Attachment 1

Housing Action Plan

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David Guhin, Director
Planning & Economic Development
(707) 543-4299
dguhin@srcity.org

David Gouin, Director
Housing & Community Services
(707) 543-3316
dgouin@srcity.org

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INTRODUCTION

This *Housing Action Plan* has been prepared to address the City's ongoing unmet housing needs and to implement the City's General Plan Housing Element. At a time of increasing housing demand, and in recognition that an active housing market is a key component of the City's economic development, housing production has remained at historically low levels. This is attributable to the lingering effects of the Recession, including the decimation of the local building industry and a lag in housing market recovery (by comparison to other portions of the Bay Area), continued challenges in the credit markets affecting availability and cost of construction lending and more rigorous buyer mortgage qualification requirements, limited supply of land ready for development (due, in large measure, to federal and State endangered species habitat regulation and related mitigation requirements), and planning and building staff capacity constraints and related difficulties involved in obtaining development entitlements.

As a result of a decade of low housing production, a severe housing shortage has set in. This is indicated by rising residential rents and prices, dislocation of working families to other communities (increasing commuting), and increasing reliance on sub-standard housing, over-crowding, and other coping mechanisms.

The City of Santa Rosa recognizes that without concerted effort and reforms of its planning, regulatory, infrastructure programming, and financing efforts, it will be unable to neither meet the community's housing needs nor achieve the City's economic development potential. Housing for all will require fundamental changes in the City's existing plans, practices, and performance, including: 1) reforms to City plans and development regulations; 2) improvements to "on-time" performance and certainty in development review; 3) a higher level of interdepartmental cooperation and commitment to mission objectives; 4) an increased involvement in facilitating housing development; 5) increased direct investments in affordable housing production.

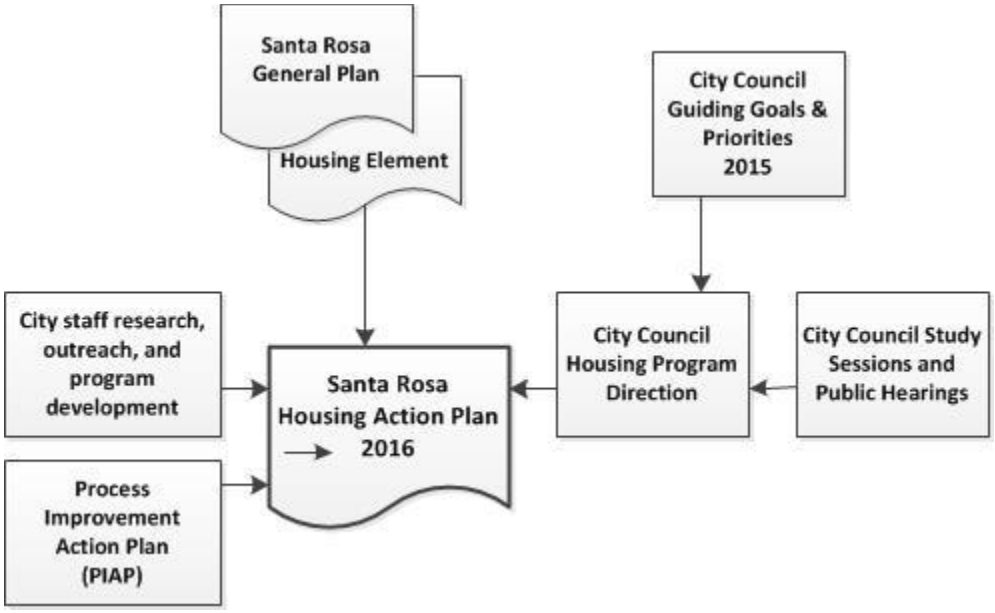
The Santa Rosa City Council established five specific priorities to better focus efforts derived from broad goals that were established for fiscal year 2015 through 2017. City staff and resources will be directed toward these priorities through at least the term of the current Council.

1. Reduce homelessness through a comprehensive strategy
2. Develop a comprehensive housing strategy – "Housing for All"
3. Create a plan to address infrastructure and deferred maintenance throughout the community
4. Pursue current opportunities for medical cannabis cultivation, lab testing, and employment development. Prepare for the impacts of prospective legalized recreational marijuana law in California
5. Complete Roseland annexation and move to implementation

This *Housing Action Plan 2016* has been created over the past six months through a substantial collaborative effort by City staff, extensive direction from the City Council, and public engagement efforts. It is important to note that this entire effort reflects and is intended to implement adopted City land use and housing policy as reflected in the City's General Plan and General Plan Housing Element. Following the City Council identifying the need to expand

housing supply (priority #2), particularly for affordable housing, City staff began a research and policy analysis, a building industry outreach effort, a community engagement process and City Council meetings that included two Council Study Sessions in late 2015 and five report items to date in early 2106. The Housing Action Plan was unanimously approved by Council on June 7, 2016. **Figure 1** provides an illustration of the *Housing Action Plan* formative process.

Figure 1 Development of the Housing Action Plan 2016



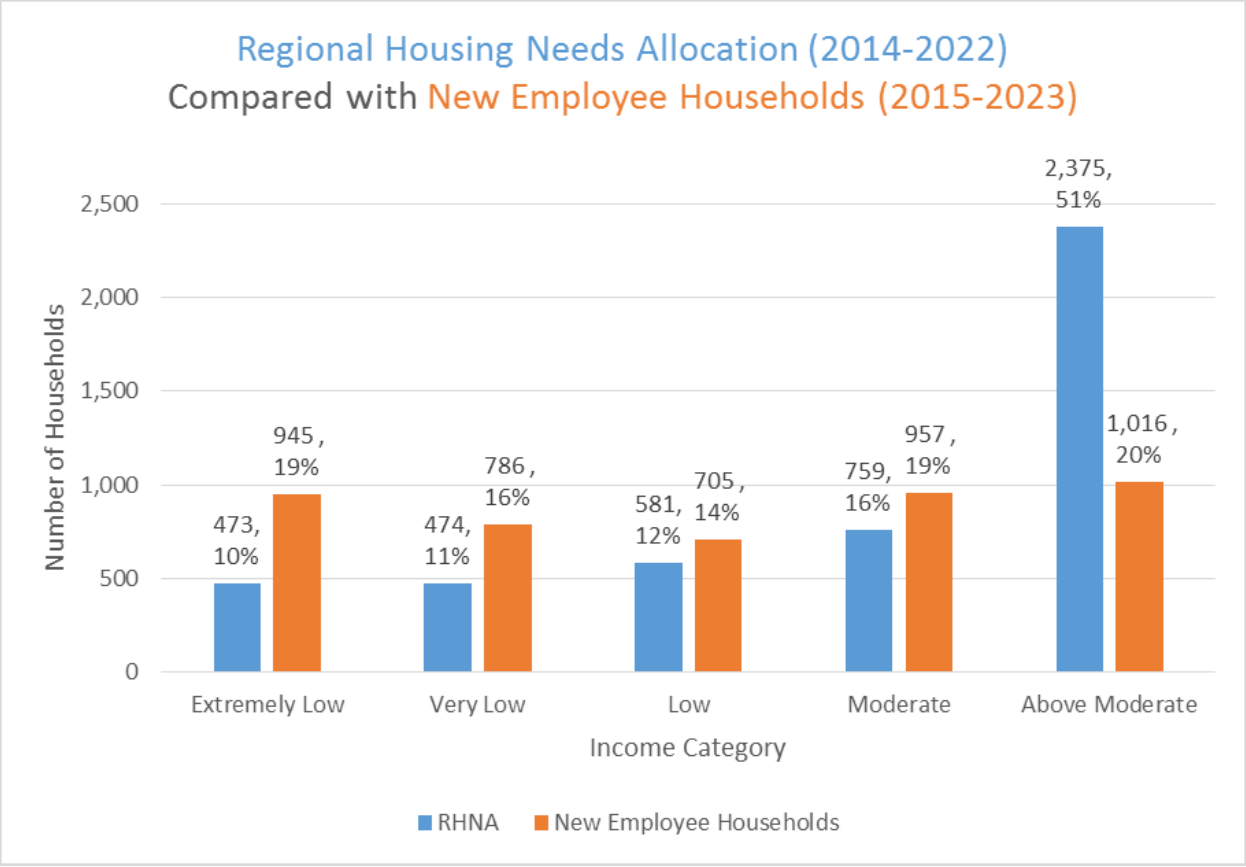
Mission

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.

Over the past decade housing production has been inhibited by the 2007-2010 Recession and its aftermath. Even as economic conditions have improved the City has lagged in housing production due to a combination of market, regulatory, and cost constraints. A programmatic and business-like approach will be followed to achieve the policy and procedural reforms and funding commitments needed to achieve and sustain housing production goals, consistent with the City's *General Plan* and *Housing Element*.

Figure 2 provides estimates of Santa Rosa's new housing needs through the current Housing Element Cycle (2014-2023). Actual housing needs may exceed these numbers as there is currently a deficit, exemplified by the very low housing vacancy rates in the City.

Figure 2 Santa Rosa's Housing Needs (2014-2023)



Achieving "housing for all" will confer social, fiscal, environmental, and economic benefits to the City of Santa Rosa:

- Expanding and improving the housing stock for existing and future residents of the City at all household income levels (Housing for All).
- Achieving infill and transit-oriented development objectives consistent with Plan Bay Area (ABAG Regional Plan), thus revitalizing older commercial areas of the City while simultaneously contributing to regional GHG reduction targets.
- Expanding development-based funding revenues that support needed infrastructure and community facility improvements.
- Increasing City revenues used to support and expand City services.
- Expansion of local business and related increases in local employment and household income.
- Retention and attraction of new businesses as local labor force improves and expands.

Housing Action Plan Objectives

1. Build 5,000 housing units in the current Housing Element Cycle (through 2023) consistent with *General Plan Housing Element* Quantified Objectives (RHNA)[1].
2. Achieve construction of 2,500 affordable housing units, including 30 percent of the total (approximately 1,500 units) for lower income households, and 20 percent of the total (approximately 1,000 units) for moderate income households created through a strategic approach that includes achieving inclusionary housing within for sale market-rate housing projects, innovative "affordability by design" market-rate affordable housing, providing regulatory incentives and financial subsidies for affordable housing projects, and continued collaboration with affordable housing developers.
3. Preserve, to the greatest extent possible, the 4,000 existing affordable housing units.
4. Achieve 1,000 housing units ready for Building Permit issuance in 2016 by prioritizing and expediting housing projects currently pending review by planning, engineering, and building.
5. Facilitate and revitalize the 2,000 housing units that are available through previously entitled housing projects but have not yet been built by soliciting time extensions and refinements as may be required to implement the respective planning approvals, subdivision maps, and other regulatory requirements.
6. Identify which pending housing projects and development opportunity sites (General Plan development capacity) are subject to federal and State critical habitat and wetland regulations that may render these lands undevelopable d and consider amendments to the City's General Plan to adjust for lost development capacity.

[1] Santa Rosa's Housing Element, responding to the Regional Housing Needs Allocation, established "quantified objectives for new housing construction of 4,662 housing units, with 32 percent (1,528) units available to Extremely Low, Very Low, and Low income households.

Implementation Approach

Implementing the Housing Action Plan requires a wide range of policy, operational, and funding reforms in the City of Santa Rosa. In essence, it is recognized that the current housing shortage must be addressed by creating, overall, a more "housing positive" approach to the City's administration of regulations and investments. The approach to implementation is summarized in the following seven steps:

1. Build upon the City's ongoing departmental reorganization and capacity-increasing efforts in the Planning and Economic Development Department. Create an effective, mission-driven interdepartmental team effort to pursue housing goals and objectives.

2. Address the issues of time, cost, and certainty for housing projects by continuing to fund implementation of the Process Improvement Action Plan (PIAP) and invest in process improvements that foster and enhance customer service, process and technology, and partnerships.

