

DSASP Update: Affordable Housing and Anti-Displacement Strategy

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1. Introduction

On December 3, 2019 the Santa Rosa City Council approved a Preferred Plan Concept for the Santa Rosa Downtown Station Area Specific Plan (DSASP) Update that seeks to facilitate the production of 7,000 new housing units within a half mile walking distance of the Downtown Transit Mall and Sonoma Marin Area Rail Transit (SMART) station over the next 20 years. As an area capable of accommodating increased density and providing new housing options, downtown development is critical to addressing the ongoing housing crisis in Santa Rosa made worse by the devastating loss of homes to wildfires in October 2017. At the same time, ensuring that housing is affordable to current and future residents is critical for the downtown vitality and sustainability. Providing housing that caters to a broad mix of income levels and household types can promote social and economic inclusion at the neighborhood level and help overcome the kind of mismatch in location of jobs and housing that requires people to commute long distances to work.

This report documents existing demographic and housing conditions in the planning area; characterizes the risk of displacement of people and housing units that could result from implementation of the DSASP Update; discusses existing affordable housing policies and programs; and offers strategies and recommendations to preserve affordable housing and reduce displacement. The report is intended to inform anti-displacement and affordable housing strategies to include in the Draft DSASP, anticipated for public release in the spring of 2020.

2. Existing Conditions

This section describes Santa Rosa's regional housing needs and reviews relevant demographic and housing trends in the planning area.

DEMOGRAPHICS

In 2017, there were an estimated 5,512 people living in the planning area according to data from the American Community Survey (ACS), which represents an 11 percent increase in population since 2000. Over the same period, the number of residents in the City of Santa Rosa as a whole increased by 18 percent - a noticeably higher rate. The difference can be linked to the lower rate of housing production downtown than in the rest of the city.

Compared to the citywide average, planning area residents are more likely to live alone or in non-family arrangements, such as unmarried couples, students or young people living with roommates. Approximately 38 percent of planning area residents lived alone in 2017, compared to 29 percent citywide, and the average downtown household size was 2.4 residents, compared to an average size of 2.7 residents in the city as a whole.

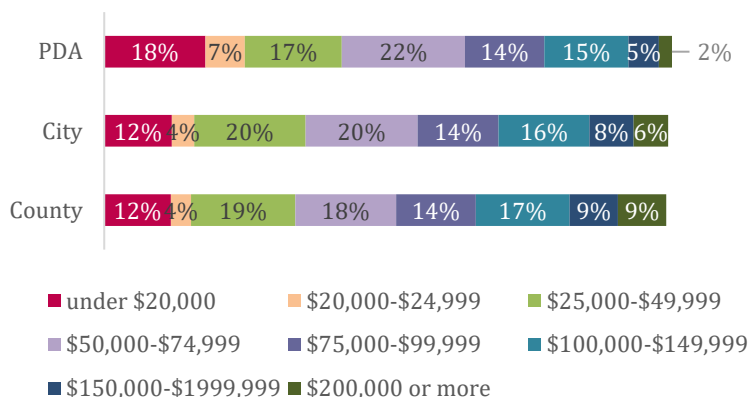
In the planning area, the percentage of Hispanic residents rose from 24 percent in 2000 to 34 percent in 2017. The percentage of planning area residents who speak English at home (73 percent) is

slightly higher than the citywide average, and the percentage of Downtown planning area residents who speak Spanish at home (21 percent) is slightly lower.

Housing markets in general, and rental housing in particular, are heavily influenced by household incomes, particularly the wages and salaries of the working population.

The median income in the planning area was \$63,151 in 2017, as compared to \$67,144 for Santa Rosa as a whole and \$71,769 in Sonoma County. In addition, approximately 18 percent of households in the planning area had incomes below \$20,000 annually, and 15 percent of households had incomes below the poverty line. By contrast, 12 percent of households citywide have annual incomes below \$20,000 and 10 percent of households live below the poverty line.

Income Levels, 2017



Planning area residents also have slightly lower levels of educational attainment. About 36 percent of planning area residents have a high school degree or less (compared to 33 percent in the city and 31 percent in the county), and 26 percent have a bachelor’s degree or higher (compared to 32 percent in the city and 34 percent in the county).

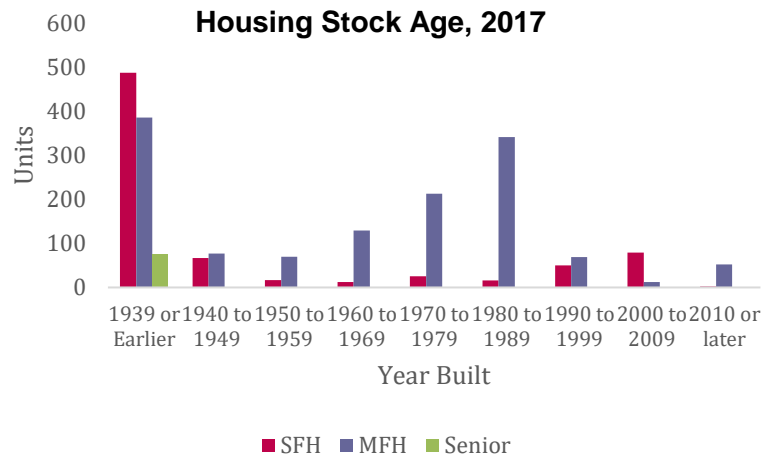
The planning area also has a nominally higher percentage of people with disabilities. Seventeen percent of the non-institutionalized population 18 and over had a disability in 2017, compared to 14 percent for the city and county. This higher percentage may be attributable in part to residents living in the Rosenberg Apartments, reserved for people over the age of 65 and/or having a disability.

HOUSING STOCK CHARACTERISTICS

According to 2018 Assessor’s data, the planning area contains an estimated 2,445 residential units, including 780 single family units (32 percent), 1,589 multi-family units (65 percent), and 76 senior units (three percent). Generally, multi-family units in the planning area today tend to be duplexes, triplexes, or fourplexes, rather than large complexes of five or more units. Of the approximately 300 multi-family structures downtown, 47 percent are two-unit structures, and approximately a third are three or four-unit structures.

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A review of housing development by decade indicates that since the beginning of the 20th century, most multi-family development downtown occurred in the 1980s; however, in the decade from 2000 to 2009, more single-family units were built than multi-family units. The decade was an anomaly in this sense, the first time since 1939 that single-family development had outpaced multi-family development downtown.



Approximately 75 percent of the planning area's housing units are renter-occupied, a greater share than in the city (53 percent). The risk of economic displacement from redevelopment tends to be higher in areas with high numbers of households in rental housing. 2017 ACS data reports that seven percent of Downtown units are vacant, a greater proportion than in the city (4.2 percent). From 2000 to 2017, home ownership has declined in the planning area by nine percent, despite rising homeownership in the city (31 percent respectively).

