



100 Santa Rosa Avenue, Room 5, Santa Rosa, CA 95404 (707) 543-3087
RenewalEnterpriseDistrict.org

Delivered electronically

November 9, 2020

RE: Housing Authority Correspondence

Dear Mayor Schwedhelm and Members of the City Council:

The Renewal Enterprise District (RED) has been made aware of a November 3, 2020 letter submitted by the City of Santa Rosa Housing Authority requesting the City Council to allocate a portion of its PG&E settlement to the Housing Authority for the development of affordable housing, a recommendation that certainly merits consideration. However, while the RED housing fund (RED Fund) would be complementary to the financial resources of the Housing Authority, there is concern that the Housing Authority request might be construed as an 'either or' proposition, where support is given either to the RED Fund or to the Housing Authority, a situation that would be most unfortunate given the need for a balanced housing market that addresses Santa Rosa's critical need for affordable, middle income and market rate housing, particularly as its downtown is redeveloped.

The Housing Authority letter references a commitment from the County of Sonoma to seed a new housing fund the RED is in the process of creating to accelerate the pace of mid-to-high density, infill housing production near transit, services and amenities. Indeed, the County has pledged a \$10 million loan to the new RED Fund that will provide financing to produce housing at all levels of affordability. The County did, however, include a condition that the City of Santa Rosa match the County investment. The County conditioned their commitment on the expectation that, at least initially, the housing produced by the fund would be built within the City's urban core.

The RED Fund seeks to catalyze a housing market that is affordable to area workers, and where all community members have equal and fair access to a diversity of homes located near transit, jobs and services in a vital economy. There is concern that a singular focus on tax credit eligible affordable housing may have the unintended consequence of concentrating poverty downtown, while building only market rate housing would concentrate opportunity, without providing access to households with modest incomes. A well-balanced housing market is a key objective of the RED Fund.

The RED Fund is still in the early stages of development but reflects an innovative, collaborative, cross-jurisdictional approach to stimulating higher density, infill housing development. The County's \$10 million commitment underscores its dedication to implementing a shared vision and agenda for regional housing development and acknowledges that such an investment transforms one-time money into a long-term investment that can be conserved, repaid, and revolved through successive generations of housing projects to achieve more significant, lasting impact. It must also be understood that the leverage component of the RED Fund will be considerable as it attracts philanthropic and private investment, with the objective that the public sector investment will eventually become a fraction of the RED Fund's total balance sheet.

The RED Fund thesis is based on extensive outreach to housing stakeholders, including informant interviews with developers, lenders and investors for both market rate and affordable housing, and all are eagerly awaiting the arrival of this new resource. Most of this informant group stated that market uncertainty widens funding gaps for Santa Rosa infill housing projects due to the lack of comparable properties. The RED Fund will have unique flexibility to overcome this funding gap by completing project financing for developers of deed-restricted affordable housing as well as middle income projects, including some market rate developments that contain affordable units. The RED Fund may also make loans to Housing Authority developers who, despite Housing Authority backing, still have funding gaps in their capital stacks that keep meritorious projects from breaking ground.

The Housing Authority letter emphasizes its administrative capacity. In fact, the RED is currently analyzing options for governance, management and operational capacities. Fund advisors and the RED Executive Director recently met with David Gouin to explore the possibility of entering into an agreement with the Housing Authority for this purpose. Other options are being assessed as well, with the RED Fund seeking to support its operations with revenue generated from the Fund's investment activities. Any gap between the costs of operating the RED Fund and available revenues will need to be covered with grant funding, as opposed to any seed capital provided by the City or County.

In closing, the RED, its member jurisdictions and the City's Housing Authority all share the goal of increasing the supply of desperately needed housing, and all provide uniquely useful tools for accomplishing this task. The RED looks forward to working constructively with the Housing Authority and all community partners to amplify the effect of our resources and efforts.

Warmest regards,

A handwritten signature in blue ink, appearing to read "Michelle Whitman".

Michelle Whitman

Executive Director