



Legislation Details (With Text)

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Title: Funding for the Casa Roseland Affordable Housing Project and the Tierra de Rosas Mixed-Use Development in the Roseland Area of Santa Rosa
Sponsors: Community Development Commission
Indexes:
Attachments: 1. Summary Report, 2. 1. Resolution Making Findings of Benefit for LMIHAF Loan, 3. 2. Resolution Authorizing Tierra de Rosas Matching Grant Program Application, 4. 3. Resolution Authorizing Execution of IIG Standard Agreements, 5. 4. Amendment to MidPen Professional Services Agreement

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|-------------------------|--------|
| 1/31/2023 | 1 | Board of Supervisors | Approved as recommended | Pass |

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: Kathleen H. Kane, (707) 565-7537

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Funding for the Casa Roseland Affordable Housing Project and the Tierra de Rosas Mixed-Use Development in the Roseland Area of Santa Rosa

Recommended Action:

Board of Supervisors and Board of Commissioners:

- A) Authorize the Sonoma County Community Development Commission to use up to \$2,079,477 of County Fund for Housing (CFH) revenues previously committed to MidPen Housing for the construction of the 75-unit Casa Roseland project to instead pay a portion of the construction costs for the Tierra de Rosas infrastructure improvements that are required to enable construction of the affordable housing.

Board of Commissioners:

- B) Approve a \$4,710,000 Affordable Housing Loan to MidPen Housing, at an interest rate of zero percent (0%), to be comprised of \$3,750,000 cash from the Sonoma County Community Development Commission Low- and Moderate-Income Housing Asset Fund (LMIHAF) to pay a portion of the construction costs for the 75-unit Casa Roseland affordable housing development, and \$960,000 in seller-carry back financing for the acquisition of the Affordable Housing Parcel from the Sonoma County Community Development Commission.
- C) Authorize the Executive Director of the Sonoma County Community Development Commission, or designee, to waive the annual compliance monitoring fees for the assisted units, to execute funding agreements and related documents including promissory notes, deeds of trust, and other related loan

documents, and subsequent amendments, subordinations, assignments, and other modifications to said agreements and documents in connection with the Affordable Housing Loan to MidPen, consistent with the Community Development Commission's LMIHAF and Loan Policies and as shall be approved by County Counsel.

- D) Adopt a Resolution making findings that use of funds from the LMIHAF, derived from housing assets inherited by the Sonoma County Community Development Commission from the former City of Sonoma and Roseland Redevelopment Project Areas, to pay for a portion of the construction costs for the Casa Roseland affordable housing development, will be of benefit to the former Project Areas.
- E) Authorize the Executive Director of the Sonoma County Community Development Commission, or designee, to amend the Professional Services Agreement with MidPen Housing to oversee and manage the development of the Tierra de Rosas public infrastructure improvements, increasing the amount of the Agreement from \$3.3 to \$5.42 million and extending the term by three years to June 30, 2026.
- F) Adopt a Resolution authorizing the Interim Executive Director of the Sonoma County Community Development Commission, or designee, to enter into and execute all agreements, including a Standard Agreement, and amendments or modifications thereto between the Community Development Commission and the California Department of Housing and Community Development regarding an Award from the Infill Infrastructure Program for Santa Rosa QIA.
- G) Adopt a Resolution authorizing the Interim Executive Director of the Sonoma County Community Development Commission, or designee, to apply for grant funding from the Sonoma County Agricultural Preservation and Open Space District's Matching Grant Program for the development of a dedicated public plaza in the Tierra de Rosas mixed-used development and to execute and submit all documents to secure the grant award and complete the project.

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). In 2019, the CDC executed a Disposition, Development and Funding Agreement (DDFA) with MidPen Housing and Urban Mix Development, LLC for the planning, design, entitlement, and development of the Project. The Project consists of two parts: 1) Casa Roseland comprised of 75 affordable housing units for households with incomes between 30-60% of area median income, and 2) Tierra de Rosas which includes environmental remediation, development of a one-acre public plaza, and installation of all infrastructure needed to support development of the planned affordable and market-rate housing, commercial, and civic uses on the property. Construction of the infrastructure must occur prior to or concurrently with construction of all other components of the Project. Due to this being a redevelopment Project, CDC is responsible completing all Project infrastructure.

