

CITY OF SANTA ROSA  
CITY COUNCIL AND HOUSING AUTHORITY

TO: MAYOR AND CITY COUNCIL  
CHAIRMAN AND HOUSING AUTHORITY MEMBERS

SUBJECT: REVIEW PROPOSED CHANGES OF A MULTI-PHASE,  
MIXED USE DEVELOPMENT IN RAILROAD SQUARE TO A  
STAND ALONE SENIOR AFFORDABLE HOUSING  
DEVELOPMENT AT 3 WEST THIRD STREET AND  
MODIFICATION TO THE PROPOSITION 1C GRANT  
AWARD

STAFF PRESENTER: FRANK KASIMOV, PROGRAM SPECIALIST  
ECONOMIC DEVELOPMENT AND HOUSING

AGENDA ACTION: NO ACTION REQUIRED

---

The purpose of the study session is to discuss a proposed change to the New Railroad Square Project from a multi-phase mixed-use, transit-oriented development on four parcels – that included 68 units of senior affordable housing, 211 units of market-rate condominiums, and approximately 84,000 square feet of office and retail uses – to a stand-alone affordable housing development consisting of 93 1-2 bedroom, senior units on one parcel – and corresponding modification to the Proposition 1C Grant award.

On April 2, Council will be asked whether it will approve modification of the Prop 1C Grant application to support the stand-alone, affordable senior housing development and a commensurate reduction in the Prop 1C grant award from approximately \$11.3 million to approximately \$4.3 million.

At a future meeting, following review of a new loan application, the Housing Authority will be asked to reconfirm its prior commitment of \$1.5 million for affordable housing at New Railroad Square. Consistent with the proposed modification to the Prop 1C Grant application, the Housing Authority's loan commitment would be for the 93-unit project as a stand-alone development on the Cannery Site in-lieu of the former 68-unit affordable housing project as part of the master development concept. Additionally, the loan commitment would be contingent upon a favorable ruling in a law suit (filed by the New Railroad Square developers challenging the State Department of Finance) which would return \$4 million to the Housing Authority. By execution of a funding agreement in 2011, the Housing Authority previously committed the \$4 million for affordable housing at New Railroad Square as part of the master development.

## BACKGROUND

1. In 2009, Railroad Square Associates, LLC (RSA) and the City were successful co-applicants for an \$11.3 million Proposition 1C Infill Infrastructure Grant Program (Grant) for New Railroad Square. The Grant program is administered by the State Department of Housing and Economic Development (HCD).
2. The master development concept has been supported by the Council, the (former) Redevelopment Agency and the Housing Authority, and has been viewed by many people as transformative for the blighted 7.4 acre site in the otherwise vibrant Historic Railroad Square. The site is located generally between the depot/railroad tracks, West 3<sup>rd</sup> Street, Santa Rosa Creek and West 6<sup>th</sup> Street. Two parcels, totaling approximately 5.4 acres are owned by the Sonoma Marin Area Rail Transit District (SMART); and two parcels totaling approximately two acres are owned by Santa Rosa Cannery, LLC (Cannery); a member of RSA (see attached graphic).
3. New Railroad Square has received land use entitlements for 93 residential units, certain environmental clearances and financial pledges from local, state and federal agencies, and private entities for a development at 3 West 3<sup>rd</sup> Street (see attached Table 1: Support for New Railroad Square).

## ANALYSIS

1. Real estate and financial markets continue to be weak for new commercial and new market-rate residential construction amid other challenges to the financial feasibility of the project, and the vision of the New Railroad Square master development has become uncertain. First, the ability to secure financing for new commercial and new market rate residential construction continues to be difficult. In addition, the State's dissolution of Redevelopment has resulted in a potential loss of local funding for the project, and, as a result, loss of state and federal funding, too. Finally, the developer's options to purchase and be the master developer of the SMART parcels have expired.
2. Other multi-phase projects that received Prop 1C Grant awards have experienced similar difficulties, and HCD has responded by revising the Proposition 1C Grant program guidelines to allow grant recipients an opportunity to modify their projects/applications from a multi-phase project to a single project with a commensurate reduction in the grant award.
3. The proposed change to the New Railroad Square Project is from a multi-phase mixed-use, transit-oriented development on four parcels – that included 68 units of senior affordable housing, 211 units of market-rate condominiums, and approximately 84,000 square feet of office and retail uses – to a stand-alone affordable housing development consisting of 93 1-2 bedroom, senior units on one

parcel – and a commensurate modification to the Proposition 1C Grant award from \$11.3 million to \$4.3 million.

4. The stand-alone affordable housing project would be located at one of the Cannery's parcels at 3 West Third Street (the "Cannery Site"). Land use entitlements for 93 residential units at the Cannery Site have been granted. Design Review approval is pending. A Senior Housing combining district overlay zone may also be applicable to the senior project.
5. In addition, the developer is requesting that the Housing Authority review a new loan application in the amount of \$5.5 million along with the modification of the number of affordable units from 68 located on one of the SMART parcels within the master development to a 93 unit stand alone development located on the Cannery Site. The requested \$5.5 million loan includes reconfirmation of a prior Housing Authority commitment to the project of \$1.5 million plus the authorization to utilize \$4 million, contingent upon successful outcome of a law suit filed by the developer challenging the State Department of Finance. The \$4 million has been committed New Railroad Square Project by a prior funding agreement.
6. Key provisions of the Prop 1C Grant program include:
  - a. Prop 1C program deadlines:
    - i. April 2, 2013 – As a co-applicant to the Prop 1C grant with RSA, the City Council will be asked to take action for a 93-unit senior affordable housing development as a stand-alone project to receive \$4.3 million of Prop 1C grant funding.
    - ii. June 30, 2013 – This is the date by which all agreements to carry out the stand-alone project would be in place.
    - iii. June 30, 2014 – This is the date by which building permits issued and the commencement of construction, but this date may be extended by up to five years by HCD.
    - iv. February 1, 2016 – This is the date by which Prop 1C funds must be disbursed.
    - v. June 30, 2017 – This is the date by which the housing units must be completed, but this date may be extended by up to five years by HCD.
  - b. The "clawback" provision of the Prop 1C Grant program provides that any Prop 1C money spent on infrastructure must be returned to HCD if building permits have not been issued / construction started by June 30,

REVIEW PROPOSED CHANGES OF A MULTI-PHASE, MIXED USE DEVELOPMENT IN RAILROAD SQUARE TO A STAND ALONE SENIOR AFFORDABLE HOUSING DEVELOPMENT AT 3 WEST THIRD STREET AND MODIFICATION TO THE PROPOSITION 1C GRANT AWARD

Page 4 of 4

2014 (or as extended by HCD). However, the risk of a “clawback” is managed because disbursements of Prop 1C funds will occur after 1) all project entitlements have been granted; 2) all project agreements have been executed; and 3) all project financing has been secured.

- c. Under the “retention” provision of the Prop 1C Grant program, HCD retains 10% of the grant funds, or approximately \$430,000, until all final disbursement conditions have been met. One of the conditions is that project has received a certificate of occupancy.
7. In summary, although New Railroad Square has received certain land use entitlements, environmental clearances and/or financial pledges from local, state and federal agencies, and private entities, real estate and financial markets continue to be weak for new commercial and new market-rate residential construction amid other challenges. As a consequence, the reality of the master development concept of a multi-phased, mixed-income, mixed use, transit-oriented development, is not feasible at this time. The proposed modification to the Prop 1C Grant project would provide 93 senior affordable units as a stand-alone project on the Cannery Site rather than 68 senior units located on one of the SMART parcels within the mixed used development plan. With this modification, the Prop 1C grant would be reduced from \$11.3 million to \$4.3 million.
  8. No action is requested; however, the Council and Housing Authority may discuss and provide questions for staff to include in its further research and discussion for the subsequent meetings at which an action will be requested.

Author: Frank Kasimov, Program Specialist

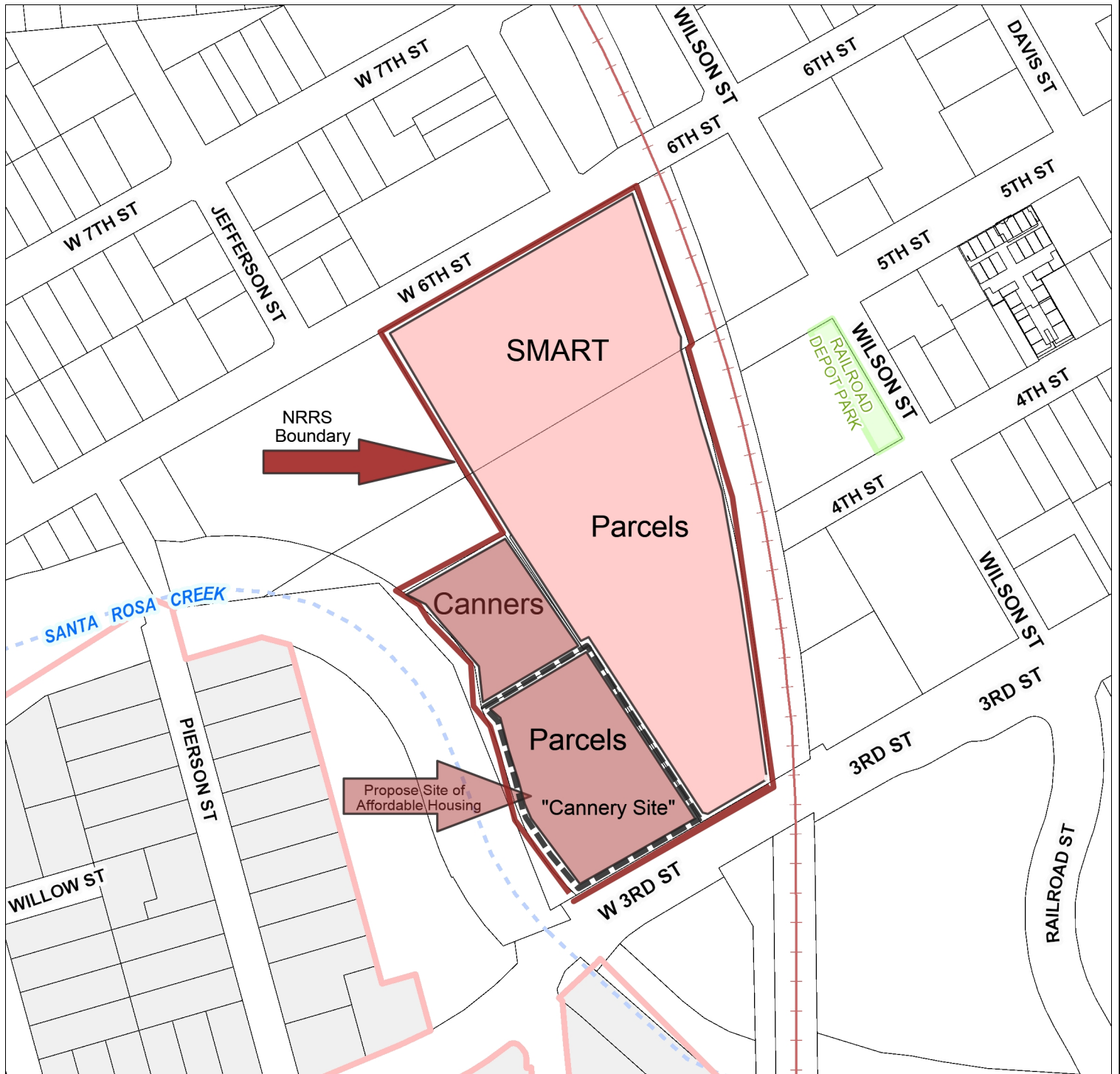
Attachments:

- Table 1: Support for New Railroad Square
- Locational Graphic
- The Housing Authority and Affordable Housing
- Briefing Prepared by Santa Rosa Cannery LLC

