



## SUMMARY REPORT

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**Agenda Date:** 8/20/2019

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**To:** Board of Commissioners of the Community Development Commission  
**Department or Agency Name(s):** Sonoma County Community Development Commission  
**Staff Name and Phone Number:** Benjamin Wickham, 707-565-7542  
**Vote Requirement:** Majority  
**Supervisory District(s):** 5th

**Title:**

Roseland Village Development

**Recommended Action:**

- A) Authorize the Executive Director of the Sonoma County Community Development Commission (Commission) to amend the Professional Services Agreement (PSA) for predevelopment work on Roseland Village between the Commission and MidPen Housing (MidPen) by increasing the dollar limit from \$1.55 million to \$2.4 million financed with Successor Agency Funds. ☐
- B) Delegate authority to the Executive Director to extend the PSA, if necessary, up to two additional one-year terms.
- C) Authorize the Executive Director of the Commission to amend and execute the Disposition and Development Agreement (DDA), Roseland Village between the Commission, MidPen, and Urban Mix Development LLC (UMD), approved by the Board of Commissioners on March 12, 2019. The amendments include: (1) provision for the Commission to issue a \$2 million carry-back loan to MidPen for the value of infrastructure improvements tied to the affordable housing portion of the Roseland property at a future date following completion of infrastructure construction; (2) insertion of "float-up" language, which provides a mechanism to keep the affordable housing development financially feasible in the event of foreclosure of any lien; (3) an adjustment to allow the Plaza Temporal Lease to be executed directly between the Commission and Notre Mere, Inc., operator of the Plaza Temporal.

**Executive Summary:**

Approval of this item would authorize the Executive Director of the Commission to amend the PSA with MidPen, originally executed in 2016, increasing the total dollar amount from \$1.55 million to \$2.4 million. This increase is intended to cover entitlement fees and other costs not anticipated in the original PSA, including the following: approximately \$600,000 in City of Santa Rosa permit and application fees; \$100,000 for a general contractor to provide detailed cost estimating prior to procuring the construction portion of the \$8.5 million infrastructure project (the \$8.5 million total includes the \$2.4 million in predevelopment costs); and a \$200,000 project management fee to pay MidPen Housing for extensive predevelopment work on site infrastructure and the plaza still required before construction can commence. (Note that the management fee is the only fee MidPen will receive from the Commission for work on predevelopment of public improvements that are the responsibility of the Commission under the agreement and represents 2% of the total project

cost. The scope of the PSA includes all services required for the Commission to obtain planning, entitlement and other predevelopment approvals for the public improvements to be made for the planned Roseland Village redevelopment project at 665 Sebastopol Road (Roseland Village) to make the site ready for development of the planned mixed-use development. The increased cost of the professional services agreement will be financed from Successor Agency funds already budget to be used on the Roseland Project. This will decrease the amount available for actual construction of site infrastructure. The Commission is working to secure additional funding to cover the full cost of this portion of the project. Potential sources to fill the approximate \$2.5 million funding gap include applying for the following: a Green Infrastructure Grant; an Infill Infrastructure Grant and/or an Affordable Housing Sustainable Communities Grant. The Commission and MidPen are collaborating on these applications.

Approval of this item would also authorize the Commission to amend the Roseland Village Disposition and Development Agreement (DDA) between the Commission, MidPen, and Urban Mix Development LLC, previously approved by the Board on March 12, 2019. The DDA defines roles and responsibilities and of each party as well as a schedule of performance in completing public and private improvements on the subject property.

**Discussion:**

***Professional Services Agreement:***

On July 19, 2016 the Board authorized the Executive Director of the Commission to execute a Professional Services Agreement (PSA) with MidPen to pay for third-party predevelopment expenses incurred to obtain the required approvals from the City of Santa Rosa. This includes: approvals for public improvements on the entire 7-acre property, which under the DDA are the responsibility of the Commission. These public improvements include publicly dedicated streets, sidewalks and public utility easements. Private improvements on each of the five subdivided parcels on the 7-acre site are described below.

MidPen has paid its own direct costs for predevelopment expenses related to the planned improvements directly related to the affordable housing parcel, and will perform all work in their role as the intended development partner for the private improvements in the planned mixed-use project. The PSA originally had a two-year term from July 2016 to July 2018; this has been extended via an amendment through July 2020.