HOUSING AFFORDABILITY AND COSTS

There has been a comparable increase in rents in the City and planning area over the past 10 years. For example, in 2010 Santa Rosa's rents were an average of \$1,131 per unit, while the Specific Area Plan's rents were \$1,327 per unit. In 2018, rents in Santa Rosa increased to an average of \$1,600 per unit and rents in the planning area rose to \$1,602 per unit. Notably, rents in the planning area reached a high of \$1,725 per unit in 2017 but decreased to \$1,607 as of January 2019. The fires in Sonoma County likely caused rent spikes in 2017. Median homes sales prices in Santa Rosa have steadily increased from \$265,000 in 2012 to a high of \$606,000 in 2018, but decreased to \$548,000 in 2019. The median sales price for 2019 was approximately \$585,000.¹ No home sales data is available for the planning area.

According to 2017 ACS data, approximately 31 percent of owners and 53 percent of renters spend more than 30 percent of their income on housing costs, generally regarded as the benchmark for overburdensome housing costs. In the planning area, 33 percent of owners and 44 percent of renters are overburdened by housing costs. This indicates within the planning area, fewer renters are overburdened, but slightly more owners are overburdened than the population citywide.

¹ Median Sale Price from Zillow.com

HOUSING DEVELOPMENT TRENDS

Though housing permitting is still below historical norms (effectively zero in 2015), it has been increasing following the City's efforts to implement the Housing Action Plan and in the face of pressure to support post-fire rebuilding efforts. Since 2010, 1,165 units have been constructed in the city, but most of this permitting activity relates to rebuilding single-family homes lost in the fires. Limited housing production in the city and region has been attributed to market uncertainty due to unknown demand for infill in Sonoma County, a lack of demonstrated viability and financing for infill, lack of policy and process commitment to support development, and high costs of construction. The City has made significant strides to address some of these barriers, discussed in further detail in Section 4 of this report.

In the planning area, two housing developments (a total of 130 units) have been constructed downtown since 2007. As of October 2019, thirteen development projects are under review, permitted, or under construction within the planning area. As listed in Table 1 and shown in Figure 1, there are a total of 579 dwelling units that have been approved with 497 of them as multifamily units. There are an additional 209 multifamily units that are in progress of being reviewed by the City. In terms of non-residential development, there is a total of 114,679 square feet in progress or approved by the City within the planning area, of which 42,580 square feet do not have a residential component associated with the project.

REGIONAL HOUSING NEEDS ALLOCATION (RHNA)

State law mandates that all California cities, towns and counties must plan for the housing needs of residents across all income levels. This mandate is called the Housing Element and Regional Housing Needs Allocation, or RHNA. As part of RHNA, the California Department of Housing and Community Development (HCD) and the Association of Bay Area Governments (ABAG) determines the total number of new homes the Bay Area needs to build—and how affordable those homes need to be—in order to meet the housing needs of people at all income levels. These income levels, as defined by the California Department of Housing and Community Development for a four-person household pursuant to the Health and Safety Code, measure household income compared to the county's area median income (AMI). A fair share of the total number of homes is then distributed to each jurisdiction in the region, and each local government must then update the Housing Element of its general plan to show the locations where housing can be built and the policies and strategies necessary to meet the community's housing needs.

After annexation of Roseland in 2017, the RHNA allocated 5,083 new housing units to be built between 2015 and 2023, with 33 percent (1,712 units) available to Extremely Low, Very Low, and Low-Income households. Table 2 shows the distribution of housing needs by income category for Santa Rosa as assigned by ABAG as well as units issued building permits by income category.²

² City of Santa Rosa. General Plan Annual Review Report, 2018. Accessed at <https://srcity.org/DocumentCenter/View/24331/General-Plan-Annual-Review-Report-2018>

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Table 1: List of Current Development Projects

<i>Project</i>	<i>Type</i>	<i>Location</i>	<i>Status</i>	<i>Description</i>
Dutton Flats	Multifamily, 100% affordable	208 W 3 rd St	In progress	1.03 acres; 41 units
Avenue 320 Apartments	Adaptive reuse from Office to Multifamily dwelling	320 College Avenue	In progress	0.63 acres; 40 units
Caritas Village	Multifamily dwelling and support services	465 A Street	In progress	2.78 acres; 128 units; 41,290 sq ft support and services
Gardens Subdivision	Single Family Dwelling	713 W 3 rd St	Approved	10.23 acres; 82 units
College Avenue Apartments	Multifamily dwelling	542 College Ave	Approved	8 units
888 Fourth Street Apartments	Multifamily dwelling/General Retail	891 3 rd Street	Approved	0.74 acres; 107 units; 2,600 retail
Art House	Multifamily dwelling/General Retail	620 7 th Street	Approved	0.2 acres; 21 units; 2,000 retail
420 Mendocino	Multifamily dwelling	420 Mendocino Ave	Approved	0.48 acres; 106 Units;
Pullman Lofts	Multifamily dwelling/retail	701 Wilson St	Approved	1.83 acres; 72 units; 4600 sq ft retail
Deturk Village and Deturk Winery Village	Multifamily dwelling/commercial recreational	8 W 9 th Street	Deturk Village: Approved Deturk Winery Village: In Progress	3.43 acres; 185 units; 20,000 sq ft commercial recreational
College Station	Drive through	80 College Ave	Approved	9,000 sq ft retail
Spinster Inn	Hotel	407 S A St	Approved	9,000 sq ft
Courthouse Square Hotel	Hotel	25 Old Courthouse Square	Approved	24,580 sq ft

Source: City of Santa Rosa, 2018

Figure 1. Pending and Recently Approved Housing Development Projects

Table 2: Regional Housing Needs Allocation and Permit Issuance, 2015-2023

<i>Income Category</i>	<i>Housing Need</i>	<i>Percentage</i>	<i>Progress (2015-2018)</i>	<i>Remaining</i>
Extremely Low (incomes less than 30% of county AMI)	520	10%	48	472
Very Low (incomes between 30-50% of county AMI)	521	10%	53	468
Low (incomes between 51-80% of county AMI)	671	13%	89	582
Moderate (incomes between 81-120% of county AMI)	759	15%	126	633
Above Moderate (incomes above 120% of county AMI)	2,612	51%	1,103	1,509
Total Projected Need	5,083	100%	1,423	3,660

Source: City of Santa Rosa, 2018

Housing Inventory

State law requires that Housing Elements include a parcel-specific inventory of sites that are appropriately zoned, available, and suitable to provide opportunities for the provision of housing for all segments of the community. The 2015 Housing Element identified sites designated as Medium High Density, Transit Village Medium, and Transit Village Mixed Use as the most likely locations for new affordable housing development these sites accommodate residential densities of 30 to 40 units per acre, with no upper limit in the Transit Village Mixed Use designation. Thirty two locations with this designation were identified in the city, representing potential for approximately 2,345 units. A total of 22 locations and estimated 1,515 units are within the planning area, shown in Figure 2. As of 2019, none of the sites have been developed into housing since the inventory was conducted.