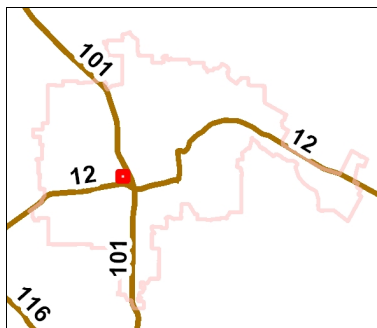


**TABLE 1: SUPPORT FOR NEW RAILROAD SQUARE**

From	What	When
City of Santa Rosa	Land Use Entitlements and Landmark Alteration Permit for 93 units on the Cannery parcel (1.3 acres).	2008
Santa Rosa Cannery, LLC and SMART	Options for Cannery to purchase adjacent SMART parcels for development of New RR Square.	2009
Former Redevelopment Agency (RDA)	\$1.5 million commitment	2009
Housing Authority	\$1.4 million loan commitment	2009
Housing Authority	\$3.6 million based on the HA's acknowledgement of the project as its priority	2009
Cal. Dept. of Housing and Community Development	\$11.3 million Prop 1C Grant award	2009
North Coast Regional Water Quality Control Board	No further action (NFA) status for remediation of 3 West Third Street (Cannery site) and substantial remediation work on adjacent Cannery site leading to expected NFA status on that parcel.	2009
City, RDA and Housing Authority	Funding Agreements in the amounts of \$4M for affordable housing and \$1.5M for infrastructure to support the City's obligation to the state for local contribution under the Prop 1C grant application. Additionally, the Housing Authority affirmed New RR Square as a priority project.	2011
US Dept of Housing and Urban Development (HUD)	\$1.5 million Brownfields Economic Development Initiative (BEDI) Grant award	2011
HUD	\$5.6 million Section 108 Loan (the BEDI Grant is subject to final approval by HUD of the loan, the application deadline is Sept 2013)	2011
Club One Health Club	Letter of intent to locate on the Cannery site (later withdrew)	2011



Proposed Site of  
 93 Multi-Family  
 Affordable Housing Units



2/20/2013

Scale 1: 2,442



## The Housing Authority and Affordable Housing

The Housing Authority, a separate legal entity, is a seven member policy board supported by the Department of Economic Development and Housing. The program areas include the Santa Rosa Housing Trust (SRHT), Homeless and Community Services, and the Section 8 Housing Choice Voucher Program.

Through the SRHT, the Authority works to maximize and leverage available Federal, State, and local resources to assist in the development of affordable housing, the preservation and/or rehabilitation of low income housing, the development and maintenance of homeless shelters, and the acquisition and development of facilities for the physically and developmentally disabled.

Annually, available resources such as: Community Development Block Grant (CDBG), HOME, Housing In-Lieu Fee, and Real Property Transfer Tax funds, in addition to program income received from a variety of funding sources, are pooled together to support affordable housing programs and projects. The Housing Authority makes funding commitments for specific affordable housing projects through an application process. Each application is evaluated on its own merits.

With the dissolution of Redevelopment low & moderate income housing resources are no longer available. That coupled with declining local resources, those tied to market rate development or the real estate market, has resulted in a dramatic reduction in the amount of funds available for affordable housing purposes, thus creating more demand than resources available.

In addition to New Railroad Square, there are several other affordable housing developments that have received financial support from the Housing Authority and are awaiting additional resources to compete for tax credit funding, a key financing source in the form of an equity cash contribution. These projects include:

Affordable Housing Units Subsidized by the Housing Authority But Not Yet Built						
Project	Developer	Total # of Affordable Units	Units by Area Median Income	Type	Existing Housing Authority Subsidy	Quadrant
Catalina	Burbank Housing	60	60 @ 80%	Ownership	\$5,000,000	SW
Crossing on Aston	Urban Housing	26	4 @ 30%	Multi-Family	\$1,559,000	SE
			16 @ 50%			
			6 @ 80%			
Crossroads	Burbank Housing	89	32 @ 30%	Multi-Family	\$1,950,000	SW
			22 @ 50%			
			35 @ 60%			
Lantana Place	Burbank Housing	94	36 @ 30%		\$2,378,703	SW
			50 @ 50%			
Tierra Springs	Riverside Charitable	41	5 @ 30%	Multi-Family	\$1,650,000	SE
			21 @ 50%			
			15 @ 60%			
New RR Sq.	SR Cannery	92	10 @ 30%	Senior Rental		NW
			62 @ 50%			
			20 @ 80%			
<b>Total</b>		<b>402</b>			<b>\$12,537,703</b>	

**RAILROAD SQUARE  
BRIEFING MATERIAL FOR  
STUDY SESSION  
MARCH 5, 2013**

**BRIEFING MATERIAL FOR THE STUDY SESSION OF THE  
SANTA ROSA CITY COUNCIL AND BOARD MEMBERS OF  
THE SANTA ROSA HOUSING AUTHORITY IN  
CONNECTION WITH A PROPOSED AMENDMENT TO THE  
2009 JOINT CITY/DEVELOPER APPLICATION TO STATE  
DEPARTMENT OF HOUSING & COMMUNITY  
DEVELOPMENT FOR PROP 1-C GRANT FUNDING AT  
RAILROAD SQUARE.**

**PREPARED BY THE SANTA ROSA CANNERS LLC.**

**MARCH 5, 2013**

## Executive Summary

### CONTEXT

On April 1, 2009 the City and Developer, Railroad Square Associates, (RSA) made a joint application to the State's Department of Housing and Community Development (HCD) for \$11.3M of grant funds to be used for infrastructure on the site known as New Railroad Square (NRRSQ). The project was selected as part of HCD's multi-phased infill infrastructure grant program set-a-side for large projects. For the reasons shown in HCD's bulletin of December 3, 2012 attached, HCD is now amending its guidelines to permit conversion from multi-phase to single phase projects with a commensurate reduction of grant funds.

By statute, all HCD funds must be spent by February 2016.

In today's market, affordable housing is the only financeable residential use at Railroad Square.

### THE QUESTION

Should the city and the developer convert their joint application to a single phase Qualifying Infill Project (QIP) of affordable housing at 3 West 3<sup>rd</sup> St, reflecting these changes:

	<b>Original Multi-Phase Project (2009)</b>	<b>Proposed Single Phase Project (2013)</b>
<b># Units</b>	279	93
<b># of Affordable Units</b>	68	93
<b>Grant Funds</b>	\$11.3M	\$4.1M
<b>Site Area</b>	7.4 Acres	1.3 Acres
<b>Land Owners</b>	SMART 5.3 AC / Santa Rosa Cannery 2.1 AC	Santa Rosa Cannery
<b>Future Project Ownership</b>	Market Determined	Burbank Housing Inc. (501- C-3) & Santa Rosa Cannery

### OTHER CONSIDERATIONS

- In addition to the construction loan, the project has three main financial sources: (1) Equity of approximately \$13.2M, (2) \$5.5 – 6.5M from the City, and (3) \$4.3M grant from HCD.
- Funding from the City is the subject of a lawsuit against the States Department (DOF) filed February 8, 2013, discussed subsequently.
- Failure to realize any of the above three sources will kill the project.
- About \$850,000 of the HCD grant will be spent on infrastructure which will directly benefit future development of the NRRSQ site and the City of Santa Rosa
- A State Grant program like Prop 1-C will not be repeated for years to come

Further detailed information is enclosed in an attached syllabus with this subject matter:

1. Chronology of significant events at New Railroad Square 1999-2013
2. The Project
3. Prop 1-C Grant program status
4. Status of options with SMART
5. Parcel Map
6. Site Map
7. 4<sup>th</sup> Street corridor infrastructure
8. West Street infrastructure
9. Definition of Terms
10. Support Letters
11. Questions & Answers

### **The Project**

The Cannery wish to develop a 93-unit affordable residential project located at 3 West 3<sup>rd</sup> Street Santa Rosa, CA (APN 010-171-018). The Cannery sought and received entitlements for a 93 unit project in 2008. The development is part of a planned, larger mixed-use, transit-oriented, infill project known as New Railroad Square ( NRRS) generally located between West Third Street, Santa Rosa Creek, West Sixth Street and the railroad tracks owned by SMART. The entire multi-phase New Railroad Square project site is comprised of four parcels on approximately 7.4 acres shown in the attached parcel map. The 93 unit first phase of the project will be affordable housing called the Cannery and located on approximately 1.3 acres in the south-west corner of the site as shown in the attached site map. It is vacant with the exception of two remaining walls, a canopy and a loading dock of a historic cannery building circa 1908.

The project will be jointly owned by the Cannery and Santa Rosa Non-Profit Burbank Housing Inc.

The project will be available to seniors with incomes limited to Area Medians as published by HUD, with these estimated distributions:

	#Units	1 Person Household	2 Person Household	3 Person Household
60% AMI	21	\$33, 000	\$37, 680	\$42,420
50% AMI	38	\$27,500	\$31, 400	\$35,350
45% AMI	24	\$24,750	\$28,260	\$31,815
30% AMI	10	\$16,500	\$18,840	\$21,210

The Cannery will have 1 and 2 bedroom units, predominantly ones; Head of Households will be 55 years or older; some will be on fixed income but many will be working, at least part-time, and walking/biking to work on 4<sup>th</sup> Street or the Central Business District.

Here are some of the project's attributes:

1. It is financeable in today's market with a combination of private equity from the sale of Low Income Housing Tax Credits (Approx \$13.2M); Prop 1-C funds (Approx \$4.3 of the \$11.3 awarded in 2009); Debt of approximately \$4.0M and city funding of approximately \$5.5 - \$6.5M, now the subject of dispute between the city and the state's Department of Finance (DOF), discussed subsequently.
2. It is consistent with the Santa Rosa General Plan, the Santa Rosa Downtown Area Specific Plan, Zoning Code, Design Guidelines, Cultural Heritage/Historic Preservation policies, and other plans and policies.
3. It will include a 47 foot wide easement, approximately 170 feet long between Santa Rosa Creek and the future north-south oriented street in NRRS which will be dedicated to the City of Santa Rosa.
4. There will be design and construction in this easement area of a pedestrian and bicycle link between the paved paths along the creek Greenway and what will be a public plaza now owned by SMART (Approximately \$350K of the \$4.3M Prop 1-C grant).
5. Its construction will include 300 feet of north-south roadway on West Street including trenching, sidewalk, curbs, gutters and approximate 30 foot wide paving, including an emergency vehicle turnaround. (Approximately \$500K of the Prop 1-C grant).
6. It is in compliance with local, state and federal environmental regulations.
7. It preserves and incorporates certain circa 1908 building walls into the new structure.
8. The parking will be self-contained within the 3<sup>rd</sup> Street footprint, i.e., SMART's parking needs are not impacted
9. It helps satisfy the City's Housing Element requirement.
10. It kick-starts the entire NRRS project.

### The Prop 1-C Grant Program Status

On April 1, 2009 the City of Santa Rosa and RSA submitted to the State's Department of Housing and Community Development (HCD) an Infill Infrastructure Grant Program application for \$11.3M. To merely qualify to enter the competition, RSA had to spend over \$1.5M to entitle the 3<sup>rd</sup> Street property; to acquire access to the property; to acquire a permanent easement for vehicles and pedestrians; to ensure site control through long term options plus Purchase & Sale agreements with SMART; to pay their own legal costs, plus SMART's; and to make certain option payments to SMART.

In turn, the city committed in its application to HCD, to advance \$6.5M (\$5.0M Housing and \$1.5M infrastructure) to the Affordable Housing Component of the project, if selected by HCD. It was, in June 2009.

The Award was conditioned on the construction of 279 units of which exactly 93 (1/3) had to be entitled. By statute, all of the grant funds (\$11.3M) must be spent by February 11, 2016. To the extent that the project is not fully built out to 279 units there are onerous clawback risks.

\$4.3M of the \$11.3M is earmarked for 3<sup>rd</sup> Street infrastructure; it can be spent by February 2016 without material clawback risk. That is not the case for the balance of the 186 residential units which will be market-rate rentals and condominiums.

It is clear that if the developers and the city attempt to retain the entire \$11.3M Prop 1-C grant, they will forfeit it all, and very soon. HCD statute and program regulations require evidence of feasibility for the full multi-phase project. That case cannot be made in this market.

Alternatively, the developer and the City have begun working with HCD on a new single phase program applicable to the State's Multi-Phase Infill Housing Development programs, wherein developers and cities may elect to use a portion of the awarded Prop 1-C funds and void the balance of the state's award. Because of the dramatic real estate downturn, many multi-phase projects have been unable to complete all of the originally intended phases in a timely manner, including the expenditure of all Prop 1-C bond proceeds on or before February of 2016 (a statutory limit). In the case of Railroad Square, the developer and city will attempt to retain approximately \$4.3M for use on the infrastructure of the 3<sup>rd</sup> Street building, declining the balance of \$7.0M. About \$850,000 of the infrastructure funds for the 3<sup>rd</sup> street project provide benefits to the overall Railroad Square development because they include improvement of the 4<sup>th</sup> Street corridor and curbs/gutters/sidewalk and paving on the new north-south Street for a distance of over 300 feet. (See attachments).

