

HOUSING FUNDING TRENDS & RESOURCES IN SONOMA COUNTY

Generation Housing July 2019

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Overview

This memo summarizes housing funding patterns in Sonoma County. However, it is hard to capture what is *typical* because there is a tremendous amount of year to year variation. This includes both the amount of housing produced and the funding sources. For example, in 2016 Sonoma County produced 102 units of deed restricted affordable housing. That fell to 26 units in 2017 and jumped to 314 units in 2018 (California Housing Partnership).

The funding sources will vary from year to year, and Affordable Housing Tax Credits are currently the most important source of funding. In some cases, a city might save up its affordable housing funds for five years and spend them all at once. Or a city might qualify for a funding source one year and never again.

Two of the most valuable sources of funding for affordable housing, redevelopment agencies and various state housing programs, were eliminated in recent years. In 2007/2008, these provided \$15 million and \$27 million, respectively, for Sonoma County. Only recently, with the 2017 housing package is there the prospect to begin to make up some of this funding.

Examples

As part of understanding this year to year variation, it is helpful to look at a few particular projects and then scale up (or down) to account for the differences.

Roseland Village

The Roseland Village in Santa Rosa includes 75 affordable homes and is expected to cost about \$54 million. The project is applying for the less valuable (but noncompetitive) four percent Low Income Housing Tax Credits. This is the primary source of funding for the project, totaling \$21.7 million. The developers are also applying for \$11 million in highly competitive Cap and Trade/AHSC funding from the State. The county is contributing \$6.5 million and Santa Rosa is contributing \$3 million. Approximately \$7 million is from a bank loan.



Roseland Village’s funding is summarized below and more detail is available at [Roseland Village](#):

Source	Amount
Low Income Housing Tax Credit	\$21.7 million
AHSC / Cap and Trade	\$11.8 million
Bank Loans	\$6.9 million
Sonoma County	\$6.5 million
Santa Rosa	\$3 million
General Partner Equity	\$3 million
Other	\$1.3 million
Total	\$54.1 million

Celestina Garden Apartments

The Celestina Garden Apartments provides 40 mostly one-bedroom apartments to low, very low and extremely low-income residents in the Boyes Hot Spring area, some of whom were made homeless in the Sonoma County fires. The development appeared competitive for the nine percent tax credits because of its proximity to transit, schools and other amenities. It applied two times and was not selected because the local funding match was not large enough. *(Local funding is the tie breaker category for projects that receive the maximum points in all other categories.)* In 2018, Sonoma County increased its contribution by \$1.5 million (to a total of \$3.8 million), which resulted in the project receiving the tax credits. Its funding is summarized below and more detail is available at [Celestina Garden Apartments](#):

Source	Amount
9% Tax Credits	\$12.5 million
Sonoma County	\$3.8 million
Land donation (private party)	\$1.1 million
Federal home loan bank	\$0.8 million (loan)
CA Community Reinvestment Corp	\$0.8 million (loan)
Total	\$19 million

SONOMA COUNTY AFFORDABLE HOUSING FUNDING SOURCES

Funding	Competitive/ Noncompetitive	Notes
CDBG/ HOME	Noncompetitive, but often not used for housing construction	Sonoma County receives \$1.8 million annually for CDBG and \$800,000 annually in HOME funds to help low/moderate income residents in most cities. Santa Rosa and Petaluma receive their own CDBG funds, \$2 million and \$400,000 respectively.
Tax Credits 4%	Noncompetitive	Three developments were awarded a total of \$5.6 million of allocation generating almost \$50 million in private equity in 2018 including in Rohnert Park (218 total units) Sebastopol (60 total units)and Windsor (60 total units).
Tax Credits 9%	Competitive	One development was awarded a total of \$1.4 million generating \$12.5 million private equity in 2018 in Sonoma City (40 total units)
County Funds/Local Funds	Competitive	A total of \$4.2 million in County funds were available in 2018
AHSC	Competitive	\$257 million statewide. One local award at \$11.8 million.
SB 2 Ongoing	Mostly noncompetitive, some competitive	\$175 million statewide, with some portion designated for Sonoma County.
SB 3	Competitive	\$1.5 billion in bond revenue statewide.
No Place Like Home	Competitive & Noncompetitive	\$22 million in No Place Like Home funding recently awarded in Round 1 FY 2019-20.

