

Sonoma County Renewal



Joint County-Santa Rosa Build & Rebuild Ad Hoc

SCOPE

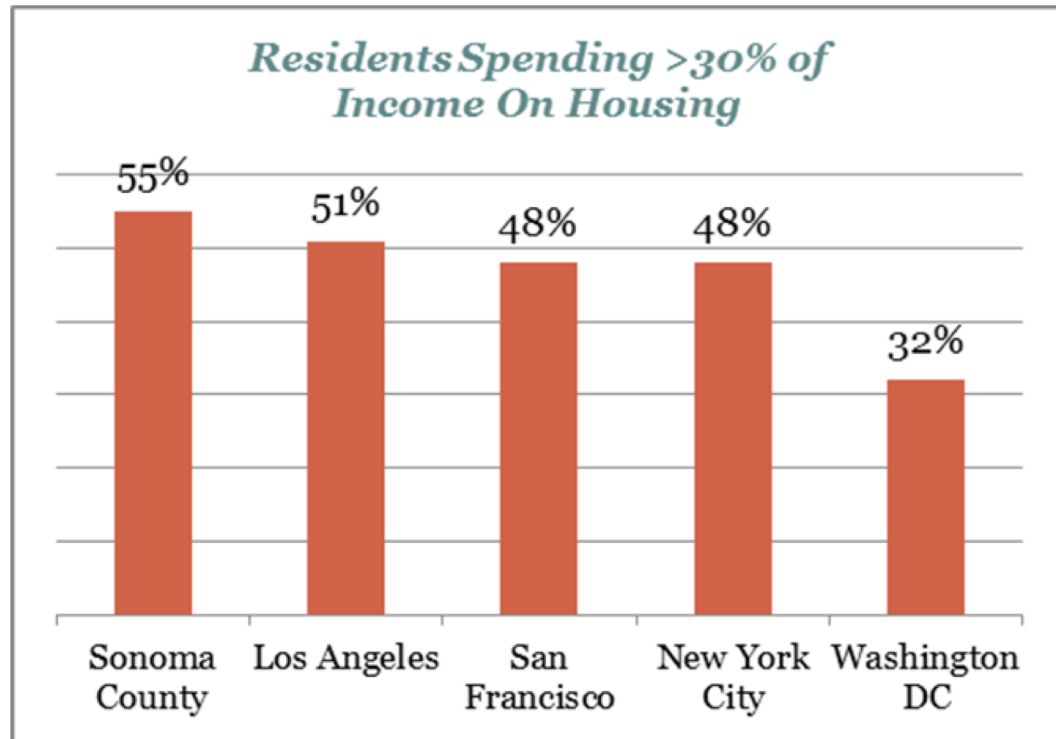
Elected officials from the burned areas are setting a vision for both rebuilding and building additional housing, and developing the goals and tools to achieve it.

GOALS FOR TODAY

The staff supporting the Ad Hoc are here today to:

- Share Sonoma's need as we understand it so far
- Outline the discussions of the ad hoc
- Identify what decisions we still need the ad hoc to make
- Make progress on our finance district and consider how could be extended to Ventura and beyond

Pre-Fire Affordability Crisis



Median single family home price: \$620,000

Income needed to afford purchase: >\$120,000

Median income: \$83,600 (4-person HH)

