SANTA ROSA ACTION PLAN: HOUSING

Housing Series – Report 6

Housing as Economic Development

Prioritized Implementation Actions

Financing Options

City Council – November 1, 2016

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Mission

The City of Santa Rosa will facilitate the construction of **Housing for All**; specifically, meeting the housing needs of the full spectrum of household income groups including those currently living in the City and those relocating to the City in the future.

Housing Action Plan Review

APPROACH:

- Maximize housing production within realistic fiscal commitments
- Expand housing-related investments

PERFORMANCE MEASURES:

- **Quantifying existing** housing needs and deficiencies
- **Measuring** social, economic and fiscal performance
- **Documenting "return on investment"** from City investments

Housing Action Plan

Sets forth a multi-faceted approach to achieve construction of "housing for all" through 5 program areas:

1. Increase Inclusionary Housing
2. Achieve "Affordable by Design" Housing
3. Assemble and Offer Public Land for Housing Development
4. Improve Development Readiness of Housing Opportunity Sites
5. Increase Housing Investments and Developer Partnerships

Prioritized Implementation Work Plan

COMPLETED & ONGOING EFFORTS

- Community Engagement
- Non-Discrimination Ordinance
- 15% Units to Low Income HH
- Processing Timelines
- Streamline Plan Check/Site Review
- Sustain Homeless Programs
- Funding for Very Low/Low Housing
- Sustain GF Support for Housing Program
- Sustain GF Support for PED Capacity
- Housing Incentive Fund
- Commercial Linkage Fee

Summary of Investment

• **Homeless Services**	$1,700,000
• **Process Improvements**	$800,000
• **Affordable Housing Incentive Fund**	$3,000,000
➢ **TOTAL**	**$5,500,000**

Housing Program Actions: COMPLETED OR UNDERWAY

Homeless Services

$1.7 million allocated to address homelessness
(January 2015-present)

- Outcomes Include:
  - Shelter Programs
  - HOST Program
  - Community Homeless Assistance Pilot Program
  - Mobile Bathroom-Shower Trailer

Housing Program Actions: COMPLETED OR UNDERWAY

Rent Stabilization

Ordinance 4072: Rent Stabilization and Termination of Tenancy Protection

- **Roll Out Plan** *(suspended pending referendum outcome)*:
  1. Education and outreach, and establish organizational and administrative structure/procedure *(+/- 4 months)*
  2. Processing requests for service, review of Capital Improvement Plans, rent dispute hearings, etc.

Housing Program Actions: COMPLETED OR UNDERWAY

Process Improvement Action Plan

$800,0000 invested in initiatives *(January 2015-present)*, including:

- Amend hillside development standards
- Streamline design review process, plan check and site review
- Create an integrated service counter
- Optimize electronic plan review and on-line permitting
- Increase planning / inspection volume through consultant services
- Create Citizen Access Portal
- Purchase queuing software

Prioritized Implementation Work Plan

PRIORITY 1

- Housing Impact Fees for Rental Units
- Inclusionary For-Sale Housing
- Financial Incentives Criteria
- Amend Density Bonus
- Streamline Design Review Process
- Consider GO Bond
- Developer/ Landlord Partnerships
- Future GF Increases for Housing Programs
- Consider Enhanced Infrastructure Financing
- Amend Second Unit Ordinance
- Amend Hillside Dev. Standards
- Affordability Contract Pilot Program

Prioritized Implementation Work Plan

PRIORITY 2

- Modular Housing Pilot Program
- ID Public Parcels for Housing
- Address Critical Habitat Mitigation
- Create Integrated Service Counter
- Develop Readiness Assessment in PDAs
- Evaluate Underused Public Land for Housing

Prioritized Implementation Work Plan

PRIORITY 3

- Simplify Definition of Quality Units
- Consider Revision of Single Room Occupancy Standards
- Develop Land Banking Program
- Optimize Electronic Plan Review and On-Line Permitting

Public Outreach + Community Engagement

Santa Rosa Housing Series

This series of City Council meetings is designed to provide information on actions and opportunities specific to housing development, from the review process to funding.

