



**Sonoma County Community Development Commission**  
**Sonoma County Housing Authority**  
1440 Guerneville Road, Santa Rosa, CA 95403-4107

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Commission*

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Interim Executive  
Director

## MEMORANDUM

Date: September 21, 2022

To: Community Development Committee

From: Kathleen Kane, Interim Assistant Executive Director

Subject: Amendments to Program Policies

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The Sonoma County Community Development Commission (Commission) administers various grant and loan programs using policies and procedures that are consistent with the local, state, or federal requirements, and with the policies and the goals of the County and Commission. The program documents are updated as needed periodically to ensure that the policies and procedures necessary for staff to implement the programs effectively continue to comply with the most current requirements and regulations. Below is a list of each policy that is recommended for amendment and a summary of the changes proposed for each.

### **Commission Loan Policies (CDC Loan Policies)**

- Section III, G. Loan Fees: Increase the maximum loan transaction fees for developer loan modifications, subordinations, and assignments from up to \$2,500 to up to \$5,000. Other fee changes include the addition of a homeowner loan subordination or modification fee of \$150, a loan reconveyance fee of \$45 (capped by the California Civil Code), and a loan payoff demand fee of \$150. These fees will also be permitted to be modified annually on July 1<sup>st</sup> based on changes in cost-of-living adjustments in the Consumer Price Index. The increase in fees is needed to ensure that the Commission will receive sufficient revenue to pay for the cost of providing the services.
- Section III, T. Timeliness Requirements: Added a requirement that developers must document compliance with all applicable timeliness requirements as established in the specific funding program policies and that failure to do so may result in loss of funding commitment to the project.
- Section IV, E. Conversion: Added a provision that under extenuating circumstances, a loan may be converted from fully amortized to deferred. In such cases, the borrower must demonstrate the financial need and the Commission staff will apply appropriate underwriting standards to determine eligibility.
- Section IV, I. Compliance Monitoring: The annual affordable housing monitoring fee waiver provision was removed. This is due to the higher monitoring standards and requirements that are now required to be implemented by Commission staff. Other



revisions to this section include an increase of the annual monitoring fee to \$150 per unit, with an annual adjustment on July 1<sup>st</sup> based on changes in cost-of-living adjustments in the Consumer Price Index (this fee change is also in a separate Board of Supervisors agenda item requesting approval).

- Make non-substantial minor clerical, text, and format corrections to overall document.

### **County Fund for Housing Policy (CFH Policy)**

- Section 3.3, Eligible Project Sponsors: Reinsert language that funding preference is given to non-profit developers for housing development funds, in compliance with the County's Housing Element. This preference was included in prior versions of the CFH Policy and will increase the likelihood that units will remain affordable for a longer period.
- Section 3.4, Eligible Projects: Reinstates the eligibility of emergency shelters, transitional housing, group homes and other types of congregate facilities that serve special needs populations. This preference was included in prior versions of the CFH Policy and was removed a few years ago when the County was prioritizing a "housing first" approach to address homelessness. Since the onset of the coronavirus pandemic, however, the County has expanded its use of these varied congregate housing types, which are in great need to assist people who are homeless. Expanding the eligible project types will allow funding to be awarded to a mix of project types, increasing the availability of housing options for all County residents.
- Section 5.2, Grants: Add provision to allow CFH funds to be invested in the form of grants using the community housing land trust model to achieve affordability in perpetuity.
- Section 6.1, Regional Housing Needs Assessment Apportionment: Revise this section to state that projects located within the incorporated boundaries of municipalities may only be awarded CFH funds if the jurisdiction and County of Sonoma have executed a Regional Housing Needs Allocation (RHNA) Sharing Agreement.
- Section 6.2, Number of CFH -Assisted Units: Revise the formula used to determine the number of CFH assisted units from a prorated calculation using the total development costs to the federal HOME Investment Partnerships Program (HOME) per unit subsidy limits model.
- Section 6.6.4, Affordability and Physical Distribution of the Rental Units: Revise the CFH assisted unit "floating units" requirements to remove reference to an extremely low-income household, as the CFH Policy no longer targets assisted units to that income category.
- Section 7, Staff Reporting: Reinsert this section from prior policy versions to include the requirement that Commission staff will submit an annual progress report on the CFH to the Board of Supervisors.
- Appendix A, Definitions: Add missing definitions.

- Make non-substantial minor clerical, text, and format corrections to overall document.

#### **Low- and Moderate-Income Housing Asset Fund Policies (LMIHAF Policies)**

- Section II, A, 4: Add clarification in the allocation of LMIHAF revenues section that, with the exception of funding provided for homelessness prevention and rapid re-housing services, LMIHAF revenues may be awarded for projects that are located within the incorporated boundaries of municipalities other than Sebastopol and Sonoma only if the jurisdiction and County of Sonoma have executed a Regional Housing Needs Allocation (RHNA) Sharing Agreement.
- Section II, B, 4, a, iii: Add a provision for Commission sponsored proposals to allow the Executive Director to submit a funding proposal to the Board of Commissioners, which mirrors a provision that is in the CFH Policy.
- Section II, B, 4, a, ii: Add a “special circumstances” provision that in the event the Commission offers publicly owned land for development as part of a request for proposal process, the award may, with the approval of the Board of Commissioners, include a commitment of future years’ LMIHAF funding. This also mirrors a provision that is in the CFH Policy.
- Section II, B, 4, a, v: Reinsert language that states preference is given to non-profit developers for housing development funds, in compliance with the County’s Housing Element. This preference was included in prior versions of the CFH Policy. This preference will increase the likelihood that units will remain affordable for a longer period.
- Make non-substantial minor clerical, text, and format corrections to overall document.

#### **Sonoma County Affordable Housing Program Homeownership Policies (Homeownership Policies)**

- Section II, A, 1 and 2: Change the process for resales of homes that were originally assisted under the “shared of appreciation” approach to require the properties to be converted to the “restricted sales price” approach upon resale, unless prohibited by the funding source being used. This change will improve the ability of the Commission to retain affordable ownership units in our inventory and help preserve opportunities to sell the units to lower income households.
- Section II, B, 1 and 2: Add language to clearly describe the current criteria of an eligible buyer of an affordable unit, including maximum household income and the requirement that the unit be their primary residence.
- Section II, C, 2, a and b: Change the resales section to capture the transition from the shared of appreciation approach to a restricted sales price approach, as noted above.
- Make non-substantial minor clerical, text, and format corrections to overall document.

Staff requests that the Committee review the program policies documents, which are available in the links below, and approve the proposed changes for recommendation to the Board of Supervisors. New text in each document is underlined and deletions are shown in blue strikethrough text.

1. CDC Loan Policies: <https://share.sonoma-county.org/link/nj6uFQCwSWU/>
2. CFH Policy: <https://share.sonoma-county.org/link/hucAS2PoNS4/>
3. LMIHAF Policies: <https://share.sonoma-county.org/link/33peYP2ysFo/>
4. Homeownership Policies: <https://share.sonoma-county.org/link/led3BpLDtGg/>