

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: FRANK KASIMOV, PROGRAM SPECIALIST II
HOUSING AND COMMUNITY SERVICES
SUBJECT: 2019-2020 HOUSING AUTHORITY LOAN AND PROJECT BASED
VOUCHER NOTICE OF FUNDING AVAILABILITY FUNDING
RECOMMENDATIONS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by a Housing Authority Ad Hoc Committee and the Housing and Community Services Department that the Housing Authority, by resolution, 1) approve a Further Advance of loan funds to Community Action Partnership of Sonoma County ("CAPSC") for rehabilitation of 400 Earle Street in the amount of \$129,778 and extend the existing loan term to start a new 55-year term; 2) approve a Further Advance of loan funds to CAPSC for rehabilitation of 2602 Giffen Avenue in the amount of \$103,712 and extend the existing loan term to start a new 55-year term; and 3) approve a conditional grant of HOME Investment Partnerships Program funds to Community Housing Sonoma County for Community Housing Development Organization ("CHDO") operational funds in the amount of \$33,000.

EXECUTIVE SUMMARY

The Housing Authority issued the 2019-2020 Notice of Funding Availability ("NOFA") announcing the availability of \$2,479,000 of local and federal funds and 75 Project Based Vouchers ("PBVs") for affordable housing. In response to the NOFA, issued August 6, 2019, the Housing Authority received 11 project applications and one application from a CHDO for operational funds. The requests total \$13,077,050, more than five times the available funding. In addition, there are requests for 128 PBVs, 53 more than available.

A NOFA Ad Hoc Committee and staff recommend funding two rehabilitation projects and operational funds for the CHDO. These projects did not request PBVs. Five projects are not recommended for funding at this time but are being further reviewed for consideration at the January 2020 Housing Authority meeting. The recommendations are based upon the selection criteria set forth in the NOFA, and the restrictions, eligibility, procedures and rules of the federal funding sources. Four projects are not receiving further review due to funding eligibility constraints or not meeting significant funding criteria set forth in the NOFA.

BACKGROUND

The NOFA (see Attachment 1), issued August 6, 2019, announced the availability of \$2,479,000 of local and federal funds as follows:

Funding Source	Amount
Community Development Block Grant ("CDBG")	\$1,100,000
HOME Investment Partnerships Program ("HOME")	\$589,000
HOME CHDO	\$100,000
Local funds	\$690,000
TOTAL	\$2,479,000

The Housing Authority chair appointed commissioners Owen and Test to a NOFA Ad Hoc Committee. The Committee and staff reviewed the applications on November 21, 2019, to make funding recommendations to the Housing Authority.

ANALYSIS

Twelve applications were submitted seeking \$13,077,050, more than five times the available funding. In addition, the applications requested 128 PBVs, 53 more than available.

Federal funding sources and PBVs have restrictions, program rules, deadlines for use of funds and eligibility requirements. For example:

- CDBG and HOME have time constraints for commitment and expenditure of the funds;
- HOME funds must be the last funds in the project budget to fill a remaining funding gap;
- CDBG funds cannot be used for new residential construction;
- CDBG, HOME and PBVs trigger federal environmental review (in addition to state environmental review);
- CDBG, HOME and PBVs may trigger Davis Bacon prevailing wages and associated labor monitoring;
- PBVs are limited by program (i.e., citywide) and project, with certain exceptions; and
- HOME rules require that funds be set aside for CHDO affordable housing activities and allow limited funds to be used for special assistance to CHDOs.

As set forth in the NOFA, evaluation criteria include project readiness; financial feasibility of the project; qualifications, capability and expertise of the development team to finance, design, build/rehabilitate and manage affordable housing; affordability levels; number of units; unit mix (number of bedrooms); any information requested in the Loan Application; Housing Authority policies; and preferences; and completeness, accuracy, and quality of the proposal/application. The Housing Authority reserves the right to weigh certain selection criteria over others.

