



## Legislation Text

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**File #:** 2020-1349, **Version:** 1

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**To:** Board of Supervisors of Sonoma County and Board of Commissioners of the Community Development Commission

**Department or Agency Name(s):** Community Development Commission

**Staff Name and Phone Number:** Paul Osmundson, 565-1996

**Vote Requirement:** Majority

**Supervisory District(s):** Countywide

### **Title:**

Approval of Disposition, Financing and Development Agreement and Related Documents for Property Located at 2150 West College Avenue, Santa Rosa

### **Recommended Action:**

Adopt a resolution authorizing the Sonoma County Community Development Commission (Commission) to enter into a Disposition, Financing and Development Agreement ("DDA") with USA Properties for development of property located at 2150 West College Avenue, Santa Rosa, CA, and to enter into related agreements for the development of the Property.

### **Executive Summary:**

This Board item requests approval for the Executive Director to enter into a Disposition, Financing and Development Agreement ("DDA") for the property located at 2150 West College Avenue, Santa Rosa with USA Properties Inc. The proposed College Creek Apartments is designed to build 164 residential dwelling units.

In 2017, the Commission engaged in a comprehensive and competitive process which resulted in a group of well-designed and thoughtful development proposals. Based on the results of the proposal review committee Commission staff recommend that USA Properties ("USA") be selected as developer. On December 11, 2018 the Commission approved the selection of USA Properties and the Commission entered into an Exclusive Right to Negotiate Agreement (ERNA) with USA Properties on February 14, 2019 which was subsequently amended to extend the negotiating period until February 1, 2021. The Staff has finalized negotiations with USA and the City of Santa Rosa Design Review Board has approved the project. The DDA describes the process through which the property will be transferred to the developer, the terms of a residual receipts loan in the amount of the appraised Fair Market Value of the land, the overall financial plan for the project and the development process. The DDA also identifies the affordability covenants that will be required for the project.

### **Discussion:**

In line with guidance received from the Board of Commissioners, the Commission has prioritized the production of high-quality new housing to address the vast housing shortage that currently exists in Sonoma County. Both market-rate and affordable dwellings are necessary to meet the needs of thousands of families in Sonoma County. In line with this direction, the Commission obtained Board approval on June 20, 2017 to proceed with the purchase of the Sonoma County Water Agency property at 2150 West College Avenue, Santa Rosa. The purchase was carried out using a forward allocation of \$4.2M in County Fund for Housing Trust Fund dollars for the specific purpose of developing affordable and workforce housing. The Commission noted in its

Board Item Summary that acquisition and development of the 2150 West College Avenue site supports County policies related to agricultural and open space preservation and greenhouse emission reduction goals by ensuring city- centered development near transportation and public services.

On August 29, 2018 the Commission released a Request for Proposals (RFP) seeking a qualified firm to move forward with development of affordable and workforce housing on the site. Seven development proposals were received by the closing date of the RFP on October 2, 2018. An RFP Selection Committee (comprised of representatives from the City of Santa Rosa, community and private-sector members, and employees of the Commission) reviewed and ranked the seven proposals received based on criteria outlined in the RFP materials and USA Properties Inc. was selected as the most qualified developer.

On December 11, 2018 the Commission approved the selection of USA Properties and the Commission entered into an Exclusive Right to Negotiate Agreement (ERNA) with USA Properties on February 14, 2019. The ERNA was amended twice and the term expires on February 1, 2021.

The discussion below presents a project description, and the current status of the project proposal in comparison to the original proposal received by the Commission in response to the RFP.

### **Project Description**

**Site Characteristics.** The site is 7.46 acres (gross) with 1.67 acres of the parcel reserved for an exclusive easement to the Sonoma County Water Agency for flood channel maintenance and Public Right of way Dedication for a creek-side pedestrian trail. USA's proposal is reserved to the remainder 5.79 acres, leaving the creek environment in its natural state.

**General Plan and Zoning Designations.** The site is designated as Medium High Density Residential and Zoned as R-3-30 (Multi-Family Residential). Entitlement requested for the implementation of this land use includes:

- Design Review-Major for a 164-unit apartment home community with on-site community center, pool, and other amenities.

**Proposed Project.** College Creek Apartments is designed to include a development footprint exclusive of the existing creek/drainage channel easement area for a net buildable area of 5.79 acres.