3. Risk Characterization

GENTRIFICATION AND DISPLACEMENT

The Preferred Plan Concept supports development of new housing, new public amenities, improved walkability and connectivity, increased vibrancy, and an enhanced quality of life overall for all residents. However, as with any plan, development without protections and proactive strategies can have direct and indirect consequences, such as gentrification and displacement.

Gentrification is the process of neighborhood economic and demographic change in an existing area, which often includes real estate investment and increased demand from higher-income residents. While increased investment in an area can be positive, gentrification is often associated with displacement, which means that long-term residents are not able to stay to benefit from new investments in housing, transit infrastructure, and other quality of life improvements.

Figure 2. 2015-2023 Housing Element Opportunity Sites Inventory

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Many neighborhoods vulnerable to the negative effects of gentrification are influenced by past policy and investment patterns that benefited some racial groups and classes over others, such as redlining, urban renewal, and subprime lending.³ Other populations at risk of gentrification and displacement's negative effects include households with low incomes; renters, especially those paying 30 percent or more of their income; elderly households; people with language barriers; residents of existing affordable housing developments; people with low levels of formal education; and undocumented people.

Displacement risks arise related to the planning area's challenge of achievable rents and sales prices. The planning area's lower median incomes make it difficult for developers to charge rents or sales prices that people can afford while simultaneously recouping their costs. Attracting higher-income residents with enhanced downtown attractions is one strategy to help to fill the gap and make Downtown Santa Rosa a more attractive market for private developers. Overall, more development in the area could lead to lower average housing costs, an increased range of housing options suitable for all income levels, and more opportunities to build or collect funds for new affordable housing. However, as higher income residents move in, there is the potential that lower-income residents could be pushed out. Without tenant protections and adequate availability of affordable housing, rising property values and increased demand could lead to evictions, home demolitions, unaffordable rents, real estate speculation, or a loss in total number of units as they are converted to market-rate.

Gentrification can also include cultural displacement. In addition to higher-income residents moving in, demographic changes in education levels and racial make-up may occur. Long-time residents who are able to stay in newly gentrified areas may feel a reduced sense of belonging or loss of culture as existing neighborhood amenities and services are replaced to serve higher-income demographics. In the planning area, some development is expected to occur adjacent to the Roseland neighborhood, a predominantly Latino community. In addition to various State laws protecting tenants and streamlining affordable housing development, a number of policies from the Roseland Affordable Housing and Anti-Displacement Strategy, Roseland Specific Plan have been incorporated into Santa Rosa's Housing Action Plan and 2035 General Plan. However, other strategies to avoid displacing businesses along Sebastopol Road could be developed to avoid cultural displacement.

Recently, methodologies have been developed to better understand and predict where gentrification and displacement is happening and will likely occur in the future, using housing, income, and other demographic indicators. The University of California's Urban Displacement Project has developed eight typologies to describe gentrification and displacement risk at the census tract level, for both lower-income tracts and moderate to high-income tracts. "Low income" was defined as households that had an income below 80% of the County median. Tracts were then classified as being lower income if their share of low income households was greater than the Bay Area regional median in 2013 (39%) and higher income if their share was below the regional median. There are five tracts in the planning area and all are considered lower income on the basis of this definition. These tracts are further divided into four categories: (a) not losing low-income households or very

³ To read more about these policies and impacts, visit the Urban Displacement Project at <https://www.urbandisplacement.org/gentrification-explained>

early stages of displacement, (b) at immediate risk of displacement, (c) undergoing displacement, and (d) advanced stages⁴. Criteria for each category is shown in the Table 3, below.

Table 3. Displacement Typology, Lower Income Tracts

<i>Typology</i>	<i>Criteria</i>
Not Losing Low Income Households	<ul style="list-style-type: none"> • Does not meet other criteria defined below
At Risk of Gentrification	<ul style="list-style-type: none"> • Strong market • Near rail transit • Historic housing stock • Losing market-rate affordable units • Employment center
Displacement of Low Income Households/Ongoing Gentrification	<ul style="list-style-type: none"> • Already losing low-income households/naturally affordable units, and in-migration of low-income residents has declined • Stable or growing in size
Advanced Gentrification	<ul style="list-style-type: none"> • Gentrified between 1990 and 2000 or between 2000 and 2013 based on: <ul style="list-style-type: none"> ○ Neighborhood vulnerability ○ Demographic change ○ Real estate investment

Source: Urban Displacement Project, 2016

Figure 3 shows how each census tract in the planning area is classified, according to this displacement typology. The area around Sebastopol Road south of Highway 12 is not losing low-income households, as this part of the planning area is largely industrial at this time. Areas west of Highway 101, including Maxwell Court, the West End, Railroad Square, and the SMART Station are at risk of gentrification and/or displacement. The remainder of the planning area, including Courthouse Square, Juilliard, areas near College Avenue, and Imwalle neighborhoods, are currently undergoing displacement. Demographic and housing trends should be monitored frequently in all of these areas to monitor and address gentrification and displacement risks.

Low-Income Rental Units at Risk of Converting to Market Rate

Deed Restricted Affordable Housing

For at least 30 years, a variety of programs have provided incentives for the development of affordable rental housing in Santa Rosa. These programs are administered by a variety of entities including HUD, insured by the Federal Housing Administration (FHA), financed by Multifamily Revenue Bond issuance or tax credits, financed by the Housing Authority of the City of Santa Rosa; or governed by Density Increase Program Agreement, Housing Authority Regulatory Agreement, or Housing Allocation Plan Agreement.

⁴ Zuk and Chapple, 2015

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Figure 3. Displacement Typology in the Planning Area

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contract. In return for certain considerations, developers sign contracts to provide units at affordable rents from 10 to 55 years. Once the term of the contract is up, the owner of the rental units can raise the rents to market rate. This can have the effect of displacing the low- and very low-income tenants who cannot afford increased rents. Deed-restricted affordable housing in the planning area is shown in Table 3, below.