Average rent: \$1,600/month; \$19,200/yr

Income needed to cap rent at 30% of household costs: \$64,000

Rental vacancy rate: 1.5%

Post-Fire Housing Crisis at a Breaking Point

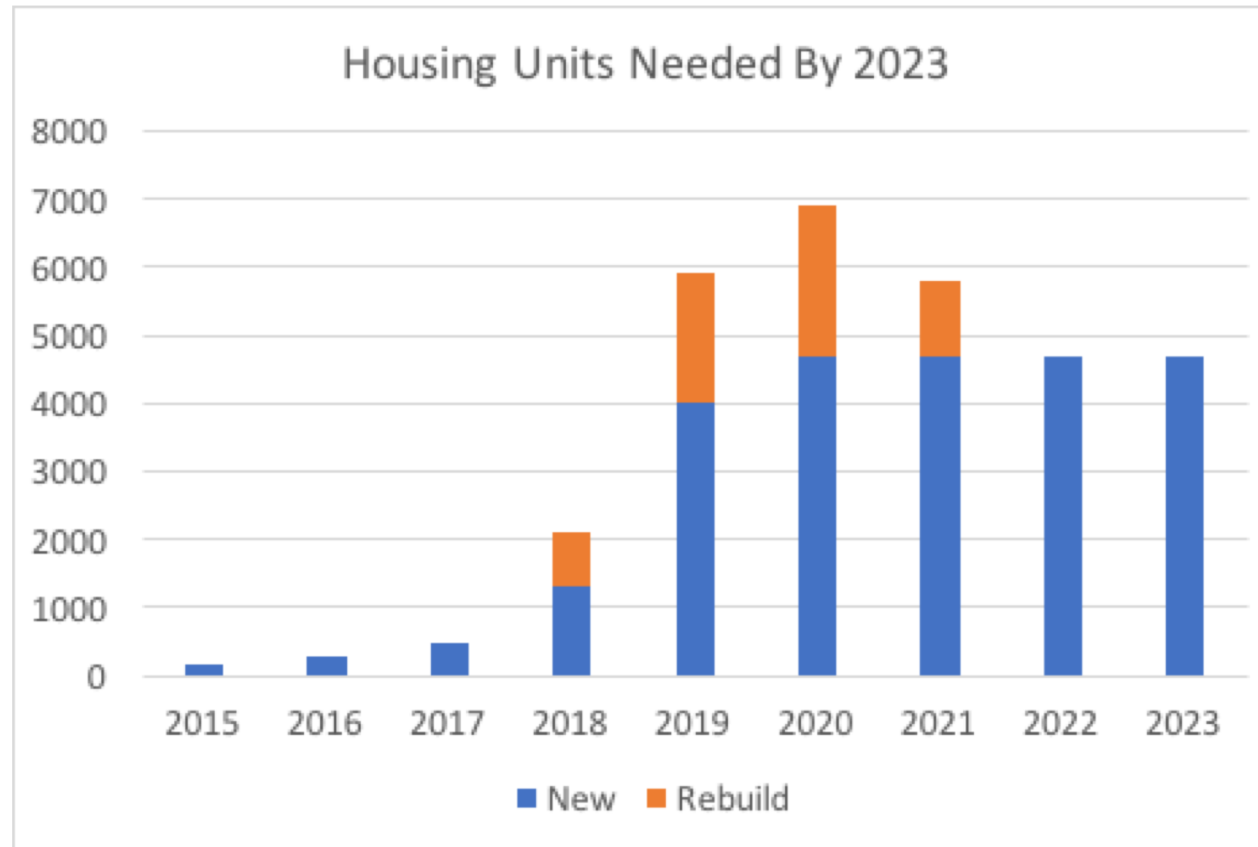
Losing doctors, engineers, teachers and other public servants

Uninsured losses may exceed 40% of all replacement costs

CEQA and insurance companies are encouraging housing be located in low-density burned areas, outside local plan target areas

	Unincorporated	Santa Rosa	Sonoma County
RHNA 2023 Need	3,500	5,000	8,500
+ Units lost in fire	3,000	3,000	6,000
+ Units needed to reach 30% affordability threshold	11,000	6,000	17,000
Total 5-Yr Need	17,500	14,000	31,500

Scale of Need Requires New Tools & Additional Housing



Staff are proposing: Build 30,000 equitable and resilient homes in five years throughout Sonoma County

Crisis on Top of Existing Statewide Challenges

Land Use Restrictions, Construction Costs, Infrastructure, Affordable Housing, Environmental Protection Pitted Against Housing, NIMBY and Outmoded Financial Tools

- CEQA adds costs and uncertainty, and provides preferential treatment of burned areas discourages preferred infill projects
- Upfront permitting and systems fees; land prices; construction costs; complex financing adds to “soft” costs
- Local government can’t adequately fund basic services given property tax structures; may [inadvertently] preference non-housing uses
- Affordable housing development reliant on a scarce and diminishing set of federal tools and subsidies (LIHTC and gap financing)
- Regulated financial institutions and traditional equity investors set rules that work against state and local priorities

What Sonoma Needs

Build 30,000 equitable and resilient homes in five years throughout Sonoma County.

