

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: MEGAN BASINGER, DIRECTOR
SUBJECT: APPROVAL OF TRANSFER OF OWNERSHIP AND
ASSUMPTION OF HOUSING AUTHORITY LOANS AND
REGULATORY AGREEMENT FOR EARLE STREET
APARTMENTS – 400 EARLE STREET

AGENDA ACTION: RESOLUTION

RECOMMENDATION

The Housing and Community Services Department recommends that the Housing Authority, by resolution, conditionally approve the following for Earle Street Apartments, located at 400 Earle Street: 1) transfer of ownership from Sonoma Community Action Network (Sonoma CAN, formerly Community Action Partnership of Sonoma County) to Humanity Housing North Bay (HHNB); 2) assumption of the Housing Authority's Regulatory Agreement and loans, in the principal amount of \$341,650 by HHNB; and 3) subordination of the Housing Authority loans to a first mortgage, in the approximate amount of \$600,000, to allow HHNB to purchase the property.

EXECUTIVE SUMMARY

Sonoma CAN is selling 400 Earle Street, known as Earle Street Apartments (Project), and has entered into a letter of intent (LOI) with HHNB, a local non-profit organization focused on preserving and strengthening affordable housing in Sonoma County. The Project is an eight (8) unit apartment complex affordable to households with incomes up to 50% of area median income (AMI). The Housing Authority has two (2) loans on the property, in the principal amount of \$341,650, maturing on September 16, 2075, and a Regulatory Agreement securing affordability for the same term. Subject to Housing Authority approval, Sonoma CAN and HHNB will enter into a purchase agreement for the property. As part of this transaction, HHNB is seeking the Housing Authority's approval to assume the loans and Regulatory Agreement and to subordinate to a first mortgage, in the approximate amount of \$600,000, to allow HHNB to purchase the property.

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BACKGROUND

The Project consists of eight (8) one-bedroom units affordable to households up to 50% AMI, secured by a Regulatory Agreement to September 16, 2075. The balance of the Housing Authority loans as of November 30, 2025 is \$533,294 (\$341,650 principal plus \$191,644 interest).

Sonoma CAN is no longer interested in being a housing provider and has decided to sell its properties, including those with Housing Authority loans and Regulatory Agreements (Aston Avenue Apartments, Earle Street Apartments, Given Avenue Transitional Housing, and Sloan House Shelter). Sonoma CAN has entered into a LOI with HHNB for the Project. Sale of the property and assumption of the Housing Authority's Regulatory Agreement and loans by a new owner requires Housing Authority approval.

PRIOR HOUSING AUTHORITY REVIEW

On November 23, 1998, the Housing Authority, by Resolution Number 1028, approved a loan in the amount of \$175,000 for the development of the Project, three percent (3%) interest, residual cash receipts, deferred for thirty (30) years and due on December 29, 2028.

On March 22, 1999, the Housing Authority, by Resolution Number 1038, approved a further advance for the Project in the amount of \$37,626 under the same terms.

On December 16, 2019, the Housing Authority, by Resolution Number 1677, approved a further advance for the Project in the amount of \$129,778 for rehabilitation improvements, three percent (3%) interest, residual cash receipts and extended the term of the loans and Regulatory Agreement by 55 years to September 16, 2075.

ANALYSIS

Per the LOI, HHNB proposes to purchase the property for \$1.2 million with a first mortgage in the approximate amount of \$600,000 (6% amortized for 30 years) plus the existing Housing Authority loans (\$533,294 as of November 30, 2025). The balance (approximately \$66,000) will be provided by an investor which HHNB is currently working to finalize.

Assuming the value of the property is \$1.2 million, this results in a Loan-to-Value ratio of 0.94 and Debt Service Coverage Ratio of 1.30 based on an estimated Net Operating Income of \$56,019. An appraisal of the property is pending Housing Authority approval and execution of a purchase agreement between Sonoma CAN and HHNB.

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HHNB was founded by the owners of The Palms, a 104-unit permanent supportive housing (PSH) property in Santa Rosa which opened in 2016. Staff have reviewed the 2024 and 2025 financial statements for The Palms and projected operating pro-forma for the Project which demonstrate capacity to maintain and operate the properties.

Subject to Housing Authority approval, and completion of HHNB's due diligence and loan approval for a first mortgage, HHNB will complete the purchase of the property and assumption of the Housing Authority's loans and Regulatory Agreement.

HHNB will continue to operate the property as affordable housing consistent with the terms of the Housing Authority's Regulatory Agreement. Approval of this item supports the long-term preservation of affordable housing in Santa Rosa.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the Housing Authority's budget.

ENVIRONMENTAL IMPACT

The Housing Authority finds that the proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not Applicable.

NOTIFICATION

Sonoma CAN and HHNB have been notified of the meeting.

ATTACHMENTS

- Resolution
- Letter from HHNB, November 5, 2025

PRESENTER

Koy Stewart, Program Specialist