

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: FRANK KASIMOV, PROGRAM SPECIALIST
HOUSING AND COMMUNITY SERVICES
SUBJECT: TEFRA PUBLIC HEARING –CROSSINGS ON ASTON, LOCATED
AT 706-708 ASTON AVENUE
AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council, by resolution, (1) declare its official intention to issue tax-exempt revenue bonds in an amount not to exceed \$8 million for the purpose of financing Crossings on Aston, a 27-unit affordable rental housing development located at 706-708 Aston Avenue; (2) reimburse certain expenditures relating to the development from proceeds of the bonds; (3) authorize an application to the California Debt Limit Allocation Committee to permit the issuance of the bonds; and (4) determine that it is appropriate for the City to issue the bonds in accordance with section 147(f) of the Internal Revenue Code, subject to certain conditions.

EXECUTIVE SUMMARY

Crossings on Aston is an approved development that will provide 26 low-income duplex units, one management unit and one unit to be used as a community room within 14 two-story duplex buildings on an approximate 1.86 acre site. The development will include 24 3-bedroom units and three 1-bedroom units targeted to families earning between 30% and 60% of area median income. The financing for the approximately \$13 million project includes Housing Authority loan funds, tax credit financing, a deferred developer fee and loan proceeds from tax-exempt bonds.

The issuance of tax-exempt bonds must be approved by the Council following a public hearing for which a public notice is published at least 14 days in advance. All financial obligations of the bond issuance are the responsibility of the borrower.

BACKGROUND

Crossings on Aston is located at 706-708 Aston Avenue (File Master Address), which address was reassigned following subdivision as 1500-1555 John Richards Way, Santa

Rosa, Assessor's Parcel Numbers 038-172-028 through 038-172-041 (the "Property"). The Property is located in close proximity to a school, a park, a grocery store, public transportation, and within the Aston Avenue Neighborhood Revitalization Program Area.

The borrower/developer of Crossings on Aston is a limited partnership, UHC 00596 Santa Rosa, LP, a California Limited Partnership, the members of which include UHC 00596 Santa Rosa Holdings, LLC, a subsidiary of Urban Housing Communities, LLC, and Central Valley Coalition for Affordable Housing, a California non-profit public benefit corporation ("Borrower"). UHC an entity of Urban Housing Communities, which together with its partner developed Crossings at Santa Rosa, a 49-unit affordable housing development located at 810-830 Jennings Avenue.

The Housing Authority has committed \$5,666,685 in loan funds and six project based housing vouchers, as more fully explained below under Board/Commission/Committee Review.

The Borrower has submitted an application to the California Tax Credit Allocation Committee for an allocation of competitive 4% tax credits in the amount of approximately \$4.7 million.

Following the TEFRA public hearing and approval of the inducement resolution, the Borrower plans to submit an application to the California Debt Limit Allocation Committee ("CDLAC") for a bond allocation not to exceed \$8 million, much of which will be paid off by the tax credit equity after construction.

PRIOR CITY COUNCIL REVIEW

On September 13, 2005, the City Council adopt a Mitigated Negative Declaration (see Environmental Impact below) for a proposed rezoning.

On September 27, 2005, the City Council adopted Ordinance No. 3745 rezoning the Property from the PC (Planned Community) to the R-3-15 (Multi-Family Residential) Zoning District.

ANALYSIS

The City Council is requested from time to time to approve the issuance of tax-exempt, qualified private activity revenue bonds to enable a project borrower/developer to borrow money at a lower cost to meet Council goals as well as policies set forth in the General Plan. The lower borrowing costs facilitate the development of projects that may not otherwise be feasible if financed at market rates. Santa Rosa has typically issued tax-exempt, qualified private activity revenue bonds to assist in the financing of the acquisition, construction/rehabilitation and development of affordable housing.

The issuance of tax-exempt bonds must be approved by the Council following a public hearing for which a public notice is published at least 14 days in advance. The purpose

of the public hearing is to provide an opportunity for interested persons to express their views on the proposed bond issuance and on the nature and location of the project. This public hearing is often referred to as a TEFRA public hearing because it is held in accordance with the Tax Equity and Fiscal Responsibility Act (“TEFRA”) of 1982, Section 147(f) of the Internal Revenue Code of 1986.