3. Set short, medium, and long term housing production objectives while maintaining flexibility to meet current challenges and seize opportunities that arise.

4. Focus immediate attention (2016) upon "fast tracking" housing development in the planning, engineering, and plan check phase of development and resolving policy regulatory constraints that are deterring pending development applications.

5. Achieve procedural reforms and take actions (as specified in the Operational Plan, below) that increase accountability and trust with the public-at-large and interest groups, the development community, major employers, and cooperating public agencies.

6. Improve responsiveness, certainty, capacity and professionalism, on-time performance, and accountability for all aspects of planning and development review, housing development partnerships, economic development, and infrastructure financing efforts.

7. Create effective partnerships with market rate and affordable housing developers, other public agencies, and charitable institutions.

8. Make public investments necessary to catalyze the broad housing market and subsidize housing for the City's homeless and lower income households.

ORGANIZATIONAL PLAN

The Organizational Plan addresses how the City will manage and deploy its organizational resources as part of the Housing Action Plan implementation. The organizational plan encompasses: 1) ongoing departmental reorganization efforts; 2) an increase in interdepartmental coordination and subordination to the mission of the Housing Action Plan, 3) establishing clear priorities that deploy limited staff resources toward the most immediate mission-critical objectives; and 4) expanded partnerships with other public entities and non-governmental organizations.

Implicit in this organizational change is a shift in current management, planning, and regulatory practices from a "reactive" mode (responding to and processing development and building applications) to a "proactive" mode designed to expedite desired housing development consistent with the General Plan, zoning regulations, and Housing Action Plan objectives.

Departmental Reorganization and Capacity Improvements

Designed to best position the City to tackle the complex opportunities and issues facing the community – housing, homelessness, economic development, and community engagement – the City Manager instituted a departmental reorganization to better address these issues. The organizational changes, effective October 20, 2015, align services by functions and goals, creating better synergy in program efforts and cross departmental collaboration. Citywide, the changes include creation of two new departments and other reassignments:

- Planning & Economic Development Department consisting of Planning, Building, Engineering Services, and Economic Development under the interim direction of David Guhin. *(Formerly Community Development)*

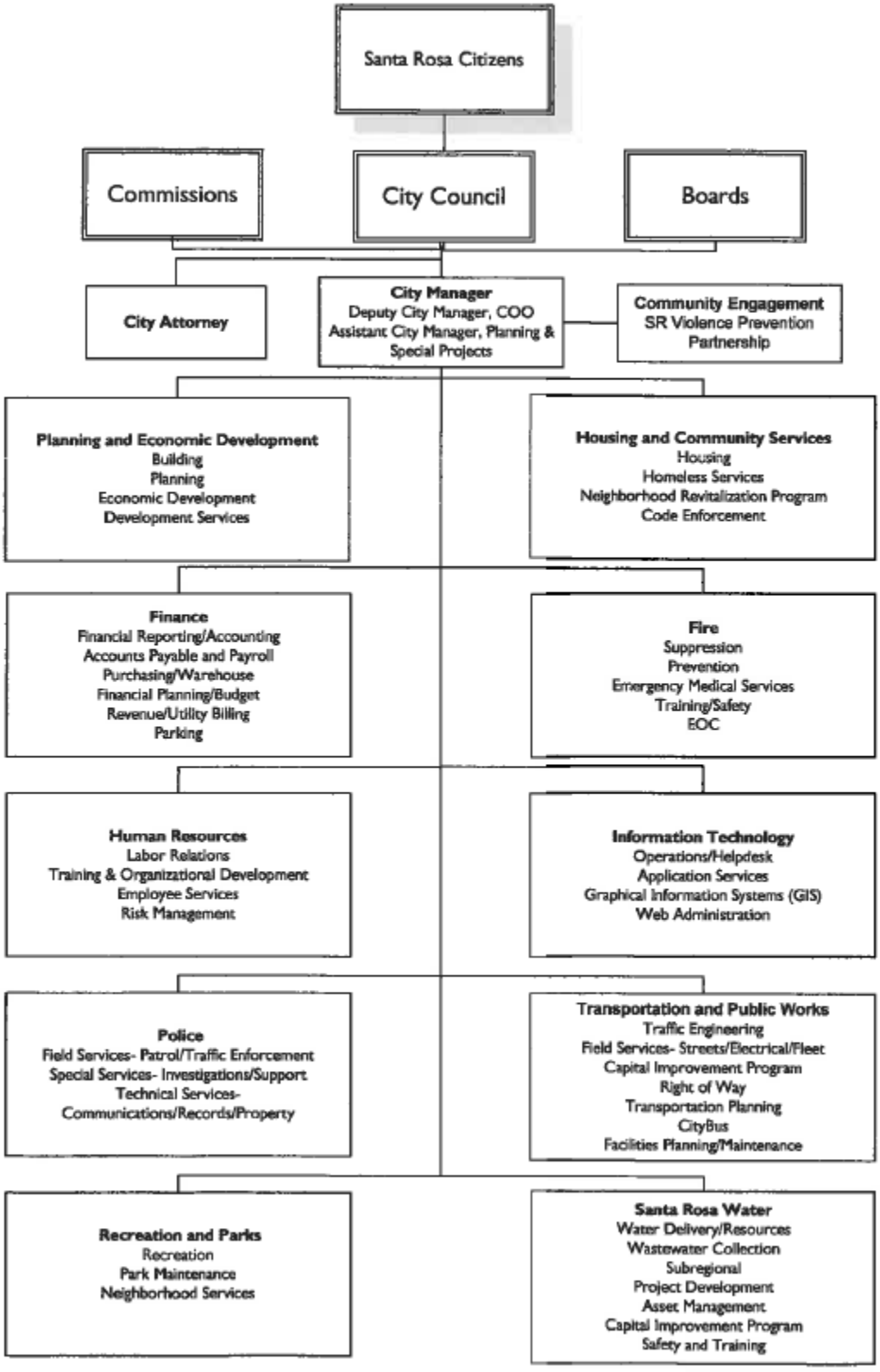
- Housing & Community Services Department consisting of Housing Trust, Housing Choice Voucher Program (Section 8), Neighborhood Revitalization Program, Code Enforcement, and homeless services. David Gouin serves as the department's director. *(Formerly Economic Development, Housing and Parking)*

- The Finance Department assumed management of the Parking Division and any residual Redevelopment Agency functions.

- Transportation and Public Works Director Jason Nutt assumed project management responsibilities for the Courthouse Square and SMART integration projects.

- **Figure 3** shows the City's current Organizational Chart and clarifies the functions of the Deputy City Manager (Chief Operating Officer) and the Assistant City Manager (Planning and Special Projects).

Figure 3 City of Santa Rosa Organization Chart



Interdepartmental Coordination and Leadership

The departmental reorganization is a positive reflection of the City's commitment to a more modern organization that will be more responsive to the needs of our community. Regardless of which department, division, or functional teams specific responsibilities reside, City Manager McGlynn's expectation is for a seamless, non-compartmentalized, and mission-driven service to the public by all City employees. Thus the reorganization and related management directives also emphasizes "lateral" teams and work flows (cutting through normal compartmentalization of City departments) and creates new senior staff accountability through weekly department-head level staff meetings that foster accountability, collaboration, and interdisciplinary problem solving. Ad hoc (agenda-specific) senior staff teams will assure that the activities of the individual departments are subordinated to achieving Citywide mission objectives, such as those articulated in the *Housing Action Plan*.

Priorities

City departments and staff will continue to be challenged to meet ongoing service demands while at the same time devoting time to managing and completing the work necessary to implement the *Housing Action Plan* program actions. The *Housing Action Plan* is particularly challenging as the Planning and Economic Development Department remains below an optimal staff level (at current workload levels) due to the staff reductions made during the recession and ongoing retirement of older workers. The day-to-day workload of conducting current planning, engineering review and building plan check and inspections has continued to increase over the past two years making it difficult to keep up with workload volume and statutory review timeframes. At the same time the City continues to face fiscal constraints with competing service demands and revenues, while improving since the Recession, lagging.

Given these realities, the Operational Plan includes a clear "priority-setting" process for organizing and assigning work efforts. The "organizing principle" of the priority setting is to focus primary attention upon those actions that yield increased housing production in the short and medium term. Three priority groups are established. Each of the recommended Program Actions will fall into one or another of these priority groups:

Priority One -- Take action on pending entitled development projects with constraints that can be removed by administrative action or discretion.

Priority One actions are those that contribute to housing construction in the near term (a 3 to 12 month horizon from the then-current date). In addition to prioritizing current housing project applications, and affordable housing in particular, primary attention should be paid to the 1,500 housing units in pending projects that await permit issuance but are delayed for minor issues. Such issues can be resolved through direct contact and discussion and problem-solving with the applicants and exercising, as may be appropriate, the discretion vested in staff or the Planning and Economic Department Director. This effort may also include inter-departmental accountability and encouraging other City departments involved in plan review and permitting to expedite their review efforts and assist applicants with resolving third party regulatory permitting (e.g. RWQCB permits, etc.). Efforts to sustain and increase planning and permit processing such those within the Process Improvement Action Plan (PIAP) are also Priority One activities.

Priority Two – Evaluate and where possible unlock projects that are pending (entitled but not moving forward)

Priority Two actions are those that contribute to housing construction in the mid-term (a 6 to 18 month horizon from the then-current date). Priority two includes the 2,000 housing units in Santa Rosa that are entitled and not moving forward because of constraints imposed by federal critical habitat regulations, outdated subdivision maps or product types, and financing challenges. Classification of these projects should yield a sub-set that has constraints that can be relieved by City assistance and action (revising subdivision maps, etc.). These projects, already entitled, offer an opportunity to get housing under construction with no or limited additional discretionary review. Some of these projects may require staff to exercise their discretion, as may be appropriate, to assist in unlocking stalled projects. Other projects, which have received all City clearances only to stall out in negotiations with state and federal agencies, may require City staff to participate or serve as an advocate for housing. Data from this effort can provide a useful input into the City's upcoming General Plan Update --if it turns out that a large amount of land currently designated for urban uses is rendered undevelopable by critical habitat regulations and mitigation, the City will need to consider options for meeting future housing demand.

Priority Three - Ongoing Housing Action Plan Program Action implementation

Priority Three actions comprise the majority of effort implementing the *Housing Action Plan*. These efforts will yield increased housing in the mid-to long-term (a 12 month to five year horizon). The workload involved is substantial, including research, planning and rezoning actions, ordinance revisions, and other program development as described in the Operational Plan (presented below). It is envisioned that City staff will approach this program development effort, as other priorities permit, in a collaborative manner based on direction and priorities established by the City Manager and the respective department heads. Given that this work is generally over and above the "line" responsibilities of the Planning and Economic Development and Housing and Community Services Department staff, ability to complete the efforts in a timely manner will depend on the funding available to support additional staff or consultant resources.

Partnerships

The citizens of Santa Rosa are served by a number of local government agencies including the City, the County of Sonoma, the Sonoma County Community Development Commission, the Sonoma County Water Agency, the K-12 school districts, the Santa Rosa Junior College and the regional Sonoma-Marin Area Rail Transit agency. There are also a number of large charitable organizations (501c-3's) that include most of the hospitals, and non-profit organizations serving the Santa Rosa area. Each of these entities has an interest in housing and, in many cases have resources available that can help address the housing supply problem.

A new level of interagency and public-private cooperation is needed to leverage the respective resources and capabilities of these organizations toward a common objective: increasing housing supply for employees, students, and the public-at-large. The City is currently in negotiation with several entities seeking to build housing in Santa Rosa and is reaching out to other entities at this time.

