



**CITY OF HEALDSBURG
CITY COUNCIL
CITY COUNCIL WORK SESSION AGENDA**

City Hall Council Chamber
401 Grove Street
Healdsburg, CA 95448
(707) 431-3317

Meeting Date: January 21, 2020
Time: 4:00 PM
Date Posted: January 16, 2020

1. CALL TO ORDER/ROLL CALL

2. PUBLIC PORTION

Members of the public will have an opportunity to address the City Council concerning any items listed on this Special Meeting Agenda. No other items may be discussed at this Special Meeting. (Government Code Section 54954.3)

3. AFFORDABLE HOUSING SITE ANALYSIS

Conduct the Affordable Housing Site Analysis Study Session and provide direction to staff.

4. ADJOURN WORK SESSION MEETING

SB 343 - DOCUMENTS RELATED TO OPEN SESSION AGENDAS: *Any writings or documents provided to a majority of the City Council/Redevelopment Successor Agency Board regarding any item on this agenda after the posting of this agenda and not otherwise exempt from disclosure, will be made available for public review in the City Clerk's Office located at City Hall, 401 Grove Street, Healdsburg, during normal business hours. If supplemental materials are made available to the members of the City Council/Redevelopment Successor Agency Board at the meeting, a copy will be available for public review at the City Hall Council Chambers, 401 Grove Street, Healdsburg, CA 95448.*

These writings will be made available in appropriate alternative formats upon request by a person with a disability, as required by the Americans with Disabilities Act.

DISABLED ACCOMMODATIONS: *The City of Healdsburg will make reasonable accommodations for persons having special needs due to disabilities. Please contact Stephanie Williams, City Clerk, at Healdsburg City Hall, 401 Grove Street, Healdsburg, California, 431-3317, at least 72 hours prior to the meeting, to ensure the necessary accommodations are made.*



CITY OF HEALDSBURG CITY COUNCIL AGENDA STAFF REPORT

MEETING DATE: January 21, 2020

SUBJECT: Affordable Housing Site Analysis

PREPARED BY: Stephen Sotomayor, Housing Administrator

STRATEGIC INITIATIVE(S):

Quality of Life
Effective & Efficient Government
Infrastructure & Facilities

RECOMMENDED ACTION(S):

Conduct the Affordable Housing Site Analysis Study Session and provide direction to staff.

BACKGROUND:

On February 19, 2019, Staff provided Council with an update on an “Affordable Housing Master Plan,” site-analysis for three City-owned properties for the purposes of developing affordable housing. In this presentation, Staff outlined the approach for evaluating the best and highest uses for the Saggio Hills affordable housing site and properties at 155 Dry Creek Road and 3 North Street. The goal of this evaluation was to determine what these sites could produce in terms of affordable housing, and how their development would contribute to meeting the goals of the City’s Housing Element and the Housing Action Plan.

Since the February 19, 2019 meeting, Staff and the City’s Consultants, Economic & Planning Systems (EPS) and North Coast Community Planning have evaluated each site’s opportunities and constraints in the context of how to best realize the City’s affordable housing objectives and to provide a disposition strategy for each site that guides the City in current and future discussions with affordable housing developers. Each site was evaluated based upon:

1. Site capacity constraints and yield potential;
2. Disposition strategies and site readiness; and
3. Financial and economic feasibility.

The importance in determining the future use of these City-owned properties directly aligns with how the City plans to meet its current and future housing goals. The City is already making good progress towards satisfying its Regional Housing Needs Allocation (RHNA) goals established by the State of California, which requires the City to produce 157 very-low-to-moderate-income housing units by 2023; however, it is anticipated these numbers could double or triple in the next 8-year cycle, heightening the need to identify suitable land for development.

Additionally, Staff considered the goals outlined in the City’s Housing Action Plan (HAP) which calls for approximately 200 new units to be built or in progress to be built by 2022. Unlike the RHNA, the HAP also addresses the need for middle-income housing (121%-160% of AMI) and calls for a variety of housing types, such as higher density mixed-income projects.

During this site analysis, the City received unsolicited affordable housing proposals for two City-owned properties. These proposals contemplated the construction of a new library and housing units at 3 North Street and the development of affordable multi-family housing on approximately 9.6 acres of the City-owned Community Center site at 1557 Healdsburg Avenue.

While the 3 North Street property was already included in the site analysis, the Community Center site was not. However, since the proposals were received, Staff has incorporated the Community Center (1557 Healdsburg Avenue) into this study for preliminary analysis and future consideration. Additionally, Staff has incorporated the relocation of the library to the 3 North Street property as an additional consideration for review.

The site analysis provided to the Council today has detailed evaluations of each of the potential affordable housing sites that includes site development potential, constraints, and capacity. Each one of these sites varies in its “development readiness,” with some sites being ready for development now, and others proving to have more potential in meeting future goals or for alternate uses. In each case, however, the information provided will provide Council with options for the disposition or development of each property and give the Council the ability to provide direction to Staff on how to move forward with these City assets.

DISCUSSION/ANALYSIS:

Based upon the analysis provided and the needs of the City, Staff is recommending that Council authorize staff to issue a Request for Qualifications (RFQ) for the development of the 155 Dry Creek site for its best and highest use and to further consider and offer direction to Staff on the development of other City-owned properties based upon the proposed uses identified in this study.

Staff has prepared an analysis of options for the four existing City-owned sites suitable for affordable housing given the influencing site conditions, development potential, suitability for affordable housing, and for financial feasibility.

155 Dry Creek

Site Description

This site is located on the northerly side of Dry Creek Road between Grove Street and Healdsburg Avenue, with convenient highway access. The site is unimproved and measures approximately 3.53 acres in area. However, the site itself has jurisdictional wetlands requiring a Corps of Engineers permit and wetlands mitigation, which significantly reduces the buildable area of the property. Additionally, potential developers would need to make off-site road frontage, drainage, and utility improvements.

Development Options

<u>Site</u>	<u>Option 1</u>	<u>Option 2</u>
155 Dry Creek	A mixed-use project including retail/service (ground floor) with 45 affordable rental housing units above or behind (unit count could potentially double if state density bonus is applied).	An all residential project on the site that could increase the prototype diversity and number of affordable units offered. The number of rental units is estimated at 55.

Economic Considerations

<u>155 Dry Creek</u>	<u>Number of Units</u>	<u>Income Target</u>	<u>Annual Rents</u>	<u>Financing / Cap Rate</u>	<u>Financial Feasibility</u>
Option 1 Mixed-Use	45 rental	Very Low/Low (60% AMI)	\$1,237	4% LIHTC / 4.5%	Project appears feasible
Option 2 All residential	55 rental	Very Low/Low (60% AMI)	\$1,237	4% LIHTC / 4.5%	Project would have an approximate gap of \$4,000,000 gap, or \$80,000 a door.

Analysis

The 155 Dry Creek site was originally purchased by the City's Redevelopment Agency (RDA) for affordable housing purposes and, therefore, the considerations for its future development are somewhat limited by the nature of its acquisition. Under the context of this study, Staff's goals were to identify the best use of the site for affordable housing. The sale of the land for proceeds was also considered as a part of this analysis but is not recommended as the use of RDA funds

for the property's acquisition by the City would require sale proceeds to be redistributed back to other governmental entities.

