

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: DAVID E. GOUIN, DIRECTOR  
MEGAN BASINGER, HOUSING AND COMMUNITY SERVICES  
MANAGER,  
NICOLE RATHBUN, PROGRAM SPECIALIST  
SUBJECT: HOUSING AND COMMUNITY SERVICES DEPARTMENT  
AUTHORIZATION TO EXECUTE A GRANT AGREEMENT AND  
ANY AMENDMENTS THERETO WITH THE CALIFORNIA  
DEPARTMENT OF HOUSING AND COMMUNITY  
DEVELOPMENT FOR THE COMMUNITY DEVELOPMENT  
BLOCK GRANT – DISASTER RECOVERY MULTIFAMILY  
HOUSING PROGRAM AND APPROVAL OF AN ALLOCATION OF  
FUNDING

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council, by resolution: 1) accepting allocation of funding of up to \$38,469,772 from the Community Development Block Grant Program – Disaster Recovery; 2) approve a Master Standard Agreement with the State of California – Department of General Services and any amendments thereto; and 3) delegate program administration to the Housing Authority of the City of Santa Rosa.

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EXECUTIVE SUMMARY

In response to the 2017 wildfires, the United States Department of Housing & Urban Development (HUD) allocated Community Development Block Grant – Disaster Recovery (CDBG-DR) funds to the State of California Department of Housing & Community Development (HCD) to be distributed statewide to disaster-affected areas. Under Public Law 115-123, through their Action Plan with HUD, HCD appropriated \$66 million for the Disaster Recovery Multifamily Housing Program (DR-MHP) statewide. Of this appropriation, up to \$38,469,772 is allocated and available to the City of Santa Rosa for rehabilitation, reconstruction, and/or new construction of affordable multifamily housing. To avail these funds for affordable housing development in Santa Rosa, the City Council must approve the allocation of funding and enter into a Master Standard Agreement with HCD, by means of adopting the included resolution as drafted by HCD.

As the legislative body tasked with program oversight for all other affordable housing programs for the City, the Housing Authority of the City of Santa Rosa has the experience and program knowledge suitable for application solicitation, project review, underwriting, and development of funding award recommendations to HCD for the DR-MHP Program.

## BACKGROUND

In October 2017, the Tubbs fire destroyed 3,043 Santa Rosa homes, constituting a loss of approximately five percent of the City's housing stock. By April 2018, HUD announced that \$124 million would be made available to the State of California in the form of CDBG-DR funds. As the lead agency responsible for administering the CDBG-DR funds, HCD submitted an Action Plan to HUD which proposed \$66 million for a state-wide Disaster Recovery Multifamily Housing Program (DR-MHP) with \$38,469,772 allocated to the City of Santa Rosa for the rehabilitation, reconstruction, and/or new construction of affordable multifamily housing. HCD's Action Plan was approved by HUD in March 2019, allowing HCD to begin the development of the new DR-MHP program. Policies and Procedures for the DR-MHP program were released in March 2020 and HCD has been conducting due diligence since that time.

Since the Action Plan's approval, staff has completed a Notice of Interest for the funds, and submitted a Due Diligence review of current policies, practices, and organizational capacity to administer the DR-MHP program, as required by HCD. To complete the Due Diligence process, HCD now requires the City Council to approve, by resolution, an allocation of funding and authorize execution of a Master Standard Agreement in an amount not to exceed \$38,469,772 for the CDBG-DR program. The sample Master Standard Agreement and Exhibits, as drafted by HCD, are included as Exhibit A to the Resolution. The City Council resolution is due to HCD within two weeks of approval in order for the City to receive the allocation of CDBG-DR funds.

If the City Council does not approve the funding allocation and authorization to execute a Master Standard Agreement, as drafted by HCD, the City will not receive the allocation of CDBG-DR funding to assist Santa Rosa in replenishing the affordable housing destroyed by the 2017 Tubbs fire. Without the CDBG-DR funding allocation, the project completion timeline for current affordable housing projects will be delayed and a lack of local funding resources could make Santa Rosa's affordable projects less competitive for the tax credit and bond financing needed for affordable developments to be financially feasible.