MidPen has not yet been awarded tax-exempt bonds and tax credits for Casa Roseland and will submit a new tax credit / bond application on February 3, 2023. To support MidPen's application, this item seeks approval of a \$4.71 million CDC Low- and Moderate-Income Housing Asset Fund (LMIHAF) loan needed to complete financing for the affordable units. However, the CDC needs to identify a source of funds for the \$1.473 million shortfall in currently available LMIHAF fund balance. The Tierra de Rosas infrastructure component of the Project, which is also a CDC obligation, has a financing gap of \$18.5 million, resulting in a combined \$19.973

million deficit in Project funding for which CDC is responsible.

On January 3, 2023, MidPen received a conditional \$25.26 million California Housing Accelerator award for Casa Roseland from the California Department of Housing and Community Development (HCD). Because the \$18.5 million infrastructure funding gap would prevent Casa Roseland from proceeding even if it is fully funded, MidPen submitted a proposal to HCD that, if approved, would allow the Accelerator and other Casa Roseland funding awards to be shared with CDC to pay for infrastructure work that supports the affordable housing units. As of January 27, 2023, HCD had not yet responded to this request; however, this agenda item seeks authority for actions that would be necessary to implement a changed financial structure for the Project to be well positioned to meet all deadlines should HCD provide its approval.

One of MidPen's proposed changes to HCD redirects \$2,079,447 of County Fund for Housing (CFH) funds previously committed to a Casa Roseland loan to instead be used by CDC as a grant for infrastructure improvements. This change requires your Boards' approval and is included in this agenda item. If HCD approves MidPen's proposal and the CFH funds are moved into the infrastructure budget, the remaining financing gap for infrastructure work would be reduced to \$3.724 million and the remaining shortfall for the LMIHAF loan would be \$1.473 million, for a combined reduced Project shortfall of \$5.197 million. If the CFH funds are instead used to complete the funding needed for the LMIHAF loan, the full \$5.197 million gap would be reflected entirely in the Tierra de Rosas infrastructure budget.

To help close this remaining financing gap, approval of this agenda item would authorize the CDC to submit an application requesting \$2,000,000 from the Agricultural Preservation and 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. If awarded, these funds would replace the \$500,000 2014 MGP grant that expired in October 2022.

HCD requires the resolution authorizing the CDC to enter into agreements related to the IIG grant to specifically name the individual who is authorized to act on the agency's behalf. Therefore, the attached Resolution authorizes Rhonda Coffman, Interim Executive Director, to enter into and execute all agreements necessary to obtain and use the State IIG funds for the Project.

Finally, approval of this agenda item would also authorize execution of the attached Amendment to the Professional Services Agreement with MidPen, under which it oversees and manages the development of the Tierra de Rosas infrastructure improvements. The Amendment increases the amount of the Agreement from \$3.3 to \$5.42 million and extends the term by three years to June 30, 2026.

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 (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 that could accommodate public uses such

as a library and youth activities.

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 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. Following favorable decisions on the lawsuits filed by the CDC/Successor Agency against DOF, the legal disputes were settled in September 2015. As a result, 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, which was envisioned to support the revitalization of Sebastopol Road and Joe Rodota Trail linkages to regional transit, employment, and recreational centers, and include a mix of homes designed for a diverse cross-section of the Roseland community, a vibrant market-hall and business incubator for local restaurant and food enterprise, a one-acre public plaza that serves as Roseland's community hub, and a multi-use building that accommodates civic uses and other community serving programs.

The CDC selected MidPen and Urban Mix, LLC as the master developer of the site based on their response to the RFP. The CDC executed an Exclusive Right to Negotiate Agreement (ERNA) with MidPen for the purposes of negotiating a Disposition, Development and Funding Agreement (DDFA). The final DDFA with MidPen and Urban Mix, LLC was approved by your Board of Commissioners at its meeting of March 12, 2019.

On July 19, 2016, your Board authorized the Executive Director of the CDC to execute a Professional Services Agreement (PSA) with MidPen to pay for third-party predevelopment expenses incurred to obtain the required Tierra de Rosas approvals, including the approvals for public improvements on the entire 7-acre property.