The site plan is designed to maximize density of the net building area with 164 units in three buildings with a mix of one-, two-, and three-bedroom units ranging in size from 622 to 1,240 square feet.

Unit Type	Unit Square Feet	Number of Units
1 bed/1 bath	622	64
2 bed/2 bath (avg)	906	58
3 bed/2 bath (avg)	1,162	42
Total		164

Building mix includes two 3-story walk-up buildings and one 4-story elevator served building; all within the 45-foot height restriction. The combination of building types and building sizes provides options for a variety of households including singles, families, senior, and special physical needs. The inclusion of elevators and adaptable design features in the four-story building provides increased accessibility to most units.

### **Disposition and Development Agreement**

The key financial terms of the DDA include the following

1. The Commission is will issue a residual receipts loan in the amount of the Fair Market Value of the Property, for a term of 55 years at an annual interest rate of 3%.
2. The developer will be recording a Commission Regulatory Agreement that restricts the rental and occupancy of eighty-one (81) of the units to Eligible Tenants at an Affordable Rent.
3. The developer intends to fund the remainder of the project with a combination of Low-Income Housing Tax Credits and other sources.

**Affordability.** With the objective of prioritizing housing product and maximizing affordability, USA proposes to develop College Creek as a 164 unit multi-generational, mixed-income apartment home community consistent with the City's Housing Allocation Plan with no less than 15% of the units available to households with incomes at or below 80% Area Median Income. The total income range for apartment homes is expected to range from 30% to 80% Area Median Income. Thoughtful, efficient unit plans provides housing alternatives with whole dollar rents that are well below other market rate projects in the City of Santa Rosa. USA's diverse mix of affordability levels will provide housing opportunities to seniors, veterans, homeless, and lower wage working families and individuals. The project is designed to bring people together through shared spaces and attentive, experienced management. 81 of the 164 units will be subject to affordability restrictions and subject to a Commission Regulatory Agreement.

**Amenities.** This mix of people places creates opportunities for indoor and outdoor recreation and passive activities. The Community Center, located on the ground floor of the 4-story building, will include the leasing office with leasing lounge, Wi-Fi in common areas, and fitness room. A clubroom with hospitality kitchen, large screen TV, and game tables, Wi-Fi workstations are also planned. Outdoor amenities will include a pool with lounges and seating, barbecue counter with seating, 2-12-year-old children's play area, synthetic turf area, 13-17-year-old multi-purpose sport court, enclosed bike storage and a bike repair station. The spaces are all connected with a network of internal walkways.

**Access and Circulation.** Vehicular access will be from West College Avenue with two driveways, one near the western boundary and one near the eastern boundary. The western entry features a large heritage oak tree and serves as a landmark to the project. The internal loop drive aisle provides access to parking and building entries. Pedestrian access to and from W College Ave occur at multiple locations with a pedestrian paseo enhanced entry, sidewalks at both vehicle entry drives, as well as direct access walks to the street facing buildings.

An inviting pedestrian paseo at the center of the site with decorative landscape, trees, and benches adds to the neighborhood atmosphere by breaking up the building mass along West College Ave. This pedestrian paseo remains elevated as it crosses the east-west drive aisle, prioritizing the pedestrian experience into the community while also creating a traffic calming feature at the clubhouse entry. Pedestrian circulation within the community is accommodated with a combination of accessible walkways connecting the community to the clubhouse and outdoor amenity areas as well as direct access to the adjacent creek trail.

Sonoma County Water Agency controls the existing channelized creek area along the eastern and southern boundary of the community. At the present time, the Creekside trail does not extend through to West College Avenue. The applicant proposes to coordinate with the Sonoma County Water Agency and the City of Santa Rosa in completing the trail out to the street providing enhanced accessibility to the miles of creek trails meandering throughout the City. A direct access gate for residents to the creek-side trail is also planned along

the eastern edge of the community.

**Parking.** The project as presented includes 272 parking spaces. This represents an overall reduction of 23% of the current multifamily market rate residential parking standards but exceeds the parking standards permitted under the affordable housing density bonus ordinance. Each apartment will have one reserved parking space with the remainder spaces open. This reduction is supported by the close proximity to the Westside Transfer Center (within 400 ft. of the entry) with multiple bus lines and access to SMART. Neighborhood retail services and the Finley Community Park are also within ¼ mile of the site.