One key consideration in the development of this site is to ensure that any project would not be out of place along the Dry Creek corridor which has a commercial mix along the street frontage. With this in mind, Staff evaluated a 45-unit mixed-use rental project that would include up to 20,000 square feet of commercial space. The financial modeling of the project, which was conservatively estimated based upon a 4% Low-Income Housing Tax Credit (LIHTC) financing structure, performs better with the inclusion of the commercial space versus an all residential project which is estimated to have a \$80,000 gap per door in its development costs or a total of \$4,000,000.

The timing of this project, due to wetland constraints and the need to underground utilities along with other off-site improvements, would make this project an ideal candidate for addressing our future RHNA allocations in the first year of the planning period (2023). In order to meet this timeline, however, it would be advisable to begin the process of selecting a developer as soon as possible.

Based upon Staff's analysis, Staff would recommend that Council direct staff to prepare a Request for Qualifications (RFQ) in order to select a developer for the site. This would allow the City to choose a qualified developer to work with in putting together a project.

Saggio Hills (Montage)

Site Description

The Saggio Hills Area Plan and Development Agreement (DA) were approved by the Healdsburg City Council on January 31, 2011. The overall Area Plan includes approximately 91.11 acres for an estimated 130 individual hotel rental units, meeting and conference rooms, culinary facilities, and recreational facilities; 113.23 acres for approximately 70 single-family homes; and, 14.16 acres (the "Saggio Hills Affordable Housing Site") for up to 150 affordable housing units.

This unimproved site is located on the easterly side of U.S. Highway 101 and Healdsburg Avenue in the most northerly area of the City of Healdsburg, with access from Passalacqua Road. Currently, the setting can be characterized as rural. The Development Agreement for the Saggio Hills Area Plan indicates "that during consideration of the Affordable Housing Land, including environmental review, if less than 150 affordable units can be constructed, then the Healdsburg City Council will pursue other sites to achieve 150 units."

Development Options

<u>Site</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Saggio Hills (Montage)	Convert the site to open space and conservation uses in exchange for Developer purchasing and deeding to the City an alternative site capable of accommodating 150 housing units in the City suitable for multifamily affordable housing.	A townhome or cottage-court density project offering approximately 70 for-sale price restricted units.	A multifamily building complex project of up to 150 units of rental affordable housing targeting low, and moderate- income households.

Economic Considerations

<u>Saggio Hills (Montage)</u>	<u>Number of Units</u>	<u>Income Target</u>	<u>Sale Price/Rent</u>	<u>Financing / Cap Rate</u>	<u>Financial Feasibility</u>
Option 1 Open Space	Potential option to leave as open space in exchange for 150 units in a new location.			N/A	Yes
Option 2 For-Sale	70 for-sale	Moderate (120% AMI)	\$700,000	N/A	Feasible with land donation and moderate-income sales prices
Option 3 Multifamily	Up to 150 rental units	Low and Moderate 80%-120% AMI	\$2,469	N/A/ 4.5%	May be feasible with land donation and inclusion of moderate-income rents; may not be a best fit for affordability.

Analysis

By far the Saggio Hills affordable housing site is the largest site the City has in its inventory for the purposes of affordable housing. However, the nature of the site and the topography of the land limit development. One of the major concerns is the amount of grading that would need to take place on the site to accommodate either Option 2 or Option 3 listed above. This amount of site work and the product being placed on the site would change the landscape of the area significantly. While both Options 2 and 3 would be financially feasible with a land donation by the City, the targeted incomes would need to be higher than a traditional affordable housing development and would not be competitive for tax-credit financing (due to its distance from certain amenities and transportation routes).

Additionally, in Staff's analysis, Option 3, or the higher density alternative, was generally dismissed by Staff, given the drastic alteration of the site as a result of required grading to fit a 150-unit project on the property, among other considerations.

A portion of the site work for the Saggio hills affordable housing project is required under the DA with the Montage developer. The developer has a requirement to complete the grading of the affordable housing site and to run utilities up to the site. The remainder of the site work would be the responsibility of the City or the City's selected developer.

Another option that Staff considered was to open formal discussions with the Montage developer to preserve the Saggio Hills affordable housing site for open space in exchange for an alternate site that can accommodate up to 150 units of affordable housing and could provide a higher mix of lower-income units than the current site. This action would require the City to amend the existing DA with the Montage Developer but could potentially lead to a better product with a higher level of affordability and/or units closer to transportation options and services.

Council may wish to consider directing Staff to open discussions with the Montage developer to seek an alternate site for affordable housing and in exchange the Saggio Hills affordable housing site would be preserved as open space. If staff cannot reach a tentative agreement within a six-month timeframe, it is recommended that the Council consider seeking a developer to build a for-sale product for moderate income households, which would be in alignment with the goals of the City's Housing Action Plan.

3 North Street ("Cerri Building")

Previous Council Actions & Considerations

The former Redevelopment Agency of the City of Healdsburg purchased the Purity Chemical Products property in 2004 to help meet parking needs in the downtown area. Purity Chemicals continued to use the property under a lease agreement until September 2006 when Purity moved into their new facility on Grove Street.

In 2007, the former RDA board directed staff to initiate environmental and design review process with the Planning Commission for removal of the building with possible preservation of the façade attached to a shade structure and installation of a public parking lot.

In August 2016, City Council directed staff and the design team to proceed with a schematic design that:

- Maximizes parking
- Preserves the façade and a portion of the building
- Includes bathrooms and a kitchen
- Can be implemented in phases
- Uses an ecologically friendly surface for the parking lot surface

The outcome of this work was a proposed schematic design. Elements of the schematic design include:

- Parking;
- Repurposing the existing structure to include approximately 5,200 square feet of "pavilion" covered space for events and activities, with an additional 6,100 square feet of multi-purpose parking and "open air" event space;
- A catering kitchen and restrooms;

- Secondary unloading and loading area on the west side of the site for staging events and activities;
- Single vehicle entry point to minimize potential pedestrian/vehicle conflicts; and
- Emergency vehicle access to Foss Street.

On May 15, 2017, Council unanimously approved the schematic design and directed staff to proceed with identifying potential funding opportunities.

Following this approval and direction, Community Services Director Themig formed a working group that consisted of Parks and Recreation Commissioner John Lambert and Katie Wetzel Murphy, President of the Friends of the Healdsburg Farmers’ Market, to discuss potential funding opportunities and approaches. On January 13, 2020, the City received a pledge from the Foley Family Foundation in the amount of up to \$7,000,000 to fund the proposed 3 North Street/Farmer’s Market project (Attachment 2). The pledge comes with a requirement that the Family have naming rights and is conditioned on entering into a funding plan agreement between the City and Foley Family Foundation that outlines the overall arrangement.

Affordable Housing Site Analysis

Notwithstanding previous Council direction, as part of the site-analysis study, and with the intent of meeting the City Council’s goal to “address the housing needs of Healdsburg workers and residents by updating and implementing City housing policies to increase the inventory of workforce and affordable housing in our community,” the 3 North Street site has been assessed for potential uses as an affordable housing site.

The intent of this study was to provide Council with options for affordable housing on as many City-owned parcels as possible, especially parcels like 3 North Street which would be very competitive in a 9% LIHTC application. With this information, Staff feels Council can assess the property with additional information to determine how the development of this site best aligns with the City’s priorities and community needs.

Site Description

This site is located on the northerly side of North Street between Grove Street and Healdsburg Avenue within the City’s downtown area. The site measures about 1.2 acres in area and currently has an existing non-functioning and long-vacant warehouse structure. The site’s proximity to downtown and amenities make this location very desirable for future development for several purposes.

