


Agenda Report Reviewed by:
 City Manager: 

**CITY OF SEBASTOPOL
 CITY COUNCIL
 AGENDA ITEM**

Meeting Date: September 6, 2022
To: Honorable Mayor and City Councilmembers
From: Kari Svanstrom, Planning Director
Subject: Discussion and Consideration of Submittal of City Response to Sonoma County Grand Jury Report
Recommendation: Resolution Authorizing Response to the Sonoma County Grand Jury Reports Entitled “Affordable Housing: Monitoring and Compliance” and “Affordable housing: Past, Present and Future”
Funding: Currently Budgeted: _____ Yes _____ No X N/A
 Net General Fund Cost: \$

Account Code/Costs authorized in City Approved Budget (if applicable) AK (verified by Administrative Services Department)

INTRODUCTION/PURPOSE:

This item is to receive a presentation on the Sonoma County Grand Jury reports for 2021-2022, and adopt a Resolution authorizing the City’s response to these reports.

BACKGROUND:

The Sonoma County Civil Grand Jury (CGJ) is an independent institution with the principal function of overseeing all aspects of county, special- districts and city governments in the County to ensure that the best interests of its citizens are being served. The 19 Grand Jury members are selected annually from applications submitted by County residents to serve a one - year term.

DISCUSSION:

This year, there are two topics that require a response from the City of Sebastopol: The reports entitled: and Affordable Housing: Past, Present and Future. These reports require responses from all Cities within the County and, as applicable, the County of Sonoma/Permit Sonoma and the Sonoma County Community Development Commission (CDC). A response is required to all Grand Jury recommendations by Penal Code Section 933 and 933.5, by the governing body (City Council/City Mayor). The CGJ notified the City on June 14, 2022 of its obligation to respond to the “Affordable Housing: Past, Present and Future” and “Affordable Housing: Monitoring and Compliance” investigation reports. The City Council has 90 days, or until September 12, 2022, to provide a response.

Required response includes the following information:

- Whether the City agrees with each Findings. If a City disagrees in whole or in part with any findings, a statement specifying any portions of the findings that are disputed with an explanation of the reasons.)
- Response to the Recommendations, including
 - 1) Whether the Recommendation has been implemented and, if not;

- 2) Whether the Recommendation will be implemented in the future; or
- 3) Whether the Recommendation requires further analysis. (If this is selected, 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, and requires looping back to the Grand Jury); or
- 4) If the Recommendation will not be implemented, because they are not warranted or are not reasonable. An explanation is required for this response.

“Affordable Housing: Monitoring and Compliance”

The “Affordable Housing: Monitoring and Compliance” investigation resulted in 11 findings and 8 recommendations. These are summarized below. Of these, the City of Sebastopol was asked to respond to Findings and Recommendations R1-R3, and R5-R8. Staff has provided the Findings and Recommendations (italicized), and a draft city response for each of these:

Findings:

The Sonoma County Civil Grand Jury determined that:

F1. Monitoring of compliance with Affordable Housing regulations has been inconsistent and often inadequate.

Agree. The City previously contracted with the Sonoma County Community Development Commission (CDC) to monitor units in the City. This agreement expired several years ago. The City is in discussions with the Sonoma County Community Development Commission regarding monitoring (see Recommendations).

F2. The use of self-reported data in monitoring is the accepted norm.

Partially agree. A deed restriction is required for all affordable units, and, for rental units, the City requires a monitoring plan be provided by the developer, which often includes management of the units by a qualified affordable housing provider.

F3. On-site (in-person) monitoring beyond that required by law is rare due to insufficient personnel, budgetary limitations, and relatively low incentives.

Agree at this time.

F4. COVID-19 further reduced in-person on-site monitoring due to public health restrictions.

The City cannot agree or disagree with this Finding, as the City does not do its own monitoring of units, and has no direct knowledge of the impacts of Covid-19 on the monitoring procedures of the Sonoma County CDC.

F5. Surprise or unscheduled monitoring of individual units is not done, for reasons of privacy, availability, efficiency, and practicality.

The City cannot agree or disagree with this Finding, as the City does not do its own monitoring of units, but rather contracts with the Sonoma County CDC. The City has no direct knowledge of the details of the on the monitoring procedures of the Sonoma County CDC.

F6. Unscheduled monitoring of properties and management, in order to review tenant files, grounds, and the amenities is not done.

The City cannot agree or disagree with this Finding, as the City does not do its own monitoring of units, but rather contracts with the Sonoma County CDC. The City has no direct knowledge of the details of the on the monitoring procedures of the Sonoma County CDC.

F7. The Community Development Commission has informational documents and policies to provide upfront training in the monitoring process.

Agree.

F8. There is limited or no standardized training in Affordable Housing compliance regulations for developers and managers of inclusionary housing within the nine Cities.

Agree.

F9. The cities of Petaluma and Rohnert Park use computerized compliance monitoring programs to facilitate and improve the quality of their work.

Cannot agree or disagree with this Finding, as it is not applicable to the City of Sebastopol.

F10. The property titles of Affordable single-family houses have not always been flagged as deed restricted.

Disagree. The City of Sebastopol Municipal Code, Section 17.250.090, requires all affordable units include a deed restriction. While this code has been modified through time, past units approved by the City and within the City's housing inventory of affordable housing have recorded deed restrictions. This is, and has been, a standard practice of the City for many years.

F11. The majority of the housing representatives the Grand Jury interviewed felt that there is not enough staff within their departments to make anyone a full-time compliance monitor.

Agree with regards to the City of Sebastopol.

The Sonoma County Civil Grand Jury recommends that:

R1. By December 31, 2022, the Sonoma County Community Development Commission and the nine Cities meet and develop agreed-upon standards and procedures for the monitoring of Affordable Housing. (F7, F8)

Response:

The Sonoma County Community Development Commission (CDC) monitored affordable housing units in the past for the City of Sebastopol. This agreement expired several years ago. Under new leadership, the CDC is working to re-initiate this program. The City of Sebastopol has been in communication regarding this, and will be participating in this monitoring effort. The cities, including the City of Sebastopol, and the CDC have met preliminarily on this, and will continue to do so. The CDC anticipates implementing this recommendation by December 31, 2022.

R2. The Sonoma County Community Development Commission and the nine Cities resume on-site monitoring by October 1, 2022. (F3, F4)

Response:

The City of Sebastopol intends to partner with the Sonoma County CDC for monitoring of units. While the city does not control when this will be initiated, work on this began in early 2022, and anticipate being able to initiate services January 1, 2023.

R3. By January 1, 2023, the Sonoma County Community Development Commission and the nine Cities review and ensure that they have sufficient personnel to conduct on-site monitoring and process self-reported monitoring data to meet future Regional Housing Needs Allocations. (F1, F2, F3, F5, F6, F11)

Response:

The City intends to contract with the Sonoma County CDC as it did in the past. The City itself would not hire any personnel. The Planning Director is responsible for coordinating any contract requirements. An affordable housing monitoring fee may be needed to cover the costs of any contractual obligations for monitoring of units, and this would likely become the responsibility of the developer.

In regard to ownership units, the City of Sebastopol intends to utilize a partnership with the Sonoma County Housing Land Trust (HLT) and developers for future inclusionary units, as this will ensure on-going monitoring of owners and the property to be maintained as affordable in perpetuity.

R4. The Sonoma County Community Development Commission use informational documents and policies to provide ongoing training in the monitoring process for developers and managers of Affordable Housing projects by January 1, 2023. (F7)

Response:

No response required.

R5. By January 1, 2023, the nine Cities develop informational documents and policies to provide both upfront and ongoing training in the monitoring and compliance procedures for developers and managers of Affordable Housing projects. (F8)

Response:

For rental properties, the City intends to partner with the Sonoma County CDC, and would rely on their expertise regarding training and procedures for developers and managers of affordable housing projects. The City does not intend to provide this training, as it does not have the expertise, and will not be the agency responsible for the ongoing monitoring once agreement is executed with the Sonoma County CDC.

For ownership units, the City outlines the appropriate procedures for developers in the Municipal Code, Section 17.250 Inclusionary Housing. Staff assists developers on an individual basis regarding the requirements and agreements for their projects, and the Planning Director and City Attorney review all agreements for compliance with Municipal Code and best practices.

R6. By November 1, 2022, the nine Cities meet and discuss to jointly or individually utilize Affordable Housing monitoring software. (F9)

Response:

This recommendation has been implemented. The County has already scheduled these meetings. The City will not be implementing rental housing monitoring software, as it anticipates the County CDC will have its own system.

For for-sale housing as well as overall deed-restricted affordable housing (including rental), the City is currently implementing an e-permitting software that will allow the City to flag, and run reports, on the city's affordable housing stock. This is anticipated to be live by December 31, 2022. This will allow for improved monitoring of for-sale units with deed restrictions.

R7. By November 1, 2022, the nine Cities meet and discuss pooling resources to fulfill their monitoring responsibilities, through either a consultant or designated employees. (F11)

Response:

The City and Sonoma County CDC are in discussions regarding monitoring of rental units, which can be considered 'pooling resources'. The City of Sebastopol does not intend to do this with the nine cities, but rather intends to work with the Sonoma County CDC. The City and other cities/Sonoma County representatives meet on a regular basis to discuss a variety of housing issues, including affordable housing production and retention.

R8. By December 31, 2022, the Sonoma County Community Development Commission and the nine Cities should update and maintain their inventory of Affordable houses within their jurisdictions and verify that all their property titles are flagged for restricted sale. (F10)

Response:

The City has recently updated its inventory of affordable housing units within the City, which can be found in the City's draft Housing Element Update documents. City staff will ensure that parcels that are restricted will be so noted in the City's upcoming electronic permitting and parcel software. This is anticipated to be completed by December 31, 2022.

When deed restricted units are required through Inclusionary Housing ordinance or other agreements, a deed restriction is required to be recorded on the parcel, which requires the City be notified whenever a deed-restricted unit is being sold.

The City is also in the process of implementing e-permitting, which will enable the City to flag deed-restricted parcels as such. This parcel information will be available to the general public, including monitors, homeowners, perspective buyers, and real estate professionals.

“Affordable Housing – Past, Present, Future Recommendations”

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 partially.

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.

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.

GOALS:

This action supports the following City Council Goals and General Plan Actions:

Goal 5 - Provide Open and Responsive Municipal Government Leadership

Goal 7 - Provide and Develop a Plan for the Future for the City of Sebastopol with the Implementation of the new General Plan

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, staff anticipates receiving public comment from interested parties following the publication and distribution of this staff report. Such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public comment portion of the agenda item.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

ENVIRONMENTAL REVIEW:

Adoption of the Resolution approving a Resolution Authorizing Response to the Sonoma County Civil Grand Jury Report Regarding "Affordable Housing: Monitoring and Compliance" and "Affordable Housing: Past, Present and Future" is considered a discretionary action that could therefore be a "project" under the California Environmental Quality Act (CEQA). However, adoption of this Resolution is exempt under the "common sense" exception in CEQA Guidelines Section 15061 (b)(3), which establishes the general rule for projects concerning which can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Such activities are not subject to CEQA.

FISCAL IMPACT:

There is no direct fiscal impact related to the approval/authorization of this response. However, there will likely be cost impacts from meeting the response, particularly any monitoring agreement with the County to cover the costs of CDC staff monitoring existing units. These costs are not known at this time. Other elements are being reviewed and incorporated into the City's Housing Element, or are already adopted / implemented as City policies and procedures.

RECOMMENDATION:

Receive a presentation, discuss, and approve the proposed response (with any amendments) and authorize the Mayor to send the response to the Grand Jury.

