



SUMMARY REPORT

Agenda Date: 10/25/2022

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: Dave Kiff, (707) 565-7504

Vote Requirement: Majority

Supervisorial District(s): Third

Title:

Tierra de Rosas and Casa Roseland Mixed - Use Development Project

Recommended Action:

Receive an update on the current status of the Tierra de Rosas and Casa Roseland mixed-use development project located on land owned by the Sonoma County Community Development Commission at 665 Sebastopol Road, Santa Rosa. (Third District)

Executive Summary:

The Sonoma County Community Development Commission (Commission) acquired the Roseland Village Shopping Center property (Property) in 2011 for the purposes of developing a mixed-use neighborhood-oriented project with affordable housing and public serving areas and uses (Project). Between 2011 and 2016, the Commission undertook environmental investigations and cleanup efforts to remediate groundwater and soil vapor contamination caused by a previous tenant of the shopping center (Roseland Cleaners).

The Commission issued a developer Request for Proposals (RFP) in 2016 and selected MidPen Housing (MidPen) as the master developer for the site. The Commission subsequently entered into a Disposition, Development and Funding Agreement (DDA) with MidPen and Urban Mix Development, LLC for the planning, design, entitlement, and development of a mixed-use project at Roseland Village. Due to the complexity of the Project, the Commission has also entered into a Professional Services Agreement (PSA) with MidPen to provide pre-development, project management, and construction management services for the Project.

A variety of circumstances have resulted in a significant increase in the estimated costs to complete the Project as planned and approved by the City of Santa Rosa. A lengthy entitlement approval process and litigation with a neighboring property owner caused unexpected delays in the anticipated development timeline, and city requirements and general inflationary pressures are now significantly impacting ongoing environmental remediation and construction costs. The Commission and MidPen have been successful in obtaining funding from a variety of sources to help pay for the increased costs; however, a \$18.5 million financing gap remains. This agenda item provides a full update on the project status.

Discussion:

Historical Background

The Board of Supervisors established the Roseland Redevelopment Project Area in 1984. In 2005, the Commission and City of Santa Rosa joined together to sponsor a community visioning process to create a

consensus within the local community as to 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, a public plaza, commercial spaces, and an indoor community activity space that could accommodate public uses such as a library and youth activities.

In January 2010, Mission Housing Development Corporation, a nonprofit affordable housing developer in the San Francisco area, entered into a 90-day Exclusive Negotiating Agreement (ENA) with the Baugh Survivor's Trust (Seller), owner of the Property, and submitted a request to the Commission for Redevelopment assistance to acquire and redevelop the Property as a pedestrian-oriented, mixed-use development as envisioned in the UVP. While providing such Redevelopment assistance would have been consistent with the Roseland Redevelopment Plan, California Community Redevelopment Law (CRL) did not permit direct loans or grants of Redevelopment funds to private entities to assist them in acquiring land for, or constructing, new non-housing developments. However, CRL did allow the Commission to assist redevelopment efforts through the "acquisition and disposition" of real property. After acquiring the Property, and either before or after completing other tasks necessary to prepare the site for redevelopment, the Commission could transfer the Property to a private entity (e.g., Mission Housing) at advantageous terms that recognized the public benefit to the Project Area of redeveloping the Property.

In February 2010, the Board authorized the Commission to use up to \$250,000 to undertake due diligence and other tasks to determine whether or not to acquire the Property. In April 2010, the Commission entered into an agreement with Mission Housing that allowed the Commission to accept assignment of the ENA between Mission Housing and the Seller and enabled the Commission to negotiate a Purchase Agreement with the Seller. In July 2010, the Commission entered into a Purchase Agreement to acquire the Property for its \$3.74 million appraised value. Following extensive environmental studies, the purchase price was reduced to \$3.49 million to account for an estimated \$250,000 cost for required groundwater monitoring. □

In March 2011, the Commission 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 Redevelopment fund dispute was being litigated. Following favorable decisions on the lawsuits filed by the Commission/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. □

Developer Selection - Project Entitlements - Disposition, Development and Funding Agreement (DDA)

The Commission issued a Request for Proposals (RFP) in early 2016 to identify an experienced development partner for the mixed-use Project. The Project was envisioned to support the following (1) revitalization of Sebastopol Road and Joe Rodota Trail linkages to regional transit, (2) employment, (3) recreational centers, (4)

include a mix of homes designed for a diverse cross-section of the Roseland community, (5) a vibrant market-hall and business incubator for local restaurant and food enterprise, (6) a public plaza that serves as Roseland's community hub, and (7) a multi-use building that accommodates civic uses and other community serving programs.

The Commission selected MidPen and Urban Mix, LLC as the master developer of the site based on their response, which addressed the above 6 goals of the RFP. The Commission entered into an Exclusive Right to Negotiate Agreement (ERNA) with MidPen for the purposes of negotiating a Disposition, Development and Funding Agreement (DDA). The final DDA 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 Commission 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 November 2017, the Roseland area in which the Property is located was annexed into the City of Santa Rosa. In February 2018, the Commission and MidPen submitted an application for a tentative map and density bonus concessions to the City. On February 28, 2019, the City of Santa Rosa Planning Commission approved the Project. A neighboring owner, John Paulsen, appealed the Planning Commission's approval to the Santa Rosa City Council and in April 2019 filed a lawsuit asserting the Project violated an easement used by Paulsen. □ 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.

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: 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.

MidPen engaged a team of consultants and prepared the Public Improvement Plans, which were submitted to the City in September 2019. The public improvement plan diagram is provided as Attachment 1.

The City of Santa Rosa, including the fire, building, engineering, and planning departments, has been reviewing and commenting on the plans in multiple rounds of written comments. The sixth round of City plan check comments was received in June 2022. The two outstanding items include 1) City water service to the eastern neighboring property and 2) street tree maintenance and the requirement for the Commission to adopt Covenants, Conditions, and Restrictions (CC&Rs) for the public plaza and street tree maintenance. The project team resubmitted responses to this sixth round at the end of August 2022 and are awaiting the City's

next response. These two outstanding items need to be resolved in order for the Public Improvements to be approved so that MidPen and the Commission can proceed with finalizing the final map and constructing the final improvements.

