

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: 2018 NOTICE OF FUNDING AVAILABILITY – FUNDING  
RECOMMENDATIONS: (1) ACQUISITION OF PARKWOOD  
APARTMENTS, 6899 MONTECITO BLVD AND (2)  
PREDEVELOPMENT, CONSTRUCTION AND MORTGAGE  
ASSISTANCE LOANS FOR LANTANA PLACE, 2979 DUTTON  
MEADOW

AGENDA ACTION: RESOLUTIONS

---

RECOMMENDATION

It is recommended by the Housing Authority NOFA Ad Hoc Committee and the Housing and Community Services Department that the Housing Authority, by two resolutions, (1) approve a conditional commitment of funds to Burbank Housing Development Corporation in the amount of \$2,400,000 for acquisition of 56-unit Parkwood Apartments and conversion from market rate to affordable housing; and (2) approve a Third Further Advance in the amount of \$1,300,000 to Burbank Housing Development Corporation for pre-development and construction costs for Lantana Place, 48 single family ownership homes, and a conversion of the loan to homebuyer mortgage assistance loans.

---

EXECUTIVE SUMMARY

In response to a Notice of Funding Availability (“NOFA”) (Attachment 1) announcing approximately \$4.1 million of federal and local funds for affordable housing, the Housing Authority received 11 applications requesting almost \$22 million. The applications are for a range of projects, including new multifamily rental housing for families, homeless veterans, and seniors displaced by the 2017 wildfires, new home ownership housing and rehabilitation. The NOFA Ad Hoc Committee and staff reviewed the applications and recommend funding two projects at this time. Recommendations for remaining funds will be made at a future Housing Authority meeting following consideration of full or partial funding of one or more additional projects.

BACKGROUND

Approximately \$2 million of local funds and \$2.1 million of federal funds administered by the U.S. Department of Housing and Urban Development (“HUD”) are available. The federal funds include approximately \$1.1 million of Community Development Block Grant (“CDBG”) funds and \$1 million of HOME Partnership Program (“HOME”) funds.

Funds may be used for all eligible affordable housing activities, such as new construction, land acquisition, rehabilitation (with or without acquisition), conversion from market rate, or preservation.

Selection criteria include readiness, timeliness, financial feasibility, qualifications, capacity and experience of the development team, and any information requested in the as part of the application, Housing Authority policies and preferences, CDBG and HOME regulations.

To facilitate recovery from the wildfires, the Housing and Urban Development Department issued a Statutory Suspension and Regulatory Waiver for Santa Rosa (the “HUD Waiver”). For this funding cycle, the HUD waiver allows CDBG funds to be utilized for new construction and suspends the maximum per unit HOME subsidy limit. In addition, HUD waived the requirement to set aside a minimum of 15% of the annual HOME allocation must be set aside for activities in eligible housing that are owned, sponsored, or developed by a Community Housing Development Organization (“CHDO”).

The NOFA was issued on July 26, 2018, and applications were due on August 31, 2018. Eleven applications were submitted seeking almost \$22 million of funds, as shown in the following table. The applications are for a range of projects, including new multifamily rental housing for families, homeless veterans, and seniors displaced by the 2017 wildfires, new home ownership housing and rehabilitation.

#### NOFA Applications

Project Name	Applicant	Location / Quadrant	Funding Request
<b>Boyd Street Family Apts</b>	Danco Communities	811 Boyd St / SW	\$4,000,000
<b>Del Nido Apts</b>	Eden Development Inc	850 Russell Ave / NW	\$4,000,000
<b>Dutton Flats</b>	Dutton Flats LP (Phoenix Dev./ Loren Brueggemann)	206, 208, 214 W Third Street / SW	\$500,000
<b>Hearn Veterans Village</b>	Community Housing Sonoma County	2149 W Hearn Ave / SW	\$285,000
<b>Journey’s End</b>	Burbank Housing Development Corp.	575 Mendocino Ave / NE	\$1,000,000
<b>Lantana Place Homes</b>	Burbank Housing Development Corp.	2979 Dutton Meadow / SW	\$1,300,000
<b>Parkwood Apts</b>	Burbank Housing Development Corp.	6899 Montecito Blvd / NE	\$2,400,000
<b>Quail Run Apts</b>	Eden Development Inc	1018 Bellevue Ave / SE	\$4,000,000
<b>Ridge Pointe</b>	Central California Housing Corp.	2384 & 2410 Old Stony Point Rd / SW	\$2,846,000
<b>Roseland Village</b>	Mid-Peninsula Hermanas Inc.(MidPen)	665 & 833 Sebastopol Rd / SW	\$1,000,000
<b>Somerset Place</b>	Habitat for Humanity of Sonoma County	2786 Dutton Meadow / SW	\$500,000

The Housing Authority chair appointed Commissioners Burke and Johnson-Morgan to the NOFA Ad Hoc Committee. The Committee and staff reviewed the applications on September 20 and 27, 2018, to make funding recommendations to the Housing Authority.