Types of Funding

To fund a project, developers usually piece together a variety of funding sources, often five or more. Today, the financing of affordable housing might involve a mortgage, tax credits and several other sources of funding, including federal funds, state funds and bonds. While there may be a variety of funding sources, most are limited, usually awarded through a competitive process and lack standardization, often operating on different timelines and requiring separate applications. Having local funding is the foundation and usually a requirement of programs.

Federal Programs

1. Low-Income Housing Tax Credits (LIHTC)

The LIHTC program was created by Congress in 1986 to help developers raise the equity needed for rental housing developments. Today, it is the largest source of new affordable housing in the United States and one of the primary affordable housing development and rehabilitation policy tools for the federal government.

The Department of Treasury issues these housing tax credits to states for allocation to affordable housing developments. Once developers of qualifying developments apply and are selected, credits are sold to outside investors to reduce their tax bill. Nonprofit developers receive cash from the sale to fund their development.

To be eligible, a development must be new construction or a renovated rental building and meet income and rent requirements for at least 55 years after completion. At least 20% of units must be targeted to residents making under 50% of the area median income (AMI). Alternatively, 40% of the units can be affordable to residents making under 60% of AMI. Rents must be no more than 30% of appropriate income.

There are two types of tax credits:

- **9% Tax Credit:** Subsidizes 70% of the eligible costs (includes costs during construction period not including land, off-site improvements, commercial costs, and costs above certain limits, such as excessive architectural fees) and is available for developments that are not using tax-exempt bonds. It is often used for new construction and the application process is competitive. In California, priority is given to developments that are close to public transit, schools, public parks and other amenities.

- **4% Tax Credit:** Subsidizes 30% of eligible costs and is available for developments that are using tax-exempt bonds. Often used for the rehabilitation of existing buildings and useful for funding high cost developments paired with municipal bonds. Application process is noncompetitive and funds are unlimited.

Federal credits are sometimes paired with State tax credits. Alone, housing tax credits provide a moderate level of affordability, but subsidies through additional federal or state funding sources are often needed to make projects pencil (i.e. have enough money to proceed) and provide deeper affordability to low-income families.

Low Income Housing Tax Credit production in Sonoma County has varied widely from year to year. In 2018, four projects received funding, producing over 300 units (Figure 1). The credits were worth approximately \$70 million in 2018. See appendix for more information.

Note: The tax credit world is very complicated. For example, projects can receive 10 years of credits. All the credits, including those that will be used in future years, are sold before construction starts to fund the project.

Figure 1: Sonoma County LIHTC 2016-2018

STATEWIDE			
TYPE	2016	2017	2018
New Construction	9,285	7,407	9,373
Acquisition & Rehab	15,032	5,928	9,430
All	24,317	13,335	18,803
SONOMA COUNTY			
TYPE	2016	2017	2018
New Construction	102	26	314
Acquisition & Rehab	291	0	59
All	393	26	373

Source: California Housing Partnership analysis of 2016-2018 California Tax Credit Allocation Committee data.
Note: The data does not include manager or market rate units created through the LIHTC program.

2. Community Development Block Grant (CDBG)

The [CDBG program](#) provides resources for a variety of local funding needs with less federal control than other programs. Larger cities (Santa Rosa and Petaluma) receive their own funds, while Sonoma County manages the funds for all the smaller cities. CDBG funds have significant limits on their uses and there are many competing, non-housing, uses of the funds.

3. HOME Investment Partnerships Program (HOME)

The [HOME Program](#) is a block grant that provides funds to states and local jurisdictions for a wide-range of activities related to affordable housing. This includes constructing, purchasing and/or rehabilitating rental or ownership developments, as well as providing rental assistance and low-interest loans to developers. HUD allocates funds annually – 40% to states and 60% to local jurisdictions – using a formula based on community need. The Sonoma County Community Development Commission administers the program for the County, and the Sonoma County Board of Supervisors make decisions on local funding allocations.

