

READ AND CONSIDERED
DATE 9/13/22 BY [Signature]

Response to Grand Jury Report Form

Report Title: Affordable Housing: Past, Present and Future
Report Date: June 14, 2022
Response by: Patrick Slayter Title: Mayor
Agency/Department Name: City of Sebastopol

FINDINGS: F1, F2, F3, F4, F5, F7, F10, F11, F12, F13, F14, F16, F17, F19, F20, F21, F22, F217

I (we) agree with the findings numbered: F1, F2, F5, F6, F8, F9, F11, F18, F19, F20, F23, F24

I (we) disagree wholly or partially with the findings numbered: F3, F4, F5, F7, F12, F15, F16, F17, F21, F22.

(Attach a statement specifying any portions of the findings that are disputed with an explanation of the reasons.)

RECOMMENDATIONS: R1, R2, R3, R4, R5, R6, R7, R8

- Recommendations numbered: R4, R5 (partial), R8 have been implemented. (Attach a summary describing the implemented actions.)
- Recommendations numbered: R1, R2, R3, R5 (partial) , R6, R7 _____ have not yet been implemented, but will be implemented in the future. (Attach a timeframe for the implementation.)
- Recommendations numbered: _____ require(s) further analysis. (Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. ***This timeframe shall not exceed six months from the date of publication of the Grand Jury report.***)
- Recommendations numbered: _____ will not be implemented because they are not warranted or are not reasonable. (Attach an explanation.)

Date: September 7, 2022 Signed: [Signature: PSL]

Number of pages attached: 7

(See attached Civil Grand Jury Response Requirements)

“Affordable Housing – Past, Present, Future Recommendations”

City of Sebastopol Response

The **“Affordable Housing – Past, Present, Future Recommendations”** investigation resulted in 22 findings, of which 17 apply to the City (F1, F2, F3, F4, F5, F7, F10, F11, F12, F13, F14, F16, F17, F19, F20, F21, F22) and 8 recommendations, all of which apply to the City of Sebastopol. Staff has provided the Findings and Recommendations (italicized), and a draft city response for each of these:

Findings

F1. Increased Affordable Housing has been mandated by the State of California and officially accepted by Sonoma County and its nine Cities.

Agree.

F2. Housing jurisdictions must show sufficient progress in meeting 6th cycle Regional Housing Needs Allocation (RHNA) mandates or they risk being fined or losing local authority over their housing programs.

Agree. This is how state law is written.

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.

Disagree.

The City of Sebastopol cannot speak for other communities. However, the City of Sebastopol and other jurisdictions recognize the need for affordable housing and are currently drafting an update to the City’s Housing Element to plan for how to accommodate the city’s RHNA for the 6th cycle (from 2023-2031), which is 213 units across various income categories. The City believes it will be able to meet this housing target over the eight year housing cycle period. The City and other Sonoma County jurisdictions have been proactive in providing resources to homeowners and developers to facilitate the planning for and projection of housing.

In regard to the current (5th cycle) of RHNA, 123 units of housing have been created in the City of Sebastopol since December 31, 2021 for the current (5th element) housing cycle ending December 31, 2022. The city’s RHNA for this time is 120 units, spread across various income categories. Therefore, the City of Sebastopol is projected to meet and exceed it’s RHNA target for the 5th cycle.

That said, whether or not a jurisdiction is able to meet it’s RHNA target does not equate to whether or not the community ‘endorses’ the RHNA allocation process and goals.

The City has produced units at, or below, the required income levels for all categories:

Regional Housing Needs Allocation Progress													
Permitted Units Issued by Affordability													
		1	2									3	4
Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	22	-	-	-	-	-	-	33	-	-	37	-
	Non-Deed Restricted		-	-	-	3	1	-	-	-	-		
Low	Deed Restricted	17	1	-	2	-	-	-	-	-	-	12	5
	Non-Deed Restricted		-	-	-	4	3	2	-	-	-		
Moderate	Deed Restricted	19	-	-	-	-	-	2	-	-	-	20	-
	Non-Deed Restricted		2	6	6	4	-	-	-	-	-		
Above Moderate		62	9	2	11	1	1	23	7	-	-	54	8
Total RHNA		120											
Total Units			12	8	19	12	5	27	40	-	-	123	*

*Excess production of units in a category can be applied to deficits/needs in higher income categories. (i.e. excess units in the very low and moderate categories can be applied to the 'low' (for very low units) and above moderate category to meet RHNA allocations.