Table 3. Deed-Restricted Affordable Housing in the Planning Area, 2019

<i>Property</i>	<i>Address</i>	<i>Units</i>	<i>Funding/ Regulatory End</i>
Rosenberg Building	306 Mendocino Avenue	77	LIHTC, Ended 2015
Humboldt Apartments	670 Seventh Street	51	LIHTC, Housing Authority Funding 2068
Caritas Village	612 Morgan Avenue	6	Housing Authority funding, HUD funding, 2070

Source: City of Santa Rosa, 2019

Two of the three buildings will be deed-restricted until after the planning horizon of 2040, and the City is engaged in ongoing communications with the management or owners of the Rosenberg Building. Thus, the risk to deed-restricted affordable housing is minimal.

De Facto Affordable Housing

In addition to the risk of conversion of existing “official” affordable housing units in the planning area, there is also a supply of *de facto* affordable (or somewhat more affordable than prevailing rents) rental housing, which often includes housing stock that is older. Occupants of *de facto* affordable housing could be at risk of displacement due to general market factors as housing costs in the area continue to increase, and/or as the planning area is further improved through redevelopment and re-investment. While the Preferred Plan Concept seeks to promote redevelopment on vacant and underutilized sites outside of established residential neighborhoods in the planning area, displacement may occur if redevelopment activity in the area increases the market value of the existing housing stock, and households currently renting market-rate units can no longer afford those units.

Vulnerable Populations

While the Urban Displacement Project methodology only includes low-income migration rate as a demographic indicator, the geographic distribution of groups vulnerable to displacement should also be considered in assessing risk. Table 5, below, shows percentage of tract populations with vulnerabilities to displacement, including households with low incomes; renters, especially those paying 30 percent or more of their income; elderly households; people with language barriers; residents of existing affordable housing developments; and people with low levels of formal education. Census tract boundaries are shown on Figure 3.

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Figure 5. Populations Vulnerable to Displacement

<i>Vulnerability</i>	<i>Tract 1531.04</i>	<i>Tract 1530.03</i>	<i>Tract 1530.02</i>	<i>Tract 1520</i>	<i>Tract 1519</i>
People aged 65+	4.0%	7.9%	8.5%	7.3%	10.5%
People who do not speak English well	25.2%	11.1%	16.3%	2.2%	6.3%
Renters paying more than 30% of incomes	58.6%	46.7%	69.0%	43.7%	55.1%
People with less than a high school education	48.6%	21.9%	32.0%	11.7%	17.8%
Non-white population	77.8%	45.5%	68.0%	32.6%	46.1%

Source: ACS, 2011-2015

4. Existing Affordable Housing Policies and Programs

In light of the fires and urgent housing need, the City has taken significant action to develop and implement policies and programs that promote housing development at all levels, including affordable housing production and conservation. Federal programs encourage investment and development in lower income areas, and recent state laws take significant action to remove barriers and increase incentives for affordable housing development. The following section provides an overview of Santa Rosa’s existing affordable housing policies and programs, as well as relevant federal and State laws.

CITY POLICIES AND PROGRAMS

Housing Action Plan

Adopted in 2016, the Housing Action Plan implements the City’s General Plan Housing Element. The mission of the Housing Action Plan is to “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.” The Housing Action Plan includes five programs and 31 program elements. The programs address all categories and emphasize programs that promote housing for the City’s working families, shown in Table 6.

Table 6. Santa Rosa Housing Action Plan Programs

<i>Housing Program</i>	<i>Household Income Level</i>				
	<i>Extremely Low Income</i>	<i>Very Low Income</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Above Moderate Income</i>
Program 1- Increase Inclusionary affordable housing			x	x	
Program 2- Achieve “affordability by design” in market-rate projects			x	x	
Program 3- Assemble and offer public land for housing development	x	X	x	x	
Program 4- Improve development readiness			x	x	x
Program 5- Increase affordable housing investment and partnerships	x	X	x		

Source: City of Santa Rosa, 2019

Program 1: Increase Inclusionary Housing

Housing Allocation Plan Ordinance

The Housing Allocation Plan Ordinance (also known as the "Inclusionary Housing" Ordinance) helps to increase the supply of affordable housing by requiring that market-rate housing projects include affordable units on-site or contribute funds for affordable housing development in the City.

On October 22, 2019, the Inclusionary Housing Ordinance was amended by Council, which included reduction of the inclusionary percentage and housing impact fee for multifamily housing and mixed-use development in the planning area to help encourage higher intensity development. Ordinances and fees went into effect on December 2, 2019.

The key amendments included:

- A revised inclusionary (on-site) affordable unit percentage requirement, with eight percent of total units affordable to low income households, or at least five percent of units available to very low income households in rental projects; and ten percent of units available to moderate income households in for-sale projects. Downtown, these inclusionary requirements are four percent of units available to low income households or three percent affordable to very low income households in rental projects; and five percent of units affordable to moderate income households in for-sale projects.
- Modification of the Housing Impact Fee structure to increase square footage fees per year, for the next five years, after ordinance adoption. Fees are less for development in the planning area than the rest of the city.
- Establishment of a new Commercial Linkage Fee of \$3 per square foot of commercial development to increase funds for affordable housing development within the City.

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Density Bonus Ordinance Update

On January 8, 2019, the City Council approved an update to the City's Density Bonus Ordinance. Consistent with State density bonus law, the amended ordinance continues to allow any multi-family project in the City, with 5 or more units, which includes affordable housing, to earn a density bonus up to 35% above the residential density limit set by the General Plan land use designation. The updated ordinance also adds a supplemental density bonus within the City's Downtown Station Area Specific Plan; residential projects within these areas may qualify for a supplemental density bonus up to 100% above the General Plan residential density limit. Finally, a density bonus project may also qualify for up to three incentives/concessions from Zoning Code regulations when they result in actual reduction in the cost of constructing affordable housing.

Incentives and Fee Reductions

The City has implemented an aggressive fee reduction program to incentivize and encourage high-density housing development in the Downtown. The Program has 2 main elements, including reduction of Capital Facilities Impact Fees and Park Impact Fees based on height and inclusion of affordable units; and deferral of Water and Wastewater Impact fees. Unless extended, this program will sunset in August of 2023.

Market Rate CFF and Park Impact Fee Reduction

These changes allow a fee ceiling on high-rise, high-density housing development in an effort to bring down per-door fees. Without the incentives, current fees for high-density residential projects pencil out to about \$29,057 per unit. For market rate high-rise multifamily properties, the City caps fees to the first two or three floors (depending on zoning) dedicated to residential housing on a given property conforming with the boundaries of the planning area. The cap on fees reduces the cost per unit for vertical development.

Affordable Housing CFF and Park Impact Fee Reduction

The Incentive Program has an additional fee incentive specific to building affordable housing units on a site pursuant to the City's Inclusionary Policy. The additional incentives would consist of a temporary reduction in Park Impact and Capital Facilities fees for affordable units to \$2 per square foot for Park Impact Fees and \$2 per square foot for Capital Facilities. Assuming an average unit size of 800 square feet, affordable and inclusionary projects would cost \$3,260 per unit under the Incentive Program versus \$13,167 per unit under the fee schedule.