Attachments:

Resolution Responding to the Sonoma County Civil Grand Jury Investigation Reports entitled "Affordable Housing: Monitoring and Compliance" and "Affordable Housing: Past, Present and Future"

Sonoma County Grand Jury Response form/ Summary of responses for report: “Affordable Housing: Monitoring and Compliance”

Sonoma County Grand Jury Response form/ Summary of responses for report: “Affordable Housing: Past, Present and Future”

Grand Jury Reports:

[Affordable Housing: Past, Present and Future](#)

and

[Affordable Housing: Monitoring and Compliance](#)

Additional information on the Sonoma County Grand Jury can be found here: <http://sonoma.courts.ca.gov/info/administration/grand-jury>

RESOLUTION NUMBER: -2022

CITY OF SEBASTOPOL

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL
AUTHORIZING THE RESPONSE TO THE SONOMA COUNTY CIVIL GRAND JURY REPORTS REGARDING
“AFFORDABLE HOUSING: MONITORING AND COMPLIANCE” AND “AFFORDABLE HOUSING: PAST,
PRESENT AND FUTURE”

WHEREAS, the Sonoma County Civil Grand Jury (CGJ) is an independent institution with the principal function of overseeing all aspects of county, special district, and city governments in Sonoma County to ensure that the best interests of its citizens are being served; and

WHEREAS, the CGJ has the authority to inspect and audit the financial expenditures of county and city departments and special districts to ensure that public funds are properly accounted for and legally spent, inquire into conditions of jails and the treatment of inmates, and inquire into the performance of any county, city, or special district public official or employee; and

WHEREAS, the CGJ issued the Final Report for 2021-2022 on June 19, 2022, which included two reports relevant to the City of Sebastopol entitled “Affordable Housing: Past, Present and Future” and “Affordable Housing: Monitoring and Compliance” investigations; and

WHEREAS, the CGJ notified the City on June 14, 2022 of its obligation to respond to these investigations; and

WHEREAS, adoption of this Resolution is exempt from the California Environmental Quality Act (CEQA) under the “common sense” exemption in CEQA Guidelines Section 15061(b)(3), as it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment; and

WHEREAS, the grand jury report and the City’s response are consistent with City Council Goal 5 - Provide Open and Responsive Municipal Government Leadership, and Goal 7 - Provide and Develop a Plan for the Future for the City of Sebastopol with the Implementation of the new General Plan; and,

WHEREAS, the City of Sebastopol held a duly noticed public meeting on September 6, 2022 to hear a staff report, accept public comments, and consider the responses.

NOW, THEREFORE, BE IT RESOLVED that the City of Sebastopol City Council hereby adopts a Resolution authorizing the response for the City of Sebastopol to the Sonoma County Civil Grand Jury Reports “Affordable Housing: Monitoring and Compliance”, and “Affordable Housing: Past, Present and Future.”

The above and foregoing Resolution was duly passed, approved and adopted at a meeting by the City Council on the 6th day of September, 2022.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by City of Sebastopol City Council following a roll call vote:

VOTE:

Ayes:

Noes:
Abstain:
Absent:

APPROVED: _____
Mayor Patrick Slayter

ATTEST: _____
Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM: _____
Larry McLaughlin, City Attorney

Response to Grand Jury Report Form

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

FINDINGS: F1, F2, F3, F4, F5, F6, F7, F8, F9, F10, F11

I (we) agree with the findings numbered: F1, F2, F3, F7, F8, F11

I (we) disagree wholly or partially with the findings numbered: F4, F5, F6, F10. F9 is not applicable to the City of Sebastopol.

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

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

- Recommendations numbered: _____ R5 (partial), R8 (partial) have been implemented.
 (Attach a summary describing the implemented actions.)
- Recommendations numbered: R1, R2, R3 R6, R8 (partial) 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: R5 (partial), R6 (partial), R7 will not be implemented because they are not warranted or are not reasonable.
 (Attach an explanation.)

Date: _____ Signed: _____

Number of pages attached: _____

(See attached Civil Grand Jury Response Requirements)

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, F2217

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: _____ Signed: _____

Number of pages attached: _____

(See attached Civil Grand Jury Response Requirements)

Affordable Housing: Monitoring and Compliance

Who is Watching the Henhouse?

SUMMARY

In response to citizens' complaints and reports published in The Press Democrat, the 2021-2022 Sonoma County Civil Grand Jury (Grand Jury) investigated the monitoring of Affordable Housing within Sonoma County. Affordable Housing, as defined by the U.S. Department of Housing and Urban Development, is housing priced on the basis of family income, not the market rate. Monitoring involves verification of tenant incomes and continued eligibility for an Affordable unit, the owner's or manager's collection of required information, and the ongoing maintenance of the property and its amenities. Housing departments for the County and its nine Cities are required to monitor compliance with the regulations for occupancy of Affordable Housing.

All housing is in short supply; this includes Affordable Housing, which should be available only to those who qualify. This report examines the monitoring of existing Affordable Housing. A companion report, "*Affordable Housing: Past, Present, and Future,*" examines the potential for increasing its availability.

The Grand Jury investigated procedures used in the County and its nine cities and found that monitoring was inconsistent among the housing jurisdictions. All of the agencies were overly reliant on self-reported information from owners and managers. Direct observation and verification through on-site monitoring were rare and essentially ceased during the COVID-19 shutdowns. A low priority was often given to monitoring, and the staffing to do it was usually insufficient. The Grand Jury concluded that there was little probability that illegal behaviors, if they existed, would be detected using current procedures.

Recommendations from the Grand Jury include increased on-site personal monitoring at housing locations, more standardization of procedures, consistent and on-going training with developers and property managers, and better coordination and cooperation amongst agencies to increase efficiency.

GLOSSARY

- ABAG Association of Bay Area Governments
- AMI Area Median Income
- CDC Sonoma County Community Development Commission
- HAP Housing Assistance Payments
- HUD U.S. Department of Housing and Urban Development
- RHNA Regional Housing Needs Allocation
- SCHA Sonoma County Housing Authority
- Section 8 Section 8 Housing Choice Vouchers

BACKGROUND

Housing in Sonoma County is widely acknowledged to be in short supply and very expensive. A chart¹ in The Press Democrat for March 13, 2022 showed the median price of a home in January 2022 to be \$789,000, up from \$715,000 just a year earlier. As reported by the [North Bay Business Journal](#), Sonoma County median rent for a one or two-bedroom unit is \$2,167, and residents are increasingly unable to afford a suitable place to live.

Common complaints include:

- My adult kids can't afford to live here and will have to move somewhere else.
- My rent is so high I can't afford to pay my other bills.
- I couldn't afford my house if I had to buy it today.
- Sonoma County needs to have more affordable places to live.”

The term “affordable housing” can have different meanings:

“AH” = In this report and more generally in the housing industry, we use capital letters to identify Affordable Housing as apartments or houses that are potentially available to rent or are deeded as Affordable for those who earn a specified percentage of the median income.

“ah” = Lower case letters are used to differentiate between the two meanings of affordable housing; “ah” is a more general term. An apartment that rents for \$3,500/month might be affordable to an executive but may not be affordable to a junior employee, a retiree, or a person with disabilities.

The Federal Government, State, County, Cities and private organizations have created programs that make home buying or apartment rental more attainable. Affordable Housing, as defined by the U.S. Department of Housing and Urban Development (HUD), means that families pay rent or purchase homes at prices determined by their incomes rather than by the housing market. These programs have strict and specific conditions that define eligibility. Income and family size are central, but other factors such as individuals with disabilities, senior status, or veterans may sometimes be a consideration. Since many more residents are qualified to receive Affordable Housing than housing is available, it is reasonable to ensure that the limited supply is occupied by those for whom it is intended. It is also logical to ensure that the housing is managed and maintained appropriately. Local County and city housing departments are charged with monitoring compliance with the conditions of the programs. A draft of the Sonoma County CDC [Affordable Rental Housing Monitoring Procedures](#), presented to the Sonoma County Board of Supervisors on December 7, 2021, outlines their recommendations. Each of the nine cities would benefit from also having clearly defined procedures if they do not already exist.

In 2021, The Press Democrat published award-winning reports on a situation in Sonoma County where individuals rented apartments for which they were not eligible. The Grand Jury also received citizen complaints about this specific situation. This case has been well documented by the press and investigated by County authorities and is still a subject for potential lawsuits.

For these reasons, the Grand Jury did not center its attention on this individual problem, but rather, asked more general questions. What are the requirements for access to Affordable Housing? What are the requirements for verifying and monitoring compliance with the

¹ Prices are from the sales of single-family homes recorded in Sonoma County.

regulations? How is the monitoring done? Is the monitoring sufficient to assure compliance? How common is fraud? How can monitoring be improved? This report attempts to answer these questions.

METHODOLOGY

This investigation was initiated in response to citizen complaints received by the 2021-2022 Sonoma County Civil Grand Jury.

The Grand Jury conducted interviews with key individuals in Sonoma County who are involved in the Affordable Housing arena. They included:

- County and City officials
- Non-profit agencies
- Affordable Housing agencies and advocates

The Grand Jury reviewed and evaluated documents from a wide range of sources addressing Affordable Housing, including many websites, from Sonoma County, the nine cities, State and Federal agencies. The most important of these are listed in the Bibliography.

DISCUSSION

What is Affordable Housing?

Affordable Housing is defined in multiple ways and categories. Still, all are based on the ability of a tenant or buyer to pay no more than a specific percentage of their income for housing. The rules and requirements are complex; Article 89 of the Sonoma County zoning code, [Affordable Housing Program Requirements and Incentives](#), is 215 pages long. Eligibility resides in four or more categories, with income levels compared to the area median income (AMI) in Sonoma County. The AMI is determined annually by the [U.S. Department of Housing and Urban Development](#) (HUD) using sampled census data for a four-person household. This number, which is currently \$103,300, is used to calculate similar numbers for smaller and larger households using formulas developed by HUD. Rent levels are then defined in relation to family size and income level.

As an example, the tables below show [income and rent limits](#) used by the [Sonoma County Community Development Commission](#) (CDC) for rental housing in several (but not all) programs under its control. Other programs may use different limits, but the basic principles are the same; housing cost for the tenant is based on income, not on the market price of a comparable apartment or house.

Persons in Household	Acutely Low Income (15% Area Median Income)	Extremely Low Income	Very Low Income 50% AMI	60% AMI*	Low Income 80% AMI**	Median Income 100% AMI	Moderate Income 120% AMI
1	\$10,850	\$24,450	\$40,750	\$48,900	\$65,150	\$72,300	\$86,750
2	12,400	27,950	46,550	55,860	74,450	82,650	99,150
3	13,950	31,450	52,350	62,820	83,750	92,950	111,550

4	15,500	34,900	58,150	69,780	93,050	103,300	123,950
5	16,750	37,700	62,850	75,420	100,500	111,550	133,850
6	18,000	40,500	67,500	81,000	107,950	119,850	143,800
7	19,200	43,300	72,150	86,580	115,400	128,100	153,700
8	20,450	46,100	76,800	92,160	122,850	136,350	163,600

Table 1: Maximum Income to Qualify for Affordable Housing in Sonoma County
Source: CDC website

As of January 1, 2022, the CDC uses the table above to determine eligibility for multiple categories of Affordable rental housing.

*60% of AMI is used as a data point for other programs using the local region’s “Housing Affordability Index” (HAI)

**HUD defines Low income as 50-80% of AMI and Very Low Income as 30-50% of AMI to qualify for Section 8 housing vouchers.

Unit Size (assumed # occupants)	Extremely Low Income Rent Limit (30% AMI)	Very Low Income Rent Limit (50% AMI)	Low Income Rent Limit (60% AMI)*
Studio (1)	\$611	\$1,019	\$1,223
1 Bedroom (2)	699	1,164	1,397
2 Bedroom (3)	786	1,309	1,571
3 Bedroom (4)	873	1,454	1,745
4 Bedroom (5)	943	1,571	1,886

Table 2: Maximum rent limits for Inclusionary Affordable Housing in Sonoma County
Source: CDC website

*Housing Affordability Index vs. HUD definitions/thresholds

The above table shows the maximum rent for an Affordable Housing unit as of January 1, 2022. These rent limits are calculated using the formula in California Health & Safety Code [50052.5](#) & [50053](#). The rents are based on the income limits for an assumed household size equal to the number of bedrooms in the unit plus one person. For example, the rent for a three-bedroom unit is based on the income limits for a four-person household. Unless otherwise specified, utility costs are included in the maximum rent as set by federal housing laws.

Affordable Housing can also be further directed to specific groups such as seniors, farm workers, individuals with disabilities, veterans, and in some cases, specific professions such as educators or health care workers.

Subsidies for Affordable Housing

Affordable Housing is most common in mid-size to larger developments and can be considered in two categories.