Under the attached amendment to the PSA, MidPen would continue to perform all planning, entitlement, and other predevelopment work in their role as the intended development partner for the private improvements in the planned mixed-use project. MidPen will continue to pay its own direct costs for staff, and for predevelopment expenses related to the private improvements for the project.

By using MidPen to perform tasks related to the public improvements under the attached PSA, coordinated work is more easily accomplished and the Commission will be able to continue leveraging MidPen's demonstrated development expertise. The terms of the PSA require MidPen to obtain the Commission review and sign-off on the terms of each subcontract and to confirm that they were procured in conformity with

applicable procurement policies. These measures will ensure that appropriate value is received for the public funding expended.

Key deliverables of the Roseland Village development:

- Provide a mix of homes designed for a diverse cross-section of the Roseland community
- Create a vibrant market-hall and business incubator for local restaurant and food enterprise
- Deliver a public plaza that serves as Roseland's community hub
- Develop a multi-use building which accommodates a Boys & Girls Club, a neighborhood library and other community serving programs
- Support the revitalization of Sebastopol Road and Joe Rodota Trail linkages to regional transit, employment, and recreational centers

Roseland Village Development project details:

- Affordable Housing: 75 multifamily rental units at 30 - 60% of AMI (1, 2, and 3 bedroom)
- Market Rate Housing: 100 multifamily rental units (1 and 2 bedroom)
- Civic Building: 25,000 sq. ft. of shared space in a single 2-story building
- Mercado Food Hall: 7,400 sq. ft. catalyst for neighborhood economic development opportunities
- Plaza: 1-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

The project was initially planned to be entitled under Permit Sonoma, and a full application was submitted by MidPen. After Roseland was annexed into the City of Santa Rosa in November 2017, however, the entitlement process came under the jurisdiction of the Santa Rosa's Planning Department.

In February of 2018, MidPen submitted an application for a tentative map, subdivision map, and density bonus concessions (Project) to the City of Santa Rosa. On February 28, 2019 the City of Santa Rosa Planning Commission approved the Project. The approval was appealed by a neighboring owner, John Paulsen, to the Santa Rosa City Council. On June 25, 2019, the Santa Rosa City Council denied the neighbor's appeal and affirmed the Santa Rosa Planning Commission's approval of the Project and environmental analysis.

Projections from our development partners, MidPen and UMD, regarding the cost to complete predevelopment and obtain final entitlements for public improvements on the entire site were revised following submittal of the application in 2018; however, the Commission had good reason to believe some of these costs would be waived or at least reduced. Now that we are further along in the process and have a clarified understanding of what can be expected, the total revised project costs are estimated at \$2,320,288. The original PSA anticipated entitlements under Permit Sonoma at a total cost of \$1,544,200.

Key changes driving this cost increase include:

- City of Santa Rosa engineering fee for public improvements -- \$428,993

- The project was originally budgeted to be entitled by the County of Sonoma; however, after annexation occurred in November 2017, the City of Santa Rosa began a new entitlement process. Commission staff initially understood that City of Santa Rosa would credit the project for entitlement work completed with Permit Sonoma while the project was still under county jurisdiction. However, the Commission now understands that fees required by the City of Santa Rosa will have to be paid in full.□
- Revised plaza landscape design -- \$36,145
  - The design of the plaza has been modified to respond to requirements of the Sonoma County Agricultural Preservation and Open Space District program grant of \$500,000. This program requires more green space than the design originally included.
- Pre-construction cost estimating for public improvements -- \$100,000
  - In order to produce an accurate bid package, the Commission has requested that MidPen engage a general contractor to do detailed estimating of the horizontal infrastructure project on a fee basis.
- Additional building permit costs for public improvements -- \$114,496
  - Similar to the engineering fee, the cost of permitting increased based on the fee schedule provided by the City of Santa Rosa.
- Project management fee for predevelopment of public improvements -- \$200,000
  - In accordance with the PSA, MidPen Housing has acted as a master developer throughout the predevelopment process; however, MidPen will not receive any developer fees on their work on horizontal infrastructure or the plaza. Therefore, it is appropriate to pay MidPen a Project Management Fee for their remaining work on portions of the project not related to the affordable housing development.

