



SUMMARY REPORT

Agenda Date: 7/9/2019

To: Board of Commissioners of the Community Development Commission
Department or Agency Name(s): Sonoma County Community Development Commission
Staff Name and Phone Number: Benjamin Wickham, (707) 565-7542
Vote Requirement: Majority
Supervisory District(s): 4

Title:

Award an additional \$1.2 million in County Fund for Housing dollars for the construction of Windsor Veteran's Village, a 60-unit multi-family housing development in Windsor, resulting in a total award of \$1.95 million.

Recommended Action:

- (1) Authorize the Executive Director of the Sonoma County Community Development Commission (Commission) to make an out-of-cycle award of \$1.2 million from the County Fund for Housing (CFH) to Windsor Veterans Village.
- (2) Authorize the Executive Director of the Commission to execute all necessary loan documents consistent with Commission Loan Policies, and with review and approval of County Counsel.
- (3) Authorize the Executive Director to enter into an agreement with A0690 Windsor, L.P. for six Project Based Vouchers for the Windsor Veterans Village.

Executive Summary:

The purpose of item is to make an out-of-cycle award of CFH to the subject property to fill a development budget gap resulting from construction costs increases. If we are not able to close the gap with this award, the project risks losing other key funding awards, including \$12.8 million in Federal 4% Low Income Housing Tax Credits (LIHTC), and \$9.9 million in State Veterans Housing and Homelessness Prevention Program (VHHP) funds if the project financing is not closed by July 10, 2019.

Discussion:

Background:

Windsor Veterans Village is a 60-unit multifamily rental development, located in the Town of Windsor, poised to enter the construction phase. The project is fully entitled and has been awarded \$32 million in permanent financing in addition to a \$22 million bond allocation to serve as construction financing. On February 6, 2018, the Board approved an initial award of \$750,000 in CFH funds to the Windsor Veterans Village project.

The Commission was recently informed by Veterans Housing Development Corporation and Urban Housing Communities, LLC, (UHC) developers for the Windsor Veterans Village project, that construction cost increases based on final bids from general contractors have created a budget gap of \$2.5 million that will jeopardize the

project if action is not taken. The construction cost increases are beyond the normal market conditions the entire State of California is experiencing-there have been significant cost increases specific to our geographic area. Rebuilding efforts due to the devastating fires have caused an even higher than normal increase in local construction costs. UHC has already taken all possible measures to close this gap, including deferring additional developer fees, increasing the amount of conventional debt, and receiving California Tax Credit Allocation Committee (TCAC) approval for an increased tax credit allocation (please note figures in the table below). This has resulted in a final funding gap of \$1.2 million.

At risk (in addition to the 60 affordable rental homes) is over \$20 million in previously committed capital as well as 55 Veterans Affairs Supportive Housing (VASH) vouchers from the City of Santa Rosa Housing Authority.

Summary of Development Budget Changes:

Sources of Funds	2017 (projected)	2019 (actual)
Permanent Loan	\$5,720,000	\$8,359,000
4% Tax Credit Proceeds from Investor	\$8,668,135	\$12,834,456
HCD - VHHP Funding	\$8,950,000	\$9,900,000
Home Depot Grant	\$1,000,000	\$500,000
Town of Windsor	\$500,000	\$500,000
Federal Home Loan Bank AHP Grant	\$590,000	\$590,000
Sonoma County CFH	\$750,000	\$1,950,000
Deferred Developer Fee	\$420,110	\$916,223
Total Sources of Funds	\$27,028,246	\$34,633,456
Uses of Funds		
Acquisition Costs	\$3,605,000	\$2,948,400
New Construction Costs	\$14,175,740	\$19,923,202
Contingency	\$713,787	\$1,358,454
Architecture Fees	\$480,000	\$610,000
Survey and Engineering	\$252,000	\$293,000
Construction Financing Fees and Interest	\$1,756,483	\$2,712,761
Permanent Financing Fees	\$68,500	\$302,030
Legal Fees	\$200,000	\$295,000
Reserves	\$848,412	\$1,113,312
Local Development Impact Fees	\$2,353,270	\$2,578,638
Other Soft Costs (permits, environmental review, compliance monitoring fees, soft cost contingency)	\$1,175,054	\$1,594,882
Developer Fees	\$1,400,000	\$903,777
Total Uses of Funds	\$27,028,246	\$34,633,456

The Commission's recommendation to apply scarce CFH funds to salvage the Windsor Veterans Village project is made in consideration of the relatively low CFH capital cost per unit (even with the proposed increase it is only \$32,500); total capital leveraging ratio against CFH funds of almost 18:1; readiness to proceed and opportunity to bring needed affordable housing on line by the 1st quarter of 2021; and the capabilities of the project developer demonstrated by previously successful development projects.

County Fund for Housing policies provide the Executive Director authority to directly submit a funding proposal to the Board of Commissioners on behalf of the Commission. The Executive Director brings this request after careful review of the revised development budget and measures already taken to mitigate the effects of construction cost increases as provided by Veterans Housing Development Corporation and Urban Housing Communities, LLC.

Action Requested: The Commission seeks Board of Commissioners authorization to:

- (1) Authorize the Executive Director of the Sonoma County Community Development Commission (Commission) to make an out-of-cycle award of \$1.2 million from the County Fund for Housing (CFH) to Windsor Veterans Village.
- (2) Authorize the Executive Director of the Commission to execute all necessary loan documents consistent with Commission Loan Policies, and with review and approval of County Counsel.

Prior Board Actions:

02/06/18 #37: Approved out-of-cycle CFH award of \$750,000 to Windsor Veterans Village

12/12/17 #41: Approved CFH awards for FY 17-18.

05/23/17 #41: Approved revisions to CFH policy.

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses		1,200,000	
Additional Appropriation Requested			
Total Expenditures	0	1,200,000	
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other		1,200,000	
Use of Fund Balance			
Contingencies			

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Total Sources	0	1,200,000	0
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Narrative Explanation of Fiscal Impacts:

Approval of this request will commit \$1.2 million of previously budgeted CFH funds that would otherwise have been made available to developers via a Notice of Funding Availability (NOFA) in July 2019. This will decrease the amount made available in the July 2019 NOFA from \$4.2 million to approximately \$3 million.

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

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

1. Windsor Veterans Village Revised Sources and Uses Budget
2. Sonoma County Community Development Commission County Fund for Housing Policy

Related Items "On File" with the Clerk of the Board:

None