1. One hundred percent Affordable Housing developments: These projects are often constructed and managed by mission-driven non-profit organizations such as MidPen or Burbank Housing, but for-profit developers are also represented here. Building and amenity standards for developments are also expected to ensure comparability to market-rate housing.
2. Inclusionary Affordable Housing: To encourage construction of Affordable Housing, local ordinances may specify a percentage of Affordable units, usually 10-20%, which must be included in a project. Inclusionary housing is almost always built by ‘for-profit’ developers who will rent or sell these units at lower Affordable rates while the other units will be rented or sold at the market rate. Both apartment complexes and single-family home developments are subject to inclusionary housing ordinances. These ordinances take effect only when a development reaches a specific size set by the County or city, for example 10 units.

The limitations on income and allowable prices often bear little relationship to the real-world costs of building, managing, and maintaining a housing development. Materials and labor costs for a project are the same whether the end product is Affordable or the market determines prices. Affordable Housing projects typically have multiple funding sources, including Federal and State loans that have long-term fixed low interest rates and may allow deferment of repayment and eventual forgiveness. Funding can also come from Federal or State grants, and construction costs may be reduced by accelerating approvals and modifying some requirements such as the number of off-street parking spaces required.

Subsidies are available to supplement rent payments and thus allow some qualified residents to occupy either Affordable or market-rate housing. The best known of these are Section 8 Housing Choice Vouchers (Section 8) which are funded by HUD and issued through local housing authorities. In Sonoma County, Section 8 vouchers are issued through the CDC and by the City of Santa Rosa Housing Authority. A voucher holder can occupy any acceptable rental property where the landlord accepts the voucher and agrees to the program's requirements. The voucher is valid anywhere in the County or beyond, and the holder pays only an income-based portion of the rent; HUD pays the remainder directly to the landlord.

Unfortunately, the need for Affordable Housing greatly exceeds the available supply. Each Affordable Housing development has a waiting list that may include several years wait before a unit becomes available. Section 8 vouchers within Sonoma County also have a long waiting list. New applicants can only join the Section 8 waiting list through a lottery process. The last lottery was held in October 2021 and the next is not expected until about October 2023. Again, the wait is measured in years.

How Much Affordable Housing is There in Sonoma County?

The website of [Affordable Housing Online](#) suggests that there are 8,700 Affordable rental apartments in Sonoma County. The site delineates 2,510 income-based units for which direct subsidies (*e.g.* Section 8 vouchers) are available and 6,023 apartments which are subsidized indirectly (*e.g.* as inclusionary units).

The [CDC](#) website identifies individual Affordable Housing developments, community by community. It shows a smaller number of apartments (8,129), but it is not clear when it was last updated. Santa Rosa lists individual complexes within the City, showing 3,817 Affordable units, while the CDC website shows 4,076 units in Santa Rosa. Again, it is unclear how current these numbers are. New construction is ongoing, and all of the specific numbers for Affordable units will probably be out of date by the time this report is published.

The number of Affordable apartments may appear to be large, but very few, if any, are actually available and unoccupied at any given time, resulting in long wait lists. Moreover, given the approximately half-million population of Sonoma County, there is not a sufficient supply to meet the need for an Affordable place to live.

The [Association of Bay Area Governments](#) (ABAG) periodically evaluates the housing requirements of the greater area. It then prepares a [Regional Housing Needs Allocation](#) (RHNA) for each county and its cities. The allocation for Sonoma County for 2023-2031 calls for 14,562 new housing units to be added over the next several years. Of this total, 3,999 are designated as very-low-income housing and 2,302 as low-income housing units. In each category, roughly one-third is allocated to Santa Rosa, one-third to the eight other cities of the County, and one-third to unincorporated areas of Sonoma County. If fulfilled, RHNA allocations would increase the number of Affordable units by more than two-thirds. The demand for oversight of these new residences would increase accordingly.

Section 8 Housing Choice Vouchers Monitoring Requirements

Access to Affordable Housing is a precious commodity and it should only be available to those who qualify. It is the responsibility of the local housing authorities to ensure that this is the case. Monitoring of compliance with conditions and regulations is required on a regular basis for virtually all Affordable Housing programs. The diagram below illustrates the various obligations inherent in CDC oversight of Section 8 rental properties.

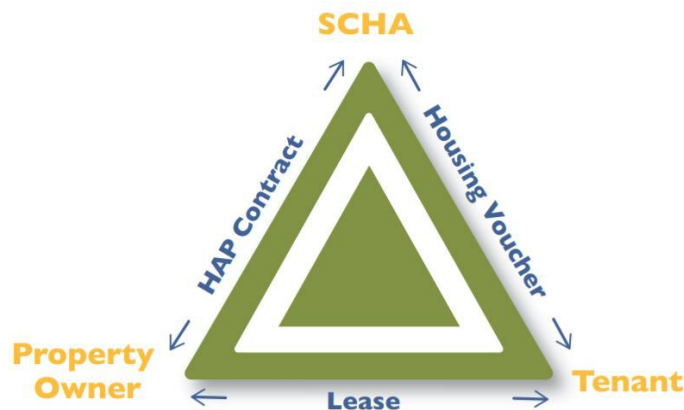


Figure 1. Participant Responsibilities in Section 8 Affordable Housing.
 Source: Adapted from the CDC website.

Property owners must sign a rental agreement or lease with the Section 8 participant. The property owner agrees to provide decent, safe, and sanitary housing as confirmed by regular Housing Authority inspections. The primary benefit to the property owner for participating in the program is that the federal government guarantees a portion of the rent.

Property Owner Responsibilities Include:

- Perform all management and rental functions, including screening and selection of tenants.
- Maintain the units and property in accordance with Housing Quality Standards.
- Prepare information required under the Housing Assistance Payments (HAP) contract and furnish the information to the Housing Authority.

Sonoma County Housing Authority Responsibilities Include:

- Make rental assistance payments to the landlord in a timely manner.
- Regularly evaluate family eligibility including income and family size.
- Inspect units at least once every two years.
- Investigate potential fraud or program abuse by tenants or landlords.

Tenant Responsibilities Include:

- Supply information determined necessary by the Housing Authority or HUD to administer the program, including the completion of scheduled income reviews.
- Act responsibly as a tenant, paying rent and utilities on time and minimizing damage to the property.
- Notify the Housing Authority and the owner 30 (no more than 60) days before moving or terminating the lease.

Inclusionary Rental Housing Monitoring Requirements: How is it Done in the Real World?

Monitoring of inclusionary housing is clearly defined by County ordinance:

Rental Unit Monitoring: “The CDC shall monitor the rental of affordable units for compliance with the Affordable Housing Agreement and the provisions of this Article. On an annual basis, the owner shall pay to the CDC a fee for monitoring each unit subject to the Affordable Housing Agreement, which fee shall be established by resolution of the Board of Directors of CDC from time to time. (Ord. No. 6085, § IV (Exh. C), 10-7-2014)”

Other housing jurisdictions may have similar or less specific monitoring expectations, while some do not define their procedures at all (see Table 3 below). Thus, housing personnel must deal with different sets of expectations for multiple properties within their jurisdiction. There are two approaches to monitoring compliance with Affordable Housing requirements:

- *Self-Reporting:* The owner/manager/landlord of a rental property is required to reconfirm eligibility for at least a percentage or specific number of Affordable Housing tenants, often on a set schedule. This involves verification of income and other factors, such as occupancy numbers, depending on the program under which the unit is rented. This information is reported to the CDC or to the local housing jurisdiction for units not under CDC purview. The housing departments are then required to verify that the information supplied by the landlord is accurate and complete. There is currently no CDC requirement for on-going compliance training for owners, managers, or staff. Within the cities, training is also limited.
- *On-site monitoring:* It would be wasteful of staff and resources to replicate the activities of the landlord, but spot-checking of some number or percentage of units is feasible. A housing department monitor visits a site, interviews the manager or owner, examines

selected records, verifies their accuracy with the tenants, and inspects the property, including one or more units.

In practice, on-site monitoring is done by first making an appointment with an owner or manager and describing what needs to be seen or done on a visit. Surprise or unscheduled monitoring is rarely or never done because the required documentation may be incomplete or unavailable. It could also be intrusive to tenants, and the owner, manager, or tenant may simply be unavailable when the monitor arrives. Interviewees stated that on-site monitoring was rare even before the onset of the COVID-19 pandemic. It was eliminated during the COVID-19 restrictions, when non-essential contact was minimized to avoid spread of the virus. In most cases, on-site monitoring has not been reinstated. In practice, the County and Cities rely almost totally on self-reporting from developers and managers.

The costs of on-site monitoring and verification of self-reported data are the responsibility of the housing agency, and monitoring is often seen as an unfunded mandate. It is therefore not surprising that housing agencies in Sonoma County are motivated to accept the data supplied by owners and managers as accurate. Monitoring is also limited by staff availability, which has been exacerbated by the COVID-19 crisis. This has resulted in an inability to actually visit sites and interact with residents and managers. The lack of personnel was a significant concern to almost all of the housing representatives the Grand Jury interviewed. Again, this results in reliance on self-reporting by development owners and managers.

There are good reasons for owners and managers to monitor compliance accurately. Non-profit developers of Affordable Housing are mission-oriented. They are committed to providing Affordable Housing to those who qualify for it. Non-compliance is not only wrong, but also a threat to their continued access to low-cost financing and other concessions. For-profit complexes with inclusionary units also have good reasons to assure compliance. They too could lose access to low-cost financing, be subject to fines or lawsuits, and generate bad publicity and public distrust if they fail to comply with Affordable Housing agreements.

Incentives for owners and managers to minimize monitoring also exist for various reasons.

- Compliance verification takes time and effort and therefore involves costs.
- It can be intrusive to a tenant when the monitor needs to enter or inspect their apartment or house.
- Not everyone follows the prescribed guidelines; an unqualified friend, relative, or associate could be favored.
- Through mismanagement, Affordable units could be rented for more than the allowable amount.

Compliance monitoring is a significant burden to the housing departments which conduct it. The burden will increase significantly as RHNA requirements are met and the supply of Affordable Housing units is greatly increased. Unfortunately, the person-power, time, and resources allocated to monitoring already appear to be insufficient. The table below illustrates the size of the monitoring task and the resources currently available to do the work. Future RHNA Allocations represent the number of units which are expected or required to be added in each community between 2023 and 2031.

Housing Authority	Current Number Of Apartments	Future RHNA Allocation	Monitoring Personnel	On-Site Monitoring *
Cloverdale	221	117	None dedicated	No
Cotati	88	94	None dedicated	No
Healdsburg	352	299	None dedicated	Rare
Petaluma	1,206	787	One + one open position	Annual
Rohnert Park	564	629	None dedicated	No
Santa Rosa	4,076	1,919	One (80%)	Not since Covid
Sebastopol	327	86	One, occasional	No
Sonoma	389	131	One, part time	Some
Unincorporated So Co	109	1,632	One	Rare
Windsor	398	607	One, part time	No
Total	7,730	6,301		

Table 3. Monitoring Tasks and Resources
 Source: Interviews with multiple housing personnel

*On-site monitoring should include file reviews, grounds inspections, and apartment/house inspections. This monitoring was suspended during the COVID restrictions.

Inclusionary Housing Ownership Monitoring Requirements

Single-family homes are a smaller segment of Affordable Housing and are governed by somewhat different rules and expectations. Potential homebuyers are evaluated and their incomes are verified. The price of the house is then set, based on the income of the family. Mortgage payments, utilities, taxes, etc. are factored into the amount paid. Continued income verification is not required, and incomes can increase beyond the Affordable level at which the house was purchased. However, if the house is resold, it must be sold as Affordable. The Grand Jury recommends that this information be attached to the title of the house and apparent to any title company involved in a resale. The requirement is central to the original contract; it allows the buildup of equity through mortgage payments, but ensures that the house remains Affordable for the next buyer. Housing departments should maintain an inventory of Affordable houses within their jurisdictions and verify that their titles are flagged for restricted sale, and not at market rate.

Is There Significant Fraud in the Management of Affordable Housing?

The Grand Jury investigation cannot provide a definitive answer to this question, nor can the housing departments that are charged with monitoring. No one the Grand Jury interviewed expressed fears of widespread misbehavior. Nevertheless, owners and managers have provided almost all of the information concerning compliance, with little or no opportunity for direct documentation by housing department monitors. Staff who were responsible for monitoring see this as a potential problem, and most expressed the desire to re-initiate on-site monitoring visits.

