

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: DAVID GUHIN, PLANNING AND ECONOMIC DEVELOPMENT  
DAVID GOUIN, HOUSING AND COMMUNITY SERVICES  
SUBJECT: SANTA ROSA HOUSING SERIES REPORT 6: A) HOUSING AS  
ECONOMIC DEVELOPMENT; B) HOUSING WORK PLAN; AND C)  
AFFORDABLE HOUSING INCENTIVES PILOT PROGRAM

AGENDA ACTION: MOTION AND RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services and Planning and Economic Development Departments that the Council, by motion: 1) accept the Housing Action Plan update report; and 2) authorize the prioritized implementation work plan. It is further recommended that the Council, by resolution, adopt the Affordable Housing Incentives Pilot Program.

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EXECUTIVE SUMMARY

Santa Rosa faces a significant shortage of housing, particularly that available for moderate and lower income families. Following two housing-focused study sessions in fall 2015, the City Council embarked on a six-part housing series, parallel with the creation of a new Housing Action Plan, to address how Santa Rosa can increase production, achieving a goal of "housing for all."

Reports 1 and 2, focused on funding resources and development process improvements, were held on February 23, 2016. Reports 3 and 4 were presented on April 19, 2016, and provided a summary of developers' perspectives on housing development in Santa Rosa and an outline of housing initiatives. The results of these reports, public outreach, and technical work by staff were assembled in Report 5 and are reflected in the Housing Action Plan that was accepted by Council on June 7, 2016.

Report 6 rounds out the housing series, focusing on five components:

1. An analysis documenting how new housing is a key component of the City's economic stability and prosperity.
2. A report on Housing Action Plan-related progress-to-date, and a detailed and prioritized Housing Action Plan implementation work plan

3. A proposed distribution plan for the \$3 million allotted to the Affordable Housing Incentives Pilot Program.
4. Direction related to Housing Action Plan financing options.
5. An update on the Housing Action Plan Community Outreach Program.

Taken as a whole, the Housing Action Plan envisions a proactive and intensive engagement by the City in housing production. This engagement includes:

1. Regulatory and procedural reforms that improve certainty and reduce barriers to housing production of all types;
2. Public investments that improve development readiness (that reduce the cost and risks of housing development) of opportunity sites;
3. Provision of regulatory and financial incentives for inclusionary housing; and
4. Expanded direct investment in low and very low income affordable housing and homeless facilities and services.

Implementing the Housing Action Plan will require building and sustaining adequate staff capacity in Planning and Economic Development (PED) and Housing and Community Services (HCS), creating effective partnerships with other public agencies and for-profit and non-profit housing developers, establishing effective community engagement, continuing General Fund support for housing programs, and creating new funding sources for affordable housing production. As documented throughout the development of the Housing Action Plan during this past year, achieving the goal of “Housing for All” and stimulating an active housing market in Santa Rosa is essential to relieve the pressing shortage of housing in Santa Rosa and, at the same time, is key to the City’s future economic growth and related fiscal well-being.

## BACKGROUND

In response to Santa Rosa’s significant shortage of housing, particularly that available for moderate and lower income families, the Council conducted two study sessions in fall 2015 to understand housing needs, to review existing housing programs and funding opportunities, and to identify new approaches to increasing housing supply.

The October 20, 2015 Study Session defined affordable housing needs, documented current housing inventory, documented existing housing programs and funding and estimated the cost of achieving affordable housing production as set forth in the General Plan Housing Element.

The November 10, 2015 Study Session considered opportunities and actions to increase affordable housing supply, conserve and rehabilitate existing affordable housing, and provide direction regarding increasing affordable housing production. As the result of Council Direction, staff began work on a new Housing Action Plan to be completed by June 2016.

On February 23, 2016, the Council received the first Housing Action Plan report regarding funding approaches to develop more housing in the community. The Council directed that staff proceed by:

1. Sustaining General Fund support for housing;
2. Increasing housing impact fees (inclusionary fees), offset by regulatory and financial incentives, to assist for-sale affordable housing;
3. Conducting a commercial linkage fee nexus study and consider imposing a fee at a level deemed not to inhibit development;
4. Seeking voter approval of a ballot measure providing support for housing programs and homeless services;
5. Considering short term investments in housing programs and planning services with high potential to stimulate production and economic development;
6. Considering increased housing funding using an Enhanced Infrastructure Financing District or similar mechanism;
7. Considering a non-discrimination ordinance for Veterans' Affairs Supportive Housing, HUD, and other voucher users.

Also on February 23, 2016, the Council received a report from the Planning and Economic Development Department outlining improvements previously made and underway to facilitate housing production through changes to the development review process.

