

Approved: R. Ballenger
Superior Court Judge

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF SONOMA

Date: 10.25.16

OCT 25 2016

**Sonoma County Board of Supervisors
And**

Sonoma County Community Development Commission

BY: [Signature]
Deputy Clerk

Response to

**Spotlight on Affordable Housing – Housing for All: Promote Private
Development or Spend \$40 Million Grand Jury Report**

FINDINGS

F1: The downturn in new home construction following the recession, combined with low vacancy rates, high rents, wage stagnation and the desirability of Sonoma County as a place to live or vacation, has resulted in systemic undersupply of housing of all types.

We agree with this finding.

F2. The end of redevelopment agencies reduced funding for affordable housing by \$10 million annually between the County and City of Santa Rosa.

We agree partially with this finding.

We agree that the dissolution of redevelopment reduced funding for affordable housing. However, we disagree with the \$6 million of loss attributed in the report and find that the annual loss of affordable housing funding is approximately \$1.34 million.

F3. Increasing the supply of affordable housing is dependent upon budgeting priorities because a \$48-\$60,000 local subsidy is required for every unit of Very Low and Extremely Low Income Housing.

We agree with this finding.

F4. The County would need to invest \$40 million annually to ensure adequate development of affordable housing for Very Low and Extremely Low Income Housing.

We agree partially with this finding.

We agree that to ensure for the adequate development of affordable housing for Very Low and Extremely Low Income Housing, additional investment is required. However, we are uncertain as to the methodology used to calculate the \$40 million attributed in the report.

F5. Density bonus allowances make it possible for private sector developers to build Low and Moderate Income housing without public subsidies.

We agree partially with this finding.

Sonoma County has a unique density bonus program which extends well beyond the bonus available under state law by allowing up to 100% density bonus for a rental project if 40% of the total project units are provided as affordable. The remaining units may be provided at market rents. While the program has been utilized by both for-profit and non-profit developers, we cannot fully agree that the use of density bonuses removes the need for public sector support as affordable housing development is typically dependent upon a complex mix of layered funding sources.

F6. Private sector developers, including individual homeowners with granny unit potential, are often stymied in their efforts to pursue development opportunities due to high unit-based permitting costs, long bureaucratic delay, neighborhood opposition and CEQA compliance.

We partially agree with this finding.

Many policies are already in place to streamline and reduce the cost of developing additional dwelling units, particularly with regards to delays, neighborhood opposition and CEQA compliance. Granny units are a permitted use on qualifying parcels and are exempt from CEQA review. Housing development of all densities is allowed by-right on appropriately designated sites, removing the potential for neighborhood opposition related to land use. Residential projects that meet their required affordable housing program contribution by providing units on site are fast-tracked through the approval and plan check processes.

Still, the County recognizes that high per-unit permit costs may dissuade developers. Impact fees are approved by the Board based on recommendations from the departments responsible for providing those services. Transportation and Public Works recommends Impact Fees for Road maintenance, Regional Parks recommends Impact Fees for Parks maintenance, and Permit and Resource Management recommends Impact fees for Affordable Housing. To reduce costs for smaller developments, the affordable housing fee is graduated in 10 square foot increments with no cost for the first 1,000 square feet.

F7. Area Specific Plans can accelerate the development approval process and would facilitate private development.

We agree with this finding.

The County is currently preparing two specific plans for the Airport Investment Area and the Sonoma Springs Area that will accelerate the permit process and therefore will facilitate private housing development.

F8. New or untapped sources of public and private monies are accessible to jurisdictions within the County.

We agree with this finding.

F9. The impact that vacation rentals have on the overall supply of housing in the County is difficult to quantify.

We agree with this finding.

RECOMMENDATIONS

R3. The Sonoma County Board of Supervisors, City Council of Santa Rosa and City Council of Petaluma improve regulation and oversight of vacation rental activity in order to determine how rental rates are affected by having long-term rentals removed from the market (F9).

Response: This recommendation has been implemented.

The Sonoma County Board of Supervisors adopted revised regulations and oversight related to vacation rentals in the unincorporated county on March 15, 2016. Several regulations were enacted in an effort to preserve affordable housing, including now monitoring and enforcement programs and a Vacation Rental Exclusion (X) Combining Zone. While data on the number of vacation rentals within the County is tracked, the strengthening of vacation rental regulations does not directly correlate to a determination of how rental rates are affected by the removal of long-term rentals from the market. However, the County did commission a study of the impacts of vacation rentals that was completed in July 2015, which informed the development of the revised vacation rental

regulations. In addition, \$150,000 was appropriated from the 2015-16 Advertising Program for Code Enforcement Services related to vacation rentals.