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 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

Financing Gap and California Housing Accelerator Award

As of October 2022, MidPen had identified all anticipated funding sources for the 75-unit Casa Roseland component of the Project, but had not yet received an award of the required tax credits and tax-exempt bonds, and the proposed \$4.71 million CDC Low- and Moderate-Income Housing Asset Fund (LMIHAF) loan had not yet been approved by your Board. At that time, the planned Tierra de Rosas infrastructure component of the Project, which must be built before or concurrently with the housing units, had a financing gap of \$18.5 million and the LMIHAF available balance had a \$1.473 million shortfall in the amount needed for the Casa Roseland loan. CDC, County, and MidPen staff have been working to identify cost savings and additional financing to close the combined \$19.973 million gap.

On January 3, 2023, MidPen received a conditional award for Casa Roseland of \$25.26 million in California Housing Accelerator funds from the Department of Housing and Community Development (HCD). These funds are intended to help complete the financing for affordable housing projects that previously received commitments of HCD funding but have not been successful in obtaining an award of tax credits and tax-exempt bond financing.

MidPen is eligible to receive Accelerator funding because Casa Roseland was previously awarded \$1,784,628 of funding from the California Infill Infrastructure Grant (IIG) Program to pay for construction of podium parking at Casa Roseland, and \$15,685,007 in Affordable Housing and Sustainable Communities (AHSC) funds. Tierra de Rosas also received funding of \$6,355,684 from IIG to pay for infrastructure work, and \$620,616 from AHSC for the infrastructure improvements.

The Accelerator award requires that MidPen is successful in an application for tax credits and tax-exempt bonds in Round 1 of 2023 and requires the project to secure enforceable commitments for all necessary financing by July 2023. Round 1 tax credit/bond applications are due to the Bond Issuer on February 3, 2023, and to the California Debt Limit Allocation Committee (CDLAC) and California Tax Credit Allocation Committee (TCAC) on February 7, 2023, and awards will be made on May 10, 2023. If MidPen is awarded tax credits and bonds, Casa Roseland and Tierra de Rosas must begin construction by September 2023.

To enhance MidPen's competitiveness for a tax credit award, their application needs to include a Loan Commitment letter for the \$4.71 million CDC LMIHAF loan, which staff can issue only after receiving your Board's approval and securing all funds needed to make the loan. HCD's requirement for MidPen to apply for tax credits by February 3 is therefore driving the need for a very compressed timeline for staff to seek loan approval and secure the needed loan funds, and a need to present the proposed changes to Project financial structure in conditional terms due to current unknowns.

Because the CDC must construct the infrastructure improvements before or concurrently with the housing units, the new Accelerator award actually requires evidence of all financing commitments for both Casa Roseland and Tierra de Rosas. While HCD's Accelerator deadline is not until July 2023, the tax credits' May award date and September deadline for beginning construction would mean that all financing commitments would have to be obtained by April 2023 prior to acceptance of the tax credit award and to ensure that there is sufficient time to for the Commission and MidPen to put the work out to bid, award the construction contracts for the public improvements and Casa Roseland, and begin construction by the September tax credit deadline.

It is highly unlikely that the CDC could identify and secure an additional \$19.973 million in gap financing by that time. To overcome this obstacle, MidPen submitted a proposal to HCD that, if approved, would allow \$10,972,944 of the Accelerator funds to be shared with CDC to pay for infrastructure work that supports the development of the affordable housing. MidPen is also asking HCD to allow disbursement of the Accelerator funds to reimburse expenditures for infrastructure work as it progresses, rather than adhering to the standard disbursement schedule that releases the funds at close of permanent financing after completion of the housing units. If HCD allows the Accelerator funds to pay for infrastructure work but does not release the funds until completion of all work, the CDC would need to quickly identify an alternative source for an interim construction loan that would be repaid with the Accelerator funds when they become available.

As of January 24, 2023, HCD had not yet responded to MidPen's proposal, but has indicated that it hopes to respond before January 31. MidPen and CDC are now taking preparatory steps for actions that would be necessary to implement a changed financial structure for the Project to be well positioned to meet all deadlines should HCD provide its approval.

Additional Restructuring of Project Financing

MidPen is also requesting HCD to approve moving the \$1,784,628 of IIG funding that was previously awarded to Casa Roseland to support structured parking, to instead be included in the Tierra de Rosas budget to pay for other infrastructure work. Under this proposal, construction of a podium parking structure will remain in the Casa Roseland project scope, but other funding for Casa Roseland will be used to replace the IIG source for that work. The budget table below also shows an additional \$8,450 in IIG funds that are now available for Tierra de Rosas infrastructure work because developers of other Qualified Infill Projects that were part of the IIG application to HCD will not be using those funds.