URBAN COMMUNITY PARTNERSHIP

COMMUNITY ADVISORY BOARD

Affordable Housing Incentive Fund

$3 Million

Notification of Funding Availability Pilot Program:

Determining the feasibility and effectiveness of 3 types of subsidies that can create or extend affordable housing units

1. **Direct payments to developers** offering affordable housing units to offset project fees and other costs of development
2. **Purchasing affordable housing contracts** from multifamily housing developers
3. **Purchasing extensions on affordable housing contracts** that are set to expire in the near future

Housing as Economic Development

Economic Overview

- Overall and Construction-Related **Employment**
- **Economic Contribution** of Residential Construction
- **Economic Impact** of Achieving HAP Objectives
- **Fiscal Benefits** of New Housing Construction
- **Transformational Effects** of Infill Housing

Economic Overview

EMPLOYMENT:

Up 12%
since 2010
(22,000 jobs)

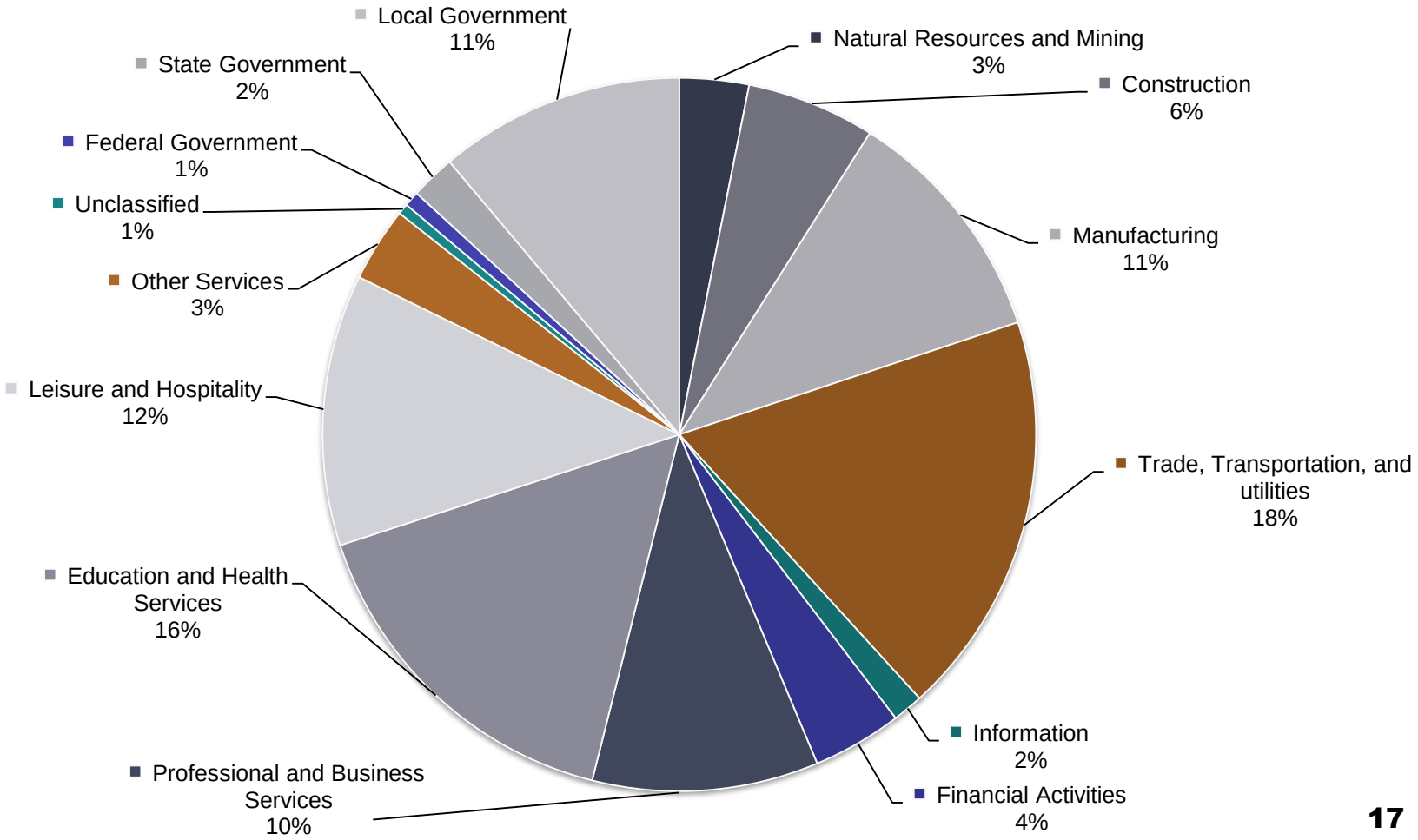
UNEMPLOYMENT:

3.8%
Below State
average of 4.8%

- **JOB GROWTH** dominated by "population serving" industries including retail, health care and government
- Also **STRONG SHOWING** for key "basic" industry employment including tourism, agriculture, and manufacturing

Economic Overview

COMPOSITION OF JOB GROWTH

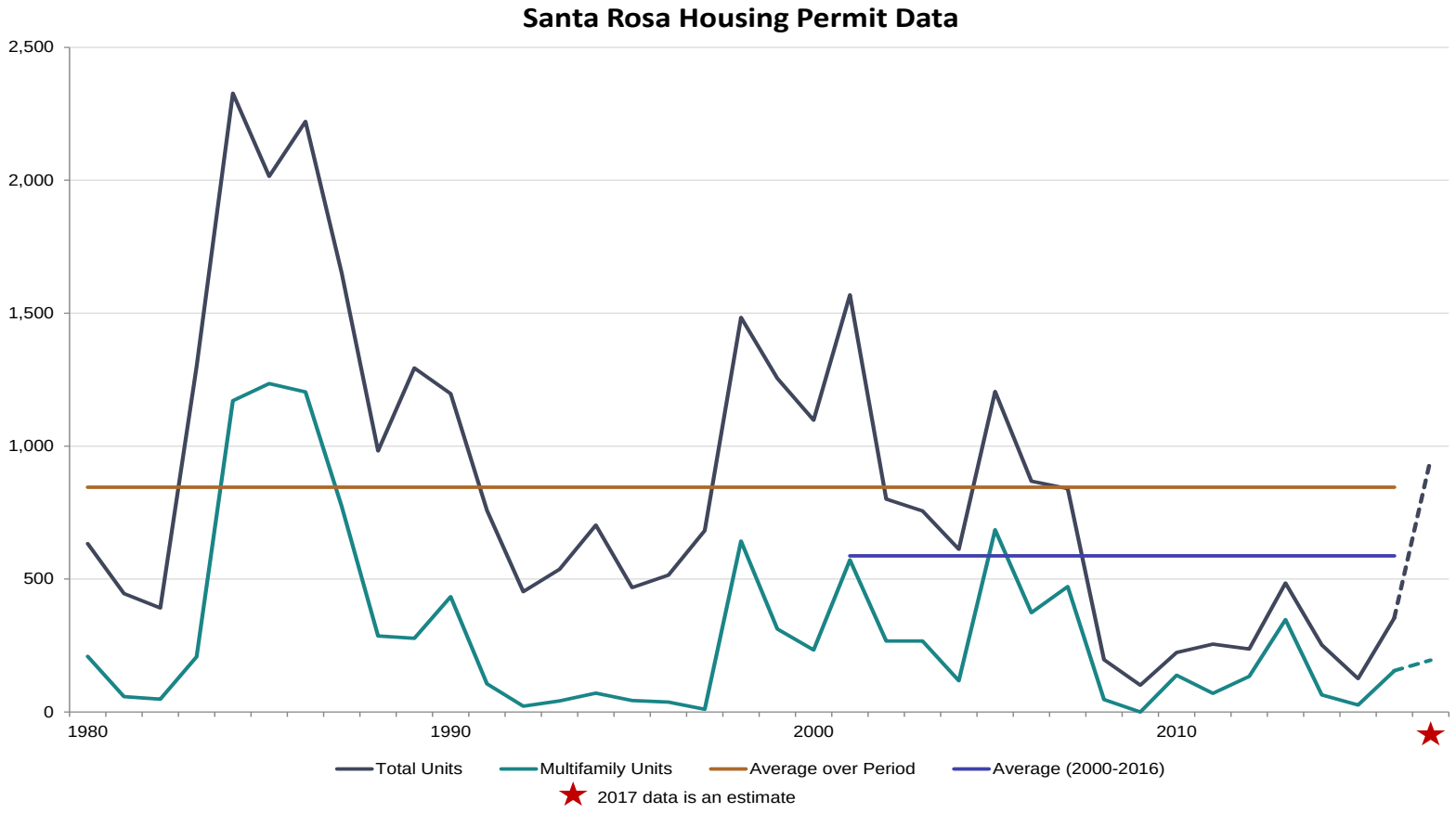


Economic Overview

Remaining Areas of Economic Weakness

- Household incomes have remained relatively flat
- Employment growth mainly in "lower wage" industries
- Commercial property vacancies remain high
- Housing and other construction remain well below historical average (see chart)