## ANALYSIS

The NOFA Ad Hoc Committee and staff recommend funding for Parkwood Apartments because it immediately places housing units under affordability restrictions for current residents and secures long term affordability for 55 years for current and future tenants. The Committee and staff also recommend funding for Lantana Place Homes because the funding will move the project closer toward production. Lantana Place will provide homeownership opportunities for 48 low- and moderate-income households, including, potentially, existing tenants in Burbank Housing rental properties, freeing up those units to the waiting lists, and graduates of the Section 8 Family Self-Sufficiency Program which would move voucher holders into homeownership. Additional benefits of these projects are described in the respective sections below.

### *PARKWOOD APARTMENTS*

**Project Description.** Parkwood Apartments is an existing 56-unit market rate apartment development in Rincon Valley, located at 6899 Montecito Blvd, adjacent to Rincon Valley Community Park and the Rincon Valley Library (see Attachment 2). All the units are 800 square feet, 2-bedroom, 1 bath. The total acquisition cost is \$15,900,000, or \$283,929 per unit. Funding sources include a bridge loan in the amount of \$13,500,000 and a funding request under the current NOFA for \$2,400,000 (see Attachments 3, 4 and 5). The seller has approved a carryback note in the amount of \$300,000, if needed. Permanent financing is modeled as a 4% tax credits/tax exempt bond deal that would take out the bridge loan and provide money for rehabilitation. The applicant is not taking a developer fee for the acquisition. The affordability of the units reflects the income of current residents: 15 units (plus 12 units currently vacant) @ 50% AMI; 12 units @ 60% AMI, 12 units @ 80% AMI, 3 units are greater than 80% or unknown. The resident manager and the office will occupy two units. Burbank Housing's proforma shows rents at or below the maximum allowable affordable housing rents. To achieve the cash flow necessary to keep the rents low, Burbank Housing is requesting eight project-based vouchers.

**Recommendation for Funding.** Parkwood Apartments is recommended for a commitment of funds (conditional upon the completion of environmental review) for the following reasons:

- Burbank Housing is in a position to move fast by closing escrow in December 2018.
- Acquisition will convert the property from market rate to affordable housing.
- A Regulatory Agreement protecting affordability for current residents will be effective at close of escrow, which is anticipated in December 2018.
- The Regulatory Agreement restricting incomes and rents will secure long-term affordability for 55 years for current and future residents.

- Twelve units are vacant and will be targeted to households earning up to 50% of Area Median Income (“AMI”).
- With this Housing Authority funding and the bridge loan, the project is fully funded. The seller has agreed to a \$300,000 takeback note, if needed. No further Housing Authority funds are needed for acquisition.
- Parkwood is located in the Northeast Quadrant of Santa Rosa.

**Goals and Policies.** Acquisition of Parkwood Apartments and conversion to affordable housing is consistent with the Consolidated Plan Goal to preserve existing affordable housing stock. This is clarified by the Action Plan which identifies conversion of market rate units to affordable units as one way to meet the Preservation Goal. In addition, the project meets the CDBG National Objective of benefitting Low and Moderate Income (“LMI”) – Housing because more than 51% of the housing units will be occupied by LMI households.

The proposed Project is also consistent with several General Plan affordable housing policies and, therefore, public objectives to meet community needs with housing for low-income households, for example:

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-C-4 Utilize the Santa Rosa Housing Trust to maximize and leverage available federal, state, and local funding to assist in the development of affordable housing, the preservation and rehabilitation of low-income housing, the development and maintenance of homeless shelters, and the acquisition and development of facilities for the physically and developmentally disabled.

H-C-8 Support affordable housing sponsors by continuing to provide funds to subsidize the production of affordable housing.

H-C-10 Aggressively participate in available federal, state, and private non-profit programs for the provision of affordable housing.

**Loan Terms.** The loan amount is \$2,400,000. The terms include three percent (3%) simple interest per annum deferred for fifty-five (55) years, secured by a deed of trust, and payments based on residual receipts. Interest shall commence with the recordation of the deed of trust. The term of affordability will be 55 years.

