

For Council Meeting of: September 24, 2019

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: NICOLE RATHBUN, PROGRAM SPECIALIST II
HOUSING AND COMMUNITY SERVICES
DEPARTMENT
SUBJECT: DEVELOPER SELECTION AND AUTHORIZATION TO
BEGIN NEGOTIATIONS TO ENTER INTO AN
EXCLUSIVE NEGOTIATING AGREEMENT FOR
DEVELOPMENT OF THE FORMER BENNETT VALLEY
SENIOR CENTER COMPLEX

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department and the Bennett Valley Senior Center Proposal Evaluation Ad-Hoc Committee that the Council, by resolution, 1) select Freebird Development Company, LLC, Oakland, CA, as the developer for the City-owned parcels at 702 and 716 Bennett Valley Road, and 921 and 927 Rutledge Avenue (APNs 009-333-014, 009-333-009, 038-151-011, and 038-151-004), 2) authorize staff to initiate negotiations to enter into an Exclusive Negotiating Agreement (ENA) with Freebird Development Company, and 3) authorize the Chief Financial Officer to appropriate \$35,000 from the General Fund unassigned reserves to Real Estate Projects P00635 for costs associated with entering into an ENA with Freebird Development Company, LLC.

EXECUTIVE SUMMARY

The City-owned parcels at 702 and 716 Bennett Valley Road and 921 and 927 Rutledge Avenue, formerly utilized as the Bennett Valley Senior Center Complex, were determined to be in poor condition by a 2018 Facility Condition Assessment. Council subsequently directed staff to explore alternate uses for the site and at their February 12, 2019 meeting, supported long-term site utilization for affordable housing and/or permanent supportive housing.

The Housing and Community Services Department issued a Request for Qualifications/Proposals (RFQ/P) to transform the former Bennett Valley Senior Center Complex into affordable housing and/or permanent supportive housing on May 29, 2019. The RFQ/P focused on attracting proposals demonstrating

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developer financial capacity, quality development and property management experience with income-restricted multifamily rental units, and a conceptual proposal with an efficient project timeline that would create the most affordable units at the deepest level of affordability. Two proposals were received. An Ad-Hoc Committee comprised of City Councilmembers, Housing Authority Commissioners, and staff reviewed the proposals and recommend selecting the proposal submitted by Freebird Development Company, LLC (Freebird Development) because it best met the selection criteria described in the RFQ/P and the need for affordable housing production in Santa Rosa.

The negotiations to enter into an Exclusive Negotiation Agreement (ENA) will require the department to utilize consultant expertise. Staff estimates the cost for these services at \$35,000 and requests authorization for the Chief Financial Officer to amend the FY 2019-20 budget to appropriate \$35,000 from General Fund unassigned reserve to Real Estate Projects, P00635 for the consultant costs associated with entering into an ENA with Freebird Development.

BACKGROUND

In late 2017/early 2018, City-owned facilities were inspected as part of the Facility Condition Assessment and Maintenance Analysis performed by Cannon/Parklin, Incorporated (Cannon Design). The Bennett Valley Senior Center Complex was determined to be in poor condition. Based on CannonDesign's findings, it was determined that the City would benefit from divesting from the Bennett Valley Senior Center. With this information, on May 22, 2019, Council directed staff to explore single and joint use options for the utilization of the site and to return to Council with a recommendation.

After Council's direction to divest from the Bennett Valley Senior Center Complex, staff returned to Council with a plan for both the short-term and long-term utilization of the site. On February 12, 2019, Council supported short-term utilization of the former Bennett Valley Senior Center as a Navigation Center, with long-term utilization as affordable housing and/or permanent supportive housing. The goals of permanent supportive housing include providing affordable housing and support services to those persons who have a history of homelessness and other challenges to maintain their housing, and development of a stable and healthy living environment.

A solicitation for developer proposals to transform the site into affordable housing and/or permanent supportive housing was released in May 2019, with a due date of July 15, 2019 (see Attachment 1). Staff facilitated a pre-submission meeting for potential developer applicants to review the RFQ/P and to address additional

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questions related to the site. The solicitation focused on developer financial capacity, quality development and property management experience with income-restricted multifamily rental units, and a conceptual proposal with an efficient project timeline that would create the most affordable units at the deepest level of affordability. The solicitation also requested developers to submit a community engagement plan.

In addition to various outreach efforts by staff, the Housing and Community Services Department hosted a community meeting on July 10, 2019 in which residents participated in a tabletop activity to develop neighborhood priorities for the development of the site. Efforts to engage and solicit input from the neighborhood have been ongoing and include:

- Email correspondence, both one-on-one and to a mailing list comprised of interested parties including residents, business owners and operators, and neighborhood leaders;
- Online posts to Nextdoor, a neighborhood social media platform;
- News Flash posts to the City's main webpage and the Housing and Community Services webpage;
- Postcard mailings in English and Spanish to over 1,000 addresses surrounding the site;
- Flyers in English and Spanish distributed through collaboration with neighborhood leaders; and
- A community meeting to provide information and solicit neighborhood input related to the site development for affordable housing and/or permanent supportive housing.

