



20 March 2024

**Re: Proposal for the Immediate Adoption of Generation Housing's
Right Size Impact Fee Affordable Housing Incentivization Program**

Dear Mayor Rogers, Councilmembers, and City Manager Smith:

Consistent with our commitment to working in partnership, Generation Housing has developed a revised impact fee reform approach specifically responsive to the needs and concerns expressed by our local leadership. **The Right Size Impact Fee policy is a comprehensive, budget-protective approach to fee reform that rises to meet the economic moment and the increasing breadth and severity of Sonoma County's housing crisis.** The Right Size policy can spur housing production to serve the needs of all income levels while prioritizing equity, climate resilience, and sustainability.

Since September 2023, Generation Housing has been advocating for local adoption of Sacramento's \$0 Rate Affordable housing impact fee reform program. As the most specifically responsive to the current economic climate's chokehold on the multifamily housing pipeline, Impact fee reform was elevated as the top priority of our North Bay NEXT Action Steps¹ platform; because it is an extremely efficient reform—easy to implement and manage; and because it prioritizes shovel-ready projects. Sacramento's \$0 Rate program was initially promoted as an answer to the call by many of our elected leaders for a model that had already proven successful in another jurisdiction, and Sacramento's certainly had. We advocated for \$0 Rate adoption along with early implementation of AB602, a state law that requires impact fees to be imposed relative to unit size, a law we strongly support, but could be slow to have an impact due to the costly and lengthy studies required for implementation.

¹ Generation Housing's North Bay NEXT Action Steps are designed to work in concert to spur diverse housing production. They include impact fee, parking, and zoning policy reform and modernization, streamlining the public review process, and the creation of a local affordable housing funding source through a Bay Area Housing Finance Authority bond measure.



Over the past six months, we have met with elected and staff leaders throughout the county. We are pleased that the leaders of the Town of Windsor, City of Santa Rosa, and County of Sonoma are poised to give serious consideration to fee reform in those jurisdictions (and we want to give nods to the City of Petaluma, which has already implemented a \$0 Rate program for 80 AMI and below, and the Cities of Sonoma and Sebastopol, which already levies fees per square foot). While we have heard great interest in making local investments in affordable housing, this interest has been accompanied by budgetary cold feet, and for some, a desire to spur the multifamily market rate housing needed by many local employers. Additionally, we have registered general support for the spirit of AB602, a transition away from regressive and illogical per-door fees to fees relative to unit size.

Based on this input, we developed the **Right Size Impact Fee policy**. We are excited to advance this more comprehensive impact fee reform, which keeps a target on affordable housing, maintains the efficacy of fee relief, and extends incentives to multifamily affordable-by-design units above the typical affordability level.

We urge all of the County's jurisdictions to consider prompt adoption of this policy as an emergency ordinance.

The Right Size policy is intended to:

- Provide the greatest incentives for the most deeply affordable housing
- Capture those missed by Affordable Housing eligibility standards by incentivizing multifamily affordable-by-design housing for workforce households
- Support development of a more diverse housing system that meets the needs of all levels of our workforce and the housing needs of individuals and families as they evolve over time
- Facilitate an equitable share of fee contribution from homes that strain infrastructure and contribute most significantly to local greenhouse gas emission by imposing graduated increases
- Increase revenue streams to offset the investment in this program and provide reliable funding for needed infrastructure, specifically through (1)



property tax income from new affordable-by-design multifamily projects that might not otherwise be financially feasible; and (2) fees increases for midsize and large single family homes proportional to square footage (other than fire rebuilds)

Right Size Impact Fees policy

Enact an emergency ordinance to remain in place until the later of three years or a jurisdiction’s 6th Cycle Regional Housing Needs Allocation (“RHNA”) obligations are met, that establishes an impact fee structure, applicable to all fees under the Mitigation Fee Act, as well as Water and Sewer fees, that:

(1) reduce impact fees for multifamily housing to the following portions of current fees according to unit size:

	600 ft ² Studio or 1 BR	800 ft ² or 2 BR	1000 ft ² or 3BR
Deed Restricted Affordable Housing under 80 AMI	20% (of current fees)	30%	40%
Deed Restricted Affordable Housing 81-120 AMI	30%	40%	50%
Affordable Housing-by-Design ²	55%	65%	75%