The DDA establishes each party's responsibilities with respect to the development of the Property. The Commission is responsible for the environmental remediation of the Property and the funding and construction of the public improvements, which include development of the public plaza, as well as construction of required public streets, utility lines, storm drainage systems, and all other physical infrastructure to support development of the planned affordable and market-rate housing, and the commercial and civic buildings planned for the Property. The Commission is also responsible for seeking other sources of funding to close the financial gap, and MidPen is responsible for cooperating in the search for funding. In the event the Commission is unable to provide or identify adequate funding for the public improvements, MidPen has the right to terminate the DDA.

Roseland Today. As shown in Attachment 2, the Property site today is in US Census Tract #1531.04, but it will also be an important community asset for CTs 1531.02 and 1531.03, which are immediately to the south and lie within the broader Roseland area of the City. Data for CT #1531.04 shows that:

- 32.32% of the population lives below the poverty line
- Median Family Income is 58.56% of AMI (estimated at \$60,141 in 2020)
- 68% of the population identifies as Hispanic
- The median age is 31.8 years.

Data for CT #1531.02 shows that:

- 16.34% of the population lives below the poverty line
- Median Family Income is 67.24% of the AMI (estimated at \$69,055 in 2020)

Data for CT #1531.03 shows that:

- 20.55% of the population lives below the poverty line
- Median Family Income is 71.08% of the AMI (estimated at \$72,999 in 2020)

This project results in both affordable and market rate housing and community spaces for this demographic. We know from Sonoma County's Generation Housing's 2022 "[State of Housing in Sonoma County](https://generationhousing.org/wp-content/uploads/2022/02/2022_Feb_SOH_Sonoma-County.pdf)" that new housing is sorely needed:

- 65% of Sonoma County Latino renters are cost-burdened, meaning more that 30% of income is going to housing costs. □
- Sonoma County's Latino renters experience the highest rates of overcrowding with nearly one in four living in crowded housing conditions.
- 21% of the residences in Roseland experience overcrowding, among the highest level in the region.

The following excerpts from the 2007 Urban Vision Plan for the Sebastopol Road corridor call out the need for the types of uses included in the planned Project. The Community Goals and Ideals:

- Celebrate the multi-cultural ethnicity of the area. Create a unique sense of place as an international village and marketplace.
- Provide a place for a community center and a library, social services, a cultural center, extended education facility, and youth activities center. If possible, some of these should occur at the Neighborhood Center (Roseland Village Shopping Center). □

- More green spaces throughout the area in the form of parks, landscaping, active parks, open space and a green streetscape, including the enhancement of the Rodota Trail. □
- Allow for a variety of businesses while remaining small business oriented. Maintain affordability for existing small businesses. Avoid displacement of existing businesses. Avoid “strip mall” type development.
- Add a market/grocery store in the Neighborhood Center. This could be part of the international marketplace use.

Public Parks/Plaza

- An approximately 4-acre neighborhood park is proposed on the east side of Roseland Avenue and south of the new frontage road, bisected by the Joe Rodota Trail. Smaller neighborhood parks of about one acre in size are proposed within the new medium density residential neighborhood areas, with connection to the Rodota Trail. These smaller parks shall be accessible to the public but may be privately owned and developed.
- A public plaza is proposed to be the focus of the new mixed-use development between West Avenue and Avalon on the north side of Sebastopol Road (see the description in item C.1 below).

A Neighborhood Center

- **Public Gathering Place:** The community has expressed a strong desire for a public gathering place in the form of a Town Square of approximately one acre in size. It should be flanked on three sides by three to four story mixed-use buildings and be situated in the Roseland Village Shopping Center property somewhere between West and Avalon Avenues as they extend into the parcel. The Town Square should be located to the back of the new 15-foot sidewalk, facing onto Sebastopol Road.
- **International Market Place:** One of the buildings facing the plaza should allow for an International Market Place to create a destination in Roseland for visitors to patronize, ideally offering crafts and foods of the various ethnicities present in Roseland. This could be configured as small portals that face onto the plaza (e.g., the San Francisco Ferry Building), or small stalls inside a larger building. The building should have multiple means of access from parking areas and the plaza. The same building could also house a local grocery store to serve the neighborhoods, similar in scale to Lola’s Market on Dutton Avenue.

Financial Status of Tierra de Rosas at Roseland Village

The current total development cost of the Tierra de Rosas **public infrastructure improvements** is estimated at \$40.47 million. As shown on the table below, the Commission will fund \$21.9 million of this cost using a mix of funds from the former Redevelopment Agency, the Successor Agency, State Water Quality Control Board, State Department of Housing and Community Development, Sonoma County Agricultural Preservation and Open Space District, County R&R, and County Fund for Housing. The Project will not be able to proceed to construction until the remaining financing gap of \$18.57 million is eliminated by identifying additional funding sources and potential reduction in project costs.

Comparison with March 2021 Budget

The Tierra de Rosas project budget has changed significantly since the last report to your Board on March 16, 2021 <<https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=4819107&GUID=0D6ED890-9E4E-49ED-A808-04BF89C6F6A1>>. That March 2021 Board item presented a project budget totaling \$13.8 million with a financing gap of \$710,359; however, the budget as presented was only a partial budget that **did not include** all sources of financing and project costs, such as Roseland property acquisition, hazmat, and environmental clean-up. Excluded items were funds that had already been expended as of the date of the Board report, as

well as funding and expenses that were for project activities unrelated to MidPen Professional Services Agreement that was the topic of the agenda item. Attachment 3 shows the partial budget as presented in the March 16, 2021, Board item with the actual full project budget in March 2021, which had a total development cost of \$24.5 million with a financing surplus of \$324,462. The budget comparison analysis in this agenda item refers to the full 2021 figures.