#### **Status of Option Agreements with SMART**

On July 30, 2008, the Developer, Santa Rosa Cannery, LLC (Cannery), entered into a Term Sheet agreement with SMART which established the basic design and development parameters for the entire Railroad Square site (see Tab 4). Then on February 11, 2009 Railroad Square Associates, LLC (RSA) and SMART signed two multi-page Option and Purchase and Sale Agreements allowing RSA to purchase SMART's two parcels until 2017 & 2018, provided certain entitlements were in hand along with commitments for construction and permanent financing. At that time the Cannery also acquired a portion of a loading dock (contributor to a Historic District) and 300 ft. easement for pedestrians and vehicles to access the Cannery site at 3 West 3<sup>rd</sup> Street.



RSA entered into the above Option Agreements in the context of a far different economy, one which has degraded with unprecedented severity. Collapsing demand, combined with a large and competitive inventory of foreclosed properties, have made market-rate rental and condominiums essentially unfinanceable during the last four years. The developer pursued various large scale commercial prospects including, in particular, Club One with which we worked for over a year before they were unable to proceed. Economic modeling of market rate rentals (e.g. HUD insured 221-D-4's) and mid-price point condominiums, shows very recent, modest improvement in feasibility. While this is encouraging –particularly for rentals- Sonoma County still lags far behind Santa Clara, San Mateo and San Francisco counties.

The terms of the Purchase and Sale contracts, and their options, as written, are completely inconsistent with the realities of today's market. Accordingly, the Developer has notified SMART that it will not exercise the options but will continue to work with them co-operatively. Acting only on a nonexclusive basis, the Cannors may pursue development opportunities for the SMART-owned property, either alone or in partnership with others. They recognize that SMART is under no obligation to accept subsequent proposals that they might make.

### **The Law Suit**

The Developers (Cannors and RSA) have filed a complaint against the state's Department of Finance (DOF) on February 7, 2013. The city, its Housing Authority and Burbank Housing are Real Parties in Interest.

The DOF seeks to sweep \$6.5M from the city asserting that there was no enforceable commitment from the former Redevelopment Agency to the project. The developers, (Cannors and RSA) the nonprofit entity Burbank Housing and the City all disagree.

The complaint is one of about 60 suits filed against the DOF. It appears to be the only case in which there is a de facto conflict between two state departments: DOF and HCD. The former wants to sweep the funds, the latter has stated clearly that they considered the city's \$6.5M written commitment to be valid, otherwise they would not have awarded the city and the developer the \$11.3M grant. (See former Mayor Susan Gorin's letter of November 16, 2012 attached)

Letters of Support sent to the state are also attached.

## Attachments

Further information and exhibits are attached on this subject matter:

1. HCD letter of 12/3/12
2. Site maps, aerials and perspectives
3. Parcel map
4. Definition of terms
5. 4<sup>th</sup> Street corridor
6. West Street infrastructure
7. Chronology of significant at New Railroad Square
8. Support letters for the Cannery project
9. Some questions and answers

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**DIVISION OF FINANCIAL ASSISTANCE**  
Infill Infrastructure Grant Program  
Transit-Oriented Development Housing Program  
1800 Third Street, Suite 460  
P. O. Box 952054  
Sacramento, CA 94252-2054  
(916) 324-1555  
FAX (916) 324-1461



December 3, 2012

**TO:** All Interested Parties

**FROM:** Eugene Lee, Section Chief  
Infill Infrastructure Grant and TOD Housing Programs

**SUBJECT:** Guideline Change for Multi-phased Projects  
Infill Infrastructure Grant Program (IIG)

This memo announces changes to the Infill Infrastructure Grant Program (IIG) Guidelines (Rev. 2/28/08 and 1/30/09). The guideline changes specifically apply to Qualifying Infill Projects (QIPs) with 200 or more residential units funded from IIG NOFAs Round 1 and Round 2.

The Department has determined that current economic conditions are continuing to constrain the construction of housing, particularly large, multi-phased projects (MPPs) in most regions of the state. According to some stakeholders, the construction of IIG market-rate units in challenged housing markets may have the adverse effect of impairing, or possibly preventing, the development of affordable units associated with MPPs.

The Department supports the expeditious use of funds and the rapid creation of housing, infrastructure, and jobs represented in the IIG awards.

To encourage the development of feasible infill housing in current market conditions, the Department is amending the IIG Guidelines to allow changes in housing developments and infrastructure in MPPs subject to Department approval. Project changes will result in a commensurate reduction of grant funds based on existing program requirements used in determining eligibility and grant amounts. Unused funds resulting from modified projects will be included in a future IIG Program Notice of Funding Availability.

The changes would permit a Recipient of IIG funds to change the original MPP project, upon Department approval, using of one of the following options:

1. Allow project changes, unit reductions, and grant reductions if the original MPP eligibility and scoring requirements remain satisfied (e.g. constructing 200 housing units in multiple housing phases). The Department would require

evidence of all funding commitments for the first phase of housing by June 1, 2013; OR

2. Convert the MPP into a Qualifying Infill Project (single or multi-phased) subject to all QIP program eligibility and grant calculation requirements.

Recipients electing to modify their MPP using one of these options must notify the Department and evidence feasibility of the modified project by April 1, 2013, 5:00 PM.

Election of either project modification option does not amend grant disbursement, housing construction, and completion deadlines pursuant to IIG statute and guidelines.

You may contact the IIG Program by emailing us at [infill@hcd.ca.gov](mailto:infill@hcd.ca.gov) or call (916) 324-1555 if you have any questions.

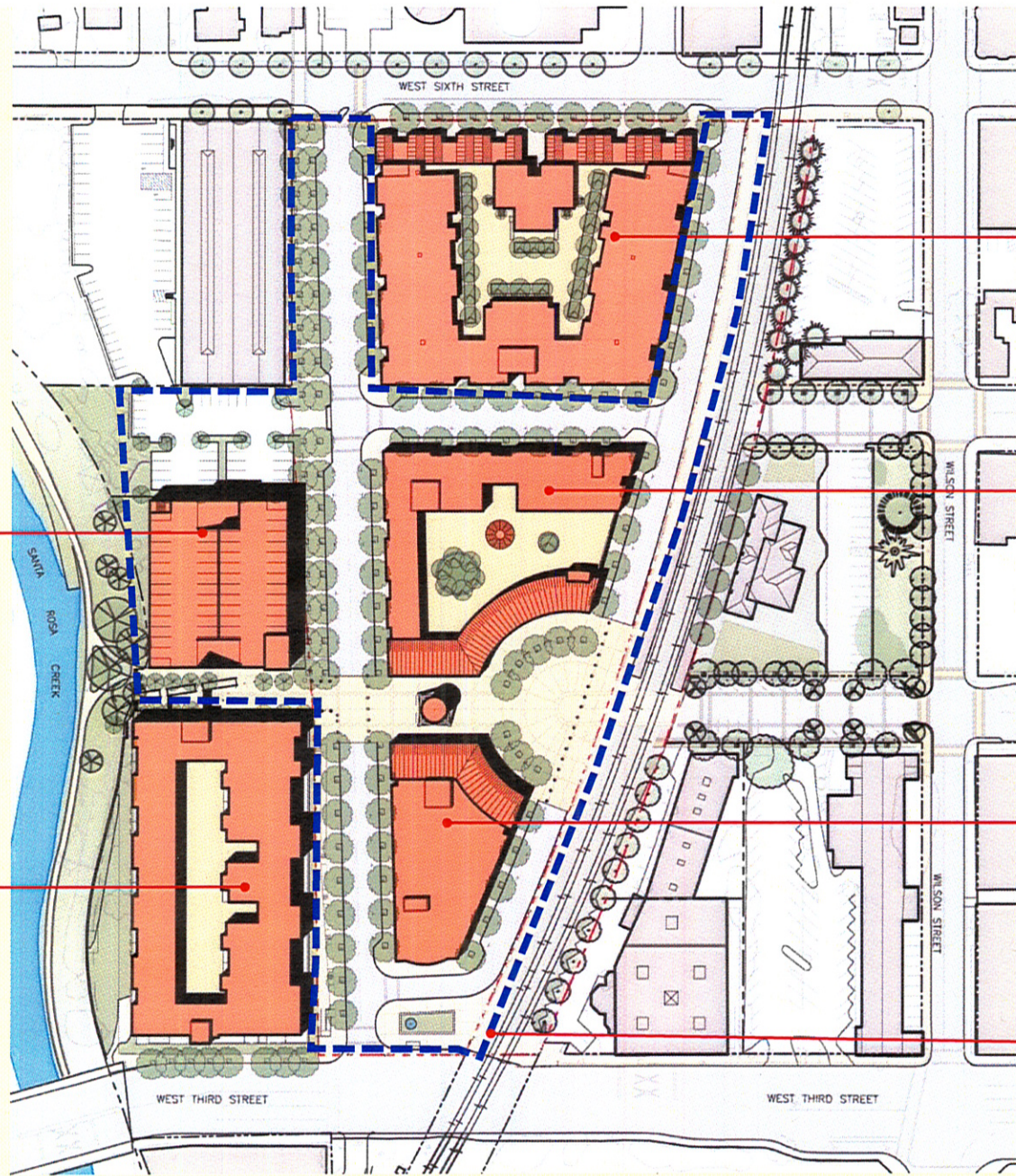
Thank you and we look forward to your participation in this important process.

#### Attachments

1. Attachment 1 - IIG Program Guidelines, Section 315 (New).
2. Attachment 2 - IIG Program Guidelines (Rev. 2/28/08), Section 307, and IIG Program Guidelines (Rev. 1/30/09), Section 308.
3. Attachment 3 - IIG Program Guidelines (Rev. 2/28/08) and (Rev. 1/30/09), Section 305.