OPERATIONAL PLAN

During the past year the City has been engaged in an effort to identify the scope and scale of the housing shortage and to identify policies and programs that promote housing construction for all segments of the housing market. During 2015 the City Council conducted two Study Sessions addressing the housing shortage and possible ways to address the shortage.

The first Study Session, held on October 20, 2015, defined affordable housing needs, documented current housing inventory, documented existing housing programs, and housing-related funding resources, and estimated the cost of achieving affordable housing production as set forth in the *General Plan Housing Element*.

The second Study Session, held on November 10, 2015, considered opportunities and alternative actions to increase housing supply, conserve and rehabilitate existing affordable housing, and provide direction regarding approaches to increase housing production, including both market rate housing and affordable housing.

On February 23, 2016 the City Council, in a noticed public meeting, considered two housing related items: *Housing Report 1*, focused on program and funding approaches, and *Housing Report 2*, regarding proposed development review and processing improvements. As a result of the reports and public hearing the Council directed that staff proceed by:

1. Sustaining General Fund support for housing;
2. Increasing housing impact fees (inclusionary fees), offset by regulatory and financial incentives, to assist for-sale affordable housing;
3. Conducting a commercial linkage fee nexus study and consider imposing a fee at a level deemed not to inhibit development;
4. Seeking voter approval of a tax measure providing support for housing programs and homeless services;
5. Considering short term investments in housing programs and planning services with high potential to stimulate production and economic development;
6. Considering increased housing funding using an Enhanced Infrastructure Financing District or similar mechanism;
7. Considering a non-discrimination ordinance for Veterans' Affairs Supportive Housing, HUD, and other voucher users.

On April 19, 2016, the City Council heard *Housing Report 3*, an assessment of Santa Rosa by regional and local developers, which provided information from more than 30 interviews conducted. Additionally, the Council heard *Housing Report 4* that described five housing programs encompassing the previous direction given by Council in addition to analysis by staff, and input received through the developer interview process. The Housing Programs described below are a refinement of the draft programs presented at the April Council Meeting.

Figure 4 provides a display of how the *Housing Action Plan* program actions serve the various household income categories in Santa Rosa. The programs address all categories and emphasize programs that promote housing for the City's working families.

Figure 4 Matching Housing Action Plan to Household Income Categories

Housing Program	Household Income Level				
	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate Income
Program 1 -- Increase inclusionary affordable housing			✓	✓	
Program 2 -- Achieve "affordability by design" in market-rate projects			✓	✓	
Program 3 -- Assemble and offer public land for housing development	✓	✓	✓	✓	
Program 4 -- Improve development readiness			✓	✓	✓
Program 5 – Increase affordable housing investment and partnerships	✓	✓	✓		

Program #1 – Increase Inclusionary Housing

A key directive from the Council is to increase the production of affordable housing as part of market-rate housing projects. The structure of the Housing Allocation Plan Ordinance requires that such inclusionary housing be achieved voluntarily (in lieu of paying the impact fee) through incentives offered to market-rate developers. The following four actions comprise incentives that can encourage market rate developers to include affordable units in their market rate projects.

a. Housing Allocation Plan Impact Fee Changes

Returning to an inclusionary housing requirement for "for-sale" housing, and creating programs and policies that incentivize inclusionary units in "for-rent" housing will require amendments to the City's Housing Allocation Plan Ordinance.

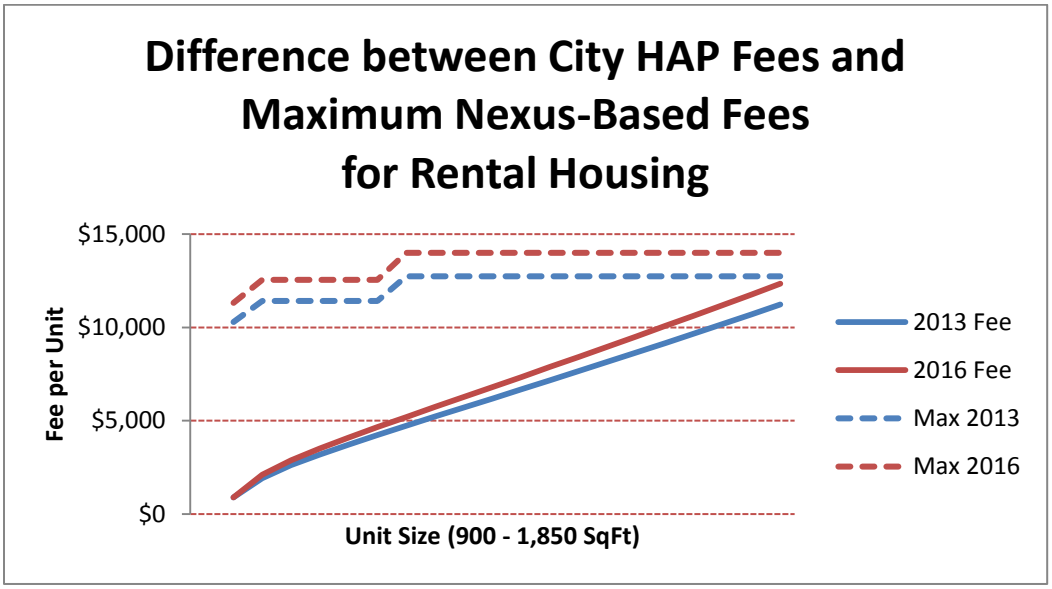
Program Actions:

1) *Adopt a 2016 HAP impact fee schedule that includes: 1) an update of the fee reflecting 2016 data; 2) a simplification of the fee by reorganizing the existing fee schedule into fewer fee categories; and 3) an increase in the fee charged on rental units (within nexus-based maximum) as part of effort to encourage inclusionary units in market rate rental projects.*

2) *Amend the HAP Ordinance to reflect emerging inclusionary housing policies including expanding definition of "affordable" to include moderate income households, and to make reference to the full range of incentives now being considered.*

Background

The current Housing Allocation Plan (HAP) impact fee for rental units is structured to increase the fee proportional to unit size. (The fee for for-sale units is 2.5% of the sales price). The logic of this "gradient" is to reduce the cost of the fee for the smaller units in an effort to promote smaller units given their likely lower rent levels. The table below shows the current fee structure in comparison with the "maximum fee" as established in the Housing Allocation Plan Nexus Study completed in 2012.



While leaving the fee on smaller rental units (e.g. less than 900 square feet) at $1 per square foot (on the presumption that these units can contribute to at least moderate income housing need), increases in the housing fee (closer to the maximum) could contribute to the decision to consider providing affordable units in lieu of paying the impact fee. In any case such fee increases, given the nexus-based maximum, would be proportionately small and not really create much of a disincentive. Thus, achieving inclusionary units in rental projects will need to rely upon the regulatory (e.g. density bonus) and financial incentives described below.

Regarding actual amendments to the HAP Ordinance, staff finds the fee can be adjusted by council resolution. The recommended review would ascertain whether amendments to the HAP are needed and provide an opportunity to more explicitly incorporate the full range of incentives, and the terms under which they will be offered, in the Ordinance.

b. Seek Inclusionary Units in For Sale Housing Projects

Program Actions:

1) *Amend the Housing Allocation Plan Ordinance to add a new inclusionary housing requirement applicable to for sale housing requiring on-site construction of affordable units, or approved alternative compliance.*

2) *As part of the amendment, require a minimum of 15 percent of the for-sale project's total units be affordable to a mix of low (up to 80 percent of AMI) and moderate income households (up to 120 percent of AMI). Also specify additional regulatory and financial incentives and alternative compliance measures as may be needed to maximize production of affordable housing units.*

Background

A for-sale program should be directed to moderate income households (120% of area median income or below) based on the City's past experience and the current lending environment which limits a household's ability at the very low (50% of area median income) or low income (80% of area median income) to obtain financing.

The table below is an estimate of what a household could afford at various income levels based on a 4.25% mortgage rate with a 10% down payment.

	MAXIMUM PURCHASE PRICE		
Targeted Income	**2 Bedroom**	**3 Bedroom**	**4 Bedroom**
	3-person HH	4-person HH	5-person HH
VERY LOW (50% AMI)	$78,000.00	$86,750.00	$92,700.00
LOW (80%)	$145,750.00	$162,300.00	$174,250.00
MODERATE (120%)	$344,000.00	$382,500.00	$366,800.00
150% AMI	$502,600.00	$558,700.00	$602,400.00

The City's experience with for-sale housing, for the most part, has been at the 80% of median income level. Since the inception of the HAP in June 1992, the following units have been provided to first time homebuyers due regulatory compliance with the HAP Ordinance:

- 1994 – Cottonwood: one unit resale restricted at 80% of area median income for thirty years. The unit is still restricted and has changed ownership three times. The restriction will end in December 2024.
- 1995 – Donahue: one unit resale restricted at 80% of area median income for thirty years. The unit is still restricted and has changed ownership two times. The restriction will end in December 2025.
- 2002-2003 – Bellevue Ranch: 53 "self-help" low income housing units were created by Burbank Housing as meeting the inclusionary requirements for the Bellevue Ranch subdivision. These units were accomplished by a land contribution (dedication of semi-finished lots) by the developer and a density bonus from the City.
- 2006 – Woodbridge: 22 total units, 19 of which were sold to households below 80% of area median income with resale restrictions for the first seven years; the difference between the appraised value and the affordable sales price (In Kind) was captured in a promissory note, which is due and payable to the Housing Authority on the sale of the home. Three of the

units were sold at market rate due to a negotiated Council approved concession. To date, nine homes have been lost due to foreclosure and the debt owed to the Housing Authority has been written off. The seven year resale restriction has elapsed for the remaining units. These units now can be sold at market rate. No repayments of the remaining promissory notes have been received.

Special circumstance HAP compliance:

- 2005 – Orchard at Oakmont: although properties in Oakmont are only required to pay the housing impact fee, the developer provided 25 ownership units to seniors, resale price restricted at 80% of area median income for thirty years. After the expiration of the thirty year contract, the owner at the time may remain in the unit. Once the unit is vacated, it reverts back to the developer at the affordable purchase price.

- 2008 – Meritage Homes (Meritage): 24 negotiated *temporary* for-sale units sold to households below 120% of area median income. The Dauenhauer subdivision was purchased through a foreclosure by Meritage. An adjacent parcel was slated to fulfill the inclusionary requirement for the Dauenhauer subdivision (24 rental units @ 80% of area median income) which was owned by a separate entity when Meritage took title to the property for the market rate Dauenhauer units. The HAP Ordinance requires concurrent development of the inclusionary units, which was not possible at the time given Meritage had no control over the separate rental parcel. The allowance for the temporary resale restricted units enabled the Meritage market rate units to start construction; the resale restrictions on the 24 units to be released once the rental units were built by another entity. The 24 rental units have been completed and the resale restrictions have been released.

Two models could accomplish the inclusion of moderate income, resale restricted units in market rate projects:

1) The developer builds the unit and provides it to a moderate income household.

    - The City would be responsible for contracts (resale control agreements) between the developer and the City, a thirty year resale restriction agreement between the City and the homebuyer, determining income eligibility of the prospective buyer, and on-going administration for resales and owner occupancy compliance monitoring.

    - This model would require additional staff and resources to pay for administration of the program.

2) The developer dedicates parcels for the for-sale inclusionary units to a land trust (assuming that a land trust is created for land banking purposes).

    - The developer builds the unit and turns it over to the land trust; the cost of construction is paid back to the developer when the unit sells.

    - The land trust markets the unit, finds the homebuyer, provides first-time homebuyer training, manages the execution of documents required by the City, the developer, and the lender, and oversees the escrow process.