Several neighborhood priorities for the site were identified; the top tier of priorities included active property management, community involvement, and adequate on-site parking. A second tier of priorities included a main lobby entrance/gated entry, neighborhood access to amenities, secure mailroom, street presence security, a preference for affordable housing, and rental priorities for special groups such as disabled, senior, veteran, artist, or homeless persons.

Two developer proposals were submitted by the July 15th deadline. Staff reviewed the proposals for completeness and developer qualifications, as set forth in the RFQ/P. The Ad-Hoc Evaluation Committee, comprised of Mayor Schwedhelm, Councilmember Sawyer, Housing Authority Chair Burke, and Housing Authority Commissioner Owen, and staff met on August 29, 2019 to review the proposals and made a recommendation to select the conceptual proposal submitted by Freebird Development.

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PRIOR CITY COUNCIL REVIEW

Cannon Design's Facility Condition Assessment was presented to City Council on May 22, 2018.

On August 7, 2018, Council authorized the consolidation of recreation services for seniors, and the closure of the Bennett Valley Senior Center Complex.

Council supported the long-term utilization of the site for affordable housing and/or permanent supportive housing on February 12, 2019.

ANALYSIS

The RFQ/P was issued on May 29, 2019, and proposals were due on July 15, 2019. An optional pre-submission meeting was held on June 12, 2019 for potential applicants. A community meeting in which neighborhood priorities were collected was held on July 10, 2019. The list of neighborhood priorities was distributed to all potential developer applicants. Potential applicants were advised that alignment with neighborhood priorities would be included in the rating criteria. The requested developer qualifications and rating criteria, as stated in the solicitation were:

- Development experience, including evidence of three past development projects with affordable housing rental units;
- Financial capacity, access to credit, real estate development experience, including submission of audited financial statements for the past two years;
- Property management experience, or experience partnering with property management service providers, with developments subject to regulatory compliance for income and affordability; and
- For proposals of permanent supportive housing units, experience administering, or partnering with high-quality support services for persons who were formerly homeless; and
- Efficiency of conceptual proposal timeline; and
- Conceptual proposal level of affordability; and
- Other: Alignment with neighborhood priorities, quality of proposal, etc.

In response to the solicitation, two development proposals were submitted. Staff reviewed the proposals for completeness and developer qualifications. The Evaluation

Committee, comprised of Mayor Schwedhelm, Councilmember Sawyer, Housing Authority Chair Burke, and Housing Authority Commissioner Owen, and staff met on August 29, 2019 to review the proposals. The Ad-Hoc Evaluation Committee

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recommended selecting the proposal submitted by Freebird Development because it best meets the selection criteria evaluation factors.

Freebird Development Company's Proposal

Development Experience. The proposal submitted by Freebird Development included a partnership of Freebird Development, L+M Development Partners, and Allied Housing as the development team. The qualifications presented for this development team includes 60 years of experience with both market-rate and affordable housing production and 23,000 units in its portfolio, including several income-restricted developments in the San Francisco Bay Area, Alameda, Santa Clara, and Napa Counties.

Financial Capacity. Freebird Development proposes to partner with L+M Development for added financial capacity. The proposed financial plan includes a long-term, ground lease between the City and developer for use of the site. The proposal suggests permanent funding sources of tax credit equity from 4% non-competitive tax credits, State of California No Place Like Home and Multifamily Housing Program funding. The local funding for permanent financing that will be sought includes a future loan request to the Housing Authority and Project-Based Vouchers. The financial plan does not indicate a need for any predevelopment funding from the Housing Authority.

Additional funding sources, if needed, and cost saving measures were identified and include the use of modular construction, additional 4% tax credit equity, competitive 9% tax credits, and additional Project-Based Vouchers.

Property Management Experience. Housing for Independent People (HIP), an affiliate of Allied Housing and Abode Services, is identified as the property manager for this proposal. Their qualifications include over 20 years of experience managing properties, most of which included permanent supportive housing units.

Service Provider Experience. Abode Services is selected in the proposal as the service provider for the permanent supportive housing units. The proposal states Abode's qualifications as over 30 years of experience providing services people who were homeless or at-risk of homelessness, annually serving over 8,300 homeless and formerly homeless individuals, and assisting formerly homeless individuals to maintain their housing at ten Bay Area developments.

