



Building Communities. Changing Lives.

January 22, 2021

Jeffrey Owen, Chair
Housing Authority of the City of Santa Rosa
100 Santa Rosa Avenue
Santa Rosa, CA 95404

Dear Mr. Owen,

I am writing to you regarding Items No. 14.1 and 14.2 on your agenda for the Housing Authority Board of Commissioner's meeting on January 25 and, by this letter, formally appeal the staff recommendations outlined in this Item.

As you may be aware, 13 affordable housing projects submitted applications for funding to the City's NOFA for CDBG-DR funding in December of last year. 11 of these applications were deemed complete and were reviewed. On January 21st the funding recommendations were announced. In reviewing the recommendations, we were extremely disappointed to learn that MidPen's project, located at 5173 Highway 12 and Calistoga Road called Mahonia Glen was not recommended for funding. Mahonia Glen will provide 99 affordable homes for large families. The project is fully entitled and, with the award of CDBG-DR funding, was prepared to apply for its final award of bonds and tax credits on February 4.

Our understanding is that the Staff and Ad-Hoc Committee took the following criteria into account in making the funding recommendations:

- Status of Entitlements;
- Status of the project's National Environmental Policy Act (NEPA) review and entitlements,
- Degree to which other funding sources are "committed"
- Total Development Cost per unit
- Estimated Construction Start Date/Project Completion

Mahonia Glen meets all the above criteria. The project was entitled under SB35 in June of 2020, has commitments for all construction and permanent financing necessary but for the award of CDBG-DR funds and tax exempt bonds, tax credits and project based vouchers and is scheduled to start construction in October of this year. In addition, Mahonia Glen possesses a unique advantage that none of the other projects recommended for funding has: it is located in what the State has designated as a "High Resource Area" making it more competitive in the statewide Tax Exempt Bond/4% LIHTC competition than any of the other projects recommended for funding.

This "High Resource" designation allows the project to achieve a **perfect** score in the state CDLAC and TCAC funding competition- and being in a such a designated area is the **ONLY** way to achieve a perfect score, meaning Mahonia has the best chance at securing bonds. In fact, of all the projects the City is funding, Mahonia is the ONLY one that qualifies as this high resource area so will be at the top of the list for highly competitive tax exempt bonds.

In contrast, the Burbank Avenue Apartments project is located in a low resource area, does not have all of its funding committed at this time, and is dependent on a future award of funding from the highly competitive State MHP program. Burbank Apartments states they plan to start construction in April of 2022, some 7 months after Mahonia Glen, however, this date is highly optimistic. As mentioned, Burbank Apartments must compete for over \$10m in MHP funding in a future NOFA. Currently HCD has put a pause on the release of all funding NOFA's as it seeks to "align" its program requirements with the bond and credit programs. HCD has not released any information on when a future MHP NOFA might be issued. In addition, the MHP program is highly competitive. Projects need to have an average affordability of less than 35% AMI (based on the last two competitive MHP rounds) in order to be awarded funding. The average affordability of the Burbank Avenue Apartments is 44% AMI.

With reference to the criteria related to the status of NEPA Environmental Review, Mahonia has no federal funds in the project at this point, so has not and, in fact, could not start a NEPA environmental review. However, should federal funds be awarded, the NEPA can be completed within the timeframe needed to start construction in October 2021. As noted in their applications, neither the Cannery nor the Burbank Ave. Apartments have completed NEPA reviews.

Finally, in December of last year, the latest Coronavirus Relief Package included a "fix" to the 4% credit rate for tax credits enabling all projects to take advantage of additional tax credits, increasing the tax credit equity by 30%. As a result, MidPen staff informed City staff that, because of this increase in tax credit equity, we would not need the full \$10M CDBG-DR previously requested. We currently project that with a CDBG-DR award of \$7M and 9 project based vouchers, the project would be financially feasible and positioned to compete for bonds and credits on February 4. Incidentally, this would be true for all of the other CDBG-DR recommended projects that are also proposing to use 4% credits and tax exempt bonds. Each one will be eligible for more credits than they projected in their application and could, as a result, use less CDBG-DR funds.

We appreciate that the need for affordable housing is dire and that the Housing Authority has a deep pipeline of projects seeking funding. If the Housing Authority is committed to ensuring the CDBG-DR funds go to the projects that are most ready to proceed, however, then it is vitally important that recommended projects are screened not only for their compliance with the HCD criteria, but also for their potential competitiveness for all necessary project financing including the highly competitive tax exempt bonds and tax credits.

Based on this information, we urge you to make an award of CDBG-DR funding and project based vouchers so that we can proceed to secure the final piece of funding for this important project serving extremely – low income families in Santa Rosa.

Sincerely,



Jan M. Lindenthal

Chief Real Estate Officer – MidPen Housing

cc: Diane Test, Vice-Chair
Dr. Wayne Downey, Ph.D, Commissioner
Stephen Burke, Commissioner
Phil Olsen, Commissioner
Megan Basinger, Interim Executive Director
Jack Tibbitts, Council Member, City of Santa Rosa
Tom Schwedhelm, Mayor, City of Santa Rosa
John Sawyer, Council Member, City of Santa Rosa