The site is also designed with ride share pick-up/drop-off areas near the clubhouse with a furnished clubhouse lobby where residents can watch for arrivals as well as an outdoor seating area outside the clubhouse near the mail center.

**Bicycle Parking.** Enclosed bicycle parking will be provided for at least 84 bikes fitted with hanging, lockable bike racks. Bike “garages” will be in multiple locations in all three buildings. Fifteen additional short-term bike parking spaces will be scattered throughout the site.

- Innovative Economic Partnerships
  - *Original Proposal* - USA presented an innovative economic structure wherein land residual of \$2M from the Commission’s land donation would have been reinvested into the project as an ownership interest in proportionate share with the other equity funding.
  - *Current Proposal* - The original proposal would have required a complex legal structure, and joint ownership in the project would have increased the financial risk to the CDC. The current proposal is for CDC to make a residual receipts loan to the USA for the amount of the appraised Fair Market Value of the property. The loan is for a 55-year term and is at a low interest rate, and is paid as 50% of the net residual cash flow receipts from the project.
- Affordability
  - Original Proposal - USA Properties proposed to restrict 35% of the units (approximately 59 units with restricted rents affordable to households earning 30%, 40%, 50%, 80% and 120% of Area Median Income). The remainder of the project was proposed to be market rate but affordable through innovative design.
  - Current Proposal - 100% of the 164 units will be restricted to households earning 30% - 120% of Area Median Income.

Proposed Affordability	# Units
30% AMI	2
40% AMI	4
50% AMI	72
60% AMI	49
80% AMI	35
Mgmt Units	2
Total	164

**Public Outreach.** This site has a long history of public outreach through the City (General Plan Update and Rezone) and the County Community Development Commission as they prepared to release the Request for Proposal for Multifamily housing.

More recently, USA has also engaged with the neighborhood up to a 1.5-mile radius of the site to gather feedback about the proposed project. USA is assisted in those efforts by Muelrath Public Affairs who is also managing an informational website for the project. The website ([www.CollegeCreek.com](http://www.CollegeCreek.com)) provides a resource for the public (in English and Spanish) to follow the progress of the project through the design and entitlement process.

- **Community Presentation.** March 2019 Open House Community Presentation at Finley Community Center. Outreach 1.5 mile radius of site.
- **Letter Campaign.** May 2019, second presentation to project with brochure, comment card, and introduction to website. Outreach 1.5 mile radius of site.
- **Website Launch.** May 2019 [www.collegecreek.com](http://www.collegecreek.com) launched. Updated and maintained by Muelrath Public Affairs.
- **Follow-up correspondence.** June 2019-August 2019, follow-up correspondence to those who submitted questions via the project website or returned a comment card with questions or comments regarding the conceptual proposal. Outreach extends up to 1.5 miles from the site, contingent on the home address of each individual comment card or website respondent.
- **Neighborhood Meeting by City.** The Neighborhood Meeting was held on 9/18/19. Most attendees expressed concern regarding traffic on West College Avenue and the potential for parking on neighborhood streets. Information was given on who to contact in the City regarding restricting on-street parking in neighborhoods.
- **Design Review Board-Concept Design Review:** The Design Review Board reviewed the project in a public hearing on 9/19/19, providing feedback on the site planning and aesthetics of the proposed project. A summary of changes to the community design based on that valuable feedback is noted below.

## Due Diligence

USA has conducted a wide range of due diligence activities including geotechnical investigation, hazardous material testing and investigation, air quality and noise analysis and traffic analysis. The results are positive and did not uncover any unforeseen obstacles to development.

## CEQA Review

CEQA review of the project was conducted by the City of Santa Rosa. The results are summarized below.

The College Creek Apartments Project (proposed project) proposes the demolition of three existing vacant buildings and the construction of three buildings consisting of 164 dwelling units, as well as a community center and surface parking on a 7.49-acre project site. The proposed project is within the boundaries of the Santa Rosa General Plan 2035 (General Plan), which encompasses all land within the City of Santa Rosa Urban Growth Boundary (UGB), totaling approximately 29,100 acres.

