

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
SUBJECT: REQUEST FROM SONOMA CREEKSIDE EAH II, LP TO
AUTHORIZE ISSUANCE, SALE AND DELIVERY OF TAX-
EXEMPT MULTIFAMILY HOUSING REVENUE BONDS FOR
SONOMA CREEKSIDE (2-110 BOAS DRIVE AND 5168-5206
SANTA ROSA CREEK DRIVE) IN A PRINCIPAL AMOUNT
NOT TO EXCEED \$5,600,000
STAFF PRESENTER: MARJORIE JACKSON, PROGRAM SPECIALIST
ECONOMIC DEVELOPMENT AND HOUSING
AGENDA ACTION: RESOLUTION

ISSUE

Shall the Council authorize the issuance, sale and delivery of tax-exempt Multifamily Housing Revenue Bonds in a principal amount not to exceed \$5,600,000 to assist in financing acquisition and rehabilitation of Sonoma Creekside, preserving the existing affordable rental housing development, and approve execution of the appropriate documents for the Bonds by the authorized City officials?

BACKGROUND

1. Sonoma Creekside is an existing 43-unit affordable rental housing development located at 2-110 Boas Drive and 5168-5206 Santa Rosa Creek Drive in the northeast quadrant of the City situated on two sides of Sonoma Highway (the Project). Developed and managed by EAH, Inc. (formerly known as Ecumenical Association for Housing), the Project was completed in 1996 and provides housing affordable to low and very low income households.
2. As required by the U.S. Internal Revenue Code, the Council held a Tax Equity Fiscal Responsibility Act (TEFRA) public hearing on June 26, 2012, and approved Resolution No. 28152 declaring its intent to issue tax-exempt bonds for the Project and authorizing an application be made to the California Debt Limit Allocation Committee (CDLAC) for an allocation of Private Activity Bonds to assist in the financing of the Project.
3. On November 14, 2012, CDLAC approved a bond allocation of \$5,600,000 for the Project.
4. Multifamily Housing Revenue Bond financing is structured so that the City will have no financial liability to the bondholders should the owner default on its bond payments. The Project owner is responsible for payment of all costs of the bond issuance. 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. 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: constructing or rehabilitating low income housing. The City requires that these projects have an affordability restriction for 55 years.

5. The Project was originally financed by a mortgage loan from Nationwide Bank due for repayment on September 30, 2013, a Housing Authority loan due for repayment on October 1, 2013, a forgivable California Federal Bank Affordable Housing Program (AHP) loan, and tax credit equity. The Project is assisted by funding provided by the United States Department of Housing and Urban Development (HUD) Project Section 8 Program, with a Housing Assistance Payment Contract renewed in May 2012 for an additional 20 years.
6. Sonoma Creekside EAH II, LP (the Applicant), an affiliate of the current owner, plans to purchase and rehabilitate the Project, including exterior and interior improvements and replacements. The scope of rehabilitation work is attached.
7. The Bond issue is proposed as one source of funds for the cost of acquisition (including repayment of the senior mortgage loan) and rehabilitation of the Project. Other financing sources include limited partner equity (4% tax credits were awarded to the Applicant by the California Tax Credit Allocation Committee on November 14, 2012), as well as a cash loan and a carry-back loan from the seller. Total Project cost is estimated at \$12,788,915.
8. In order to facilitate the proposed transaction, the Housing Authority approved on July 9, 2012, a modification of loan terms for its existing Housing Authority loan. The current total estimated outstanding balance of the Housing Authority loan is \$1,176,281 including principal and interest. The loan modification will provide for an extension of the Housing Authority loan and Regulatory Agreement for an additional 55 years, allowing the proposed bond proceeds, tax credit equity, and seller loans to be utilized for the acquisition, senior mortgage loan repayment, and rehabilitation of the Project, thus making possible the preservation of the affordable rental housing for an additional 55 years.

ANALYSIS

1. The Project is consistent with the following General Plan Housing Element Policies:
 - H-A-3 Promote conservation and rehabilitation of the existing housing stock and discourage intrusion of incompatible uses into residential neighborhoods which would erode the character of established neighborhoods or lead to use conflicts.
 - H-B-3 Retain federal, state and locally subsidized affordable units which may be lost through contract termination.

H-C-15 Participate in tax credit and mortgage revenue bond programs which provide tax exempt, low cost financing to developers of projects making a portion of the units affordable.

H-C-16 Aggressively participate in available federal, state, and private non-profit programs for the provision of affordable housing.

2. The Project supports a public purpose to meet community needs. Public benefits include:

- The rehabilitation and preservation of a 43 unit affordable housing complex
- Extending the affordability covenant by 55 years and thereby maintaining the number of rental units affordable to very low and low income households.
- The proposed income mix is as follows:
 - 13 units at 50% of AMI (Area Median Income)
 - 29 units at 60% of AMI
 - 1 manager unit
- Unit mix and current estimated rent range, including utility allowance deduction.

○ 2 bedroom - 22 units	\$ 761 - \$ 948
○ 3 bedroom - 20 units	\$ 862 - \$1,077
○ On-site Manager 3 bedroom - 1 unit	Unrestricted

RECOMMENDATION

It is recommended by the Department of Economic Development and Housing that the Council, by resolution, (1) authorize the issuance, sale and delivery of tax-exempt Multifamily Housing Revenue Bonds in a principal amount not to exceed \$5,600,000 to assist in the financing of the acquisition and rehabilitation of Sonoma Creekside, thereby preserving the existing affordable rental housing development located at 2-110 Boas Drive and 5168-5206 Santa Rosa Creek Drive, and (2) approve execution of the appropriate documents for the Bonds by the authorized City officials.