- The homebuyer enters into a 99-year ground lease and resale restriction agreement with the land trust (the City has the first right of refusal, or can assign its rights, should the land trust become insolvent).
- The land trust provides post-purchase services to the buyers.
- All aspects of resales, including identifying buyers, calculating the resale price, and facilitating the execution of all documents are performed by the land trust.
- The land trust performs all owner occupancy compliance monitoring.

c. Offer Regulatory and Financial Incentives

Program Actions:

1) *Establish a set of financial and regulatory incentives to offer market rate developers to include affordable housing in their housing projects.*
2) *Fund these incentives as a "pilot program"; funding will be allocated to prospective project applicants on a "first come-first served" basis based on identified funding allocation criteria. (Initial funding derived from a 2016/17 Housing Action Plan budget appropriation of $3 million.*

Background:

Achieving affordable housing units in market rate projects will require a range of regulatory and financial incentives to encourage developers to take this approach in lieu of paying the HAP fee. Such incentives may include:

- Exemption from Housing Allocation Plan impact fees on all units
- Waiver or reduction of City's development impact fees on affordable units
- Acquisition of affordability contracts (see Program 5), when shown to be cost-effective
- Offer "fast track" approval and plan review for exemplary housing projects that meet high development standards

The financial incentives are necessary because providing the inclusionary affordable housing units bears a substantial cost to the developer, basically the difference between the cost to build the units and the price (or rent) affordable by very low, low, or moderate income families. Current analysis of the subsidies necessary to fund the gap between cost and affordable rents and prices suggest that incentives necessary for achieving affordable units in rental projects (at an average household income of 60 percent of AMI) would be in the range of $160,000 per unit. The cost of achieving affordable units in for sale projects (at an average household income of 100 percent of AMI) may have no "funding gap"'; however, incentives, in addition to waiver of the HAP impact fee, may be needed to incentivize agreement to include such units.

c. Amend Local Density Bonus Ordinance

Density bonuses have good potential, given experience of other jurisdictions, to incentivize production of affordable housing units on-site. The City's current ordinance caps the bonus

at the State-authorized 35 percent and does not adequately clarify the other incentives to be offered to prospective developers.

Program Actions:

1) *Amend the zoning code to provide local density bonus provisions in addition to those specified by State law. Items to be resolved in the amendment include*:
   - *Appropriate additional density above state-allowed 35%, with consideration of up to 100%;*
   - *Level of affordability to be achieved through the offering of additional density;*
   - *Incentives for creating smaller units that are less expensive by design.*
   - *Whether the additional density bonus will be allowed in all residential districts or vary by residential density category;*
   - *Neighborhood compatibility (i.e., determining locations where the bonus should be available);*
   - *Whether specific areas of the city should be targeted for density bonus (and other areas excluded) through use of an overlay zone;*
   - *Type of affordable units to be included – rental, ownership or both;*
   - *Consideration of and specification of an expanded list of concessions and incentives (as identified in State Law)*

Background

State Planning and Zoning Law requires that local jurisdictions allow an increase in residential density up to 35% above the applicable zoning district maximum, for projects providing affordable or senior housing units. In addition, a developer may request incentives and concessions from the City which will result in cost reductions for the development. Incentives and concessions are defined as a reduction in site development standards or a modification of zoning code requirements.

Santa Rosa has density bonus provisions which generally reflect state law as cited above. The proposal for consideration of the Council is adoption of a local density bonus law which would meet state requirements but also provide a local tool to spur housing development. Other jurisdictions have allowed for bonuses above the 35% and there was recently one affordable housing project in Santa Rosa considering requesting a higher bonus as an incentive necessary for project feasibility.

Density bonus is generally expressed as a percentage. For instance, if the general plan and zoning allow 10 units, but the developer wants to build 12, the extra 2 units is a 20% density bonus. State law allows a maximum of 35%, which would allow an additional 3.5 units, rounded up to 4 units in this example.

Allowing more than a 35% increase in density is one of the possible provisions in a local ordinance. Other California jurisdictions have taken this approach, with a variety of options. For instance, Sonoma County allows a bonus of up to 50% above the maximum density in return for

greater affordability than required in state law or on-site renewable energy systems generating at least 70% of the project's electrical energy demand or specified accessibility improvements. The County allows a 100% bonus for higher density land use designations providing 40% of the project to lower income households, with a specified maximum of 30 units per acre.

Napa provides a maximum bonus of 100% and requires developers demonstrate that the project provides more affordable housing than required by the state law provisions or that the project incorporates amenities or public benefits that justify the increased density. The decision making body for the development may consider criteria for approving the increase: affordable units in excess of state law, high quality design that fits within the neighborhood, superior mitigation of neighborhood impacts, underground parking, or other amenities which contribute to the neighborhood.

Program #2 – Achieve "Affordable by Design" Housing

This program would promote construction of housing units that may cost less because they are small and efficiently designed and thus cost less to build. This reduced cost could also come from regulatory incentives, public investments, or subsidies such as fee waivers. Such units would target housing for moderate income households. Possibilities for design of smaller units are outlined below.

"Tiny houses" are not specifically included in this discussion. Tiny houses, if on wheels, are categorized as temporary housing. As permanent housing, the California Building Code requires a minimum unit size of 220 square feet, which could be included in a multifamily development project or on a foundation.

a. Modify definition of residential "qualifying units" in the Growth Management Ordinance

Program Action

1) *Simplify the current definition of qualifying units in the growth management program and consider reestablishing this definition in the Housing Allocation Plan.*

2) *Update unit size definition needed to meet moderate income rent and sales price data. Also consider other amendments that simplify administration of the Growth Management Ordinance. As a part of this effort a development cost analysis will be conducted to understand those areas where cost reductions are possible and to what degree.*

Background

In 1992, Santa Rosa introduced a "qualifying unit" in the Growth Management and Housing Allocation Plan programs. The idea was that smaller units would rent or sell for market prices which would be affordable to moderate income households. Such a unit is defined as:

a. A for sale, single family, attached or detached dwelling unit on a lot not exceeding 4000 square feet in area, with a) two or fewer bedrooms with a maximum of 900 square feet; b) three bedrooms with a maximum of 1200 square feet; or c) four bedrooms with a maximum of 1250 square feet. (Note: An additional 100 square feet is allowed for 2-story units).

b. A multi-family unit of any size, or

c. For-sale, single family attached units of any size, provided that the density of such units is at least 10 dwelling units per acre.

When these programs were initiated, a qualifying unit was exempt from the Housing Allocation Plan – no fee was required and no affordable units were required. Such units were also drawn from Growth Management's Reserve A allotment pool, which was generally more available given the ordinance's requirements, an incentive when residential growth was strong.

For some time, these small units on small lots did sell for prices affordable to moderate income households, but this affordability dwindled over time and the HAP exemption was removed. In the last revision of the HAP in 2012, the definition was removed. But it remains in the Growth Management program. This built-in provision affords an opportunity to revisit the qualifying unit definition and analyze how it might be amended to reinvigorate this concept and incentivize smaller units.

b. Reduce barriers to second dwelling unit construction

The addition of small units on single family lots, either as a separate new unit or a new unit developed through internal remodeling/conversion is an option which would provide rental units at market rents which might be affordable to moderate, and possibly low, income households.

Program Action

1) *Initiate amendment to the second unit provisions to remove the deed restriction requirements for second units and to revise parking requirements. This could include allowing on-street parking to count toward meeting the requirement of one space, and/or requiring no additional parking in certain city locations, such as Priority Development Areas*. Consider how to address impediments to converting garages into second units.

2) *Review and revise provisions for "internal conversion" of existing single family units to include "accessory dwelling units."*

3) *Develop a mechanism to remove existing deed restrictions on single family units with second dwelling units.*

4) *As part of Development Impact Fee Program Update, carefully evaluate actual impacts of second units on infrastructure demands with the goal of reducing or eliminating certain development impact fees on second units.*

Background

In the last 20 years, Santa Rosa has issued building permits for 593 second dwelling units, an average of 29 per year. Generally, 700 square foot maximum second units are allowed on any single family lot with the addition of a parking space. More specifically, requirements for the location of a second unit in Santa Rosa include:

- May be located on a lot that allows single family dwellings that is undeveloped or contains a legal single family dwelling;

- May be located where roadways, utilities and services are determined to be adequate to serve it;
- May not exceed 700 square feet in area;
- Must meet setback requirements, height limits, and lot coverage requirements of the zoning code;
- Must provide one parking space for the additional unit on the site;
- Must complete a deed restriction limiting occupancy of one of the units on the site to the property owner.

To build a second unit in Santa Rosa, an applicant currently submits an application for a second unit along with a building permit application. The application must be consistent with the basic requirements noted above and include a plot plan, floor plan, elevations, materials and color board to show compatibility with the main unit, building cross sections, photographs of the site and adjacent properties, and a signed deed restriction, ready for recordation.

The application is routed to a planner who checks for compliance with the zoning code standards, including compatibility with adjacent uses. The application is then routed to the Building Division for building code compliance review and permit issuance.

The City Council, in recent discussions, has been interested in how additional second units might be encouraged in Santa Rosa. Santa Rosa's process to develop a second unit was simplified in 2002, requiring a building permit only. While the process has been streamlined, some local requirements could be viewed as impediments to new second unit construction. A few of these are highlighted below.

1. Parking. An additional on-site parking space is required for the second unit to minimize any impact to neighboring properties. The space may be uncovered, compact, or tandem, and within the front yard setback when located in the driveway. If not in the driveway, the space must be outside any setback. This provision is less restrictive than for other residential units and is meant to allow second units on sites where on-site parking may be difficult to achieve.

2. Deed Restriction. The Santa Rosa code requires that one of the units on site be owner occupied, and this is accomplished through a recorded deed restriction. The reason for this requirement is to ensure a property owner is on site that will oversee and manage a rental unit. This provides assurance to neighbors that any concerns with a nearby rental will be addressed, which in turn helps the viability and acceptance of new second units.

3. Development Costs. In 2014, City fees for new second dwelling units averaged just under $23,000. School impact fees averaged just over $1,000. (A second unit in the southwest is also subject to an impact fee of $7,669, and one in the southeast has an impact fee of $6,043).

4. Financing. In the recent Smith Village project considered by the City Council, the applicant noted that rent from a second unit is no longer considered when a home buyer seeks financing to purchase a single family unit with a second unit. This means that financing is more difficult to achieve, and the pool of potential homebuyers for units with second units is reduced overall.

c. Single Room Occupancy Facilities

Single room occupancy facilities contain very small units, with occupancy by no more than two people. Kitchen and bathroom facilities may be wholly or partially included in each living space or may be fully shared. These small units are expected to rent to lower income households and may be appropriate for students and individuals transitioning from homelessness.

Program Actions

1) *Consider revision of Single Room Occupancy (SRO) standards to identify if changes such as eliminating conditional use permit requirement would facilitate construction.*

2) *Identify those development opportunity sites in the City with good potential for SRO construction.*

3) *Seek partnerships with other public agencies such as the Santa Rosa Junior College or the local school districts to construct SRO units for students or employees.*

Background

Santa Rosa included single room occupancy (SRO) facilities in its zoning code in 2006. SROs have a minimum size of 150 square feet and a maximum of 400 square feet. The units may include partial or full bathrooms and kitchens, or common facilities may be provided.

SROs are allowed in general commercial, community shopping center, and downtown commercial zoning districts. A conditional use permit and design review are required. An SRO facility with 10 or more units must have on-site management. Required parking is 0.5 spaces per unit. No SROs have been built or converted in the decade since these standards were adopted. The Palms, in the County on Santa Rosa Avenue, is an example of an SRO or efficiency units.

d. Create Partnership with Developer(s) of Modular Housing

Modular housing has long been expected to provide lower cost housing construction. Continuing technical innovations and substantial private investment in modular construction may soon result in modular housing increasing its market share and actually having an impact on housing cost (and hopefully affordability). As "vertical" development costs (actual building construction) typically represent 35 to 40 percent of total construction costs, other cost reduction measures will be needed as well to have a substantial effect on cost (and thus creating opportunity for lower housing prices).