How Can Monitoring be Improved?

Housing personnel from the nine cities and the CDC meet regularly to discuss planning issues and the administration of their housing programs. Monitoring can be included in these

discussions, but the Grand Jury found there is, as yet, little coordination or cooperation in the actual monitoring process. Each city has its own personnel, procedures, and expectations, and none claim to give monitoring their highest priority. The quality of monitoring throughout the County could be improved if the various agencies agreed on a common set of goals, expectations, and procedures that set higher and more uniform standards. The CDC once provided leadership in this process and appears ready to do so again.

Petaluma and Rohnert Park make use of a customizable program from City Data Services that, among other things, helps streamline the monitoring process by moving it online. This, or a similar system, could help in tracking activities, managing documentation, and generally improving the quality of monitoring while simplifying it.

Essentially all of the housing representatives the Grand Jury interviewed felt that there is not enough staff within their departments to make anyone a full-time compliance monitor. It is easy to suggest hiring more people, but that is especially unlikely to happen in the smaller cities due to budget restrictions. The Grand Jury believes it could be advantageous for the County and cities to cooperate by jointly using (and paying proportionately) staff to monitor countywide. Alternatively, the agencies could jointly contract with a consulting firm to do the monitoring. This would benefit the smaller cities in particular, since they have small staff sizes and fewer monitoring obligations that are more likely to be overlooked.

If self-reporting is to remain the main source of compliance information, it is important that those who collect and report it are adequately trained to compile the data. The people who do the reporting need to know how and why monitoring is important and necessary. The CDC, in conjunction with the Cities, could create an informational document or policy and procedures manual to provide upfront and ongoing training in the monitoring process.

CONCLUSION

Monitoring of compliance with the rules and regulations of Affordable Housing programs is complex. Responsibility lies with individual housing departments in the County and its nine cities. Staffing in these agencies is often insufficient, and there is little coordination amongst these organizations. Monitoring in general and on-site monitoring in particular have long been low priority. Requirements have been largely met by accepting self-reported data from owners and managers of apartment and housing units. The COVID-19 pandemic and the restrictions imposed in response to it placed almost total reliance on self-reported information. Systems that are already overburdened do not appear to be prepared for the large increases in Affordable Housing that are planned for the near future.

FINDINGS

The Sonoma County Civil Grand Jury determined that:

- F1. Monitoring of compliance with Affordable Housing regulations has been inconsistent and often inadequate.
- F2. The use of self-reported data in monitoring is the accepted norm.
- F3. On-site (in-person) monitoring beyond that required by law is rare due to insufficient personnel, budgetary limitations, and relatively low incentives.
- F4. COVID-19 further reduced in-person on-site monitoring due to public health restrictions.

- F5. Surprise or unscheduled monitoring of individual units is not done, for reasons of privacy, availability, efficiency, and practicality.
- F6. Unscheduled monitoring of properties and management, in order to review tenant files, grounds, and the amenities is not done.
- F7. The Community Development Commission has informational documents and policies to provide upfront training in the monitoring process.
- F8. There is limited or no standardized training in Affordable Housing compliance regulations for developers and managers of inclusionary housing within the nine Cities.
- F9. The cities of Petaluma and Rohnert Park use computerized compliance monitoring programs to facilitate and improve the quality of their work.
- F10. The property titles of Affordable single-family houses have not always been flagged as deed restricted.
- F11. The majority of the housing representatives the Grand Jury interviewed felt that there is not enough staff within their departments to make anyone a full-time compliance monitor.

RECOMMENDATIONS

The Sonoma County Civil Grand Jury recommends that:

- R1. By December 31, 2022, the Sonoma County Community Development Commission and the nine Cities meet and develop agreed-upon standards and procedures for the monitoring of Affordable Housing. (F7, F8)
- R2. The Sonoma County Community Development Commission and the nine Cities resume on-site monitoring by October 1, 2022. (F3, F4)
- R3. By January 1, 2023, the Sonoma County Community Development Commission and the nine Cities review and ensure that they have sufficient personnel to conduct on-site monitoring and process self-reported monitoring data to meet future Regional Housing Needs Allocations. (F1, F2, F3, F5, F6, F11)
- R4. The Sonoma County Community Development Commission use informational documents and policies to provide ongoing training in the monitoring process for developers and managers of Affordable Housing projects by January 1, 2023. (F7)
- R5. By January 1, 2023, the nine Cities develop informational documents and policies to provide both upfront and ongoing training in the monitoring and compliance procedures for developers and managers of Affordable Housing projects. (F8)
- R6. By November 1, 2022, the nine Cities meet and discuss to jointly or individually utilize Affordable Housing monitoring software. (F9)
- R7. By November 1, 2022, the nine Cities meet and discuss pooling resources to fulfill their monitoring responsibilities, through either a consultant or designated employees. (F11)
- R8. By December 31, 2022, the Sonoma County Community Development Commission and the nine Cities should update and maintain their inventory of Affordable houses within their jurisdictions and verify that all their property titles are flagged for restricted sale. (F10)

REQUIRED RESPONSES

Pursuant to Penal Code §§ 933 and 933.05, the Grand Jury requires responses as follows:

- Sonoma County Community Development Commission (R1, R2, R3, R4, R8)
- City of Cloverdale (R1, R2, R3, R5, R6, R7, R8)
- City of Cotati (R1, R2, R3, R5, R6, R7, R8)
- City of Healdsburg (R1, R2, R3, R5, R6, R7, R8)
- City of Rohnert Park (R1, R2, R3, R5, R6, R7, R8)
- City of Santa Rosa (R1, R2, R3, R5, R6, R7, R8).
- City of Sebastopol (R1, R2, R3, R5, R6, R7, R8)
- City of Sonoma (R1, R2, R3, R5, R6, R7, R8)
- City of Petaluma (R1, R2, R3, R5, R6, R7, R8)
- Town of Windsor (R1, R2, R3, R5, R6, R7, R8)

The governing bodies indicated above should be aware that their comments and responses must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

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Affordable Housing: Past, Present and Future

“Do It, or the State Will Do It For You”

SUMMARY

Housing in Sonoma County is widely considered to be in short supply and very expensive. The State of California, working through the Association of Bay Area Governments, has mandated that in the next few years 14,562 new houses and apartments should be built in the County. Specific allocations give approximately one-third of the units to Santa Rosa, one third to the other eight Cities, and one-third to the unincorporated areas of the County. This housing expansion is expected to occur between 2023 and 2031 as part of the State’s larger strategic plan; it is referred to as the 6th cycle housing element, following a much less ambitious 5th cycle covering 2015 to 2023. The 5th cycle plan was essentially aspirational and advisory. The 6th cycle plan is mandatory; jurisdictions that do not meet expectations can be fined or even lose local control of housing to the State.

Of the almost 15,000 new homes and apartments in the allocation, more than half are designated as Affordable Housing for very low, low, and moderate-income families. These income categories are defined by the U.S. Department of Housing and Urban Development (HUD) in relation to the Area Median Income (AMI), which is determined annually by HUD. For Sonoma County, the 2022 AMI for a family of four is \$103,300. HUD then defines very low income as 30-50% of AMI, low income as 50-80% of AMI, and moderate income as 80-120% of AMI. (Some programs define low-income as below 60% of AMI.) The 6th cycle allocations for Sonoma County include 3,999 very-low-income units, 2,302 low-income units, and 2,302 moderate income housing units.

Affordable Housing costs cannot exceed 30% of a family’s gross income. This means that rent and utilities for a family of four earning \$50,000 cannot exceed \$15,000 per year or \$1,250 per month, regardless of the much higher market price of equivalent housing. To be economically viable, Affordable Housing development employs a variety of subsidies, inducements, and demands. This report examines factors that affect the development of Affordable Housing, both positive and inhibitory. A companion report, *“Affordable Housing: Monitoring and Compliance,”* looks at governmental oversight of existing Affordable Housing.

Some housing developments are 100% Affordable; every apartment in the complex is rented at a rate determined by family gross income. Affordable Houses are sold on the same basis. These developments are usually created by non-profit, mission-oriented organizations, and they rely heavily on grants, subsidies, and concessions. A second type of development, referred to as inclusionary housing, requires Affordable Housing units to be included within a market rate development. Different inclusionary housing ordinances govern Sonoma County and each of its Cities. They specify that 5% to 20% of apartments or houses, in projects of five to ten or more units, must be dedicated in one or more of the Affordable Housing categories.

Many programs exist to support construction of Affordable Housing. Financing is usually a central concern. Federal tax credits, which can be sold to investors to provide cash for planning and construction, are the most common. Low interest long term loans and HUD loan guarantees

also provide financing. Grants are sometimes available, often to support Affordable Housing directed to specific groups such as farm workers, veterans, or seniors. Builders of Affordable Housing may be eligible for specific concessions such as reduced or waived costs for fees, expedited review, modification of housing density limitations, or reduction of requirements for amenities such as off-street parking or landscaping.

Recent changes in the State law also encourage the production of Affordable Housing. California Senate Bill 9 allows, with specific limitations, construction of a second rentable house on an existing lot. Senate Bill 10 encourages zoning changes that allow the development of smaller projects as infill, within existing neighborhoods and especially near public transit centers such as SMART stations or bus hubs. Senate Bill 35 allows qualifying projects with at least 50% Affordable Housing units to move more easily through the approval process and restricts the ability of local governments to reject qualifying projects. Other laws simplify construction of rentable Accessory Dwelling Units (sometimes called in-law units) on a lot with an existing house.

There are also many impediments to the creation of Affordable Housing. Land costs in Sonoma County are high and typically constitute about 20% of the cost of a project. The availability of financing is highly competitive and very complex. Proposals are subjected to careful scrutiny and analysis before consideration, and the process is very slow. For example, federal loan guarantees may take seven months to a year for approval. Projects normally need several different forms of financing, each of which has its own application procedures, regulations, and timetable.

Inclusionary housing ordinances differ for each jurisdiction in the County. The same is true of various mitigation fees, designed to offset the costs to the jurisdiction of additional demand for parkland, fire and police services, sewage, traffic, and separately to school districts. There are also different fees and procedures for building permits in the Cities and County. The complexity generated by different fees and rules, each subject to interpretation, increases the cost and difficulty of building Affordable Housing. The cost of permits and mitigation fees is significant; a range of 11-20% of building costs is cited by several interviewees.

A major problem in the development of Affordable Housing is public opposition, often summarized by the phrase “Not In My Backyard” or the acronym NIMBY. Opposition takes many forms: anti-development or environmental concerns, traffic worries, potential property value losses, and more, including both open and unspoken racial and ethnic prejudices. It is vital that local opinions are heard and that accommodations be made whenever reasonable. Several interviewees indicated that no Affordable Housing will be built if a small number of opponents cannot compromise.

This is a self-initiated report by the 2021-2022 Sonoma County Civil Grand Jury (Grand Jury). The Grand Jury makes several recommendations that could simplify and accelerate the development of Affordable Housing and help the County and its Cities reach their Regional Housing Needs Allocation mandates.

GLOSSARY

- ABAG Association of Bay Area Governments
- ADU Accessory Dwelling Unit
- AMI Area Median Income
- CDC Sonoma County Community Development Commission

- CEQA California Environmental Quality Act
- HAP Housing Assistance Payments
- HLT Housing Land Trust of Sonoma County
- HUD U.S. Department of Housing and Urban Development
- JADU Junior Accessory Dwelling Unit
- LIHTC Low Income Housing Tax Credits
- NIMBY Not In My Backyard
- RHNA Regional Housing Needs Allocation
- SCHA Sonoma County Housing Authority
- YIMBY Yes In My Back Yard

BACKGROUND

In 2021, The Press Democrat published a series of articles detailing the rental of Affordable Housing units to unqualified individuals at an apartment development near Santa Rosa. The Grand Jury also received citizen complaints about this particular situation. A companion report, *Affordable Housing: Compliance and Monitoring*, details the Grand Jury’s investigation of the general problem of oversight of existing Affordable Housing in Sonoma County. Further questions arose during the investigation, leading the Grand Jury to an expanded look into Affordable Housing in the County and its cities.

