santa Rosa, California, (APN’s 038-151-004, 038-151-011, 09-333-009, and 009-333-014); (see Attachment 3).

The Project features 51% of the units for formerly homeless households with extensive permanent supportive housing services on and off-site, a central single-entry lobby, community space, parking, and on-site property management.

ANALYSIS

In response to the NOFA, Freebird Development, LLC, requested that the Housing Authority commit loan funds in the amount of \$5,800,000 specifically for construction-related costs. On May 10, 2021, the Housing Authority approved a conditional commitment of loan funds to the Developer for the requested purpose.

On May 27, 2021, the Developer requested that the Housing Authority modify terms of the prior approval to allow up to \$2,000,000 of the funds to be utilized for predevelopment costs including, but not limited to, architecture/engineering and other professional consultants.

Flexibility to use the loan funds for predevelopment costs for Bennett Valley Apartments will help the project avoid high interest predevelopment financing, saving the Project over \$100,000 in interest costs. Additionally, it will expedite the design development and construction document phases to better position the project for new funding opportunities as they arise.

Loan Terms. The loan amount is \$5,800,000 at three percent (3%) simple interest per annum for fifty-five (55) years, secured by a Deed of Trust, and payments based on residual cash receipts. Interest shall commence with the recordation of the deed of trust. The term of affordability through the Regulatory Agreement will be 55 years.

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.

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

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The funds are included in the Housing Authority's 2021-2022 budget and were committed by Resolution No. 1717. Allowing predevelopment costs as an eligible use of the previously committed loan funds does not have an impact on the Housing Authority's budget.

ENVIRONMENTAL IMPACT

In response to a statewide housing shortage, the State has enacted Senate Bill 35 (SB35) that enables eligible housing projects to be constructed through an expedited, ministerial design review process. As required by SB35, the City Council adopted Objective Design Standards, Zoning Code Chapter 20-39. Housing proposals found in compliance with the City's Objective Design Standards are exempt from the California Environmental Quality Act (CEQA) as ministerial and may be approved by the Director of Planning and Economic Development or a designated staff member. The Bennett Valley Apartments project was approved through the SB-35 ministerial design review process and is exempt from CEQA.

A National Environmental Policy Act ("NEPA") Environmental Assessment for the Project was completed in April 2021 with a finding of No Significant Impact.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Housing Authority chair appointed commissioners Olsen and Test to a NOFA Ad Hoc Review Committee. The Committee and staff reviewed the applications on April 29, 2021, to make funding recommendations to the Housing Authority.

NOTIFICATION

The Developer was notified of the meeting.

ATTACHMENTS

- Attachment 1 – Housing Authority Resolution No. 1717
- Attachment 2 – Letter from Freebird, May 27, 2021
- Attachment 3 – Aerial location graphic
- Resolution

CONTACT

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