MidPen's proposal to HCD also seeks approval to move the \$2,079,447 in previously approved County Fund for Housing (CFH) funds from CDC out of the Casa Roseland budget and use those funds instead to pay for a portion of the infrastructure work. Your Board's approval would be required to allow the CDC to use these CFH funds as a grant for construction of the public improvements. This Board item seeks authority to spend up to the full CFH amount for Tierra de Rosas; however, as discussed further in the LMIHAF Loan section of this report, as much as \$1.473 million of the CFH funds may be needed to provide an internal bridge loan to the CDC's LMIHAF for the Casa Roseland loan. In that event, other sources would need to be identified to replace the redirected \$1.473 million CFH funds to pay for the infrastructure improvements. The CDC will need to rely on this use of the CFH funds in order to issue the LMIHAF Loan Committee letter for the February 3 tax credit application, but will continue to seek other sources for this use before the loan closes escrow prior to construction. The following budget tables are built on the assumption that other sources will eventually be found and show the full \$2.079 CFH funds as available for Tierra de Rosas, but this remains an unknown.

As shown in the tables below, if all of the facets of MidPen's proposal to HCD are approved, the Casa Roseland budget would be reduced by \$7.7 million, but would remain balanced with commensurate reductions to both sources and uses of funds. The Tierra de Rosas financing gap would be reduced from \$18.57 million to \$3.7 million as a result of \$3.86 in shifts from Casa Roseland plus almost \$11 million from MidPen sharing the Accelerator award if secured from HCD.

Because the CDC is responsible for securing funds for both the remaining \$3.7 million infrastructure gap and the \$1.473 million shortfall for the LMIHAF loan, staff will need to find sources for a combined financing gap of \$5.197 million. If CFH funds will be needed to complete the funding needed for the LMIHAF loan instead of paying for infrastructure work, the Tierra de Rosas budget table below would be revised to show only \$606,447 in CFH funds and the full \$5.197 financing gap, but the amount of the gap would remain unchanged.

CDC and County staff will continue to seek the funds needed, combined with ways in which to reduce project costs, to fully close the gap and enable the project to proceed. Staff will return to your Board to report on the final budgets and uses of funds as more concrete information becomes available.

If MidPen’s proposal is not approved by HCD, they will need to withdraw their tax credit application because it is based on the proposed financing structure outlined here. The financial status of the Project would then remain unchanged from the current status. The CDC staff would need to continue seeking alternative ways in which to finance the current \$19.973 million infrastructure and LMIHAF shortfall, and MidPen would need to continue to seek tax credits and bond financing in future rounds.

| CASA ROSELAND AFFORDABLE HOUSING BUDGET | | |
|---|----------------------------|-------------------------------------|
| Sources of Funds | October 2022 Amount | January 2023 Proposed Amount |
| Renewal Enterprise District (RED) Construction to Permanent Loan rate) | \$ 3,471,289 | \$ 3,471,000 |
| Tax Credit Investor Proceeds - 4 (yet received) | \$ 44,392,401 | \$ 27,556,199 |
| County Fund for Housing (CFH) | \$ 2,079,447 | \$ 0 |
| HCD - Infill Infrastructure Grant | \$ 3,065,982 | \$ 0 |
| HCD - Affordable Housing and S (AHSC) Funds | \$ 15,685,007 | \$ 15,685,007 |
| Proposed with this item: LMIHAF to be comprised of \$3,750,000 and \$960,000 seller-carry-back Affordable Housing Parcel. | \$ 4,710,000 | \$ 4,710,000 |
| Proposed portion of HCD - Calif funds for Casa Roseland (subject) | \$ 0 | \$ 14,293,036 |
| Total Sources | \$ 73,404,126 | \$ 65,715,242 |
| Proposed Change | (\$7,688,844) | |
| Uses of Funds | October 2022 Amount | January 2023 Proposed Amount |
| Land Cost (Affordable Housing CDC) | \$ 960,000 | \$ 960,000 |
| Hard Costs | \$ 54,964,197 | \$ 46,413,593 |
| Architecture and Engineering Co | \$ 2,315,290 | \$ 2,315,290 |
| Financing and Interest Fees | \$ 6,175,014 | \$ 6,101,186 |
| Project Reserves | \$ 2,082,625 | \$ 3,288,788 |
| Soft Costs | \$ 4,707,000 | \$ 4,436,385 |