The term ‘affordable housing’ can have different meanings depending on context:

“**AH**” = In this report and more generally in the housing industry, we use capital letters to identify Affordable Housing as apartments or houses that are potentially available to rent or are deeded as Affordable for those who earn a specified percentage of the median income.

“**ah**” = Lower case letters are used to differentiate between the two meanings of affordable housing; “ah” is a more general term. An apartment that rents for \$3,500/month might be affordable to a company executive but may not be affordable to a junior employee, a retiree, or a person with disabilities.

Affordable Housing in the context of this report refers to housing that is priced on the basis of ability to pay, and not on the market rate of a rental apartment or of a house to buy or rent. Affordability is defined relative to the Area Median Income (AMI), the income at which an equal number of families earn more and an equal number of families earn less. The AMI value is determined annually by the [U. S. Department of Housing and Urban Development](#) (HUD) and is specific to an area.

The AMI for a family of four is derived from selected census data. As of January 1, 2022, this value for Sonoma County is \$103,300. This number is updated annually. AMI values for other sized families are determined mathematically using this number as a basis. Four-person family income limits that define eligibility for Affordable Housing are then defined in several categories as shown below.

Category	Percent of AMI	Maximum Annual Income
Acutely Low Income	15%	\$15,500
Extremely Low Income	30%	\$34,900
Very Low Income	50%	\$58,150
AMI*	60%	\$69,780
Low Income **	80%	\$93,050
Median Income	100%	\$103,300
Moderate Income	120%	\$123,950

Table 1. Income Limits to Qualify for Affordable Housing

Source: CDC

*60% of AMI is used as a data point for other programs using the local region’s “Housing Affordability Index” (HAI)

**HUD defines Low income as 50-80% of AMI and Very Low Income as 30-50% of AMI to qualify for Section 8 housing vouchers.

Annual costs for Affordable Housing are then determined as a maximum of 30% of gross income. As an example, a family of four with a gross income of \$45,000 would be classified as Very Low-Income. Their maximum housing costs would be 30% of \$45,000 or \$13,500 per year / \$1,125 per month. Utilities are included within the 30% limit, as are property taxes and insurance for owner-occupied housing. The calculations above are only relevant if an Affordable Housing unit is available. Housing officials, builders, and advocates have all told this Grand Jury that Affordable Housing units are in very short supply with long wait lists.

The Association of Bay Area Governments (ABAG)

The [Association of Bay Area Governments](#) (ABAG) periodically evaluates the housing situation in the region, including Sonoma County, and makes recommendations for specific housing goals. The County is currently involved in planning its [6th Cycle Housing Element](#), a part of the County’s general plan. The housing element includes:

- A housing needs assessment.
- Evaluation of past performance—in this case 5th cycle success or failure.
- An inventory of potential housing sites.
- Community outreach.
- Analysis of constraints and barriers to housing development.
- Establishment of policies and programs to meet the goals.

The 6th Cycle Housing Element covers the period of 2023 to 2031. [Regional Housing Needs Allocation](#) (RHNA) from ABAG demands a large increase in all areas of the County, including significant numbers of new Affordable Housing units. For example, unincorporated Sonoma County is mandated to create 3,881 new housing units—apartments or single-family homes—during this period, and 1,632 of these should be Affordable in the low and very-low income categories. This is a sharp increase over the total of 515 units allocated to unincorporated Sonoma County in the 5th cycle. The nine cities of the County also have specific 6th cycle allocations as shown in Table 2.

Jurisdiction	VERY LOW INCOME (<50% of Area Median Income)	LOW INCOME (50-80% of Area Median Income)	MODERATE INCOME (80-120% of Area Median Income)	ABOVE MODERATE INCOME (>120% of Area Median Income)	TOTAL
SONOMA COUNTY					
Cloverdale	74	43	45	116	278
Cotati	60	34	39	101	234
Healdsburg	190	109	49	128	476
Petaluma	499	288	313	810	1,910
Rohnert Park	399	230	265	686	1,580
Santa Rosa	1,218	701	771	1,995	4,685
Sebastopol	55	31	35	92	213
Sonoma	83	48	50	130	311
Unincorporated Sonoma	1,036	596	627	1,622	3,881
Windsor	385	222	108	279	994
TOTAL	3,999	2,302	2,302	5,959	14,562

Table 2: The Final RHNA Allocation

Source: [ABAG Regional Housing Needs Allocation \(RHNA\) Plan 2023-2031](#)

RHNA allocations in the past have been strong recommendations and housing goals for Sonoma County and its nine cities. These recommendations and goals have not always been met. Recent legislative changes make the 6th cycle allocations more of a mandate, with the threat that if counties or cities do not fulfill their obligations, they can be fined and even lose authority to the State over their housing programs. The chart in Appendix A outlines this process.

In this report the Grand Jury examines the larger questions surrounding the need for additional housing in Sonoma County, and in particular its shortage of Affordable Housing. What is planned? What progress is being made? What are the incentives? What are the obstacles to meeting housing goals? This is a self-initiated investigation of a topic of wide concern and activity.

METHODOLOGY

For this investigation, the Grand Jury conducted 21 interviews including:

- Housing representatives from Sonoma County and its nine cities
- Individuals involved in planning, construction, and management of Affordable Housing
- Housing advocates and advisors

The Grand Jury also examined multiple websites and documents dealing with aspects of Affordable Housing policy, programs, and regulations. In addition, Grand Jury members attended public meetings on this topic.

DISCUSSION

California is infamous for its housing costs and shortages, and Sonoma County is no exception. Based on house sales data, The Press Democrat reported median resale house prices in January 2022 exceeded three quarters of a million dollars in the County; median prices in Healdsburg or along the coastline were twice as high. Houses that were too expensive a year ago are more expensive now. The State of California recognizes that we have a housing crisis, and in

particular a significant shortage of Affordable Housing. Sonoma County has become a place where people with ordinary incomes cannot afford to live.



Factors that Favor the Development of Affordable Housing

Governmental Policies and Commitment

The State of California has mandated the creation of new housing, including significant amounts of Affordable Housing. This mandate is quantified through the Association of Bay Area Governments (ABAG) determination of needs in the San Francisco Bay Area. ABAG allocates housing units through its Regional Housing Needs Assessment (RHNA) for the 6th Cycle Housing Element. Sonoma County and each of the nine Cities officially favor increasing the supply of housing, although not always with full acceptance of RHNA allocations. Results from the 5th Cycle Housing Element are also informative. Although the 5th cycle continues through the end of 2022, and all housing jurisdictions reported progress, though not all their goals, such as those for low-income and very low-income units, will be attained. Fifth cycle allocations were recommendations, and they were small compared to the 6th cycle requirements. The jurisdictions will need to increase their efforts to avoid the possibility of State sanctions or State assumption of local control over housing: *“Do It, or the State Will Do It For You”*

Changes in Law

The State of California has passed several new laws to encourage housing development in general, and Affordable Housing in particular.

- [SB 9 Housing Development: Approvals](#), which took effect January 1, 2022, allows construction of a second full unit on a lot that already has a single-family home or duplex. Because cities and counties maintain local control under SB9, and can impose limitations on lot size, etc., it is unclear how often it will be used. It allows larger structures than the existing [Accessory Dwelling Unit](#) (ADU) or ‘in-law’ unit, and can be available for rent. This law also allows for the modification to an existing dwelling unit to include rentable space as a Junior Additional Dwelling Unit (JADU). However, in most jurisdictions, there is no guarantee that the ADU or JADU will be affordable housing.
- [SB 10 Planning and Zoning: Housing Development: Density](#), which took effect January 1, 2022, eases the development of small housing complexes (10 or fewer units) as infill within cities or near transit hubs such as SMART stations or bus hubs. Infill can be described as building on unused and underutilized lands within existing development

patterns. The Governor’s Office of Planning and Research states that infill is critical to accommodating growth and redesigning our cities to be environmentally and socially sustainable. While maintaining local control, SB 10 allows pro-housing governments to re-zone appropriate land parcels with fewer potential roadblocks. It does not change the approval process for the building(s).

- [SB 35 Planning and Zoning: Affordable Housing: Streamlined Approval Process](#), has been in effect since 2018. It allows qualifying projects with at least 50% Affordable Housing units to move more quickly through the approval process. It also restricts the ability of local governments to reject qualifying projects, and in some cases removes requirements for [California Environmental Quality Act](#) (CEQA) review of the project.
- [SB 330 Housing Crisis Act of 2019](#), modifies planning and zoning law. It prohibits local jurisdictions from enacting new laws or raising administrative barriers that would reduce or delay housing construction. This law was set to expire in 2025, but [SB-8](#) (2021) extends parts of the legislation to 2030 and 2034.
- [AB 491 Housing: Affordable and Market Rate Units](#), enacted in 2021, requires that Affordable Housing apartments in multifamily developments be integrated within the complex and have the same access to common areas and amenities. [AB 1043](#) (2021) adds “Acutely Low Income”, defined as below 15% of AMI, as a category of lower income households that can be targeted for Affordable Housing.

Local housing ordinances have also been passed or modified to increase the percentage of Affordable units in a project and to lengthen the time period that the units must be rented as Affordable Housing. Many earlier projects had 30-year timespans for required affordability while current restrictions usually range from 50 to 99 years.

Paths to Affordable Housing

The two major paths to the creation of Affordable Housing are:

- *100% Affordable Housing complexes*: In this type of project, every apartment or house is intended to be available under the umbrella of Affordable within one or more of the categories of Table 1. These developments are most often apartment complexes, built and managed by not-for-profit organizations such as Burbank Housing and Mid Pen Housing. These organizations are mission-oriented; they exist to provide Affordable Housing.

Projects are often opportunistic in that they depend heavily on the availability of land, often publicly owned. In addition, funding may be directed toward a specific need such as senior housing. Commercial builders may also construct 100% affordable projects.

- *Inclusionary Housing*: Sonoma County and its cities have adopted ordinances that mandate that a percentage of apartments or houses in a development must be Affordable. The mandate usually applies only when a development includes at least some specific number of units, typically 5 to 10. The percentage of Affordable units varies with the jurisdiction, usually 10-20%, often divided between low-income and very low-income. The inclusionary units must remain Affordable for a defined time period, typically 50 years or more. Inclusionary housing ordinances guarantee that the supply of Affordable Housing will grow in conjunction with market-rate housing. They also foster integration

of Affordable units within market-rate developments, leading to greater economic diversity.

Less common routes include:

- *Rehabilitation and Repurposing:* A variation on the theme of new building is rehabilitation and re-direction of an existing complex. For example, an apartment building could be purchased, then updated or rehabilitated, and re-occupied as Affordable Housing. Likewise, a motel can be remodeled and repurposed as transitional housing.
- *Housing Land Trusts:* A less common avenue to Affordable Home ownership is exemplified by a Housing Land Trust. The Housing Land Trust maintains ownership of the land on which a house is built; the house is sold in accordance with Affordable Housing income limits.
- *Accessory Dwelling Units:* ADUs are additional housing units that are legally added to a residential property. Sometimes referred to as in-law units, they can be attached to or separated from the existing residence. ADUs may be new construction or converted from existing space. A Junior ADU (JADU) is a smaller version of an ADU. It is an independent, legally rentable unit that must exist within the existing dwelling unit or an attached accessory structure such as a garage. They can contain a very simple kitchen with small appliances and share a bathroom with the original dwelling. Consequently, development costs for JADUs are lower. Both ADUs and JADUs can be rented.



Who Builds Affordable Housing?

Non-Profit/Mission-Oriented Builders

Mission-oriented non-profit organizations such as Burbank Housing and MidPen Housing construct and manage developments in which every unit is Affordable. These organizations exist for the sole purpose of providing high-quality housing for those who cannot afford to rent or buy market-rate accommodations. They are widely respected and supported within Sonoma County.

Builders of Inclusionary Housing

Most housing developments within Sonoma County are required to include some percentage of Affordable units. They fall under inclusionary housing ordinances, which are in effect in Sonoma County and all of its nine Cities. Requirements vary, but most include provisions for both low-income and very low-income units. The ordinances typically specify that inclusionary units must be comparable to the market-rate units with respect to appearance, appliances, access to amenities, etc. Units cannot be concentrated in one building or area, but should be integrated throughout the development. The intent is to make the inclusionary houses or apartments difficult to identify as Affordable Housing and thus to avoid stigmatization.

