

**DeTurk Winery Village**  
**Housing Authority of the City of Santa Rosa**  
**Affordable Housing Loan Application – May 2020**

**B. Project Narrative**

**PROJECT DESCRIPTION**

Project Site

The proposed project site for DeTurk Winery Village sits on the West side of Highway 101 and North of Highway 12 and is located in the Historic Railroad Square and West End Neighborhoods of downtown Santa Rosa in Sonoma County, CA. The total project site is approximately 1.98 acres and composed of two non-contiguous parcels. Specifically, Building A is located at 808 Donahue Street and Building D and additional parking spaces within Building C are located at 8 West 9th Street. The North East portion of the site runs adjacent to the Sonoma-Marin Area Rail Transit and pedestrian bicycle paths.

Basic Project Information

DeTurk Winery Village (Phase 1) is the new construction and partial adaptive reuse of 136 multifamily units across two-four story buildings, including 122 parking spaces. Both buildings are serviced by an elevator. The project will feature studio, one-, two-, and three-bedroom units reserved for low-income families earning between 30% to 60% of the area median income (“AMI”). The proposed unit mix includes 27 studio units, 41 one-bedroom, one-bathroom units; 33 two-bedroom, one-bathroom units (including two non-restricted manager’s units); and 35 three-bedroom, two-bathroom units for a total of 239 bedrooms. Overall density is 68 dwelling units per acre.

The project site includes an existing industrial building with multiple units/offices that are currently occupied by seven tenants (“Building D”), a portion of an existing brick building with two units that are currently occupied by two tenants (“Building C”), and a parking lot (“Building A”). All existing tenants will be permanently relocated according to all applicable relocation requirements and offered relocation benefits.

Once the existing buildings are fully vacated, Building D will be demolished and replaced by a four-story building with 66 residential units and 59 parking spaces while the interior of the Building C portion will be converted into 21 covered parking spaces with the original exterior walls preserved. The existing parking lot at Building A will be demolished and replaced by a four-story building with 70 residential units. The site will include an additional 42 spaces of street parking along Donahue Street.

Site Amenities

DeTurk Winery Village is designed to provide a safe environment with amenities appropriate for individuals and large families, including a community room, outdoor play area, offices for onsite staff, and a laundry room. These amenities encourage a sense of community and belonging and provide additional opportunities for social interaction among the residents.

Additionally, resident service coordination by Embrace Foundation, an experienced non-profit service provider, will offer resident services to all residents at no charge. Embrace Foundation is committed to delivering high quality social services that are designed to generate positive changes in the lives of tenants at DeTurk Winery Village. Embrace Foundation will provide specific services to address the needs of

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residents, including an after-school program for resident children school age K-12 grade, service coordination, social programs, instructor-led education classes for health, wellness and skill building for adults, and one on one support via an onsite coordinator during scheduled office hours.

Building Design & Accessibility Features

The project will preserve the significant historic materials, features, and industrial character of the historic DeTurk Winery and U.S. Bonded Warehouse buildings, including the original simple red brick walls. New elements, such as the doors and windows which will be added along the west elevation, will be similar in style to the original arched windows and doors. Newly added elements, such as brick and stucco, will be compatible with but recognizably different from historic features.

Additionally, the project will meet TCAC requirements for mobility and sensory access, with a total of 14 units (10%) for mobility impairment and 6 units (4%) for sensory impairment.

Phase 2

DeTurk Winery Village may feature a second phase, which could include the adaptive reuse of an existing brick building (“Building B”) and partial adaptive reuse of an existing brick (“Building C”) across two four-story buildings. Any potential Phase 2 would be wholly separate in terms of financing, construction, and ownership from Phase 1.

**CTCAC 9% TAX CREDITS TIE BREAKER SCORE**

DeTurk Winery Village will be applying for Further Consolidated Appropriations Act, 2020 (FCAA) Federal Disaster Tax Credits in the 2020 Second Round 9% California Tax Credit Allocation Committee (TCAC). The Final Proposed Regulation Changes issued by TCAC on June 5, 2020 indicates, “Applications for projects applying for FCAA Federal Credit shall be competitively scored within the county apportionment under the system delineated in Sections 10325(c)(1) through (3), (4)(B), and (6).” Further, TCAC is proposing three tiebreakers for Federal Disaster Tax Credit projects in cases where applications receive the same score: first tiebreaker is a letter of support from the Local Review Agency (LRA), second tiebreaker is the greatest number of Tax Credit Units as originally proposed, and third tiebreaker is greatest number of bedrooms within the proposed Tax Credit Units.