A variety of circumstances over the 18 months has resulted in a \$16.3 million increase in the estimated costs to complete the public infrastructure improvements, and a \$2.6 million reduction in available financing sources, thereby increasing the financing gap by \$18.9 million. Much of the increase is due to a lengthy and as yet incomplete entitlement approval process and ongoing litigation with a neighboring property owner, which continue to cause delays in the anticipated development timeline, exposing the project to general inflationary pressures that are significantly impacting ongoing environmental remediation and construction costs.

According to the California Department of General Services' Construction Cost Index, construction costs have been increasing by an average of 10% since January 1, 2021. This is significantly higher than cost increases of 2.8% in 2020, 3.6% in 2019, 1.3% in 2018, and 3.5% in 2017.

The table below shows the current budget for the Tierra de Rosas public infrastructure work and the changes since March 2021.

TIERRA DE ROSAS - BUDGET COMPARISON OCTOBER 2022 TO MARCH 2021			
SOURCES OF FUNDS	March 2021 Full Project Budget as of 3/16/21	Oct 2022 Updated Project Budget	Oct 2022 Change
Redevelopment Tax Increment Funds	\$ 3,740,000	\$ 3,740,000	\$ -
Redevelopment Property Tax Trust Fund (RPTTF) for Roseland Villa	\$ 6,920,000	\$ 6,920,000	\$ -
RPTTF for Environmental Clean-Up	\$ 342,969	\$ 342,969	\$ -
County Fund for Housing (Gee Parcel Acquisition)	\$ 458,053	\$ 458,053	\$ -
County R&R (Library and B&G Club relocation)	\$ 500,000	\$ 500,000	\$ -
State Water Quality Control Board Grant	\$ 2,460,700	\$ 2,460,700	\$ -
Sonoma County Open Space Grant	\$ 500,000	\$ 500,000	\$ -
HCD - Affordable Housing and Sustainable Communities Program (AHSC)	\$ 620,616	\$ 620,616	\$ -
HCD - Infill Infrastructure Grant Program (IIG)	\$ 6,355,684	\$ 6,355,684	\$ -
Market Rate Lot Sale Proceeds	\$ 2,010,000	\$ -	\$ (2,010,000)
Civic and Commercial Lot Proceeds	\$ 570,000	\$ -	\$ (570,000)
Total	\$ 24,478,022	\$ 21,898,022	\$ (2,580,000)

USES OF FUNDS			
Due Diligence (paid from Redevelopment Tax Increment Funds)	\$ 250,000	\$ 250,000	-

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Roseland Property Acquisition (paid from Redevelopment Tax Increment Funds)	\$ 3,490,000	\$ 3,490,000	-
Environmental Consulting – Studies and Investigation	\$ 342,969	\$ 342,969	-
Hazmat Clean-Up (by Harris & Lee)	\$ 1,170,250	\$ 1,170,250	-
Building Demolition, Environmental Oversight	\$ 209,084	\$ 209,084	-
Gee Parcel Acquisition	\$ 458,053	\$ 458,053	-
Library and B&G Club Relocation 2019	\$ 500,000	\$ 500,000	-
Interim Capital Improvements to playground, parklet, B&G Club, etc.	\$ 465,000	\$ 465,000	-
Environmental Clean-Up & Demo (Geosyntec)	\$ 2,460,700	\$ 2,460,700	-
Commercial Operations & Maintenance (including revenue offsets) 2011-2022	\$ 784,748	\$ 784,748	-
Estimated Future Commercial Operations & Maintenance - \$14k/month (11k income and \$25k expenses) through December 2023 construction start	\$ 210,000	\$ 210,000	-
Soil Management Plan and Soil Vapor Investigation	\$ -	\$ 130,000	\$ 130,000
Plaza Temporal	\$ -	\$ 1,250,000	\$ 1,250,000
Public Improvements (no design contingency, excludes private utility scope each lot developer to install)	\$ 10,017,228	\$ 16,785,557	\$ 6,768,329
Plaza Permanente (assuming installed at time of infrastructure)	\$ -	\$ 1,963,638	\$ 1,963,638
Plaza Operation Capitalized Reserve (10 years at \$150k per year)	\$ -	\$ 1,500,000	\$ 1,500,000
5% CDC-Owner Hard Cost Contingency	\$ 500,861	\$ 937,460	\$ 436,599
Construction Management	\$ 894,667	\$ 920,167	\$ 25,500
Soft Costs	\$ 2,400,000	\$ 4,003,768	\$ 1,603,768
10% Soft Cost Contingency	\$ -	\$ 492,393	\$ 492,393
Project Contingency (1.05%)	\$ -	\$ 269,457	\$ 269,457
Future Escalation (10% per year for 1 year, to December 2023 construction start)	\$ -	\$ 1,874,919	\$ 1,874,919
Total	\$ 24,153,560	\$ 40,468,163	\$ 16,314,603
Total Funding Gap	\$ (324,462)	\$ 18,570,141	\$ 18,894,603

The total funding gap for the Tierra de Rosas public infrastructure improvements has grown by \$18,894,603 since March 2021. This is due to changes in the currently available funding sources and the estimated project costs, as detailed below.