2) increase impact fee rates for single family homes (SFHs), other than fire rebuilds, based on the proposed proportions, excluding Enterprise Funds (e.g. sewer and water)

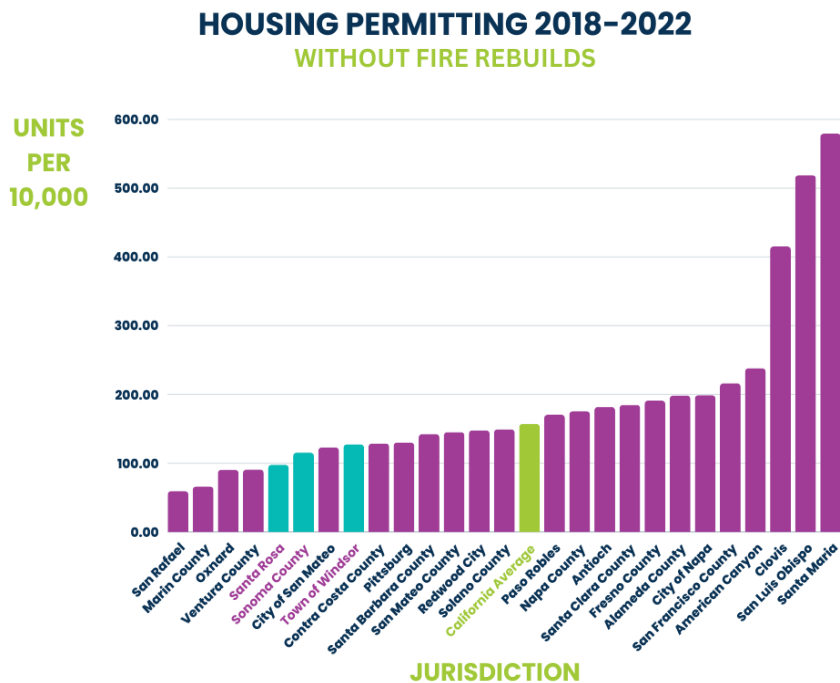
	SFHs of 1000 ft ² and below	SFHs of 2500 ft ² and above	SFHs between 1001 ft ² and 2499 ft ²
Proposed Fee Increase	assessed fees at the current value	assessed fees at the maximum allowable value based on the jurisdiction’s most recent nexus study	assessed proportional to size between the current rate and allowed maximum

² Affordable by Design projects are multifamily units that are smaller, more efficient, or have fewer amenities. The goal is to enable housing that can be brought to market at prices affordable to households earning between 120 percent and 150 percent of Sonoma County.

We Can't Afford Not To.

While we are heartened by the general interest in learning about solutions and commitment to some level of investment, and have appreciated open dialogue that led to the more comprehensive approach of the Right Size policy, we are concerned by statements like “we just can’t afford it.” We submit that we can’t afford not to adopt this policy.

Choosing inaction or modest action risks sinking deeper into a housing deficit, decimating the local construction industry as in the Great Recession, being unable to compete with other Bay Area counties for resources needed to leverage BAHFA bond funds, and being forced to continue increasing investment into the services that manage and mitigate the outcomes of housing scarcity and housing cost burden. **We either pay for housing or we pay for the lack of housing.**



Despite housing being a stated priority for every Sonoma County jurisdiction since after the 2017 fires (and some before), **Sonoma County as a whole continues to lag behind in production.** We need you, our elected leaders to act, and act in alignment with your stated priorities and values, with an urgency that is

consistent with a crisis. We need you to resolve to make the hard budgetary choices that a person, organization, or government must make to operationalize priorities.



We call on you, the leaders of Santa Rosa, to embrace Right Size impact fees, a policy developed based on your feedback, as an emergency ordinance.

Together, we stand ready and willing to support your bold and decisive action around this proposal.

We thank you for your service and continued commitment to ensuring all members of our community enjoy the benefits of a safe, stable, and affordable home.

In partnership,

A handwritten signature in blue ink, appearing to read "Jen Klose", is positioned above the typed name.

