

TOWN OF WINDSOR AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: August 16, 2023

To: Mayor and Town Council
From: Patrick Streeter, Community Development Director
Subject: Award of Inclusionary Housing Funds for Construction of Affordable Housing

Recommendation to Council:

1. Adopt a resolution authorizing the Town Manager to execute a funding agreement for use of up to \$1,200,000 in Inclusionary Housing Funds for the Heritage Park project.
2. Adopt a resolution authorizing the Town Manager to execute a funding agreement for use of up to \$500,000 in Inclusionary Housing Funds for the Duncan Village project.
3. Adopt a resolution authorizing the Town Manager to execute a funding agreement for use of up to \$500,000 in Inclusionary Housing Funds for the Redwood Glen project.

Strategic Plan Element:

The recommended action supports the goal of Livability. Goal Statement: Preserve community character by maximizing the use of existing amenities and creating future opportunities that enhance quality of life for all.

Background:

In accordance with Chapter 27.23 of the Town of Windsor Zoning Ordinance (Inclusionary Housing Requirements), the Town of Windsor has been collecting “in-lieu” housing impact fees from developers of new market-rate housing projects. Collected in-lieu housing fees are used to assist with the preservation of existing affordable housing units and to assist with the development of new affordable housing units.

On June 15, 2016, the Town Council adopted Resolution No. 3297-16 (Attachment 2) which established guiding principles for use and disbursement of the Town’s Inclusionary Housing Funds. Adoption of a guiding policy for use and disbursement of collected in-lieu housing impact fees was done in anticipation of making collected in-lieu housing impact fees available for construction of affordable housing units within the Town of Windsor.

On June 30, 2019, the Town Council authorized a professional services agreement with BAE Urban Economics (BAE) to assist staff with housing-related technical advisory services, including the administration of the Town’s Inclusionary Housing Fund.

In March 2017, the Town issued its first “Notice of Funding Availability” (NOFA) under the Inclusionary Housing Fund guidelines. The NOFA offered up to \$1,121,000 in Inclusionary Housing Funds for construction of affordable housing units. In August 2017, the Town Council awarded the funds to two affordable housing projects: Duncan Village, a 16-unit “for sale” self-help affordable housing project by Sonoma County Habitat for Humanity; and Heritage Park, a 33-unit multi-family apartment project by MW Development/Integrity Housing. Both projects have approved entitlements. Heritage Park has an active grading permit and has had challenges with funding contracts that have

delayed the project. The applicant has stated that the Duncan Village project has been on hold since 2019 mostly due to labor shortage.

In September 2017, the Town Council authorized issuance of a second NOFA for up to \$500,000 in funding from the Inclusionary Housing Fund. The second NOFA was issued on January 24, 2018, and offered up to \$500,000 in Inclusionary Housing Funds for construction of affordable housing units. On June 6, 2018, the Town Council awarded the funds for the Windsor Veterans Village project. The 59-unit housing project for homeless, disabled and low-income military veterans was completed in the summer of 2021.

On May 22, 2023, the Town issued its third NOFA for up to \$ 2,010,000 in funding from the Inclusionary Housing Fund (Attachment 3) and was distributed to over 70 individuals/organizations in the North Bay area. Staff received numerous inquiries about the funding and interest in developing affordable housing in Windsor. At the close of the application period, the Town received three applications in response to the NOFA. This report details and evaluates the three applications and concludes with a recommendation for award of funds.

Discussion:

The Town received three applications for funding in response to the 2023 NOFA. Two of the applicants, W&J Investments/Integrity Housing/LINC Housing for the Heritage Park Project (hereafter HP), Habitat for Humanity of Sonoma County/Habitat of Greater San Francisco for the Duncan Village Project (hereafter, DV), have previously received Town funding for their respective projects through the NOFA process. The third application was from Spectrum Affordable Housing Corporation for the Redwood Glen project (hereafter RG).

While the Town has already provided \$565,000 in IHF funds for site acquisition and committed another \$712,000 in fee deferrals to the HP project, the Town’s prior funding commitment to DV expired. The HP and DV projects are essentially the same as described in prior funding applications; however, both HP and DV have brought in additional development partners to strengthen their teams.

The DV project is proposed for a site at 484 Wall Street. Habitat for Humanity of Sonoma County is based in Santa Rosa and is partnering with Habitat for Humanity of Greater San Francisco, based in San Francisco. DV proposes to use the Town’s funding to assist in the development of 16 “self-help” single-family homes, including single-family detached and attached units that will be sold to their occupants. The units are proposed to serve first-time homebuyer families with incomes that are between 50 and 80 percent AMI, with a mixture of two-, three-, and four-bedroom units. DV is requesting the full \$2,010,000 in funding that the Town offered through the 2023 NOFA in the form of a grant, and also states that they will not request any other Town financial assistance.

