

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JILL SCOTT, REAL ESTATE MANAGER
REAL ESTATE SERVICES
NICOLE RATHBUN, INTERIM HOUSING AND COMMUNITY
SERVICES MANAGER
HOUSING AND COMMUNITY SERVICES
SUBJECT: APPROVAL OF A DISPOSITION AND DEVELOPMENT
AGREEMENT FOR A LOW-INCOME HOUSING DEVELOPMENT
ON CITY PROPERTY LOCATED AT 702 & 716 BENNETT
VALLEY ROAD AND 921 & 927 RUTLEDGE AVENUE, SANTA
ROSA, CA WITH FREEBIRD DEVELOPMENT COMPANY, LLC
AND ALLIED HOUSING INC.

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services and Transportation and Public Works Department that Council, by resolution, approve the Disposition and Development Agreement on City property located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue, Santa Rosa, CA with Freebird Development Company, LLC and Allied Housing Inc., substantially in the form attached as Exhibit A and subject to City Attorney approval.

EXECUTIVE SUMMARY

On May 29, 2019 the City released a Request for Developer Qualifications/Proposals (RFQ/P) for a low-income housing development on City Property, located at 702 & 716 Bennett Valley Road, and 921 & 927 Rutledge Avenue, Santa Rosa, also known as the former Bennett Valley Senior Center Complex. Freebird Development, LLC and Allied Housing, Inc. (collectively "Developer") was chosen by Council on September 24, 2019, and an Exclusive Negotiation Agreement (ENA) was negotiated and approved by Council on May 19, 2020. Since that time, the Developer has completed entitlements for the proposed Bennett Valley Apartments (Project) and Staff, pursuant to Council's direction on price and terms, and Developer have negotiated the Disposition and Development Agreement (DDA) substantially in the form attached as Exhibit A and subject to City Attorney approval.

APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT FOR A LOW-INCOME HOUSING DEVELOPMENT ON CITY PROPERTY LOCATED AT 702 & 716 BENNETT VALLEY ROAD AND 921 & 927 RUTLEDGE AVENUE, SANTA ROSA, CA WITH FREEBIRD DEVELOPMENT COMPANY, LLC AND ALLIED HOUSING INC.

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BACKGROUND

Following Council's direction to utilize the site for permanent supportive housing and affordable housing, on May 29, 2019 the City issued an RFQ/P for a low-income housing development to be located on City Property at 702 & 716 Bennett Valley Road, and 921 & 927 Rutledge Avenue, Santa Rosa, APN's 009-333-014 & -009 and 038-151-004 & -011, also known as the former Bennett Valley Senior Center Complex. On June 12, 2019 the City held a Developer pre-submission meeting to answer questions regarding the RFQ/P and on July 10, 2019 the City held a Community meeting with the public to solicit neighborhood priorities for development of the site. The neighborhood priorities were incorporated into the RFQ/P and communicated to potential developer applicants.

Proposals were due into the City on July 15, 2019, and of the two proposals received, Freebird Development, LLC and Allied Housing, Inc. (collectively "Developer") was chosen by Council on September 24, 2019.

An Exclusive Negotiation Agreement (ENA) was negotiated with Developer and approved by Council on May 19, 2020.

PRIOR COUNCIL REVIEW

September 24, 2019 – Council approved the RFQP proposal from Developer

May 19, 2020 – Council approved the ENA with Developer

June 8, 2021 – Council, in closed session, provided direction to staff on price and terms for the negotiation of the DDA with Developer.

ANALYSIS

Pursuant to Council's direction on price and terms for the development and conveyance of the property, staff has negotiated a DDA which, if approved, will convey the property consisting of approximately 1.9 acres to Developer, with a purchase price of \$1. The low purchase price is essential for the financial feasibility of the Project, given the scarcity of affordable housing funds and the robust supportive services that will be offered at the property for formerly homeless households.

The purchase price also reflects the proposed developments benefit to the community, and the furtherance of multiple City goals and objectives including, but not limited to:

- Providing affordable housing at deep affordability levels including but not limited to formerly homeless households;

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- Providing supportive services to assist those formerly homeless households in transitioning from homelessness;
- Helping the City in meeting its obligation to contribute to its fair share of regional housing needs including for Extremely Low-Income households; and
- Repurposing under-utilized City property for uses that serve a community benefit.

The Developer is proposing to acquire the property from the City to build approximately 62 units of affordable housing for households earning up to 60% of the Area Median Income (AMI) and plans to apply for Low Income Housing Tax Credits, Multifamily Housing Program and/or No Place Like Home program funds, and Project-Based Vouchers. On May 10, 2021 the Developer was awarded a loan of \$5.8 million from the Housing Authority for construction-related costs for the Project.

Other terms within the DDA include:

City will agree to sell the property for \$1 on the condition that it will be used for affordable housing with the following restrictions:

- Approximately 50% of the units will be set aside for Extremely Low Income/formerly homeless households/persons (20-30% of AMI)
- Approximately 50% of the units will be set aside for Low and Very-Low Income households (60% and 50% of AMI)
- The affordable housing restrictions will remain in place for 55 years and at closing, the City will record a regulatory agreement ensuring the long-term affordability of the Property.

Prior to the close of escrow, the Developer must:

- Secure all entitlements for the affordable housing project – which are currently complete.
- Secure all necessary financing for the project.
- Be in a position to have building permits issued for the Project immediately following closing.

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Additionally, Staff is requesting that Council authorize the City Manager or their designee to execute the DDA and any necessary documents related to the agreement and conveyance, subject to approval by the City Attorney.

FISCAL IMPACT

Approval of this action (real property sale) will not have an impact to the General Fund.

ENVIRONMENTAL IMPACT

The Project proposed in the DDA is subject to ministerial planning review pursuant to California Government Code Section 65913.4 ("SB 35"). The required ministerial review has been completed by City Planning Staff and the development Project was approved in accordance with SB 35 on April 23, 2021. The DDA does not contemplate any development beyond that which has already been approved in accordance with SB 35, and therefore the development is not subject to further review under the California Environmental Quality Act ("CEQA") and its implementing regulations.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On April 29, 2021 a Housing Authority Ad-Hoc Review Committee comprised of Commissioners Olsen and Test met to review project applications that were submitted in response to the Fiscal Year 2021-2022 Focused Notice of Funding Availability solicitation, which included an application from Developer for the Project.

On May 10, 2021 the Housing Authority Ad-Hoc Review Committee and staff made a recommendation to the Housing Authority to award the Project a conditional commitment of loan funds in the amount of \$5.8 million.

NOTIFICATION

Not applicable

ATTACHMENTS

- Resolution
- Exhibit A – Disposition and Development Agreement

CONTACT

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