

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: DAVID GUHIN, DIRECTOR OF PLANNING AND ECONOMIC
DEVELOPMENT DEPARTMENT AND
DAVID GOUIN, DIRECTOR OF HOUSING AND COMMUNITY
SERVICES
SUBJECT: RENEWAL ENTERPRISE DISTRICT (RED)

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department and the Housing and Community Services Department that the Council, by resolution, authorize approval of a Joint Powers Agreement creating a Renewal Enterprise District (RED) through a Joint Powers Authority comprised initially of the City of Santa Rosa and the County of Sonoma to facilitate the development of housing in targeted geographic areas.

EXECUTIVE SUMMARY

When Sonoma County lost nearly 5,300 homes in the 2017 wildfires, the catastrophe exacerbated an already existing housing crisis. The urgent need to rebuild lost units and also address the severe housing shortage prompted development of the Renewal Enterprise District (RED) to solve a regional housing crisis. The overarching goal of the RED is to catalyze and facilitate rapid development of additional new housing to meet a diversity of needs within the County and the City of Santa Rosa, and to do so in a way that protects the environment, supports our economic renewal, and improves the well-being of all the County's residents.

The members of the City and County Ad Hoc Committees on Build and Re-build (Ad Hocs) recommended that the City of Santa Rosa and the County of Sonoma establish a new Joint Powers Authority (JPA) to implement a shared vision and agenda for regional housing development. Following that direction, the County, the City, and the Sonoma County Transportation Agency staff formed a working group of representatives from each organization to develop a Joint Powers Agreement (Agreement).

The working group has finalized a draft Agreement for review and approval by the Board of Supervisors and the City Council. That Agreement proposes the creation of the

RED as a separate legal entity formed as a Joint Powers Authority by the City of Santa Rosa and the County of Sonoma with initial staffing and operations provided by existing City, County, and Community Development Commission (CDC) staff, supplemented by the Sonoma County Transportation Authority, Regional Climate Protection Agency, and Sonoma Clean Power.

The draft Agreement provides a flexible framework for multi-jurisdictional collaboration. It will enable the RED to create a structure for development of funding and other incentives to facilitate and encourage climate-smart, resilient and affordable housing, as well as other community development projects. The precise scope of the RED's efforts will be defined by the JPA Board of Directors. Creation of the RED signals to the public, state and federal officials, and outside investors and business interests that Santa Rosa's and Sonoma County's local governments are serious about working together to overcome barriers to housing development.

BACKGROUND

In the months following the 2017 wildfires, there was heightened awareness of the importance of ensuring not only that our fire survivors rebuild, but also ensuring community-wide economic vitality by meeting housing development goals. The Sonoma County Board of Supervisors and the Santa Rosa City Council have been working to address the housing shortage and directed staff to identify new and more effective structures to quickly facilitate substantially increased housing development for all income levels. In response, the concept of a regional housing agency construct began to take shape in the form of the Renewal Enterprise District or RED.

The basic premise of the RED is to work across jurisdictions to market and attract developers, blend private financing and public funds, leverage state and federal grant funds, and facilitate creation of housing that meets established public policy goals for increased density, access to transit, protection of open space and community separators; improved energy efficiency, climate resilience, and affordability; and to advance and ensure equitable access to housing.

While the RED is initially being developed by the County of Sonoma and the City of Santa Rosa, after a two-year pilot demonstration period, other jurisdictions will be able to join this regional effort.

PRIOR CITY COUNCIL REVIEW

On June 26, 2018, City Council authorized the creation of the Renewal Enterprise District and directed staff to facilitate the development of housing in targeted geographic areas.

Over the past several months, the City's Build and Rebuild Ad-hoc provided input and received updates on the Renewal Enterprise District proposal. In addition, the City's Build and Rebuild Ad-hoc met multiple times with the County's Build and Rebuild Ad-

hoc to discuss this concept and coordination with the County. The City's and County's Ad-Hoc committees both recommended bringing this item forward to the City Council and Board of Supervisors.

ANALYSIS

The Agreement sets forth a framework in which the County and the City, by sharing various powers within their jurisdictions, may:

- Facilitate efforts to develop housing, based on existing and in-process local land use plans
- Develop new incentives and define project criteria for which incentives are appropriate
- Pursue new opportunities for public-private partnerships
- Expand, pool, and leverage public and private financing
- Explore the most strategic and advantageous use of city- and county-owned land
- Leverage the regional housing planning tools and the technical and financial resources of Metropolitan Transit Commission (MTC)/Association of Bay Area Governments (ABAG)

The goals of this joint effort include:

- Achieving Sonoma County's and City of Santa Rosa's fire recovery rebuild goals
- Meeting current and previously unmet regional housing needs
- Honoring community separators and urban growth boundaries and Implementing existing and in-progress General Plans and Specific Plans
- Incentivizing higher density, infill, and transit-oriented housing in Priority Development Areas, Transit Priority Areas, Designated Opportunity Zones, and Employment Investment Areas
- Promoting zero net energy development and advancing climate resiliency at the regional, neighborhood, and homeowner scale
- Ensuring affordability and equity in housing development
- Improving opportunities for area employers to recruit and retain a skilled workforce
- Ensuring transparency and accountability regarding achievement of housing goals

Formation of the RED will not shift any land use approval authority to the JPA. However, it is hoped that the RED eventually may streamline permitting and financing tools to help further an aggressive housing production agenda.

