



SUMMARY REPORT

Agenda Date: 9/12/2023

To: Sonoma County Board of Supervisors and Board of Commissioners of the Community Development Commission
Department or Agency Name(s): Sonoma County Community Development Commission
Staff Name and Phone Number: Michelle Whitman, (707) 565-7504
Vote Requirement: Informational Only
Supervisory District(s): Countywide

Title:

Casa Roseland and Tierra de Rosas Update

Recommended Action:

Receive and accept an update regarding progress on the Casa Roseland and Tierra de Rosas Affordable Housing and Community Development Projects.

Executive Summary:

The Sonoma County Community Development Commission (CDC) acquired the Roseland Village Shopping Center property in 2011 to develop a mixed-use project with affordable housing and public serving areas and uses (Project). A Disposition and Development Agreement was executed in 2019 with MidPen selected as the developing partner. Due to this being a redevelopment Project, CDC is responsible completing Tierra de Rosas, which is the backbone infrastructure to support the construction of the mixed-use development plan. The total project cost for Tierra de Rosas is estimated at \$40,468,163 (Uses), and \$37,458,483 has been secured (Sources). This update is being presented at the request of the Board.

The Tierra de Rosas backbone infrastructure component of the Project has previously had a financing gap exceeding \$18 million. During June 2023 budget hearings, the Board of Supervisors approved \$7.68 million in one-time funding so that construction of the backbone infrastructure could begin. Chair Coursey committed an additional \$2 million from Third District infrastructure funds (established during the 2022-23 Budget Hearings), for a total of \$9.68 million from County resources to help bridge the gap. Later in June, the County and CDC received news that State Senator Mike McGuire and Assemblymember Damon Connelly successfully secured \$1,000,000 and \$2,000,000, respectively, in State budget allocations to pave the way for development of the site.

To further reduce the funding gap, the CDC applied for \$2,000,000 from the Ag + Open Space District's Matching Grant Program (MGP) to pay a portion of the costs to develop the planned one-acre plaza at Tierra de Rosas. On August 22, 2023, Ag + Open Space Directors approved an award of \$2,000,000.

To close the remaining financing gap, CDC staff has been working with MidPen, consultants, engineers, landscape architects, PG&E service planners, and City of Santa Rosa planning staff to reduce infrastructure costs through value engineering, phased and revised plans, reimbursement agreements with other developers, fee waivers or deferrals, reduced scope, and variance requests, which are covered in more detail in the discussion section of this report. City staff have reviewed and approved a phasing proposal for the Tierra de Rosas project, which will allow the project to begin in phases as additional funding is secured. The

phasing proposal is currently anticipated to be approved by the Planning Commission at the September 28th meeting.

Funding is in place to begin early infrastructure work before the end of the calendar year. Today's best estimate of the remaining funding gap is \$3,009,680, with total Uses estimated at \$40,468,163 and committed Sources totaling \$37,458,483 (see Attachment 1 - Sources and Uses).

The CDC expects to have concrete costs available in time for bid packets for early infrastructure to be released in fall 2023 so that building demolition and infrastructure construction can begin before the end of 2023.

Discussion:

HISTORICAL BACKGROUND

The Board of Supervisors established the Roseland Redevelopment Project Area in 1984. In 2005, the Sonoma County Community Development Commission (CDC) and City of Santa Rosa joined together to sponsor a community visioning process to create a consensus among the local community about what future development of the Sebastopol Road corridor should look like and what types of uses should be located there. The Roseland Village Neighborhood Center property (Property) was a major element in the community discussion. This process resulted in County and City adoption of the [Sebastopol Road Urban Vision Plan <https://sonomacounty.ca.gov/Main%20County%20Site/General/Sonoma/Sample%20Dept/Department%20Information/Services/Successor%20Agency/Documents/roseland_sebastopol_road_uvp.pdf>](https://sonomacounty.ca.gov/Main%20County%20Site/General/Sonoma/Sample%20Dept/Department%20Information/Services/Successor%20Agency/Documents/roseland_sebastopol_road_uvp.pdf) (UVP).

The UVP envisioned a mixed-use project on the Property that would have several elements the community identified as priorities. These elements included affordable housing, one-acre public plaza, commercial spaces, and an indoor community activity space.

In 2011, the CDC acquired the Property using Redevelopment funds with the intent to implement the UVP's vision by constructing a pedestrian-oriented, mixed-use development on the site. After the State of California dissolved redevelopment agencies in 2012, the planned project was delayed, pending resolution of a dispute with the State Department of Finance (DOF) on whether or not redevelopment funding could be retained to complete the planned project.

In 2013, your Board of Supervisors approved \$6.92 million in County Reinvestment and Revitalization (R&R) funds to provide the cash flow needed to support environmental remediation and other work necessary for continuation of the Project while the dispute was being litigated. R&R funds were established by the Board of Supervisors after the Redevelopment Areas dissolution to support the community's projects. The R&R funds came from dissolved redevelopment project areas residual funds and asset liquidation distribution proceeds and were allocated into a separate County committed fund to be programmed at the discretion of the Board. Following favorable decisions on the lawsuits filed by the CDC/Successor Agency against the DOF, the legal disputes were settled in September 2015. As a result, \$3,941,131.10 in previously expended R&R funds were repaid to the County.

