



## SUMMARY REPORT

---

**Agenda Date:** 2/4/2020

---

**To:** Sonoma County Board of Supervisors; Board of Commissioners of the Community Development Commission

**Department or Agency Name(s):** Community Development Commission

**Staff Name and Phone Number:** Benjamin Wickham, 707-565-7542;

**Vote Requirement:** Majority

**Supervisory District(s):** All

**Title:**

Continuum of Housing Funding 2020

**Recommended Action:**

Board of Commissioners:

- A) Approve recommendation from the Community Development Commission and the Community Development Committee to award \$2.6 million in County Fund for Housing (CFH) 2019-2020;
- B) Approve a resolution of the Sonoma County Community Development Commission authorizing the Executive Director to apply to the California State Department of Housing and Community Development ("HCD") for up to \$2,000,000 of CalHome funds for the Sonoma County CalHome Owner-Occupied Housing Rehabilitation Program, to supply any related documents necessary to participate in the CalHome Program and sign the CalHome Standard Agreement at such time as the application is approved and any amendments thereto;
- C) Adopt a resolution authorizing the Commission to accept funds, in an amount not to exceed \$30,000,000, from State of California's Infill Infrastructure Grant, pending application approval and award of funds, to pay for infrastructure improvements at the Roseland Village development project, a 7-acre site located at 665 Sebastopol Road, Santa Rosa.

Board of Supervisors:

- A) Approve modified scope of work for utilization of \$400,000 previously awarded to Housing Land Trust of Sonoma County (HLT) from FY 2017-18 Transient Occupancy Tax (TOT) funds;
- B) Authorize the Commission to execute documents necessary to assign Sonoma County's annual private-activity revenue bonds debt limit allocation for single-family homebuyer programs to finance a Mortgage Credit Certificate Program (MCC) for 2020 allowing first-time home buyers in Sonoma County to access the MCC program administered by Golden State Finance Authority. Sonoma County is eligible to participate by means of a pre-existing Joint Powers Agreement.

**Executive Summary:**

The Board of Supervisors has prioritized the need to expand opportunities for affordable housing in Sonoma County. The County faces an acute housing shortage, made even more challenging by fire and flood disasters in 2017 and 2019. This acute housing shortage makes the deployment of federal, state and local funding for affordable housing an incredibly important resource.

The Affordable Housing Package brought before the Board in 2019 has yielded substantial positive results (see

“Summary of Accomplishments from Affordable Housing Package 2019” below).

The Sonoma County Community Development Commission (Commission) is now bringing forward a series of actions related to the funding and creation of affordable housing that will result in substantial new housing resources for residents of Sonoma County. These new actions for the year 2020 involve: (1) the award of \$2.6 million in local funds to support the development of new affordable housing; (2) approval of a resolution authorizing the Commission to apply for and accept up to \$2,000,000 in CalHome funds for the owner-occupied housing rehabilitation program; (3) approval of a resolution authorizing the Commission to apply for and accept funds from State of California’s Infill Infrastructure Grant for infrastructure improvements at Roseland Village; (4) approval of a modification to the projects and locations utilizing \$400,000 of Transient Occupancy Tax funds awarded to HLT in December, 2017; (5) approval to assign Sonoma County’s Mortgage Credit Certificate (MCC) Program allocation to Golden State Finance Authority (GSFA), allowing Sonoma County first-time home buyers to access the MCC program administered by GSFA via the Commission.

**Discussion:**

**Summary of Accomplishments from Affordable Housing Package 2019**

The actions included in the board item, “Affordable Housing Package”, presented to and approved by the Board of Supervisors in December 2018, have resulted in the following accomplishments:

1. **Roseland Village:** 7-acre master development in Roseland, including 75 units of affordable multifamily housing by MidPen Housing, received land use and environmental entitlements approvals and is now pursuing approvals and permits necessary to proceed with construction of public improvements on the site with the goal of breaking ground later this year.
2. **Lantana Homes:** 48-unit development of affordable single-family homes by Burbank Housing Development Corporation in west Santa Rosa. The Commission has closed on financing and the project is now under construction.
3. **Altamira Apartments:** 47-unit affordable housing development in the City of Sonoma received an award of 9% tax credits. The Commission closed on all financing, and the developer, Satellite Affordable Housing Associates, broke ground on December 2, 2019.
4. **The Living Room:** 3-bedroom group home was purchased by The Living Room, Inc., and is currently providing housing for formerly homeless women.
5. **Caritas Housing and College Avenue Permanent Supportive Housing:** Over \$20 million in No-Place-Like-Home funding was awarded by the state into two permanent supportive housing development projects which will result in 114 new deeply affordable units; one of these projects, College Avenue Permanent Supportive Housing, developed by DanCo Communities, recently received a 9% tax credit award and intends to close on financing this Spring, with construction commencing shortly thereafter. The other project, Caritas Housing, developed by Burbank Housing Development Corporation and Catholic Charities, is nearing completion of land use and environmental entitlements.
6. **Sonoma County Housing Authority:** 93 households in 4 different housing communities are being assisted, or will be assisted in the coming year as contracts are finalized, using project-based vouchers awarded by the Housing Authority.

**Details of Affordable Housing Package 2020**

**1. County Fund for Housing:**

Approval of this portion of the agenda item will accelerate development of desperately needed affordable rental housing by providing \$2.6 million in loans for the construction of a total of 135 new housing units throughout Sonoma County. Loan financing will be sourced from the County Fund for Housing (CFH), which is funded annually with developer in-lieu fees and other sources. CFH has been an extremely effective local funding source that serves to attract state and federal dollars at a rate of over \$10 to every \$1 of local funding. Competitive state and federal funding sources generally require evidence of matching local funds, with a scoring premium for projects demonstrating higher amounts of local investment. Over the past 10 years, CFH dollars awarded into projects have served to leverage over \$250 million in housing investment into Sonoma County, creating hundreds of new high quality, affordable homes.

On July 15, 2019, the Commission issued a Notice of Funding Availability (NOFA) in the amount of \$3 million. The Commission received applications requesting a total of \$12.97M for 8 eligible housing development projects. All of the applications received by the Commission are designated for worthwhile housing development projects, meeting County objectives for the use of CFH funding.

In the weeks following the application submittal due date of August 23, 2019, staff from the Commission's Housing and Neighborhood Investments Team carefully reviewed all applications to ensure eligibility for CFH funding and to rank projects based on the priorities listed in the NOFA. Staff presented their recommendations to the Community Development Committee on October 16, 2019 and again on November 20, 2019. The Community Development Committee thoroughly reviewed these recommendations, approving all projects recommended for funding. The three development projects recommended for funding were determined to most robustly meet the priorities highlighted in the Commission's NOFA:

- *Projects that demonstrate CFH funds must be leveraged against total development costs at least 7:1*
- *Projects demonstrating advanced readiness via (a) land use and environmental entitlements; (b) financing commitments; (c) permitting*
- *Project developers who can demonstrate previous success obtaining federal tax credits and/or state funding to develop housing within the last seven years*
- *Projects that can demonstrate existing support from other jurisdictions via letters of support, funding commitments, etc.*

Project Name	Units	Location	Housing Type	Recommended Funding
River City Apartments	54	Petaluma	Multifamily rental seniors	\$600,000

---

414 Petaluma	40	Petaluma	Multifamily rental	\$500,000
Mill District Apartments	41	Healdsburg	Multifamily rental	\$1,500,000

The projects recommended by the Commission and the Community Development Committee for funding are as follows (see attached PowerPoint for a full list of projects applying for CFH funding in this round):

**River City Apartments:** River City Apartments will be built on a 1.3 acre site in Petaluma, along the Petaluma River, and includes 53 one-bedroom units and 1 two-bedroom manager unit. All residential units will be rented to low-income seniors, age 55 and older, with 19 units set aside for Veterans. The project will incorporate various amenities for residents including a community room with full kitchen, raised garden beds, a wellness center and a fenced dog run. A community gazebo and outdoor patio will be available outside the community center and adjacent to the Petaluma River, where residents can enjoy the comfort and view of the river and Sonoma Mountain along a pedestrian path.