State Programs

The California Department of Housing and Community Development awarded a total of \$460 million in grants and loans during the 2016–17 cycle. Currently, they have approximately twenty funding programs listed as active over the next twelve months (See Attachment A). For detailed information on their active funding programs, visit [here](#). The following are some of the more commonly applied for programs:

4. SB 2

In 2017, Governor Brown signed fifteen bills as part of a housing package intended to address California’s housing challenges. SB 2 – the Building Homes and Jobs Acts – was included in this package and provides funding for affordable housing through a \$75 recording fee on real estate documents. As part of SB 2, the Planning Grants Program will provide jurisdictions with funds and technical assistance to prepare, improve, adopt and implement processes that streamline housing approvals and advance housing production. There will be approximately \$175 million available statewide through a mix of competitive and noncompetitive funding for construction. The exact numbers have not been determined yet. Santa Rosa and Petaluma will receive funds directly. The County will administer funds for the smaller cities.

5. SB 3 and Multifamily Housing Program (MHP)

In 2018, voters adopted SB 3 – the [Veterans and Affordable Housing Bond Act](#) – authorizing \$1.5 billion in bonds for the MHP. The program provides deferred payment loans for a wide-range of activities related to permanent and transitional rental housing. This includes constructing, rehabilitating, and preserving housing as well as converting non-residential developments. In June 2019, HCD issued a NOFA announcing that \$178 million is available for the MHP. Of the total funds available, 45% will be awarded to projects in Southern California, 30% will be awarded to projects in Northern California and 20% will be awarded to projects in rural areas. Applications are due August 20, 2019.

6. Affordable Housing and Sustainable Communities Program (AHSC)

The [AHSC Program](#) was created in 2014 when the State of California allocated money from the Greenhouse Gas (GHG) Reduction Fund to go towards housing (estimated total of \$200–300 million per year). The AHSC provides grants and loans for infill and compact developments that reduce GHG emissions through TOD development or a reduction in vehicle miles traveled (VMT). The Strategic Growth Council administers the program and HCD implements it. The SMART train will dramatically increase Sonoma County’s competitiveness for this funding.

7. No Place Like Home

[No Place Like Home](#) money comes from a 2016 Bond that provided resources for homeless and mentally ill. It provides \$190 million in noncompetitive funding and \$1.8 billion in competitive grants. Sonoma County was awarded \$22 million in funding in the initial 2019 round.

County and Local Funds

8. Sonoma County Fund for Housing (CFH)

The [CFH Program](#) was established in 2003 to support affordable housing development and preservation throughout Sonoma County. Sources contributing to the fund include the County of Sonoma General Fund, the County of Sonoma Reinvestment and Revitalization fund, In-Lieu Fees, Transient Occupancy Tax, and CFH loan processing fees, interest, and loan repayments. Funds are competitive and spent countywide. The Sonoma County Community Development Commission administers the program for the County, and the Sonoma County Board of Supervisors make decisions on local funding allocations. In 2018, a total of \$4.2 million in funds were available.

9. Impact and In-Lieu Fees and Affordable Housing Trust Funds

Impact fees are charges imposed by local jurisdictions that are based on the impact of new development on the need for new affordable housing. Typically, fee revenues are added to an Affordable Housing Trust Fund to support eligible affordable housing developments.

- **Housing Impact Fees or In-Lieu Fees:** Impact fees are assessed on new residential developments, while in-lieu fees are part of an inclusionary housing policy, allowing developers to pay a set amount instead of constructing on-site affordable units. All the cities may collect these fees from time to time.
- **Linkage Fees:** Assessed on new commercial developments. These funds are collected by Cotati, Petaluma, Rohnert Park, Sebastopol, and Sonoma County. (Source: survey of jurisdictions)

There is no central source to identify how much fee revenue is collected in a given year.