| | | |
|-----------------|---------------|---------------|
| Developer Fee | \$ 2,200,000 | \$ 2,200,000 |
| Total Uses | \$ 73,404,126 | \$ 65,715,242 |
| Proposed Change | (\$7,688,844) | |

| Tierra de Rosas Infrastructure Budget | | |
|--|----------------------------|-------------------------------------|
| Sources of Funds | October 2022 Amount | January 2023 Proposed Amount |
| Redevelopment Tax Increment | \$ 3,740,000 | \$ 3,740,000 |
| Redevelopment Property Tax T Roseland Village | \$ 6,920,000 | \$ 6,920,000 |
| RPTTF for Environmental Clean | \$ 342,969 | \$ 342,969 |
| County Fund for Housing (Gee R | \$ 458,053 | \$ 458,053 |
| County R&R (Library and B&G C | \$ 500,000 | \$ 500,000 |
| State Water Quality Control Bo | \$ 2,460,700 | \$ 2,460,700 |
| Sonoma County Open Space Gr | \$ 500,000 | \$ 500,000 |
| HCD - Affordable Housing and S Program (AHSC) Sustainable Tra (STI) Affordable Housing Infrast | \$ 620,616 | \$ 620,616 |
| HCD - Infill Infrastructure Grant Improvement Project (CIP) CDC QIP#1 MPHC Affordable Housin | \$ 6,355,684 | \$ 6,364,134 |
| Proposed County Fund for Hou Casa Roseland to infrastructure approval) | \$ 0 | \$ 2,079,447 |
| Proposed HCD - Infill Infrastruct QIP#1 Podium Garage Portion f Roseland to infrastructure (subj | \$ 0 | \$ 1,784,628 |
| Proposed portion of HCD Califo funds for infrastructure (subjec | \$ 0 | \$ 10,972,944 |
| Total Sources | \$ 21,898,022 | \$ 36,743,491 |
| | | |
| Uses of Funds | October 2022 Amount | January 2023 Amount |
| Due Diligence (paid from Redeve Funds) | \$ 250,000 | \$ 250,000 |
| Roseland Property Acquisition (\$ Tax Increment Funds) | \$ 3,490,000 | \$ 3,490,000 |
| Environmental Consulting - Stu | \$ 342,969 | \$ 342,969 |
| Hazmat Cleanup (by Harris & Le | \$ 1,170,250 | \$ 1,170,250 |

| | | |
|---|------------------------|-----------------------|
| Building Demolition, Environme | \$ 209,084 | \$ 209,084 |
| Gee Parcel Acquisition | \$ 458,053 | \$ 458,053 |
| Library and B&G Club relocation | \$ 500,000 | \$ 500,000 |
| Interim Capital Improvements to Club etc. | \$ 465,000 | \$ 465,000 |
| Environmental Clean-Up & Dem | \$ 2,460,700 | \$ 2,460,700 |
| Commercial Operations & Main revenue offsets) 2011-2022 | \$ 784,748 | \$ 784,748 |
| Estimated Future Commercial C \$14k/month (\$11k month incor through December 2023 constr | \$ 210,000 | \$ 210,000 |
| Soil Management Plan and Soil | \$ 130,000 | \$ 130,000 |
| Plaza Temporal | \$ 1,250,000 | \$ 1,250,000 |
| Public Improvements (no design private utility scope each lot de | \$ 16,785,557 | \$ 16,785,557 |
| Plaza Permanente (assuming in infrastructure) | \$ 1,963,638 | \$ 1,963,638 |
| Plaza Operation Capitalized Res (year) | \$ 1,500,000 | \$ 1,500,000 |
| 5% CDC- Owner Hard Cost Cont | \$ 937,460 | \$ 937,460 |
| Construction Management | \$ 920,167 | \$ 920,167 |
| Soft Costs | \$ 4,003,768 | \$ 4,003,768 |
| 10% Soft Cost Contingency | \$ 492,393 | \$ 492,393 |
| Project Contingency (1.05%) | \$ 269,457 | \$ 269,457 |
| Future Escalation (10% per year 2023 construction start) | \$ 1,874,919 | \$ 1,874,919 |
| Total Uses | \$ 40,468,163 | \$ 40,468,163 |
| Remaining Gap (if all CFH funds) | (\$ 18,570,141) | (\$ 3,724,672) |

Affordable Housing Loan and Use of Land Sale Proceeds

The DDFA stipulates that the Affordable Housing Parcel on which the Casa Roseland development will be constructed will be sold to MidPen and the CDC will fully finance the purchase price through a seller carry-back loan (Affordable Housing Loan). The DDFA states further that, subject to your Board’s approval and making of the requisite findings (discussed below), the Affordable Housing Loan will also include other funds that can be obtained by the CDC for the benefit of the development, not to exceed the amount of assistance necessary to make development and operation of the affordable units financially feasible.