Program Actions

1) *Seek a pilot program partnership with developers of modular housing to build modular units that can be price restricted to moderate income households (100% – 120% AMI).*

Background

The production housing industry is moving towards modular construction. Such technology has the opportunity to lower costs while maintaining high architectural design and building component standards. Lower costs are achieved through economies of scale and also reduced time and cost for plan check as the key building components are largely pre-approved by building officials.

Such housing has the potential to meet the need of the moderate income families that cannot afford higher priced homes but at the same time do not qualify for housing subsidies. Several builders in the City are now using modular building technology but a pilot program, focused on providing moderate income rental and for sale housing could inform policy changes and partnerships to significantly expand housing production in the City. Such a program could be linked to disposition of one of the public parcels as described in Program #3.

Program #3 – Assemble and offer public land for housing development

The City (and other public agencies) own substantial lands within the City. Some of these lands may no longer have a public purpose (or can serve public and housing needs simultaneously). This Program would involve the City assembling, improving, and disposing of these lands for housing production purposes. A key part of this program would be the objective of including at least 15 percent of the housing units created affordable by low income households (80 percent of AMI). The key item here is that the City must be in a proactive "value maximizing" mode with respect to these parcels as a part of the effort to maximize its ability to include affordable housing units. This effort may include "pre-entitlement", site improvements and infrastructure, and other incentives as may be necessary to attract developers and build affordable housing units. Four actions are recommended as part of this Program:

a. Seek affordable housing units in pending public land disposition projects

Program Actions

1) *Assure that pending negotiations and disposition of public land include a requirement for provision of at least 15 percent of units affordable to low income households (60 percent AMI) in accordance with State law.*

2) *Establish policy outlining the City's expectations and requirements regarding future public land disposition, including the provision of affordable housing consistent with State Law.*

Background

Publicly owned lands that are suitable for conversion to multifamily housing and mixed use development offer an opportunity to require, through the purchase and sale agreement, inclusion of affordable housing units. Recent State law, (AB 2125) requires that "surplus" public land disposed for real estate development purposes includes 15 percent housing affordable to lower income families.

b. Identify City (and other publicly-owned) parcels suitable for housing production

This program would identify publicly owned lands, evaluate these based on size, location, infrastructure availability, transit accessibility, and other criteria, to focus on those which have the greatest potential and are most ready for development.

Program Actions

1) *Identify and evaluate all vacant or underutilized public lands in Santa Rosa for potential disposition to housing developers. In all cases such land dispositions should contain a*

requirement that housing projects provide <u>at least</u> 15 percent of the units affordable to low income families.

Background

There are a number of publicly-owned properties with potential for housing development. City staff has created detailed maps of these parcels and has begun evaluation to identify those parcels with substantial housing development potential. The key opportunity here is that these properties can be offered, on a competitive basis, to developers with a range of specific conditions, most importantly, the requirement that a portion of the housing units be contractually price-restricted for low-income households. While the specific requirements may vary from project-to-project, the basic target for such inclusionary units in rental housing projects should be 15 percent affordable to households averaging 60 percent of AMI.

c. Consider strategic acquisition and "banking" of land suitable for affordable housing development

Assembling land and offering it on a conditional basis to the private sector can support housing development in a variety of ways including making development sites larger and more feasible for development and also offers the opportunity to achieve inclusionary affordable housing units. While land banking may create opportunities for affordable housing, obtaining adequate local funding will remain the largest obstacle.

Program Actions

1) *On an opportunistic basis, purchase (or otherwise acquire) private land suitable for housing development and offer these lands to affordable housing developers or resell these lands and use proceeds to fund affordable housing programs.*

Background

Land banking (acquiring and holding land for subsequent disposition to the private sector for development purposes) has long been a key part of municipal redevelopment efforts in the United States. Loss of local redevelopment powers in California has reduced funding (property tax increment financing) and constrained the ability of local jurisdictions to buy and sell land. However, remaining municipal authority can sustain a land banking program.

Occasionally private lands may become available at competitive prices that, when purchased and offered to affordable housing developers can provide a cost-effective method of providing (or reducing) the subsidies necessary to support the desired level of affordable housing. Such land banking sites may come from developer in lieu dedications of sites or outright purchases of land for housing purposes.

Land purchased by the City for disposition for housing development is subject to a minimum of 25 percent housing available to lower income families as required by State law.

d. Revise policies and procedures for vacation of public right-of-way to enhance development potential of adjoining private development sites.

The current process for "vacating" or selling these rights-of-way, which is subject to State Street and Highways Code provisions, is often cumbersome and time-consuming. If these rights-of-way were available to adjoining private properties it could increase their development potential and development efficiency.

Program Actions

1) *Identify and evaluate all remnant or unused rights-of-way owned by the City (or other public agencies) and, to the extend allowed under State law; offer these rights-of-way to adjoining residential or mixed use property owners to increase development potential of their property.*

2) *Create a streamlined administrative process for bringing to the City Council proposed vacating and disposing of unused rights-of-way.*

Background

The City (and other public agencies) holds easements and rights-of-way that are no longer needed for public purposes. Such parcels often adjoin vacant or underutilized parcels that have development potential. In these cases "vacating" these rights-of-way can increase development potential of the adjoining private parcels. In addition, vacation of rights-of-way can provide for better site planning and design. There are several recent or current examples of such rights-of-way:

- North Street Apartments. The parcel that the recently approved North Street Apartments is located adjoins a small "sliver" right-of-way". If the right-of-way had been vacated and offered to the project, several more housing units could have been added.
- Kia – Santa Rosa Avenue. The right-of-way vacation of South A Street encouraged economic development in facilitating the development of the Kia auto dealership which fronts on Santa Rosa Avenue. While this is a nonresidential development, it could have similar application to residential development.

Program #4 -- Improve development readiness of housing opportunity sites

This program includes identifying "opportunity sites", parcels, or groups of parcels, with good physical, regulatory, and market potential for multifamily and mixed use development. Beyond simple identification this program would identify specific policies, regulatory changes, or public investments that would improve development readiness.

This program should also include consideration of concepts presented to the Planning Commission and City Council by Urban3, a planning and economics firm, in early 2016. Urban3's Santa Rosa development and tax revenue analysis showed downtown had stronger economic potency, because of the dense built environment, where development can utilize existing infrastructure, versus incurring new costs for suburban development. Downtown plays a vital role in the local housing market due to its capacity to accommodate density and provide new housing options.

a. Complete housing opportunity site identification and assessment

This program would utilize higher density opportunity sites identified in the Housing Element, and expand on these sites by identifying other potential sites for housing. All sites would be evaluated based on size, location, infrastructure availability, transit accessibility to identify sites most ready for development.

Program Actions

1) Complete Housing Opportunity Site mapping and assessment to identify additional sites. Develop information about these sites and assess development readiness.

Background

City staff, building on prior efforts and using the City's GIS mapping capabilities, have compiled a map that identifies multi-family housing opportunity sites throughout the City. These are opportunity sites identified in the General Plan Housing Element. A second round of mapping will expand the definition of opportunity sites beyond those vacant or underutilized properties that are currently zoned for multi-family development.

b. Initiate zoning and other changes intended to maximize housing production potential on opportunity sites

Assuring the zoning that imparts development regulations consistent with the General Plan and with the intention of maximizing housing potential is an important step in assuring development readiness.

Program Actions

1) Following assessment of the Housing Opportunity Sites (Action 4.a. above) determine what (if any) regulatory (zoning) changes are needed to maximize housing potential for the selected Opportunity Sites. Zoning regulations should impart, to the extent possible, "use-by-right", i.e. a limitation on the need for further discretionary review such as conditional use permits that add uncertainty and time to the approval process.

Background

The majority of the identified Housing Opportunity Sites have already been rezoned as part of the housing element update or through preparation of the downtown and north station area specific plans or other rezoning actions for multifamily or mixed use development purposes. There have also been recent amendments to the zoning code that increase the "use-by-right" quality of various zoning districts. Additional review, amendments, and rezoning can assure that all housing opportunity sites are zoned in a manner that maximizes their housing potential and that increases certainty and reduces time necessary to obtain development entitlement.

c. Complete infrastructure improvement programs for the Specific Plan areas and commercial corridors with housing potential and opportunity sites

Santa Rosa has five Priority Development Areas, and two of these, the Downtown and North Station Area Specific Plans, identify needed infrastructure improvements to serve greater intensity and density of planned new development in these areas. A focus on improvements in these areas will allow refreshing and prioritization of needed infrastructure which will further development readiness.

Program Actions

1) Conduct further review of the infrastructure needs within the Specific Plan areas and refine the "Basic Improvement Programs" for each area. Focus of this effort should be upon those infrastructure improvements needed to improve development readiness of the identified Housing Opportunity Sites.

Background

Substantial analysis regarding infrastructure needs in the Specific Plan areas has already been conducted and, in some instances (e.g. Downtown Station Area Specific Plan) key infrastructure improvements have been completed). This action would focus on completing this effort. The pending update of the City's development impact fees, as currently proposed, will contribute to this effort.

d. Consider options for a "programmatic approach" to meeting Critical Habitat Designated Area mitigation requirements

A very large percentage of the previously approved housing projects that have not proceeded to building permits and construction are not being pursued due to high development costs; these costs include the City (and other agencies') development impact fees and also the time, risks, and costs of mitigating endangered species habitat loss (California Tiger Salamander).

Program Actions

1) *Explore the potential for a "mitigation land bank" comprised of existing public lands suitable for mitigation purposes for use in association with housing projects.*

2) *Create a Task Force that assembles City staff, industry representatives, regulating agencies, and other interest groups and experts to consider programmatic approaches to meeting critical habitat mitigation requirements.*

3) *Engage local, State, and federal elected officials in efforts to establish programmatic approach*

Background

Approximately 73 percent of all pending or approved housing units, an estimated 2,900, mostly located in northwest and southwest Santa Rosa are not proceeding to development due to the costs of meeting critical habitat mitigation requirements. The scale of this problem suggests that without some new, programmatic approach, the City's development capacity, which is largely located on the west side of Highway 101, will never be developed. Such an outcome undermines the City's General Plan, its intentions to meet the City's housing needs, and also the City's ability to complete infrastructure needed to serve existing as well as future residents of the City.

While the *Programmatic Biological Opinion* (2007) anticipated the need for additional work implementing the plan, this implementation effort has never been undertaken. Meanwhile, the Draft Recovery Plan (2014) further restricted the ability to mitigate habitat loss in the designated area. A new *Programmatic Biological Opinion* is expected soon that will further restrict mitigation to core areas. So, without some intervention and effort by all the parties affected by these regulations, the situation, the inability of the City to achieve its General Plan and to build needed housing, will only worsen.

e. Continue Implementation of Permit Streamlining for Planning Entitlements

The Planning Division faces difficulties in complying with State time limits on development project applications, even for housing projects, despite their current priority status by the Council and the Planning and Economic Development Department. Completeness review in particular is a key milestone challenge for projects due to its relationship to time limits. The current

completeness and review process results in multiple plan iterations and incremental requests for additional information.

Program Actions

1) *Work with line staff, applicants and the general public to define specific time frames for processing development applications in compliance with state time limits and best practices, develop mutually beneficial application completeness checklists, and identify, track and report performance metrics.*

2) *Provide General Fund appropriations in the coming fiscal year(s) needed to expand the capacity of the Planning and Economic Development Department to conduct planning, building, and engineering review of development applications and to implement the Process Improvement Action Plan (PIAP) and.*

Background

Common complaints of the City's planning entitlement process include that it takes too long to receive staff comments, staff comments and definition of "completeness" are inconsistent across the plan review team, compliance with state time limits per the Permit Streamlining Act and the California Environmental Quality Act are not always complied with, and there is a lack of transparency and accountability in project status and staff performance.