RED Project Parameters

Once the RED is formed and has access to capital or other incentives, the RED will be able to provide financial and other incentives to individual projects according to specified criteria. Final criteria will be established by the governing board of the JPA. Some examples of project criteria recommended by staff include increased levels of affordability in both rental and ownership projects; location within the boundaries of a specific plan adopted by the City of Santa Rosa or County of Sonoma, or on a parcel that falls entirely or partially within a locally-designated Priority Development Area, a Transit Priority Area, a Designated Opportunity Zone, an Employment Investment Area, or a Rural Investment Area.

Staff also recommends that RED funding be made available for Infrastructure and Community Facilities projects that directly serve individual RED housing projects. Community facilities could include community health clinics, affordable day care and after school programs, libraries, teen centers, and senior centers.

Governing Board

The RED is proposed to be governed by a Joint Powers Authority with the initial governing Board consisting of two elected officials each from the County of Sonoma and the City of Santa Rosa ("Founding Members"). The joint powers agreement establishing the JPA is structured to allow other jurisdictions to become part of the RED after a two-year pilot period. After that two-year period, other cities within the County may join the JPA with one elected official per jurisdiction ("New Member").

Voting

The Founding Members will have two votes, or one vote per representative. Each New Member will have one vote, or one vote per representative. Day-to-day decisions will require a simple majority of all members to pass. Major decisions, including financial commitments imposed on the members or an amendment to the Agreement, will require a unanimous vote.

Future Review of Governance

Under the Agreement, the JPA will hold a public meeting after two years from formation of the Agency to review the terms and conditions of the Agreement and to discuss whether any amendments to the Agreement are necessary or advisable, including the addition of New Members.

Financing

The RED will allow the City and the County to more easily pool their resources to leverage additional investment, with the potential to generate more funds than either jurisdiction can attract on its own.

The RED could seek additional financial resources from investors, funders, planners, and regulators at the regional, state and national levels, which could then be strategically leveraged under the RED construct. Staff believes that the RED concept – the creation of a new regional entity to promote housing – will itself attract such new investments.

Wherever possible, the members of the JPA will pursue grant funding to offset future costs. To date, the local agencies participating in the formation process have been successful in obtaining a \$1,000,000 Hewlett Foundation grant to fund development of the JPA, and a possible \$350,000 from the State of California's Strategic Growth Council for initial start-up costs and planning efforts. Staff anticipates that initial start-up and operating costs for the initial two-year period of the RED will be approximately \$500,000 annually, and thus will be fully funded by the outside grants.

SB2 Funding

Fifty percent (50%) of funds generated under SB 2 (through a \$75 fee charged for the recording of real property documents) during its Year 1 (2018) are being specifically allocated to grants for technical assistance and updates to local planning documents to streamline housing production (while the other 50% are allocated to the State for homeless services).

The jurisdictions could pool funds received under SB 2, and other funds contributed to the JPA, to enable Santa Rosa and Sonoma County to prepare plans and environmental documentation that would facilitate streamlined development.

Additionally, when SB 2 money is available for housing development projects, the City and County through the RED could work with the state agency charged with implementing SB 2, the State Department of Housing and Community Development, to appropriate a portion of the available funds for RED projects.

Staffing and Other Services

Initial staffing for the JPA will be done under contract with member entities or third parties. The JPA may have an Executive Director, who may be an employee of one of the members. The Sonoma County Auditor-Controller-Treasurer-Tax Collector shall act as the initial Treasurer for the JPA and perform all usual and customary duties of their offices, including but not limited to receiving all deposits, processing payments per direction, and other duties specified in Government Code section 6505.5. The JPA may transfer the responsibilities of the Treasurer, by a vote of the Board, to any other person or entity as the law may provide at the time (see e.g., Government Code section 6505.5). The Board shall also ensure an independent annual audit is conducted by a certified public accountant, or public accountant, in compliance with Government Code section 6505.

The RED will need to be engaged immediately in a number of tasks, including beginning work on the upcoming legislative advocacy efforts, and on fundraising. Both City of Santa Rosa and County of Sonoma staff are well positioned to provide these services.

The County of Sonoma Board of Supervisors is poised to consider approving the creation of the RED JPA concurrently with this item.

FISCAL IMPACT

Existing staff from the City's Housing and Community Services and Planning and Economic Development Department, and the County's Community Development Commission, Permit Sonoma, General Services, and Sonoma County Transportation Authority, will manage the JPA with support from legal counsel, accounting and the County Auditor Controller Tax Collector, and supplemented by the Sonoma County Transportation Authority, Regional Climate Protection Agency, and Sonoma Clean Power.

Staff has sought and received \$1M in start-up funds through the Hewlett Foundation, and the State's Strategic Growth Council is likely to support with approximately \$350,000.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378. A "project" under CEQA does not include organization or administrative activities of governments that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines, section 15378, subd. (b)(5).)

ATTACHMENTS

- Resolution – Formation of Renewal Enterprise District
- Exhibit A – Joint Powers Agreement

CONTACT

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