Economic Overview



Source: U.S. Department of Housing and Urban Development; City of Santa Rosa.

2016 Permit Activity

Building Permits Issued and Issuable: **354 Units**

- Single Family Units – 199
- Multi Family Units – 155

Permit Applications in Development Review: **950 Units**

Residential Construction: Employment Driver

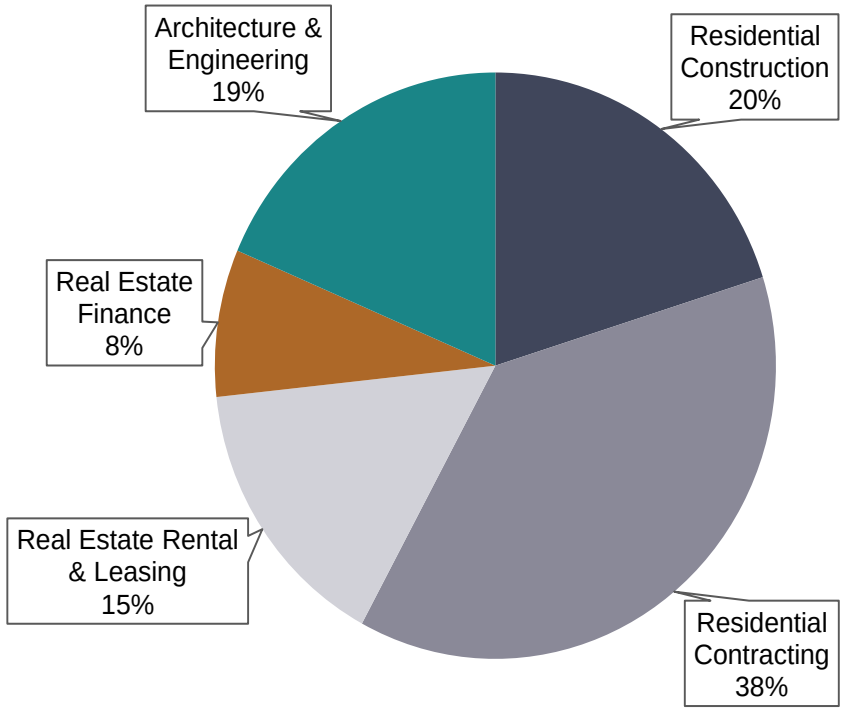
Residential Construction

- Affects employment across range of industry sectors
- Represents approximately 11,000 jobs in Sonoma County

Employment related to residential construction

- Tends to have higher average wages, benefits, etc.
- Average annual wage of $60,000.

