

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: MOTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department and the Housing and Community Services Department that the Council, by motion, authorize creation of 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 at the same time address the severe shortage of homes gave rise to the RED vision of harnessing regional action to solve a regional crisis.

To address our long-standing obstacles to housing development and increase the overall pace and volume of housing construction over the next five years, Sonoma County needs a coordinated, multi-jurisdictional effort, new funding mechanisms, and an evolution of local government business models.

The City's and the County's Ad Hoc Committees recommend that the City of Santa Rosa and the County of Sonoma establish a new Joint Powers Authority to implement a shared vision and agenda. By sharing various powers within their jurisdictions, the JPA will:

- Focus housing development in identified geographic areas, based on existing and in-process local land use plans
- Define project criteria for which incentives and streamlined permitting processes are appropriate

- Pursue innovative new models for public-private partnerships
- Expand, pool, and leverage public and private financing in new ways
- Explore the most strategic and advantageous use of city- and county-owned land
- Leverage the regional housing planning tools and resources of MTC/ABAG

The goals of this joint effort include:

- Achieving Sonoma County's fire recovery rebuild goals and meeting current and previously unmet regional housing needs, within five years
- Honoring community separators and urban growth boundaries, and implementing existing and in-progress general plan and specific plans
- Incentivizing higher density, infill, and transit-oriented housing in Priority Development Areas, Transit Priority Areas, Designated Opportunity Zones, and the Sonoma County Airport Employment Investment Area
- 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

The RED is proposed to be 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 CDC staff, supplemented by the Sonoma County Transportation Authority, Regional Climate Protection Agency and Sonoma Clean Power.

As envisioned, the RED will assist developers, landowners, financial institutions, affordable housing non-profits and other related parties in creating climate-smart housing projects through enhanced funding and streamlined approvals. It will also signal 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 overcoming 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 problem, and directed staff to identify new and more effective structures that can, over the next five years, facilitate substantially increased housing development for all income levels. In response, the concept of a regional housing construct began to take shape in 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, and improving energy efficiency, climate resilience, and affordability, and advancing equity.

By working together, the City and County have an opportunity to develop and implement a common vision and drive regional renewal efforts, by leveraging their real estate assets, regulatory authority, and new funding sources for maximum effect and long-term benefit.

PRIOR CITY COUNCIL REVIEW

The City's Build and Rebuild Ad-hoc provided input and received updates on the Renewal Enterprise District proposal over the past three months. In addition, the City's Build and Rebuild Ad-hoc met four times with the County's Build and Rebuild Ad-hoc to discuss this concept and coordination with the County. The City and County's Ad-Hoc committees both recommended bringing this item forward to both the Board of Supervisors and the City Council.

ANALYSIS

After establishment of the RED, land use approval authority over individual projects in the RED area will remain with the City or County, respectively, but the RED will streamline CEQA and other permitting and financing tools to further an aggressive housing production agenda.

A Joint Powers Authority (JPA) will govern the RED with the initial governing Board consisting of two elected officials each from the County of Sonoma and the City of Santa Rosa. The joint powers agreement establishing the JPA will be structured to allow other jurisdictions to become part of the RED in the future. For example, other cities within the County could join the JPA with one elected official per jurisdiction. During an initial 24-month pilot phase, it is proposed that the JPA would be limited to the County of Sonoma and the City of Santa Rosa. Entities such as Sonoma Clean Power, Sonoma County Transportation Authority and the Regional Climate Protection Authority provide useful models for the RED in the areas of collective action around transportation, land use planning, climate change and clean energy.

The initial RED JPA will be limited to a 24-month pilot phase.

RED Area

The defined geography of the RED Area will encompass the following infill areas

already designated for development:

- Opportunity Zones
- Priority Development Areas
- Employment Investment Area
- Transit Priority Areas

Possible project opportunity locations in these areas include:

- County of Sonoma Administrative Center Campus
- Santa Rosa City Hall
- Downtown Santa Rosa Surface Parking Lots
- Third Street Parking Garage
- Sites within ½ mile of the Sonoma County Airport SMART station
- Areas within ½ mile of North Santa Rosa SMART Station
- Areas within ½ mile of Downtown SMART Station
- Journey's End
- Roseland Village

RED Project Requirements

To qualify for assistance from the RED, an individual project must meet specified criteria, depending on the type of project proposed. Final criteria will be established by the governing board of the JPA. Some examples of the project criteria are provided below.