These additional costs will be paid for using Successor Agency Funds, which are already budgeted for Roseland Village. This will reduce the amount of funding available to complete the \$8.5 million horizontal infrastructure construction project to install public improvements, which includes the cost of predevelopment work. The Commission is working to secure additional funding in order to fill the gap created by these additional expenditures and will return to the Board in December 2019 to provide a project update and financing options.□

### **Disposition and Development Agreement (DDA) Background**

On January 26, 2016 the Board authorized the Executive Director of the Commission to negotiate a DDA with MidPen as the intended developer of the planned Roseland Village Neighborhood Center mixed- use redevelopment project. Commission staff, with support from County Counsel and Goldfarb Lipman LLP attorneys, completed negotiation of this comprehensive document with MidPen and Urban Mix Development LLC (UMD) in March 2019. (UMD). The DDA identifies key responsibilities of the parties and defines a two-phased development process for the entire Roseland Village site. □The negotiations and revisions to the DDA have not impeded the very substantial predevelopment work necessary to obtain entitlements.□

On March 12, 2019 the Board authorized the Executive Director of the Commission to execute the DDA, in its current form, with MidPen and UMD. In order to position the affordable housing project to be more

competitive in obtaining federal tax credits, the Commission and MidPen have negotiated the following substantial amendments to the DDA approved by the Board:

1. Changes to Articles 5 and 11: According to the original DDA, the Commission was to pay for and complete all public infrastructure improvements on the 7-acre site and would subsequently donate the value of land and infrastructure improvements at the time of transfer of the subdivided parcel assigned for the affordable housing development to MidPen. The amended DDA provides that, following completion of the infrastructure construction project, the Commission will issue a loan note against budgeted project costs to MidPen for the value of a portion of these public infrastructure improvements deemed to be directly connected to the affordable housing parcel for an amount not to exceed \$2 million. The note will be issued as a deferred-payment loan between the Commission and MidPen, payable by means of residual receipts (pro rata share of 50% of net cash flow from the affordable housing development) over a term of 55 years.  
This revised arrangements brings benefit to the project in two ways: (1) MidPen Housing can increase the eligible cost basis for tax credit funding of their affordable housing project by \$2 million, generating tax credit equity from the basis of the infrastructure improvements ; (2) a \$2 million portion of the total amount needed by the Commission to complete public infrastructure improvements on the Roseland property will be issued as a loan with the possibility of recouping a portion of the principal amount via residual receipts payments over the term of the loan.
2. Changes to Article 3: Provisions in the DDA related to the Plaza Temporal Lease have been modified to remove MidPen as the preliminary Lessee as it is no longer necessary for the plaza temporal use. MidPen has an ongoing key role in predevelopment of the Plaza Temporal, including working with the Sonoma County Economic Development Board to identify Notre Mere, Inc., as the most qualified operator of the Plaza Temporal. However, there is no additional benefit to MidPen being a preliminary party to the lease between the Commission and Notre Mere, Inc., for operation of the Plaza Temporal.

**Prior Board Actions:**

**03/12/19** : Authorized Commission to execute Roseland Village Disposition and Development Agreement with MidPen and Urban Mix Development

**07/19/2016** : Approved PSA between Commission and MidPen

**01/26/2016** : Approved Commission to negotiate a DDA with MidPen

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 19-20 Adopted</b>	<b>FY20-21 Projected</b>	<b>FY 21-22 Projected</b>
Budgeted Expenses	776,088		
Additional Appropriation Requested			
<b>Total Expenditures</b>	776,088		
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			

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Fees/Other	776,088		
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	776,088	<b>0</b>	<b>0</b>

**Narrative Explanation of Fiscal Impacts:**

Approval of this request will utilize \$776,088 in previously budgeted Successor Agency funds, designated for predevelopment and construction work on the Roseland Village development project in FY 19-20. The total amount allocated for Roseland for the current budget year will not change; however, a larger portion of funds projected for the overall project than originally anticipated will be required to complete predevelopment and entitlement work via the PSA with MidPen. The Commission has to date spent \$1.5 million on predevelopment of the Roseland Village project; the amended PSA encompasses an additional \$800,000 on predevelopment. The total cost of the public improvements (predevelopment and construction) will be \$8.5 million. Please note that the amendments to the DDA providing for a \$2 million seller carry-back loan, as presented in this item, will allow the Commission to recoup some of these horizontal infrastructure construction costs over time, rather than expensing all \$8.5 million up front with no possibility of reimbursement. □

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

**Narrative Explanation of Staffing Impacts (If Required):**

None

**Attachments:**

1. PSA between Commission and MidPen
2. Amendment #2 to PSA between Commission and MidPen
3. Amended Roseland Village DDA--with highlighted changes
4. Amended Roseland Village DDA-clean version

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

None