Development Options

<u>Site</u>	<u>Existing Plans</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
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3 North Street

May 15, 2017 Council approved schematic design. (Farmer’s Market)

An "all residential" project on the site that would provide as many as 55 units with new state density bonus. An affordable housing developer would seek 9 percent tax credit allocation from Tax Credit Allocation Committee (TCAC).

A mixed-use project including a new City Library (ground floor) with as many as 45 units with new state density bonus). Project would be a partnership with an affordable housing developer who would seek 9 percent tax credit allocation from TCAC.

Explore the use of this property for potential use as a SMART platform, or a SMART platform and a Farmer’s Market.

Economic Considerations

<u>3 North Street</u>	<u>Number of Units</u>	<u>Income Target</u>	<u>Annual Rents</u>	<u>Financing / Cap Rate</u>	<u>Financial Feasibility</u>
Existing Plan	N/A	N/A	N/A	N/A	\$7,000,000 Donation
Option 1 all residential	55 rentals	Very Low/Low (60% AMI)	\$1,237	9% LIHTC / 4.5%	Yes, with land donation, parking reduction, and 9% LIHTC funding
Option 2 Library & Housing	45 rentals	Very Low/Low (60% AMI)	\$1,237	9% LIHTC / 4.5%	Yes, with land donation, parking reduction, and 9% LIHTC funding.
Option 3 Other Public Uses	Explore the use of this property for potential use as a SMART platform, or a SMART platform and a Farmer’s Market.				N/A

Analysis

From an affordable housing standpoint, 3 North Street, out of all the City-owned properties, provides the highest level of “readiness” for development and is competitive for LIHTC funding in the 9% Tax Credit program, which covers nearly 60% of development costs. This makes this property highly suitable for affordable housing development with the potential to provide up to 55 rental units under new State density bonuses. Additionally, the property, as financially modeled, would not need additional City subsidy beyond the land and the use of the parking lot across the street for parking to achieve feasibility.

During Staff’s analysis of this site, the City received an unsolicited proposal for the site’s development. The proposal was to either develop the site for a new 11,000 square foot library with 45 rental units made available to low-income residents, or to develop the site as a stand-alone housing project that could support up to 55 rental units for low-income residents. These proposals assumed the City-donation of land, but no additional City subsidy. Additionally, since

the City owns the current library's site, there would be potential to develop that property for affordable housing as well, should the library move to the Cerri site.

Additionally, Staff has had very preliminary conversations with SMART representatives who demonstrated potential interest in a future SMART platform being placed at the site. Staff can continue those conversations, should Council desire, in order to conduct the due diligence necessary to further study this option.

3 North Street could also be considered for a potential hybrid development which could include a SMART station and a Farmer's Market. Provided the parcel can accommodate both uses, this option could be a viable consideration for Council.

3 North Street, regardless of use, is a key piece of property that requires consideration in the context of the City's needs and goals. Staff has provided Council with an analysis of this property's suitability for affordable residential development and other public uses for Council consideration.

Other Sites

As mentioned in the background section of this report, Staff received a proposal for affordable housing development at 1557 Healdsburg Avenue, or the portion of the Community Center comprised of the asphalt play area adjacent to the ball field and ball field.

In this proposal, the developer outlined a project of up to 120 units made available to extremely-low-to-low-income residents through LIHTC financing. As a part of the proposal, the developer would require the donation of the land and would provide the City with \$5,000,000 for future park development or other civic uses.

Staff evaluated the proposal and found merit in the number of units the City could achieve and the ability of this proposal to help meet the housing needs of the City. However, this is a preliminary proposal and still requires due diligence to determine if it is the right course of action. As part of the due diligence, Staff would need to evaluate the future plans for the Montage and Badger park designs in the context of the need for the existing ball field at the Community Center.

Staff recommends that Council consider adding 1557 Healdsburg Avenue to potential sites for affordable housing development and to direct staff to continue to conduct the due diligence necessary to provide Council with additional information if it is determined through the Badger and Montage park planning process the current site uses can be absorbed without any negative impacts to those park sites.

ALTERNATIVES:

1. Council can provide direction on preferred disposition and use to staff on one or all the properties listed in this study.

FISCAL IMPACT:

This report is informational and, therefore, does not have an immediate direct fiscal impact. Staff would return to Council for any future approvals and assess each site's fiscal impact at that time.

ENVIRONMENTAL ANALYSIS:

This report is informational in nature and is not considered a project under CEQA. Each site will be assessed under CEQA and other applicable statutes at the appropriate time.

ATTACHMENT(S):

Attachment 1

Attachment 2

Summary Table 1: Summary of Housing Opportunity Sites

Housing Opportunity Sites	Size (gross land area)	Locational Setting	Ownership & Tenure Restrictions	Currently Involved Parties	Physical Constraints	Site Improvement Costs	Entitlement Issues	Linked Sites
3 North Street	1.21 acres	Downtown Healdsburg, northeast corner of Grove and North Streets	City-owned site	Burbank	-- Railroad tracks -- Existing building (11,960 SF) is a designated historic resource (local register) and eligible for CRHR -- Limited Phase 1 remediation -- Foss Creek floodplain	Demolition	-- Rezoning and Density Bonus may be required -- Historic Resource Standards Review required -- Floodplain development permit required	Burbank is also considering a project on the ballfield portion of the Community Center site
155 Dry Creek	3.53 acres	North-central Healdsburg on north side of Dry Creek Rd, just west of the NCRA railroad tracks	City-owned site	None	-- Wetlands -- Foss Creek floodplain -- Railroad tracks	Wetland fill and mitigation. Frontage improvements on Dry Creek Rd	-- 404/401 permits required for wetland fill -- Floodplain development permit required	
Montage	14.16 acres	North Healdsburg hills, just north of Parkland Farms neighborhood	Developer-owned. Will be transferred to City per Development Agreement	Sonoma Luxury Resort LLC (Robert Green)	Topography (slopes)	Construction of a new road w/ bridge through site (Developer responsibility)	-- CEQA review required -- Development Agreement compliance	
1557 Healdsburg Ave. The Community Center	Approximately 3 acres of the 9.6-acre site would be used for housing.	Northern Healdsburg, on west side of Healdsburg Ave.	City-owned site	None	Very few constraints	Master Plan and Demolition	-- Rezoning and Density Bonus may be required	

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

Summary Table 2: Use and Disposition Summary

Housing Opportunity Sites	Use and Disposition Options			
	Existing Plans	Option 1	Option 2	Option 3
3 North Street	Existing plans for the site are the Council-approved schematic design for a Farmers' Market	An "all residential" project on the site that would provide as many as 55 units with new state density bonus. An affordable housing developer would seek 9 percent tax credit allocation from TCAC.	A mixed use project including a new City Library (ground floor) with as many as 45 units with new state density bonus). Project would be a partnership with an affordable housing developer who would seek 9 percent tax credit allocation from TCAC.	Explore the use of this property for potential use as a SMART platform, or a SMART platform and a Farmers' Market.
155 Dry Creek		A mixed use project including retail/service (ground floor) with 40-50 affordable rental housing units above or behind (unit count could potentially double if state density bonus is applied). Project would be a partnership with an affordable housing developer who would seek 4 percent tax credit allocation from TCAC.	An "all residential" project on the site that could increase the prototype diversity and number of affordable units offered. Affordable units could exceed 100 if land area is maximized and if state density bonus is applied.	Sell site "as-is" and use funding derived for other affordable housing project subsidies.
Montage		Convert the site to open space and conservation uses in exchange for Developer purchasing and deeding to the City an alternative site capable of accommodating 150 housing units in the City suitable for multifamily affordable housing.	A townhome or cottage-court density project offering approximately 70 for-sale price restricted units.	A multifamily building complex project of up to 150 units of rental affordable housing targeting low and moderate income households.
1557 Healdsburg Ave. The Community Center		Up to 120 units higher-density housing would target low and very low income families. New residential uses would be part of a master plan effort to accommodate ball fields, and the potential relocation of the hospital. Community Center would be relocated.	None identified at this preliminary stage.	None identified at this preliminary stage.