Addressing these issues collaboratively with staff, applicants and the public will build trust and relationship with the community, create mutually acceptable completeness checklists, timeframes and consistent definitions of completeness, reduced turnaround times from application to action due to more informed and complete applications, and accountability and transparency through metric-based quantitative and qualitative reporting of performance.

Staff is currently preparing a request for proposals to attract consultant assistance to implement this project. The results of this effort will inform similar streamlining and transparency efforts in engineering and building.

f. Revise Hillside Zoning Ordinance Regulations

The existing hillside development regulations have proven to be overly prescriptive and thus have inhibited development potential of housing opportunity sites. There are an estimated 350 housing units approved or in process that are subject to hillside regulations. The basic policy objectives related to building safety and protection of scenic backdrops can be preserved while reforming these regulations.

Program Actions

1) *Amend hillside development standards to add flexibility while maintaining purpose of respecting natural features and terrain*

Background

Santa Rosa’s hillside development regulations apply to sites with slopes of 10% or more. Their purpose is to ensure hillside development is designed to be sensitive to existing terrain, views, and significant natural landforms and features.

Hillside development permits are required for proposed development on slopes of 10% or greater, with some exceptions for minor alterations. Subdivisions and multifamily and

nonresidential development require review by the Planning Commission. The Zoning Administrator may approve a hillside development permit for a single dwelling on an existing parcel or an addition to an existing dwelling with an increase in floor area of more than 10%, including accessory structures such as retaining walls and pools.

Hillside development can be challenging given site characteristics, and because of this some sites have difficulty fully meeting the standards, particularly for driveways and in meeting setbacks. This is generally due to the strict application of the standards; some projects meet the intent of the regulations but cannot meet them to the letter. Projects close to meeting the standards but needing a slight variation or exception would also require a zoning variance, which allows relief from strict application of zoning code regulations. A variance is a separate application, which can contribute to lengthening processing time, cost, and uncertainty. Additionally, findings to approve a variance are difficult to make.

Staff and the development community have discussed possible streamlining of some provisions of the hillside standards. This includes allowing exceptions or flexibility where there will be no visual or topographical impact, providing discretion to the Planning and Economic Development Department Director in cases of minor variations from the standards, providing a mechanism for "over-the counter" review of some hillside development permits, and possible exemption of projects which were approved prior to the hillside regulations going into effect in 2004.

Staff is proceeding with a request for proposals soliciting consultant assistance to facilitate the public review of these options with draft revisions targeted for action by decision makers later this year. Other, short term solutions in process now include consideration of a Zoning Code Interpretation to address ambiguous language in the current ordinance.

g. Streamline Design Review Process

The design review process, as currently practiced and linked to adopted development standards and guidelines, is time consuming and often involves conversations at Design Review Board meetings about how the Design Guidelines are interpreted and how they are applied and implemented. Currently the process spans three steps – Concept, Preliminary, and Final Design Review. This process constrains and increases cost and risk of housing development. Reforms can be created which preserve the basic need for achieving quality development without impeding it.

Program Actions

1) *Identify specific reforms to streamline the design review process that refine the applicability and scope of design review. These reforms should expand the use of administrative design review (based on a check list approach and approval for projects meeting all requirements by City staff) and clarification of the scope of review by the Design Review Board.*

2) *Evaluate the benefit of Concept Design Review, conducted by PED staff as part of preliminary project application review, in terms of reducing time and increasing certainty in the development review process.*

3) *Revise existing Design Guidelines to reflect current market conditions and industry trends and to reduce prescriptive interpretations.*

Background

Design review process as currently practiced adds considerable time, and also risk to development projects. It is not clear that the related extended review time and project risk (managing mandated changed to the project, etc.) yields any particular improvement in the quality of design of buildings in Santa Rosa. Additionally, clarification and better definition of roles of City Boards and Commissions in the broader context of land use decisions will help board members and the public to understand board roles and purview in decision making.

h. Create Integrated Service Counter

This program will implement physical, technological, and service reforms to enhance the customer experience. Program will include an expansion of hours, a customer queuing system, appointments, remodel of counter into an integrated inter-departmental permit and service center, the creation of communication materials, and installation of self-service permit and payment kiosks. Collaborative effort involving PED staff, stakeholders, and consultant contracts. Economic Development Manager will oversee consultant contract for communication materials, and IT will oversee contracts for queuing and kiosk software. Chief Building Official will oversee physical counter improvements.

Program Actions

1) *Conduct outreach to the general public in an attempt to determine a plan for increasing hours of service.*

2) *Organize all customer requests into a tiered structure based on complexity and associated staff time.*

3) *Determine technology that can be utilized to better serve customers with Tier I and Tier II requests, including a queuing and appointment system.*

4) *Begin the development of a counter layout that allows for separate service lines for the determined tiers. Layout will also allow for all PED services to be provided from a single counter.*

5) *Cleary define and begin implementation of a program to issue permits on line and over the counter.*

Background

Due to the recession and reorganization, the PED counter was reduced to serving just Planning and Building customers and only on limited days within limited hours. Now that the economy has rebounded and permit activity has increased substantially, the Department must respond. Economic Development and Engineering Development services were merged into the Department, but offer separate customer access or counter experience. Evaluation and customized service experiences are necessary to increase customer satisfaction, and expanding hours of operation is essential.

i. Optimize Electronic Plan Review and On-Line Permitting

This program will develop the administrative and marketing support needed to maximize on-line permitting opportunities. The program will implement and provide training on electronic plan

review and plan checking, reducing processing time and expediting the digitization of public records.

Collaborative effort involving PED staff, stakeholders, and consultant contract. Supervising Planner will oversee consultant contract.

Program Actions

1) *Evaluate the benefit of providing on-line permits; seek to expand the number and type of permits that can be accomplished this way.*

2) *Start to build the foundation of hardware and software for supporting electronic plan review across key divisions. Explore options available, develop a plan of implementation.*

3) *Provide training and develop guidelines to the applicants and staff who will be utilizing the program.*

Background

The vast majority of plan review in planning, engineering and building is completed administratively utilizing paper copies and referral routing forms. Concurrent with streamlining efforts and technology advances for the department, the City needs to embark into electronic plan review. This will save unnecessary paper routing and storage, and if accomplished collaboratively across the various review team members, quickly increase the review and alignment in the City's comments and conditions on a shared plan set. In addition, the demand for on line permitting is imminent and will greatly assist customers with processing the smaller less complicated projects.

j. Streamline Plan check and site review

This program will develop a streamlined process for reviewing onsite and offsite improvement plans, as well as define and implement a program to effectively coordinate the inspection of public and private site improvements. Collaborative effort involving PED staff, stakeholders, and consultant contract. Deputy Director Engineering Development Services will oversee consultant contract and staff training.

Program Actions

1) *Identify the project types that would be eligible for a joint review and inspection of both public improvements and private infrastructure installed outside of the building envelope.*

2) *Identify the direct benefits to the customer, such as potential reduction in plan review turnaround times and additional staff availability for certain types of inspection requests.*

3) *Determine the appropriate division within Planning and Economic Development to implement the program and identify the resources needed within the identified division to properly implement the program.*

4) *Develop written resources to support the program, such as inspection manuals, plan review checklists and public resource documents.*

5) *Elicit public input throughout the process to ensure that the development and implementation of the program achieves the intended benefits.*

Background

There are inefficiencies in the plan check and inspection process that delay an entitled project from moving effectively through engineering and building plan check review, and on to inspections and final construction. Currently the plan check and inspection teams are segregated which results in having an applicant submit plans to both divisions and working with many reviewers on the same project, and at times the same improvements.

Program #5 – Increase housing investment and developer partnerships

This program includes the City's efforts to provide facilities and services to its homeless population, the necessary subsidies made by the City to affordable housing developers, and also a new focus upon the acquisition of affordability contracts (housing rehabilitation, extension of contracts, and purchase of contracts), and reduce rental housing barriers. It is estimated that such acquisition of affordable housing units, while not creating new housing, preserves existing affordable housing units.

a. City Homeless Facilities and Programs

Over the past several years the City has expanded its homeless facilities and services as need for these services has increased.

Program Actions

1) *Subject to future Council approval, continue support for homeless services and Special Needs facilities at existing (FY 2015-16) levels and seek opportunities to expand services through collaboration with other public agencies and non-profit entities.*

Background

The City has increased its financial support to homeless services programs in FY 2015/16 by committing general fund resources in excess of $600,000 for the Winter Shelter Bed program at Samuel Jones Hall, Homeless Outreach Services Team (HOST) pilot program, the Community Housing Assistance Pilot Program (CHAPP) and the HCA rental assistance program operated by Community Action Partnership of Sonoma County.

Ongoing financial support to the operation of the City-owned Samuel Jones Homeless Shelter, the Countywide Continuum of Care, the Point-In-Time homeless count, and mandated Fair Housing services has in recent years been funded with the Housing Authority's twenty-percent allocation of Real Property Transfer Tax revenue.

Special Needs facilities are funded with HOME funds; 15% of the total HOME funds are designated to Community Housing Development Organizations (CHDO).

b. Expand Affordable Housing Subsidies and Partnerships

Housing for the lower echelon of household income (extremely low and very low income) have been provided by affordable housing developers who make use of the federal Low Income

Housing Tax Credit (LIHTC) program and other federal and State housing subsidies. Local governments also provide subsidy funding to such projects which is instrumental in obtaining the LIHTC allocations. This program would continue the Housing Authority's efforts to provide housing for the City's extremely low and very low income households.

Program Actions

1) *Continue providing City funding to developers of affordable housing projects that rely upon attracting Low Income Housing Tax Credits (LIHTC). In order to assure cost effectiveness of these investments apply a formal criteria-based process for awarding such funding to affordable housing developers.*

Background

The expanded effort to promote housing generally and to include affordable housing units in market rate development, as recommended and discussed in Programs 1 through 4, is expected to stimulate housing production and increase the inclusion of affordable housing units in both rental and for sale housing. However, such programs will not be capable, given cost considerations, to provide housing for the City's extremely low, very low, and all of the low income households. Accordingly, a portion of funding made available for subsidizing housing production should be allocated to continuing the critical Low Income Housing Tax Credits (LIHTC) affordable housing projects, particularly those that provide housing at the low end of affordability spectrum. The chart below shows the need by income category.

Income Category	Percent of Households	Households
Extremely Low – 30% AMI	13%	8,185
Very Low – 50% AMI	11%	6,717
Low – 80% AMI	17%	10,555
Moderate – 120% AMI	10%	6,209
Above Moderate	49%	30,424
TOTAL		62,090

The majority of LIHTC financed projects are sponsored by mission driven affordable housing developers that are committed to the community. The sponsor plans to own and operate the development in perpetuity, well beyond the initial 55-year term of affordability.

LIHTC requirements include:

- 55-year term of affordability
- Inclusion of a community center
- Social services
- Sustainable building materials and energy efficiency
- Proximity to amenities, such as: schools, libraries, hospitals, parks, grocery stores, pharmacies, and transit
- Acceptance of Section 8 Voucher holders
- Quality management oversight
- Compliance reporting to lenders, the equity investor, and the State

The LIHTC projects require a competition for allocation of the tax credits. A key criterion in the competition is the availability of "local subsidy" funding. Historically, the City's Redevelopment Agency funding provided a steady source for such local subsidy but without redevelopment there is less funding available. The level of local subsidy needed to be competitive, based upon recent projects, is in the range of $100,000 per housing unit (the actual amount for given projects varies substantially).

Typically, after the initial ten to fifteen-year tax credit period expires, the property is re-syndicated, which means that a new equity investor joins the partnership providing financial resources (cash contribution) to rehabilitate the units ($25,000 to $30,000 per unit); the 55-year term of affordability starts over.

c. Acquisition of Housing and Purchase of Affordable Housing Contracts

The General Plan Housing Element establishes Quantified Objectives for housing conservation and rehabilitation. While not counting toward meeting RHNA objectives, investments that purchase or extend existing affordability contracts may provide a cost-effective way to secure and sustain the City's price-regulated housing.