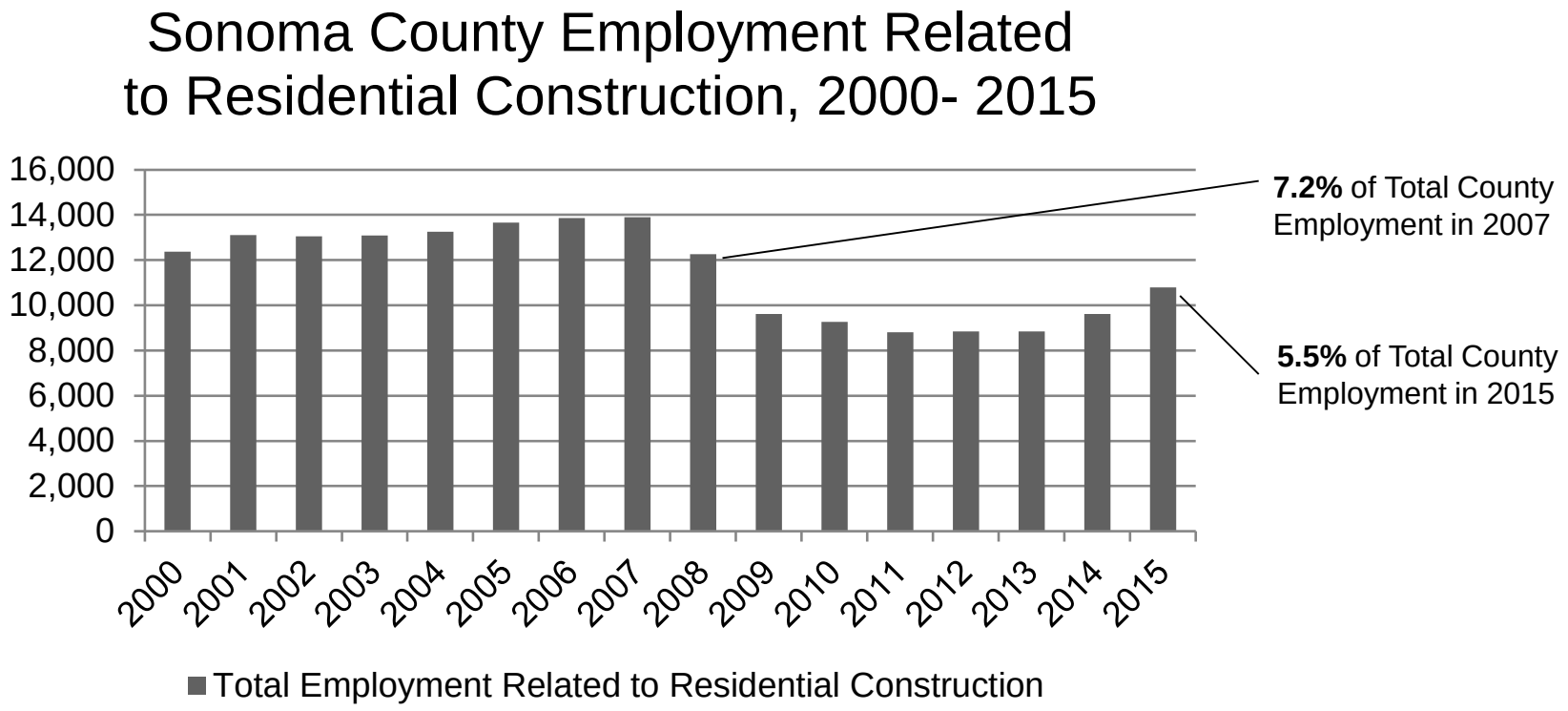
Sonoma County Employment Related to Residential Construction, 2015