### **Lantana Place Homes**

**Historical Context.** Lantana Place has been in the Housing Authority development pipeline since 2007 when the Housing Authority approved a loan in the amount of \$1,878,703 (including \$1,478,703 of CDBG funds) for the acquisition and predevelopment of an approximately 3.79-acre site located at 2979 (formerly 2975) Dutton Meadow. The project was a 100-unit, multifamily rental complex targeted to households at 30% and 50% of Area Median Income (AMI) with 2 unrestricted manager’s units.

In 2010, the Housing Authority approved a Further Advance in the amount of \$500,000 and a reduction of units from 100 to 96.

At the time of acquisition, the project had an anticipated cost of \$32.7 million. Several factors have led to the project's inability to obtain funding as intended and an increased funding gap: 1) the State Multifamily Housing Program was exhausted, eliminating \$6.3 million in anticipated funding; 2) due to the elimination of Redevelopment and the recession of 2008, the Housing Authority's production budget decreased substantially; 3) as the economy recovered, construction costs rose, increasing the funding gap for the project; 4) construction costs rose again after the wildfires of October 2017; and 5) interest rates have been rising.

To address the growing financial gap, in July 2017, the Housing Authority approved a Second Further Advance in the amount of \$3,400,000 for a total loan amount of \$5,778,703. The Housing Authority also approved the reconfiguration of the project from 96 rental units to 48 homeownership units, 25 of which are to be for households earning up to 80% AMI and 23 units for households earning up to 120% of AMI. An Amended and Restated Regulatory Agreement reflecting the modified project is pending finalization and recordation.

With this additional funding, Burbank Housing paid off the principal (\$800,000) and interest (\$143,600), associated with a California Department of Housing and Community Development pre-development loan, reducing the carrying costs of the project.

In April 2017, Housing and Community Services ("HCS") was notified by the HUD Office of the Inspector General ("OIG") regarding the project. Staff has provided the requested information and updates. HUD has been supportive of the modified project.

**Project Description.** Lantana Place Homes is a planned 48-unit homeownership development located at 2979 (formerly 2975) Dutton Meadow in the Southwest Quadrant (see Attachment 6). The total development cost is \$26,261,070, or \$547,106 per unit. The 48 homes include 45 3-bedroom, 2.5-bath, two story attached homes and 3 3-bedroom, 2-bath single story attached homes. Each home will have a single car garage and an additional uncovered parking space. The homes will range in size from 1,210 to 1,311 square feet on lots from 1,870 to 3,391 square feet. Burbank Housing owns fee title to the property. Entitlements pending approval include a conditional use permit, tentative subdivision map and design review. Approvals are anticipated by early 2019. Permits for impacts to California Tiger Salamander ("CTS") habitat and wetlands are pending with approvals anticipated by June 2019. Burbank Housing has obtained mitigation credits at approved mitigation banks for CTS and wetlands. Construction is anticipated to start June 2019. The developer fee is \$800,000, which is 3% of the total development cost. The developer fee is typically higher, between 9%-12%. See Attachment 7, 8 and 9 for additional information. This loan is for construction and then will convert to individual homeowner mortgage assistance loans. Burbank Housing will be requesting that the Housing Authority convert the Original Loan and the First Further Advance loans to homebuyer mortgage assistance loans. The Second Further Advance was approved for conversion.

**Recommendation for Funding.** Lantana Place Homes is recommended for a commitment of funds for the following reasons:

- This is an opportunity to move the project toward completion with a construction start date of June 2019. Applications for entitlement and permits/mitigations for impacts to CTS and wetlands habitats are pending with approvals expected in the first half of 2019.
- Project completion would remove the red flag placed by HUD and move Lantana from the Housing Authority's project pipeline, where it has been since 2007, toward completion.
- Burbank Housing plans to market the Lantana Place home to existing tenants in its rental properties, thereby freeing up existing rental units for households on a waiting list. In addition, Burbank Housing is willing to working with Section 8 staff to connect graduates of the Family Self-Sufficiency ("FSS") program to Lantana Place Homes. Many of the participants have savings from the FSS program that could be used towards a down payment. This could result in households moving from the voucher program into homeownership.
- HUD has approved of the use of the CDBG funds originally approved for a multifamily rental project for a homeownership project with half the number of units.
- The project site is located in the Roseland/Sebastopol Road Specific Plan area, which is a designated Priority Development Area.