Program Actions

Investigate the potential for acquiring affordability contracts by testing:

1) *The willingness of owners of rental properties to participate in a rehabilitation loan program – funds to make property repairs in exchange for restricted rents to low income households;*

2) *The willingness of owners of housing bond-financed developments to participate in a purchase program whereby the City would pay for the difference between market rate and affordable rent in exchange for extending the term of an existing Regulatory Agreement; and*

3) *The willingness of rental property owners currently not under a regulatory agreement to enter into a contract in exchange for payment of the market rate/affordable rent differential with household income restricted to 80% area median income.*

The length of a contract would be dependent on an owners' interest in the specific program.

Background

<u>Rehabilitation loan program</u>

- An estimated $20,000 per unit would be probable in order for an owner to participate in a loan program requiring restricted tenant income and rents for an extended term. On-going reporting and monitoring would be required.

- A zero percent interest loan for five years is most likely. Depending on the loan to value of the property and cash flow, a five year balloon payment loan may be problematic.

- The City suspended its Rehabilitation Loan Program in FY 2008/2009. In order to establish a new rehabilitation loan program, additional staff would be needed or a contract with Sonoma County to facilitate the program. Either option would require funds for administration.

Regulatory term extension of bond financed properties

- The City was the Issuer of multifamily housing revenue bonds for many developments in the 1980s and 1990s where 20% of the total units were set aside to be rented to households at 80% area median income or less with restricted rents at 60%. One multifamily development with 26 restricted units will lose affordability in April this year and another 36 units will be lost to market in February of 2018.
- Purchasing an extension of an already recorded agreement will allow existing tenants to have additional time in a bond restricted unit before a market rate rent is imposed; will help with tenant displacement at a time of low vacancy rates.
- Estimated cost for the 26 units is $45,000 per year, an average of $1,731 per unit per year (at current market rate rents)
- Estimated cost for the 36 units is $277,000 per year, an average of $7,694 per unit per year (at current market rate rents)

Direct purchase of contracts for restricted tenant income and rent

This sub-program would be similar to the bond financed properties' program. The range of subsidy would be from $9,000 per unit per year to $10,000 per unit per year, or higher if market rents escalate.

d. Investigate potential for developer and landlord partnerships

In this program the City would provide a "clearing house" intended to help lower income households find and secure affordable housing provided by incentives and financial underwriting.

Program Actions

1) Research the feasibility of implementing a program to link non-profit housing and service providers with landlords so that individuals and families can find a home.

Background

Such a program can help mitigate the real and perceived risks associated with renting to homeless, or formally homeless. Landlord concerns include non-payment of rent, property damage, or the burden of having to deal with other potential problems caused by tenants.

Financial incentives could be provided to landlords, such as: payment of rent deposits, the first month's rent, a pre-leasing bonus, rental assistance to qualified residents, access to eviction prevention funds, and support to perform basic maintenance.

Further assistance to landlords could include: case management support for qualified residents, routine inspections, master lease with a nonprofit, 24-hour support hotline, and a tenant-certification program that provides perspective tenants with education on budgeting, credit, and other tools to help them be responsible tenants.

MARKETING AND PUBLIC RELATIONS PLAN

A marketing and public relations effort is required as part of *Housing Action Plan* implementation to explain and justify the mission and objectives, to expand outreach to interest groups and the public-at-large and to improve the City's profile as a place to invest and do business.

Expand public outreach and engagement

Overview

It is no surprise that Santa Rosa has opportunities for improvement in both the overall housing supply and affordable housing capacities. The economic and social vitality of Santa Rosa is vastly dependent on addressing this housing challenge. As such, the Santa Rosa City Council has made the current housing challenge a Tier-1 priority, as part of the *2015-2017 City Council Goals,* which has generated a robust and concentrated staff commitment to address the City's housing crisis. Santa Rosa City Council and City of Santa Rosa staff, as part of the City's *Housing Series,* has developed a comprehensive "Housing for All" approach. The Housing for All approach is specifically designed to address the need for housing at all income levels, striving to ascertain an accurate mix of affordable, workforce, and market-based housing options that will suit the entire community. While there has been a tremendous amount of work towards this effort, both internally and externally, there are still opportunities and clarifications around this existing policy.

Effective community engagement provides an opportunity to strengthen relationships with the community by ensuring that the City's decisions are informed and well-understood. Community engagement also strengthens trust within the community by providing a platform for the community to have their voices heard, their views considered and acknowledged, and they're informed of, and involved in, issues which may have impact on their lives.

Within the *2015-2017 City Council Goals,* this comprehensive effort is reaffirmed in order to: 1) Create a Strong, Sustainable Economic Base; 5) Improve Partnerships Between Neighborhoods, Community Organizations, Schools And The City To Support And Promote Thriving, Inclusive And Diverse Neighborhoods; and 6) Commit To Making Santa Rosa A Healthy Community Where People Feel Safe To Live, Work and Play.

Aim of Community Engagement Strategy

This strategy has been developed to provide ongoing education and a consistent approach to community engagement as it relates to the *Housing Action Plan*. The Housing Action Plan has been prepared to address the City's ongoing unmet housing needs and to implement the City's General Plan Housing Element. This community engagement strategy aims to provide education and guidance pursuant to the Housing Action Plan, and how these engagement activities will be provided and/or take place, and what steps and processes are being considered. Specifically, the objectives of this community engagement strategy are:

- Improve the relationship and level of trust between the community and City by ensuring the community is informed about and involved in Housing Action Plan activities.

- Ensure the community fully understands the Housing Action Plan Program through meaningful community education that is inclusive and equitable.
- Strengthen community connectedness through meaningful community workshops and outreach where each person has the opportunity to participate in the discussion and voice any matters which are important to them.
- Obtain sincere feedback by engaging in conversations with the community in order to proactively consider and address their comments/remarks.

Levels and Activities of Community Engagement Strategy

The City of Santa Rosa's Housing Action Plan Community Engagement Strategy has been developed to include four levels of engagement: education, accessibility, inclusivity and cooperation as shown in **Figure 5**.

Figure 5 Santa Rosa Housing Action Community Engagement Strategy

Level	Education	Accessibility	Inclusivity	Cooperation
Goal	Provide the community with information to assist them in fully understanding the Housing Action Plan.	Provide widespread accessibility relating to the production of the educational component.	Directly engage the community to ensure the public voice is consistently understood and considered.	Proactively address community feedback and recommendations to maximum extent possible.
Activities	Advertisements Websites/Social Media (srcity.org/housing series, Facebook, Twitter) Council Presentations Radio/TV Ads Information sessions	Public presentations throughout the community including a diverse group of stakeholders Council Meetings Online Social education/feedback	Public Workshops Deliberative polling/surveys Ensure that community voice is not only heard, but sought after	Citizen advisory committees (i.e. CAB, SR Together, Neighborhood groups, Housing Authority, etc.) Proactively address issues or opportunities presented in community meetings

Housing Industry Outreach, Liaison, and Collaboration

The Planning and Economic Development Department, as a part of ongoing reforms and procedural improvements, seeks to improve the client experience and the overall efficiency and productivity of its development review procedures including planning, engineering, and building plan checking, inspection, and permit issuance. Such reforms offer material financial benefits to clients, increasing entitlement certainty and reducing costs associated with processing time delays. Establishing and achieving plan review time frames and avoiding unnecessary redundancy and iterations will contribute to this effort. This effort is a "two-way street", i.e., there is the need for the building industry to respond to new opportunities to improve and assure completeness of applications and to provide "real time" feedback that can help identify problem areas needing further improvement.

The ad hoc task force established earlier this year by Planning and Economic Development Department that includes representatives of the building industry, engineering and design services, and City staff has been instrumental in identifying regulatory and procedural issues and helping to refine *Housing Action Plan* Programs. It may be useful to extend this collaboration as *Housing Action Plan* implementing efforts get underway.

Conduct socioeconomic evaluation of housing production

The Housing Action Plan is predicated on the notion that housing production is an essential aspect of the City's economic development and fiscal sustainability over time. The current housing shortage has had a significant impact on existing households including increasing rents, and inability to even find housing. These conditions also contribute to the increase in sub-standard housing, crowding, and other problems.

The view that new housing and development generally, is fiscally and economically negative is not supported by the facts and circumstances in Santa Rosa at this time. Thus, as a part of the broader efforts to gain broad public support for the *Housing Action Plan* and its "housing positive" mission it will be valuable to conduct a broad-based and credible analysis of housing production and employment-generating development, as part of the local economy and social welfare generally. This analysis should address

1) The regional economic effects of increased housing production including investment, direct and indirect employment.

2) Increases in local retail and professional and business service expenditures

3) Potential net fiscal flows (increases in revenues over service costs)

4) Increased attractiveness to employers as more housing becomes available

5) Reduction in social stress caused by housing shortage

6) Overall "return on public investment" linking City expenditures to promote housing production to positive economic and social outcomes

Enhance City's web-based economic development platform and "Plan for Success" campaign

With the goal of starting a new conversation with those doing business with, and/or seeking permit-related services through the City, Planning and Economic Development's revamped business webpage will provide tools and information to help people achieve success while retaining their responsibility in navigating the process. "Plan for Success" is a campaign featuring a new website experience, new tools, and a communications platform designed to provide the insight to successfully navigate the planning and permitting process. Combining education and self-navigation tools, we are setting out to empower all applicants. **Figure 6** provides an illustration of the City's Economic Development Web Page.

When creating each element of this campaign, asking the following questions will help us uphold our standards:

- Are we open and honest about the challenges and obstacles people face?
- Are we encouraging and rewarding organization and preparation?
- Are we providing clear information that people can act on?
- Are we making it better?

Campaign Structure

Where applicable, the campaign includes a four-part structure that helps people identify where they are in the planning process:

- Learn (e.g. researching Santa Rosa)
- Plan (e.g. collecting the necessary forms)
- Act (e.g. filling applications or making revisions)
- Launch (e.g. moving beyond their required work with our department)

Business Website

Featuring an evolution of our web content, Planning and Economic Development will be providing a refreshed look and feel while also creating clear new pathways to the tools for each audience. New content will be introduced and current content reorganized, ensuring people have multiple entry points to the content they're seeking, based on how they self-navigate the site.