Disposition, Development and Funding Agreement (DDFA) and City Approval

The CDC issued a Request for Proposals (RFP) in early 2016 to identify an experienced development partner for the mixed-use Project. The CDC selected MidPen and Urban Mix, LLC as the master developer of the site based on their response to the RFP.

In February 2018, the CDC and MidPen applied for a tentative map, subdivision map, and density bonus concessions to the City of Santa Rosa. On June 25, 2019, the Santa Rosa City Council affirmed the Planning Commission's approval of the Project and environmental analysis. The Project that was approved by the City

of Santa Rosa contains the following planned components:

- “Casa Roseland” Affordable Housing Development: -75 multi-family rental units for households at 30 - 60% of area median income (AMI) (1, 2, and 3 bedroom).
- “Tierra de Rosas” Mixed-Use Development: Market Rate Housing: 100 multi-family rental units (1 and 2 bedroom).
- Civic Building: 24,000 square feet of space in a single 2-story building.
- Mercado Food Hall: 7,400 square foot catalyst for neighborhood economic development opportunities.
- Mitote, a temporary, interim use pop-up food truck and public dining area.
- Plaza: one-acre green space that will serve as Roseland’s community gathering hub, providing a public venue for community events, art and culture, a farmers’ market, and recreation.

PROJECT FINANCIAL STRUCTURE

Backbone Infrastructure Financing Gap

As of August 2023, MidPen has identified all anticipated funding sources for the 75-unit Casa Roseland component of the Project but has not yet secured an award of the required Low Income Housing Tax Credits (LIHTCs or tax credits) and tax-exempt bonds needed to finance and build the affordable housing. The planned Tierra de Rosas infrastructure component of the Project, which must be built before or concurrently with the housing units, has had a financing gap exceeding \$18 million. CDC, County, and MidPen staff have been working to identify cost savings and additional financing to close the gap.

On January 3, 2023, MidPen received and ultimately had to return a partial conditional award for Casa Roseland of \$25.26 million from California Housing Accelerator funds from the Department of Housing and Community Development (HCD). However, HCD did not approve the request to use a portion of the Accelerator award to fund Tierra de Rosas, and the Accelerator award required MidPen to be successful in an application for tax credits and tax-exempt bonds in Round 1 of 2023 and required both the Casa Roseland and Tierra de Rosas projects to secure enforceable commitments for all necessary financing by July 2023 and start construction by September 2023, a deadline that could not be met.

Round 1 2024 tax credit/bond applications are due to the Bond Issuer in late January, and to the California Debt Limit Allocation Committee (CDLAC) and California Tax Credit Allocation Committee (TCAC) in early February 2024, with awards to be made in early May 2024. MidPen anticipates submitting a stronger application next year in what is expected to be a less competitive cycle, and if awarded tax credits and bonds, Casa Roseland will begin construction by October 2024. MidPen’s competitiveness for a tax credit award is aided by a Loan Commitment letter for a \$4.71 million CDC Low and Moderate Income Housing Asset Fund (LMIHAF) loan approved by your Board in January 2023.

Backbone Infrastructure Value Engineering, Scoping, Phasing, Fee Deferrals, Variance Requests

To help close the remaining Tierra de Rosas financing gap, CDC staff have been working with MidPen, consultants, engineers, landscape architects, PG&E service planners, and City of Santa Rosa planning staff to reduce infrastructure costs through value engineering, phased and revised plans, reimbursement agreements with other developers, fee waivers or deferrals, reduced scope, and variance requests.

The CDC and MidPen have worked closely with the City to identify value engineering cost reductions related to the West Avenue and Sebastopol Road crossing, as well as other cost-saving strategies. City staff have reviewed and approved a phasing proposal for the Tierra de Rosas project, which will allow the project to begin in phases as additional funding is secured. This will allow the first phase of infrastructure, which must

begin before Casa Roseland can accept a tax credit award or start construction, to begin in late 2023, and allow Casa Roseland to open for residents prior to completion of later phases. The phasing proposal is currently anticipated to be approved by the Planning Commission at the September 28th meeting.

The City also identified the ability to reduce the currently budgeted permit fees and is working to provide an updated fee schedule to further refine this budget. Some fees, such as bonding requirements, could be eliminated through agreements currently being negotiated between the City and CDC. Additionally, the City is in the process of finalizing a Park Impact Fee waiver due to construction of the Plaza Permanente, which would benefit the Casa Roseland project and increase its competitiveness for tax credits and bonds. MidPen will continue to work with the City to pursue other eligible Impact Fee waivers or deferrals.

An opportunity to potentially obtain reimbursement from nearby developers whose projects benefit from the infrastructure being installed by the Tierra de Rosas project is also being pursued. This would not reduce project costs but could allow for future reimbursement of costs incurred.

