

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST II  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: TEFRA PUBLIC HEARING – CROSSINGS ON ASTON, LOCATED  
AT 706-708 ASTON AVENUE/ 1500-1555 JOHN RICHARDS WAY  
AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council, by resolution, (1) reaffirm its official intention to issue multifamily housing, tax-exempt revenue bonds in an amount not to exceed \$8 million for financing Crossings on Aston, (2) reaffirm its official intention to 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 issuance of the bonds is in accordance with the Internal Revenue Code.

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EXECUTIVE SUMMARY

Crossings on Aston is an approved development that will provide 26 low-income duplex units, one manager unit and one unit to be used as a community room within 14 two-story duplex buildings on a 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. Confirmed financing for the \$13.7 million project includes Housing Authority loan funds and a deferred developer fee. The project sponsor also seeks tax credit equity and loan proceeds from tax-exempt, private activity revenue bonds.

Tax exempt bonds enable a project sponsor to borrow money at a lower cost to facilitate the development of projects that achieve a public purpose and that may not otherwise be feasible, such as development of affordable housing. All financial costs and obligations for issuance and repayment of the bonds will be the responsibility of the borrower.

BACKGROUND

Crossings on Aston is an approved development that will provide 27 units (24 3-bedroom units and 3 1-bedroom units) in 14 duplexes on a 1.86-acre site with affordability targeted as follows (the "Project"):

- 4 units affordable to extremely low-income households (up to 30% area median income (“AMI”)),
- 17 units affordable to very low-income households (up to 50% AMI),
- 5 units affordable to low-income households (up to 60% AMI),
- one resident manager unit, and
- one unit to be used as a community room

It is located at 706-708 Aston Avenue (File Master Address). These addresses were assigned the following addresses in connection with recordation of the final subdivision map: 1500-1555 John Richards Way, Assessor’s Parcel Numbers 038-172-028 through 038-172-041 (the “Property”). The Property is near a school, a park, a grocery store, public transportation, and is within the Aston Avenue Neighborhood Revitalization Program Area.

The developer of Crossings on Aston is UHC 00596 Santa Rosa, LP (the “Borrower”). The sponsors of this partnership are Urban Housing Communities and Central Valley Coalition for Affordable Housing, who have developed Crossings at Santa Rosa, a 49-unit affordable housing development located at 810-830 Jennings Avenue.

The Housing Authority has committed \$5,486,685 in loan funds and six Section 8, Project-Based Housing Choice Vouchers (“Project-Based Vouchers”), as more fully explained below under Board/Commission/ Committee Review.

The Borrower has submitted an application to the California Tax Credit Allocation Committee (“CTCAC”) for an allocation of competitive 4% tax credit equity in the amount of \$5,121,432 in the 2017 first round. TCAC is scheduled to announce tax credit awards on June 7, 2017. The Borrower was unsuccessful in 2013 and 2016 in obtaining competitive tax credits.

#### PRIOR CITY COUNCIL REVIEW

On September 13, 2005, the City Council approved Resolution No. 26389 adopting 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.

On July 19, 2016, the City Council conducted a public hearing and adopted Resolution No. 28818 declaring its intention to issue tax exempt bonds for the Project. An application was submitted to the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of bond proceeds, but later withdrawn because the Borrower was not successful in obtaining tax credit equity from CTCAC.

## ANALYSIS

The City Council is occasionally requested to approve the issuance of tax-exempt, qualified private activity revenue bonds to enable a project sponsor to borrow money at a lower cost to meet Council goals. 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 intention to issue tax-exempt bonds may be approved by Council resolution (the “Inducement Resolution”) 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 people 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.

The Inducement Resolution declares the City’s official intention to issue tax-exempt revenue bonds to finance Crossings on Aston and to reimburse certain expenditures relating to the development of the facility from proceeds of the bonds. It also authorizes an application to CDLAC to permit the issuance of the bonds and assures that the issuance of the bonds is in accordance with section 147(f) of the Internal Revenue Code of 1986.

Adoption of the Inducement Resolution does not represent a commitment by the City nor the project sponsor to proceed for the bond financing. The City retains absolute discretion over the issuance of bonds through adoption of a second resolution at a future meeting.

The City, as the issuer of these tax-exempt, private activity 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 issue the tax-exempt bonds. The City and CDLAC typically require that these projects have a regulatory agreement to restrict income and rent for 55 years.

## FISCAL IMPACT

All financial costs and obligations for issuance and repayment of the bonds will be the responsibility of the borrower with no impact on the City’s General Fund. The source of repayment will be revenue from the operation of Crossings on Aston. The Borrower is responsible for payment of all costs of the bond issuance, including the City’s bond counsel and staff time. In addition, 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. Moreover, the credit rating agencies disregard multifamily housing revenue bond issues when evaluating the City's bond credit rating for other bond obligations.

### 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 Final Map was recorded on November 24, 2008. 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 for pre-development and development costs.

- On December 14, 2015, the Housing Authority adopted Resolution No. 1607 allocating six Project-Based Vouchers 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 for pre-development and development costs.

### NOTIFICATION

A notice of public hearing was published in the Press Democrat on May 19, 2017.

### ATTACHMENTS

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

### CONTACT

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