**Goals and Policies.** Lantana Place Homes is consistent with General Plan affordable housing policies, and, therefore, public objectives to meet community needs with housing for low-and moderate-income households, for example:

H-C-6 Facilitate higher-density and affordable housing development in Priority Development Areas (PDA), which include sites located near the rail transit corridor and on regional/arterial streets for convenient access to bus and rail transit. Implement existing PDA specific plans—the Downtown Station Area Specific Plan and the North Santa Rosa Station Area Specific Plan—and develop new plans, such as the Roseland Specific Plan, to encourage the development of homes that have access to services and amenities.

H-C-8 Support affordable housing sponsors by continuing to provide funds to subsidize the production of affordable housing.

H-C-13 Encourage the development of units with three or more bedrooms in affordable housing projects.

**Loan Terms.** The requested loan amount is \$1,300,000. Prior Housing Authority loans total \$5,778,703, for a total loan amount \$7,078,703. There is a potential for a future funding request. The terms include three percent (3%) interest loan for thirty years. Following construction, the loan funds will be repaid to the Housing Authority and converted to individual mortgage assistance loans to homebuyers at three percent (3%) simple interest per annum, deferred for thirty (30) years, secured by a deed of trust. Interest shall commence with the recordation of the homeowner deed of trust. The term of affordability will be 30 years.

### *PROJECTS NOT RECOMMENDED FOR FUNDING AT THIS TIME*

Nine projects are not recommended for funding at this time. The Ad Hoc Committee and staff will reconvene to make funding recommendations to the Housing Authority among the following projects with the remaining funds. A summary of these projects is presented in Attachment 10.

### PRIOR HOUSING AUTHORITY REVIEW

None.

### ARTICLE XXXIV

Article 34 of the California Constitution applies to low rent housing that is developed, constructed or acquired, owned by private developers who receive federal, state or local assistance, annually in an amount not to exceed one percent of the existing housing units in Santa Rosa. An Article 34 allocation must be made for 54 for units at Parkwood. Article 34 is not applicable to ownership units.

### FISCAL IMPACT

The funds are included in the Housing Authority's 2018/2019 budget.

### ENVIRONMENTAL IMPACT

**Parkwood Apartments.** Completion of environmental review pursuant to the National Environmental Policy Act ("NEPA") is required for Parkwood Apartments, as federal funds would be used in the acquisition. The acquisition is exempt from environmental review pursuant to the California Environmental Policy Act ("CEQA") because (1) the acquisition of an existing housing development 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; and (2) the Project involves the operation of existing facility with potential future repair and maintenance with negligible or no expansion of the existing use, pursuant to CEQA Guidelines Section 15301. The funding commitment is conditional upon completion of the NEPA process including issuance by HUD of an Authority to Use Grant Funds ("AUGF").

**Lantana Place.** CDBG funds were invested in Lantana Place in 2008 for acquisition and predevelopment for a new a multifamily housing development. Subsequently, the project was changed to a homeownership development with fewer units. A new Environmental Assessment ("EA") was prepared to reflect the change, and a Finding of No Significant Impact ("FONSI") was published on August 17, 2018. A final EA document is pending.

Environmental Review pursuant to CEQA will be completed prior to approval of entitlements. An environmental consultant retained by the applicant has concluded that a review of CEQA

Guidelines Section 15183 shows the proposed Lantana Place Homes Project falls within the mandatory streamlining provision and as a result no new CEQA environmental analysis is required. Section 15183 streamlines environmental review where a project is consistent with existing zoning or general plan policies for which an EIR was previously prepared. This conclusion is subject to review and approval by the Planning and Economic Development Department and the decision-making authority.

### COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Commissioners Burke and Johnson-Morgan served on an ad hoc committee appointed by the Housing Authority chair to review the applications with staff and make funding recommendations to the Housing Authority.

### NOTIFICATION

Notification of this meeting was sent to each of the applicants.

### ATTACHMENTS

- Attachment 1 – Notice of Funding Availability
- Attachment 2 – Parkwood Apartments aerial location graphic
- Attachment 3 – Parkwood Apartments Summary
- Attachment 4 – Parkwood Loan Application
- Attachment 5 – Parkwood Proforma and Budget
- Attachment 6 – Lantana Place Homes aerial location graphic
- Attachment 7 – Lantana Place Homes Summary
- Attachment 8 – Lantana Place Loan Application
- Attachment 9 – Lantana Place Proforma and Budget
- Attachment 10 – Projects Not Recommended for Funding at this Time
- Resolution Parkwood Apartments
- Resolution Lantana Place Homes

### CONTACT

Frank Kasimov, [fkasimov@srcity.org](mailto:fkasimov@srcity.org) (707) 543-3465.