A developer may decide that the mandated number of inclusionary units is inappropriate for the project. Most ordinances have provisions that allow payment of an in-lieu fee to either reduce or eliminate the inclusionary requirement. If ‘feeing out’ is approved by the jurisdiction, the fees

go into a housing fund to support construction of Affordable Housing. Unfortunately, these fees rarely provide enough funding to actually build an affordable unit.

While a few jurisdictions support feeing out as a way of providing more flexibility to support future Affordable projects, other governing bodies oppose or have eliminated the payment of in-lieu fees as counter to the desire for more Affordable Housing.

Housing Land Trust of Sonoma County

The [Housing Land Trust of Sonoma County](#) (HLT) is a non-profit organization supporting low- or moderate income housing. In the housing land trust model, the land on which a house (or possibly a condominium) is built, is owned by the HLT while the house itself belongs to the purchaser. The family income of the buyer, usually with zero down payment, determines the purchase price of the house. The owner is then responsible for the mortgage and taxes plus a small monthly lease payment on the land. The house deed is restricted; any resale must be in the category (low or moderate income) of the original purchase. Thus the house remains Affordable through the period of the land lease, usually 99 years. HLT houses can be inclusionary units in a development or one-off opportunities. The land title can be deeded to the HLT by the developer, donated by an owner or government agency, or purchased by the HLT.

Manufactured and Factory Built Housing

Both manufactured and factory-built housing have cost advantages over conventional construction methods and thus can increase the supply of Affordable Housing.

- Manufactured housing generally refers to homes that are built totally in a construction facility and transported intact to a site such as a mobile home park. The cost of manufactured homes is typically less than that of custom-built homes. They are also more limited in size and design. Often the land on which a home sits is not owned by the homeowner, and rent must be paid. Although construction standards have improved, manufactured homes may still carry the stigma of being flimsy and unlikely to increase in value.
- Factory built housing refers to housing that is often modular, constructed in a facility and transported and assembled on a building site. It can be considerably less expensive than traditional on-site building. Modules can be more easily adapted to meet local building codes, and its design can be much more flexible than manufactured housing. However, many of the cost advantages of factory-built housing can be negated by long transportation distances and associated costs.

Rehabilitation of Existing Housing

Older apartment buildings may have included Affordable units that had shorter term restrictions (e.g. 30 years) before reverting to market rate. Other apartment buildings, motels, or homes may simply become available for purchase. If funds are available, developers or jurisdictions can purchase such properties, modernize or rehabilitate them, and repurpose the units as Affordable Housing.

[Project Homekey](#), a successor to Project Roomkey, is a statewide effort to combat homelessness. Administered by the [California Department of Housing and Community Development](#), it makes grants to local housing entities to enable them to develop interim or permanent housing for unhoused people. Rehabilitation through Project Homekey has been used to purchase and re-

purpose the Azura Hotel in Santa Rosa and the Sebastopol Inn in Sebastopol. They were then re-purposed and converted into accommodations and support services for homeless individuals who were highly susceptible to COVID-19 infection. Both properties will eventually be converted to permanent Affordable Housing for households earning no more than 30% of AMI.

Targeted Housing

Affordable Housing is sometimes targeted to specific groups. Often the availability of directed funding provides an opportunity to generate Affordable Housing for defined populations. Senior Citizen housing complexes are the most common. Based on available funding from the [U. S. Department of Agriculture](#), a recently approved project in Cloverdale specifies housing for agricultural workers. Veterans, individuals with disabilities or special needs or other groups may qualify for specific projects.

Incentives to Build Affordable Housing; Loans, Grants, Tax Credits

The cost of building an Affordable house or apartment is not inherently different from the cost of building a market-rate property, but the potential income from the Affordable unit is significantly less. Incentives are used to help projects be economically viable. A summary of these programs is provided below. A more detailed listing of programs is presented in Appendix A.

Federal Programs

- [Low Income Housing Tax Credits](#) (LIHTC): This program is the most important Affordable Housing support mechanism, worth \$8 billion per year. The credits are issued to the states by the Federal Government. State housing agencies award the credits to developers of Affordable Housing. Developers can then sell the credits to investors to obtain funding for a project.
- [Community Development Block Grants](#) (CDBG): This HUD program allocates funds on a formula basis to states, counties and cities for projects that improve the quality of living for residents whose incomes are less than 80 percent of the AMI. Examples include housing acquisition, rehabilitation, and provision of homeless shelters.
- [HOME Investments Partnership Program](#): This program provides block grants to states and localities that are often used in partnership with local nonprofit groups to build, buy, or rehabilitate Affordable Housing.
- Federal Loan Guarantees: HUD has several programs that provide federal backup for long-term low interest fixed rate fully amortized loans. These loans usually range from \$2 million to \$100 million, with no upper limit. Affordable Housing properties have additional concessions and can be combined with the (LIHTC) program.

State Programs

- [Affordable Housing and Sustainable Communities](#): This program invests cap-and-trade money in Affordable Housing infill projects close to transportation services and infrastructure. In 2022, this program provides \$130 million from the Greenhouse Gas Reduction Fund.
- [Building Homes and Jobs Act \(SB 2\)](#): This Act created a trust fund for Affordable Housing through a \$75 recording fee, charged every time real estate documents are recorded.

- Multifamily Housing Program (SB 3): The [Veterans and Affordable Housing Bond Act of 2018](#) provides \$1.5 billion in bonds for this program which provides deferred payment loans for projects related to permanent and transitional rental Affordable Housing.
- [No Place Like Home](#): A 2016 Bond issue provides money in the form of noncompetitive funding and competitive grants for housing the unhoused and people living with mental illness. The actual funding started in 2019.
- [California Housing Finance Agency \(CalHFA\) Loans](#): CalHFA offers low, fixed-rate mortgage products, as well as down payment and closing cost assistance to provide Affordable Housing opportunities for developers and low to moderate income first-time home buyers.
- [Infill Infrastructure Grant Program](#). These grants provide gap funding for infrastructure improvements on qualifying infill housing projects.

Sonoma County and Local Funding programs

- [Sonoma County Fund for Housing](#) (CFH): CHF was established in 2003 to provide financial assistance for the development and preservation of low, very low, and extremely low income Affordable Housing. CFH provides loans and grants from various sources such as developer in-lieu fees, transient occupancy taxes and CFH loan processing fees.
- Cities: Some cities utilize the fees that developers pay to fund Affordable Housing projects. Impact fees assessed on new residential developments, in-lieu fees, and linkage fees assessed on new commercial developments provide the funds.

Concessions

A variety of modifications to requirements for new construction are intended to increase the supply of Affordable Housing. Some of the most common are:

- Density bonuses: Zoning ordinances usually define the maximum allowable residential density on a site. Inclusion of greater than required numbers of Affordable units can allow up to 50% higher density in a project, resulting in increased potential revenue.
- Fee reduction or waiver: Some jurisdictions may waive or reduce mitigation fees for Affordable Housing. This is common for ADU and JADU construction; for example, Petaluma waives fees on ADUs of less than 750 square feet. Fee waivers are also sometimes possible for other Affordable Housing construction projects. Santa Rosa has a fee reduction program for high density multi-unit Affordable Housing in the downtown area. Fresno allows deferral of all mitigation fees until an Affordable Housing unit is occupied, and recently expanded a fee waiver program for infill and transit-oriented units.
- Development incentives: A variety of concessions or incentives support construction of Affordable Housing. For example, in return for increased inclusionary units, the Shiloh Terrace project in Windsor proposed a reduction in the number of parking spaces, changes in height restrictions and a reduction in open space requirements.



- California Environmental Quality Act (CEQA) waivers: CEQA serves to inform the public on environmental effects of proposed discretionary projects through environmental impact reports. Under some circumstances, CEQA requirements can be waived to speed up the process.
- There can be flexibility in other site-specific factors such as public transportation access, numbers of trees, covered parking spaces, walkability of the area, playground space, etc.



Public Education

Public opposition to housing growth is common, and informational programs and processes can help modify public opinion. Sonoma County and its cities all provide information on their websites that is intended to increase public awareness of local policies. Planning documents such as [Sonoma County Five-Year Strategic Plan 2021-2025](#) outline housing policies and goals, including Affordable Housing. Generation Housing, a Sonoma County advocacy group, provides educational materials such as [State of Housing in Sonoma County, January 2022](#), and a housing project tracking tool that provides identification and status information on Affordable Housing projects in the County. There is even a public support movement, Yes In My Back Yard ([YIMBY](#)), that argues for increased housing density in cities.

Factors that Inhibit Development of Affordable Housing

Although there is Federal, State and local support for the concept of Affordable Housing and there are many programs to support it, there are also barriers that keep its supply well below its demand. Some of these barriers are common to all housing construction, and some are more specific to Affordable Housing.

Public Acceptance of Affordable Housing - NIMBY: Not in My Backyard

The need for more housing, including Affordable Housing, is officially recognized by the State of California, Sonoma County, and its nine cities. These housing needs are widely understood but not universally endorsed by the public and some cities, especially with respect to Affordable Housing. Often an opinion, stated as “*Affordable Housing in some other city or county*” is more popular than “*Affordable Housing in my town*”, which is perhaps better than “*Affordable Housing in my neighborhood*” and much more acceptable than “*Affordable Housing next door to me.*” The strongest opposition to a project most often comes from those it most immediately

affects. Factors that contribute to [Not In My Backyard](#) (NIMBY)ism with respect to Affordable Housing include:

- Fear of any new development that will change the character of the County, city, or neighborhood. Many residents of Sonoma County are simply happy with the way things are. Many came here to escape more crowded environments. They see no need for population growth, more houses, new apartment complexes, high-rise buildings, busier roads, or losing their view, etc.
- Fear and misunderstanding of Affordable Housing residents: Affordable Housing is often seen as solely aimed at groups who will, in accord with negative stereotypes, alter or degrade the neighborhood. It should be noted that ordinances demand that Affordable Housing developments and houses be compatible with their neighborhoods and not stand out as different or of inferior construction. Inclusionary apartments should also be interspersed with the market-rate apartments in a multi-unit building.
- Environmental concerns: In 2006 Sonoma County voters strongly supported the reauthorization of a 1990 sales tax increment to fund the Sonoma County Agricultural Preservation and Open Space District. The rural and agricultural nature of the County is seen by some as incompatible with growth. Support for CEQA is generally high. Water shortages due to continuing drought, air quality degradation from more traffic, and loss of wildlife habitat are cited as concerns. Many environmentalists favor new housing, especially infill, because denser, city-centered developments, and modern construction methods can be more effective in reducing water and energy usage.
- Infrastructure and resource concerns: New housing means more traffic and congestion, more streets and roads, more schools, stores and offices, more sewage and trash, yet all within the limitations of water, land, transportation, and the costs to the community of expansion. Residents fear that they will be paying the costs of newcomers, even though general housing expansion and Affordable Housing development are aimed at current Sonoma County residents who cannot find or afford a decent place to live.
- Property value concerns: There is a common fear that the presence of Affordable Housing will lower the value of existing properties nearby. [Don't Put it Here!](#), a study from the New York University Furman Center, found that Affordable Housing had neither a positive nor a negative effect on nearby property values. A review of several studies by the Urban Studies Program at San Francisco State University found no effect on nearby property values in 13 of 14 investigations.
- Natural disaster preparedness: Sonoma County has experienced major disasters in the last few years and needs to be prepared for the next challenge: fire, flood, or earthquake. Many areas in the County have only one or two potential escape or access routes. In an emergency, roads could quickly become impassable, overcrowded, or clogged with traffic. More housing raises fears of reduced safety. This concern needs attention from emergency management entities regardless of additional housing; it is not solely a concern for new housing.
- Racial and ethnic concerns: Few people openly admit to racial or ethnic prejudice. Nevertheless, racial and ethnic stereotypes, although often unspoken, remain. There is concern that *those people* will not “fit into the neighborhood”. A potential cultural

enrichment is seen as a threat. This is a problem that extends far beyond Sonoma County and needs to be understood and countered nationally and beyond.

Inconsistent and Complex Governmental Regulations and Commitment to Affordable Housing

Although all jurisdictions in Sonoma County support the addition of Affordable Housing, the levels of support, commitment, and accomplishment are not uniform.