1. The 2021 budget included \$2.58 million from sale of the Market Rate, Civic, and Commercial parcels as a funding source to pay for the public infrastructure improvements. State Community Redevelopment Law (CRL) prohibits these funds from being used for this purpose. When the redevelopment program was eliminated in 2012, the Commission was allowed to retain ownership of the Roseland Village property only because it is considered to be a “housing asset” as defined by CRL. As such, the property must be used for development of affordable housing. Any portions of the property that are not used for that purpose must be sold and the proceeds must be deposited into the Commission’s Low- and Moderate-Income Housing Asset Fund (LMIHAF) to assist affordable housing projects at other locations. Therefore, the sales proceeds from the parcels will instead be used to finance the Casa Rosaland affordable housing units and other funding sources must be found to replace these funds in the Tierra de Rosas infrastructure budget.
2. Soil management planning and soil vapor investigations costs have increased by \$130,000 due to new requirements imposed after March 2021 by the State Water Board and the City of Santa Rosa.
3. Due to the delays in the construction timeline for the project, and the desire to provide some earlier, interim benefit for the community, a “Plaza Temporal” was constructed to host the Mitote Food Park at a cost of \$1.25 million as approved by the Board of Supervisors on July 20, 2021. (This cost was previously included in the Public Improvements line but has now been separated out into its own line item in the budget above.)
4. The estimated costs to complete the public infrastructure improvements and the final “Plaza Permanente” (which was previously included in the Public Improvements line but has now been separated out into its own line item in the budget above) have increased by a combined \$8,731,967. Due to previously unknown conditions that were discovered during potholing, there will be additional costs related to working around existing utilities and utility relocation. The scope of work has also increased due to City plan check comments, including required storm drain relocation. In addition, construction cost escalation has been intensifying, with construction costs rising every month. The increase in construction costs is reflected in the current number.
5. The Commission has not yet identified an owner for the public plaza after it is constructed. As noted above, because this parcel will be developed for a use other than affordable housing, the Commission must sell the parcel for its market value and deposit the proceeds into the LMIHAF. The value will be established through an appraisal of the parcel as improved and for its restricted public use, which is to be completed in the months immediately preceding the sale. The Commission may not use LMIHAF or its other funding streams, which are all restricted for specific uses, to maintain the plaza while an owner is identified. Therefore, the budget now includes a \$1.5 million capitalized reserve fund to pay for maintenance for 10 years. This cost can be eliminated when a permanent owner is identified, or it can remain in the budget to help subsidize maintenance costs for the new owner for the remaining 10-year period.
6. The Commission’s owner hard cost contingency has been increased relative to increases in the construction budget, for an additional \$436,599. □
7. Construction Manager costs for management and oversight of infrastructure project, including

additional joint trench coordination, has been increased by \$25,500 to reflect the added work.□

8. The budget for project soft costs, including all planning, engineering, entitlement processing and impact fees, has been increased by \$1,603,768 to reflect the anticipated costs through completion of infrastructure project. Soft costs have increased in part due to additional design costs and permitting fees associated with redesign and resubmittal of entitlements to City after Roseland annexation; the scope of the public plaza evolving from one phase to a two-phased plaza; the lengthy and ongoing Public Improvement approval process with the City of Santa Rosa; and anticipated costs associated with addressing Plaza Permanente design review comments once received.
9. A 10% contingency for possible future increases in soft costs was previously included in with the actual soft cost budget line. It has now been separated out as its own line item and increased relative to the increase in soft cost estimated, for an additional \$492,393.□
10. A 1.05% project contingency has been added to recognize potential unknowns about future City approval processes for the public improvement construction and as a hedge against any other future unknowns, for an additional \$269,457.
11. Given the intensifying escalation in construction costs, particularly over the past year, a 10% annual escalation factor has been added to the budget, for an additional \$1,874,919. This additional escalation is intended to reflect cost escalation anticipated between December 2022 and a December 2023 construction start.

Current Budget Status and Identifying Ways to Close the Financing Gap

Attachment 4 details the amount of funds that have already been expended for the Tierra de Rosas public infrastructure improvements, the amount of funds remaining available, and the current financing gap. The table delineates the information both by sources and uses of funds. As of October 2022, \$12,059,706 has been expended, \$9,838,316 is still available, and there is a remaining financing gap of \$18,570,141.

Commission and MidPen staff are working to identify additional financing sources for the Tierra de Rosas public infrastructure improvements, as well as ways in which project costs might be reduced. Staff will return to the Board in the near future with a recommendation on how to address the financial gap.

Status of Casa Roseland Affordable Housing

The planned Casa Roseland component of the Project will see the construction of 75 affordable housing units for households with incomes between 30-60% of area median income. As shown in the Casa Roseland budget below, all required funding sources have been identified, though the Tax Credit Investor Proceeds have not yet been received and the Commission LMIHAF loan has not yet been approved by your Board.

Casa Roseland Affordable Housing Budget	
Sources of Funds	Amount
Renewal Enterprise District (RED) Housing Fund – Construction to Permanent Loan (Below market interest rate)	\$ 3,471,289
Tax Credit Investor Proceeds (Not yet received)	\$ 44,392,401
County Fund for Housing (CFH)	\$ 2,079,447

HCD - Infill Infrastructure Grant (IIG) Funds	\$ 3,065,982
HCD - Affordable Housing and Sustainable Communities (AHSC) Funds	\$ 15,685,007
<i>Not Yet Approved by Board: DDA Affordable Housing Loan of \$2,277,000 LMIHAF funds on hand, \$960,000 Affordable Housing Parcel estimated sales price, and \$1,473,000 from sales proceeds from Market Rate, Civic, and Commercial Parcels</i>	<i>\$ 4,710,000 estimated</i>
Total Sources	\$ 73,404,126
Uses of Funds	Amount
Land Cost (Affordable Housing Parcel to be acquired from Commission)	\$ 960,000 <i>estimated</i>
Hard Costs	\$ 54,964,197
Architecture and Engineering Costs	\$ 2,315,290
Financing and Interest Fees	\$ 6,175,014
Project Reserves	\$ 2,082,625
Soft Costs	\$ 4,707,000
Developer Fee	\$ 2,200,000
Total Uses	\$ 73,404,126

The DDA provides that the Affordable Housing Parcel on which the Casa Roseland development will be constructed, will be sold to MidPen for its fair market value and the Commission will fully finance the purchase price through a seller carry-back loan (Affordable Housing Loan). The DDA states further that, subject to your Board’s approval and making of the requisite findings (discussed below), the Affordable Housing Loan will also include 1) proceeds generated from the sale of the Market Rate Parcel that is scheduled to be developed by Urban Mix for 100 market-rate housing units, 2) proceeds from the sale of the Civic and Commercial Parcels to developers who are not yet identified, and 3) other funds that can be obtained by the Commission for the benefit of the development. Per the DDA, the Affordable Housing Loan shall not exceed the amount of assistance that is 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 \$73,404,126 and they have identified \$68,694,126 in financing from other sources, leaving a financing gap of \$4,710,000 to be covered by the Affordable Housing Loan.