In our last Housing Cycle (2007-2014), the City also *exceeded* Affordable Housing Targets for both Very Low and Low incomes. In fact, the City permitted more units in these categories (5 "extra" Very Low income, and 34 "Extra" Low income units), even while market rate units did not meet RHNA targets:

Regional Housing Needs Allocation Progress													
Permitted Units Issued by Affordability													
Enter Calendar Year starting with the first year of the RHNA allocation period. See Example.		2007	2008	2009	2010	2011	2012	2013	2014			Total Units to Date (all years)	Total Remaining RHNA by Income Level
Income Level		RHNA Allocation by Income Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9		
Very Low	Deed Restricted	32	35	2								37	-5
	Non-Deed restricted												
Low	Deed Restricted	28	25	1		15	16	5				62	-34
	Non-deed restricted												
Moderate	Deed Restricted	29	5									5	17
	Non-deed restricted								4	3			
Above Moderate		87	2	7	6	5	0	7	8	1		41	46
Total RHNA by COG Enter allocation number:		176	67	10	6	20	21	12	12	4		152	24
Total Units ▶▶▶													
Remaining Need for RHNA Period ▶▶▶▶▶													

Note: units serving extremely low-income households are included in the very low-income permitted units totals

F4. Some cities hinder the development of Affordable Housing through designation of new historic districts, increased landscaping requirements, highly restrictive zoning, and exploitation of environmental concerns.
The City of Sebastopol cannot speak to the motives of other communities. However, the City of Sebastopol disagrees with this finding completely as it relates to Sebastopol. The City of Sebastopol has consistently supported policies related to affordable housing, and affordable housing 'by design' (not deed restricted). The City has a history of adopting policies which support the development of housing, including affordable housing.

Additionally, City has policies in it's Municipal Code/Zoning Ordinance which effectively give more development rights to Affordable Housing, including parking discounts, additional height, housing permitted by-right in commercial zones, and exemption from the city's Growth Management Ordinance for all deed restricted affordable housing, senior housing, ADUs and JADUs, and housing within the downtown zoning district.

The City also adopted impact fees for single family homes on a per square foot basis to reduce the costs for smaller homes, which are inherently more affordable, years before recent state legislation requiring such was passed into law.

F5. Public acceptance of the need for Affordable Housing is not universal; NIMBYism and misinformation can negatively impact the planning and development process.
Agree.

F6. In Sonoma County, costs and availability of land, building supplies, and labor impede development and construction of Affordable Housing.
Agree.

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.
Partially disagree. Most cities in the County, as well as state, have similar development and approval processes. Each jurisdiction is responsible for adopting their own procedures for review of development to ensure that the development is responsive to community's needs and its General Plan/vision for its future. However, the internal process does not necessarily equate to a complicated or slow development process.

Additionally, the State has mandated legislation under SB35 to introduce a consistent streamlined process for certain affordable housing projects.

F8. Financing of Affordable Housing projects is unusually complex, slow, and uncertain.
Agree. Additionally, there is little to no local control over funding since the demise of Redevelopment law in the state. Additionally, State Tax Credit Funding in recent years has been focused on large scale development, which is often leaves smaller developments without one of the major sources of funding. This has left smaller sites in key locations undeveloped.

F9. Funding of Affordable Housing is often directed to specific groups such as seniors, veterans, or agricultural workers.
Agree, however the term 'often' is somewhat vague and the City cannot comment on this. The City of Sebastopol is generally not the source of moneys for funding of Affordable Housing.