Eligible projects include land acquisition, predevelopment, new construction, rehabilitation (with or without acquisition), conversion from market rate, or preservation for extremely low, very low and low-income households. Funds may be used for rental and/or ownership projects. Mixed-use projects (containing both residential and nonresidential space) are eligible, however, the non-residential component of the project must be self-supporting.

Based upon the Selection Criteria and the federal funding program criteria, the following are recommended for funding at this time. Two of the properties are small rehabilitation projects to preserve the physical structures and to improve the quality of life for the residents. The third is operational funds for a CHDO as allowed by HOME rules.

Recommended for Funding

Project Name	Applicant	Location / Quadrant	Number of Units	Amount Requested
CAPSC Rental Rehabilitation Earle	Community Action Partnership of Sonoma County	400 Earle St / SE	8	\$129,778
CAPSC Rental Rehabilitation Giffen	Community Action Partnership of Sonoma County	2602 Giffen St / SW	1	\$103,712
CHSC HOME CHDO Operating Funds	Community Housing Sonoma County	131-A Stony Circle, Suite 500	N/A	\$50,000
Total			9	\$283,490

CAPSC Rental Rehabilitation Earle – 400 Earle Street

CAPSC Rental Rehabilitation Earle (“Earle”), located at 400 Earle Street (see Attachment 2), APN 037-131-027, is the rehabilitation of an existing facility with eight 1-bedroom units targeted to households with income up to 50% of Area Median Income (“AMI”). The project is owned and operated by Community Action Partnership of Sonoma County. The Earle loan application is attached as Attachment 3 and a Project Summary as Attachment 4.

The scope of rehabilitation work includes installing new roofing on the main structure and the carport, installing new gutter and downspouts on the carport, repairing water damage on front gables and carport flashing, replacing eight wall furnaces and thermostats, repairing asphalt cracks and applying seal coat, and grinding displaced edges on concrete sidewalks. The rehabilitation work was bid by a general contractor and will take approximately 3 months to complete.

The project is eligible and meets selection criteria, including for example, project readiness; financial feasibility of the project; qualifications, capability and expertise of the owner to carry out the rehabilitation project through a contract with a general contractor; the owner’s demonstrated ability to manage the project for very-low income residents.

The Housing Authority previously committed \$175,000 of HOME CHDO funds to the project in 1988 and a made a further commitment of \$37,626 of HOME funds in 1989 (the “Prior Loans”), both of which are due with interest in May 2029. Other debt on the property is a mortgage loan with Luther Burbank Savings. The note is payable in monthly installments of \$1,679 through October 2029. As of September 2019, the outstanding principal balance was \$152,129.

Loan Terms. The amount of the Further Advance is \$129,778. 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 commences with the recordation of the deed of trust. Affordability restrictions will be recorded in a Regulatory Agreement for a 55-year term. The applicant has requested that the term of the Prior Loans in the amount of \$212,626 be extended with a new 55-year term to align the new loan. The total principal balance of the Prior Loans and Further Advance is \$342,404.

CAPSC Rental Rehabilitation Giffen - 2602 Giffen Avenue

CAPSC Rental Rehabilitation Giffen ("Giffen"), located at 2602 Giffen Avenue (see Attachment 5), APN 035-610-037, is one unit with 12 bedrooms (one used as an office) targeted to women with or without children who are coming out of homelessness with incomes up to 50% AMI. The project is owned and operated by Community Action Partnership of Sonoma County. The Giffen loan application is attached as Attachment 6 and a Project Summary as Attachment 7.

The scope of rehabilitation work includes replacing wood fences and gates; replacing a bath tub, bath fans, and bath light fixtures with LED fixtures; replacing 11 windows; removing trees and grinding stumps; removing and replacing the patio; repairing the storage/laundry structure; replacing the rear door and frame on the house; and resurfacing the front and rear decks. The rehabilitation work was bid by a general contractor and will take approximately 3 months to complete.

The house was built in 1961 and, therefore, it is possible that there may be lead or asbestos containing materials; the owner is responsible to identify and mitigate any hazardous materials that may be disturbed during the rehabilitation process.