The prices of the four parcels that will be sold to the MidPen, Urban Mix, and the other developers will be set at their fair market values at the time of escrow closing. A 2019 appraisal set the value of the Affordable Housing Parcel at \$960,000, and the combined value of the other three parcels at \$2.57 million. The market value of the parcels is likely increasing with the passage of time. The timing of the land sales is uncertain due to delays in the development of the infrastructure improvements and because the users and developers for the Civic and Commercial parcels have not yet been identified. Each parcel will be reappraised 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. Because MidPen will proceed with the affordable housing construction prior to that time and must assemble all required funds before it can begin, the 2019 values are being used as a conservative figure for the purpose of estimating the remaining gap in their required financing.

Upon dissolution of redevelopment, the state authorized the Commission 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 Low- and Moderate-Income Housing Asset Fund (LMIHAF). Therefore, the land sales proceeds from all four parcels are considered LMIHAF assets and must be expended pursuant to the provisions of State Community Redevelopment Law (CRL) Sections 33000 et seq.

As noted above, MidPen will proceed with the Casa Roseland construction prior to sale of the Market Rate, Civic, and Commercial Parcels. The Commission will therefore need to use other funds when the loan is initially made, in anticipation of the future receipt of the additional land sales proceeds.

There is currently \$2,277,000 in LMIHAF cash available for the Affordable Housing Loan, which is derived from land sales and loan repayments related to the former City of Sonoma Redevelopment Project Area. The Loan will also include seller carryback financing for the sales price of the Affordable Housing Parcel. The 2019 appraised value of \$960,000 will be updated prior to the sale; the final market value will establish both the purchase price and the amount of the carryback portion of the Loan. To the extent that the LMIHAF does not receive sufficient additional revenues by the time the Affordable Housing Loan must close escrow, the Commission anticipates submitting a request to your Board seeking approval for a short-term bridge loan of up to \$1,473,000 from County discretionary sources to the LMIHAF to fill the gap in funding needed to make the full \$4.71 million Affordable Housing Loan to MidPen. The Commission would repay the bridge loan using the proceeds from the sales of the Market Rate, Civic, and Commercial Parcels following completion of the public improvements. Any sales proceeds that are not required to repay the 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.

Conclusion. We realize the significance of the funding gap noted in this staff report. We also realize how important this Project is to the community. Over \$95,000,000 is already committed to the infrastructure and housing - but a gap of \$18,570,000 remains to get to the nearly \$114,000,000 value of the improvements to this 7.5-acre site in the heart of one of Sonoma County’s most critical community equity areas (Census Tract #1531.04).

Prior Board Actions:

07/20/2021: Authorized Commission to construct Plaza Temporal / Mitote Food Park

03/16/2021: Authorized Commission to amend the Professional Services Agreement with Mid-Pen

08/20/2019: Authorized Commission to amend the Professional Services Agreement with MidPen

03/12/2019: 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

07/13/2010: Authorized Commission to enter into a Purchase Agreement to acquire the Roseland Village property for a purchase price of \$3,740,000

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04/06/2010: Authorized Commission to execute an Exclusive Right to Negotiate Agreement with Mission Housing Development Corporation

02/09/2010: Authorized use up to \$250,000 for due diligence and pre-development tasks to determine whether to acquire the Roseland Village property

06/05/2007: Board approved Sebastopol Road Urban Vision Plan

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:

None

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Attachment 1 - Public Improvement Plan Diagram