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

Disagree for the City of Sebastopol. The design review and project approval for a project that is consistent with the City's codes does not have a slow/complex path to approval.

F11. The permitting regulations, processes, and fees differ by jurisdiction.

Agree. However, while processes and requirements have differences, many of these are nuances. Staff at the various Sonoma County jurisdictions often have discussions related to fee updates, regulations, and processes, and some of these regulations and fees are very similar.

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

Partially disagree. Mitigation fees with the City of Sebastopol are based on type and number of units, and are well-published on the City's website. While the City's fees vary somewhat from other communities, based on infrastructure needs to accommodate that development (as required by State Impact Fee legislation), the cost of City Impact fees are generally aligned with the impact fees of other Sonoma County jurisdictions. Additionally, it is unclear if there is a connection between mitigation fees, which every jurisdiction has, and how it complicates the building of housing.

F13. The speed of issuing permits has improved in some jurisdictions, but greater efficiency would help meet the building needs of Sonoma County.

Agree.

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

Agree. The cost of residential development far outweighs the 'in-lieu' fees that a jurisdiction can charge for affordable housing units not built. Of note, the City of Sebastopol does not allow an 'in-lieu' fee to be paid for any full units required under its Inclusionary Housing ordinance.

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.

Disagree. While the City of Sebastopol cannot speak for other jurisdictions, the City has not been preferential to non-residential development over residential development.

F16. Recent legislation encourages construction of transit-oriented infill housing but has yet to show a large effect.

The City of Sebastopol cannot agree or disagree with this finding, as the city is not a jurisdiction impacted by this legislation, and therefore has no knowledge of its impact.

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.

Partially disagree. While the cost of infrastructure investment is an important component and City responsibility, annexation within the Sphere of Influence is allowed, with the annexation properties responsible for the cost of that infrastructure (generally through an improvement district or other finance mechanism). However, the expansion of infrastructure is not the only limitation. Often, the site-specific characteristics are themselves a limit (being downslope from an existing gravity-fed sewer system, inadequate road access with no way to install improvements, etc.).

F18. The time periods for which new Affordable Housing units cannot convert to market-rate prices have been lengthened to preserve the units as Affordable.

Agree for the City of Sebastopol. The City recently modified its Municipal Ordinance to mandate that affordable housing units required by the City's code be maintained 'in perpetuity' unless required otherwise by State or Federal law. The City has developed a partnership with the Sonoma County Housing Land Trust (HLT) to preserve these units in perpetuity; maintain at the same restricted income level, and still allow a homeowner to share in some equity.

Additionally, this requirement also now applies to rental housing, which it did not prior to 2018 due to conflicting state/legal determinations (the "Palmer" decision).

F19. Rehabilitation and the repurposing of existing properties both preserve and increase the supply of Affordable Housing.

Agree.

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.

Agree. The City's Inclusionary Housing Ordinance (SMC 17.250) requires affordable units be equivalent to market rate units, and dispersed within the development. Additionally, Inclusionary Housing requirements in themselves insure that units are distributed throughout a city, by requiring a certain percentage of market rate units in a development be Affordable.

F21. Manufactured and factory built home construction provide less expensive routes to Affordable Housing without necessarily reducing its quality.

Partially agree. This depends on a number of factors, including the site and the manufacturer. The City of Sebastopol has not surveyed these and cannot comment on the financial aspects of this. However, pre-fabricated housing has changed greatly in the past decade, and includes a much larger variety of types and quality.

F22. Design modifications can help make Affordable Housing projects economically viable.

The City of Sebastopol does not understand what this finding refers to, so cannot agree or disagree with this statement.

F23. Contrary to commonly expressed fears, Affordable Housing does not usually affect local property values.

Agree.

F24. Vacation homes, time shares, Airbnb, Pacaso houses, and vacant houses reduce the number of units.

Agree as it relates to non-hosted rentals ("Airbnb" and others), full time shares/Pacaso homes, and vacation homes.