To do this, we invite a partnership with the state and Governor's Office to create a "RED."

Renewal Enterprise District (RED)

- Authority to leverage housing capital to aid in the rebuilding of single family homes and incentivize the construction of regional affordable, workforce, infill and transit-oriented developments
- Minimum five-year CEQA exclusion for infill areas consistent with adopted local plans and/or SB 375
- RHNA housing pooling among jurisdictions
- Insurance coverage for local code upgrades
- Incentives and tools to encourage new housing development into the existing urbanized areas

Renewal Enterprise District (RED)

- Governance structure responsible for establishing criteria, financing disbursement, reporting, oversight and accountability
- Finance district to pool public and private financing, distribute both risks and returns, and facilitate sharing between cities and a regional approach to housing production, social equity, economic development and infrastructure investments
- Would support projects in burned areas *and* infill areas consistent with adopted local plans and/or SB 375, Sustainable Communities Strategies
- Minimum five-year CEQA exclusion for infill area projects that meet criteria (e.g., net zero, walkable, transit friendly, affordable housing density bonus)
- Priority to low-income, workforce, then market-rate, including both rental and for-sale.



RED: Financial Concept

Existing system is insufficient to create housing at scale. Pooling public and private capital in innovative ways has the ability to:

- Attract the necessary scale of financing in excess of \$2 billion
- Lower the cost of capital and provide new sources of equity gap financing to spur both affordable development and climate-smart, above-code construction
- Enable local government to benefit from economic returns, and not rely solely on tax increments
- Create financial incentives to build the right kinds of housing in the best locations (above-code, climate-smart, high density in transit corridors and town centers, ADU's in single-family neighborhoods, etc.)
- Provide access to comprehensive financing for developers and builders who meet certain threshold criteria on a fast track, reducing development risk
- Finance up-front infrastructure, systems charges and permitting fees (long-term fee deferral)

RED: Financial Assistance for Rebuild

Insurance policy limitations falling short of bids to rebuilds

- Homeowners face significant funding shortfalls (coverage typically 20 to 50% short of actual rebuild costs)
- Construction and permanent financing for homeowners and developers
- Attaining above-code rebuild will require accessible, fast tools
- Federal resources only expected to meet part of the insurance coverage gap [CDBG-DR awards unknown]

RED: Limited Infill CEQA Exclusion

- Expand the exclusion from low-density, fire impacted outlying areas to higher density infill areas for at least five years.
- Existing infill exemptions are narrowly prescriptive. Few good projects can qualify and often the exemptions provide too little certainty. Strict consistency requirements can limit the number of units because of project-level criteria, which could more affordably be addressed across a pool of projects throughout urbanized areas region.
- Exclusion for new housing/mixed-use projects in urban infill areas of the County and cities, subject to adoption of an “opt in” ordinance requiring covered projects to meet requirements including consistency with adopted plans plus density bonus, net zero energy, walkable and transit friendly.
- Affordability met within five-year period across projects, with limited market rate projects paying in-lieu fees.
- “Expedited” specific plans to be eligible for exclusion (e.g., County administration center).
- Project review process inclusive of enhanced opportunity for public participation.

RED: RHNA Housing Pooling

- In addition to housing pooling option under SB 375 for Sonoma County and its cities, allow pooling opportunities for adjacent fire impacted Counties.
- Participating Counties to receive more time to build RHNA requirement in exchange for financial support to accelerate and increase housing production in urban infill areas of adjacent County.
- Specific opt in requirements to be determined.

RED: Insurance Coverage for Code Upgrades

- Policy coverage for code upgrades *subsequent to disaster* is not clear
- For example, local upgrades to energy code to meet Title 24 Net Zero two years early. Could be approved by CEC, but some policies might disallow any related expenses.
- Seek clarity on this from Insurance Commissioner.
- If this gets settled in litigation, we would seek help in ensuring that subsequent code changes be covered

Feedback on the Renewal Enterprise District

What early actions can be taken?

What decisions do we need the ad hoc to make next?