Attachment 2 - Project Location on Census Tract Map

Attachment 3 - Tierra de Rosas Budget Comparison March 2021 to October 2022

Attachment 4 - Tierra de Rosas Budget - Expended and Remaining Funds

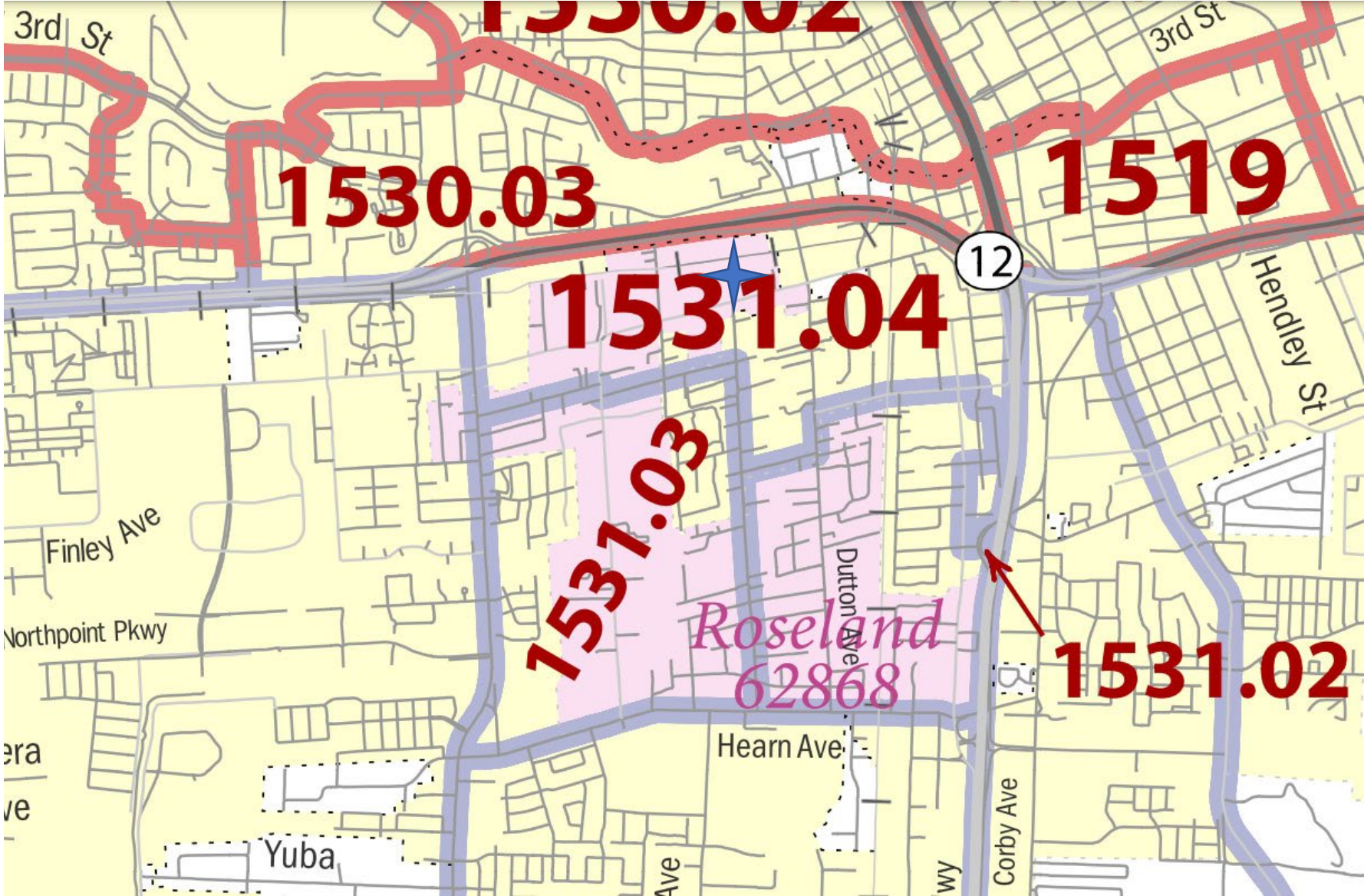
Related Items "On File" with the Clerk of the Board:

None



ILLUSTRATIVE PLAN

**TIERRA DE ROSAS & CASA ROSELAND
PROJECT LOCATION**



TIERRA DE ROSAS - BUDGET COMPARISON OCTOBER 2022 TO MARCH 2021

Sources	March 2021 Budget as Presented to Board 3/16/21 (Partial Budget)	March 2021 Full Project Budget as of 3/16/21	March 2021 Change Full Project Budget vs Budget as Presented	October 2022 Updated Full Project Budget	October 2022 Change from March 2021 Budget as Presented	October 2022 Change from March 2021 Full Project Budget	Explanation
Redevelopment Tax Increment Funds	\$ -	\$ 3,740,000	\$ 3,740,000	\$ 3,740,000	\$ 3,740,000	\$ -	March 2021 budget presentation did not include funds that had already been expended.
Redevelopment Property Tax Trust Fund (RPTTF) for Roseland Village (Referred to as Successor Agency Funds in March 2021)	\$ 3,046,097	\$ 6,920,000	\$ 3,873,903	\$ 6,920,000	\$ 3,873,903	\$ -	March 2021 budget presentation did not include funds that had already been expended.
RPTTF for Environmental Clean-Up	\$ -	\$ 342,969	\$ 342,969	\$ 342,969	\$ 342,969	\$ -	March 2021 budget presentation did not include funds that had already been expended.
County Fund for Housing (Gee Parcel Acquisition)	\$ -	\$ 458,053	\$ 458,053	\$ 458,053	\$ 458,053	\$ -	March 2021 budget presentation did not include funds that had already been expended.
State Water Quality Control Board Grant	\$ -	\$ 2,460,700	\$ 2,460,700	\$ 2,460,700	\$ 2,460,700	\$ -	Not included in March 2021 budget presentation because it was outside the scope of the MidPen contract, which was the topic of the Board item.
County R&R (Library and B&G Club relocation)	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	March 2021 budget presentation did not include funds that had already been expended.
Sonoma County Open Space Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -	
HCD - Affordable Housing and Sustainable Communities Program (AHSC) Sustainable Transportation Infrastructure (STI) Affordable Housing Infrastructure	\$ 620,616	\$ 620,616	\$ -	\$ 620,616	\$ -	\$ -	
HCD - Infill Infrastructure Grant Program (IIG) Capital Improvement Project (CIP) CDC Master Development; QIP#1 MPHCAffordable Housing - Infrastructure Portion	\$ 6,355,684	\$ 6,355,684	\$ -	\$ 6,355,684	\$ -	\$ -	
Market Rate Lot Sale Proceeds	\$ 2,010,000	\$ 2,010,000	\$ -	\$ -	\$ (2,010,000)	\$ (2,010,000)	Proceeds from sale of housing asset property are LMIHAF revenues; State law disallows use for Tierra de Rosas.
Civic and Commercial Lot Proceeds	\$ 570,000	\$ 570,000	\$ -	\$ -	\$ (570,000)	\$ (570,000)	Proceeds from sale of housing asset property are LMIHAF revenues; State law disallows use for Tierra de Rosas.
Total	\$ 13,102,397	\$ 24,478,022	\$ 11,375,625	\$ 21,898,022	\$ 8,795,625	\$ (2,580,000)	