Following the TEFRA public hearing, the Council may adopt an inducement resolution, a conditional expression of intent by the City with respect to potential issuance of bonds for the project. Approval of the inducement resolution establishes, through public record, the date from which project costs incurred may be determined to be eligible for financing. The inducement resolution also authorizes the filing of an application for an allocation with CDLAC, which was established, among other purposes, to make certain that the total amount of private activity revenue bonds issued in California does not exceed the limits established under federal law.

Adoption of the inducement resolution does not represent any commitment by the City or the project sponsor to proceed with the financing. The City retains absolute discretion over the issuance of bonds through adoption of a resolution authorizing such issuance by a second action at a future meeting.

The City, as the issuer of this type of bonds, is often referred to as the “conduit issuer” because the issuer acts only as a conduit or pass-through entity although the funds do not literally pass through the City because the City assigns the bond loan note to an agent or trustee. The conduit issuer uses its authority under the federal tax code and state housing law to enable the project owner to borrow money at a lower cost in order to achieve a public purpose, for example, constructing or rehabilitating low-income housing. The City and CDLAC typically require that these projects have a regulatory agreement to restrict income and affordable rent for 55 years.

For over 25 years, the City’s affordable housing program, implemented and managed by the Housing Authority, has participated in the creation of over 4,000 affordable housing units in Santa Rosa. The Housing Authority currently manages a portfolio of over 500 active loans and contracts with an outstanding principal value that exceeds \$100 million.

FISCAL IMPACT

All financial obligations for the Project will be the responsibility of the Borrower with no impact on the General Fund. Multifamily housing revenue bond financing is structured so that the City will have no financial liability to the bondholders should the borrower default on its bond payments. The Borrower is also responsible for payment of all costs of the bond issuance. In addition, the credit rating agencies disregard multifamily housing revenue bond issues when evaluating the City’s bond credit rating for other bond obligations. The source of repayment will be revenue from the operation of Crossings on Aston.

ENVIRONMENTAL IMPACT

Environmental Review pursuant to the California Environmental Quality Act (CEQA) has been completed. A Mitigated Negative Declaration was approved by Planning Commission Resolution No. 10787, July 14, 2005, and City Council Resolution No. 26389, September 13, 2005. Pursuant to CEQA Guidelines Section 15162, no additional or subsequent environmental review is required because no substantial changes to the project or circumstances have occurred or no new information of substantial importance that reveals any significant effects has been identified that was not previously identified; nor are there mitigation measures which are considerably different from those analyzed in the adopted Negative Declaration that would substantially reduce one or more significant effects on the environment.

An Environmental Assessment was completed pursuant to the National Environmental Policy Act (NEPA) prior to execution of loan documents and the close of escrow for the for the Housing Community Development Block Grant (“CDBG”) loan. A separate Environmental Review for Activity/Project that is Exempt or Categorically Excluded Not Subject to Section 58.5 Pursuant to 24 CFR Part 58.34(a) and 58.35(b) was prepared for the HOME loan and for six Project Based Vouchers described below.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The development is fully entitled. On July 14, 2005, the Planning Commission approved a tentative map and a residential small lot subdivision conditional use permit. The Planning Commission also recommended that the Council approve rezoning the Property to the R-3-15 (Multi-Family Residential) Zoning District and adopt a Mitigated Negative Declaration (See Prior City Council Review above). The Design Review Board granted Preliminary and Final Design Review approval on September 1, 2011.

The Housing Authority has awarded at total loan commitment of \$5,486,685 and allocated six Project-Based Vouchers, as follows:

- On December 17, 2012, the Housing Authority adopted Resolution No. 1550 approving a CDBG loan in the amount of \$1,559,000 for acquisition of the Property, including existing infrastructure improvements. The Property was in foreclosure.
- On August 24, 2015, the Housing Authority adopted Resolution No. 1602 approving a further advance in the amount of \$795,744 of HOME funds to UHC 00596 Santa Rosa, LP for Crossings on Aston.
- On December 14, 2015, the Housing Authority adopted Resolution No. 1607 allocating six Project-Based Vouchers (“PBVs”) for Urban Housing Community’s Crossings on Aston under a Fifteen (15) Year Project-Based Housing Assistance Payments (HAP) Contract.

- On June 13, 2016, the Housing Authority adopted Resolution No. 1612 approving a second further advance in the amount of \$3,131,941.

NOTIFICATION

A notice of public hearing was published in the Press Democrat on June 30, 2016.

ATTACHMENTS

- Attachment 1 – Bond Issuance Request
- Attachment 2 – Locational Graphic
- Resolution

CONTACT

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