

Background: Burbank Housing Development Corporation (BHDC) and Community Housing Sonoma County (CHSC) (jointly “Developer”) are proposing to build Fife Creek Commons (formerly known as Guerneville 5th and Mill), a multifamily rental development (Project), located within the borders of the Russian River Redevelopment Project Area at 14119 Mill Street and 16312 Fifth Street in Guerneville (Property). Fife Creek Commons (FCC) is located in a mixed-use neighborhood consisting of commercial businesses, apartments, and single-family homes. All required community infrastructure is available to the site. The completed project will consist of 48 units, of which 47 will be rented to Sonoma County households earning 60% or less of area median income, including 25%-35% (up to seventeen units) reserved for special needs households, such as persons with mental disabilities, history of substance abuse, and HIV/AIDS. (See attached location map and site plan.)

The Property is improved with commercial and multi-family buildings, as well as a vacant, substandard single-family residence, the Marshall House, a structure eligible for placement on the National Register of Historic Places. This structure will be preserved, most likely by relocation to another local area site. The Property currently has 13 occupied residential rental units, all of which will be demolished to make room for construction of the new units. Developer will be subject to the requirements of California Community Redevelopment Law (CRL) and the Sonoma County Residential Anti-displacement and Relocation Assistance Plan, both of which require provision of relocation assistance to the current tenants.

The development pro forma indicates the Developer anticipates using a conventional first mortgage, as well as federal HOME, Section 8 Project-based Voucher, Mental Health Services Act (MHSA), and Federal Home Loan Bank Affordable Housing Program (AHP) funds, and low-income housing tax credits to complete the financing of the Project. Total development costs, including acquisition of the property, relocation costs, and demolition of the existing structures, is estimated to be \$18,752,956, or \$398,999 per unit.

On August 28, 2007, Developer received a \$1,110,000 County Fund for Housing (CFH) loan and an \$890,000 Redevelopment loan to pay for site acquisition and a portion of the predevelopment costs for the Project. Acquisition of the property was completed on February 29, 2008.

BHDC submitted an application on January 22, 2009 to the Commission for a CFH-HELP short-term loan of \$750,000, financed from a State Housing and Community Development (HCD) Housing Enabled by Local Partnerships (HELP) loan to Commission, to finance additional predevelopment expenses. The proposed loan would be deferred-payment, accruing 3% simple interest during the term of the loan, and would be due on the earlier of the close of the Project’s permanent financing or four years from the date the CFH-HELP loan closes. The 3% CFH-HELP loan interest rate and maturity date will enable Commission to repay the HELP funds with interest to HCD, as required by March 3, 2014. On May 7, 2009, the Community Development Committee voted unanimously to recommend approval of the CFH-HELP loan for up to \$750,000 to the Project.

At the time of acquisition, an appraisal set the value of the Property at \$1,585,000. Per the CFH Guidelines, the maximum loan-to-value ratio (LTV) allowed for the CFH-HELP predevelopment loan is 150% of the Property’s appraised value, less any existing liens recorded against the Property. The currently recorded \$2,000,000 in CFH and Redevelopment loans would allow a maximum CFH-HELP loan of \$337,500. While County is requested to approve a CFH-HELP loan of up to \$750,000, the size of the actual CFH-HELP loan provided to Developer will be determined by

Attachments: 1) Concurrent Resolution; 2) Location Map; 3) Site Plan

On File With Clerk:

CLERK OF THE BOARD USE ONLY

Board/Commission Action (If other than "Requested")

Vote:

Background Continued:

an updated “as is” appraisal of the Property to ensure that the loan does not exceed the 150% LTV allowed under the CFH Guidelines.

Developer has recently submitted two additional loan applications to the Commission to finance additional predevelopment and construction costs for the Project. One application requests a combination of CFH and Redevelopment Low-Mod Housing Set-Aside (L/M) funds in the amount of \$2,640,000, and the second application is for a CFH “contingency” loan in the amount of \$470,000.

On July 16, 2009, the Russian River Redevelopment Oversight Committee (RRROC) recommended approval of up to \$1,175,000 of Russian River Redevelopment Housing Set Aside funds for FCC, a figure that uses the same funding ratio used for the original acquisition financing, approximately 55% CFH and 45% L/M. On July 14, 2009, the Community Development Committee voted unanimously to recommend a CFH loan in the amount of \$1,465,000 for the balance of the \$2,640,000 loan request.

The second CFH loan, in the amount of \$470,000, is being proposed as a contingency funding approval. The California Tax Credit Allocation Committee (TCAC) is the entity responsible for allocating Federal low-income housing tax credits, the primary source of financing to develop affordable housing within the State. This year, TCAC will only have one funding round, instead of its usual two rounds. This reduction in funding request opportunities has tightened the timeline for FCC to receive all of its funding commitments, a requirement to be competitive for the low income housing tax credits. The Federal Home Loan Bank Affordable Housing Program (AHP) funds, which BHDC has applied for in the amount of \$470,000, will not be awarded until after the TCAC August deadline for submittal of all loan commitments. The proposed approval of \$470,000 in CFH funding would enable BHDC to meet TCAC’s loan commitment deadline; however, loan closing would be contingent on BHDC receiving an award of low-income housing income tax credits, and not receiving the AHP funds when those allocations are made later this year. While it is possible that the \$470,000 CFH loan would be needed for the Project, it is considered unlikely because AHP funding awards have never been withheld for BHDC projects in past years.

The proposed combined CFH and Redevelopment funding would be provided in the form of 3% deferred-payment loans and would be due in 30 years. In addition, a covenant agreement would be recorded against the property to require that the units remain affordable for a term of 55 years. Developer will be required to provide a post-construction appraisal to insure that the CFH and Redevelopment funding being requested for these loans will be fully secured at the completion of the Project.

This Project would benefit the Russian River Redevelopment Project Area and serve two major Redevelopment Plan goals by replacing 13 aged and in some cases substandard housing units with new units, increasing the total number of affordable rental housing units, providing long-term affordability of all new units for 55 years, and responding to a tremendous need for permanent supportive housing for households with special needs in the Project Area. In addition, approval of the requested loans will leverage \$16,112,956 in other funds that are being sought for this Project. The financial assistance to Developer for pre-development and construction costs is subject to the provisions of the California Environmental Quality Act (CEQA). On May 5, 2009, the County adopted and certified the Mitigated Negative Declaration and Mitigation Monitoring Program for the Project.

The attached Concurrent Resolution:

- 1) Approves a Russian River Redevelopment Low- and Moderate-Income Housing Fund loan of \$1,175,000, a CFH long-term loan of \$1,465,000, a CFH-HELP short-term loan of up to \$750,000, and a CFH contingency loan of \$470,000, to BHDC to finance a portion of the predevelopment and construction expenses for the Fife Creek Commons Project,
- 2) Makes certain findings relating to the California Environmental Quality Act,
- 3) Authorizes the Commission’s Executive Director or her designee, subject to County Counsel review and approval as to form, to execute all loan documents and agreements, and any future loan modifications, assignments, assumptions, or subordination agreements. And
- 4) Authorizes the Commission’s Executive Director to file Notices of Determination.

Supporting maps are on file at:

County of Sonoma Board of Supervisors Office
575 Administration Drive, Room 100A
Santa Rosa, CA 95403

They can be viewed and/or copies requested during regular business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday. Call (707) 565-2241 for more information.