*Project highlights:*

- River City Apartments will provide rental opportunities targeted for seniors that are low-and extremely low-income
- This project will also provide 19 units set aside for Veterans
- This development addresses an acute need for permanent supportive housing by supplying 19 permanent supportive housing units
- The project provides leveraging of CFH funds at a ratio of 28:1. (\$900,000 in HEAP funds are also committed to this project)
- The development provides an excellent opportunity for collaboration between Sonoma County and the City of Petaluma, which has committed \$1.8M in local funds to the River City project

**414 Petaluma:** 414 Petaluma Apartments is a 40-unit affordable housing development on an infill site just north of historic downtown Petaluma. The site is well situated within walking distance from the heart of downtown Petaluma; it is located within a half-mile or less from key amenities such as grocery stores, pharmacies, parks, bus service and the Petaluma SMART Station. The 414 Petaluma Apartments project will revitalize an underutilized site into desperately needed affordable housing for low-income families. This project will site affordable housing in a ‘high opportunity area’, providing low-income families with children an opportunity to access amenities and community attributes that are believed to increase economic mobility for residents and their children. (Note: there are several different definitions of what high opportunity areas can be. Harvard’s Opportunity Insights defines them as: high mobility areas, where residents and their children will benefit from upward income mobility).

*Project highlights:*

- MidPen Housing has a successful track record in obtaining federal tax credits
- 414 Petaluma will create 41 new affordable 1-, 2- and 3-bedroom apartments in a 'high opportunity area'
- This affordable housing project proposes to include resident services providing homework assistance, literacy development, academic enrichment, computer training, vocational and career development, fitness and health education programs, referrals to social services, and volunteer opportunities and training for individuals and families.
- The developer, MidPen Housing, has extensive experience with comparable developments throughout Sonoma County and the Bay Area. MidPen Housing has established a regional office in Santa Rosa, providing local full-time staff to support the 414 Petaluma project development and ensuring that it will receive focused attention through project completion

**Mill District:** Mill District Apartments is an affordable housing, ground-up project that is part of a larger master development in Healdsburg, another high opportunity area in Sonoma County. The project will consist of 41 units in a four-story building with on-site parking, a community garden and a resident multipurpose room. The unit composition is 1-, 2-, and 3-bedroom units, with first- and fourth-floor flats; and second-floor townhome-style apartments, extending to the third level. (Although total project costs are above average due to extremely high land costs, other project-related cost factors are within the range Commission staff is seeing for affordable housing in Sonoma County).

*Project highlights:*

- Mill District will create 41 new units with deep affordability in an amenity-rich area of Healdsburg, ranging from Extremely Low at 30% Area Median Income to Moderate Income at 80% Area Median Income.
- Eden Housing has committed to set aside 7 for Reach for Home, a local nonprofit providing services to individuals coming out of homelessness.
- The development is projected to leverage County funds at a ratio of 22:1.
- The project has completed land use and environmental entitlements and is ready to move to permitting once fully funded.
- Eden Housing has extensive experience completing high-quality affordable housing development projects in the North Bay.

***2. Adopt a resolution authorizing the Commission to apply for and accept CalHOME funds:***

The California Department of Housing and Community Development ("HCD") published a Notice of Funding Availability ("NOFA") on December 23, 2019 announcing the availability of approximately \$57 million to provide funding to local public agencies for owner-occupied housing rehabilitation activities under the CalHome Program. The maximum funding amount is \$5,000,000. Commission staff is

prepared to submit an application in the amount of \$1,000,000. The resolution is for up to \$2,000,000 to allow for any changes in awards or qualifications. The CalHome funding will augment the Community Development Block Grant ("CDBG") and Redevelopment fund allocations for the Housing Rehabilitation Program.

If the Commission's application is successful and the funds are secured, the CalHome Program funding will be used to provide housing rehabilitation loans to owner-occupants with incomes equal to or less than 80% of the median area income to enable them to complete repairs necessary for health and safety in their homes. This program preserves affordable housing stock and keeps low income homeowners in their homes.

### ***3. Infill Infrastructure Grant-Roseland Village Development:***

The State of California Department of Housing and Community Development issued a Notice of Funding Availability for Infill Infrastructure Grant in October 2019.

