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DATE 8/31/22 BY [Signature]

Response to Grand Jury Report Form

Report Title: Affordable Housing: Past, Present and Future
Report Date: June 14, 2022
Response by: Jackie Elward Title: Mayor
Agency/Department Name: City of Rohnert Park

FINDINGS: F1 through F24

I (we) agree with the findings numbered: F1, F2, F4, F5, F6, F8, F11, F13, F16, F18, F19, F21, F22, F23, F24

I (we) disagree wholly or partially with the findings numbered: F3, F7, F9, F10, F12, F14, F15, F17, F20. The City's statement explaining disputed findings is attached.

RECOMMENDATIONS: R1 through R8

- Recommendation numbered: R4, R5 and R8 have been implemented. A description of implementation is attached.
- Recommendations numbered: R2 and R3 have not yet been implemented, but will be implemented in the future. The time frame for implementation is attached.
- Recommendations numbered: R1, R6, and R7 will not be implemented because they are not warranted or are not reasonable. Additional information is attached.

Date: 8/23/2022 Signed: [Signature: Jackie Elward]
Number of pages attached: 6

Response to Grant Jury Report on Affordable Housing: Past, Present and Future – City of Rohnert Park

Response to Findings

General Response: While the City appreciates the Grand Jury's attention to the need for affordable housing in Sonoma County, the Grand Jury's report and findings miss the single largest reason for the housing crisis. Until 2011, through their redevelopment agencies, local agencies were able to directly access property tax revenue for the purpose of constructing affordable housing. This "tax increment" and the housing bonds it secured provided a secure, local revenue source that was committed to the construction of affordable housing.

In 2011, in response to budget difficulties at the state level, the legislature passed and Governor Brown signed ABx1 26 which dissolved local redevelopment agencies, returned property tax revenue to the state and put an end to an important and locally-controlled revenue source that was dedicated to the construction of affordable housing. Not surprisingly, shortly thereafter the production of affordable housing decreased dramatically. Since 2011, the state has passed many laws focused on requiring local agencies to provide affordable housing but has not been willing to do the most important thing it could do – reinstate a locally controlled funding source for affordable housing.

Until the fundamental mis-match between local agencies' mandate to construct housing and lack of locally-controlled funding for this construction is resolved, implementing the various Grand Jury recommendations will not begin to move the needle on affordable housing construction.

- F3. Sonoma County and its nine Cities have officially recognized the need for Affordable Housing but not all have fully endorsed the Regional Housing Needs Allocation or met earlier goals.

Rohnert Park Response: Disagree, in part. The City endorsed its RHNA and has sought to meet its goals. The City does not control the pace of housing construction, but it has consistently provided available housing sites to enable the construction, required robust affordable housing programs to be implemented through Development Agreements, streamlined and expedited review of affordable housing projects and provided gap funding for housing projects. The City achieved its 5th cycle RHNA for low- and above moderate-income categories. Not all of the units in the very low- and moderate-income categories have been built, but significant progress has been made, and land is available. Deed-restricted moderate-income housing is particularly challenging to construct because tax credits, grants, loans and other funding sources are typically only available for the low- and very-low income categories. This lack financing for median to moderate-income housing is the primary challenge is a challenge for local agencies and developers seeking to construct deed-restricted, moderate income housing.

- F7. There is great variability in the planning and approval processes and procedures for developing Affordable Housing in the County and its Cities, thus complicating and slowing development.

Rohnert Park Response: Disagree, in part. Rohnert Park acknowledges that there is variability between jurisdictions, but this alone does not necessarily complicate or slow development. The development of affordable housing is dependent on an extremely complex and at times unpredictable financing system that the County and cities do not control. The variability in procedures between jurisdictions is not a significant factor. In the last RHNA cycle, Rohnert Park expedited the development review process for two affordable housing proposals that were ultimately not built because financing was not secured or neighborhood objections stalled the approval, clearly demonstrating that these issues is much more important than “variability in planning and approval processes” when it comes to making an affordable housing project successful.

- F9. Funding of Affordable Housing is often directed to specific groups such as seniors, veterans, or agricultural workers.

Rohnert Park Response: Disagree. While some funding for affordable housing is directed to certain populations, many sources of funding are not overly prescriptive and are available to all applicants. In addition, certain affordable housing funding sources, such as former redevelopment agency funds, specifically limit the amount of funding that can be directed to housing for senior citizens. The greatest challenge for financing affordable housing is the lack of sufficient funds overall and the competitive nature of the funds available.

- F10. Design review and project approval are often slow and very complex, and hinder the development of Affordable Housing.

Rohnert Park Response: Disagree. As outlined in the response to Finding F7, local agencies are very capable of streamlining processing for affordable housing projects and it is generally other factors that impede construction.