Jen Klose | Executive Director
Generation Housing

From: [Lauren Fuhry](#)
To: [City Council Public Comments](#)
Cc: [Nevada Merriman](#); [Matt Franklin](#); [Calum Weeks](#)
Subject: [EXTERNAL] Comment for April 9 City Council Meeting
Date: Monday, April 1, 2024 12:38:54 PM
Attachments: [24-0327 MidPen Comment Letter - Santa Rosa Impact Fees.pdf](#)

Dear Santa Rosa City Council,

In advance of the April 9, 2024 City Council meeting, please find attached MidPen Housing's support letter for the Generation Housing's \$0 Dollar Impact Fee Affordable Housing Incentivization Program. Please feel free to reach with any questions.

Thank you,
Lauren

Lauren Fuhry, Project Manager

(pronouns: she/her)

MidPen Housing

North Bay Development Office

350 College Ave Suite 250, Santa Rosa, CA 95401

c. 707-292-4854



March 27, 2024

Re: Support for the Immediate Adoption of Generation Housing’s \$0 Dollar Impact Fee Affordable Housing Incentivization Program at the April 9, 2024 Santa Rosa City Council Meeting

Dear Mayor Rogers, City Councilmembers, and City Manager Smith:

Thank you for the opportunity to comment on the City’s affordable housing impact fee structure. We urge the adoption of Generation Housing’s \$0 dollar Impact Fee program as an emergency ordinance effective for at least 3 years.

MidPen Housing is one of the nation’s leading nonprofit developers, owners and managers of high-quality affordable housing and onsite resident services. Since MidPen was founded in 1970, we have developed over 130 communities and 9,400 homes for low-income families, seniors, including homeless families and individuals and those with supportive housing needs throughout the greater Bay Area. We have two Santa Rosa projects in our pipeline: Casa Roseland (75 units in predevelopment) and Mahonia Glen (99 units in construction).

The City of Santa Rosa’s Regional Housing Needs Allocation (RHNA) sets a goal of 4,685 units of production by 2031. Approximately 41 percent of these units have a target of being affordable to residents making 80% of the Area Median Income (AMI) and below. In order to meet these goals, the City needs to utilize all tools at its disposable to increase multifamily housing development and ensure that production benefits everyone across the income spectrum.

Drawing from deep experience working with jurisdictions across the greater Bay Area on Housing Element Policy, our team published [a guide on best practices](#) last year. In the guide, we recognize that fee exemptions are important tools for making affordable housing development financially feasible. For example, the City of Sunnyvale implemented an exemption of park in-lieu fees for affordable rental projects and affordable units in mixed-income rental projects. At MidPen’s Ira D. Hall project, currently in construction, this exemption saved the project \$7.8M (\$44k/unit), reducing the total development costs by 6%. These waived fees were also advantageous to the project’s ability to secure financing as they count towards the local leverage calculation utilized by competitive financing sources like the Low-Income Housing Tax Credit program (LIHTC). Furthermore, the project was able to take out a smaller construction loan due to not needing to carry the cost of fees in the loan amount.

We are at an inflection point with respect to housing development. There is a significant risk that interest rates and materials costs could halt already sluggish development, and we have a tremendous opportunity in the Bay Area Housing Regional Finance Authority (“BAHFA”) bond measure, but the City will need to ensure that projects do not languish in the pipeline even when there is available funding. Fee Relief is specifically responsive and targeted to meet the challenges presented by the current economic climate and can help deliver desperately needed affordable housing.

The Fee Relief program is a strategic and efficient approach to housing investment. Adopting this programmatic approach can offer the following outcomes:

- Streamlined Resource Utilization: It makes effective use of city funds, optimizing the allocation and impact of resources.
- Reduced Staff Burden: Significantly minimizes the need for staff engagement in complex NOFAs or RFPs, easing administrative burdens.
- Readiness for Development: Targets developers who are ready to proceed with projects. This ensures timely use of funds, requires no ongoing staff oversight, and eliminates the risk of returned funds.
- Proven Incentive for Affordable Housing: Demonstrates a proven capacity to incentivize affordable housing finance, effectively bridging financial gaps in a resource-efficient way.

The deepening impacts of limited affordable housing stock that Generation Housing daylighted in their “Making the Rent: The Human Price of Housing Cost Burden” report reinforces the need to take bold action now. Passage of this Fee Relief program will catalyze affordable housing production and generate direct and positive impacts for Santa Rosa households.