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

Summary Table 3: Summary of Economic Analysis Assumptions

Option	3 North Street	155 Dry Creek	Montage	
Option 1	All Residential	Mixed-Use Residential with Retail/Service Frontage	Conserve as Open Space in Exchange for Alternative Site	
	Number of Units (assume 100% density bonus)	55	Number of Units (assume 100% density bonus)	45
	Parking Req. (per unit) assumed 1/2 off-site	1.0	Parking Req. (per unit)	1.0
	Income Cohort Target	Very Low / Low @ 60%	Income Cohort Target	Very Low / Low @ 60%
	Annual Rents (per unit per month)	\$1,237	Annual Rents (per unit per month)	\$1,237
	Tax Credits	9.0%	Tax Credits	4.0%
	Cap Rate	4.5%	Cap Rate	4.5%
Option 2	Mixed-Use Residential w/ Library on Ground Floor	All Residential	Lower-Density Residential (e.g., Townhome)	
	Number of Units (assume 100% density bonus)	45	Number of Units (assume 100% density bonus)	55
	Parking Req. (per unit) assumed 1/2 off-site	1.0	Parking Req. (per unit)	1.0
	Income Cohort Target	Very Low / Low @ 60%	Income Cohort Target	Very Low / Low @ 60%
	Annual Rents (per unit per month)	\$1,237	Annual Rents (per unit per month)	\$1,237
	Tax Credits	9.0%	Tax Credits	4.0%
	Cap Rate	4.5%	Cap Rate	4.5%
Option 3	Explore Other Public Uses	Sell As-Is	Higher-Density Multifamily Residential	
	Number of Units		Number of Units	150
	Parking Req. (per unit)		Parking Req. (per unit)	1.0
	Income Cohort Target	n/a	Income Cohort Target	Low / Moderate
	Annual Rents (per unit per month)		Annual Rents (per unit per month)	\$2,469
	Tax Credits		Tax Credits	n/a
	Cap Rate		Cap Rate	4.5%

Sources: City of Healdsburg; North Coast Community Planning; Economic & Planning Systems, Inc.

Summary Table 4: Summary of Economic Analysis Results

Project Site	Option 1	Option 2	Option 3
3 North Street	<i>All Residential</i>	<i>Mixed-Use Residential w/ Library on Ground Floor</i>	<i>Explore Other Public Uses</i>
Total Development Costs	\$7,700,000	\$7,900,000	
Total Value	\$9,900,000	\$8,100,000	
Residual Project Value	\$2,300,000	\$300,000	n/a
Implications	Feasible w/ potential to deepen affordability, provide additional amenities, or pay for land.	Feasible.	
155 Dry Creek	<i>Mixed-Use Residential with Retail/Service Frontage</i>	<i>All Residential</i>	<i>Sell As-Is</i>
Total Development Costs	\$17,400,000	\$14,600,000	
Total Value	\$17,700,000	\$9,700,000	
Residual Project Value	\$300,000	(\$4,400,000)	n/a
<i>Gap per Door</i>		<i>(\$80,236)</i>	
Implications	Feasible due to inclusion of retail, but residential portion cannot support more.	Infeasible; at a gap of approx. \$80,000 per door.	
Montage	<i>Conserve as Open Space in Exchange for Alternative Site</i>	<i>Lower-Density Residential (e.g., Townhome)</i>	<i>Higher-Density Multifamily Residential</i>
Total Development Costs		\$41,300,000	\$51,600,000
Total Value		\$47,500,000	\$59,600,000
Residual Project Value	n/a	\$5,300,000	\$7,000,000
Implications		Feasible due to moderate-income cohort target.	Feasible due to inclusion of moderate-income cohort target.

Sources: City of Healdsburg; North Coast Community Planning; Economic & Planning Systems, Inc.

3 North Street

Table 1.1: Project Alternatives -- City Policy Context

Housing Project Alternative	Project Summary	Policy and Suitability Selection Criteria				
		Site Context Compatibility	Maximize HAP Policy Objectives	Mixed-Use Opportunities	Leverage with Other Opportunity Sites	Existing Commitments and Restrictions
Option 1	A mixed use project including a new City Library (ground floor) with as many as 45 units with new state density bonus). Project would be a partnership with an affordable housing developer who would seek 9 percent tax credit allocation from TCAC.	The urban context site is on North St. at corner of North St. and Grove St. Railroad tracks run parallel to Grove St. City Hall is across Grove St.,the Duchamp Hotel is to the north of the site, and Foss Creek is on the east side. Ground floor civic use is perhaps more compatible with surrounding civic and commercial uses.	Contributes to meeting Objective 1.0 and 4.0 -- Project results in the creation of new, centrally-located affordable housing units in the City, targeting Low and Very Low-income households.	Option 1 project includes a new City Library on the ground floor, or could, alternatively, include retail/service uses.	Moving City Library frees up its 0.7 acre site on corner of Center and Piper Streets, which could be sold at market price (site may be too small for affordable rental housing project).	Burbank Housing has reached out to the City with a proposal for this mixed-use project. Will also require density bonus approval and/or rezoning.
Option 2	An "all residential" project on the site that would provide as many as 55 units with new state density bonus. An affordable housing developer would seek 9 percent tax credit allocation from TCAC.	Same as above, although groundfloor residential perhaps less compatible with surrounding civic and commercial uses.	Same as above.	None	None	Burbank Housing has reached out to the City with a proposal. Achieving density needed for a financially feasible project will require a 100 percent density bonus approval .
Option 3	Explore the use of this property for potential use as a SMART platform, or a SMART platform and a Farmers' Market.					