USES	March 2021 Budget as Presented to Board 3/16/21 (Partial Budget)	March 2021 Full Project Budget as of 3/16/21	March 2021 Change Full Project Budget vs Budget as Presented	October 2022 Updated Full Project Budget	October 2022 Change from March 2021 Budget as Presented	October 2022 Change from March 2021 Full Project Budget	Explanation
Due Diligence (paid from Redevelopment Tax Increment Funds)	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Roseland Property Acquisition (paid from Redevelopment Tax Increment Funds)	\$ -	\$ 3,490,000	\$ 3,490,000	\$ 3,490,000	\$ 3,490,000	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Environmental Consulting - Studies and Investigation	\$ -	\$ 342,969	\$ 342,969	\$ 342,969	\$ 342,969	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Hazmat Clean-Up (by Harris & Lee)	\$ -	\$ 1,170,250	\$ 1,170,250	\$ 1,170,250	\$ 1,170,250	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Building Demolition, Environmental Oversight	\$ -	\$ 209,084	\$ 209,084	\$ 209,084	\$ 209,084	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Gee Parcel Acquisition	\$ -	\$ 458,053	\$ 458,053	\$ 458,053	\$ 458,053	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Environmental Clean-Up & Demo (Geosyntec)	\$ -	\$ 2,460,700	\$ 2,460,700	\$ 2,460,700	\$ 2,460,700	\$ -	Not included in March 2021 budget presentation because it was outside the scope of the MidPen contract, which was the topic of the Board item.
Soil Management Plan and Soil Vapor Investigation	\$ -	\$ -	\$ -	\$ 130,000	\$ 130,000	\$ 130,000	New requirements imposed after March 2021 by State Water Board and City of Santa Rosa.
Library and B&G Club Relocation 2019	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	March 2021 budget presentation did not include costs that had already been paid.

Sources	March 2021 Budget as Presented to Board 3/16/21 (Partial Budget)	March 2021 Full Project Budget as of 3/16/21	March 2021 Change Full Project Budget vs Budget as Presented	October 2022 Updated Full Project Budget	October 2022 Change from March 2021 Budget as Presented	October 2022 Change from March 2021 Full Project Budget	Explanation
Commerical Operations & Maintenance (including revenue offsets) 2011-2022	\$ -	\$ 784,748	\$ 784,748	\$ 784,748	\$ 784,748	\$ -	Not included in March 2021 budget presentation because it was outside the scope of the MidPen contract, which was the topic of the Board item.
Estimated Future Commerical Operations & Maintenance - \$14k/month (\$11k income and \$25k expenses) through December 2023 construction start	\$ -	\$ 210,000	\$ 210,000	\$ 210,000	\$ 210,000	\$ -	Not included in March 2021 budget presentation because it was outside the scope of the MidPen contract, which was the topic of the Board item.
Interim Capital Improvements to playground, parklet, B&G Club, etc.	\$ -	\$ 465,000	\$ 465,000	\$ 465,000	\$ 465,000	\$ -	March 2021 budget presentation did not include costs that had already been paid.
Plaza Temporal	\$ -	\$ -	\$ -	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	Included in Public Improvements line in the March 2021 budget presentation. Now separated out for detail.
Public Improvements (no design contingency, excludes private utility scope each lot developer to install)	\$ 10,017,228	\$ 10,017,228	\$ -	\$ 16,785,557	\$ 6,768,329	\$ 6,768,329	Due to previously unknown conditions discovered during pot-holing, there will be additional costs related to working around existing utilities and utility relocation. Scope has also increased due to City plan check comments, including stormdrain relocation. Additionally, construction escalation has been high in recent years, with construction costs rising every month. The cost to construct the project is higher in 2022 than in 2021, which is reflected in the current number.
Plaza Permanente (assuming installed at time of infrastructure)	\$ -	\$ -	\$ -	\$ 1,963,638	\$ 1,963,638	\$ 1,963,638	Included in Public Improvements line in the March 2021 budget presentation. Now separated out for detail.
Plaza Operation Capitalized Reserve (10 years at \$150k per year)	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	Added because no plaza owner has been identified and CDC cannot use LMIHAF or other funds to pay this cost.
5% CDC-Owner Hard Cost Contingency	\$ 500,861	\$ 500,861	\$ -	\$ 937,460	\$ 436,599	\$ 436,599	Increased relative to increase in construction budget.
Construction Management	\$ 894,667	\$ 894,667	\$ -	\$ 920,167	\$ 25,500	\$ 25,500	Increase in Construction Manager costs for management and oversight of infrastructure project, including additional joint trench coordination.
Soft Costs	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 4,003,768	\$ 1,603,768	\$ 1,603,768	Current number reflects anticipated soft costs through completion of infrastructure project. Soft costs have increased in part due to additional design costs and permitting fees associated with redesign and resubmittal of entitlements to City after Roseland annexation; scope of plaza evolving from one phase to a two phased plaza; lengthy and ongoing Public Improvement approval process; and anticipated costs associated with addressing Plaza Permanente design review comments once recieved.
10% Soft Cost Contingency	\$ -	\$ -	\$ -	\$ 492,393	\$ 492,393	\$ 492,393	Included in Soft Costs line in the March 2021 budget presentation. Now separated out and increased relative to increased soft cost budget.
Project Contingency (1.05%)	\$ -	\$ -	\$ -	\$ 269,457	\$ 269,457	\$ 269,457	Added to recognize unknowns about future City approval processes for public improvement construction and as a hedge against any other future unknowns.
Future Escalation (10% per yar for 1 year, to December 2023 construction start)	\$ -	\$ -	\$ -	\$ 1,874,919	\$ 1,874,919	\$ 1,874,919	Current Public Improvement costs include construction escalation through December 2022. This additional escalation is included to reflect additional cost escalation anticipated between December 2022 and a December 2023 construction start.
Total	\$ 13,812,756	\$ 24,153,560	\$ 10,340,804	\$ 40,468,163	\$ 26,655,407	\$ 16,314,603	