Water and Sewer Impact Fee Deferral

The City offers a water and sewer impact fee deferral program for eligible downtown housing that have a minimum of three floors dedicated to housing. Deferral offers an estimated \$1,700 per unit in incentivized savings.

Program 2: "Affordable By Design" Housing***Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU) Ordinance***

An Accessory Dwelling Unit (ADU) is an attached or detached residential dwelling, located on the same parcel as an existing single-family dwelling, that provides complete independent living facilities, including sleeping, cooking, bathing, and sanitation. An ADU can be located on any property

where the zoning district allows single-family residential by right, and on any parcel that already contains only one single-family residence.

A Junior ADU (or JADU) is a new category of dwelling unit created by the State of California and adopted by the City of Santa Rosa. There are several distinctions between a standard ADU and a JADU detailed in the table below. The main difference is that a JADU is not required to have a dedicated bathroom.

On December 12, 2017, and October 2, 2018, the City Council adopted ordinances amending the Accessory Dwelling Unit (ADU) section of the Santa Rosa Zoning Code in compliance with State law and in support of the City's Housing Action Plan. Changes include reduction of certain development impact fees, and no new or separate utility connection, or related connection fee or capacity charge, will be required for ADUs created from internal conversion within a residence or accessory structure, or those 750 square-feet or smaller. The City will be amending this ordinance again for consistency with AB 6, AB 881 and SB 13, which institutionalizes removal of additional barriers to ADU and JADU development. Additional information on the legislative changes to ADU regulation can be found later in this report.

Single Room Occupancy and Resilient City Measures

On April 10, 2018, the City Council adopted an ordinance adding Chapter 20-16, Resilient City Development Measures, to the Zoning Code to address housing and economic development within the City following the Tubbs and Nuns fires of October 2017. In addition to streamlined permitting, expedited review, and waiving of some fees, the Resilient City measures allow temporary housing including trailers, recreational vehicles, manufactured homes, tiny homes and other similar structures. Further, the construction and occupancy of a new detached accessory dwelling unit (ADU) on site, prior to the construction of a single-family residence on the site, is allowed. The ordinance will sunset in May of 2021 unless amended or extended by the City Council.

Other Proposed Strategies

Other pending strategies for Program 2 include creation of a pilot program for modular housing for moderate-income households. Modular construction has been used successfully at the AC Marriott Hotel site, which began construction in summer 2019.

Program 3: Assemble and Offer Public Land for Housing Development

Opportunity Sites; Public Right-of-Way Sales

Program 3 involves the City assembling, improving, and using these lands for housing production purposes. Ongoing strategies in the Housing Action Plan include assurance that 15 percent of public projects are allocated to low income households, as required by AB 2135. As part of the City's UpDowntown initiative, The City also plans to utilize its own property (including parking lots and old buildings) in disposition agreements, developer agreements and public-private partnerships to help provide for housing and development. As part of the City's UpDowntown initiative to increase infill and multifamily housing downtown, a map of these opportunity sites shows City-owned parcels, sites with potential for a public-private partnership, or sites appropriate for a Request for Proposal issuance.

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Additionally, the City is revising policies and procedures for vacation of public-right-of-way to enhance development potential or adjoining private development sites. 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 applications to residential development.

Other Proposed Strategies

Pending strategies include exploration of a land banking program, in which the City purchases private lands 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.

Program 4: Improve Development Readiness of Housing Opportunity Sites

Program 4 involves identification of “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 identifies specific policies, regulatory changes, or public investments that would improve development readiness, which are outlined as part of a Process Improvement Action Plan (PIAP).

Privately-Owned Opportunity Sites

The city’s UpDowntown initiative also identifies and maps several privately-owned sites beyond those identified in the 2035 General Plan with development potential. These include the area south of Highway 12 near Sebastopol Road; several parcels on the southern end of Santa Rosa Avenue; the Sears site of the Santa Rosa Plaza Mall; and other parcels in the general Courthouse Square vicinity. Additional opportunity sites are identified as part of the DSASP Update in Section 1.4 of this report.

Streamlined Policy Permitting

The passing of City Council Ordinance ORD-2018-012 has allowed the design review process to be cut 70% in time and 62.5% in costs, and it created an express permitting program for interested developers that cuts time by 66%. Developers in the downtown core can expect to pay \$9,000 for permits and have the review run-time of about 3 months. In addition, the Express Permitting Program cuts time from about 18 months to 6 months total through the entirety of planning, engineering and building review. In addition, the City has created an integrated service counter and is implementing online permitting.

Other Proposed Strategies

Other PIAP strategies to improve development readiness include addressing critical habitat mitigation requirements and amending hillside development standards to add flexibility.

Program 5: Increase Housing Investment and Developer Partnerships

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

Santa Rosa Housing Authority

The Santa Rosa Housing Authority (SRHA) was established in 1971 with the purpose of ensuring adequate, decent, safe, and sanitary housing for income-eligible households in Santa Rosa. The SRHA primarily consists of the Santa Rosa Housing Trust and Rental Housing Assistance programs, both of which are responsible for improving the quality and affordability of housing in the City.

The [Santa Rosa Housing Trust](#) partners with private and non-profit organizations to develop, rehabilitate, and preserve affordable housing and to convert market rate housing to affordable housing. Through the Trust, the SRHA has supported the creation of approximately 4,000 affordable units, representing \$120 million invested in affordable housing in Santa Rosa.

Through the [Rental Housing Assistance](#) program, which includes the Section 8 Housing Choice Voucher, Project-Based Voucher, and HUD-Veterans Affairs Supportive Housing (HUD-VASH) programs, the SRHA administers monthly housing assistance payments for more than 2,000 households in Santa Rosa. This includes vouchers for low-income individuals and families, veterans, people experiencing homelessness and disaster survivors.

Other special programs include affordable housing loans with long-term affordability requirements, a family self-sufficiency program; Housing Opportunities for Persons with AIDS (HOPWA); CalHOME Owner-Occupied Rehabilitation Loans, a strategy for affordable housing preservation; and other monitoring and public services.

Owner-Participation Incentive for Section 8 Housing Choice Voucher

On November 19th, the Santa Rosa City Council approved funding for the first owner-participation incentive for the Section 8 Housing Choice Voucher program. The risk mitigation program in the Housing First fund provides reimbursement to owners in the event a low-income tenant participating in a rental assistance program leaves the property with unpaid damages. Council directed staff to expand access to the Housing First risk mitigation pool as a parallel measure to the Housing Anti-Discrimination Ordinance adopted in October. Prior to the November 19th action, the Housing First risk mitigation funds were limited to persons experiencing homelessness.