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

3 North Street
Table 1.2: Site Yield

Item	Description	Option 1	Option 2	Option 3	Sources & References
Gross Land Area (Acres)	1.2				
Parcel Configuration	Rectangular with "flag" on north property boundary providing access to Foss Street. Three parcels (0.47 acre; 0.20 acre; 0.38 acre)				
Physical Constraints --Topography --Roads/RR --Creek/Wetlands	<ul style="list-style-type: none"> -- Relatively small site -- Railroad tracks along western boundary of parcel -- Foss Creek on easternmost parcel. -- Foss Creek floodplain (Zone AE) covers most of eastern parcel -- Existing 12000 SF structure (Cerri building) on western parcel (on local historic resource register; eligible for State historic register) -- Phase 2 report (1994) found contaminated soils/groundwater under slab of structure. Contaminants may have naturally attenuated since then. 	Possibly less constrained than "Best Fit" with regard to groundfloor residential uses in floodplain.	In order to maximize development potential, demolition of existing structure required. Drainage/Floodway study needed. Parking/non-residential construction on ground floor may be required in floodplain.	Same as "Best Fit"	<ul style="list-style-type: none"> - City GIS/FEMA Flood insurance rate map - Historic Resources Evaluation & Standards Review for 1922 Cerri Warehouse Building (Evans & De Shazo; Sept 2017) - Phase II Subsurface Investigation; EBA Wastechnologies; Jan 1995) - Summary of Residual Contamination (EBA Engineering; Dec 2006)
Net Land Area (Developable Acres)	0.88 acres when creek/setback and "flag" are netted out				City GIS/FEMA Flood Insurance rate map
Site Improvement Costs: -- On-site improvements -- Off-site improvements	<ul style="list-style-type: none"> Access, wet and dry utilities, fire line/hydrants. Additional removal of contaminated soils may be required if Cerri building is removed. Traffic study may identify off-site improvements. 				
Zoning/Entitlement Issues	Site is zoned Downtown Commercial ("CD") which permits multi-family residential use located on same site as a commercial use. Maximum density is 16/units per acre.	Residential above commercial permitted in CD district - CEQA review needed for removal of Cerri building - Subject to Floodplain Development Ordinance	An all residential project would require GPA/rezoning (from DC/CD to HR/RM). - CEQA review needed for removal of Cerri building	An all residential project would require GPA/rezoning (from DC/CD to HR/RM) - CEQA review needed for removal of Cerri building - Subject to Floodplain Development Ordinance	
Preferred Zoning Designation		Downtown Commercial ("CD") zoning is ok.	Multifamily Residential ("RM")	Multifamily Residential ("RM")	
Allowable Height		40'	40'	40'	
Allowable Density (Range)		10-16 units/acre + density bonus	10-20 units/acre + density bonus	10-20 units/acre + density bonus	
Unit Yield		45 units (assuming 100% density bonus)	55 units (assuming 100% density bonus)		

3 North Street

Table 1.3: Financial Feasibility Pro Forma

Project Parameters	Option 1		Option 2	
	Assumption	Amount	Assumption	Amount
DEVELOPMENT PROGRAM				
Gross Land Area (acres)		1.20		1.20
Gross Land Area (sq. ft.)		52,272		52,272
Residential				
Number of Residential Units (high)		45		55
Dwelling Units per Acre		38		46
Leasable Square Feet	750 sq.ft. / unit	33,750	750 sq.ft. / unit	41,250
Gross Square Feet	0.85 net to gross sq.ft.	39,706	0.85 net to gross sq.ft.	48,529
Residential	1.0 space per unit	45	1.0 space per unit	55
Library				
Leasable Square Feet		11,000		-
Gross Square Feet	0.85 net to gross sq.ft.	12,941	0.85 net to gross sq.ft.	-
Parking Spaces (Surface)	1.0 space per 500 sq.ft.	22	1.0 space per 500 sq.ft.	-
Parking				
Parking Spaces (sq.ft.)	350.0 sq.ft. / space	23,450	350.0 sq.ft. / space	19,250
RESIDENTIAL REVENUE ASSUMPTIONS				
Average Rent ¹	\$1,237 per unit per month	\$668,007	\$1,237 per unit per month	\$816,453
Parking Revenue	\$0 per space per month	\$0	\$0 per space per month	\$0
Vacancy Rate	3.0%	<u>(\$20,040)</u>	3.0%	<u>(\$24,494)</u>
Gross Revenue		\$647,967		\$791,959
(less) Operating Expenses	\$6,000 per unit per year	<u>(\$270,000)</u>	\$6,000 per unit per year	<u>(\$330,000)</u>
(less) Marketing	2.0%	<u>(\$12,959)</u>	2.0%	<u>(\$15,839)</u>
Subtotal		<u>(\$282,959)</u>		<u>(\$345,839)</u>
Annual Net Operating Income		\$365,007		\$446,120
Capitalized Value	4.5% cap rate	\$8,111,277	4.5% cap rate	\$9,913,783
LIBRARY REVENUE ASSUMPTIONS				
Average Rent ¹	\$0.00 per sq.ft. per month	\$0	\$0.00 per sq.ft. per month	\$0
Vacancy Rate	0.0%	<u>\$0</u>	0.0%	<u>\$0</u>
Gross Revenue		\$0		\$0
(less) Operating Expenses	30.0% of gross revenue	\$0	30.0% of gross revenue	\$0
(less) Commissions	0.0% of gross revenue	<u>\$0</u>	0.0% of gross revenue	<u>\$0</u>
Subtotal		<u>\$0</u>		<u>\$0</u>
Annual Net Operating Income		\$0		\$0
Capitalized Value	5.0% cap rate	\$0	5.0% cap rate	\$0
TOTAL VALUE		\$8,111,277		\$9,913,783
DEVELOPMENT COSTS				
Hard Costs				
Residential Building Construction Cost ²	\$225 / gross sq. ft.	\$8,933,824	\$225 / gross sq. ft.	\$10,919,118
Residential FF&E	\$25 / net sq. ft.	\$843,750	\$25 / net sq. ft.	\$1,031,250
Library Building Construction Cost ²	\$175 / gross sq. ft.	\$2,264,706	\$175 / gross sq. ft.	\$0
Library FF&E	\$50 / net sq. ft.	\$550,000	\$50 / net sq. ft.	\$0
Parking (Surface) ³	\$5,000 / space	\$167,500	\$5,000 / space	\$137,500
Site Work	\$25 / land sq. ft.	<u>\$1,306,800</u>	\$25 / land sq. ft.	<u>\$1,306,800</u>
Total Direct Costs		\$14,066,579		\$13,394,668
Soft Costs				
Architecture and Engineering	5.0% of direct costs	\$703,329	5.0% of direct costs	\$669,733
Permits and Fees	2.5% of direct costs	\$351,664	2.5% of direct costs	\$334,867
Legal, Insurance & Warranty	3.0% of direct costs	\$421,997	3.0% of direct costs	\$401,840
General & Administrative	2.5% of direct costs	\$351,664	2.5% of direct costs	\$334,867
Financing Costs	6.0% of direct costs	\$843,995	6.0% of direct costs	\$803,680
Builder Fee	5.0% of direct costs	\$703,329	5.0% of direct costs	\$669,733
Developer Fee ⁴	<u>9.0%</u> of direct costs	<u>\$1,265,992</u>	<u>12.0%</u> of direct costs	<u>\$1,607,360</u>
Total Indirect Costs	33.0% of direct costs	\$4,641,971	36.0% of direct costs	\$4,822,080
Subtotal, Direct and Indirect Costs		\$18,708,551		\$18,216,748
Contingency (% of subtotal)	5.0% of total costs (excl. land)	\$935,428	5.0% of total costs (excl. land)	\$910,837
Low Income Housing Tax Credit⁵	60% of eligible costs	-\$11,786,387	60% of eligible costs	-\$11,476,551
Total Costs		\$7,857,591		\$7,651,034
Total Costs per Unit		\$174,613		\$139,110
RESIDUAL PROJECT VALUE		\$253,686		\$2,262,749
Per Land Square Foot		\$5		\$43

(1) Based on HCD income limits for Sonoma County (2019) and City policy ratio re: housing expenditures as a percent of household income.

(2) EPS estimate based on data from various cost estimating reports and affordable housing developers active in the region.

(3) Assumes 1/2 of the required parking is accommodated in the lot across the street at no cost to the project.

(4) Percent of costs varies assuming approximately 1/2 of the allowed developer fee is required at project stabilization and 1/2 is deferred and payable from cash flow.