###





**Plant No. 5**  
 200 – 250  
 Structured  
 Parking Spaces,  
 with Commercial  
 facing 4<sup>th</sup> Street

**The Cannery**  
 93 Units, 5-Story  
 Residential within  
 and above historic  
 Cannery base

**Block 1**  
 118-units, 3-5 Story  
 Residential with 3-level  
 wrapped podium  
 parking

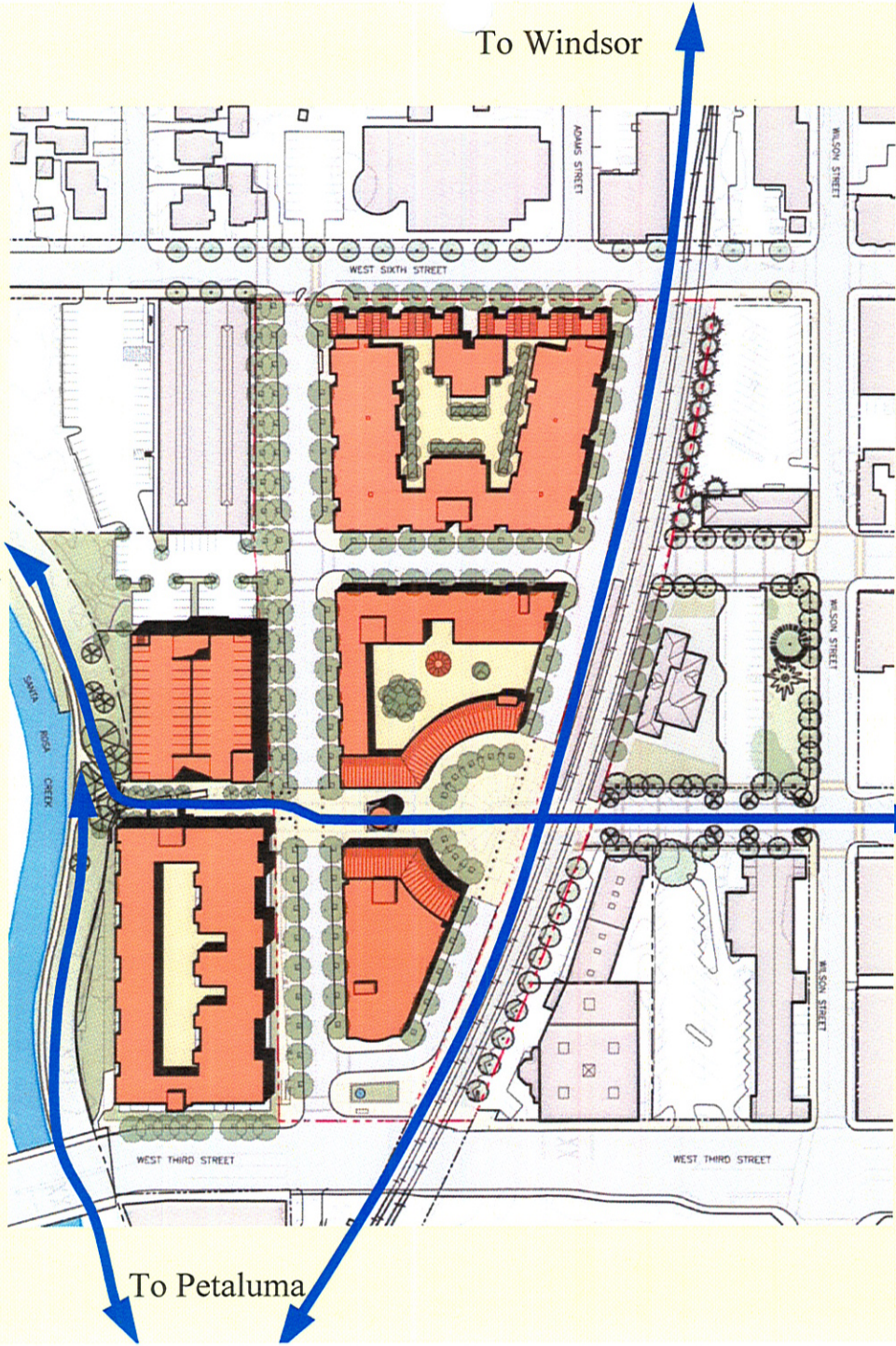
**Block 2**  
 Market Hall / Retail  
 with 68 units of  
 Affordable Residential  
 above on 3 levels

**Block 3**  
 Retail / Restaurant  
 with 3 levels of  
 Commercial Office  
 above

**Phase 1 Limit**

**Site Master Plan**





Downtown

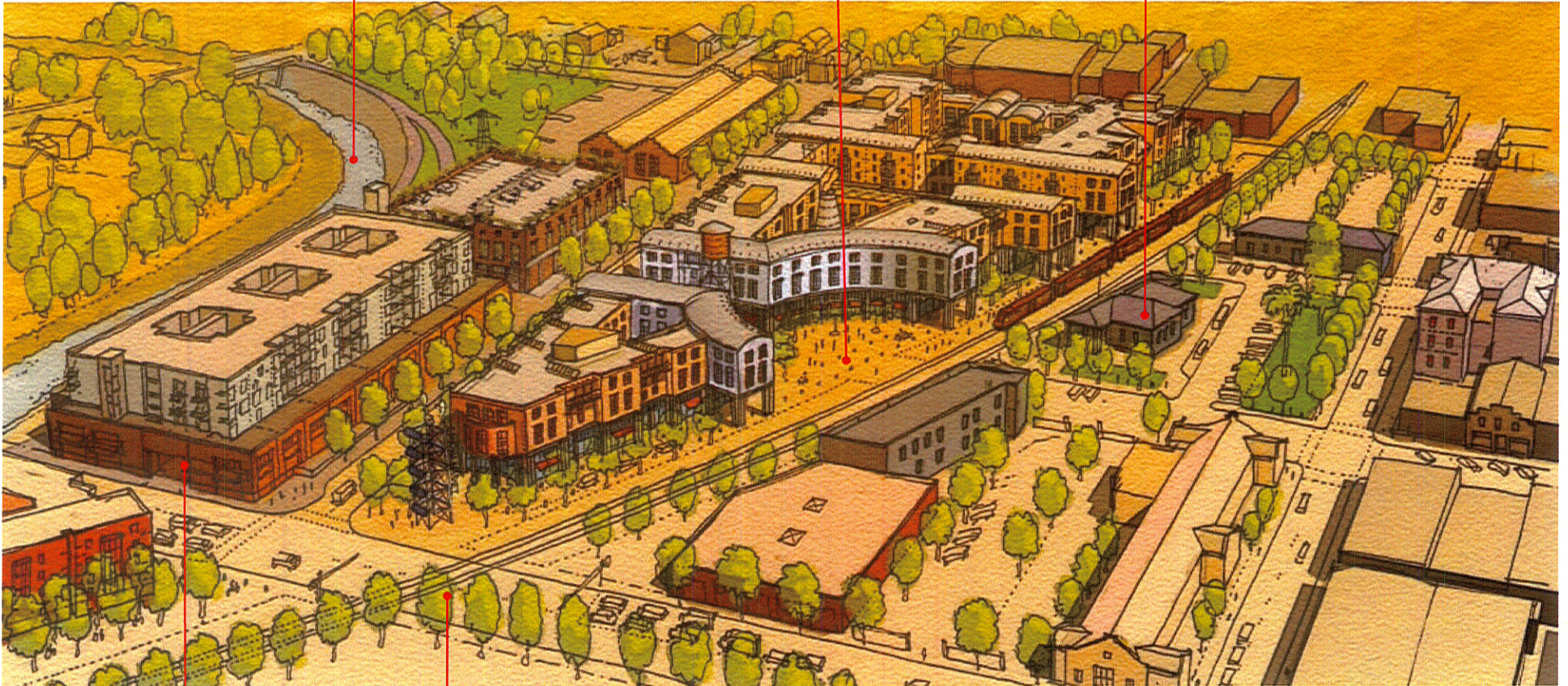
# Bicycle Routes



Santa Rosa Creek

4<sup>th</sup> Street Plaza

Depot



Cannery

Third Street

## New Railroad Square Aerial View





City of  
Santa Rosa

# New Railroad Square





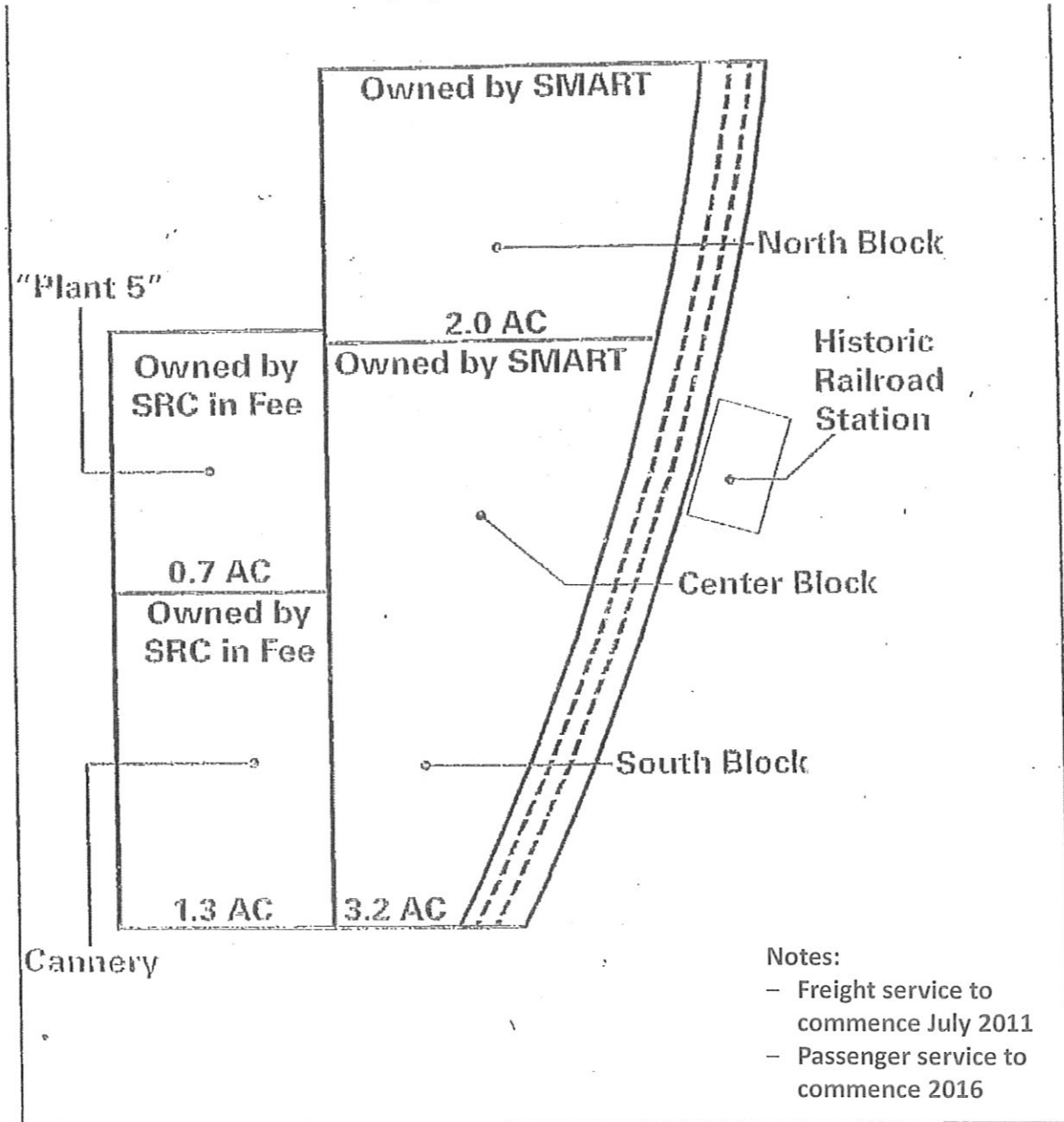


Proposed SMART rail line will have a stop at the depot, above left, in central Santa Rosa at Railroad Square. JOHN BURGESS / The Press Democrat

## Aerial of Site 2009



2. Site Control and Ownership



## TERMINOLOGY

**“New Railroad Square (NRRS)”** means a planned mixed-use development, located on four parcels of approximately 7.4 total acres owned by the Cannery and the Sonoma Marin Area Rail Transit Joint Powers Agency (SMART). SMART owns two parcels, totaling approximately 5.3 acres, located at 34 West Sixth Street (APN 010-166-003) and 4 Fourth Street (APN 010-171-019), that are proposed to be part of the New Railroad Square Project. The other two parcels totaling approximately 2.1 acres are owned by Santa Rosa Cannery LLC, including 3 West 3<sup>rd</sup> Street (1.3 acres) and 60 West 6<sup>th</sup> Street (.8 acres). Please see parcel map attached. The project is envisioned to be developed in three phases in sync with market strength and available financing. The scope of the New Railroad Square Project is anticipated to include:

- 279 residential units, of which 93 are affordable and known as “The Cannery”
- 40,000 square foot commercial space
- 44,000 square feet of retail
- Site improvements, including new streets and a large plaza which would be linked to the bicycle / pedestrian path along Santa Rosa Creek and to Historic Railroad Square
- Nearly 600 parking spaces, both structured and surface

**“Cannery”** means the 93 unit affordable Santa Rosa Cannery project, which is the first phase of the New Railroad Square Project. It is located on 1.3 acres at 3 West Third Street (APN 010-171-018). The Cannery developer and property owner is Santa Rosa Cannery LLC, (Cannery) a California limited Liability Corporation.