As shown in the table above, MidPen’s current estimated development budget for Casa Roseland totals \$ 65,715,242 and they have identified \$61,005,242 in financing from other sources, leaving a financing gap of \$4.71 million to be covered by the Affordable Housing Loan. Approval of this Board item would approve the Loan, which would be comprised of two components: the CDC seller carry-back financing for the \$960,000

sales price of the land, and \$3.75 million in cash from the LMIHAF for construction costs.

The CDC currently has \$2.277 million in unencumbered LMIHAF cash on hand, leaving a \$1.473 million shortfall in the cash needed for the Affordable Housing Loan. The agency must therefore identify another source of cash to make up the difference. The first such source would be any additional revenues that may be received into the LMIHAF prior to loan closing. Other sources will be sought, as well. In the event that no other funds can be obtained for this purpose, the CDC would plan to use up to \$1.473 million of the CFH funds discussed above to make an internal agency bridge loan to the LMIHAF, which would be repaid with sales proceeds from the Market Rate, Civic, and Commercial Parcels. Because these are Housing Successor agency assets, any money generated by their sale must be deposited into the LMIHAF and would be available to repay the internal bridge loan or other funds that may be used to complete the loan financing at close of escrow. As discussed above, any CFH funds that are redirected to use for the LMIHAF loan will no longer be available to help close the financing gap for the Tierra de Rosas infrastructure improvements.

The timing and dollar amount for the sales of the Market Rate, Commercial, and Civic parcels is uncertain due to delays in the development of the infrastructure improvements for Tierra de Rosas and because the CDC is still in the process of identifying the users and developers for the Civic and Commercial parcels. Prior to sale, each parcel will be appraised to set its sales price at the updated market value, which will include the value of the completed infrastructure improvements, when the timing for the sales is known. Any sales proceeds that are not required to repay a bridge loan will be deposited in the LMIHAF to assist other affordable housing development and preservation projects in the future, as required by redevelopment law.

Concordance with LMIHAF and CDC Loan Policies

Upon dissolution of redevelopment, the state authorized the CDC to retain the Roseland neighborhood center property as a “housing asset”. State redevelopment law requires that proceeds from the sale of real property housing assets must be deposited to the LMIHAF. Therefore, the land sales proceeds from all four parcels are considered LMIHAF assets and must be expended pursuant to the provisions of the Community Redevelopment Law (CRL), codified in California Health and Safety Code (HSC) Sections 33000 et seq.

The CDC’s LMIHAF Policies that were adopted in compliance with CRL allow the Executive Director to submit funding requests directly to your Board and state, “In the event that the CDC offers publicly owned land for development as part of a request for proposals process under the auspices of a County or Commission program, the award may, with the approval of the Board of Commissioners, include a commitment of future years’ LMIHAF funding, to best facilitate the development process.” CDC staff would like to exercise these LMIHAF Policy provisions to request your Board’s approval to make the Affordable Housing Loan to MidPen from the LMIHAF using current and future year funds.

The CDC’s Loan Policies establish a monitoring fee that is paid by developers to provide sufficient revenue for CDC staff to perform adequate compliance monitoring for all assisted units. The annual fee is currently set at \$150 per unit and is adjusted annually on July 1st to reflect changes in the San Francisco - Bay Area Consumer Price Index. Because all units in Casa Roseland, with the exception of the on-site manager’s unit, will be assisted by the LMIHAF loan and therefore subject to the monitoring fees, the annual monitoring costs would exceed \$11,000. This would have a significant negative impact on MidPen’s operating budget for the development. In light of the fact that the Project is a CDC redevelopment project, and in consideration of MidPen’s many efforts and contributions to help CDC close the financing gap for the Tierra de Rosas infrastructure component of the work, if HCD approves MidPen’s requests regarding the Accelerator, IIG, and other funds, this item seeks Board approval to waive the fees and instead pay for the Casa Roseland compliance monitoring costs from the LMIHAF’s annual administrative fund.