(5) Assumes 9% tax credit is approximately equivalent to a 65% reduction of eligible costs on a static basis.

155 Dry Creek

Table 2.1: Project Alternatives -- City Policy Context

Housing Project Suitability	Project Summary	Policy and Suitability Selection Criteria				
		Site Context Compatibility	Maximize HAP Policy Objectives	Mixed-Use Opportunities	Leverage with Other Opportunity Sites	Existing Commitments and Restrictions
Option 1	A mixed use project including retail/service (ground floor) with 40-50 affordable rental housing units above or behind (unit count could potentially double if state density bonus is applied). Project would be a partnership with an affordable housing developer who would seek 4 percent tax credit allocation from TCAC.	Site fronts on Dry Creek Road with commercial uses located on both sides and across street, commercial uses would add to commercial character of the site. Environmental constraints limit site utilization.	Contributes to meeting Objective 1.0 and 4.0 -- project results in the creation of new, centrally-located affordable housing units in the City, targeting Low and Very Low-income households.	Commercial uses would add to continuity and scale of existing commercial uses along Dry Creek Road and improve connectivity by virtue of the needed off site improvements	Housing development on site could help, as originally intended, to meet the policy target of 150 units for the Montage Project.	No current commitments; Will require complex wetland mitigation permitting (COE), though it appears that "on-site" mitigation is possible. Density bonus may be needed to achieve required density.
Option 2	An "all residential" project on the site that could increase the prototype diversity and number of affordable units offered. Affordable units could exceed 100 if land area is maximized and if state density bonus is applied.	Lack of commercial "street wall" would interrupt potential commercial continuity adding to the site's context.	Could contribute to meeting Objective 1.0 and 4.0, and also 5.0 depending on the project prototype(s) and affordability range.	Project could include innovative "live-work" space that would provide both housing and work space.	Same as above	Same as above
Option 3	Sell site "as-is" and use funding derived for other affordable housing project subsidies.	Commercial and/or service uses would be compatible with site's context. To be determined by future owner.	Uncertain.	Highest and best use may be mix of retail and service uses.	Funding from sale would be used for other affordable housing projects requiring subsidy.	Sale may not be possible depending on source of RDA funding used.

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

155 Dry Creek
Table 2.2: Site Yield

Item	Description	Option 1	Option 2	Option 3	Sources & References
Gross Land Area (Acres)	3.53 acres				
Parcel Configuration	Roughly rectangular parcel fronting on Dry Creek Road. Railroad right of way along east parcel boundary. Foss Creek forms west parcel boundary. 20' wide pipeline easement (City of Santa Rosa) along south and east parcel boundaries.				
Physical Constraints --Topography --Roads/RR --Creek/Wetlands	Two wetland areas - 0.3 acres and 0.03 acres. Flood plain (Zone AE) encompasses southerly wetland and land below 130' contour. Foss Creek setback - 35' from top of bank (.58 acres) Quiet zone will require a median on Dry Creek Road which will affect location of site access driveway.				COE wetland delineation map City GIS/FEMA flood map
Net Land Area (Developable Acres)	2.1 acres (.58 acres for creek setback; 0.5 acres for wetland mitigation)	2.1 acres	Same	Same	
Site Improvement Costs: -- On-site improvements		Driveway, access. Sewer and water laterals. Fire hydrants. Drainage catch	Same	Same	
-- Off-site improvements		Dry Creek Road frontage improvements: 2 travel lanes, sidewalk, curb and	Same	Same	
Zoning/Entitlement Issues	Mixed Use ("MU") zoning	Will require 404/401 permits for onsite relocation of south wetland (.3 acres) to north end of site. Must comply with Floodplain Development Ordinance. Areas within 100' of railroad r.o.w. subject to	Same	Same	
Preferred Zoning Designation		MU	MU	MU	
Allowable Height		50'	50'	50'	
Allowable Density (Range)		12-16 units/acre	12-16 units/acre	12-16 units/acre	
Unit Yield		45 units	55 units	TBD by future developer	

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

155 Dry Creek

Table 2.3: Financial Feasibility Pro Forma

Project Parameters	Option 1		Option 2	
	Assumption	Amount	Assumption	Amount
DEVELOPMENT PROGRAM				
Gross Land Area (acres)		3,530		3,530
Gross Land Area (sq. ft.)		153,767		153,767
Residential				
Number of Residential Units (high)		45		55
Dwelling Units per Acre		13		16
Leasable Square Feet	750 sq.ft. / unit	33,750	750 sq.ft. / unit	41,250
Gross Square Feet	0.85 net to gross sq.ft.	39,706	0.85 net to gross sq.ft.	48,529
Parking Spaces (Surface)	1.0 space per unit	45	1.0 space per unit	55
Retail/Service				
Leasable Square Feet		20,000		-
Gross Square Feet	0.85 net to gross sq.ft.	23,529	0.85 net to gross sq.ft.	-
Parking Spaces (Surface)	1.0 space per 500 sq.ft.	40	1.0 space per 500 sq.ft.	-
Parking				
Parking Spaces (sq.ft.)	350.0 sq.ft. / space	29,750	350.0 sq.ft. / space	19,250
RESIDENTIAL REVENUE ASSUMPTIONS				
Average Rent ¹	\$1,237 per unit per month	\$668,007	\$1,237 per month	\$816,453
Parking Revenue	\$0 per space per month	\$0	\$0 per month	\$0
Vacancy Rate	3.0%	(\$20,040)	3.0%	(\$24,494)
Gross Revenue		\$647,967		\$791,959
(less) Operating Expenses	\$6,000 per unit per year	(\$270,000)	\$6,000 per unit per year	(\$330,000)
(less) Marketing/Commissions	3.0% of gross revenue	(\$19,439)	3.0% of gross revenue	(\$23,759)
Subtotal		(\$289,439)		(\$353,759)
Annual Net Operating Income		\$358,528		\$438,201
Capitalized Value	4.5% cap rate	\$7,967,284	4.5% cap rate	\$9,737,792
RETAIL/SERVICE REVENUE ASSUMPTIONS				
Average Rent ¹	\$3.50 per sq.ft. per month	\$840,000	\$0.00 per sq.ft. per month	\$0
Vacancy Rate	5.0%	(\$42,000)	0.0%	\$0
Gross Revenue		\$798,000		\$0
(less) Operating Expenses	30.0% of gross revenue	(\$239,400)	30.0% of gross revenue	\$0
(less) Marketing/Commissions	3.0% of gross revenue	(\$23,940)	0.0% of gross revenue	\$0
Subtotal		(\$263,340)		\$0
Annual Net Operating Income		\$534,660		\$0
Capitalized Value	5.5% cap rate	\$9,721,091	5.5% cap rate	\$0
TOTAL VALUE		\$17,688,375		\$9,737,792
DEVELOPMENT COSTS				
Hard Costs				
Residential Building Construction Cost ²	\$225 / gross sq. ft.	\$8,933,824	\$225 / gross sq. ft.	\$10,919,118
Residential FF&E	\$25 / net sq. ft.	\$843,750	\$25 / net sq. ft.	\$1,031,250
Retail/Service Building Construction Cost ²	\$175 / gross sq. ft.	\$4,117,647	\$175 / gross sq. ft.	\$0
Retail/Service FF&E	\$50 / net sq. ft.	\$1,000,000	\$50 / net sq. ft.	\$0
Parking (Surface)	\$5,000 / space	\$425,000	\$5,000 / space	\$275,000
Site Work	\$25 / land sq. ft.	<u>\$3,844,170</u>	\$25 / land sq. ft.	<u>\$3,844,170</u>
Total Direct Costs		\$19,164,391		\$16,069,538
Soft Costs				
Architecture and Engineering	5.0% of direct costs	\$958,220	5.0% of direct costs	\$803,477
Permits and Fees	2.5% of direct costs	\$479,110	2.5% of direct costs	\$401,738
Legal, Insurance & Warranty	3.0% of direct costs	\$574,932	3.0% of direct costs	\$482,086
General & Administrative	2.5% of direct costs	\$479,110	2.5% of direct costs	\$401,738
Financing Costs	6.0% of direct costs	\$1,149,863	6.0% of direct costs	\$964,172
Builder Fee	5.0% of direct costs	\$958,220	5.0% of direct costs	\$803,477
Developer Fee ³	9.0% of direct costs	<u>\$1,724,795</u>	9.0% of direct costs	<u>\$1,446,258</u>
Total Indirect Costs	33.0% of direct costs	\$6,324,249	33.0% of direct costs	\$5,302,947
Subtotal, Direct and Indirect Costs		\$25,488,639		\$21,372,485
Contingency (% of subtotal)	5.0% of total costs (excl. land)	\$1,274,432	5.0% of total costs (excl. land)	\$1,068,624
Low Income Housing Tax Credit⁴	35% of eligible costs	-\$9,367,075	35% of eligible costs	-\$7,854,388
Total Costs		\$17,395,996		\$14,586,721
Total Costs per Unit		\$386,578		\$265,213
RESIDUAL PROJECT VALUE		\$266,000		(\$4,413,000)
Per Land Square Foot		\$2		(\$29)