Pursuant to California Environmental Quality Act (CEQA) Guidelines, (Public Resources Code [PRC] § 21000, *et seq.*), an Environmental Impact Report (EIR) and a Mitigation Monitoring and Reporting Program (MMRP), was

prepared and certified by the Santa Rosa City Council in November 3, 2009 (General Plan 2035 Final Environmental Impact Report [FEIR] State Clearinghouse No. 2008092114). (General Plan FEIR).

The purpose of the City of Santa Rosa's environmental checklist was to evaluate the proposed project's conformance with the analysis and conclusions of the General Plan FEIR, and to determine whether the project would result in new significant impacts or substantially more severe impacts under CEQA Guidelines Section 15183 that were evaluated and disclosed in the General Plan FEIR.

The Environmental Checklist has been prepared pursuant to CEQA Guidelines Section 15183 (Projects Consistent with a Community Plan or Zoning) to determine if the proposed project requires additional environmental review. CEQA Guidelines Section 15183 mandates that projects that are consistent with the development density established by existing zoning, community plan, or general plan policies for which an FEIR was certified (in this case the General Plan FEIR) shall not require additional environmental review, except as might be necessary to examine whether there are project-specific significant effects that are peculiar to the project or its site.

### 1.1 - Summary of Results

As illustrated by the attached Environmental Checklist, the proposed project is found to be in conformance with the analysis and conclusions of the General Plan FEIR. This determination supports the design review approval of the proposed project and is based on the following criteria:

- 1) There are no new significant effects peculiar to the proposed project or its site;
- 2) There are no new significant effects that were not previously evaluated in the General Plan FEIR;
- 3) There are no new significant off-site or cumulative impacts that were not analyzed in the General Plan FEIR, and
- 4) There are no adverse impacts that are more severe than those previously identified in the General Plan FEIR.

Neither of the mitigation measures identified in the General Plan FEIR (Mitigation Measure 4.D-4 and Mitigation Measure 4.F-5) are applicable to the proposed project, as described in each environmental topic. This evaluation concludes that the proposed project is within the scope of the General Plan FEIR, and that no further CEQA documentation is required.

**Action Requested:** The Commission seeks Board authorization to execute a Disposition, Financing and Development Agreement with USA Properties for development of the 2150 West College property, according to the terms outlined above. The DDA will govern the final design, issuance of building permits and close of escrow for the property, and the execution of a residual receipts loan in the amount of the Fair Market Value of the Property. The Commission seeks further authority to file the Notice of Exemption based on the above analysis.

### Prior Board Actions:

12/11/2018: Approve entering into an Exclusive Right to Negotiate Agreement (ERNA) with USA Properties.

03/20/2018: Reject all proposals for development of 2150 West College Avenue.

06/20/2017: Item #31-Authorize a resolution approving the issuance of a one-year note for \$4.2 million for the Community Development Commission to purchase the 2150 West College Avenue property; authorize the Executive Director of the CDC to issue a Request for Proposal for the development of mixed-income rental housing on the property once purchased.

5/23/17: Item #41-Approval of County Fund for Housing policy change.

2/9/16: Reject All Bids for Purchase of 2150 West College Avenue.

11/17/15: 15-0469 Resolution rescinding December 4 bid date and setting January 26, 2016 for receipt of bids for public sale.

03/18/14: 14-0093 Resolution declaring the 2150 West College Avenue property as surplus.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 20-21 Adopted</b>	<b>FY 21-22 Projected</b>	<b>FY 22-23 Projected</b>
Budgeted Expenses	900,000	900,000	900,000
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other	900,000	900,000	900,000
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>900,000</b>	<b>900,000</b>	<b>900,000</b>

**Narrative Explanation of Fiscal Impacts:**

Community Development Commission purchased 2150 West College Ave in 2017 and pay approximately \$900,000 per year through 22-23. The note payable is within the current 21-22 budget and will be included in future budgets through 22-23.

<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):**

N/A

**Attachments:**

Attachment 1 - Resolution Approving DDA West College USA Properties

Attachment 2 - West College Disposition, Financing and Development Agreement ("DDA")

Attachment 3 - College Creek Project Description

Attachment 4 - City of Santa Rosa Design Review Board Presentation

Attachment 5 - City of Santa Rosa Environmental Checklist

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

None