2015-2023 Housing Element

Incorporated into the 2035 Santa Rosa General Plan, the City's current Housing Element contains a number of goals and policies aimed at developing and protecting affordable housing stock. These include:

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- **Goal H-B:** addresses the maintenance and rehabilitation of the existing affordable housing supply.
- **Goal H-C:** calls for the City to expand the supply of housing available to lower-income households and facilitate higher-density and affordable housing development in PDAs, including the planning area.
- **Policy H-A-1:** states that the City will ensure adequate sites are available for development of a variety of housing types for all income levels, throughout the city, not just in a certain portion of the city, including the planning area.
- **Policy H-B-5:** Revise the Condominium Conversion Ordinance to preserve rental apartments from conversion to ownership units.
- **Policy H-C-11:** Continue participation in the Mortgage Credit Certificate program to assist lower income and/or first-time homebuyers in purchasing new homes.
- **Policy LUL-C-9:** Preserve and protect the character of older established residential neighborhoods within and adjacent to downtown. Promote the retention of existing housing units when possible, especially those located in structures of architectural or historic interest and significance through a “no net housing loss policy.” Permit developments that will result in net loss of housing units only with findings that such loss would be unavoidable and that new development would provide greater public benefits.

Sonoma County Housing Trust

A \$10 million joint initiative between the Sonoma County Housing Fund and the Santa Rosa Metro Chamber, the Sonoma County Housing Fund will finance affordable housing in the Sonoma County region, and the Santa Rosa Metro Chamber will work to secure and deploy local investments to assist with the affordable housing creation while Housing Trust will underwrite, approve, and administer the loans.

FEDERAL PROGRAMS AND STATE LAWS

Recently, the federal Opportunity Zones program and several California housing laws provide incentives for affordable housing and remove barriers to development. This program and impacts of state legislation are described below.

Opportunity Zones

Established in the Tax Cuts and Jobs Act of 2017, opportunity zones provide tax incentives for investment in designated census tracts that are economically disadvantaged. California Opportunity Zones will support new investments in environmental justice, sustainability, climate change and affordable housing. Santa Rosa has two opportunity zones in the planning area and in Roseland. The Art House development at Seventh and Riley Streets is the first development to utilize the opportunity zone designation. Art House is slated to be completed by mid-2020 and will include 21 apartments for rent at market rates and 15 extended-stay lodging units above an art gallery.

State Laws

Senate Bill 35 and Assembly Bill 2162

Enacted in 2017, SB 35 requires the availability of a streamlined ministerial approval process for developments located in jurisdictions that have not yet made sufficient progress towards their required allocation of the regional housing need. The City of Santa Rosa is subject to SB35, meaning an eligible project within the City must be streamlined and not subject to discretionary review. For a project to be eligible for the streamlined SB 35 process they are required to meet specific criteria, including but not limited to, provision of a specified level of affordability; location on an infill site; compliance with General Plan or Zoning provisions; and compliance with other requirements such as locational and/or demolition restrictions.

California Assembly Bill (AB) 2162, which went into effect on January 1, 2019, was adopted to address shortages in Supportive and Emergency Housing. AB2162 requires that specified Supportive Housing developments undergo a streamlined and ministerial review and are not subject to discretionary review (e.g.: Conditional Use Permit, Design Review and/or Landmark Alteration Permit). For a project to be eligible for the streamlined and ministerial AB2162 process it is required to meet specific criteria, including, but not limited to, the following:

- Units within the development are subject to a recorded affordability restriction for 55 years;
- One hundred percent of the units within the development, excluding managers' units, are dedicated to lower-income households and are receiving public funding to ensure affordability of the housing to lower-income Californians;
- A specified number of units are designated as supportive housing;
- Nonresidential floor areas are used for onsite supportive services in specified amounts;
- Units within the development, excluding managers' units, include at least one bathroom and a kitchen or other cooking facilities.

On November 19, 2019, the Santa Rosa Council adopted the Objective Design Standards for streamlined and ministerial residential developments.

Senate Bill 167, Assembly Bill 678, Assembly Bill 1515 and SB 330 (Skinner)

Collectively, the first three laws, which became effective in January 2018, along with SB 330, strengthened the Housing Accountability Act (HAA) originally enacted in 1982 to limit the ability of local jurisdictions to deny or make infeasible qualifying housing projects. The HAA restricts cities and counties from denying or imposing conditions on residential projects that would require a reduction in density of a development that complies with "objective" general plan, zoning, and subdivision standards without making specified findings that the project would have a "specific adverse impact" on public health or safety.

SB 330 limits the ability of cities and counties to move the goalposts for housing development projects during their application process and strengthens the protections of the Housing Accountability Act and the Permit Streamlining Act. SB 330 prohibits a jurisdiction (with some exceptions)

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from enacting development policies, standards, or conditions that would change current zoning and general plan designations of properties where housing is allowed in order to "lessen the intensity of housing," such as by reducing height, density or floor area ratio; requiring new or increased open space, lot size, setbacks or frontage; or limiting maximum lot coverage. SB 330 also requires cities and counties to reduce the time it takes to process housing applications with an EIR to no more than 90 days for most market-rate housing developments (from 120 days) and to 60 days (from 90 days) for affordable developments, after a project application is deemed complete. In addition, SB 330 requires communities to either approve or disapprove the application at any of the five allowed hearings.

Assembly Bill 1763

Assembly Bill (AB) 1763 was signed into law on October 10, 2019, providing enhanced density bonus options. A density bonus is an increase in the number of housing units allowed under a general plan and/or zoning ("base density") to encourage the production of affordable housing. Depending on the amount and affordability of the proposed affordable housing, under State Density Bonus Law a project may be allowed a density bonus between 5 percent and 35 percent above the base maximum density. Under AB 1763, projects that provide 100 percent of their units dedicated for lower income households or 80 percent for lower income households and 20 percent for moderate-income, are eligible for a potential 80 percent increase in base density. These projects would also be able to receive three to four concessions, such as reduced setback and minimum square footage requirements.

Further, under AB 1763, for a project that meets the affordability requirements and is also within 0.5 miles of a major transit stop, there is no maximum control on density; however, these provisions do not currently apply in Newport Beach as there is no facility in the city which meets the definition of major transit stop.⁵ While the 2006 General Plan contains policies and implementation measures that seek to enhance transit service, there are no provisions that explicitly call for increased frequency of service. Projects that meet the AB 1763 affordability requirements will also likely meet SB 35 affordability requirements and would therefore also be eligible for streamlining pursuant to SB 35.