(1) Based on HCD income limits for Sonoma County (2019) and City policy ratio re: housing expenditures as a percent of household income.

(2) EPS estimate based on data from various cost estimating reports and affordable housing developers active in the region.

(3) Unleveraged return on costs based on an industry standards.

(4) Assumes 4% tax credit is approximately equivalent to a 35% reduction of eligible costs on a static basis.

Montage

Table 3.1: Project Alternatives -- City Policy Context

Housing Project Suitability	Project Summary	Policy and Suitability Selection Criteria				
		Site Context Compatibility	Maximize HAP Policy Objectives	Mixed-Use Opportunities	Leverage with Other Opportunity Sites	Existing Commitments and Restrictions
Option 1	Convert the site to open space and conservation uses in exchange for Developer purchasing and deeding to the City an alternative site capable of accomodating 150 housing units in the City suitable for multifamily affordable housing.	Converting the site to conservation and open space uses would be compatible with development planned for Montage and also surrounding existing development and open space uses.	Depending on project developed, could contribute to meeting Objectives 1.0, 4.0, and 5.0 -- alternative site project results in the creation of new affordable housing units in the City, targeting low and moderate income households.	None.	The obligation to provide an alternative site and to meet the Development Agreement policy target of 150 units would create various opportunities to pursue affordable rental housing on existing or new opportunity sites.	Would require amendment to the Saggio Hills Development Agreement and determination regarding construction of emergency vehicle access between Parkland Farms Blvd and Passalacqua Road sites.
Option 2	A townhome or cottage-court density project offering approximately 70 for-sale price restricted units.	A lower (townhome) density price-restricted for sale project would be more compatible with rural/open space surrounded site than higher density multifamily project.	Contributes to meeting Objectives 1.0 and 5.0 -- project results in the creation of new housing units in the City, targeting moderate and middle income households.	None.	Meeting some of the affordable housing policy commitment associated with Montage would provide resources for achieving lower income affordable rental housing on other opportunity sites.	Saggio Hills Development Agreement offers flexibility regarding the type and number of affordable housing units on the site. DA requires developer to perform mass grading and to install backbone infrastructure (extension of Parkland Farms Blvd as public street with underground utilities).
Option 3	A multifamily building complex project of up to 150 units of rental affordable housing targeting low and moderate income households.	The setting and relatively remote nature of the site may make it incompatible for higher density affordable rental housing units.	Project would contribute to meeting Objectives 1.0 and 4.0 -- project results in the creation of new housing units in the City, targeting low and moderate income households.	None.	None.	Same as above.

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

Montage
Table 3.2: Site Yield

Item	Description	Option 1	Option 2	Option 3	Sources & References
Gross Land Area (Acres)	Approximately 14.16 acres, including Parcel 5 (7.02 acres), Parcel 6 (5.45 acres), and right-of-way parcel to be dedicated for Parkland Blvd extension (1.76 acres) as shown on Final Map (FM1)				Saggio Hills Development Agreement (April 11, 2011), as amended. Saggio Hills Final Map 1 (May 23, 2018)
Parcel Configuration	Irregularly shaped site, roughly 700' x 900'. North boundary adjoins Passalacqua Road. Site narrows to a point at south end where it meets northeast terminus of Parkland Farms Blvd.				Saggio Hills Final Map 1 (May 23, 2018)
Physical Constraints --Topography --Roads/RR --Creek/Wetlands	Parcel 5 has a central knoll with slopes of 20-25%. Seasonal tributary to Foss Creek and associated riparian corridor is located along Passalacqua Road on north part of site. An upland drainage/wetland (0.94 acre) is located on south end of site near Parkland Farms Boulevard. A 0.22 acre drainage/wetland is located near east parcel boundary above Foss Creek drainage. Offsite mitigation has been completed in order for these wetlands to be filled. Parcels are located at wildland-urban interface and subject to wildfire hazards.				
Net Land Area (Developable Acres)		No development - property put in conservation easement.	Concentrate development on areas with slopes of less than 20%. Realign site access road. 25' creek setback (from top of bank). No development on north side of Foss Creek along Passalacqua Road. Net land area ~4.0 acres. (175,000 SF/3500 SF = 50 units)	Recontour site to remove knoll on Parcel 5 and establish more gently sloping development pad(s). 25' creek setback from top of bank. Develop on north side of Foss Creek along Passalacqua Road. Net land area is approximately 11 acres. (479,000/3500 SF=135 units)	Option 2 yield derived from GIS slope analysis. Option 1: Saggio Hills Project Revised DEIR; Table 2-1 (August 2007)
Site Improvement Costs: -- On-site improvements		Determination would be needed regarding establishment of emergency vehicle access, pedestrian/bicycle trail, and utility connections. Amendment to Saggio Hills DA needed.	Mass grading; access road w/ bridge, sidewalks and bike lanes; wet and dry utilities are responsibility of Montage developer	Same	Saggio Hills Development Agreement
-- Off-site improvements		None	Traffic study would be needed to determine if traffic calming improvements are needed in neighborhood and signal improvements at Parkland Farms Blvd/Healdsburg Avenue intersection.	Same	
Zoning/Entitlement Issues	Zoning designation is R-1-3,500 (zero lot line, 2,000-6,000+ SF lots ok)	Record conservation easement. Rezone to Open Space if desired.	Development will require project-level environmental review, approval of a housing agreement, tentative and final map, and design review.	Same	
Preferred Zoning Designation	R-1-3,500	OS	R-1-3,500	R-1-3,500	
Allowable Height	35' height limit unless "small lot subdivision" (i.e., lot sizes smaller than 3,500 SF), in which case 25' height limit is established.	N/A	25' - 35'	25' - 35'	
Allowable Density (Range)	up to 12 units per acre	N/A	same	same	
Unit Yield		N/A	70 units	150 units	