We urge the Council to prioritize affordable housing production in line with its stated vision. It can do so—efficiently, and with immediate impact—through a targeted \$0 rate imposition of fees on all new affordable housing projects serving residents up to 120 percent of AMI. We look forward to seeing action on this policy proposal at the April 9, 2024 City Council meeting. Crises demand immediate response and the City has the power to enact immediate and impactful fee reform now.

Thank you for your time and consideration. If you have any questions, please feel free to contact Nevada Merriman, Vice President of Policy & Advocacy, at (650) 477-6195 or nmerriman@midpen-housing.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Matthew O. Franklin".

Matthew O. Franklin

President and CEO

CC:

Nevada V. Merriman, Vice President of Policy & Advocacy

From: [Lauren Fuhry](#)
To: [City Council Public Comments](#)
Cc: [Adrian Covert](#)
Subject: [EXTERNAL] SR YIMBY Comment letter re: Impact Fees - 4/9/24 Council Mtg
Date: Monday, April 1, 2024 8:31:44 PM
Attachments: [SRYIMBY Impact Fee Comment Ltr 03.29.24.pdf](#)

Greetings City Council,

Please find attached comment letter from the Santa Rosa YIMBY chapter in support of Generation Housing's Right Size Impact Fee policy proposal. We hope to see this effort come to fruition quickly and remove another barrier to housing production here in Santa Rosa! We look to seeing the discussion as part of the April 9 City Council meeting.

Kind regards,

Lauren Fuhry
Local Lead
Santa Rosa YIMBY



March 29, 2024

The Honorable Natalie Rogers
Santa Rosa City Council
100 Santa Rosa Avenue
Santa Rosa, CA 95404

RE: Housing Impact Fee Reform

Dear Mayor Rogers and Councilmembers,

On behalf of Santa Rosa YIMBY, we respectfully urge you to support the **Right Size Impact Fee Policy** proposed by Generation Housing.

In 2023 Santa Rosa adopted *delivering housing for all and reducing homelessness and its impacts* and as the city's two leading goals and priorities. These priorities have again surfaced to the top of the 2024 goals and priorities process. The cost of housing is the single biggest driver of homelessness in the United States, and the single biggest cost driver of housing is the supply of housing relative to demand. Cities can mitigate these cost pressures by allowing more housing via zoning reforms, reduced parking requirements, and reducing impact fees. In 2020, the City Council adopted the updated Downtown Station Area Specific Plan which, among other things, up zoned downtown and eliminated parking minimums. However, Santa Rosa's antiquated impact fee structure remains intact. Reforming this fee structure is critical for Santa Rosa to succeed in meeting its housing goals amidst growing competition from other Bay Area cities for the region's limited construction infrastructure.


Santa Rosa currently assigns impact fees on a per-door basis, irrespective of unit size. This is irrational, as larger units with more people will have a larger impact on roads, air quality, water, and energy than smaller units. This structure disproportionately impacts affordable housing since affordable housing units tend to be smaller and because the impact fee represents a higher cost burden relative to the cost of construction. In short, the current fee structure makes it harder to build affordable housing precisely when it's needed most.

Nor does the current impact fee structure consider the impact of failing to build housing. For instance, an analysis in Santa Clara County found that 67% of the total public cost of homelessness came from services related to mitigating costs associated with, and worsened by, unsheltered homelessness—such as emergency medical care, drug rehab, emergency psychiatric services, and criminal justice costs—rather than providing housing itself. Cities either pay for housing, or they pay for not having housing.

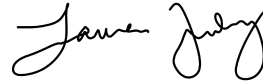
Generation Housing estimates the Right Size Impact Fee policy will require a 1.39% budget adjustment. In the immediate term, this impact could be partially offset with an increase in impact fees on market rate single family homes, and/or possible other mechanisms. Long term, cities cannot fee themselves into prosperity. Santa Rosa must embrace the dividends of growth through sales and property tax receipts to achieve solvency. As you consider this budget impact and reflect on the city's goals and priorities, we're reminded of comments once made by President Biden, "Don't tell me what you value, show me your budget, and I'll tell you what you value."

We respectfully urge the City Council to support fee reform and ask city staff to develop several budget scenarios to achieve the Right Size Impact Fee Policy.

Sincerely,



Adrian Covert
Local Lead
Santa Rosa YIMBY



Lauren Fuhry
Local Lead
Santa Rosa YIMBY