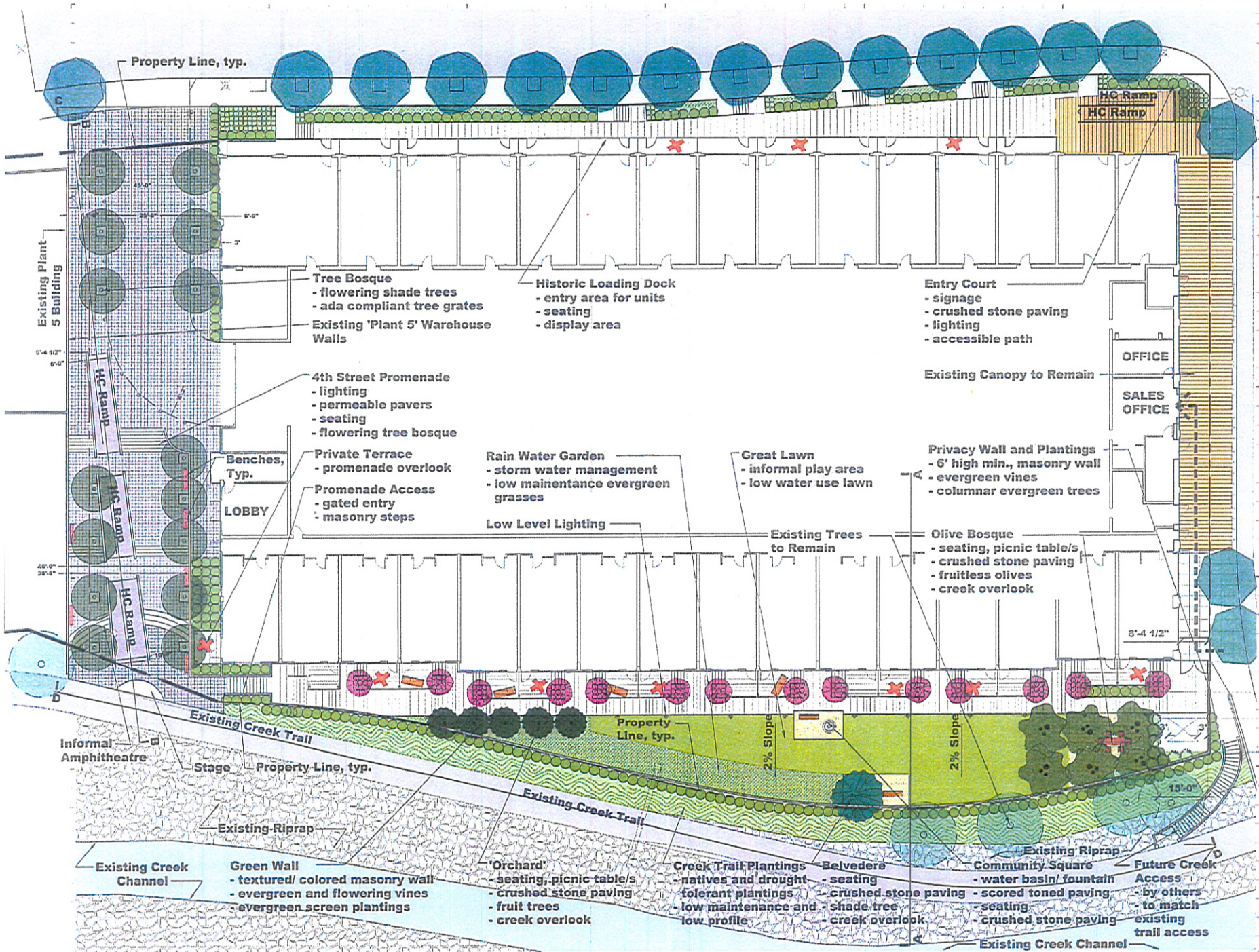
**“Plant 5 Site”** means 60 West 6<sup>th</sup> Street (APN 101-171-012), which is currently planned to meet the parking needs of New Railroad Square and ridership on the new SMART trains to be in operation in 2016. Plant 5 is owned by the Santa Rosa Cannery.

**“Santa Rosa Cannery LLC”** (SRC) means a California Limited Liability Corporation, which is owned by John K. Stewart; Richard Devine; The John Stewart Company; Dexter Dawes and Marilyn Oshiro

**“Railroad Square Associates”** (RSA) means a California Limited Liability Corporation, which is owned by John K. Stewart, The John Stewart Company, Equity Community Builders, The Santa Rosa Cannery and Creative Housing Associates and which holds certain purchase options on the SMART owned property.

**“Prop 1-C Grant”** means the \$11,363,800 grant awarded by the California Housing and Community Development (HCD) to the City and Railroad Square Associates (RSA) in June 2009, as part of the competitive Infill Infrastructure Grant Program funded by voter-approved, Proposition 1-C, the Housing and Emergency Shelter Trust Fund Act of 2006. Primary objective of the grant program is to promote infill housing and transit oriented development. The program seeks to accomplish this objective by providing financial assistance for infrastructure improvements necessary to facilitate new infill housing development. Approximately \$4.0M of the total award is earmarked for Cannery infrastructure.



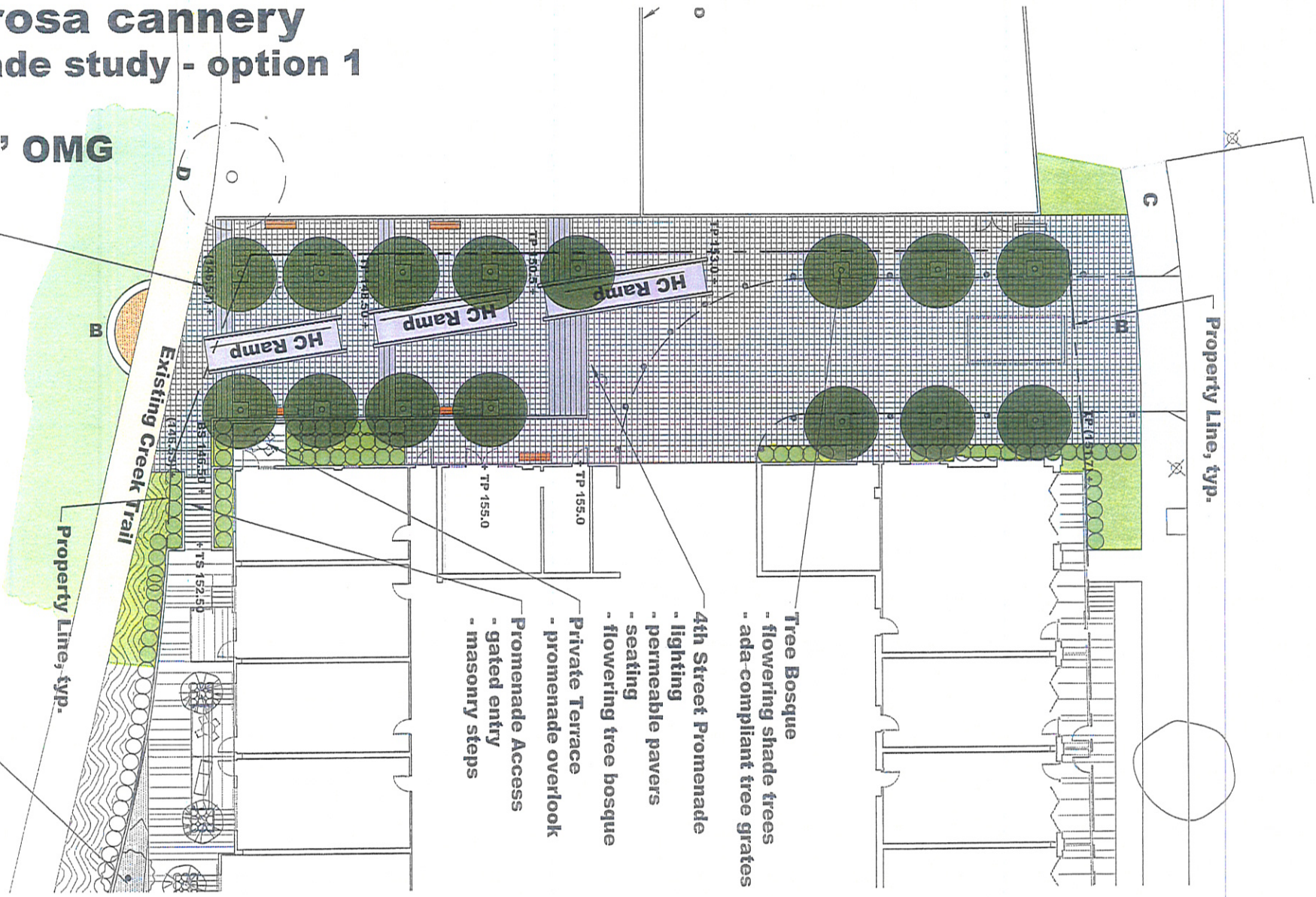




**santa rosa cannery**  
**promenade study - option 1**  
**7.29.08**  
**1"=10'-0" OMG**

- Creek Trail Plaza**
- seating
  - crushed stone paving
  - creek overlook

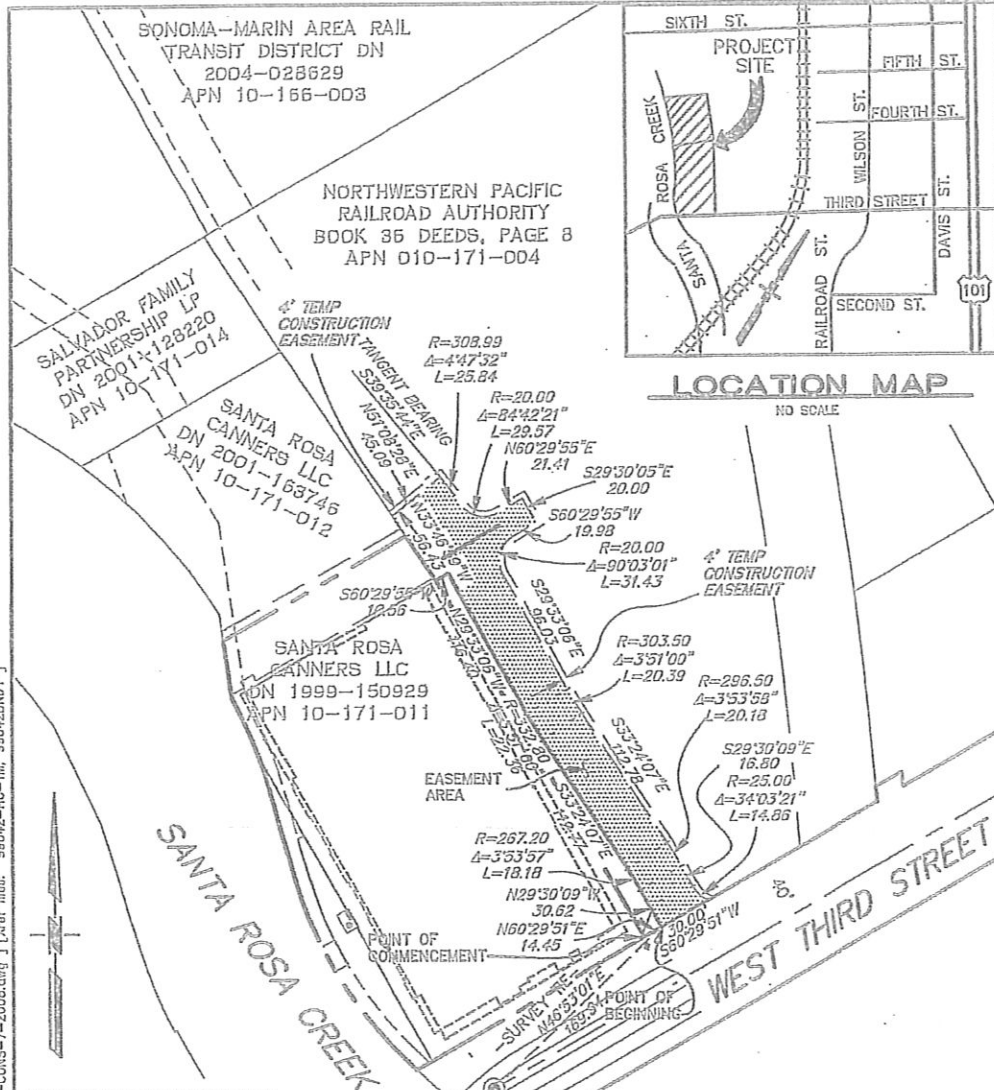
- Green Wall**
- textured/ colored masonry wall
  - evergreen and flowering vines
  - evergreen screen plantings



- 4th Street Promenade**
- lighting
  - permeable pavers
  - seating
  - flowering tree bosque
- Private Terrace**
- promenade overlook
- Promenade Access**
- gated entry
  - masonry steps
- Tree Bosque**
- flowering shade trees
  - ada-compliant tree grates

EXHIBIT C

DEPICTION OF EASEMENT AREAS



LOCATION MAP

NO SCALE

Autocad file name: 99042-RSHIT-EVA TEMP-CONS-7-2008.dwg ] [ref: floor: 99042-HC-TM: 99042-BNDY ]