The project is eligible and meets selection criteria, including for example, project readiness; financial feasibility of the project; qualifications, capability and expertise of the owner to carry out the rehabilitation project through a contract with a general contractor; the owner's demonstrated ability to manage the project for very-low income special needs residents.

The Housing Authority previously committed \$175,000 of HOME funds to the project in 1998 (the "Prior Loan"), which is due with interest in January 2030. Other debt on the property includes a Sonoma County Community Development Commission Loan in the principal amount of \$143,343 and a mortgage loan with Luther Burbank Savings ("LBS"), payable in monthly installments of \$1,165 through April 2030. As of September 2019, the outstanding principal balance was \$95,912.

Pursuant to the regulatory agreement and HOME regulations, maximum rents may not exceed low HOME rents for a single room occupancy unit, which, by HOME regulation, is 75% of fair market rent, or \$941. Actual rents are \$650 or less.

Loan Terms. The amount of the Further Advance is \$103,712. The terms of the new loan 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 commences with the recordation of the deed of trust. Affordability restrictions will be recorded in a Regulatory Agreement for a 55-year term. The applicant has requested that the loan term of the prior loan be extended to start a new 55-year term to align with the new loan. The total principal balance

of the Prior Loan and the Further Advance is \$247,598.

Goals and Policies. Rehabilitation of Earle and Giffen are consistent with several General Plan affordable housing policies and, therefore, public objectives to meet community needs with housing for low-income households, including:

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-B-1 Rehabilitate 500 housing units annually through the city's rehabilitation programs, focusing on very low- and low-income beneficiaries.

H-C-5 Continue to provide funding for affordable housing projects, particularly if a portion of the project units are targeted to extremely low-income households.

CHSC HOME CHDO Operating Funds

HOME rules require the Participating Jurisdiction ("PJ" or "City") to set aside at least 15 percent of the PJ's annual HOME allocation for CHDO activities in affordable housing, when the CHDO serves as owner, sponsor and/or developer. HOME rules also allow a PJ to provide special assistance to support and build the capacity of CHDOs. For example, the PJ may provide up to 5 percent of its annual HOME allocation for CHDO operational assistance, such as, salaries, rent, training, etc. The assistance may not exceed the greater of \$50,000 or 50% of the CHDO's total annual operating expenses for that year. These funds help operational costs of a CHDO organization that serves homeless veterans and other special needs clients.

Grant Terms. This a grant of HOME funds in the amount of \$33,000. The grant is conditional upon an amendment to the 19/20 Action Plan.

PRIOR HOUSING AUTHORITY REVIEW

Earle Street

The Housing Authority adopted the following resolutions for Earle:

- Resolution No. 1028 on November 23, 1998, committing \$175,000 of HOME CHDO funds to acquire a partially completed eight-unit project;
- Resolution No. 1038 on March 22, 1999, committing additional HOME funds in the amount of \$37,626.
- Resolution No. 1562 on June 10, 2013, approving a change of use from transitional housing to permanent supportive housing.

Giffen Avenue

The Housing Authority adopted the following resolutions for Giffen:

- Resolution No. 990 on May 20, 1998, in the amount of \$143,886 to acquire an existing

- 12-bedroom home for transitional housing for women with or without children;
- Resolution No. 1035 on March 22, 1999, extending the closing date by 3 months;
- Resolution No. 1048 on June 14, 1999, extending the closing date by 6 months
- Resolution No. 1082 on December 20, 1999, modifying the loan terms to share 100% of surplus cash with the County of Sonoma base upon pro rata loan amounts (51% for the Housing Authority and 49% for the County).
- Resolution No. 1086 on March 6, 2000, extending the closing date by 4 months
- Resolution No. 1560 on June 10, 2013, approving a loan in the amount of \$103,933 for costs associated with the transfer of ownership, change of use from transitional supportive housing for women to co-ed transitional housing for formerly homeless adults, and rehabilitation of the property.
- Resolution No. 1579 on June 17, 2014, rescinding Resolution No. 1560.