Approval of this item relates to the Tier 1 City Council Goal to create affordable housing to support the needs Santa Rosa residents.

## PRIOR CITY COUNCIL REVIEW

On January 16, 2018, the City Council conducted a City Council Goal Setting Workshop in which application and administration of the CDBG-DR program was identified as a key departmental project for the Housing and Community Services Department.

On October 2, 2018, HCD held a Public Meeting in Santa Rosa to provide an overview of the CDBG-DR program.

On November 27, 2018, the City Council conducted a study session to review HCD's Action Plan, and the City's unmet needs assessment resulting from the 2017 Tubbs fire.

On August 27, 2019, the City Council received a staff briefing related to the status of the CDBG-DR Program.

## ANALYSIS

The 2017 Tubbs fire destroyed 3,043 homes, exacerbating an already low rental vacancy rate and lack of affordable housing in Santa Rosa. In response to numerous fires, floods, and mudslides across the state, HUD allocated CDBG-DR funds to the HCD distribute statewide, of which, up to \$38,469,772 is allocated to Santa Rosa for the DR-MHP Program. As the lead agency responsible for the program administration, HCD has developed an Action Plan and program Policies and Procedures both of which are available for review on HCD's website: <https://www.hcd.ca.gov/community-development/disaster-recovery-programs/cdbg-dr.shtml>. To access the funds allocated to Santa Rosa, HCD is requiring the City Council to approve the funding allocation and authorization to enter into a Master Standard Agreement, substantially in the same form as Exhibit A. The key points of the approving resolution, as drafted by HCD, declares that the City Council:

- Has reviewed the CDBG-DR Action Plan; and
- Approves and delegates execution of a Master Standard Agreement to the Executive Director of the Housing Authority; and
- Agrees to carry out the program in accordance with the DR-MHP Policies and Procedures; and
- Authorizes the Executive Director of the Housing Authority to submit necessary program documents to draw down funds.

Approval of an allocation of funding and authorization to execute a Master Standard Agreement with HCD for the CDBG-DR Program positions the City to receive up to \$38,469,772 for the rehabilitation, reconstruction, and/or new construction of affordable multifamily housing in Santa Rosa through the DR-MHP Program.

### Disaster Recovery – Multifamily Housing Program (DR-MHP) Overview

The DR-MHP Program provides funding for development projects to assist with meeting the unmet rental housing need, including the needs of individuals displaced from rental homes and individuals who became homeless as the result of the disasters. The DR-MHP will allow the City, as a subrecipient, to identify, select, and submit potential Projects to HCD for eligibility assessment and review, approval, and funding. The City will then work with qualified Developers and Contractors to construct the Projects. Eligible activities include clearance, demolition, removal, reconstruction, and rehabilitation of buildings which would result in additional affordable units, in addition to new construction.

As the lead agency responsible for administration of the CDBG-DR Program, HCD will oversee the program and will also approve the Notice of Funding Availability (NOFA) materials developed by staff before publication. The NOFA process required by HCD closely mirrors the existing process practiced by the Housing Authority of the City of Santa Rosa.

The Housing Authority of the City of Santa Rosa is the current legislative body which reviews NOFA solicitations, develops funding priorities, and makes funding awards for affordable housing loans from the Community Development Block Grant and HOME Investment Partnerships programs in addition to local program funds for affordable housing. The Housing Authority has the administrative capacity and capabilities, through understanding of CDBG program requirements, vetted loan documents, loan tracking software, and regulatory compliance processes to administer the CDBG-DR funding in addition to the existing \$120 million portfolio of awarded loans to developers. In consideration of the program similarities and the Housing Authority's expertise with affordable housing programs, it is recommended by staff that the City Council delegate the City's program oversight, including funding recommendations to HCD, to the Housing Authority for the DR-MHP program with City Council collaboration by means of a joint City Council and Housing Authority Ad-Hoc Review Committee.

### FISCAL IMPACT

Approval of this action positions the City to receive up to \$38,469,772 from HCD in CDBG-DR Program funds for affordable housing.

### 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.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A (Sample Master Standard Agreement)

CONTACT

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