- Inclusionary housing ordinances vary widely from city to city. The minimum number of units in an inclusionary development can be 5, 7, or 10 depending on city policy. In-lieu fees can be welcomed, tolerated or prohibited. The minimal number of inclusionary units ranges from 5% to 25%, with most jurisdictions requiring 15%. The mix of low, very low, and (sometimes) extremely low priced units is inconsistent between cities. Santa Rosa and Petaluma have different requirements that favor city center developments over those outside the inner core.
- Zoning ordinances in some cities favor single family home construction over multi-family housing. Affordable single family homes for purchase are often directed at moderate (up to 120% AMI) or median income levels, whereas Affordable rental apartments are more commonly directed at low income (less than 80% or less than 60% AMI) or very low income (less than 50% AMI) families.
- Lack of political will from County officials or city councils: Elected officials are expected to consider the opinions of their constituents, and sometimes there is strong opposition to a project. For example, a project in Cloverdale was approved by a split vote in early 2022, but only after two council votes and considerable discussion. The City of Sonoma created or expanded three historic districts early in 2022, greatly limiting the possibility of expanding housing in those areas. The [North Bay Bohemian](#) cites a recent ordinance in the City of Sonoma that requires that any property on which a second housing unit is proposed must have at least three mature trees and ten shrubs. These requirements would limit SB 9 implementation. In addition, a [proposed multi-unit development in Sebastopol](#) has been on-hold since 2019 due to public concerns, but may be able to move forward based on SB 35 implementation.
- Commercial development may be considered more favorably than housing, including Affordable Housing. Interviews with housing officials indicated that new housing had a negative impact on their budgets. Despite mitigation fees and taxes, services for new residents usually cost more than the income they bring to the jurisdiction. In contrast, a large commercial development such as a car dealership or a big box store brings in added sales taxes while not requiring social services, new schools, parks, etc. Similarly, a hotel generates occupancy taxes for a city.
- City Boundaries and Their Spheres of Influence: Each City has a well-defined boundary within which it has jurisdiction. The [Sonoma Local Agency Formation Commission](#), which regulates city and special district boundaries, delineates Spheres of Influence: areas adjacent to the cities and potentially appropriate for annexation and siting of Affordable Housing. Cloverdale has utilized this, resulting in City Council approval of the design and development plan for the Bumgardner Ranch Project in September 2020. Other jurisdictions have hesitated to annex adjacent property. Most cited the costs of bringing infrastructure (water, sewers, roads, parks and other amenities) to the added territory in order to develop it into housing.

- In November 2018, Santa Rosa voters defeated an Affordable Housing bond measure (Measure N), and Sonoma County refused to put a similar measure on the ballot. Additionally, some housing advocates we interviewed don't think Affordable Housing measures would pass today because of low levels of public acceptance.

Land and Construction Costs

Any factor that increases building costs has a disproportionate effect on Affordable Housing, since higher costs cannot be offset with higher rents or house prices. Land values in Sonoma County are high and rising. In their 2022 report *State of Housing in Sonoma County*, Generation Housing (Gen H, a non-profit advocacy group), indicates that the average cost of a quarter acre home lot rose 117% between 2012 and 2018, from \$128,100 to \$278,600. The land accounted for 34.7% of the cost of building a house. Apartment developments require less land per unit than individual houses. Nevertheless builders report that land costs usually represent about 20% of the cost of such projects.



Skilled and unskilled building workers are in high demand and able to command good wages. It can be hard to find construction workers. Interviewees indicated that project labor agreements (or prevailing wage agreements) can add to labor costs by as much as 20-30%. Construction materials are also currently expensive and hard to get because of pandemic-induced supply problems. Lumber prices surged in 2021, and components that had been plentiful remain scarce. A [New York Times article](#) in February 2022 indicated it took 20 weeks to acquire a garage door, without which a house normally cannot get an occupancy permit. Other shortages of materials can delay projects for weeks.

Availability and Complexity of Financing

There are many government programs that help finance Affordable Housing, yet there is never enough money to fund everything. Funding programs are almost all highly competitive, and application processes are complex and slow. For example, HUD advises applicants for Section 221(d)(4) loan guarantees that the time to complete the process is 7 to 12 months; documentation requirements are extensive and carefully checked, and application fees are significant.

- 100% Affordable Housing projects can have larger hurdles to overcome. Extensive evaluation of the site, project details, local need, and especially the economic viability of the project need to be documented in detail. Financing is particularly complex. One person interviewed by the Grand Jury described a 100% Affordable Housing project that needed ten different sources of funding, and that a typical project uses seven. Multiple funding sources often have different affordability, documentation, monitoring, and timing requirements.

Complex Multistep Approval Processes

Even when a jurisdiction is strongly pro-housing, the pathway from concept to finished construction is complicated. For a typical inclusionary or 100% Affordable Housing project, steps include:

- Site identification and acquisition: A private builder may already own appropriately zoned land or be able arrange a loan and purchase through normal channels. A non-

profit organization might first need to arrange low cost loans or grant funding for the purchase, or it could also depend on a donated site with restrictions on how it could be developed. This step may take a few months to over a year.

- Preliminary design reviews: County or local design review boards concern themselves with multiple aspects of the project, including geology of the site, appropriateness of the project, housing density, size and appearance of the buildings, space use, landscaping and amenities, site access and parking, neighborhood impact, environmental considerations, access to utilities, and access to public transportation and services. Financing for the project may be arranged, or at least in process. Public opinion is sought, and hopefully an economically viable project is given preliminary approval. This step usually takes several months to more than a year, and occasionally a project can lie dormant for longer periods.
- Final design and approval involve public review, payment of a variety of mitigation fees, procurement of permits, and approval by city or county authorities. At this stage there may be modifications to plans to accommodate public or environmental concerns. Sometimes a builder might want to alter the number of Affordable units by the payment of in-lieu fees. Funding must be finalized. This step may also take several months or more to complete.
- Construction can now begin. Recent shortages of materials and labor have slowed this step. It is in the interest of the builder to complete the project quickly since money is being spent but no rents are being collected.

Builders interviewed by the Grand Jury indicated that the process from concept to occupied housing usually takes four years or more. 100% Affordable Housing projects can be slower because of the greater complexity of obtaining funding.

The planning stages, which include negotiations between builders and planning staff, can be lengthy and involved. Several individuals the Grand Jury spoke with were critical of the complexity and bureaucracy involved in the planning process. Builders felt that their concerns were sometimes not understood.

CEQA Exploitation and Misuse

The California Environmental Quality Act was passed in 1970 with the aim of identifying and mitigating the environmental effects of public projects. As detailed in a recent article in [The Atlantic](#), the scope of CEQA has expanded to cover almost any private project that requires a level of governmental approval. CEQA lawsuits are relatively easy and inexpensive to bring, but they can demand lengthy and expensive environmental studies and significantly delay a project, add to its costs, and even cause its abandonment. Studies cited in the article indicate that multifamily housing is the most common target of CEQA lawsuits, and that up to 80% concern infill housing, projects that are often likely to be more environmentally friendly than e.g. industrial construction. California SB 35 attempts to limit arbitrary use of CEQA.

Mitigation Fees: What Keeps Them from Building Quickly or At All

Additional housing, including Affordable Housing, adds to the need for infrastructure and government services, such as fire and police. Mitigation fees, levied on both new construction and remodeling of housing, are designed to offset some or all of these costs. Fees vary widely in

Sonoma County, but all are a significant cost of development. As an example, the fee schedule for Sebastopol is shown below.

Purpose	Single Family House	Multiunit Apartment (per unit)
Park Land	\$7,276	\$4,958
Park Facilities	5,922	4,036
Traffic Impact	8,174	4624
General Government	3,017	2,056
Fire Facilities	1,000	681
Stormwater Facilities	5,502	2,830
Total	\$30,891	\$19,185

Every other jurisdiction has its own set of fees, and both the amounts and the nature of the charges are different in each jurisdiction. For example, in Cloverdale, the list of fees is different, but the average total shown on their website is about \$41,000 for a house and \$30,500 per apartment unit. In January 2022, the fee total for a single family house in Santa Rosa was \$51,862. In Windsor, traffic mitigation fees alone are \$11,475 and \$6,941. Developers complained to the Grand Jury about both the cost and the inconsistency of these fees.

In addition, school district mitigation fees are charged separately and also vary considerably. The Rincon Valley School District charges \$2.86 per square foot of newly constructed housing. The equivalent figure for Cotati/Rohnert Park is \$3.79 per sq. ft. while Cloverdale has a proposal for \$4.79 per sq. ft. Some jurisdictions set fees that are directed at a specific problem or situation. As an example, the continuing drought has led to the adoption of a [Water Demand Offset Policy](#) in the City of Santa Rosa. Funds from this fee would be used to implement projects or plans to offset the water needs of the development.

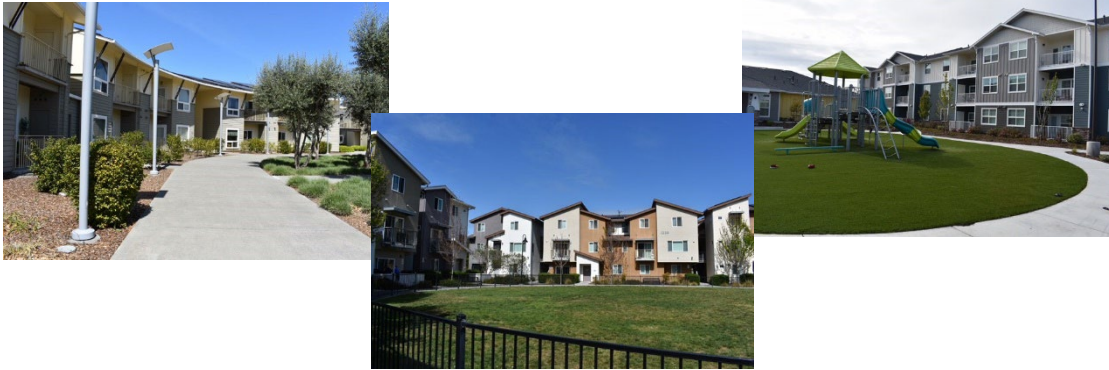
Building Permits, Review Processes, and Personnel

Virtually any construction or rehabilitation of housing requires building permits from the governing authority. Again, there is great variability in the nature and costs of required permits and in the time needed to secure them. Grand Jury interviews of builders and developers indicate that they accept that permitting oversight is needed to ensure quality and meet accepted standards (code), and that costs are involved in approval processes. Builders also wish that more self-certification or video-based remote certification was available. They accept that permit personnel are generally reasonable and professional in their actions. Nevertheless, the inconsistency from jurisdiction to jurisdiction in processes and procedures is seen as a hindrance to development. They further complain that the permitting process is often very slow, and permit departments often fail to meet their own goals for timeliness. Slowness was considered to be more of a problem than permit costs.

Nevertheless, the total cost of mitigation fees and permit fees is significant. Interviewees indicated that, depending on the nature and cost of a project, between 11% and as much as 20% of the total cost of construction can go to paying fees.

Complex multi-step review processes also add to costs by slowing the pace of a development and increasing the amount of paperwork involved in it. Cotati has attempted to ease this problem by essentially combining preliminary and final review processes into a more streamlined and direct

negotiation. Lack of sufficient personnel in planning departments was cited as a problem in several interviews. In Sonoma County, staffing of planning departments can range from one person to four or more. Understaffing complicates all aspects of development of additional housing. In contrast, Petaluma takes a novel approach by contracting with an outside consultant to manage their effective Affordable Housing programs.



Unoccupied Housing: Time Shares, Airbnb, Pacaso, etc.

Areas with high levels of tourism can experience large numbers of second or vacation homes that are unoccupied for much of the year or, in the case of Pacaso properties, occupied serially by non-residents. Time-share properties provide housing for short term visitors, as do vacation rentals such as VRBO and Airbnb. Properties of this sort are important to tourism, but they can also be a problem for tourist destinations; in Sonoma County this includes Healdsburg, the Russian River area, and the City of Sonoma. Every house or apartment that is removed from the housing supply, and made unavailable to residents, helps to increase the price of the remaining properties. At the same time corporate buyers purchase houses and leave them vacant while their values increase. This further contributes to the inflation of house prices and leads to the exclusion of local residents.

