

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: MEGAN BASINGER, HOUSING AND COMMUNITY SERVICES
MANAGER
HOUSING AND COMMUNITY SERVICES DEPARTMENT
SUBJECT: LANTANA PLACE STATUS REPORT

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority receive a report on the status of Lantana Place and direct staff, by motion, to continue working on developing Lantana Place as an ownership development and advocacy plan.

EXECUTIVE SUMMARY

Lantana Place is a four-acre site located at 2975 Dutton Avenue owned by Burbank Housing Development Corporation (BHDC). In 2007, the project received a loan from the Housing Authority that included Community Development Block Grant (CDBG) funds for site acquisition and pre-development. The project has not proceeded with development due to funding constraints at the state and local level; the financing of the project was structured with Multifamily Housing Program (MHP) funding, oversubscribed and now exhausted, from the State and approximately \$7 million in local subsidy no longer available due to the loss of Redevelopment and the recession. The U.S. Department of Housing and Urban Development's Office of the Inspector General (OIG) is reviewing the project because of nine years with no measurable project activity. BHDC and staff continue to evaluate alternatives to the proposed multifamily rental development to provide affordable housing units as soon as possible, with the least local subsidy.

BACKGROUND

In 2007 the Housing Authority approved a loan in the amount of \$1,878,703 for the acquisition of a four-acre site located at 2975 Dutton Meadow. The project is a 96-unit, multifamily rental complex known as Lantana Place that is targeted to 94 households at 30% and 50% of Area Median Income (AMI) with 2 unrestricted manager's units.

At the time of acquisition, the project had an anticipated cost of \$32.7 million that included the following funding sources:

Funding Source	Amount
Tax-Exempt Bonds	2,820,746
Current HA Loan	1,878,703
AHP	495,000
MHP	6,327,637
Future City Subsidy	5,939,747
Deferred Developer Fee	25,000
General Partner Equity	1,275,000
Limited Partner Equity	13,942,962
TOTAL	32,704,795

Several factors led to the projects inability to obtain funding as intended. First, the State's MHP Program was exhausted, eliminating \$6.3 million in anticipated funding. Second, due to the elimination of Redevelopment and the recession of 2008, the City no longer had a robust production budget to provide loans to projects. Finally, as the economy recovered, construction costs rose and continue to rise, increasing the funding gap for the project.

Since the project was approved in 2007, staff has been working with BHDC to determine a financially feasible way to proceed with the project. Staff has also provided regular updates to HUD through their reporting systems on the status of the project. As of April 2017, BHDC was modeling the project as an approximately 50-unit, ownership project that can begin construction within the next two years.

In addition to the Housing Authority loan, California Department of Housing and Community Development (HCD) provided an \$800,000 pre-development loan that is in first lien position. BHDC has requested that HCD provide an extension to the loan to proceed in the ownership model.

In April 2017, HCS was notified by the U.S. Department of Housing and Urban Development's Office of the Inspector General (OIG) regarding the project. Staff has provided the requested information and is planning to provide a proactive project update following the Housing Authority meeting. Simultaneously, staff and BHDC are advocating for the project with the assistance of state and federal representatives to allow for the financial resources to stay in the project.

PRIOR HOUSING AUTHORITY REVIEW

On December 17, 2007, Housing Authority, by Resolution No. 1402, approved a loan in the amount of \$1,878,703 of CDBG and In-lieu Fee funds to Burbank Housing Development Corporation for the acquisition and pre-development of Lantana Place, a 100-unit multifamily rental complex. The construction commencement date was established as June 30, 2009, and the construction completion was established as August 31, 2010.

On June 15, 2009, the Housing Authority, by Resolution No. 1447, approved the extension of the construction date from June 30, 2009 to June 30, 2010 and the construction completion date from August 31, 2010 to August 31, 2011.

On June 14, 2010, the Housing Authority, by Resolution No. 1483, approved the extension of the construction commencement date from June 30, 2010 to June 30, 2011 and the construction completion date from August 31, 2011 to August 31, 2012.

On August 23, 2010, the Housing Authority, by Resolution No. 1495, approved a further advance in the amount of \$500,000 (Low-Mod funds), a reduction of project size to 96-units, and an extension of the construction commencement date from June 30, 2011 to February 28, 2013 and the construction completion date from August 31, 2012 to June 30, 2014.

On March 28, 2011, the Housing Authority, by Resolution No. 1512, approved the Subordination of its loan to the California Housing and Community Development Department's Predevelopment Loan.

On December 12, 2011, the Housing Authority, by Resolution No. 1534, approved the delegation of authority to the Executive Director for approval of construction timeline extensions. Extensions approved by the Executive Director are communicated in writing to the Housing Authority.

- On February 27, 2013, the Executive Director approved the extension of the construction commencement date from February 28, 2013 to February 28, 2015 and the construction completion date from June 30, 2014 to July 31, 2015;
- On February 26, 2015, the Executive Director approved the extension of the construction commencement date from February 28, 2015 to May 1, 2017 and the construction completion date from July 31, 2015 to August 1, 2018; and
- On April 27, 2017, the Executive Director approved the extension of the construction commencement date from May 1, 2017 to May 1, 2019 and the construction completion date from August 1, 2018 to November 1, 2020.

ANALYSIS

The future of the Lantana Project has several paths that can be pursued.

1. Multifamily Rental

The site is entitled for a 96-unit, multifamily rental complex. As of May 2017, the total cost of the project is estimated at \$45 million, resulting in an approximately \$20 million funding gap. To make the current funding structure work, BHDC would need to target the 94 affordable units to households at 60% of AMI. BHDC is having an outside consultant review the funding structure to determine if other options are available.

2. Ownership

BHDC and staff met in mid-April to begin discussions on the future of the project. BHDC had developed preliminary financial models of the site as an approximately 50-unit ownership development. To make the project financially feasible, the units are targeted to households between 60% and 120% of AMI. BHDC estimates the current funding gap to be \$3.4 million.

3. Disposition of Property

Disposition of the property is not seen as a financially beneficial option for either BHDC or the Housing Authority. The California Housing and Community Development Department has a loan in the amount of \$800,000.00 in first position and the Housing Authority has a loan in the amount of \$2,378,703.00 in second position (\$1,478,703.00

CDBG, \$400,000 In-Lieu Fees, \$500,000.00 Low-Mod). BHDC has spent approximately \$700,000 on pre-development and holding costs. The property would need to sell for more than \$4.6 million to pay off principal and accrued interest; current market estimates are approximately \$500,000 to \$700,000 per acre.

FISCAL IMPACT

In 2008, CDBG funds were committed and expended for this project. Future determinations from the U.S. Department of Housing and Urban Development, direction from the Housing Authority, or request from Burbank Housing Development Corporation may have financial impacts on the project.

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.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On September 22, 2009, City Council approved a Density Bonus and Mitigated Negative Declaration for the 96-unit multifamily, rental complex.

NOTIFICATION

Not applicable.

ATTACHMENTS

None.

CONTACT

Megan Basinger, mbasinger@srcity.org, 543-3303