On April 19, 2016, the Council received a report regarding developers' assessment of housing production in Santa Rosa and an outline of potential housing program initiatives. The Council directed refinement of the housing initiatives into a Housing Action Plan, including an organizational plan, an outreach plan, and a financial plan.

On June 7, 2016, the Council accepted the Housing Action Plan (Attachment 1) and authorized staff to prioritize an implementation work plan. The Housing Action Plan frameworks a wide range of policy, operational, and funding reforms broken down into five program areas. Broadly, the Plan seeks to maximize housing production within realistic fiscal commitments, and expand and incentivize housing related investments.

## ANALYSIS

### **1. Housing as Economic Development**

A key underlying motive for addressing Santa Rosa's housing shortage is recognition that the City's economy is dependent, from a variety of perspectives, on rekindling a robust housing development sector in the City. The effects of achieving Housing Action Plan housing production objectives on the City's economy includes:

- A) The economic effects - increases in direct investment and the resulting jobs and indirect expenditures related to housing production and household formation;

- B) The fiscal effects - increases in the City's tax base through existing City taxes, charges for service, utility rates and fees, and special taxes and other fiscal mitigation measures; and
- C) The transformational effects - Santa Rosa is transforming to a denser, urban community with new housing and commercial development being located in the downtown, along its major commercial corridors, and in Priority Development Areas.

## 2. Housing Program Actions Completed or Underway

Prior to the Council initiated housing study sessions in the fall of 2015, City staff were already working on a series of initiatives to address the housing shortage and homelessness. These initiatives, and the investment to support them, have been managed by the Housing and Community Services Department, and the Planning and Economic Development Department through the following program areas:

- **Homeless Services:** Approximately \$633,000 of existing funds and \$1,064,000 of new funds have been allocated to address homelessness in Santa Rosa since January 2015. Outcomes related to this investment include year-round and winter shelter programs, a grant agreement for the HOST program, the Community Homeless Assistance Pilot Program, and the purchase and operation of a mobile bathroom-shower trailer.
- **Rent Stabilization:** The Santa Rosa City Council adopted Ordinance 4072 on August 30, 2016 establishing a rent stabilization and termination of tenancy protection (commonly referred to as "just cause for eviction") program. The Ordinance will be administered by the City of Santa Rosa as part of its Department of Housing and Community Services operation. The City Council appropriated funding for equipment, staff and other expenses needed to administer the Ordinance. It is anticipated that the first 90 days (from September 30 to December 31) will be used to educate landlords and tenants regarding the program and to establish the organizational and administrative structure and procedures to effectively implement the program. As such, during this period the City will be available to answer questions and provide general assistance. However, it will not be processing request for service, including various petitions, review of Capital Improvement Plans, rent dispute hearings, etc. until after January 1, 2017.

A referendum petition was filed on September 26, 2016 challenging portions of the Rent Stabilization Ordinance adopted by the City Council on August 30, 2016 (Ordinance No. 4072). This means that the challenged parts of the Ordinance are currently suspended and did not take effect on September 30, 2016 as originally scheduled.

The Petition challenged all parts of the Ordinance except one: The Petition did not challenge the provision of the Ordinance that repealed both the moratorium on rent increases that took effect on July 7, 2016 and the Just Cause Ordinance that took

effect on September 16, 2016. That means that as of September 30, 2016, the City no longer imposes limits on rent increases or evictions.

- **Process Improvement Action Plan:** Approximately \$800,000 has been invested in the Process Improvement Action Plan (PIAP) initiatives since January 2015. These funds have been invested to affect such changes as amending hillside development standards to add flexibility, streamlining the design review process, plan check and site review, creating an integrated service counter, optimizing electronic plan review and on-line permitting, increasing consultant services to assist with planning and inspection volume, and creating the Citizen Access Portal, and purchasing a queuing software.
- **Housing Action Plan:** Approximately \$150,000 in consultant and staff time has been invested to date in the creation and implementation of the Housing Action Plan. The Plan sets forth a multi-faceted approach to achieve construction of “housing for all” through five major programs each containing specific actions to be pursued by the City. Due to the magnitude of these programs, those actions that are primary or have the best opportunity to stimulate housing production in the near term are given the highest priority as seen in Attachment 3.

### 3. Prioritized Housing Action Plan Implementation Work Plan

Implementation of the Housing Action Plan will require an intensive, concerted, and sustained effort by City staff, boards and commissions, and the City Council. As such, staff has developed a Housing Action Plan Implementation Work Plan to guide these efforts.