CONCLUSION

The State of California is committed to significantly increasing the supply of all housing, including Affordable Housing. In Sonoma County and its nine Cities this commitment is expressed through ABAG and the requirements of RHNA. The Grand Jury has confirmed that while there is strong official support for these goals, there is sometimes less commitment to their achievement. Many programs that support development of Affordable Housing are in place. Yet many barriers also exist and greatly inhibit housing development. The principal barriers identified in this report include:

- The sheer complexity of navigating the bureaucracy in all aspects of a project
- The high cost of land in Sonoma County
- The difficulty, complexity, and slow pace of financing a project
- The shortage and high cost of building materials and supplies
- The shortage of both skilled and unskilled labor as well as labor costs
- The complexity and costs of mitigation fees and building permits
- The inconsistency of costs, procedures, and regulations among the jurisdictions within the County
- Public opposition and misunderstanding of Affordable Housing and its recipients

FINDINGS

The Sonoma County Civil Grand Jury determined that:

- F1. Increased Affordable Housing has been mandated by the State of California and officially accepted by Sonoma County and its nine Cities.
- F2. Housing jurisdictions must show sufficient progress in meeting 6th cycle Regional Housing Needs Allocation mandates or they risk being fined or losing local authority over their housing programs.
- 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.
- 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.
- F5. Public acceptance of the need for Affordable Housing is not universal; NIMBYism and misinformation can negatively impact the planning and development process.
- F6. In Sonoma County, costs and availability of land, building supplies, and labor impede development and construction of Affordable 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.
- F8. Financing of Affordable Housing projects is unusually complex, slow, and uncertain.
- F9. Funding of Affordable Housing is often directed to specific groups such as seniors, veterans, or agricultural workers.
- F10. Design review and project approval are often slow and very complex, and hinder the development of Affordable Housing.
- F11. The permitting regulations, processes, and fees differ by jurisdiction.
- F12. Mitigation fees vary by individual projects and jurisdictions, complicating the building of Affordable Housing.
- F13. The speed of issuing permits has improved in some jurisdictions, but greater efficiency would help meet the building needs of Sonoma County.
- F14. Payment of in-lieu fees to the housing jurisdiction results in fewer inclusionary Affordable Housing units and houses being built.
- 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.
- F16. Recent legislation encourages construction of transit-oriented infill housing but has yet to show a large effect.
- 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.

- 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.
- F19. Rehabilitation and the repurposing of existing properties both preserve and increase the supply of 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.
- F21. Manufactured and factory built home construction provide less expensive routes to Affordable Housing without necessarily reducing its quality.
- F22. Design modifications can help make Affordable Housing projects economically viable.
- F23. Contrary to commonly expressed fears, Affordable Housing does not usually affect local property values.
- F24. Vacation homes, time shares, Airbnb, Pacaso houses, and vacant houses reduce the number of units available to permanent residents and, by reducing supply, increase the cost of housing.

RECOMMENDATIONS

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)
- 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)
- 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)
- 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)
- 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)
- 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)
- 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)
- 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)

REQUIRED RESPONSES

Pursuant to Penal Code §§ 933 and 933.05, the Grand Jury requires responses as follows:

- Permit Sonoma (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Cloverdale (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Cotati (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Healdsburg (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Rohnert Park (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Santa Rosa (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Sebastopol (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Sonoma (R1, R2, R3, R4, R5, R6, R7, R8)
- City of Petaluma (R1, R2, R3, R4, R5, R6, R7, R8)
- Town of Windsor (R1, R2, R3, R4, R5, R6, R7, R8)

The governing bodies indicated above should be aware that their comments and responses must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

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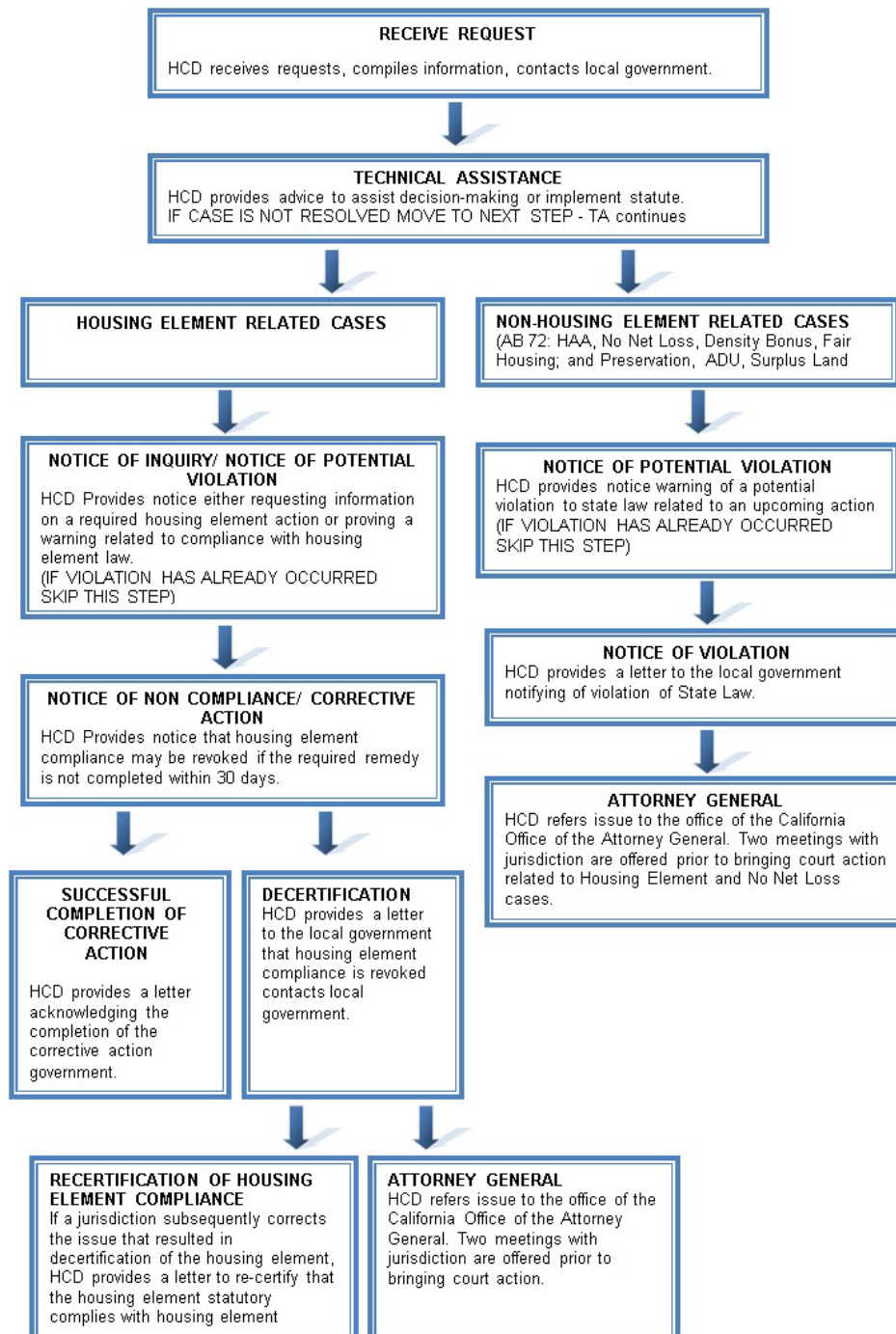
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APPENDIX A

California Housing Law Enforcement



Source: California Department of Housing and Community Development

APPENDIX B

Funding Sources for Affordable Housing

There are many sources of funding for Affordable Housing, but there is no consistency in its availability from year to year. Sometimes a city may save its cash resources for a few – or several – years and then spend them all in one year; other times a city may qualify for some particular funding one time but may not qualify another time. Currently, the most popular source is Affordable Housing Tax Credits.

<https://generationhousing.org/wp-content/uploads/2020/01/200121-Gen-H-Housing-Funding-Overview.pdf>

Federal Programs

- **Low-Income Housing Tax Credits (LIHTC):** The Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low and moderate income tenants. The LIHTC was enacted as part of the 1986 Tax Reform Act and has been modified numerous times. The Federal Government issues the tax credits to the states. State housing agencies then award the credits to private developers of affordable rental housing projects through a competitive process. Developers generally sell the credits to private investors to obtain funding. Once the housing project is placed in service (essentially, made available to tenants), investors can claim the LIHTC over a 10-year period. (Burbank Housing follows this model) but the property must be maintained as affordable housing for a minimum of 30 years.
- **9% Tax Credit** subsidizes 70% of the eligible costs and is available for projects such as new construction or substantial rehabilitation that do not use tax-exempt bonds. Priority is given to developments that are close to public amenities such as transit, schools or parks.
- **4% Tax Credit** subsidizes 30% of eligible costs and is available for projects that do use tax-exempt bonds.
- **Community Development Block Grants (CDBG):** Funds are used for projects that improve the quality of living for lower-income residents whose incomes are less than 80 percent of the area median income as established by the Department of Housing and Urban Development. The project must meet certain criteria, including being beneficial to low and moderate income people. This could include housing rehabilitation and homeless shelters. Santa Rosa and Petaluma receive their funds directly while Sonoma County manages the funds for the smaller cities.
- **HOME Investments Partnership Program (HOME):** HOME provides block grants to states and localities that communities use - often in partnership with local nonprofit groups. At least 15 percent of HOME funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO). A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves.

State Programs

Affordable Housing and Sustainable Communities (AHSC): This program invests cap-and-trade money in projects that connect Affordable Housing with low-emission transportation services and infrastructure. Funds are from the Greenhouse Gas Reduction Fund (GGRF). It provides grants and loans for Affordable Housing, infill and compact transit-oriented development, and infrastructure connecting these projects to transit. In 2022, the state's budget allocated \$130 million from cap and trade auction revenues.

- **SB2 Building Homes and Jobs Act:** Effective January 1, 2018, this Act created a trust fund for Affordable Housing through a \$75 fee charged every time real estate documents are recorded. This money funds a variety of housing activities, depending on the needs of the community. These include farm worker housing and mixed-income multifamily housing developments which provide Affordable Housing for Californians with lower and moderate incomes.
- **SB3 and Multifamily Housing Program (MHP):** In 2018 the Veterans and Affordable Housing Bond Act, which funds \$1.5 billion in bonds for this program, was passed. The program provides deferred payment loans for projects related to permanent and transitional rental housing.
- **No Place Like Home:** A 2016 Bond issue provides money in the form of noncompetitive funding and competitive grants for the unhoused and mentally ill. The actual funding started in 2019.

Loans

- **California Housing Finance Agency (CalHFA):** The California Housing Finance Agency (CalHFA) offers low, fixed-rate mortgage products, as well as down payment and closing cost assistance to provide Affordable Housing opportunities for low- to moderate-income first-time home buyers.
- **Federal Loan Guarantees:** HUD has several programs that provide federal backup for long-term low interest fixed rate fully amortized loans. Section 221(d)(4) insures loans with up to 40 year duration for construction or rehabilitation of multifamily housing. These loans usually range from \$2 million to \$100 million, with no upper limit. The application process is slow and complex, and HUD advises use of an experienced intermediary. HUD 223(f) loans are made for purchase or refinancing of existing multifamily properties. Affordable Housing properties have additional concessions and can be combined the Low Income Housing Tax Credit (LIHTC) program.

Sonoma County and Local Funding

- **Sonoma County Fund for Housing (CFH):** The County Fund for Housing was established in 2003 to provide financial assistance for the development and preservation of Affordable Housing located in Sonoma County. The purpose is to accelerate the pace of development of Affordable Housing for low, very low, and extremely low-income households. CFH provides loans and grants to qualified developers, public entities, groups and individuals to build Affordable Housing. Various sources such as developer in-lieu fees, transient occupancy taxes and CFH loan processing fees provide the funding. [County Fund for Housing \(CFH\) \(ca.gov\)](#)

Cities

- Some cities utilize the impact and in-lieu fees that developers pay to fund Affordable Housing projects. Impact fees are assessed on new residential developments and in-lieu fees are charged when developers pay a fee instead of providing inclusionary housing.
- Linkage fees are assessed on new commercial developments: They are impact fees levied to fund the development of Affordable Housing. They are collected by Sonoma County and cities such as Cotati, Petaluma, Rohnert Park, and Sebastopol.