The design review process is necessary to ensure that projects make a positive contribution to the community, which can enhance the overall acceptability of the project to the surrounding neighborhood. The process does not significantly add to the project timeline and experienced affordable housing developers generally present well-designed projects with attractive amenities, in part because funding agencies prioritize well-designed projects with amenities.

If a project is designed poorly it may not compete well for financing and can take longer to move through the building permit process, so any time saved in the entitlement process would be lost in the building approval process. A thorough entitlement process can identify any fatal flaws in the building and site design. Also, a poorly designed project can have significant public safety deficiencies with life safety implications built into the design from the beginning. A good design review process can identify problems early.

- F12. Mitigation fees vary by individual projects and jurisdictions, complicating the building of Affordable Housing.

Rohnert Park Response: Disagree, in part. Mitigation fees do vary by individual projects, because infrastructure and service needs vary according to location. Mitigation fees are an extremely important tool for extending infrastructure to support annexation of property (which is listed in Finding 17 as another barrier to housing). The Grand Jury

cannot expect local agencies to undertake annexation without a means to assure adequate infrastructure is available to serve the newly annexed land.

- F14. Payment of in-lieu fees to the housing jurisdiction results in fewer inclusionary affordable housing units and houses being built.

Rohnert Park Response: Disagree, in part. Rohnert Park requires on-site affordable housing for all for-sale projects with more than 50 units. However, in-lieu fees are a valuable piece of the affordable housing financing puzzle because they provide local jurisdictions with funds to support housing projects, especially projects targeted to median -moderate income earners which don't generally qualify for tax credits, grants and other financing tools. In fact, since the dissolution of redevelopment agencies in 2011, in-lieu fees are the only dedicated, locally-controlled funding source for affordable housing.

In-lieu fees also provide a tool for ensuring that non-residential development contributes to the construction of affordable housing that their employees often need. Rohnert Park has an Affordable Housing Linkage Fee (established by Rohnert Park Municipal Code Chapter 3.36) that ensures non-residential development contributes financially to the construction of affordable housing.

Finally, until quite recently, case law (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles*) effectively prohibited local agencies from requiring inclusionary units in rental projects, making affordable housing fees the only option to secure contributions to affordable housing from market-rate apartment projects. While the state has recently passed legislation to reverse this case law, the history helps explain why many local jurisdictions have pursued in-lieu fees as a piece of their overall strategy for providing affordable housing.

- F15. Development of commercial projects such as hotels and big box stores is often favored over housing due to lesser demand on public services and increased sales or occupancy tax revenue.

Rohnert Park Response: Disagree, in part. The City agrees that commercial projects have tax revenue benefits, however these are not "favored" over housing projects. Development is guided by local agencies' General Plans which provide for a balanced blend of commercial and residential projects. A mixed-use environment is superior to monotonous single use areas, since the different land uses can be mutually supportive (i.e. housing provides customers for retail, retail provides jobs for housing residents, and the trip between the uses is short enough to walk). A mixed-use environment, with tax-generating use is also absolutely necessary to the health of the local agencies the help provide affordable housing.

Even with the clear guidance provided by the General Plan, Rohnert Park is not averse to re-zoning property for housing. In the last five years Rohnert Park has rezoned an industrial parcel to allow for the creation of 135 housing units and commercial parcel to allow for the creation of 75 housing units. In both cases, Rohnert Park's entitlement process included a development agreement that required 10% of the newly created housing units to be deed-restricted affordable units.

F17. Changes to city boundaries by annexation of land within their Spheres of Influence could allow the development of more Affordable Housing but is resisted due to the high costs of additional infrastructure.

Rohnert Park Response: Disagree. Rohnert Park agrees that if developers are generally unwilling to contribute to the cost of the infrastructure that serves their development, this can be a limiting factor. However, infrastructure does not need to be a barrier to annexation, provided that adequate resources are available to provide that infrastructure. Tools like mitigation fees provide a method to ensure that projects are paying a “fair share” of infrastructure costs but not 100% of infrastructure costs, which can help make annexation and infrastructure extensions far more feasible from an economic perspective.

Rohnert Park has completed successful annexation efforts including the University District Specific Plan Area and the Southeast Specific Plan Area. In both cases, the project developers provided required affordable housing (15% of the overall project).

Infrastructure extensions were funded from reasonable and proportional mitigation fees and the developers received credit against mitigation fees due if they chose to construct required infrastructure. In general, flexible, proportional, well-administered mitigation fee programs can be incentive to construct planned housing, including affordable housing.

F20. Inclusive Affordable Housing must be equivalent to market rate units and be dispersed throughout a project making it harder to identify and stigmatize them.