Attachment 2 shows a summary of the Housing Action Plan in three priority groupings with estimated costs. Integrated throughout are tasks also associated with the Process Improvement Action Plan (PIAP). Regarding costs associated with Priority 1 tasks: PIAP related actions are funded through previous Council action, and staff will work within existing department budgets to identify the remaining estimated \$70,000 to fully fund implementation of the remaining items. Priority 2 tasks include several longer range efforts that are critical to stimulating and sustaining housing production in the City including the infill development site readiness assessment (Action 4a) and addressing critical habitat mitigation requirements (Action 4d). Both of these actions address land supply as it relates to housing; without assuring adequate and unconstrained land supply the Housing Action Plan housing production objectives cannot be met or sustained over time. These two tasks are time-consuming and costly, though with an expected high return on investment. The cost of the critical habitat mitigation requirements Action could be pursued as a regional effort thus engaging other local jurisdictions including the County and nearby cities.

Attachment 3 includes a set of detailed Work Plans for each of the Priority 1 tasks, revealing each Action’s policy and technical framework, the specific steps to be taken, and a schedule. These Work Plans will guide future staff efforts toward implementation of the Housing Action Plan.

#### **4. Allocation of the Housing Incentive Fund**

As a part of the FY 2016/17 Budget Resolution, the City Council allocated \$3 million to the new Affordable Housing Incentive Fund. The \$3 million will fund a pilot program that tests the best ways of using public funding to incentivize affordable housing in the city. It is recommended that the Housing and Community Services (HCS) and Planning and Economic Development (PED) Departments collaborate on a Solicitation of Interest/Notice of Funding Availability Pilot Program (NOFA) to determine the feasibility and effectiveness of utilizing this resource to immediately provide affordable housing units within current housing developments pending or approved. This process will also determine the feasibility and effectiveness of extending existing affordability covenants. It is recommended that the funds be used for the following program:

- Affordable housing incentives granted through a competitive process. The NOFA will seek to determine the feasibility and effectiveness of three types of subsidies that can create or extend affordable housing units:
  - 1) Direct payments to developers offering affordable housing units to offset cost of development impact fees or other project costs;
  - 2) Purchasing affordable housing contracts from multifamily housing developers combined with waiver of any applicable affordable housing impact fees; and
  - 3) Purchasing extensions on affordable housing contracts that are set to expire in the near future.

The allocation of the Housing Incentive Fund would be administered in a fashion similar to other Housing Trust Fund allocations through the issuance of a Notice of Funding Availability and a subsequent competitive bidding process from applicants with selection criteria based on the most efficient use (the most affordable housing for the least funding). Attachment 4 provides a sample Notice of Funding Availability announcement related to the existing \$3 million funding allocation. It is recommended that the City Council administer this competitive funding process including adoption of a criteria-based ranking system as described in the Work Plan for Action 1c.

#### **5. Public Outreach and Community Engagement**

The components and implementation of community engagement consists of:

- 1) Preparation of clear and consistent description of the HAP and “messaging” materials
- 2) Regular reports and related action items requiring public hearings before the City Council
- 3) Coordination with the Community Advisory Board to ensure its members are aware of ongoing housing efforts and can communicate related information to the public

- 4) Prepare and conduct Housing Workshop Series (this could include efforts like Urban 3) to increase public awareness of ongoing housing efforts (?)
- 5) Establish “speaker’s bureau” for incidental requests from community-based organizations, etc.
- 6) Partnerships with community-based organizations (e.g. Urban Community Partnership, the Sonoma County Housing Trust, etc.)

Attachment 5 describes the Housing Action Plan public outreach and community engagement program in more detail.

### FISCAL IMPACT

Implementation of the Housing Action Plan will require additional funding, including a continued commitment from the General Fund, as well as a new dedicated funding source for affordable housing, and long term housing funding commitments linked to housing production forecasts, economic growth, and related estimates of City funding available. The \$3 million for use in the Affordable Housing Incentives Pilot Program was appropriated in the FY 2016/17 budget. No additional funds are requested for this pilot program at this time.

The fiscal effects of the recommended new funding measures including the general obligation bond and the EIFD tax increment funding will be evaluated when those specific measures are presented to the Council for initiation.

Programs included in the *Housing Action Plan* are being evaluated for future budget needed for implementation. Staff and consultant resources are anticipated to be required to complete outlined programs, and staff will return to the City Council with additional information regarding future budget needs.

### 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.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

### NOTIFICATION

A community engagement and communications plan was developed announcing and promoting the series of six housing reports in early 2016. Notification about the series was provided through ads in local publications, development of a website, and via email and social media outlets. These methods, along with others, have been used to inform residents of the housing series and the “Housing for All” plan.

### ATTACHMENTS

- Attachment 1 – Housing Action Plan
- Attachment 2 – Prioritized Work Plan Summary
- Attachment 3a-3j – Implementation Work Plans
- Attachment 4 – Draft Affordable Housing Incentives Pilot Program
- Attachment 5 – Housing Action Plan Community Engagement Program Summary

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