R4. The Sonoma County Board of Supervisors, City Council of Santa Rosa and City Council of Petaluma develop appropriate tax and fee schedules to offset the impact of short-term vacation rentals on housing supply (F9).

Response: This recommendation has been implemented.

The County's Transient Occupancy Tax, currently 9%, does apply to short-term vacation rentals. The County has taken numerous steps to ensure compliance for these rentals. These funds are part of the County's General Fund. In 2015-16, funds were appropriated through the Advertising Program to address impacts to the housing supply, including \$60,000 for emergency shelters, \$220,000 for homeless services and \$100,000 for the implementation of the General Plan Housing Element.

R5: The Sonoma County Community Development Commission and the Santa Rosa Housing Authority take necessary steps to pre-approve building sites with maximum density allowance to take advantage of transit-oriented development grants available from Cap and Trade funds.

Sonoma County Community Development Commission Response: This recommendation will not be implemented by the Sonoma County Community Development Commission, as zoning and land use approvals are not within the scope of this agency's authority.

Sonoma County Board of Supervisors Response: This recommendation will be considered for implementation.

R6. The Sonoma County Board of Supervisors, Community Development Commission and Santa Rosa Housing Authority prioritize the development of new sources of affordable housing funding by supporting the passage of AB 1335, applying for grants from the National Housing Trust Fund and creating Community Revitalization and Investment Areas or Enhanced Infrastructure Financing Districts (F8).

Joint Response: This recommendation has been or will be partially implemented.

- AB 1335 would establish a permanent funding source for affordable housing through a small fee on real estate transaction documents, excluding home sales, and is included in the County's Legislative Platform. The Chair of the Board of Supervisors submitted a letter to the State Senators and Assembly members representing Sonoma County, expressing support of AB 1335.

- National Housing Trust Fund allocations were announced for the first time in May 2016. The State of California will receive a 2016 allocation of \$10,128,143, which will be administered by the State Department of Housing and Community Development (HCD). The Sonoma County Community Development Commission (SCCDC) will be tracking HCD's promulgation and implementation of regulations for statewide distribution of the funds, and will work with local affordable housing developers to submit applications for assistance as funding becomes available.
- Enhanced Infrastructure Financing Districts (EIFDs) appear to be a potential tool for raising funds for affordable housing. As part of its work to implement the Building HOMES Toolbox strategies, the SCCDC is working to develop a countywide public/private partnership Housing Trust Fund, and will work with local jurisdictions to assess whether EIFDs could comprise one source of revenue for the effort. This work is underway in 2016 and will be ongoing in coming years.
- Sonoma County is not eligible for Community Revitalization and Investment Areas as we do not meet the non-seasonal unemployment or median crime rate criteria. The SCCDC will monitor changes to program criteria and/or local conditions that may enable future participation in the program.

R7. The Sonoma County Board of Supervisors coordinate with local and regional financial institutions to discharge their Community Reinvestment Act obligations by investing in affordable housing efforts.

Response: This recommendation has not been implemented but may be considered for implementation in the future.

The County is open to partnering with local banking and lending institutions to facilitate investments in affordable housing by these institutions to help meet their Community Reinvestment Act (CRA) responsibilities. The SCCDC recently received an inquiry from Freddie Mac on behalf of local lenders seeking to engage low-income homebuyers in Sonoma County through the development of homebuyer counseling program.

R9. The Sonoma County Board of Supervisors, City Council of Santa Rosa and City Council of Petaluma consider invoking AB 2135 to donate surplus lands to Land Trusts or to sell these properties at below market rates to developers in exchange for commitments to include affordable housing (F7, 8).

Response: This recommendation has been implemented.

Since Sutter Hospital moved to their new location in October 2014, Sonoma County has been evaluating the possible uses for the Chanate campus. In October 2015, under Board direction, staff made the property available to affordable housing developers under the provisions established by AB 2135. No developers contacted the County during this process. In February 2016, The Board approved a Request for Proposal to identify a private developer to develop the property. One of the requirements in the RFP was for a minimum of 20% affordable housing be included in any proposal. The Board will be considering the proposals in the fall of 2016 and enter into negotiations with the developer who presented the preferred proposal.