THIS EXHIBIT IS FOR GRAPHIC PURPOSES ONLY, ANY ERRORS OR OMISSIONS SHALL NOT AFFECT THE DEED DESCRIPTION

EXHIBIT "B"

AUTHORITY: SUBDIVISION

OWNER AND MAILING ADDRESS	PROPERTY AREAS	CITY OF SANTA ROSA		
NORTHWESTERN PACIFIC RAILROAD AUTHORITY BOX 9000 PRESIDIO STATION SAN FRANCISCO CA. 94129-2173 A.P. No. 010-171-004 O.R. No. BOOK 36 DEEDS, PAGE B O.R. No.	EVA 14,106 SF±	ACCESS, UTILITY & TEMPORARY CONSTRUCTION EASEMENT NORTHWESTERN PACIFIC RAILROAD AUTHORITY TO SANTA ROSA CANNERS LLC		
	TEMP CONS 1,922 SF±			
	CITY ACQUISITION DEED	Scale: 1"=100'   Date: 8/1/08		
	O.R.	DWN. FR CHK.	APPROVED	FILE NO. R-



PROPOSED  
WEST STREET

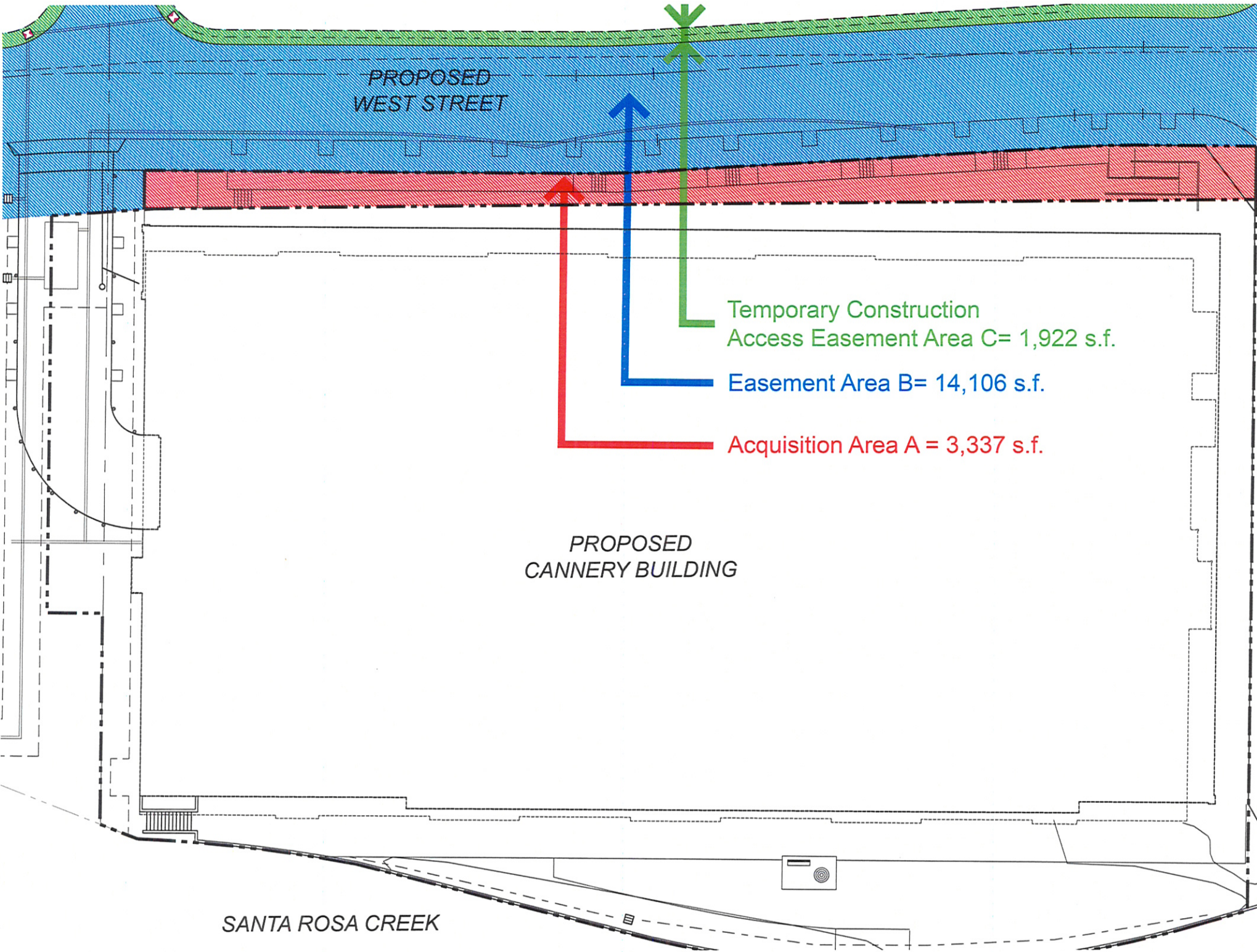
Temporary Construction  
Access Easement Area C= 1,922 s.f.

Easement Area B= 14,106 s.f.

Acquisition Area A = 3,337 s.f.

PROPOSED  
CANNERY BUILDING

SANTA ROSA CREEK





January 30, 2013

## **Chronology of Significant Events for 3 West 3<sup>rd</sup> Street (The Cannery) and New Railroad Square (NRRS)**

- 1999** –Santa Rosa Cannery acquires Historic Cannery at 3 West 3<sup>rd</sup> Street
- 2000** –Santa Rosa Cannery acquires Historic Cannery at 60 West 6<sup>th</sup> Street (Plant 5)
- 2004** - City of Santa Rosa establishes the Downtown Transit-Oriented Redevelopment Project Area (TORPA), centered around the Project
- 2004**- The city's Cultural Heritage Board agrees to allow partial demolition and preservation of the Project's circa -1908 buildings for transit-oriented development
- 2007**- City of Santa Rosa approves the Downtown Station Area Specific Plan, with which this transit-oriented, mixed income, mixed-use infill development is consistent
- 2008**- An agreement is reached between Sonoma-Marín Area Rail Transit (SMART) and the project developers for land uses, development plan, funding and community benefits
- 2008** –Voters in Sonoma and Marin Counties approve long-fought taxpayer funding initiative to reestablish commuter rail service (SMART) on dormant tracks that extend north and south from the Project
- 2008** - City entitles 93-unit residential building and parking as Phase 1 of the Project
- 2009** – Developer invests \$1.5M, in addition to \$5.8M already spent on the Project, to complete predevelopment work necessary for a complete and

competitive Prop 1C application made jointly with the city and Railroad Square Associates (RSA)

**2009** – City of Santa Rosa, former Redevelopment Agency and Housing Authority obligates investment of local public funds (\$1.5M from Redevelopment Agency plus \$5M from Housing Authority) for infrastructure improvements and creation of low and moderate housing, as necessary local match for State Prop 1C Grant

**2009** – California State Department of Housing and Community Development selects the City of Santa Rosa and the RSA recipient of \$11.3M of Prop 1C Grant funds. This is the only grant recipient selected north of the Golden Gate Bridge

**2011** – Santa Rosa City Council authorizes application and was awarded a \$1.5M federal Brownfield Economic Development Initiative Grant (BEDI).

**2011** – Santa Rosa City Council authorizes the application for and was awarded a \$5.6M federal Section 108 loan for the Project

**2012** – City invests its allotment of ARRA/CDBG-R funds into the \$400,000 into storm drain relocation as first step in infrastructure program

**2012** – Developers receive verbal agreement by the State Department of Housing and Community Development to proportional clawback provision of the Prop 1C funds

**2012** – City begins ROPS review by the State's Department of Finance (DOF). ROPS I is successful; ROPS III results in DOF demand to remit all \$6.3M Affordable Housing Funds held by the successor entity to the SRRA.

**2013** – City disputes DOF claim; Canners file Complaint against DOF

MIKE THOMPSON

1ST DISTRICT, CALIFORNIA



COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HEALTH

SUBCOMMITTEE ON SELECT  
REVENUE MEASURES

PERMANENT SELECT  
COMMITTEE ON INTELLIGENCE

RANKING MEMBER, SUBCOMMITTEE ON TERRORISM,  
HUMAN INTELLIGENCE, ANALYSIS AND  
COUNTERINTELLIGENCE  
SUBCOMMITTEE ON OVERSIGHT

CONGRESS OF THE UNITED STATES  
HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

DISTRICT OFFICE:  
1040 MAIN STREET, SUITE 101  
NAPA, CA 94559  
(707) 226-9898

317 THIRD STREET, SUITE 1  
EUREKA, CA 95501  
(707) 269-9595

POST OFFICE BOX 2208  
FORT BRAGG, CA 95437  
(707) 962-0933

712 MAIN STREET, SUITE 101  
WOODLAND, CA 95695  
(530) 662-5272

CAPITOL OFFICE:  
231 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-3311

WEB: <http://mikethompson.house.gov>

November 28, 2012

The Honorable Edmund G. Brown, Jr.  
Governor, State of California  
State Capitol, Suite 1173  
Sacramento, California 95814

Dear Governor Brown 

I am concerned that the state's actions pursuant to ABx1 26 in dissolving redevelopment agencies may have the unintended consequence of jeopardizing a vital Prop 1C Infill/Transit-Oriented Development project in Santa Rosa. I would ask that the Department of Finance be directed to explore if there is an avenue by which this project can be saved. |

This development plan, the "Railroad Square" project, will house the largest and in effect, key station on the Sonoma Marin Area Rail Transit (SMART) passenger line. Without a terminal at this particular location, there will be no downtown train access, shifting the main hub to the north or south, away from the bulk of potential users. This rail line is essential in the Marin-Sonoma region's long term transportation and environmental goals and is expected to generate 1,500 jobs over the next two years.

The Railroad Square project also includes commercial/retail space and 279 residential housing units, of which 93 units would be designed as affordable senior rentals. Those units are immediately financeable and can be funded by a portion of the Prop 1C monies and by private investment. The developers of this project and the city are convinced that unless construction on the senior housing units, at the very least, begins immediately, the City will be forced to forfeit the full \$11.3 million Prop 1C grant it received from the state in 2009.

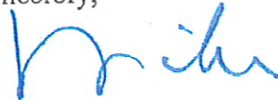
It seems contrary to good governance that local jurisdictions such as Santa Rosa, that have been working in good faith with local developers for years to revitalize and rehabilitate their communities, would lose voter approved funding as an unintended consequence of the passage of ABx1 26. I encourage your administration, through the Department of Finance, to work with the

---

City of Santa Rosa and the developers of the Railroad Square project to find an equitable solution.

Thank you, and please contact me at my Napa office if you would like additional information on this project.

Sincerely,



**MIKE THOMPSON**  
Member of Congress

MT:cd

cc: Steven Szalay, Local Government Consultant, California Department of Finance  
State Senator Noreen Evans  
State Assemblyman Wesley Chesbro  
Sonoma County Supervisor Valerie Brown, SMART Chair  
Ernesto Olivaras, Mayor, City of Santa Rosa  
John Stewart, The John Stewart Company



August 15, 2012

**Directors**

Valerie Brown, Chair  
Sonoma Board of Supervisors

Judy Arnold, Vice Chair  
Marin Board of Supervisors

Jim Eddie  
Golden Gate Bridge, Highway/  
Transportation District

Debra Fudge  
Sonoma County Mayors and  
Councilmembers Association

Eric Lucan  
Transportation Authority of Marin

Jake Mackenzie  
Sonoma Mayors and  
Councilmembers Association

Stephanie Moulton-Peters  
Marin Council of Mayors and  
Councilmembers

Barbara Pahre  
Golden Gate Bridge, Highway/  
Transportation District

Jerry Phillips  
Transportation Authority of Marin

Carol Russell  
Sonoma Mayors and  
Councilmembers Association

Kathrin Sears  
Marin Board of Supervisors

Shirlee Zane  
Sonoma Board of Supervisors

Farhad Mansourian  
General Manager

Administration Office  
750 Lindero Street, Suite 200  
San Rafael, CA 94901  
Phone: 415-226-0860  
Fax: 415-226-0884  
[www.sonomamarinrail.org](http://www.sonomamarinrail.org)

Governor Jerry Brown  
c/o State Capitol, Suite 1173  
Sacramento, CA 95814

Subject: Railroad Square

Dear Governor Brown:

The purpose of this letter is to ask for your support of the Railroad Square Development located at our Santa Rosa Depot on SMART's new commuter rail line on which \$103M of work on track repair and realignment, bridges, tunnels, passenger cars and engineering is now underway between Santa Rosa and San Rafael.