Conceptual Proposal. Freebird Development's conceptual proposal includes a variety of unit sizes, with approximately half of the units as permanent supportive

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housing for formerly homeless individuals and families earning up to 20% or 30% of the Area Median Income (AMI), with the remainder of the units as affordable housing for households earning up to 50% and 60% of AMI. Neighborhood priorities are incorporated in the conceptual proposal through the inclusion of on-site parking, a single lobby entry, ongoing neighborhood involvement, and community spaces. The conceptual proposal also includes provisions for utilization of existing structures, if needed.

Developer Outreach. Continued community involvement was one of the top neighborhood priorities identified related to developing this site for affordable and/or permanent supportive housing. Freebird Development's proposed community outreach includes ongoing neighborhood involvement from predevelopment through operation. This will be facilitated through engagement with community leaders and residents, neighborhood meetings, outreach materials (mailings, flyers, emails, display boards and presentations), developer attendance at neighborhood association meetings, and incorporation of community feedback.

Satellite Affordable Housing Associates' Proposal

Development Experience. The proposal submitted by Satellite Affordable Housing Associates (SAHA) includes 50 years of experience developing affordable in the Bay Area, and provides housing for approximately 3,000 residents, 200 of which were previously homeless.

Financial Capacity. The proposed financial plan includes a \$3 Million long-term, ground lease between the City and developer for use of the site. The source of the funding for the ground lease is proposed from a future loan request of Community Development Block Grant – Disaster Recovery funding to the Housing Authority. The proposal suggests permanent funding sources of tax credit equity from 4% non-competitive tax credits, Multifamily Housing Program funding, private debt, and 11 Project-Based Vouchers.

Property Management Experience. SAHA's proposal indicates that in-house property management would be utilized. SAHA's qualifications include 40 years of property management experience.

Service Provider Experience. The proposal did not include a selected service provider for permanent supportive housing.

Conceptual Proposal. SAHA's conceptual proposal is comprised of one-bedroom units, with approximately 10-15% of the units for formerly homeless

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individuals earning up to 30% of the Area Median Income (AMI), with the remainder of the units as affordable housing for households earning up to 50% and 60% of AMI. Neighborhood priorities are incorporated in the conceptual proposal through the inclusion of on-site parking, a single lobby entry with a secured mailroom, and community spaces.

Developer Outreach Plan. The proposed community outreach includes neighborhood involvement from predevelopment through construction completion by means of neighborhood meetings, and a committee of stakeholders.

Recommendation for Selection. Freebird Development is recommended to be selected for the following reasons:

- **Affordability:** The conceptual proposal provides needed affordable housing in studio, one-, two-, and three-bedroom units, targeted to extremely low-, very low- and low-income households, including housing and support services for formerly homeless individuals and families.
- **Financial Capacity:** While financing is yet to be secured, all funding sources for the development have been identified and the financial plan includes options for additional funding sources and cost saving measures, should they be needed.
- **Development Experience:** The proposed collaboration of development, design, property management, and service provider partners provide 60 combined years of development team experience (Freebird Development, L+M Development, and Allied Housing Inc.), and 70 years of architectural experience with affordable housing developments (HKIT Architects). All partners in this collaboration have worked on residential affordable housing developments in the local Bay Area.
- **Property Management Experience:** The proposed property manager, Housing for Independent People has 20 years of experience, largely from managing permanent supportive housing units in the local bay area.
- **Service Provider Experience.:** Abode Services has 30 years' experience providing services to individuals and families who were previously homeless through street services and services to maintain housing.
- **Efficiency of Timeline:** The proposed timeline is both efficient and feasible. The schedule suggests a construction start in early 2022, with anticipated construction completion in June 2023. If modular construction is used, this timeline may be expedited.

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- The conceptual proposal incorporates several of the neighborhood priorities that were collected at the July 10th community meeting. The priorities incorporated in the proposal would be achieved by partnering with established property management and service providers, creating adequate on-site parking, utilizing a single-entry lobby, and execution of engagement plan to involve neighborhood stakeholders from predevelopment through operation of the site.
- The proposal identifies an alternate scheme that allows for retention of the front structure on the site, in the event the building is declared a historic site.

FISCAL IMPACT

Approval of this action will amend the FY 2019-20 budget to appropriate \$35,000 from General Fund unassigned reserves to Real Estate Projects P00635 in fiscal year 2019-2020.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines section 15378. An ENA does not commit the City to approve or undertake any future project, and the City retains its full authority to approve, deny or condition any future project(s) that may be proposed, including adoption of mitigation measures and/or alternatives necessary to avoid or substantially lessen potentially significant environmental impacts. Any future project will be subject to CEQA review.

ATTACHMENTS

- Attachment 1 – Request for Qualifications/Proposals
- Attachment 2 – Freebird Development Conceptual Proposal Summary
- Resolution

CONTACT

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