



SANTA ROSA ACTION PLAN: HOUSING

Housing Series – Report 3 **Developer Interviews**

City Council

April 19, 2016

Walter Kieser, Senior Principal
Economic & Planning Systems

Developer Interviews

- **WHO:** regional and local developers
 - EPS selected 12 regional developers, 8 interviews conducted
 - City staff selected 15 local developers of pending projects; over 20 interviews conducted
- **FOCUS:** To gain insight into
 1. Santa Rosa's position in the regional housing market
 2. The diversity of pending/proposed housing developments
 3. Why so many approved housing projects remain unbuilt
 4. Enhancing interest in investing in Santa Rosa
- **BONUS:** Responses and suggestions regarding the proposed *Housing Action Plan* Program initiatives and funding sources.

OPPORTUNITIES

- Strong regional **market conditions** have rekindled the home construction industry; multifamily market leading
- **Santa Rosa market:**
 - Secondary market but significant latent & new housing demand
 - Largely been a “single family home” market
 - Multifamily demand and financing are favorable
- City must take advantage of **market cycles**; current conditions will not last indefinitely
- Achieving proposed **regulatory and processing reforms** can significantly enhance affordable housing production

REPUTATION

- **Development entitlements** are exceedingly difficult to obtain
- Related **costs and risks** are high, deterring investment
- **Lack of trust** between private and public sector
- **Community does not support affordable housing**, except for seniors

ISSUES + CONCERNS

- Time and risks associated with entitlements are the largest single constraint affecting housing production
- Will policy makers restrain discretion?
- **Habitat mitigation requirements** severely limit land supply
- City not taking advantage of **SMART**-related opportunities
- Limited land supply + entitlement difficulties = **restrained investment and attractiveness** to regional builders

4 FACTORS OF APPROVED NON-ACTIVE PROJECTS:

- 1) **Federal and State regulations** requiring permitting and mitigation for endangered species habitat
- 2) **Projects infeasible due to high development costs** including
 - Habitat mitigation requirements
 - City and other agency development impact fees
 - Costs and risks of other City regulations
- 3) **Difficulty obtaining financing** in the post-Recession world
- 4) Previously approved subdivisions may no longer be consistent with **market preferences**.

OPPORTUNITIES

- Confirmed that **market opportunities exist**; for sale and rental housing, but market “window” must be exploited
- Confirmed **prices justify construction** of a range of housing
- Universally a **positive response** to
 - the **ongoing reforms** to planning and permit processing
 - the scope and content of proposed ***Housing Action Plan*** program initiatives
- Achieving proposed policy, regulatory, and processing reforms enhances ability to produce “housing for all”

ISSUES + CONCERNS

- Concur with regional developers:
 - **entitlements are difficult** to obtain and
 - related **costs and risks** are high and
 - excessive **time delays common**
- **The key concern expressed:** the need for a more time-efficient, coordinated, and policy-driven entitlement process
- **Existing High cost of obtaining entitlements** leave no room for fee or other cost increases
- **Lack of coordination** between City departments involved in development review should be addressed

ISSUES + CONCERNS, cont.

- Recognition and appreciation of process improvement efforts, however:
 - Some **allotted time frames** for reviews or execution of documentation seem **too long and are regularly exceeded**
 - **Communication and responsiveness** with applicants must be improved
- The **most important reforms do not cost much money** and will result in substantial increase in housing production
- **Support for new housing funding measures is contingent** upon demonstrating wise use of existing funding sources, and regulatory and processing reforms that lower costs, thus reducing need for new funding.

Ongoing Reform Efforts

- **Housing Series Report #2 – process improvements:**
 - The Welcome Mat: Improving the customer experience
 - Reducing time: Improving efficiencies and performance through new procedures and increased capacity
 - Increasing predictability: Application pre-screening, customer feedback, and improved internal coordination
- **Funding support:**
 - Appropriated mid-year funding
 - Support for FY 2016/17 Budget
- **Developer Task Force:** to assist with policy, regulatory, and procedural reforms

Ongoing Reform Efforts, cont.

- **Policy and regulatory reforms initiated** through solicitations for consultant support and other actions
- Departmental reorganization and increased **inter-departmental coordination**
- Expedited and **solutions-oriented approach** to pending development applications



Staff Focus on Pending Applications

- 1. 1,324 pending housing projects** require the following to start construction:
 - simple interpretations
 - administrative approvals
 - clearances or agreements
- 2. Coordinating across City Departments** to assure prioritized and problem-solving approach to achieving the necessary review and clearances.
- 3. Collaborating with project applicants** to resolve any deadlocks, clarify regulatory matters, and to apply existing regulatory and financial incentives