In conjunction with MidPen Housing, the master developer through the completion of the predevelopment stage, the Commission is co-sponsor of an application for an allocation of funds in an amount not to exceed \$30,000,000 (the "IIG Grant") to pay for infrastructure improvements at the Roseland Village development project, a 7-acre site located at 665 Sebastopol Road, Santa Rosa.

The Commission is requesting that, in connection with this IIG Grant, the Board approve the attached resolution authorizing the Commission to enter into, execute, and deliver a State of California Standard Agreement, and any and all other documents required or deemed necessary or appropriate to carry into effect the full intent and purpose of the IIG Grant, in order to evidence the IIG Grant, the Commission's obligations related thereto, and the Department's security therefore; including, but not limited to, an affordable housing covenant, a performance deed of trust, a disbursement agreement, and certain other documents required by the Department as security for, evidence of or pertaining to the IIG Grant, and all related amendments.

### ***4. Approve revised project locations and scopes for \$400,000 in TOT funds awarded to Housing Land Trust of Sonoma County (HLT) in FY 2017-2018***

On December 12, 2017, the Sonoma County Board of Supervisors approved Agenda Item #41, which included an award of \$400,000 in Transient Occupancy Tax (TOT) "workforce housing" funding to buy down affordability at six of the homes planned for construction at the Acacia Village subdivision in the City of Santa Rosa at a cost of \$50,000 per home; and to provide closing costs, as needed, in the amount of \$10,000 per home for qualified homebuyers of ten affordable single-family homes at the Brody Ranch housing development in Petaluma. The funding was designed to enable HLT to partner with the City and Developer to create homeownership opportunities for first-time homebuyers with

household incomes ranging from 81% to 120% of area median income (AMI).

The awarded TOT funds are intended to be a permanent subsidy which would be recycled in perpetuity through HLT's community land trust model. The TOT funds will be used to write down the prices of the homes by providing an up-front subsidy, which may include closing costs; this locks in the affordability and ties the initial price and future resales to a family's income, not market pricing. HLT's affordability restrictions will remain in place through a 99-year renewable ground lease to the homebuyers, ensuring the homes remain affordable to same income level in perpetuity.

*(1) Homes for the Essential Workforce Pilot Program in Rohnert Park-Background*

Due to extended delays in the development of the overall Acacia Village subdivision related to financing and land use entitlements, HLT has subsequently requested that the Commission redirect \$300,000 of these funds to a different program that achieves a similar result: HLT's "Homes for the Essential Workforce" pilot program. This is an affordable homeownership program in collaboration with the City of Rohnert Park that will use TOT funds as a permanent subsidy to buy down home prices and lock in affordability in perpetuity on four single-family homes in Rohnert Park at a cost of \$75,000 per unit.

On September 24, 2019, the Rohnert Park City Council approved \$200,000 from its Affordable Housing Linkage Fee fund for a pilot program that would initially assist the creation of four for-sale homes, in partnership with HLT. Under this pilot program, HLT's staff and a licensed realtor will identify existing homes for sale in Rohnert Park that, with the subsidy, would make them affordable to moderate-income homebuyers, with household incomes ranging from 81% to 120% of AMI. Research by the City and HLT staff has confirmed that there is a single-family home inventory available in Rohnert Park that will be suitable for the pilot program. Using its customary community land trust model, HLT will retain ownership of the land, and will steward and monitor the affordable units and subsequent resales over the course of the 99-year ground leases to the homebuyers.

Based on HLT's market research, it costs an average of \$100,000 per home to cover the "affordability" gap between what moderate-income owners can pay and market-rate costs, plus an additional \$25,000 for fees and other costs. The City funding for the pilot program will provide an average of \$50,000 for home, leaving an average remaining funding gap of \$75,000 required to achieve affordability which will be covered by awarded TOT funds.

