

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: FRANK KASIMOV, PROGRAM SPECIALIST II  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: DUTTON FLATS – MODIFY PRIOR FUNDING COMMITMENT TO  
ALLOW FUNDS TO BE USED FOR ACQUISITION, PRE-  
DEVELOPMENT AND/OR CONSTRUCTION RELATED COSTS AND TO  
EXTEND CONSTRUCTION DATES – 206, 208 AND 214 WEST THIRD  
STREET

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, modify a prior funding commitment of funds in the amount of \$3,100,000 to Dutton Flats, LP to 1) allow funds to be utilized for all project costs including acquisition, predevelopment and/or construction-related costs, and 2) extend the construction start and completion dates by two months related to 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 Focused Notice of Funding Availability announcing approximately \$3,700,000 million of funds for affordable housing, the Housing Authority approved a conditional commitment of loan funds for construction-related costs for Dutton Flats to Dutton Flats, LP (the "Developer"). The Project received an allocation of competitive 9% tax credits on September 25, 2019. On December 2, 2019 2019, the Developer requested that the Housing Authority modify the prior approval to allow the funds to be utilized for all project costs, which include acquisition, predevelopment and/ or construction. In addition, the Developer requested that the construction start and completion dates be extended by two months (to March 31, 2020, and May 31, 2021, respectively), which will provide flexibility in the closing date for other Project funding (see Attachment 1).

BACKGROUND

On June 17, 2019, the Housing Authority considered six applications for approximately \$3,700,000 of available local funds for new affordable housing. The focus of the Notice of Funding Availability ("NOFA") was to assist projects in obtaining either a competitive 9% Tax Credit allocation from the California Tax Credit Allocation Committee or funding from the competitive State Multifamily Housing Program. The Housing Authority adopted Resolution No. 1666 conditionally committing loan funds in the amount of \$3,100,000 to Dutton Flats, LP, for construction-related costs of the Dutton Flats (the "Project"), as requested by the Developer

(see Attachment 2). On September 25, 2019, the California Tax Credit Allocation Committee allocated competitive 9% tax credits to the Project. The Developer is on schedule to start construction by the end of January 2020.

### **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 at the southeast corner of West Third Street and Dutton Avenue within the Downtown Station Area Specific Plan area, a Priority Development Area, specifically, 206, 208 and 214 West Third Street (APN's 125-061-026, 125-061-027 and 125-061-028) (see Attachment 3). The site is located in close proximity to transit, groceries, personal services, retail and two off-site bicycle/pedestrian paths.

The Project will incorporate amenities including a computer lab and computers, fitness center, recreational areas for young children and for teenagers, a storage area for 82 bicycles, a bicycle repair area and an on-site resident services coordinator to assist residents and to coordinate computer, language and financial management classes.

### **ANALYSIS**

In response to the NOFA, Dutton Flats, LP, requested that the Housing Authority commit loan funds in the amount of \$3,100,000 specifically for construction-related costs. On June 17, 2019, the Housing Authority approved a conditional commitment of loan funds to the Developer for the requested purpose.

On December 2, 2019, the Developer requested that the Housing Authority modify terms of the prior approval to allow the funds to be utilized for all project costs, which include acquisition, predevelopment and/ or construction, and to extend the construction start and completion dates by two months to March 31, 2020, and May 31, 2021, respectively. Although the Developer is currently on track to start construction by January 31, 2020, as approved by Resolution No. 1666, extending the start date (and corresponding completion date) will allow flexibility in the closing date for other Project funding.

Flexibility to use the loan funds to for all Dutton Flats costs will facilitate the property acquisition by December 31, 2019, to avoid an additional \$50,000 purchase cost (see Attachment 4). This purchase date is a grace period of several weeks approved by the seller.

**Loan Terms.** The loan amount is \$3,100,000 at three percent (3%) simple interest per annum 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.

### PRIOR HOUSING AUTHORITY REVIEW

On June 17, 2019, the Housing Authority adopted Resolution No. 1666 conditionally committing \$3,100,000 of loan funds to the Developer for the Project.

### 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 was made for 40 units at Dutton Flats by Resolution No. 1666.

### FISCAL IMPACT

The funds are included in the Housing Authority's 2019-2020 budget and were committed by Resolution No. 1666.

### ENVIRONMENTAL IMPACT

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. On June 20, 2019, the Zoning Administrator approved Resolution No. DR19-028, approving a design review application and determining that the Project has been reviewed in compliance with the California Environmental Policy Act ("CEQA") under California Government Code Section 65457 and Section 15182 (Residential Projects Pursuant to a Specific Plan) of the State CEQA Guidelines. As this proposed action would facilitate the Dutton Flats project, it can be found within the scope of the previous project. Therefore, no additional environmental review is required.

### 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

The Developer was notified of the meeting.

### ATTACHMENTS

- Attachment 1 – Developer's request
- Attachment 2 – Housing Authority Resolution No. 1666
- Attachment 3 – Aerial location graphic
- Attachment 4 – Letter regarding \$50,000 additional cost
- Resolution

### CONTACT

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