The CDC's Loan Policies stipulate that multi-family housing loans will be deferred payment with an annual 3% simple interest rate. To make the overall financing structure of the Casa Roseland units work, MidPen is requesting an interest rate of 0%. Approval of this Board item would allow a policy exception to provide a 0% interest loan.

Findings Required for LMIHAF Affordable Housing Loan

HSC section 34176.1(c)(1) allows use of LMIHAF funds that meet the definition of "program income", as set forth in HSC sections 34176(e)(3), (4), and (5), to be spent anywhere in the county without regard to former redevelopment project area boundaries. Real property falls under HSC 34176(e)(1) and is therefore excluded from the "program income" definition. Consequently, HSC 33334.2(g) remains in effect for the planned use of the \$2.277 million of LMIHAF funds that were recently received through the sale of the Village Green II property in the City of Sonoma, and the planned sale of the four Roseland parcels. Therefore, HSC requires a finding of benefit to the project area(s) from which these funds were derived.

In addition to this statutorily required finding, the CDC's LMIHAF Policies, "...require a resolution of the Board of Commissioners making a finding of benefit to a project area to: a) Expend LMIHAF revenues from any source within the incorporated boundaries of municipalities other than Sebastopol and Sonoma;..." The Tierra de Rosas property has now been annexed into the City of Santa Rosa.

To ensure compliance with redevelopment law and the CDC's LMIHAF Policies, approval of the Affordable Housing Loan will need to include a Resolution making findings of benefit to the former City of Sonoma and Roseland Redevelopment Project Areas. This finding is justified because development of new affordable housing anywhere within the County would increase opportunities for lower income households to live and work within communities that are in close proximity, rather than moving further away to contiguous counties where housing is less expensive. When homes are available at affordable rates and near to workplaces, the individual household's housing/transportation cost burden can be significantly reduced. There is also a broader public benefit, as shorter commuting distances reduce vehicle emissions that contribute to climate change.

Application for Grant Funds from Open Space District

As envisioned in the Sebastopol Road Urban Vision Plan, adopted by your Board and the City of Santa Rosa in 2007, Tierra de Rosas includes plans for a one-acre public plaza to serve as a community gathering place in the heart of Roseland. The specific design features of the plaza were fleshed out through a community engagement process and include a gazebo or bandstand, public seating, trees, lawn and garden areas, paved areas for a farmers' market, outdoor dining and outdoor vendors, public art, imaginative play space and a bocce ball court.

The CDC received \$500,000 in Matching Grant Program funds from the Sonoma County Agricultural Preservation and Open Space District (District) in 2014 to help pay for construction of the public plaza. Due to lengthy delays in the development of the Tierra de Rosas Project, those funds have not been expended and the grant expired in October 2022. District staff are not authorized to approve an extension in time.

The District has since issued a call for applications for its 2022 Matching Grant Program, with applications due by March 10, 2023. This competitive grant program offers funding for land acquisition, development of recreational amenities, and restoration of open space within or near urban areas. It requires applicants to provide some level of matching funds. The District anticipates awarding \$2 million countywide in Matching Grant Projects this year to cities, the County, other public agencies, and non-profit organizations.

The estimated cost to develop the Tierra de Rosas public plaza now exceeds \$2 million. After discussions with

the District's staff to confirm eligibility criteria and funding priorities, the CDC is proposing to submit an application in an amount up to \$2 million for the development of the one-acre public plaza at Tierra de Rosas. Funding previously approved by your Board for redevelopment of the Property would be used to provide the required match for the District grant.

The Tierra de Rosas budget in the table above includes an assumption that the CDC will receive at least \$500,000 from a new District grant. The remaining financing gap would therefore be reduced if a new grant award that exceeds that amount. If the CDC does not receive any new funding from the 2022 funding round, the financing gap would increase by \$500,000 unless the District seeks approval of your Board to extend the term of the expired 2014 grant.

A resolution authorizing the grant application is required. The attached Tierra de Rosas Matching Grant Program Application Resolution would authorize the Executive Director of the CDC to conduct all negotiations and submit all documents to secure a grant award and complete the project.