*(2) Jamie Lane-Background*

The \$100,000 TOT funds awarded to Brody Village were not necessary to reach target levels of affordability due to market conditions at the time of closing on the 25 HLT homes located in this development. HLT has subsequently requested that the Commission approve transfer of the \$100,000 to the Jamie Lane affordable housing development, a new, five-unit development of affordable single-family homes in Cotati. These funds would be used to buy down affordability by paying for

entitlements and other hard project costs. This will reduce the overall cost of development and allow the homes to be affordable to moderate-income households (81% - 120% of Area Median Income). The average would be about \$20,000 per home of increased affordability.

**5. *Approve adding Sonoma County's California Debt Limit Allocation Committee allocation for the issuance of Mortgage Credit Certificates to Golden State Finance Authority's (GSFA) Mortgage Credit Certificate Program as part of the existing JPA***

**Background**

The Commission entered into a JPA with GSFA in 2018. This allows Sonoma County, via the Commission, to participate in a larger program administered by GSFA. The Commission will simply refer clients to GSFA's program, but will not actually administer any portion of the program. The JPA, which already has a number of other county participants, allows GSFA to pool bond allocations from multiple counties and provide substantial resources to first-time homebuyers. This allocation is currently going unused in Sonoma County.

State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) or mortgage credit certificates (MCCs) to assist first-time homebuyers to purchase homes. These agencies and authorities may issue MRBs, the proceeds of which back below market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. Homebuyers use the MCC to reduce their federal tax liability by applying the tax credit to their net tax due. Homebuyers may purchase single-family homes, either free-standing, detached homes; condominiums; or townhouses. Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations.

Each year the California Debt Limit Allocation Committee (CDLAC) allocates each county their per capita fair share portion of private activity bonds for single family housing. Sonoma County's per capita fair share for 2020 is \$3.2 million. This year, GSFA is requesting the assignment of Sonoma County's 2020 allocation of \$3.2 million in private activity bonds for first-time homebuyer MRBs or MCCs, in order to allow qualifying home buyers to participate in GSFA's upcoming 2020 MCC Program. Sonoma County is currently not providing this program through any local agency; therefore, this \$3.2 million in annual debt allocation has been unused.

***Who is eligible to receive a Mortgage Credit Certificate?***

- **Occupancy:** Home must be owner-occupied for the life of the MCC.
- **Income Limits:** Household income cannot exceed 115% of the Area Median Income (AMI), unless the household is purchasing a home in a federally-defined target area or high cost area.
- **Purchase Price Limits:** Home price cannot exceed 90% of the average area purchase price over the past 12 months, unless the home is located in a federally-defined target area.
- **First-Time Homebuyer:** Household must not have owned a home for three years prior to application, unless the household is purchasing a home in a federally-defined target area.

**Prior Board Actions:**

1. 12/11/2018: approve CFH awards for FY 18-19



2. 09/24/2019: authorize Commission to apply for WPC One-Time Housing Pilot program funds

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses	\$3,000,000		
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$3,000,000</b>		
<b>Funding Sources</b>			
General Fund/WA GF	\$2,500,000		
State/Federal			
Fees/Other	\$100,000		
Use of Fund Balance	\$400,000		
Contingencies			
<b>Total Sources</b>	<b>\$3,000,000</b>		

**Narrative Explanation of Fiscal Impacts:**

**FY 19-20 Adopted:** (1) Expenditures and funding were already appropriated in FY19-20 for current year County Fund for Housing awards totaling \$2.6M; (2) Budget authority to expend CalHome funds will be sought once funds are awarded and the exact amount is known; (3) Budget authority to expend IIG funds will be sought once funds are awarded and the exact amount is known; (4) Expenditures and funding appropriations are requested for FY19-20 for a TOT award totaling \$400,000; (5) There is no expenditure related to the Mortgage Credit Certificate.

**FY 20-21 Projected:** No impacts

**FY 21-22 Projected:** No impacts

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

None

**Attachments:**

- 1) County Fund for Housing awards-PowerPoint presentation
- 2) CalHome Grant resolution
- 3) Infill Infrastructure Grant resolution
- 4) HLT memo requested adjustment to TOT funding award project and scope
- 5) Sonoma County request to CDLAC to assign \$3.2M private activity bond allocation for 2020
- 6) Sonoma County attachment K (verification of conforming Housing Element and General Plan)

**Related Items “On File” with the Clerk of the Board:**

N/A