Attachment A: Tax Credit Allocations

Application Number	Type of tax credit funding	Project Name	Project City	Construction Type	Total Units	Annual Federal Award	Total State Award
2014	9%	Gray's Meadow	Santa Rosa	Rehabilitation	52	\$397,367	\$0
2014	9%	Sonoma Springs Family Apartments	Sonoma	New Construction	60	\$1,888,330	\$0
2014	4%	Tierra Springs Apartments (Site A)	Santa Rosa	New Construction	66	\$736,031	
2014		Tierra Springs Apartments (Site B)	Santa Rosa	New Construction			
2015	9%	Cloverdale Family Apartments	Cloverdale	New Construction	32	\$891,973	\$3,479,740
2015	4%	Madrone Apartments	Petaluma	Acquisition/Rehabilitation	23	\$206,293	
2015	4%	Park Lane Apartments	Petaluma	Acquisition/Rehabilitation	90	\$930,908	
2015	4%	Ortiz Plaza	Santa Rosa	New Construction	30	\$273,430	\$982,697
2016	9%	Healdsburg Family Apartments	Healdsburg	New Construction	25	\$556,303	\$1,854,342
2016	4%	Vista Sonoma Senior Living Apartments	Santa Rosa	Acquisition/Rehabilitation	189	\$1,101,015	
2016	4%	Corona Ranch - Washington Creek - (Corona Ranch Site A)	Petaluma	Acquisition/Rehabilitation	106	\$887,425	
2016		Corona Ranch - Washington Creek - (Washington Creek Site B)	Petaluma	Acquisition/Rehabilitation			
2016	4%	Crossroads	Santa Rosa	New Construction	79	\$1,083,124	
2017	4%	Crossings on Aston	Santa Rosa	New Construction	27	\$404,536	\$1,618,146
2018	9%	Celestina Garden Apartments	Sonoma	New Construction	40	\$1,397,107	
2018	4%	Parkside at Vast Oak	Rohnert Park	New Construction	218	\$3,855,830	
2018	4%	Gravenstein Apartments	Sebastopol	Acquisition/Rehabilitation	60	\$707,058	
2018	4%	Windsor Veterans Village	Windsor	New Construction	60	\$1,092,408	

Note: Multiply allocations by 9 or 10 for a rough estimate of the actual value of the award.

Source: <https://www.treasurer.ca.gov/ctcac/projects.xlsx>

Attachment B: HCD Notice of Funding Availability Calendar
June 2019



California Department of Housing and Community Development
Notice of Funding Availability Calendar
2018/19 Q4 Update - 6/10/2019

	FY 2018/19			FY 2019/20											
	Qtr 4			Qtr 1			Qtr 2			Qtr 3			Qtr 4		
	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Funds Available by Quarter (in millions)	\$268 Million			\$759 Million			\$516 Million			\$451 Million			\$92 Million		
Ongoing Programs NOFA Amounts in Millions															
AHSC			Awards				NOFA \$395					Apps Due			Awards
VHHP								NOFA \$75		Apps Due					Awards
CDBG*				Awards						NOFA \$30			Apps Due		
HOME*					NOFA \$35		Draft Regulations	Apps Due				Awards		NOFA \$35	
ESG*		Apps Due				Awards						NOFA \$11		Apps Due	
SB2 - Building Jobs and Homes Act (Dedicated Source) NOFA Amounts in Millions															
CESH			Apps Due			Awards									
Local (Year 2+)		Draft Guidelines				NOFA (entitlement)		Applications Accepted over-the-counter			NOFA (non-entitlement)			Apps Due	
Planning Grants	Applications accepted over -the-counter														
Farmworker	**SB2 Farmworker funding will be released in conjunction with Serna Program NOFA under SB3 - see detail below														
No Place Like Home (Prop 2) NOFA Amounts in Millions															
NPLH Non-Competitive	Applications accepted over-the-counter - Please Note: Non-Competitive Allocation Acceptance forms must be submitted by August 15, 2019.														
NPLH Competitive			Awards			NOFA \$400		Apps Due				Awards			
SB3 - Veterans and Affordable Housing Bond Act (Prop 1) NOFA Amounts in Millions															
MHP			NOFA \$178		Apps Due			Awards		NOFA \$175		Apps Due			Awards
CalHOME			Draft Guidelines			NOFA \$57		Apps Due				Awards			
SERNA **					NOFA \$52 **		Applications Accepted over-the-counter			NOFA \$70 **		Applications Accepted over-the-counter			
LHTF						Draft Guidelines			NOFA \$57			Apps Due			
IIG				Draft Guidelines		NOFA \$215		Apps Due				Awards			
TOD						Draft Guidelines			NOFA \$75					Apps Due	
Other NOFA Amounts in Millions															
CalHOME (Disaster)	Applications Accepted over-the-counter														
MHP - Supportive			Awards												
HHC		NOFA \$93			Apps Due			Awards		NOFA \$33				Apps Due	
MPRRP						NOFA \$46				Applications Accepted over-the-counter					

NOTE: Timelines and NOFA Amounts are subject to change