Rohnert Park Response: Disagree, in part. While Rohnert Park agrees that affordable housing should be well-designed and benefit from amenities, arbitrarily determining the distribution of affordable housing units would put an additional constraint on housing construction and potentially limit financing opportunities (tax credit financing and operational efficiencies favor projects of a certain scale).

Rohnert Park has successful examples of both dispersed and concentrated affordable housing. In the University District, a 218-unit affordable apartment development was constructed and satisfies the full inclusionary affordable housing project for the Vast Oak Development. It is an attractive project that fits into the neighborhood and it competed well for tax credit financing. The Willowglen neighborhood is an example of a more dispersed affordable housing model. This project has a combination of affordable duets (two single family attached units) scattered amongst other homes, a small affordable apartment complex, and affordable townhomes. This model also provides a combination of ownership and rental units.

The City does not believe that a one-size-fits-all approach to affordable housing is warranted and would only serve as an obstacle to the provision of needed housing.

Response to Recommendations:

R1. By December 31, 2022, Permit Sonoma and the nine Cities should begin to streamline their procedures, from preliminary review through the permitting process, related to the development of Affordable Housing. (F7, F10, F11, F13)

Rohnert Park Response: Cannot be implemented because the recommendation is subjective and vague. The meetings described in response to Recommendations R2 and R3 may result in specific, meaningful actions that can be taken to streamline procedures.

- R2. By December 31, 2022, Permit Sonoma and the nine Cities should meet to consider standardizing their procedures related to the development of Affordable Housing. (F7, F10, F11, F13)

Rohnert Park Response: Implement in the future. Rohnert Park will meet with Permit Sonoma and the other cities to discuss opportunities to standardize procedures related to the development of Affordable Housing. Rohnert Park will provide a response to the Grant Jury about the outcome of the meeting(s) and the feasibility of standardizing procedures by December 31, 2022. Because of the unique requirements of various municipal and county codes, there may be limited opportunity for standardizing.

- R3. By December 31, 2022, Permit Sonoma and the nine Cities should meet to discuss the coordination of fee reduction standards for Affordable Housing throughout the County. (F11, F12, F14)

Rohnert Park Response: Implement in the future. Rohnert Park will meet with Permit Sonoma and the other cities to discuss coordination of fee reduction standards. By December 31, 2022, Rohnert Park will provide a response to this Grand Jury about the outcome of the meeting(s) and the feasibility of developing fee reduction standards.

- R4. By December 31, 2022, Permit Sonoma and the nine Cities should identify properties within their jurisdictions and Spheres of Influence that could support the construction of infill housing and accessory dwelling units. (F1, F2, F3, F4, F16, F17)

Rohnert Park Response: This recommendation has been implemented and the information is presented in the City's draft Housing Element which is available at www.rpcity.org/housingelement.

- R5. By December 31, 2022, Permit Sonoma and the nine Cities should identify properties within their jurisdictions and Spheres of Influence that are likely opportunities for rehabilitation or repurposing to increase the availability of Affordable Housing. (F16, F19, F22)

Rohnert Park Response: This recommendation has been implemented and the information is presented in the City's draft Housing Element which is available at www.rpcity.org/housingelement.

- R6. By June 1, 2023, Permit Sonoma and the nine Cities should develop permit ready accessory dwelling unit and junior accessory dwelling unit plans. (F1, F2, F3, F4, F5, F7, F10, F11, F13, F21, F22)

Rohnert Park Response: Will not be implemented because it is not reasonable. Rohnert Park's draft Housing Element already sets December 2023 as the deadline for partnering and/or funding regional organizations (such as Napa-Sonoma ADU Center) that provide technical assistance to homeowners interested in developing ADUs. Among other things, Napa-

Sonoma ADU Center has taken the lead on working with local jurisdictions to develop permit-ready ADU plans.

This implementation schedule reflects the City's full range of priorities which include implementing a 60-unit Homekey-funded interim supportive housing project by November 2022 and completing its state-mandated housing element by January 2023. It is not reasonable for the Grand Jury to mandate schedules that accelerate a program activity that the City is working to implement in a reasonable manner consistent with its other important priorities.

- R7. By December 31, 2022, Permit Sonoma and the nine Cities should discuss integration of preliminary design review committees with their planning commissions to help expedite the construction of Affordable Housing. (F1, F2, F3, F4, F5, F7, F10, F11, F13, F19, F20, F21, F22)

Rohnert Park Response: Will not be implemented because it is not warranted. Rohnert Park does not have preliminary design review committees.

- R8. By December 31, 2022, Permit Sonoma and the nine Cities should review their permitting requirements to allow nontraditional options such as manufactured homes, factory built homes, and tiny houses to increase housing supply. (F1, F2, F3, F4, F5, F10, F11, F13, F21, F22)

Rohnert Park Response: Already implemented. The City has reviewed its requirements and determined that there are no local restrictions in place that would prohibit the development of these types of units.