Lastly, a variance request was submitted to the City of Santa Rosa for consideration to address issues related to the fact that the existing joint trench is located only 3' in depth under the Sebastopol Road sidewalk, which was revealed during potholing investigations. The variance requested a waiver of the requirement to install street trees in the Sebastopol Road sidewalk in recognition of the street trees being installed in the adjacent Plaza Permanente; a waiver of the requirement to relocate existing utilities under Sebastopol Road sidewalk into a new Public Utility Easement in the Plaza Permanente; and approval of installation of a bubble-up system that will allow the storm drain water to be routed around the existing joint trench. If all these variances are approved, this would reduce the Tierra de Rosas scope of work by eliminating the need to relocate the existing joint trench, reduce the project costs by approximately \$610,000, and significantly reduce the duration of the project and necessary coordination with and impact to the surrounding property owners and the utility providers with utilities in the existing joint trench, including PG&E, AT&T, Comcast and Sonic. The coordination to shut down, relocate, tie into, and re-energize these relocated facilities with all the existing utility customers impacted would be extensive. In addition, the reliability of the existing utility maps being accurate can be questionable causing potential delays and costly additions to the project during construction. Staff will return to your Board to report on the final budgets and uses of funds as more concrete information becomes available.

Pursuit of Additional Funding

Recognizing there is still a backbone infrastructure funding gap, CDC staff is working with urgency to secure additional funding. Representative Mike Thompson and staff are actively searching for federal sources that are aligned with the infrastructure needs of the project. The Bay Area Housing Finance Authority is about to release a Notice of Funding Availability for a Priority Sites Pilot with \$28 million for projects like Tierra de Rosas that are located in a locally nominated Priority Site. The Priority Sites Pilot scoring criteria is favorable to the characteristics of Tierra de Rosas. Philanthropic partners are being pursued as well, and lastly, Santa Rosa's City Manager, Maraskeshia Smith, has committed to help identify funding, specifically, to offset costs to maintain the public plaza.

See [Attachment 1](#) for project Sources and Uses in line-item detail. Proposed Sources total \$5,820,000, including pursued Priority Sites funding and other capital raising efforts noted above, estimates of value engineering savings, as well as scoping, phasing, fee deferral, and variance cost savings. While Tierra de Rosas is attracting significant investment, there is no assurance that every proposed source will materialize. The CDC will continue its capital raising efforts in earnest until the project budget is completely funded.

Agenda Date: 9/12/2023

Strategic Plan:

This item directly supports the County's Five-Year Strategic Plan and 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 3: Create incentives for developers to promote affordable housing development in the County

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

06/15/2023: Authorized \$7,678,011 from one-time General Fund monies, and \$2,000,000 from Third District infrastructure funds.

05/16/2023: Authorized Executive Director Michelle Whitman to execute IIG Grant documents.

01/31/2023: Authorized the switch of up to \$2,079,477 CFH funds from the construction of the Casa Roseland project to pay for a portion of the construction costs of Tierra de Rosas infrastructure.

Approved \$3,750,000 LMIHAF loan for the construction of the Casa Roseland and \$960,000 seller-carry back financing for the acquisition of the Affordable Housing Parcel.

Authorized amendment to PSA with MidPen increasing the budget to \$5.42 million.

Authorized waiving the annual monitoring fees for the affordable units.

Made findings that the use of LMIHAF funds will be a benefit to the Project Areas.

Authorized Interim Executive Director Rhonda Coffman to execute IIG grant documents.

Authorized Interim Executive Director Rhonda Coffman to apply for Ag + Open Space District Matching Grant funding.

10/25/2022: Provided an update to Board on the status and financing gap for the Tierra de Rosas and Casa Roseland mixed-use project.

08/31/2021: Authorized CDC Interim Executive Director Dave Kiff to execute IIG grant documents. 03/16/2021: Authorized amendment to PSA with MidPen increasing the budget to \$3,303,667.

02/04/2020: Authorized CDC Interim Executive Director Barbie Robinson to execute IIG grant documents.

08/20/2019: Authorized amendment to PSA with MidPen increasing the budget to \$2.4 million.

03/12/2019: Authorized CDC to execute the DDFA with MidPen and Urban Mix Development. 12/11/2018: Approved \$2,000,000 CFH loan for Casa Roseland.

11/15/2016: Approved \$537,500 CFH loan for Casa Roseland.

07/19/2016: Approved PSA between CDC and MidPen for an amount up to \$1.55 million. 01/26/2016: Authorized the CDC to negotiate a DDFA with MidPen.

04/08/2014: Authorized CDC to apply for Open Space District Matching Grant Program funds.

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY 23-24 Projected	FY 24-25 Projected

Agenda Date: 9/12/2023

Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

N/A, informational only

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

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

1. Sources and Uses
2. Presentation
3. Presentation-Spanish

Related Items "On File" with the Clerk of the Board:

None