Author: Marjorie Jackson

Attachments:

- Scope of Work
- Site Locational Map

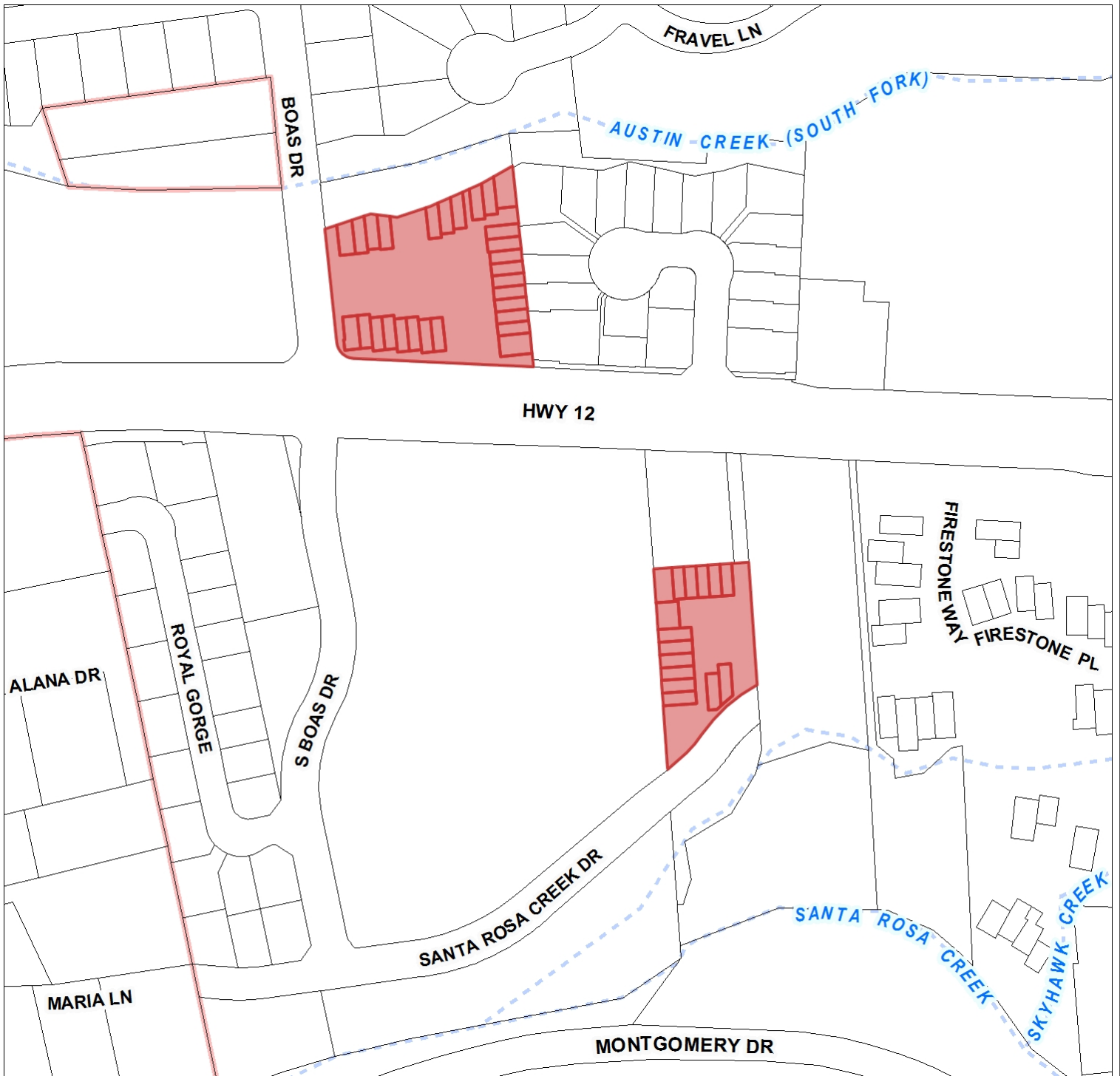
SONOMA CREEKSIDE SCOPE OF WORK

EXTERIOR

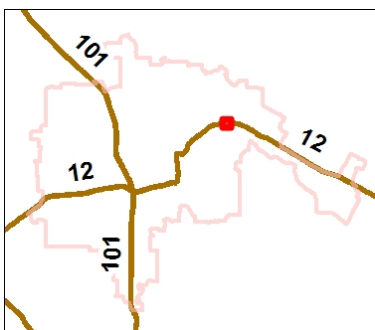
- New unit entry doors;
- New replacement windows;
- Complete painting of all exterior surfaces
- Covering existing exposed concrete block at stairs and garage walls with new cement plaster finish;
- New composition shingle roofing;
- New landscaping as needed as well as maintenance of existing landscaping
- Repair and replacement of any damaged siding or trim including dry-rot as discovered during construction;
- The adjust of one wall at each pair of entrances to make the unit entries more inviting; and
- The removal of roof gables over unit entrances to clean up the roof line and allow for better roof drainage in order to mitigate the occurrence of leaks in the existing design.

INTERIOR

- New flooring throughout most units;
- New kitchen cabinets and counters in most units;
- New kitchen appliances in most units;
- New lighting fixtures at most locations;
- New bathroom fixtures as needed;
- New paint in most units;
- New interior doors in some units as needed
- New sinks and faucets in kitchens and bathrooms as needed;
- Upgrading water heaters as needed; and
- Upgrading furnaces as needed.



2-110 Boas Drive
5168-5206 Santa Rosa Creek Drive



6/5/2012

Scale 1: 2,400

0 Miles 0.04