Assembly Bill 881, Assembly Bill 68, Senate Bill 13, and Assembly Bill 671

All four bills are intended to facilitate production of accessory dwelling units (ADUs), or secondary housing units either attached or detached from a main house that exist on a lot with another house. The State sees these units as an innovative, affordable, effective option for adding much-needed housing in California. ADUs may be counted toward a community's RHNA.

⁵ Per California Public Resources Code Section 21064.3, a major transit stop means a site containing an existing rail transit station, a ferry terminal served by either a bus or rail transit service, or the intersection of two or more major bus routes with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods.

Assembly Bill (AB) 881 removes impediments to ADU construction by restricting local jurisdictions' permitting criteria, clarifying that ADUs must receive streamlined approval if constructed in existing garages, and eliminating local agencies' ability to require owner-occupancy for five years.

Assembly Bill (AB) 68 makes major changes to facilitate the development of more ADUs, further reducing barriers to ADU approval and construction. Notably, the law prohibits the imposition of limits on lot coverage, floor area ratio, open space, and minimum lot size unless they allow for at least an 800 square foot accessory dwelling unit that is at least 16 feet in height with 4-foot side and rear setbacks to be constructed.

Senate Bill (SB) 13 prohibits jurisdictions from establishing a maximum square footage requirement for either an attached or detached accessory dwelling unit that is less than 850 square feet, and 1,000 square feet if the accessory dwelling unit contains more than one bedroom. It also creates a tiered fee structure which charges ADUs based on their size and location and addresses other barriers by lowering the application approval timeframe, creating an avenue to get unpermitted ADUs up to code, and enhancing an enforcement mechanism allowing the state to ensure that localities are following ADU statute.

Assembly Bill (AB) 671 requires local governments' housing plans to encourage affordable ADU rentals and requires the state to develop a list of state grants and financial incentives for affordable ADUs. To comply with these laws, the City is in the process of revising its ADU ordinance.

5. DSASP Update and Affordability

The Draft Preferred Plan Concept approved by Santa Rosa City Council on December 3, 2019 includes several strategies that facilitate the production of affordable housing, including below market rate housing and smaller-sized units that are "affordable by design." These strategies are described below.

Removal of Residential Density Limits

Residential density limits effectively cap the number of housing units that can be built on a given site. The Preferred Plan Concept, however, eliminates residential density limits for key change areas downtown, establishing instead a map-based system of maximum base floor area ratios (FARs) that define an envelope of developable space. Parking is not counted toward the maximum base FAR. This approach is intended to provide flexibility for developers to build in line with market demand and can potentially also incentivize the construction of smaller units. Increasing the total number of housing units decreases housing costs at all levels, and smaller units are more likely to be naturally affordable to those at medium and lower income levels.

Provision of Bonus FAR

The Preferred Plan Concept commits to establishing a community benefit program that provides bonus FAR to projects that propose affordable housing, among other community benefits. The intent of the program is to create an economic incentive for developers to provide below market rate

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housing and would function in tandem with other City initiatives intended to promote the production of affordable housing.

Waiver of Parking Minimums

Conventional zoning codes typically establish a minimum number of parking spaces that must be provided on-site in a given development. Particularly in walkable areas well-served by public transit such as Downtown Santa Rosa, this can result in excessive parking and inefficient use of space while also significantly increasing the costs of construction. The Preferred Plan Concept eliminates parking minimums throughout the planning area, leaving the number of spaces to be governed by market demand and the requirements of financial lenders. This represents a significant potential cost saving for developers in a market where the financial feasibility of housing projects is constrained. Further, as the cost of parking provided on-site is typically factored into the sales price or rent of units built, reducing the overall number of parking spaces provided can help with affordability.

Public-Private Partnerships for Mixed-Income, Multi-Family Development

Existing multi-family development downtown largely occurs in small developments of four units or less, with relatively few larger multi-family buildings that might offer an indication of comparable rents for that type of construction. This tends to discourage institutional investors such as insurance companies and pension funds that have significant capital to invest in large-scale real estate developments and it presents a challenge for developers seeking financing from lenders. The Preferred Plan Concept identifies several City-owned locations downtown that can be leveraged for demonstration projects that “prove” the market for higher density multi-family development, with a view to catalyzing similar projects and attracting institutional capital. Pursuing a public-private partnership can be a vehicle for realizing “pioneer” multifamily residential projects that otherwise would not be financially feasible without public subsidy and support. City-owned sites on which housing is developed will include a certain percentage of affordable units.

Fostering Live-Work Units

The Preferred Plan Concept creates a new Maker Mixed Use (MMU) designation that provides for a balanced mix of residential, creative, and maker-oriented uses in industrial areas downtown. The MMU designation encourages multi-family residential units and live-work units that can provide affordable housing options for artists, creative entrepreneurs, and home-based businesses.

6. Recommendations

A successful affordable housing and anti-displacement strategy includes both strategies to promote affordable housing development and protections against displacement. The policy framework of the updated DSASP should align with and reinforce the many initiatives already in place to achieve these objectives. Specifically, the policy framework should seek to:

- Encourage and facilitate production of a full range of housing types that provide options for people of all incomes, abilities, and stages of life;

Affordable Housing and Anti-Displacement Strategy

- Continue to preserve existing affordable housing in order to prevent displacement in the planning area;
- Actively encourage residential development that meets the special needs of seniors, large and small families, low- and middle-income households, and people of all abilities;
- Promote the use of innovative building methods and materials and the development of alternative housing types, including co-housing, ADUs, and smaller units that are affordable by design;
- Continue to engage the community in developing new and refining existing affordable housing and anti-displacement strategies.

The updated DSASP should consider the following additional strategies to further address gentrification and displacement risks:

Include Strategies to Promote Arts-Driven Placemaking

Economic development that showcases local culture and artistry is another way to improve economic capacity and strengthen resiliency to displacement. The vision of the Preferred Plan Concept includes neighborhoods with vibrant, creative arts districts and businesses that serve both as a livelihood and a neighborhood draw. An arts-driven placemaking strategy connects artists, economic development, and local small businesses to build on neighborhood cultural assets to build capacity and create vibrant neighborhood-serving and visitor-attracting places. Successful examples include the Little Mekong neighborhood in Minnesota, which incorporated artist happy hours and pop-up events, a creative maker space/ business incubator, and a neighborhood night market. This creative placemaking could occur around Roberts Avenue in partnership with Roseland's Latino community, or with the manufacturing community in Maxwell Court. Artists from the SOFA community or other Santa Rosa enclaves could partner with neighborhood organizers and leaders to visually capture neighborhood history and culture, and local chambers of commerce like the Hispanic Chamber could provide small business assistance and training.

Develop and Monitor Displacement Indicators

Development of indicators to track trends related to patterns and rates of gentrification and displacement should be considered in preparing the updated DSASP. Potential indicators could include home values, rents, evictions, foreclosures, or other factors to help community members and decision makers understand where the plan is succeeding and where it may be falling short.