The Project will compete in the Sonoma County apportionment and anticipates scoring the maximum 81 points. To meet the first tiebreaker criteria, the Project will submit a letter of support from the City of Santa Rosa as the LRA. The Project’s second tiebreaker is the proposal of 136 Tax Credit Units and the third tiebreaker is the proposal of 239 bedrooms.

**PROJECT BENEFITS**

DeTurk Winery Village will benefit the adjacent neighborhood and larger Santa Rosa community in several ways. Phase 1 of the project will offer 136 brand-new, high-quality affordable housing units to

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individuals and families earning between 30 to 60% of the area median income. A potential Phase 2 of the project may offer additional residential units and parking spaces.

DeTurk Winery Village prioritizes sustainability and green conservation efforts by incorporating sustainable, energy-efficient design features and emphasizing the promotion of a healthy, sustainable lifestyle for the future residents through community workshops. Specific sustainable features include the following: high efficiency lighting; ENERGYSTAR labeled appliances; utilization of drought tolerant, non-invasive plants for landscaping; and energy efficient windows, HVAC systems, and water heater boilers.

The DeTurk Winery Village adaptive reuse project, located within the Historic Railroad Square Neighborhood, will preserve the significant materials and features of two historic buildings – the DeTurk Winery constructed in 1879 and the U.S. Bonded Warehouse constructed between 1888 and 1892. The simple red brick exterior walls of these two buildings will be preserved to pay homage to the industrial character of the area in the late 1800's to early 1900's. Two additional new construction residential buildings will both draw architectural design influences from the historic buildings and remain visually distinct. The play on “the old” and “the new” pays respect to Santa Rosa's rich history, while acknowledging the community's bright future ahead.

Additionally, with its location less than a fourth of a mile from the Santa Rosa Downtown stop of the Sonoma Marin Smart Area Rail Transit system, DeTurk Winery Village is a transit-oriented development (TOD) site designed to maximize access to public transport and encourage transit ridership.

### **PROJECT CONSTRAINTS/ISSUES**

A unique feature about the construction of the DeTurk Winery Village project is the partial adaptive reuse and preservation of the DeTurk Winery Building, which was constructed in 1879. The DeTurk Winery Building was determined to be eligible for the California Register in 2006 as a historically significant building. As such, the Cultural Heritage Board and Design Review Board were closely involved with ensuring the architectural design of the new building and historic building are cohesive, yet distinct during the planning entitlement phase. The developer is required to take careful considerations when demolishing the interior and reconstructing the interior of the building. The Cultural Heritage Board will continue to closely review construction documents for, advise on, and monitor the preservation of the historic building as needed. To ensure the DeTurk Winery Building preservation is successful, the developer intends to work with a general contractor and subcontractors with a track record of successfully completing adaptive reuse projects.

There are no additional project constraints or concerns known to the Applicant at this time.

### **SUMMARY OF EXPERIENCE AND QUALIFICATIONS OF THE APPLICANT AND DEVELOPMENT TEAM**

The DeTurk Winery Village development team has been thoughtfully selected to best suit the needs of the project and local community. The development team is comprised of Meta Housing Corporation and Foundation for Affordable Housing V.

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Meta Housing Corporation

Meta is one of California’s most experienced and trusted developers of affordable and mixed-income apartment communities. Since 1993, the Meta team has developed more than 80 communities with 7,000 residential units across California, with total development costs exceeding \$2.3 billion.

Meta’s Real Estate Schedule of Operating Properties as of December 31, 2019, includes sixty-six (66) properties and 5,356 units, with an overall Debt Service Coverage Ratio of 1.54, Net Cash Flow after Fixed Debt Service of \$9.9 million and Operating, Replacement, and Other Reserves totaling \$23 million. In short, Meta has the financial capacity and experience to take on of large, phased housing developments and their infrastructure.