Residential Construction: Employment Trends

Sonoma County Residential Construction Employment

22% below 2007 peak



New Residential Development: Economic + Fiscal Impacts

- Estimated Economic Effects
- Estimated Fiscal Effects
- Social and Transformational Effects

New Residential Development: Economic Effects

New home construction

- Attracts **direct investment** in construction & household formation
- Attracts other **indirect** and **induced economic benefits**

New residential construction

- Estimated average sales price of $500,000, **which generates**:
  - ✓ Approximately 3 construction jobs per home, plus approximately 2.5 indirect and induced jobs.
  - ✓ An additional $300,000 of construction-related indirect and induced spending.
  - ✓ One-time retail spending of at least $8,000

New Residential Development: Economic Effects

- New households and associated household retail spending broadens the City's retail tax base
- New retail spending supports retail and service jobs

Item	$500,000
Average Unit Value	$500,000
Average Annual HH Income	$87,000
Average HH Retail Expenditure	$14,000
Indirect Output	$900
Induced Output	$1,100

Sources: IMPLAN; Economic & Planning Systems, Inc.

Economic Impacts of Housing Action Plan Objectives

- Substantial unmet demand from new jobs created in past five years
- New job growth dependent upon housing availability
- Plan envisions construction of 5,000 housing units over the next six years, averaging 833 homes per year

Economic Impacts of Housing Action Plan Objectives

5,000 new homes in six years generates:

- ✓ **$2.5 billion of real estate investment** ($500,000 per home)
- ✓ An additional **$1.5 billion of indirect and induced effects**
- ✓ **27,000** additional **construction jobs supported**.
- ✓ Household formation generates **one-time spending of $40 million** (at least $8,000 per home) for appliances, furniture, etc.

Fiscal Effects of New Residential Development

New Housing:

- Grows the City's tax base and utility rate base
- Contributes to City's fiscal sustainability
  - $2.5 billion increase of real estate value = nearly 12% increase in the City's assessed value
  - $50 million of real property transfer tax
  - $3 million of property tax revenue
  - $1.5 million of property tax in lieu of Vehicle License Fee
  - Planning and Building fees will be generated to support planning and permit process

Fiscal Effects of New Residential Development

Achieving housing objectives can

improve the City budget

Net new positive fiscal revenues of approximately

$6.5 million per year

assuming 5,000 new homes

over a 6-year period

Transformational Effects of Infill Residential Projects

Higher-density multifamily housing in Downtown, Specific Plan Areas and Commercial Corridors can be instrumental in **revitalizing** these areas

Infill development and revitalization

- Creates an urban development form
- That will be more **sustainable**, **transit-friendly**, and **affordable**
  - ✓ Improves the jobs/housing balance
  - ✓ Reduces vehicle miles travelled (VMT) as people are able to live near their place of work
  - ✓ Attracts millennial and retirement households

Transformational Effects of Infill Residential Projects

- **Housing production** captures latent value of underutilized and vacant properties
- **Stable Housing** builds wealth and social stability
- **New residential development** supports local retail, service businesses, and vitality
  - ✓ Expands business, jobs, and economic base
  - ✓ Improves City's fiscal sustainability
  - ✓ Expands retail diversity, quality, and vitality, attracting visitors

Housing Action Plan: Recommendation

It is recommended by the Housing and Community Services and Planning and Economic Development Departments that Council, by motion:

1) **Accept the Housing Action Plan update report**; and

2) **Authorize the prioritized implementation work plan**.

Further, it is recommended that the Council, by resolution, **adopt the Affordable Housing Incentives Pilot Program**.