Attachment: Attachment 1 (2667 : Affordable Housing Site Analysis)

Montage

Table 3.3: Financial Feasibility Pro Forma

Project Parameters	Option 2		Option 3	
	Assumption	Amount	Assumption	Amount
DEVELOPMENT PROGRAM				
Gross Land Area (acres)		14.160		14.160
Gross Land Area (sq. ft.)		616,810		616,810
Residential				
Number of Residential Units (high)		70		150
Dwelling Units per Acre		5		11
Saleable/Leasable Square Feet	1,100 sq.ft. / unit	77,000	750 sq.ft. / unit	112,500
Gross Square Feet	1.0 net to gross sq.ft.	77,000	0.85 net to gross sq.ft.	132,353
Parking Spaces (Surface)	1.5 space per unit	105	1.0 space per unit	150
Retail/Service				
Leasable Square Feet		-		-
Gross Square Feet	0.85 net to gross sq.ft.	-	0.85 net to gross sq.ft.	-
Parking Spaces (Surface)	1.0 space per 500 sq.ft.	-	1.0 space per 500 sq.ft.	-
Parking				
Parking Spaces (sq.ft.)	350.0 sq.ft. / space	36,750	350.0 sq.ft. / space	52,500
RESIDENTIAL REVENUE ASSUMPTIONS				
Average Sales Price/Rent ¹	\$700,000 per unit	\$49,000,000	\$2,469 per month	\$4,444,275
Parking Revenue	n/a		\$0 per month	\$0
Vacancy Rate	n/a		5.0%	<u>(\$222,214)</u>
Gross Revenue		\$49,000,000		\$4,222,061
(less) Operating Expenses	n/a		\$10,000 per unit per year	<u>(\$1,500,000)</u>
(less) Marketing/Commissions	3.0% of gross revenue	<u>(\$1,470,000)</u>	1.0% of gross revenue	<u>(\$42,221)</u>
Subtotal		<u>(\$1,470,000)</u>		<u>(\$1,542,221)</u>
Annual Net Operating Income		\$47,530,000		\$2,679,841
Market Value	n/a	\$47,530,000	4.5% cap rate	\$59,552,014
RETAIL/SERVICE REVENUE ASSUMPTIONS				
Average Rent ¹	\$0.00 per sq.ft. per month	\$0	\$0.00 per sq.ft. per month	\$0
Vacancy Rate	5.0%	<u>\$0</u>	5.0%	<u>\$0</u>
Gross Revenue		\$0		\$0
(less) Operating Expenses	30.0% of gross revenue	<u>\$0</u>	30.0% of gross revenue	<u>\$0</u>
(less) Marketing/Commissions	3.0% of gross revenue	<u>\$0</u>	0.0% of gross revenue	<u>\$0</u>
Subtotal		<u>\$0</u>		<u>\$0</u>
Annual Net Operating Income		\$0		\$0
Capitalized Value	5.0% cap rate	\$0	5.0% cap rate	\$0
TOTAL VALUE		\$47,530,000		\$59,552,014
DEVELOPMENT COSTS				
Hard Costs				
Residential Building Construction Cost ²	\$275 / gross sq. ft.	\$21,175,000	\$225 / gross sq. ft.	\$29,779,412
Residential FF&E	\$50 / net sq. ft.	\$3,850,000	\$25 / net sq. ft.	\$2,812,500
Retail/Service Building Construction Cost ²	\$175 / gross sq. ft.	\$0	\$175 / gross sq. ft.	\$0
Retail/Service FF&E	\$50 / net sq. ft.	\$0	\$50 / net sq. ft.	\$0
Parking (Surface)	\$5,000 / space	\$525,000	\$5,000 / space	\$750,000
Site Work ³	\$10 / land sq. ft.	<u>\$2,056,032</u>	\$10 / land sq. ft.	<u>\$2,056,032</u>
Total Direct Costs		\$27,606,032		\$35,397,944
Soft Costs				
Architecture and Engineering	5.0% of direct costs	\$1,380,302	5.0% of direct costs	\$1,769,897
Permits and Fees	2.5% of direct costs	\$690,151	2.5% of direct costs	\$884,949
Legal, Insurance & Warranty	3.0% of direct costs	\$828,181	3.0% of direct costs	\$1,061,938
General & Administrative	2.5% of direct costs	\$690,151	2.5% of direct costs	\$884,949
Financing Costs	6.0% of direct costs	\$1,656,362	6.0% of direct costs	\$2,123,877
Builder Fee	5.0% of direct costs	<u>\$1,380,302</u>	5.0% of direct costs	<u>\$1,769,897</u>
Total Indirect Costs	24.0% of direct costs	\$6,625,448	24.0% of direct costs	\$8,495,507
Subtotal, Direct and Indirect Costs		\$34,231,480		\$43,893,450
Contingency (% of subtotal)	5.0% of total costs (excl. land)	\$1,711,574	5.0% of total costs (excl. land)	\$2,194,673
Developer Profit⁴	15% of all costs (excl. land)	\$5,391,458	12% of all costs (excl. land)	\$5,530,575
Total Costs		\$41,334,512		\$51,618,698
Total Costs per Unit		\$590,493		\$344,125
RESIDUAL PROJECT VALUE				
Per Land Square Foot		\$9		\$11

(1) Based on HCD income limits for Sonoma County (2019) and City policy ratio re: housing expenditures as a percent of household income.

(2) EPS estimate based on data from various cost estimating reports and affordable housing developers active in the region.

(3) Assumes site work is required on 1/3 of the site.

(4) Unleveraged return on costs based on an industry standards.

Mark Themig, Community Services Director
 City of Healdsburg, 401 Grove Street
 Healdsburg, California 95448

January 13, 2020

Re: Letter of Interest

Dear Mr. Themig,

The Foley Family Foundation (“FFF”) is pleased to submit this letter of interest to partner with the City of Healdsburg (the “City”) to fund the creation of the proposed 3 North Street project and future home of the Healdsburg Farmers’ Market, in Healdsburg, California (the “Project”).

As business owners and residents of Healdsburg, the Foley Family is deeply invested in the community, and are committed to supporting our city’s continued progress as a preeminent destination for families and visitors, while honoring its rich agricultural ties. Owning wineries, restaurants, and tasting rooms within Healdsburg gives the Foley Family many opportunities to showcase the wonderful bounty that our community has to offer. We believe investing in a permanent home for the local farmers, artisans, and creators who allow Healdsburg to shine so brightly would be an ideal use for the centrally located 3 North Street building.

FFF hereby confirms that it has sufficient resources and is interested in participating in the Project and making available up to \$7,000,000.00 to fund the Project (the “Funds”), on the following two conditions: that FFF will have naming rights for the Project and that the City and FFF are able to mutually agree on an acceptable funding plan.

The City acknowledges that in exchange for its commitment of the Funds through an acceptable funding plan, FFF will have the right to name the 3 North Street project.

ACCEPTED AND ACKNOWLEDGED:

Foley Family Foundation: By: <u>Courtney Riley</u> Its: <u>FFF Board Member</u> Date: <u>January 13, 2020</u>	City of Healdsburg: By: <u>Mark Themig</u> Its: <u>Comm Serv Director</u> Date: <u>1/13/20</u>
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