One Sheets

A templated approach to building tailored instruction and process overviews for both broad-based information and specific points in the planning process. The one-sheets can accommodate:

- Introduction to the department and the team
- Map-based overviews of processes and planning scenarios
- Meetings and Seminar Introductions
- "How-To" Information

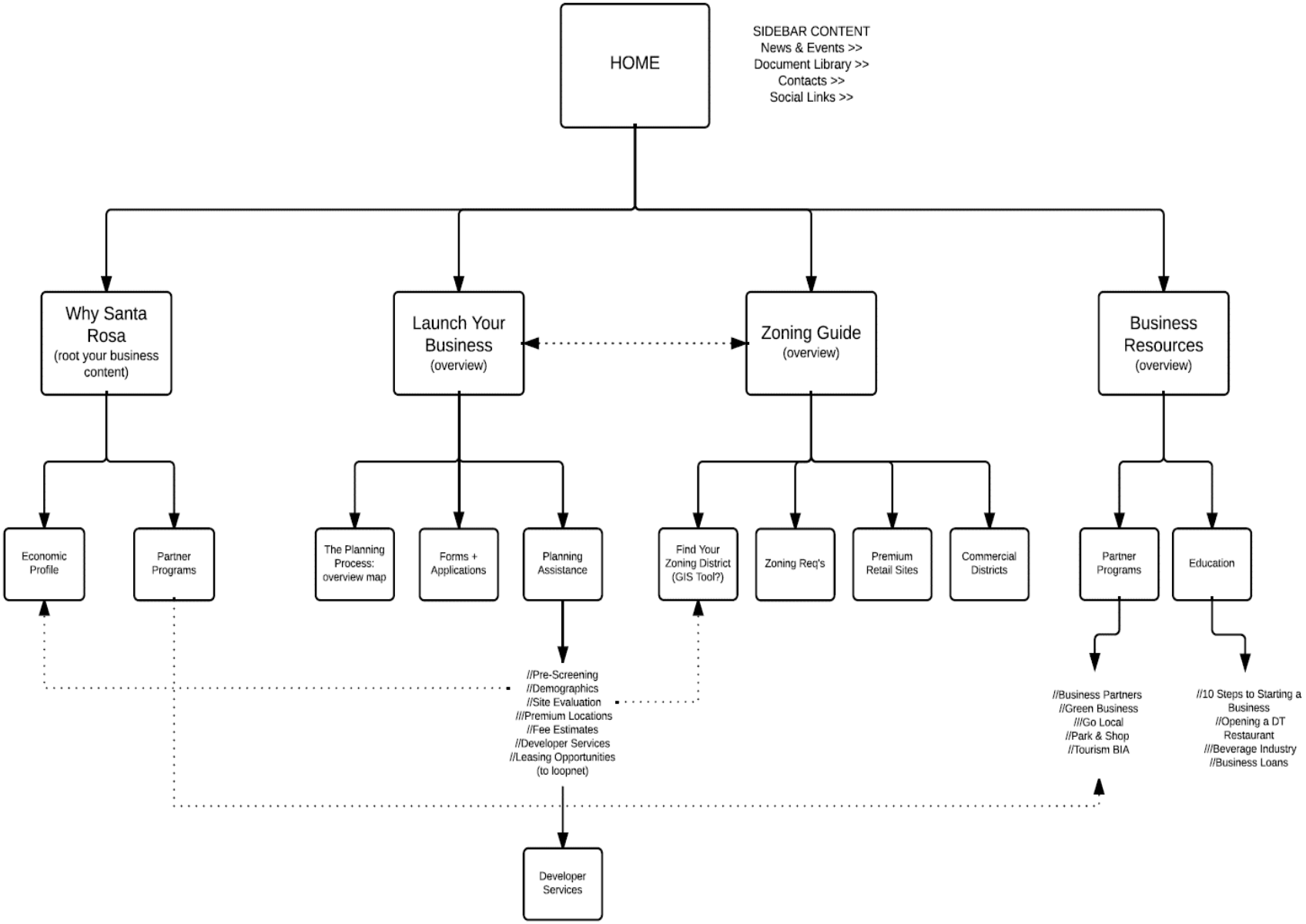
By combining educational content and using templated elements like relevant checklists and contact information, the one-sheets can be edited to serve a variety of purposes.

Surveys

We will measure public perception about business with the City ahead of the campaign's launch, establishing a clear baseline. Using a web-based survey, we'll take qualitative measurements of applicant interactions with the City.

Six months after initial surveys, we will issue follow-up surveys to previous participants to gauge any changes in their perception. At the same time, we'll send initial surveys to those who haven't yet participated, to measure against the established baseline.

Figure 6 City of Santa Rosa Economic Development Web-Page



FINANCING PLAN

Implementing the *Housing Action Plan* will require both short term and long term investments by the City. In the short term, the City's FY 2016-17 Budget should continue the FY 2015-16 Budget authorizations made to Planning and Economic Development and the Housing and Community Services Departments and provide additional one-time funding for incentivizing affordable housing production. The cost of achieving Housing Action Plan housing production objectives concentrate in the lower income household categories where the local share of production subsidies can be $100,000 or more. While the shift of emphasis to inclusionary housing may lower costs for providing housing to low and moderate income households overall, subsidies required will exceed $100 million during the current Housing Element cycle (through 2023).

In the coming years it is expected that the ongoing reform efforts and implementation of the *Housing Action Plan* Programs combined with continuing favorable market conditions will have a catalytic effect on housing production and other development that will, in turn, substantially increase City revenues, including direct revenue from processing and permit fees and development impact fees, and indirect revenues resulting from expanded economic activity (property taxes, sales taxes, Real Property Transfer Tax, etc.). This future increase in City revenue can support *Housing Action Plan* implementation efforts and additional staff capacity as may be needed to meet the service demands of an expanding housing production sector.

As part of the *Housing Action Plan* it is proposed that "return on investment" criteria be developed to measure the effects of City investments in housing production. In this instance, "return on investment" is not a strict financial measure but rather a composite of metrics that would include "housing units produced", "number of affordable housing units by household income category produced", "City subsidy/investment per housing unit", etc.

Initial City Funding Resources

Initial funding resources are necessary to sustain ongoing staff efforts and to pay for additional efforts associated with implementation of the *Housing Action Plan*. These resources will be directed primarily toward the Planning and Economic Development and the Housing and Community Service Departments although there will be assignments and involvement of other City departments including the City Manager's Office, City Attorney, and Finance.

1. ***Sustain current level of General Fund support for homeless programs and affordable housing programs***
    - Sustain funding, administered by Housing and Community Services Department, for homeless housing facilities and services equaling $1.4 million annually.
    - Continue a General Fund appropriation equal to 20 percent share of RPTT revenues ($200,000 in FY 2015/16). Also, it is recommended that Council Policy 000-48 that designates General Fund support for homeless and affordable housing production, be revisited.
    - Sustain share of CDBG Program allocated for housing subsidies at 15 percent of total grant ($845,000 in FY 2015/16).

2. Sustain current levels of funding (including the mid-year FY 2015/16 Budget increases) for Planning and Economic Development with funding directed at increasing planning review and building permit throughput capacity.

- Sustain $1.5 million funding for additional staff, technology, and consultant support in planning, engineering, and building plan check activities.
- Provide additional funding on an as-needed basis, to continue implementation of the Process Improvement Action Plan (PIAP) which supports the customer service, process and technology and partnership improvements necessary to complete *Housing Action Plan* Program Actions.

3. Provide Targeted Housing Action Plan Program funding

Implementing the *Housing Action Plan* will require increased productivity in completing "line" functions as well as a range of additional "special project" efforts that are not currently programmed or anticipated. Targeted expenditures for *Housing Action Plan* implementation should favor efforts or programs with highest potential for stimulation housing production, short, medium, and long term. In addition to current General Fund appropriations, such funding could also draw on reserves, anticipated revenue, or grant funding:

- It is recommended that $3 million be appropriated in FY 2016/17 for *Housing Action Plan* implementation purposes. This funding will be used on a criteria-based competitive basis to incentivize developers to expand or deepen inclusionary housing units in their for-sale housing projects and other high-priority implementation efforts.
- Consider additional one-time funding for pending affordable housing projects requiring a local subsidy investment. Such investment could create additional affordable housing units in the short term.

Ongoing Housing Funding Sources

The City's affordable housing programs are supported by dedicated revenues such as the housing impact fee, General Fund appropriations, a revolving loan program (with a current portfolio of over $100 million), and federal and State grants and subsidies.

4. Future increases in General Fund support for Affordable Housing Programs

As economic conditions improve and, specifically, development-related taxes and fees increase (e.g. the Real Property Transfer Tax) the City should be able to proportionately expand funding (General Fund appropriations) for the City's affordable housing programs. Such funding increases will be subject to future City Budget priorities and constraints. These housing-related expenditures should be viewed from a "return on investment" perspective and sized and prioritized accordingly. A set of public "return on investment" criteria should be developed to estimate the fiscal, economic, and social benefits of investments in supporting increased housing production.

5. Continue soliciting and tapping federal and State grants and subsidies

The federal Housing Choice Voucher Program will continue to be the largest single affordable housing program in Santa Rosa. At the present time these vouchers, that allow low income families to afford market-rate rental housing, providing nearly $20 million to Santa Rosa low income households. The federal Community Development Block Grant, though not increasing in

recent years, will continue to provide funding for housing and other community development purposes. The federal Home Investment Partnership Program, also not increasing in recent years, provides funding for local affordable housing efforts.

The City should also continue to compete for available State housing grants including Proposition 41 (Veterans Housing Bonds), the emerging "cap and trade" funding grant programs linked to transit-oriented development and any new housing bond funding the State may make available.

Secure Dedicated Affordable Housing Funding

The overarching goal of the *Housing Action Plan* is to stimulate production in Santa Rosa, especially housing located in the specific plans and other transit-served areas. As this effort, in combination with improvement in market conditions, results in real estate investment in the City, development-related revenues (property taxes, RPTT, fees, etc.) will increase proportionately. At the same time increases in tax base will offer opportunities for establishing new funding sources that can be directed at subsidizing or otherwise incentivizing affordable housing production. These funding actions could "capture" a portion of this increased revenue for housing related purposes through use of a City-wide EIFD or other less formal "tax increment" strategies.

6. Housing impact fees

Housing impact fees currently charged to for-sale and rental housing units in Santa Rosa provide a source of funding for affordable housing projects; the funding is used, bundled with other funding sources, to provide the "local match" for LIHTC supported housing produced by affordable housing developers. The changes recommended in the *Housing Action Plan* could result in a reduction in housing fee revenues insofar as developers choose to include affordable housing units in their otherwise market-rate projects.

- Amend the existing Housing Impact Fee schedule (within limits defined in the Nexus Study) as part of effort to encourage the production of on-site rental housing units in lieu of the fee (current fees for larger rental units are approaching the Nexus Study limits). Care will need to be taken not to further dis-incentive production of market rate rental units, particularly smaller units that may be in the moderate income household price range.

- In addition to waiving housing impact fees for rental projects willing to price restrict rental units for low and moderate income households, provide regulatory and financial incentives that market-rate rental housing developers can tap to improve financial performance of their projects.

7. Commercial linkage fee

A commercial linkage fee would charge developers of commercial real estate (retail, lodging, office, industrial) a fee to offset the housing demand impacts of the future employees at these buildings. The County and several of the other cities in Sonoma County have adopted such fees. At the present time and likely for some time in the future, market conditions do not favor substantial expansion of the City's commercial real estate sector. Thus, revenue potential from a commercial linkage fee is not substantial.

- Following completion of Commercial Linkage Nexus Study, adopt commercial linkage fee

- Level of the fee should be set at a level deemed not to have detrimental on desired commercial development.
- Regulatory and other incentives should be offered to desired commercial development as a part of broader economic development efforts.

8. City-wide EIFD to support housing programs

An Enhanced Infrastructure Financing District created by the City for funding affordable housing would tap future increases in the City's assessed valuation related to housing (and other construction) along with resales of existing properties. Such funding, expressly authorized in SB 628, can be used for local affordable housing programs, infrastructure investments, and other City capital projects. Analysis using current estimates of assessed value increases in Santa Rosa over the coming seven years (the current Housing Element cycle) suggests that if one-third of the City's expected tax increment through 2023 were dedicated to housing some $20 million could be made available for funding affordable housing production.

9. Seek voter approved affordable housing tax measure

A voter approved tax measure, such as a parcel tax or a general obligation bond, if approved, could be used for funding the City's homeless and affordable housing programs, providing subsidies for specific programs including providing a substantial source for "local match" funding of LIHTC affordable housing projects serving very low and low income families and also funding for additional homeless facilities.

- Voter approval of a tax measure would provide financial support for the City's affordable housing programs.
- Funding could support a large bond measure or be used for ongoing "pay-as-you-go" programs.
- A general obligation bond with a 0.02 mil rate on the City's current assessed valuation would generate roughly $4 million annually thus supporting a bond measure in the $40 to $50 million range that could be used for a variety of affordable housing subsidy programs.
- Cost to tax payers would be about $20 per $100,000 of assessed valuation.
- The support for a housing bond measure should be explored with polling and other public outreach efforts.