The multi-phase Railroad Square project has two major characteristics: (1) it's a mixed-use of Infill Housing (279 units), commercial and retail (88,000 sq. ft.), and (2) also a Transit Oriented Development (TOD) *providing ridership at SMART's largest station*. It has the strong endorsement and hands-on support of the City of Santa Rosa. Further, Railroad Square was the only project in Marin and Sonoma Counties to be selected for the State's Proposition 1C Grant program (\$11.3M) in the Large Multi-Phase Infill category – or any category for that matter. Railroad Square's already entitled first phase – 93 affordable senior housing units – can qualify for 9% Low Income Housing Tax Credits and begin construction next spring if it can achieve these two things:


1. Consent by the State's Department of Finance (DOF) to the release of \$4.0M low/moderate funds held by the City of Santa Rosa *earmarked* for RRSQ. The project successfully passed the DOF's initial review this year; the 2<sup>nd</sup> critical review occurs September 1<sup>st</sup> under a Redevelopment Agency dissolution process known as Recognized Obligation Payment Schedule (ROPS); and
2. Consent by the State's Department of Housing and Community Development (HCD) to the City's and the developer's request to amend the Administrative Rule which would "clawback" 100% the State's Proposition 1C Grant Funds awarded to Railroad Square if 200 units of the total 279 are not built by a fixed deadline. The City and developer seek clawback based on *proportionality* comparing units delivered to funds drawn down. They are not parties to petition the State on this administrative regulation, a reflection of the fact that the economy today bears little resemblance to what it was in 2009 when the awards were made. This is particularly true of the northern counties.

If the developer (the Santa Rosa Cannery) and the City are not successful in either of these two endeavors, the project will not be able to proceed. This would have a significant adverse effect on planned SMART ridership, both as to passenger volume and timing, let alone the loss of construction jobs, ongoing employment and tax revenue.

It's in the context that we seek your endorsement of the RRSQ project from both the perspective of economic development and commuter rail transit along the continuously congested corridor north of the Golden Gate Bridge. A map of the SMART station development nodes and the rail line is included for your review.

Thank you very much for your assistance in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Valerie Brown".

Valerie Brown, Chair

Cc: Senator Noreen Evans  
Representative Michael Allen  
Supervisor Shirlee Zane, District 3  
Kathy Millison, City Manager – City of Santa Rosa  
Mayor Ernesto Olivares – City of Santa Rosa  
John Stewart, The John Stewart Company / Member, Santa Rosa Cannery  
Farhad Mansourian, General Manager – Sonoma Marin Area Rail Transit District

**BOARD OF SUPERVISORS**

575 ADMINISTRATION DRIVE, RM. 100A  
SANTA ROSA, CALIFORNIA 95403

(707) 565-2241  
FAX (707) 565-3778



**SHIRLEE ZANE**  
Supervisor, Third District

November 30, 2012

Steve Szalay  
Department of Finance  
915 L Street  
Sacramento CA 95814-3706

Dear Mr. Szalay:

As Chairwoman of the Sonoma County Board of Supervisors, I urge you to immediately allow the use of redevelopment match funding currently being contested in the Meet and Confer process so the City of Santa Rosa (City) and its developer can fulfill their obligations under the Prop 1 C contract to complete the multi-phase Railroad Square Project.

This project was awarded State Prop 1 C funding contingent on an obligation that Santa Rosa include affordable housing in the development, which requires local match funds from their former redevelopment agency to compete for Low Income Housing Tax Credits. This unique situation requiring a redevelopment obligation for both the local match component (line #86 in the ROPS) and affordable housing requirement (line #54) of Prop 1 C can also be confirmed by HCD.

The Railroad Square project has two noteworthy characteristics: (1) it's a mixed-use of Infill Housing (279 units), commercial and retail (88,000 sq. ft.), and (2) also a Transit Oriented Development (TOD) providing ridership at SMART's largest station. It has the strong endorsement and hands-on support of the City of Santa Rosa. Further, Railroad Square was the only project in Marin and Sonoma Counties to be selected for the State's Proposition 1C Grant program (\$11.3M) in the large Multi-Phase Infill category - or any category for that matter. Railroad Square's already entitled first phase -93 affordable senior housing units- can qualify for 9% low income Housing Tax Credits and begin construction next year if it receives consent by the State's Department of Finance (DOF) to the release of \$5.5M low/moderate funds held by the City of Santa Rosa earmarked for RRSQ.

Please pay special attention to the magnitude of the adverse economic impact if the DOF does not release the requested \$5.5M to fund this worthwhile project. Rejection of this request would also mean a devastating loss of the \$11.3M grant from the State's Proposition 1C program.

**Supervisor Shirlee Zane**  
**Sonoma County's Third District**



If the developer (the Santa Rosa Cannery) and the City are not successful in retaining the \$5.5M earmarked funds, the project will not be able to proceed. This would have a significant adverse effect on planned SMART ridership, both as to passenger volume and timing, let alone the loss of construction jobs, ongoing employment and tax revenue.

It's in this context that we seek your endorsement of the RRSQ project from both the perspective of economic development and commuter rail transit along the continuously congested corridor north of the Golden Gate Bridge.

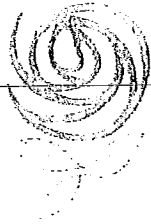
I understand that Senator Noreen Evans's office is meeting with you to further explain this commitment between the State and City to implement its Prop 1 C development. Please do not hesitate to call me at (707) 565-3756 if you have any questions following the meeting.

Most sincerely,

A handwritten signature in cursive script, appearing to read "Shirlee Zane".

Shirlee Zane, Chairwoman  
Sonoma County Board of Supervisors





City of  
Santa Rosa

November 16, 2012

Steve Szalay  
Department of Finance  
915 L Street  
Sacramento CA 95814-3706

**SANTA ROSA'S OBLIGATIONS UNDER STATE PROPOSITION 1C AND THE LOCAL REDEVELOPMENT MATCH REQUIREMENT**

Dear Mr. Szalay:

As Santa Rosa's Mayor in April 2009, I was present for the award of Proposition 1C funds from the State Department of Housing and Community Development (HCD) to the City of Santa Rosa. This is to urge you to immediately allow the use of redevelopment match funding currently being contested in the Meet and Confer process so the City and its developer can fulfill its obligations under the Prop 1C contract.

The award of State Prop 1C funding was contingent on an obligation that Santa Rosa include affordable housing in the first phase of the development, which requires local match funds from our former redevelopment agency to compete for low income housing tax credits. This unique situation requiring a redevelopment obligation for both the local match component (line #86 in the ROPS) and affordable housing requirement (line #54) of Prop 1C can also be confirmed by Mr. Eugene Lee of HCD.

This 2009 award is a contract between the State and the City to produce a Prop 1C in-fill, transit-oriented development that will benefit the Sonoma Marin Area Rail Transit (SMART) project currently underway. The developer, John Stewart Company, invested a total of \$7.5 million to prepare and entitle the site for affordable housing in order to compete for, and ultimately be awarded, the Prop 1C grant. Simply stated, the State and the City committed to the terms of Prop 1C, the developer invested heavily to compete for the award, and as a result, the State awarded the funds based on the premise that the necessary redevelopment match funds were available. We now must immediately proceed with our tax credit applications and begin construction to fulfill the grant conditions.

Senator Noreen Evans's office is working to schedule a personal meeting with you to further explain this commitment between the State and City to implement its Prop 1C development. Please do not hesitate to call me at (707) 525-8335 if you have any questions beforehand.

Sincerely,

A handwritten signature in cursive script that reads "Susan Gorin".

SUSAN GORIN  
Santa Rosa City Councilmember

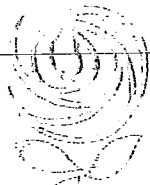
ECONOMIC DEVELOPMENT AND HOUSING  
90 Santa Rosa Avenue • Santa Rosa, CA 95404  
Phone: 707-543-3300 • Fax: 707-543-3317  
[www.srcty.org](http://www.srcty.org)



City of  
Santa Rosa

---

cc: Ernesto Olivares, Mayor and Members of the City Council  
Senator Noreen Evans  
Senator Wesley Chesbro  
Senator Mike Thompson  
Kathy Millison, City Manager  
David Gouin, Director of Economic Development & Housing  
John Stewart, John Stewart Company



# City of Santa Rosa

September 25, 2012

Steven Szalay  
Local Government Consultant  
Department of Finance  
State of California

**Subject: Railroad Square**

Dear Mr. Szalay:

I write to urge your approval of the Historic Railroad Square Project as further described in the attached submittal from the City of Santa Rosa. This site has lain fallow next to our circa 1900 historic railroad station in our City for literally decades. The Downtown Station Area Specific Plan, approved by the City in 2007 and the Transit Oriented Redevelopment Project Area (TORPA) approved in 2004, not only enjoy my support but also that of all three prior Mayors, Jane Bender, Bob Blanchard, and Susan Gorin. After years, we finally have the confluence of very positive energy and action on this development including, but not limited to:

BEN SAOULBARD  
Mayor

JOHN SAWYER  
Act. Mayor

SCOTT BRADLEY  
SUSAN COPIN  
JAKE COUS  
MARSHAYAS DUPRE  
CARY WYNOR

- The start of construction by SMART on a \$106 million track, tunnel, and bridge reconstruction on the San Rafael to Santa Rosa portion of the 72 mile SMART line. The contract for self-propelled rail cars has also been executed; first passenger travel will occur in 2014.
- Extensive soil and ground water remediation has been successfully carried out by the developer – Santa Rosa Cannery, LLC – on their portion of the Railroad Square site, and the former owner of the property immediately adjacent to the tracks, Union Pacific Railroad, is completing their portion of the environmental clean-up. Both activities are under the direction and aegis of the California Regional Water Quality Control Board.
- Agreements are in place with the Cultural Heritage Board for the preservation of circa 1908 walls of early twentieth century canneries which were demolished in 2004 for certain life/safety reasons and also to afford access to the soil for environmental remediation.
- Of the planned 279 total units, 93 are now entitled with the intention of starting construction next year as affordable senior housing at 3 West 3<sup>rd</sup> Street.
- Agreements are in place between private developers and SMART regarding overall development uses, easements, and community benefits for the full 7.3 acre site.
- In 2009 the City made a joint application with our developer partners to the State's Department of Housing and Community Development (HCD) for grant funding under Prop I-C. By various resolutions shown in the attached, the City, its RDA, and Housing

Office of the Mayor

101 Santa Rosa Avenue - Room 10 - Santa Rosa, CA 95404

Phone: (707) 543-3010 - Fax: (707) 543-3030

www.srca.org

Authority made specific commitments to financially support the project if it was selected. HCD did award Railroad Square an \$11.3 million grant, the only such award in Sonoma and Marin Counties. Of this amount, approximately \$4 million will be used for parking infrastructure and parking for the 93-unit affordable senior residential complex at 3 West 3<sup>rd</sup> Street (entitled as part of the application process).

Final approval by the Department of Finance for release of the contribution of local funds committed by the City of Santa Rosa, now held by the Successor Agency to the Former Redevelopment Agency and by the Housing Authority, is all that remains to start this project.

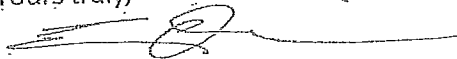
An Executive Summary of the Railroad Square Project is contained in this package, along with tabbed sections showing key project characteristics, documents, and answers to your questions.

Suffice it to say, for this community, the Railroad Square Project will be transformational as:

1. Infill housing in walking distance to the central business district
2. Much needed construction and permanent job creation
3. A provider of rail ridership as a transit-oriented development on the largest station of the 72-mile SMART line.

If you have any questions, please feel free to contact me or my staff at any time.

