



Legislation Details (With Text)

File #: 2021-1245
Type: Consent Calendar Item **Status:** Agenda Ready
File created: 10/22/2021 **In control:** Community Development Commission
On agenda: 12/14/2021 **Final action:**
Title: County Fund for Housing - Change in Approved Use of Loan Funds
Sponsors: Community Development Commission
Indexes:
Attachments: 1. Summary Report, 2. Attachment 1 - E-Mailed request from Mr. Jack Tibbetts of St. Vincent de Paul

Date	Ver.	Action By	Action	Result
12/14/2021	1	Board of Supervisors	Approved as recommended	Pass

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

Department or Agency Name(s): Community Development Commission

Staff Name and Phone Number: Dave Kiff, Interim Executive Director, 707-565-7505

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

County Fund for Housing - Change in Approved Use of Loan Funds

Recommended Action:

Approve a change in the proposed use County Fund for Housing (CFH) loan funds for the St. Vincent de Paul "Commons" project in Santa Rosa, and authorize the Interim Executive Director of the Sonoma County Community Development Commission (CDC) or designee to execute the CFH loan documents and regulatory agreements for the project.

Executive Summary:

Approval of this agenda item will allow St. Vincent de Paul (SVDP) to use \$500,000 in County Fund for Housing (CFH) loan funds to repay a portion of the outstanding acquisition financing for the former Gold Coin Motel property in Santa Rosa, which they are renovating for use as 54 units of homeless-dedicated permanent supportive housing.

Because SVDP had already purchased the property when they applied for the CFH funds, they requested a loan to pay for a portion of the project construction costs. SVDP is now requesting approval to use the CFH funds instead to repay a portion of their acquisition financing, which will make their project more financially feasible by enabling a broader refinancing of the project's combined acquisition and construction financing through Summit State Bank (Summit).

The Summit loan is currently scheduled to close by December 31, 2021. Repayment of the original acquisition financing is an allowed use of funds per the CFH Policies; however, a change in the use of the CFH funds requires approval of your Board.

Discussion:

On February 2, 2021, your Board approved a \$500,000 CFH loan for SVDP to pay for a portion of the construction costs to renovate the former Gold Coin Motel, located at 2400 Mendocino Avenue in Santa Rosa, for use as 54 units of homeless-dedicated permanent supportive housing. SVDP purchased the property in December of 2019. To complete the acquisition financing package, they obtained a loan from Community Vision, which carries a 4.25% interest rate and is a short-term loan that must be repaid over just 7 years.

SVDP currently owes approximately \$1,300,000 for the acquisition, and they are experiencing a 30% increase in bids received for construction work. To help reduce debt service costs and make the project more financially feasible, they are proposing to use approximately \$900,000 in cash on hand and the CFH loan proceeds to retire the acquisition debt (i.e. the Community Vision loan), and then take out a new loan with Summit State Bank. The new loan will be a construction to permanent financing loan to fund the combined acquisition and construction costs for the project. The Summit loan, which is currently scheduled to close by December 31, 2021, would carry a lower interest rate than the Common Vision loan and would be repayable over a longer, 20-year term. However, SVDP cannot close the new Summit loan until the existing acquisition financing is repaid and the related lien is removed from title to the property.

The proposed restructuring of the project financing would enhance the viability of the project by reducing ongoing debt service, leaving more cash on hand each month to invest into supportive services for the residents. SVDP has obtained their building permit from the City of Santa Rosa and is ready to move forward with construction. Approval of a change in use of their CFH loan would allow them to retire existing acquisition debt, close the new Summit financing package, and begin work. If they cannot retire existing debt and obtain the new financing, the project would experience delays as SVDP takes the time needed to do additional fundraising.

Repayment of the original acquisition financing is an allowed use of funds per the CFH Policies approved by your Board on May 23, 2017.

- Section 4.2 of the Policies states in part, “Eligible site acquisition costs may include, but are not limited to...repayment of the loan(s) that originally financed the purchase of the site (i.e., take-out financing)... The purchase price shall not exceed the appraised value of the land.”
- Section 4.4 of the Policies states in part, “Eligible expenses initially paid for with the project sponsor’s own or borrowed funds may be reimbursed with CFH proceeds provided such expenses were incurred in the three years prior to closing of the CFH financing.”

However, a change in the use of the CFH funds would alter your Board’s original funding decision for the SVDP’s CFH loan. Section 1.4 of the CFH Policies states in part, “Only the Board of Supervisors has the authority to make final approvals of funding decisions.” Therefore, SVDP’s request to allow a change in the use of the CFH funds requires approval of your Board.

While CDC staff is supportive of this request by SVDP, it is fair to note that the Gold Coin project may have competed differently against other applications if the Gold Coin application had listed this use rather than the construction use that was awarded.

Strategic Plan:

This item directly supports the County’s Five-year Strategic Plan by encouraging the flexible uses of funds in the County Fund for Housing, which arguably is the most flexible public source of funds that affordable housing developers can use for projects. More specifically, the item is aligned with the following pillar, goal, and objective.

Pillar: Healthy and Safe Communities

Goal: Goal 3: In collaboration with cities, increase affordable housing development near public transportation and easy access to services.

Objective: Objective 2: Identify and leverage grant funding sources for permanent supportive and affordable housing development.

Prior Board Actions:

February 1, 2021 Board action approving CFH allocations

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY 22-23 Projected	FY 23-24 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures	0	0	0
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	0	0	0

Narrative Explanation of Fiscal Impacts:

There is no new or changed fiscal impact for this item from the Board’s 2/1/21 approval. This item involves revising the previously approved specific use of already allocated funds.

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

Narrative Explanation of Staffing Impacts (If Required):

Not applicable

Attachments:

Attachment 1 - E-Mailed request from Mr. Jack Tibbetts of St. Vincent de Paul

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

None