<b>Project Type</b>	<b>Units</b>	<b>Projects</b>	<b>Cost (\$MM)</b>
Family	2,591	34	\$983
Senior	2,099	25	\$592
Planned Comm.	604	3	\$155
Mixed Income	552	4	\$144
Art Colonies	525	6	\$179
TOD's	394	6	\$151
Special Needs	258	4	\$79
<b>Totals</b>	<b>7,023</b>	<b>82</b>	<b>\$2283</b>

Foundation for Affordable Housing

Foundation for Affordable Housing is a tax-exempt 501(c)(3) public benefit nonprofit corporation and has been making the visions of partners come to life for almost 30 years.

The Foundation has the size, longevity, efficiency, and experience to execute on complex development transactions. By focusing on the profitability and sustainability of each projects, they have been able to build safe and comfortable housing for those who need it most. The Foundation provides community enrichment services and has a strong network of industry-leading property management firms.

<b>Project Type</b>	<b>Units</b>	<b>Projects</b>	<b>Cost (\$MM)</b>
Family	10,793	93	\$1,008
Senior	303	3	\$67.2
Special Needs	278	2	NA
<b>Totals</b>	<b>11,374</b>	<b>98</b>	<b>\$1,075.2</b>

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**SUMMARY OF FINANCING STATUS**

The total development cost for DeTurk Winery Village is \$67,010,959. The development cost per unit is \$492,728 per unit. The breakdown of construction and permanent financing sources for the project are as follows:

<b>Construction Period Sources</b>		<b>Permanent Period Sources</b>	
<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
Citibank Construction Loan	\$45,000,000	Citibank Permanent Loan (Tranche A & B)	\$15,278,535
Housing Authority of the City of Santa Rosa Funds	\$4,200,000	Housing Authority of the City of Santa Rosa Funds	\$4,200,000
Federal Tax Credit Equity	\$16,448,355	Federal Tax Credit Equity	\$46,995,300
Deferred Developer Fee/Costs	\$1,362,604	TCAC Performance Deposit Refund	\$200,000
		Deferred Developer Fee	\$337,124

Citibank Construction and Permanent Loans

Citibank, N.A. will provide a construction loan in the amount of \$45,000,000. The construction loan will be for a term of 28 months. The loan will function as a draw-down loan in which interest will only be paid on the outstanding portion of the loan. The loan shall bear interest at a variable rate estimated at 4.15%.

Citibank, N.A. will also provide a permanent loan in the amount of \$15,278,535. The permanent loan will be amortized over 35 years and is due and payable after 15 years. The loan shall bear interest at a variable rate estimated at 4.57%. Both loans are committed to the project.

Housing Authority of City of Santa Rosa Funds

The project is applying for Affordable Housing Loan funds from the Housing Authority of City of Santa Rosa Funds in the amount of \$4,200,000. The residual receipts loan will be comprised of \$3,000,000 in Local Funds and \$1,200,000 in U.S. Housing and Urban Development Department Community Development Block Grant (CDBG) funds. The loan has a rate of 3% simple interest. Principal and interest will be deferred for the 55-year loan term. Additionally, the loan will require a recorded Regulatory Agreement to preserve project affordability for the 55-year term.

Federal Disaster Tax Credit Equity

The partnership will admit Red Stone Equity LLC as the investment limited partner who will contribute approximately \$46,995,300 in Federal Tax Credit Equity, or \$0.94 per tax credit, into the partnership. In exchange, Red Stone Equity LLC will receive a 99.99% allocation of federal tax credits and operating losses. These funds are committed to the project pursuant to Attachment 16 signed by the investor.

DeTurk Winery Village will submit a 9% TCAC Application by July 1, 2020 for FCAA Federal Disaster Tax Credits in the 2020 Second Round. We are projecting a Federal tax credit allocation in the amount of \$50,000,000 over 10 years, or approximately \$5,000,000 annually. Please note that in reference to Section A: Funding Application, the Basis & Credits calculations within the TCAC application workbook

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released on April 22, 2020 does not reflect the new proposed maximum annual Federal tax credit request allowable to FCAA Federal Credit applicants. The current TCAC application workbook caps the maximum Federal tax credit request at \$2,500,000 per project and will likely be revised upon TCAC adoption of the new proposed FCAA Federal Credit regulations on June 17, 2020 to reflect a maximum Federal tax credit request of \$5,000,000 per project. As such, the project's anticipated request of \$5,000,000 in annual credits will be in compliance with TCAC requirements and we will update this information prior to TCAC application submittal.