Yours truly,



ERNESTO OLIVARES  
Mayor

EO/sks

attachments

cc: Assemblyman Michael Allen  
Assemblyman Wesley Chesbro  
Senator Noreen Evans  
Ana J. Matosantos, Director, Dept. of State Finance  
Valerie Brown, Chairman, SMART  
Farhad Mansourian, General Manager, SMART  
Kathy Millison, City Manager, Santa Rosa  
Michael Dieden, Creative Housing Associates  
John Stewart, Managing Member Santa Rosa Cannery, LLC  
Jack Gardner, President / CEO The John Stewart Company  
John Lowry, Executive Director, Burbank Housing

STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0007  
(916) 319-2007  
FAX (916) 319-2107

Assembly  
California Legislature



**MICHAEL ALLEN**  
ASSISTANT MAJORITY FLOOR LEADER  
ASSEMBLYMEMBER, SEVENTH DISTRICT

**COMMITTEES**  
BUDGET  
BUSINESS, PROFESSIONS AND  
CONSUMER PROTECTION  
LABOR AND EMPLOYMENT  
PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY

**SUBCOMMITTEES**  
BUDGET SUBCOMMITTEE #4 ON  
STATE ADMINISTRATION

**SELECT COMMITTEES**  
CHAIR: STATE HOSPITAL SAFETY

September 7, 2012

Governor Edmund G. Brown, Jr.  
State Capitol, Suite 1173  
Sacramento, CA 95814

Dear Governor Brown:

We write to express our support for the Sonoma-Marín Area Rail Transit (SMART) system's Railroad Square development project in Santa Rosa.

The Railroad Square project is designed as a mixed-use of infill housing, commercial and retail, and also as a transit-oriented development providing ridership at SMART's largest station. Railroad Square received the strong endorsement of the city of Santa Rosa, which is lending hands-on support, and it was the only project in Marin and Sonoma Counties to be selected for the State's Proposition 1C grant program (\$11.3 million).

For construction on this project to begin next spring, SMART requires two things:

- Consent by the Department of Finance to the release of \$4 million in low/moderate funds held by the city of Santa Rosa and earmarked for Railroad Square. The project successfully passed the DOF's initial review this year; the second critical review was scheduled to occur September 1 under the Recognized Obligation Payment Schedule (ROPS); and
- Consent by the Department of Housing and Community Development to the city's and developer's request to amend the administrative rule which would "clawback" 100% of the Proposition 1C grant funds awarded to Railroad Square if 200 units (of the 279 planned as infill housing) are not built by a fixed deadline. The city and developer seek "clawback" based on proportionality, comparing units delivered to funds drawn down. They are not parties to petition the state on this administrative regulation, a reflection of the fact that the economy today bears little resemblance to what it was in 2009, when the awards were made.

If the developer (Santa Rosa Cannery) and city are not successful in the two endeavors listed above, this project will not proceed. This would have a significantly adverse effect on planned SMART ridership (with regard to both passenger volume and timing), as well as the loss of construction jobs, ongoing employment, and tax revenues.

We respectfully request your endorsement of the Railroad Square project, which will spur economic development and ease traffic congestion along the corridor north of the Golden Gate Bridge.

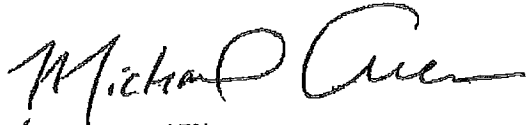
DISTRICT OFFICES

50 D STREET, SUITE 301 • SANTA ROSA, CA 95404 • (707) 546-4500 • FAX (707) 546-9031  
1040 MAIN STREET, SUITE 205 • NAPA, CA 94559 • (707) 258-8007 • FAX (707) 258-8205  
401 AMADOR STREET • VALLEJO, CA 94590 • (707) 649-2307 • FAX (707) 649-2311

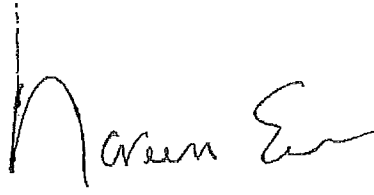


Printed on Recycled Paper

Sincerely,



✓ MICHAEL ALLEN  
Assemblymember  
7<sup>th</sup> District



✓ NOREEN EVANS  
State Senator  
2<sup>nd</sup> District

Cc: ✓ Valerie Brown, Chair, Sonoma County Board of Supervisors  
✓ Shirlee Zane, Sonoma County Supervisor, District 3  
✓ Kathy Millison, City Manager, City of Santa Rosa  
✓ Ernesto Olivares, Mayor, City of Santa Rosa  
Farhad Mansourian, General Manager, SMART  
John Stewart, The John Stewart Company, Santa Rosa Cannery

FRIENDS OF SMART

November 15, 2012

Edmund G. Brown, Jr,  
Governor, State of California  
State Capitol, Sacramento, CA

Re Railroad Square Development, Santa Rosa; Funding Commitments

Dear Governor Brown—

An important Railroad Square development in Santa Rosa is threatened by State withdrawal of \$5.5 million in redevelopment funds. This unique project, proposed by the John Stewart Company, would convert five acres of railroad property adjacent to the Santa Rosa train depot into the core of a vibrant residential and commercial community. Our organization urges you to give this matter immediate attention, and release the much-needed funding.

Since 2006, the Sonoma Marin Area Rail Transit District has been pursuing an infill project to assure that its acreage and the adjoining historic cannery structures do not remain vacant long after the commencement of passenger rail service in 2016. There have been fruitful negotiations with the City of Santa Rosa, the Sonoma Marin Area Rail Transit District, neighborhood leaders, and citizen groups such as ours. The developer has made an extensive assessment of toxic contamination, water supply, sewer replacement, traffic circulation, and parking issues, and has presented plans for the project that meet the high expectations of most stakeholders.

It is now critical to maintain the momentum that has been generated so far for this development. The \$5.5 million in redevelopment monies promised for the project is a key to its success. These funds leverage \$1.5 million in Brownfield Economic Development Initiative funding, a grant of \$11.3 million in Proposition I-C funds; and a \$5.6 million low interest Section 108 loan from HUD.

In addition to other monies, the developer put up \$1.5 million to make the project eligible to compete for the Proposition I-C Grant; and the city has committed to funding for the required affordable housing. With restoration of the suspended redevelopment funding, this project will be ready to move forward.

Please do whatever is necessary to prevent this project from going into limbo.

Cordially,

/s/  
Steve Birdlebough  
Advocacy Chair

cc: Mayor Olivares, Kathy Millison, Mike Thompson

555 5<sup>th</sup> Street, 3<sup>rd</sup> Floor, Santa Rosa, CA 95401 - (707) 576 6632

COMMITTEES

NATURAL RESOURCES, CHAIR  
SELECT COMMITTEE ON DISABILITIES, CHAIR  
SELECT COMMITTEE ON WINE, CHAIR  
JOINT COMMITTEE ON FISHERIES AND  
AQUACULTURE, CHAIR  
BUDGET  
BUDGET SUBCOMMITTEE #1  
JOINT LEGISLATIVE BUDGET  
ENVIRONMENTAL SAFETY AND  
TOXIC MATERIALS  
GOVERNMENTAL ORGANIZATION

Assembly  
California Legislature



WESLEY CHESBRO  
ASSEMBLYMEMBER, FIRST DISTRICT

STATE CAPITOL  
P.O. BOX 942849  
SACRAMENTO, CA 94249-0001  
(916) 319-2001  
FAX (916) 319-2101

DISTRICT OFFICES  
710 E. STREET, SUITE 150  
EUREKA, CA 95501  
(707) 445-7014  
FAX (707) 445-6607

50 "D" STREET, SUITE 450  
SANTA ROSA, CA 95404  
(707) 576-2526  
FAX (707) 576-2297

200 SOUTH SCHOOL STREET, SUITE D  
UKIAH, CA 95482  
(707) 463-5770  
FAX (707) 463-5773

November 16, 2012

Steve Szalay  
Local Government Consultant  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Szalay:

As per our conversation this morning I want to once again express my strong support for funding of the Railroad Square development in Santa Rosa. This project is essential to both commercial and residential development of the surrounding area and has been pursued in anticipation of rail service scheduled to begin in 2016. As you know, the loss of redevelopment funds has seriously threatened this most vital project.

The Railroad Square development plans to convert five acres of railroad property adjacent to the Santa Rosa train depot into a vibrant residential and commercial community. The developer has made a significant investment and very positive negotiations have occurred between the city of Santa Rosa, the SMART District, as well as neighborhood and citizen groups. The loss of redevelopment funds also threatens the ability to leverage other monies for such things as affordable housing which the area badly needs.

I urge you to restore the redevelopment funds so this project – which has such great potential to truly benefit the area in so many ways – can move forward.

If you have any questions please do not hesitate to contact me. Thank you for your consideration.

Respectfully,

A handwritten signature in cursive script that reads "Wesley Chesbro".

WESLEY CHESBRO  
Assemblyman, 1<sup>st</sup> District





# SCTLC

## SONOMA COUNTY TRANSPORTATION & LAND USE COALITION

November 27, 2012

Steven C. Szalay  
Local Government Consultant  
Department of Finance  
915 L Street  
Sacramento, CA 65814

Re: Development of the SMART property in Railroad Square, Santa Rosa

Dear Mr. Szalay:

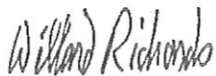
Santa Rosa grew up around the railroad. The east-west street numbering system starts at the tracks. The Historic Railroad Depot, now used as a California Visitors Center, is on the cross street where the most important businesses in town are located. When the Sonoma Marin Area Rail Transit (SMART) begins commuter rail service in about three years, the stop at this depot will serve the largest city in Marin and Sonoma Counties. This rail service is key to Sonoma and Marin Counties because the best alternative for commuters is the heavily congested Highway 101. SMART owns 5.2 acres beside the tracks at the Historic Depot, and has entered into an agreement with Railroad Square Associates LLC to develop this empty land. It was planned to have that development well underway when commuter rail service began.

Now those plans are jeopardized by the dissolution of Redevelopment Agencies. This would be a huge setback for local efforts to increase development around transit stops and to increase the viability of transportation modes other than the automobile. Those local efforts are fully consistent with the objectives of AB 32 and SB 375.

Other correspondence has outlined the details of the proposed development and the other funding that would be lost if the \$5.5 million in redevelopment funds is withdrawn. As you know, these funds leverage \$1.5 million in Brownfield Economic Development Initiative funding, a grant of \$11.3 million in Proposition I-C funds; and a \$5.6 million low interest Section 108 loan from HUD. Also, the developer put up \$1.5 million to make the project eligible to compete for the Prop I-C Grant and the City of Santa Rosa has committed to funding for the required affordable housing.

We ask that you recommend the restoration of the \$5.5 million in redevelopment funds.

Sincerely yours,



Willard Richards, Chair

Cc: Governor Jerry Brown  
Senator Noreen Evans  
Assembly Member Michael Allen

David Gouin, City of Santa Rosa  
John Stewart, John Stewart Co.

## SOME QUESTIONS & ANSWERS

1. Q: If affordable housing isn't built at 3. W. 3<sup>rd</sup> St. will it likely be part of any future development at New Railroad Square?

ANS: Yes, particularly if State or Federal financing is involved. Additionally, SMART will have Affordable Housing Requirements.

2. Q: Will prevailing wages apply in the construction of 3 West 3<sup>rd</sup> St.?

ANS: Yes

3. Q: What are typical current pay rates per hour?

ANS: Carpenters	Basic \$38.50 + Fringes \$25.82	Total \$64.32
Electricians	Basic \$46.00 + Fringes \$14.94	Total \$60.94
Plumbers	Basic \$51.00 + Fringes \$38.91	Total \$89.91
Painters	Basic \$34.29 + Fringes \$20.21	Total \$54.50

4. Q: Will construction work be union, non-union or both?

ANS: Both

5. Q: What is the estimated time for resolution of the lawsuit?

ANS: Unclear. There are almost 60 similar lawsuits against the State's Department of Finance. All are being heard in one Sacramento District Court with 4 assigned Judges.

6. Q: Other than the recent residential market collapse, are there unique challenges to developing the New Railroad Square Project?

ANS: Yes, including (1) soil and ground water conditions, (2) no identified parking solution, (3) accommodation of historic structures (1908 walls, loading dock, canopy, 50 ton water tower), (4) set-backs from and crossings of SMART's Rail, and (5) access to the pathway on the creek.

7. Q: Although 93 residential units on 3 W 3<sup>rd</sup> St. are entitled, will the specific building design need Planning & Building Department approval?

ANS: Yes