

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: 2019-2020 FOCUSED NOTICE OF FUNDING AVAILABILITY –  
FUNDING RECOMMENDATION FOR DUTTON FLATS, 206, 208  
AND 214 WEST THIRD STREET

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing Authority NOFA Ad Hoc Committee and the Housing and Community Services Department that the Housing Authority, by resolution, approve a conditional commitment of funds to Dutton Flats, L.P. in the amount of \$3,100,000 for construction-related costs for Dutton Flats, 41 multifamily rental units, located at 206, 208 and 214 West Third Street.

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EXECUTIVE SUMMARY

In response to the 2019-2020 Notice of Funding Availability announcing approximately \$3,700,000 million of funds for affordable housing, the Housing Authority received six applications requesting \$14,500,000 million. The NOFA focused on multifamily rental projects with application deadlines in June or July for two state funding programs. A NOFA Ad Hoc Committee and staff reviewed the applications and recommend funding one project that best meets the selection criteria described in the NOFA.

BACKGROUND

As announced in the 2019-2020 Notice of Funding Availability (“NOFA”) (see Attachment 1), approximately \$3,700,000 of local funds are available for new affordable housing. The funds are intended to assist projects in obtaining either a competitive 9% Tax Credit allocation from the California Tax Credit Allocation Committee or funding from the competitive Multifamily Housing Program (“MHP”). At the time of the NOFA, applications for both programs were scheduled to be due by July 1, 2019. Evaluation factors include project readiness; financial feasibility; qualifications, capacity and experience of the development team; any information requested in the Loan Application; Housing Authority policies and preferences; and competitiveness in the State funding programs.

In the event the Housing Authority commits funds to a project that is not successful in the funding competitions, the funds will remain committed for up to two additional funding rounds with state applications due through July 2020. If funding is not awarded within this time frame, the funds will be rescinded and made available via a subsequent NOFA.

## ANALYSIS

The Focused NOFA was issued on April 1, 2019, and applications were due on April 26, 2019. Six applications were submitted seeking \$14,500,000 of funds, as shown in the following table. The applications are for new multifamily housing.

### NOFA Applications

Project Name	Applicant	Location / Quadrant	Number of Units	Funding Request
<b>Boyd Street Apartments</b>	Danco Communities	811 Boyd Street / SW	46	\$3,000,000
<b>Burbank Avenue Apartments</b>	Waterstone Residential	1780 Burbank Avenue / SW	62	\$2,200,000
<b>Caritas Homes Phase 1</b>	Burbank Housing	A Street and 7th Street / NE	64	\$1,500,000
<b>College Avenue Supportive Housing</b>	Danco Communities	80 College Avenue / NW	59	\$1,000,000
<b>Dutton Flats</b>	Dutton Flats, LP	206, 208, 214 West Third Street / SW	41	\$3,100,000
<b>Roseland Village</b>	MidPen Housing Corp.	665 & 833 Sebastopol Road / SW	75	\$3,700,000
<b>Total</b>			<b>347</b>	<b>\$14,500,000</b>

The Housing Authority chair appointed commissioners Johnson-Morgan and Test to a NOFA Ad Hoc Committee. The Committee and staff reviewed the applications on May 9 and 28, 2019, to make funding recommendations to the Housing Authority. The NOFA Ad Hoc Committee and staff recommend funding for Dutton Flats because it best meets the selection criteria evaluation factors.

### ***Dutton Flats***

**Project Description.** Dutton Flats is a 41-unit, multifamily apartment development with 11 1-bedroom, 15 2-bedroom and 15 3-bedroom units targeted to 9 households earning up to 30% of Area Median Income (“AMI”), 17 households earning up to 50% AMI, 14 households with incomes up to 60% AMI and one unrestricted manager unit.

The site of the 5-story building is 206, 208 and 214 West Third Street, Santa Rosa, California, 95401, APN’s 125-061-026, 125-061-027 and 125-061-028, at the southeast corner of West Third Street and Dutton Avenue in the SW quadrant (see Attachment 2). The site is located in close proximity to transit, groceries, retail and two off-site bicycle/pedestrian paths, as well as the following amenities:

- A small commercial center with a convenience market, dry cleaner, personal services and restaurants is located across the street at the southwest corner of West Third Street and Dutton Avenue.
- A grocery store and a larger commercial center with shops, personal service establishments and restaurants are located at Dutton Avenue and Sebastopol Road approximately a quarter-mile from the site.
- Two CityBus routes will serve the site with inbound service every 15 minutes weekdays to the Transit Mall and outbound service serving northwest Santa Rosa. In addition, the site is located approximately a quarter-mile from two additional CityBus routes with inbound service every 15 minutes weekdays and outbound buses serving southwest Santa Rosa. At the Transit Mall, passengers can connect to all CityBus routes as well as to Sonoma County Transit, Golden Gate Transit and other transit providers.
- The developer and the Transit Department have agreed to the terms of a pilot program to provide a CityBus unlimited pass for all Dutton Flats tenants. The program is pending City Council approval, tentatively scheduled for June 18, 2019.
- The SMART rail station and Railroad Square are approximately one-half mile from the site.
- Three bicycle/pedestrian paths are located near the site. The Joe Rodota Trail connects downtown Santa Rosa to Sebastopol, and the Prince Memorial Greenway connects downtown Santa Rosa to Willowside Road along Santa Rosa Creek. Both are located within one-quarter mile of the site.
- A bicycle/pedestrian path will be part of the entire SMART corridor, approximately one-half mile away). Currently, the SMART path is complete from Guerneville Road to Bellevue Avenue, except for a couple of blocks near

the downtown Santa Rosa SMART station. Other portions of the SMART path that are completed or under construction from include Bellevue Avenue to Cotati, North Petaluma to Downtown Novato, Marin Civic Center to Larkspur and portions of Healdsburg.