Signature Authority for State IIG Grant Documents

In August 2021, your Board adopted a new Resolution when Dave Kiff was appointed as the CDC's Interim Executive Director, designating him as the individual with the delegated responsibility to enter into all IIG agreements with HCD. Rhonda Coffman has now been appointed as the new Interim Executive Director of the CDC, and as such has assumed all of the duties and responsibilities that had previously been assigned to Dave Kiff. The attached Resolution that would be approved with this Board item is required by HCD to authorize Ms. Coffman to execute IIG agreements and related documents, including but not limited to an affordable housing covenant, a performance deed of trust, a disbursement agreement, and certain other documents required by HCD as security for, evidence of, or pertaining to the IIG grant, and all related amendments.

MIDPEN PROFESSIONAL SERVICES AGREEMENT

MidPen pays its own direct costs for predevelopment expenses related to the planned infrastructure improvements that are directly related to the Casa Roseland affordable housing parcel and will perform all work to oversee and manage construction of the improvements in their role as the CDC's development partner for that component of the Project.

The CDC's staff possesses the expertise required to perform bidding and construction management of the type required for the Tierra de Rosas component of the Project; however, given the CDC's on-going workload, there is insufficient staff capacity to perform this work in-house without negatively impacting other projects and programs. Based on the CDC's knowledge of construction management and oversight costs, staff believes the proposed costs, qualifications, and continuity of management that would be realized by MidPen performing this work for the CDC will achieve the best and most cost-effective method of completing the Tierra de Rosas infrastructure improvements.

In July 2016, your Board approved a Professional Services Agreement (PSA) with MidPen to perform required predevelopment work for Tierra de Rosas. The initial amount of the PSA was \$1.55 million, and subsequent Amendments that were approved as the Project progressed have increased the total payment to \$3.3 million. The requested \$2.12 million increase in funds for the PSA will fund MidPen's provision of services to assist the CDC staff in managing all aspects of the construction of the Public Improvements.

The new \$5.42 million amount of the amended PSA is included in the Tierra de Rosas budget under Construction Management, Soft Costs, and Soft Cost Contingency line items. The PSA scope of work includes design and engineering, environmental studies, permit processing, advertising and bidding of the work using the CDC's solicitation process, reviewing and selecting bidders, day-to-day management of the selected

general contractor, reviewing and recommending payment of invoices, construction management for the installation of all infrastructure improvements and engagement of consultants.

Approval of this Board item would also extend the term of the PSA to June 30, 2026. While it is currently anticipated that construction of all improvements will be completed during 2025, this longer term is recommended to allow for any possible schedule delays. CDC will not execute the PSA Amendment until and unless the required gap financing is obtained to enable the Tierra de Rosas work to proceed.

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.

Prior Board Actions:

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 |
|------------------------------------|-----------------------------|-------------------------------|-------------------------------|
| Budgeted Expenses | \$4,710,000 | | |
| Additional Appropriation Requested | | - | - |
| Total Expenditures | | | |
| Funding Sources | | | |
| General Fund/WA GF | | - | - |
| State/Federal | | | |

| | | | |
|---|--------------------|---|---|
| Fees/Other - (Seller carry-back portion of LMIHAF Loan) | \$960,000 | - | - |
| Use of Fund Balance - (LMIHAF) | \$3,750,000 | - | - |
| Contingencies | | | |
| Total Sources | \$4,710,000 | - | - |

Narrative Explanation of Fiscal Impacts:

The \$4.71 million Affordable Housing Loan to MidPen would be comprised of \$2.277 million in LMIHAF available balance comprised of receipts from former Roseland and City of Sonoma Redevelopment Project Areas, CDC seller carry-back financing for the \$960,000 appraised value of the Affordable Housing Parcel to be purchased by MidPen, and \$1.473 million from an internal bridge loan from the CFH to the LMIHAF or other sources to be identified, which the CDC will repay with sales proceeds from the Market-Rate, Commercial, and Civic parcels at Tierra de Rosas. Appropriations are not required as the loan is a balance sheet transaction with loan funds to be booked as an asset and be retained on the Balance Sheet.

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

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

1. Resolution Making Findings of Benefit for LMIHAF Loan
2. Resolution Authorizing Tierra de Rosas Matching Grant Program Application
3. Resolution Authorizing Execution of IIG Standard Agreements
4. Amendment to MidPen Professional Services Agreement

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

None