Affordable Housing

At least twenty percent (20%) of all housing generated by the RED will be affordable to low and moderate-income households. Both rental and ownership opportunities will be sought. Tools to achieve the desired level of affordability will include:

- Enable 100% affordable projects to use RED financing in a wider range of locations than market rate projects;
- Strategically deploy and leverage new affordable housing funding sources, including a proposed housing recovery bond, state funds for affordable housing, and federal disaster resources;
- Secure substantial grant funding for a homebuyer assistance program for first-time lower- and moderate-income homebuyers;
- Require 20 percent of all funds collected through any future tax increment financing tool to be deposited into a fund to be used to increase, improve and preserve housing affordable to low- and moderate-income households in the City and County;
- Impose an inclusionary housing requirement on market rate housing developed within the RED that would allow on-site or off-site construction of affordable housing and area-wide pooling of affordable housing requirements;

Require recorded affordability restrictions for 100% of affordable rental properties so that they remain affordable for a specified time period to households earning 80% or less of the area median income (AMI) and require recorded affordability restrictions for affordable ownership units so that they remain affordable for a specified time period to households earning up to 120% of AMI.

Market Rate Housing or Mixed-Use Development

The economics of market rate and mixed-use development projects remain tenuous and removing barriers to those types of development will help address the need for a range of housing types. The RED will pursue and support market-rate projects that meet specified criteria, including:

- The project site falls entirely within the boundaries of a specific plan adopted by the City of Santa Rosa or County of Sonoma, or
- Is located on a parcel that falls entirely or partially within a locally-designated Priority Development Area, a Transit Priority Area, a Designated Opportunity Zone, or the Sonoma County Airport Employment Investment Area; and
- The project includes residential or a mix of residential, retail, commercial, sports, cultural, entertainment, or recreational uses; and
- The project is a public work as defined in Labor Code Section 1720 or commits to paying all construction workers at least the general applicable prevailing wage.

Infrastructure and Community Facilities Projects

Infrastructure and Community Facilities projects that directly serve individual RED projects or the RED areas as defined above, will qualify for RED financing and will be eligible to be evaluated under streamlined RED environmental review criteria. Community facilities could include community health clinics, affordable day care and after school programs, libraries, teen centers, and senior centers.

Financial Tools

The RED will allow the City of Santa Rosa and the County of Sonoma 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.

In addition, City and County staff are exploring opportunities for development of new financing tools through legislation, including a local tax increment financing district. If such financing district is formed, the jurisdictions could pledge their shares of future tax increment to the RED, creating bonding capacity beyond what either jurisdiction could support independently. In addition, 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.

Potential new funding sources include:

- Senate Bill 2 (SB2, 2017) funding
- Tax increment funding
- Potential housing recovery funding ballot measure

SB2 Funding

The City and County are requesting allocation of Year 1 funds generated under Senate Bill 2 to fund RED-related planning efforts, which may include the adoption of a RED housing plan, updated City and County Specific Plans, and related implementation documents. Funds generated under SB 2 during its Year 1 (2018) are being specifically allocated to grants for technical assistance and updates to local planning documents to streamline housing production.

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

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

Tax Increment Funding

If an appropriate financing tool is made available, the jurisdictions could pledge their shares of future tax increment within the RED, creating bonding capacity beyond what either jurisdiction could support independently.

The City and County are proposing legislation authorizing a new tax increment financing tool specifically for use in Sonoma County to support development in the RED Area. The proposed legislation would allow the formation of a RED Financing District that could be allocated tax increment from all taxing entities in the RED Area for RED projects.

Potential Housing Recovery Funding Ballot Measure

City and County representatives and community stakeholders are pursuing a countywide housing recovery funding ballot measure. If passed by the voters, a portion of the new funding could be allocated to the RED.

Environmental

The City and County are pursuing state legislation to grant narrow, focused, and modest CEQA streamlining for updates to specific plans in the RED Area. The legislation would respond to each jurisdiction's individual circumstances, but serve the common goal of speeding new housing development by making the plan update process more efficient.

Under the legislation proposal, individual development projects could qualify for a CEQA exemption if they satisfy a specific set of enforceable performance standards.

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.

Outside support from subject matter experts may also be needed.

Staff is currently seeking approximately \$500,000 in start-up funds through the FY18/19 State Budget and other external sources to assist in establishing the JPA.

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

N/A

CONTACT

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