Promote Economic Development Programs

Economic development is a proactive approach against displacement, helping to improve the financial health and employment options of residents, making them more resilient to increased housing costs. The Preferred Plan Concept aims to create an additional 3,000 jobs in the planning area. Partnerships with Santa Rosa Junior College, the Small Business Administration, and other non-profit business support services will help residents access these new jobs and help local businesses take advantage of the opportunities that development will bring.

Actively Pursue Community Partnerships

Close relationships with affordable housing developers, non-profit organizations, and community representatives and organizers will be key to understanding and mitigating the negative impacts of gentrification and displacement before they occur. Nonprofit developers will be essential partners in finding appropriate sites for affordable and special needs units in areas of the city that offer transportation alternatives, childcare, shopping, and daily services, especially as part of development plans for Catalyst Sites throughout the planning area. The City will also coordinate with local and regional nonprofits. Nonprofit programs offer essential support to residents in locating, purchasing, and maintaining their homes, especially individuals experiencing homelessness, older adults, and people with disabilities. The City will also continue to coordinate closely with the County to align housing development efforts and strategies. One example of such progress is the City and County's Renewal Enterprise District (RED), a Joint Powers Authority (JPA) which will work across jurisdiction to market and attract developers, blend private financing and public funds, leverage state and federal grant funds, and facilitate the creation of housing. Finally, partnerships with organizing and advocacy groups will help the City understand local issues, disseminate information, and support resident capacity building to develop and advocate for effective strategies to minimize displacement.

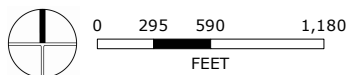
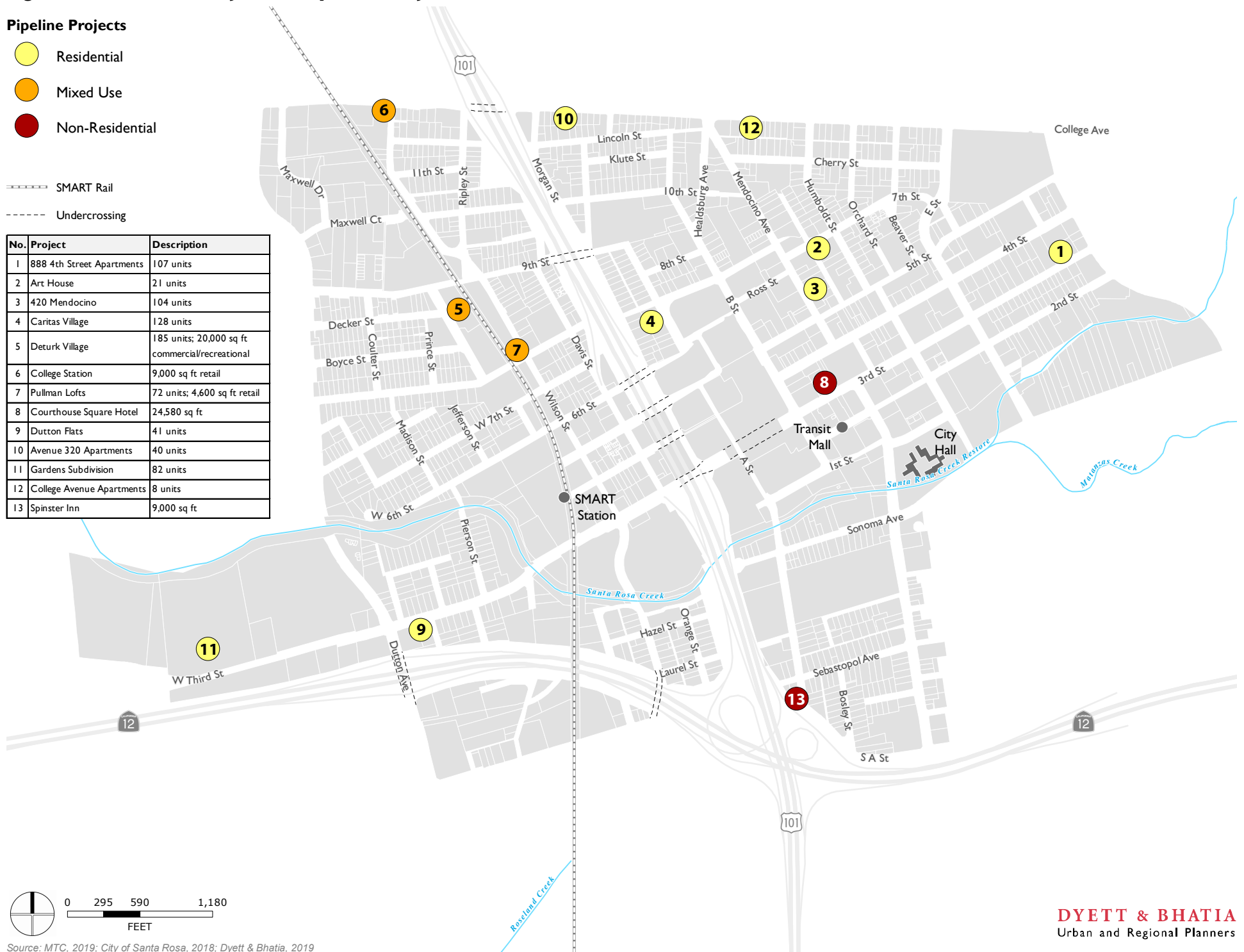
Figure 1. Location of Major Development Projects

Pipeline Projects

- Residential
- Mixed Use
- Non-Residential

- SMART Rail
- Undercrossing

No.	Project	Description
1	888 4th Street Apartments	107 units
2	Art House	21 units
3	420 Mendocino	104 units
4	Caritas Village	128 units
5	Deturk Village	185 units; 20,000 sq ft commercial/recreational
6	College Station	9,000 sq ft retail
7	Pullman Lofts	72 units; 4,600 sq ft retail
8	Courthouse Square Hotel	24,580 sq ft
9	Dutton Flats	41 units
10	Avenue 320 Apartments	40 units
11	Gardens Subdivision	82 units
12	College Avenue Apartments	8 units
13	Spinster Inn	9,000 sq ft

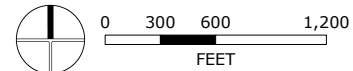


Source: MTC, 2019; City of Santa Rosa, 2018; Dyett & Bhatia, 2019

Figure 2. 2015-2023 Housing Element Land Inventory



Figure 3. Displacement Typology



Source: UC Berkeley, 2015; City of Santa Rosa, 2018; Dyett & Bhatia, 2019