

October 29, 2020
Clare Hartman, Director
William Rose, Deputy Director
Adam Ross, Senior Planner
City of Santa Rosa
Department of Planning and Economic Development
100 Santa Rosa Avenue
Santa Rosa, CA 95404

RE: Amendment to Resolution No. 11571 for the North Village II Project at 2406 Fulton Rd

Dear Clare, Bill and Adam,

The following forms the basis for our request to amend Resolution No. 11571, which, in part, requires the construction of sixteen (16) below market rate (BMR) residential units in North Village II. Our request is that we amend the form by which these units are delivered by constructing 8 BMR units on site and pay the in-lieu fees for 8 units. In addition, a daycare center will be provided. We are not requesting modification to any other terms of the agreement.

North Village II (NVII) is the second phase of the North Village Project. The first phase started construction just prior to the collapse of the economy in 2008. Although the recession had a significant impact on the project, due to the unique setting and the energy features (The first all solar development in Sonoma County), we were able to complete the first phase and secure a loan on the second phase.

Since that time, we have, at great expense, been able to keep the second phase alive. We have continued to make our loan payments in spite of the fact that two partners pulled out of the project. Even though we encountered numerous obstacles, with the support of our design team and with the efforts of the city staff, we have completed the project design, are finally ready for mylars and are prepared to file for recordation.

By way of background, NV II consists of 70 lots with 76 units, 44 accessory dwelling units and a common open space and community center/ daycare center parcel (Parcel M). Of the residential lots, there are one (1) six-plex; one (1) duplex and sixty-eight (68) detached single-family units, forty-four (44) of which have accessory dwelling units (ADU). The project also includes a variety of amenities to serve both the residents of North Village I (NVI) and NV II. These amenities include open space, walking paths, a community center with a pool, fitness center and a daycare facility.

The NV I site was originally approved with the requirement for 16 BMR units. These units have been constructed and are currently rented under agreement with the City's Housing Authority.

The design and development of NVII has proven to be significantly more-costly than originally anticipated. The sum of the costs for offsite improvements on Fulton Road, initial design and redesign of the project, as well as carrying cost, far exceeds the bank's appraisal evaluation and analysis that is allotted to the valuation of the project. Since these costs are not taken into consideration by the bank for loan purposes, they cannot be applied to the required loan to cost and loan to value financial ratios. In addition, the ratios have been further adversely affected by the increased cost of construction that we have occurred since the fires.

After months of negotiations and analysis with the bank and our estimating and real estate teams, we have been able to come up with a scenario that works. We can meet the required ratios of the Bank if we can reduce the number of BMR units from 16 to 8 and meet our remaining unit obligation by paying in lieu fees for the 8 units.

Initially, we had hoped that we would be able to transfer the 8 required units to our South-Side project. Unfortunately, it is in another quadrant of the city and our understanding is that a transfer would not be possible.

Our project, which is ready to record, exceeds the requirements of the Inclusionary Housing Ordinance as regards the number of restricted units (Section 21-02.050) but does not meet all of the Inclusionary unit development standards of Section 21-02.100. However, the project does include an added public benefit through the inclusion of a $\pm 3,136$ sq. ft. daycare center with an associated $\pm 3,392$ fenced play area.

The Proposal:

The project proposes to restrict 8 units to persons considered to be of low income (80% of AMI) and pay the affordable housing in-lieu fee for an additional 8 units. The 8 affordable units are to be rental units and will be located on lots 36, a six-plex structure, and lot 37, a duplex. In addition, the project includes a $\pm 3,136$ sq. ft. daycare center with a $\pm 3,392$ sq. ft. fenced play area.

Consistency with the Inclusionary Housing Ordinance

Section 21-020.050:

A project, whose affordable units are to be rental, must provide at least 8% of the total number of new dwelling units as affordable to low income. The project consists of 76 units. Hence, the project must restrict 6 units for persons of low income. The proposal is to restrict 8 units, pay the in-lieu fees for 8 units and provide a daycare center with a fenced play area. Furthermore, the project is not requesting a development incentive as allowed by Section 21-020.050 (G).

Section 21-020.100:

- (A) Prior to or concurrent construction: The affordable units will be constructed concurrent with the market rate units.
- (B) Distribution of units throughout the project: The allocated units will not be distributed throughout the project. Rather, they will be located in a six-plex on Lot 36 and within an adjoining duplex on Lot 37. The project has received all entitlements, is at the mylar stage and about to be recorded. Unit dispersal was not a requirement at the time of project approval.
- (C) Affordable units to be comparable with market rate units: The affordable units are of the same appearance and overall quality of materials as the market rate units. The market rate units are 3- bedroom units and average $\pm 1,250$ sq. ft. in size. Six of the affordable units are two-bedroom and 838 sq. ft in size.; one unit is 3-bedroom and 1,040 sq. ft. and one unit is 1 bedroom and 612 sq. ft in size.

We strongly believe that this is a worthwhile project and we have gone to great lengths and expense to keep it alive. It is a unique project that will provide much needed housing and will provide amenities to both the NV I and NV II communities. Although not 100% consistent with the Inclusionary Ordinance, we believe the two additional affordable units, the affordable housing in-lieu fees for 8 units, plus a daycare

center with a play yard will offset the discrepancy with the Inclusionary Housing Ordinance and honor the intention of our original agreement.

I hope that we will be able to amend the resolution to meet the required ratios for the Bank. If so, we are preparing to apply for the necessary grading permits and starting construction this fall.

We look forward to your response and will be happy to discuss this proposal at your convenience. Thank you.

Sincerely,

[Frank Gobar](#)

Frank Gobar
President
Danlin Corporation