Organization Name Change

The borrower changed names in 2002. Sonoma County People for Economic Opportunity filed an amendment to its Articles of Incorporation with the California Secretary of State in April 2002 changing its name to Community Action Sonoma County and filed another amendment in December 2002 changing the name to Community Action Partnership of Sonoma County.

PROJECTS TO BE FURTHER REVIEWED

Five projects are not recommended for funding at this time but are being further reviewed for consideration at the January 2020 Housing Authority meeting:

Projects Receiving Further Review

Project Name	Applicant	Location / Quadrant	Number of Units	Amount Requested	PBVs Requested
Del Nido Apartments	Eden Development Inc.	850 Russell Ave / NW	206	\$1,000,000	8
Hearn Veterans Village	Community Housing Sonoma County	2149 West Hearn Ave / SW	24	\$845,560	0
Boyd Street Apartments	Danco Communities	811 Boyd Street / SW	46	\$2,479,000	0
Linda Tunis Senior Apartments	PEP Housing	600 Acacia Lane / NE	26	\$690,000	8
Cannery at Railroad Square	Santa Rosa Cannery, LLC	3 West 3rd St and 60 West 6th St / NW	114	\$2,379,000	57
Total			416	\$7,393,560	73

NO FURTHER REVIEW

Due to funding eligibility constraints or limitations and/or not meeting significant funding criteria, four projects will not be considered in any further review under this NOFA:

Projects Receiving No Further Review

Project Name	Applicant	Location / Quadrant	Number of Units	Amount Requested	PBVs Requested
Caritas Homes Phase 1	Burbank Housing Development Corp.	A Street and 7th Street / NE	64	\$0	33
Not ready: Environmental Impact Report not complete; needs major City Council approvals and EIR certification; Ties up 44% of the PBVs for several years before they can be used.					
Crossings on Middle Rincon	A0711 Santa Rosa, L.P. (UHC)	77 Middle Rincon Rd. 4801, 4847 Sonoma Hwy / NE	89	\$2,000,000	22
Not ready: applicant halted federal environmental review (NEPA) pending completion of wetlands study; 96% of funds are unsecured / non-committed; entitlement applications have not been submitted. Not eligible for federal funding sources.					
Colgan Creek Village, Phase 1	Habitat for Humanity of Sonoma County	3011 Dutton Meadow / SW	65	\$2,400,000	0
Not ready: 100% of the funding is unsecured / non-committed. Capacity concerns: Organization has "paused" operations as of November 25, 2019 due to financial issues. Concentration of affordable housing: next to Lantana, across street from Colgan Meadows. Not eligible for federal funding sources.					
Quail Run Apartments	Eden Development Inc.	1018 Bellevue Ave / SE	200	\$1,000,000	0
For TEFRA public hearing (needed for issuance of tax-exempt bonds), 10 days prior to NOFA application due date, applicant presented a proforma with a fully funded project with no additional Housing Authority funding. That proforma is being reviewed by the state tax credit and bond allocation committees.					
Total			418	\$5,400,000	55

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 is not required for rehabilitation.

FISCAL IMPACT

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

ENVIRONMENTAL IMPACT

Rehabilitation of Earle and Giffen involve no expansion of use and are exempt from environmental review pursuant to the to the California Environmental Policy Act ("CEQA") Class 1, Section 15301 – Existing Facilities.

Approval of operational funds is exempt from 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

The Housing Authority chair appointed commissioners Test and Owner to a NOFA Ad Hoc Committee. The Committee and staff reviewed the applications on November 21, 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 – Earle Locational Graphic
- Attachment 3 – Loan Application Earle
- Attachment 4 – Project Summary Earle
- Attachment 5 –Giffen Locational Graphic
- Attachment 6 – Loan Application Giffen
- Attachment 7 – Project Summary Giffen
- Resolution Earle
- Resolution Giffen
- Resolution Community Housing Sonoma County - CHDO

CONTACT

Frank Kasimov, fkasimov@srcity.org (707) 543-3465.