The Sonoma County Civil Grand Jury recommends that:

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)

Response:

The City is currently undertaking a project to developed Objective Design Standards and SB9 standards. A consultant has been contracted with for this project, which will begin in September 2022, and is anticipated to be completed by December 2023. This project will be provide objective standards for design for projects subject SB35 regulations as well as other projects. The City has completed review of one SB35 (state

stream-lining process) project to date and has developed information and procedures related to this project.

The City also has streamlined procedures for Accessory Dwelling Units/Junior Accessory Dwelling Units, including elimination of separate Planning Permits for ADUs that meet standards.

The City is currently working on its Housing Element update, anticipated to be adopted in January 2023, and is working to identify other means to remove governmental constraints to housing development.

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)

Response:

The recommendation has not yet been implemented, but may be implemented in the future, to the extent possible with the regional partners.

The City of Sebastopol is an active participant in on-going meetings with other Sonoma County jurisdictions, including discussions related to housing development. This communication and collaboration happens at a variety of levels and on a regular schedule, including monthly City Manager meetings, bi-monthly Planning Advisory Committee meetings, quarterly City Attorney meetings, and ad hoc housing group that meets bi-monthly to discuss specific housing issues and share approaches among jurisdictions.

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)

Response:

This recommendation has not been implemented, although there have already been informal discussions among jurisdictional Planning staff related to Impact fees prior to this Grand Jury report. The City is open to discussions with other jurisdictions to implement this Recommendation and will actively participate in these discussions. However, of note, the reduction of fees for Affordable Housing may be dependent on other outside funding to 'backfill' the City's infrastructure needs, as impact fees are required by a City so that it can build the infrastructure needed to accommodate that development. Without a way to supplement these funds, infrastructure projects needed for development may not be possible.

The City of Sebastopol already implements several fee-reduction mechanisms, including:

- a potential 25-50% reduction in processing fees that non-profits can request, and can be approved by the Planning Director and City Manager (with the council able to provide additional discount)
- Impact fees based on the size of units, so smaller units received a pro-rated discount based on the square footage below the average size units.
- Planning and other staff provide additional time and advice to potential applicants prior to submittal.

Additionally, as it implements its next Housing Element, the City may consider with its new housing development policies that would waive pre-application meeting fees and/or reduce fees for pre-liminary review costs for 100% (or 50%) affordable developments (or non-profit housing developers).

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)

Response:

This recommendation has been implemented. The City is identifying properties for the sixth-cycle Housing Element, for the required Site Inventory of this document. Most of these sites are infill sites within the City's Priority Development Area. Additionally, the City has conversations with non-profit housing developers who develop affordable housing on a regular basis.

ADUs are allowed on all single family lots/uses, regardless of zoning, through either internal (attached new construction or conversion of existing space) or external units (conversion of garages, etc. or new construction). Staff regularly assists individual homeowners to understand how ADUs could work on their specific property (i.e. we don't have massive staff, but we provide customized service)

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)

Response:

This recommendation has been partially implemented. The City is identifying potential properties as part of its Housing Element work that have potential for conversion/adaptive reuse, or in need of rehabilitation. While the City does not have an identified source of funding to assist these, the City is considering additional modification of regulations to encourage redevelopment to include workforce housing.

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)

Response:

The City has been working with the Napa-Sonoma ADU Center to have develop permit-ready accessory dwelling units, which the City Building Department intends to approve for use within the City. The City anticipated continued participation with the Napa-Sonoma ADU Center at a staff level. It is anticipated this will be completed by or before June 1, 2023.

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)

Response:

The City of Sebastopol does not require preliminary review, however it is encouraged for large, complex projects as it assists the project applicant understand the City's requirements. An applicant may elect to pursue a Preliminary Review meeting with either the Planning Commission or Design Review Board, or both. In the future, if warranted by the project, joint meetings can be explored to streamline this process when both committees are to be consulted.

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)

Response:

The City currently allows manufactured and factory built-homes on any residential site within the City. The City's Zoning Ordinance does not prohibit any of these options, however some related regulations (such as state building codes) limit tiny homes.