Total Funding Gap	\$ 710,359	\$ (324,462)		\$ 18,570,141	\$ 17,859,782	\$ 18,894,603	
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	SOURCES	Redevelopment Tax Increment Funds	Redevelopment Property Tax Trust Fund (RPTTF) for Roseland Village	RPTTF for Environmental Clean-Up	County Fund for Housing (Gee Parcel Acquisition)	State Water Quality Control Board Grant	County R&R (Library and Boys & Girls Club relocation)	Sonoma County Open Space Grant	HCD - Affordable Housing and Sustainable Communities Program (AHSC) Sustainable Transportation Infrastructure (STI) Affordable Housing Infrastructure
USES	COSTS	Total Costs Allocated by Source							
Due Diligence	\$ 250,000	\$ 250,000							
Roseland Property Acquisition	\$ 3,490,000	\$ 3,490,000							
Environmental Consulting - Studies and Investigation	\$ 342,969			\$ 342,969					
Environmental Consulting -Hazardous Material Cleanup	\$ 1,170,250		\$ 1,170,250						
Building Demolition, Environmental Oversight	\$ 209,084		\$ 209,084						
Gee Parcel Acquisition	\$ 458,053				\$ 458,053				
Environmental Clean-Up & Demo (Geosyntec)	\$ 2,460,700					\$ 2,460,700			
Soil Management Plan and Soil Vapor Investigation	\$ 130,000		\$ 130,000						
Library and B&G Club relocation 2019	\$ 500,000						\$ 500,000		
Commercial Operations & Maintenance (including revenue offsets) 2011-2022	\$ 784,748		\$ 784,748						
Estimated Future Commercial Operations & Maintenance - \$14k/month (\$11k month income and \$25k expenses) through December 2023 construction start	\$ 210,000								
Interim Capital Improvements to playground, parklet, B&G Club etc.	\$ 465,000		\$ 465,000						
Plaza Temporal	\$ 1,250,000		\$ 1,250,000						
Public Improvements (no design contingency, excludes private utility scope each lot developer to install)	\$ 16,785,557								\$ 620,616
Plaza Permanente (assuming installed at time of infrastructure)	\$ 1,963,638						\$ 500,000		
Plaza Operation Capitalized Reserve (10 years at 150k per year)	\$ 1,500,000								
5% CDC- Owner Hard Cost Contingency	\$ 937,460								
Construction Management	\$ 920,167		\$ 290,509						
Soft Costs	\$ 4,003,768		\$ 2,620,409						
10% Soft Cost Contingency	\$ 492,393								
Project Contingency (1.05%)	\$ 269,457								
Future Escalation (10% per year for 1 year, to December 2023 construction start)	\$ 1,874,919								
TOTAL COSTS	\$ 40,468,163								
Total Sources	\$ 21,898,022	\$ 3,740,000	\$ 6,920,000	\$ 342,969	\$ 458,053	\$ 2,460,700	\$ 500,000	\$ 500,000	\$ 620,616
Total Gap	\$ 18,570,141								
Total Spent	\$ 12,059,706	\$ 3,740,000	\$ 6,250,648	\$ 342,969	\$ 458,053	\$ 768,036	\$ 500,000	\$ -	\$ -
Remaining Fund Balance	\$ 9,838,316	\$ -	\$ 669,352	\$ -	\$ -	\$ 1,692,664	\$ -	\$ 500,000	\$ 620,616

Tierra de Rosas Infrastructure Sources & Uses

		HCD - Infill Infrastructure Grant Program (IIG) Capital Improvement Project (CIP) CDC Master Development; QIP#1 MPHC Affordable Housing - Infrastructure Portion				GAP
		Costs Incurred through 9/30/22	Funds Remaining	Costs Not Yet Incurred		
USES						
Due Diligence		\$ 250,000	\$ -	\$ -	\$ -	
Roseland Property Acquisition		\$ 3,490,000	\$ -	\$ -	\$ -	
Environmental Consulting - Studies and Investigation		\$ 342,969	\$ -	\$ -	\$ -	
Environmental Consulting -Hazardous Material Cleanup		\$ 1,170,250	\$ -	\$ -	\$ -	
Building Demolition, Environmental Oversight		\$ 209,084	\$ -	\$ -	\$ -	
Gee Parcel Acquisition		\$ 458,053	\$ -	\$ -	\$ -	
Environmental Clean-Up & Demo (Geosyntec)		\$ 768,036	\$ 1,692,664	\$ 1,692,664	\$ -	
Soil Management Plan and Soil Vapor Investigation		\$ 130,000	\$ -	\$ -	\$ -	
Library and B&G Club relocation 2019		\$ 500,000	\$ -	\$ -	\$ -	
Commercial Operations & Maintenance (including revenue offsets) 2011-2022		\$ 784,748	\$ -	\$ -	\$ -	
Estimated Future Commercial Operations & Maintenance - \$14k/month (\$11k month income and \$25k expenses) through December 2023 construction start		\$ -	\$ -	\$ 210,000	\$ 210,000	
Interim Capital Improvements to playground, parklet, B&G Club etc.		\$ 465,000	\$ -	\$ -	\$ -	
Plaza Temporal		\$ 1,250,000	\$ -	\$ -	\$ -	
Public Improvements (no design contingency, excludes private utility scope each lot developer to install)	\$ 6,355,684	\$ -	\$ 6,976,300	\$ 16,785,557	\$ 9,809,257	
Plaza Permanente (assuming installed at time of infrastructure)		\$ -	\$ 500,000	\$ 1,963,638	\$ 1,463,638	
Plaza Operation Capitalized Reserve (10 years at 150k per year)		\$ -	\$ -	\$ 1,500,000	\$ 1,500,000	
5% CDC- Owner Hard Cost Contingency		\$ -	\$ -	\$ 937,460	\$ 937,460	
Construction Management		\$ 52,527	\$ 237,982	\$ 867,640	\$ 629,658	
Soft Costs		\$ 2,189,039	\$ 431,370	\$ 1,814,729	\$ 1,383,359	
10% Soft Cost Contingency		\$ -	\$ -	\$ 492,393	\$ 492,393	
Project Contingency (1.05%)		\$ -	\$ -	\$ 269,457	\$ 269,457	
Future Escalation (10% per year for 1 year, to December 2023 construction start)		\$ -	\$ -	\$ 1,874,919	\$ 1,874,919	
TOTAL COSTS		\$ 12,059,706	\$ 9,838,316	\$ 28,408,457	\$ 18,570,141	
Total Sources	\$ 6,355,684					
Total Gap						
Total Spent	\$ -					
Remaining Fund Balance	\$ 6,355,684					