Deferred Developer Fees/Costs and TCAC Performance Deposit Refund

Funding of the Operating and Transition Reserves is not required until permanent financing has funded. Accordingly, these costs shall be deferred during construction. In addition, the Meta Housing Corporation will defer a portion of its developer fee. The Developer has agreed to defer more of its fee in an amount necessary to cover any additional funding shortfalls during construction. The total amount of costs deferred during construction is estimated to be \$1,362,604 and shall bear no interest during the construction period.

Additionally, Meta Housing Corporation currently projects to defer approximately \$337,124 of its developer fee as a permanent financing source to cover any permanent funding shortfall. The deferred fee will be in the form of a note and will bear interest at 3%.

Upon acceptance of the anticipated \$50,000,000 reservation of FCAA Federal Disaster Tax Credits, project is required to provide TCAC with a performance deposit equivalent to four percent (4%) of the first year's Federal Credit amount reserved, up to a maximum of \$200,000. The performance deposit of \$200,000 will be refunded to the project once all applicable TCAC conditions are met including, but not limited to, Placed In Service requirements and execution of a TCAC regulatory agreement. The refund is anticipated at conversion from construction to permanent period financing.

Please reference Section P: Funding Commitments for committed funding letters.

**SUMMARY OF ENTITLEMENT STATUS**

The DeTurk Winery Village project, inclusive of Phase 1 and Phase 2, received approval of all required Entitlements on June 20, 2019. The following approvals were authorized by the City of Santa Rosa:

- 35% State Density Bonus with the dedication of 11% of the units affordable for very low-income occupants
- Vacation of Public Right-of-Way for an approximately 18,750 square foot area along the east side of the Donahue Street frontage
- Major Landmark Alteration Permit
- Major Design Review Permit

The entitlements are valid for two years, or June 20, 2021. An extension may be requested for an additional four years, until June 20, 2025.

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**ENVIRONMENTAL REVIEW STATUS**

Flood Zone

DeTurk Winery Village is located in FEMA Zone X, which is an area of minimal flood hazard.

Wetlands

The site does not have any wetlands, including vernal pools, present. In addition, as outlined in the City Resolution Number 19-993, it has no value as a habitat for endangered, rare, or threatened species.

CEQA

The proposed project has been reviewed in compliance with the California Environmental Quality Act (CEQA). The project is statutorily exempt from CEQA pursuant to Government Code Section 65457 in that the project would develop a residential land use that is undertaken to implement, and is consistent with, the Downtown Station Area Specific Plan. The EIR prepared for the Specific Plan was certified by the City Council on October 9, 2007 (Resolution No. 26949) and no events subsequent to certification have required a supplemental EIR pursuant to Public Resources Code section 21166. Pursuant to Section 15332, the project is exempt from CEQA as an In-fill Development.

NEPA

If DeTurk Winery Village is awarded CDBG funds, the Applicant will work with the City of Santa Rosa to obtain the required National Environmental Policy Act (NEPA) clearances for the project.

Phase I

A Phase I report dated November 14, 2005 was completed for the project site. A copy of that report is enclosed in this application. The Phase I report concluded that i) soil and groundwater on site was impacted by petroleum hydrocarbons, ii) there is a potential for shallow soil impact by heavy metals, and other petroleum residues which were commonly used at rail yards but there is no obvious evidence of past spills, and iii) it is possible that lead-based paint and ACBMs may be present in the structures' component materials due to the age of the warehouse. Per the recommendation of the Phase I, the Applicant will conduct all applicable additional environmental investigations and testing to confirm no or less than significant environmental impacts prior to any demolition, renovation, or construction activities. Should a significant impact be discovered in the subsequent reports, the Applicant will mitigate the areas of concern as appropriate.