The project will include a transit shelter integrated into the building design (a new concept for Santa Rosa) fitness center, computer lab, community room for resident events, and bicycle repair area and storage for 80 bicycles. The owner has contracted with LifeSTEPS, a third-party social services provider, for an on-site coordinator to provide, based upon the residents' needs: after-school programming for school age children, adult educational classes, program and activities development and coordination, case management and crisis intervention, information and referral services and mediation services.

The project site is located within the Downtown Station Area Specific Plan area, a Priority Development Area. The project is anticipating waiver of capital facilities fees and park impact fees in the estimated amount of \$507,000 and deferral of water and wastewater impact fees for units above the third floor in accordance with the City High Density Multi-Family Residential Incentive Program for the downtown area. This is subject to City Council approval of an ordinance amendment to include an additional zoning district in the program. The tentative date of the Council meeting is June 18, 2019.

If Dutton Flats is not successful in obtaining an allocation of 9% tax credits during the upcoming 2<sup>nd</sup> round allocations, the applicant plans to combine the funding commitment with a tax-exempt bond, (non-competitive) 4% tax credits and an application to the Housing Authority for eight Section 8 Project Based Vouchers.

A summary of the project financing and benefits is provided as Attachment 3. The applicant's project narrative and amenities and services letter are included as Attachment 4; loan application as Attachment 5; and financing plan, sources and use/budget and 30-year cash flow analysis as Attachment 6.

**Recommendation for Funding.** Dutton Flats is recommended for a conditional commitment of funds for the following reasons:

- Dutton Flats provides needed affordable housing in one- two- and three-bedroom units, targeted to extremely low-, very low- and low-income households.
- Readiness: Approvals - the use is permitted in the zoning district and General Plan land use designation; therefore, no discretionary approvals are needed for the use. Minor Design Review is scheduled for June 20, 2019.
- Readiness: Financing - The Housing Authority loan and the competitive 9% tax credit equity will fill the funding gaps. Other permanent funding sources include a

permanent loan, deferred developer fee, cash flow from operations and an anticipated waiver of certain city fees.

- Readiness: Construction start is anticipated by January 2020 and completion by March 2021.
- The project's 35.67% tax credit financing tie-breaker score is competitive.
- The project site is located within the Downtown Station Area Specific Plan area, a Priority Development Area.
- The project maximizes density at 40 units per acre with a 35% density bonus and a 5-story midrise design.
- Dutton Flats is located on two bus lines with a combined 15-minute service and nearby rail transportation, groceries, shops and personal services, restaurants, and two existing and one future off-road bicycle/pedestrian trails.
- The developer and the Transit Department have agreed to the terms of a pilot program to provide a CityBus unlimited pass for all Dutton Flats tenants. The program is pending City Council approval.
- The developer is providing amenities including a computer lab and computers, fitness center, recreational areas for young children and for teenagers, a storage area for 82 bicycles, and a bicycle repair area.
- Dutton Flats is providing an on-site resident services coordinator to assist residents and to coordinate computer, language and financial management classes.

**Loan Terms.** The loan amount is \$3,100,000. 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 through the Regulatory Agreement will be 55 years.

**Goals and Policies.** Development of Dutton Flats is consistent with several General Plan affordable housing policies and, therefore, public objectives to meet community needs with housing for low-income households, for example (see Attachment 7) H-C-4, H-C-5, H-C-6, H-C-8, H-C-10, H-C-13 and H-C-15.

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

Five projects are not recommended for funding at this time. A summary of these projects is presented in Attachment 8.

### PRIOR HOUSING AUTHORITY REVIEW

None.

### ARTICLE XXXIV

Article 34 of the California Constitution applies to low rent housing that is developed, constructed or acquired by a public entity or by private developers who receive federal, state or local assistance. An Article 34 allocation must be made for 40 units at Dutton Flats.

### FISCAL IMPACT

The funds are included in the Housing Authority's 2019-2020 budget.

### ENVIRONMENTAL IMPACT

**Dutton Flats.** Environmental review pursuant to the National Environmental Policy Act ("NEPA") is not required for Dutton Flats, as no federal funds would be used in the project. The Planning and Economic Development Department has determined that the project is exempt from environmental review pursuant to the to the California Environmental Policy Act ("CEQA") Class 32, Section 15332 – In-fill Development Projects. This section is intended to promote in-fill development within urbanized areas. The class consists of environmentally benign in-fill projects which are consistent with local general plan and zoning requirements. This class is not intended to be applied to projects which would result in any significant traffic, noise, air quality, or water quality effects. Planning staff has been able to make all findings to qualify the project for this categorical exemption. The funding commitment is conditional upon completion of the environmental review pursuant to CEQA and all required approvals by the City of Santa Rosa.

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

The Housing Authority chair appointed commissioners Johnson-Morgan and Test to a NOFA Ad Hoc Committee. The Committee and staff reviewed the applications on May 9 and 28, 2019, to 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 – Aerial location graphic
- Attachment 3 – Project Summary
- Attachment 4 – Project Narrative; Amenities and Services Letter
- Attachment 5 – Loan Application
- Attachment 6 – Financing, Budget/Sources and 30-Year Cash Flow Analysis
- Attachment 7 – General Plan Housing Policies
- Attachment 8 – Projects Not Recommended for Funding at this Time
- Resolution – Dutton Flats

## CONTACT

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