The HP project is proposed for a site at 8685 Old Redwood Highway. W&J Investments is a for-profit developer based in Ventura, CA; Integrity Homes is a non-profit developer based in Irvine, CA, and LINC Housing is a non-profit developer based in Long Beach, CA. HP proposes to use the Town’s funding to assist in the development of a 33-unit rental apartment project, which will include 32 units for tenants and one onsite manager’s unit. The 32 affordable units are proposed to serve households that are between 50 and 60 percent of area median income (AMI), with a mixture of one-, two-, and three-bedroom units. HP is requesting \$1,200,000 of IHF funds in the form of a residual receipts loan, to combine with \$1,277,000 of Town funding already committed to the project in the form of a soft loan for site acquisition and impact fee deferral.

The RG project is proposed for a site at 8550-8560 Old Redwood Highway. Spectrum Affordable

Housing Corporation is a non-profit affordable housing developer based in Irvine, CA. RG proposes to use the Town's funding to assist in the development of a 43-unit rental apartment project (including one manager's unit) that will contain a mix of one-, two-, and three-bedroom units, serving households with incomes at 50 percent of AMI or below. RG is requesting \$2,000,000 of Town IHF funds in the form of a residual receipts loan and also states that they will be requesting fee waivers.

All three applicants submitted detailed information in response to the application requirements set forth in the NOFA, which were developed by Town staff and BAE based on the Town's adopted guidelines for the Inclusionary Housing Fund. BAE conducted a thorough evaluation of each application to:

1. Establish applicant eligibility;
2. Establish project eligibility;
3. Evaluate the quality of each proposed proposal/project in terms of responsiveness to the NOFA, including responsiveness to general NOFA requirements, as well as the NOFA's stated priorities and preferences.

A memorandum detailing BAE's evaluation (Attachment 6) and a summary scoring matrix (Attachment 7) are attached to this report. The scoring evaluation resulted in HP earning 113 points, RG earning 102 points, and DV earning 101 points.

Staff and BAE feel that there is a clear distinction between the scoring of the HP project and the other two, and that the one-point difference between DV and RG is not significant. Given the judgement necessary to assign points to the latter two proposals, the score differential should not be interpreted to mean that the RG proposal is superior to the DV proposal. Rather, the two proposals each have different strengths relative to the other, and both offer attractive features that are responsive to the NOFA in different ways. Staff and BAE's opinion is that a key factor underlying HP's higher score is because it is further along in the development process than the other two projects, which positioned the project to score highest on several rating factors.

Staff and BAE recommend that the Town Council award the full \$1,200,000 that was requested for Heritage Park in the form of a residual receipts loan. The project is at a critical stage where it may begin to lose committed funding sources (and its general contractor) if it does not secure its remaining funding in short order and, conversely, the award of funds can help the project to quickly move into construction. Further, although this is the third request from HP for funding, the project would still be achieving the highest leveraging ratio of all three projects, meaning the Town's funds would be used efficiently.

Because all three projects would deliver much-needed affordable housing and all three are fully entitled, staff recommends awarding the remaining available balance of the Inclusionary Housing Fund after HP's full request, to DV and RG in the form of a grant and a residual receipts loan of \$500,000 each, respectively. Although not the entire requested amount for either project, the additional funding would reduce the total that must be acquired from other sources and could make the projects more competitive for funding from those sources.

The applicants have all been provided copies of the scoring evaluation and are aware of staff's recommendation. Staff has advised all applicants that they should be ready to discuss staff's recommendation at the August 16 meeting.

Fiscal Impact:

As of January, the Inclusionary Housing Fund had collected \$2,512,561 in Housing Impact Fees. Per

adopted guidelines, 10% of the fund balance (\$251,256) is to be set aside for administrative costs (such as legal fees, consultant costs and other administrative tasks, excluding the time of Town staff) and 10% (\$251,256) is to be set aside in a “Special Projects Fund”. The total amount of funding available for this round of awards is \$2,200,000. The fund includes additional monies, which are not available in this NOFA round, as notes receivable of \$586K and \$500K from Heritage Park and Veterans Village, respectively, from previous rounds of awards.

Environmental Review:

The recommended action is not in-and-of-itself a “project” pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15378 since it does not result in a physical change in the environment. However, the recommended action is related to three development projects that were subject to environmental review in accordance with CEQA Guidelines Sections 15004 and 15352. On July 28, 2020, the Town of Windsor Planning Commission adopted a Mitigated Negative Declaration for the Heritage Park project. On November 27, 2018, the Town of Windsor Planning Commission approved the Duncan Village project, and found the project to be statutorily exempt from CEQA in accordance with Guidelines Sections 15332 - Infill Development. On April 26, 2022, the Town of Windsor Planning Commission approved the Redwood Glen project, and found the project to be statutorily exempt from CEQA in accordance with Guidelines Sections 15332 - Infill Development.

Attachment(s):

1. [Resolution Heritage Park](#)
2. [Resolution Duncan Village](#)
3. [Resolution Redwood Glen](#)
4. [Resolution 3297-16](#)
5. [2023 Windsor Affordable Housing NOFA](#)
6. [Evaluation Memorandum](#)
7. [Scoring Summary](#)
- 13.1 [PowerPoint \(Distributed 2023-08-16\)](#)

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