



# Renewal Enterprise District (RED)

County of Sonoma | City of Santa Rosa

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## *A Powerful Collaboration to Accelerate Housing Development*

April 2019

### ***Problem Statement***

The October 2017 fires exacerbated an already significant housing shortage in Sonoma County and caused significant increases in rents and home prices. Rising costs are causing workers to commute long distances or move away, making it harder for employers -- including businesses, hospitals, schools, and local governments -- to recruit and retain a skilled workforce, and impacting our ability to meet local climate goals. Residents who remain in Sonoma are left with reduced spending power, which is especially challenging for those experiencing poverty.

The housing shortage in Sonoma and throughout California has myriad causes, from federal tax policy, localized opposition to growth, and complex real estate market forces. Together, these factors have driven up costs, created increased uncertainty, and lengthened development timelines, with the tragic result that housing construction is not keeping up with job growth and housing needs.

If the pace of housing production is not accelerated well beyond historic levels, the impacts on the economy, climate change, quality of life, and the health and well-being of Sonoma residents could be dire.

### ***Sonoma's Solution***

Given the nature of the housing challenges, accelerating housing production will require new approaches and heightened levels of collaboration across all sectors. The County of Sonoma and City of Santa Rosa recognize their obligation to deepen their coordination around planning, entitling, and assembling public financing to make it as easy and cost-effective as possible for builders and developers to produce the needed housing stock that aligns with our community values. To that end, the two jurisdictions have formed a Renewal Enterprise District, or RED, as a Joint Powers Authority. The purpose of the RED is to create a trusted, replicable and enduring model of housing and community development to meet the changing needs of the 21<sup>st</sup> century. The Santa Rosa City Council and the Sonoma County Board of Supervisors have endorsed a goal of creating 30,000 new homes county-wide by:

- Taking a regional approach to housing planning and production
- Pooling and leveraging financing tools and funding sources
- Sharing the risks and benefits of development in new ways
- Streamlining environmental review of housing near jobs and transit
- Putting equity, affordability, and climate resiliency in the center of our housing and economic development

This ambitious housing agenda will focus development in areas already designated in adopted General Plans, and will include creating higher density rental and ownership opportunities for a range of incomes on infill sites, near transit, and close to services, so that urban separators are preserved, and Sonoma's working lands and open spaces are protected.

### ***Expected Benefits***

City and County officials recognize that the housing will be produced by the private sector, and that local government's role is to create the conditions to spur the kind of development that will meet our shared goals. Reducing cycle times for all parts of the entitling process, providing financing options that can leverage private debt and equity, creating regulatory certainty, and strategically using publicly-owned land are all outcomes that RED leaders and participants will strive for in the first two years. Success will ultimately be measured by the actual number of units produced in the next five to ten years as compared with the pace of construction over the prior decade.

The County and City have a unique opportunity to demonstrate how leveraging these various stakeholders and financial tools can support the creation of infill development. The layering includes alignment of the following:

- Local incentives and streamlining policies;
- Downtown specific plan updates and CEQA review;
- County and City EIFDs;
- Use of Federal Opportunity Zones for private investment;
- County and City support through a newly formed regional approach to housing - Renewal Enterprise District (RED);
- Efforts of philanthropic, non-profit, and private sector partners, including Community Foundation Sonoma County, Santa Rosa Metro Chamber, Bay Area Council Economic Institute, CA Fwd, and developers.

The RED responds to concerns about the severe lack of housing raised by the business community, school districts, health sector leaders, and residents generally. Housing creation, which supports stability for employers and workforce development, is foundational to economic renewal in the region.

### ***Initial Successes***

- The William and Flora Hewlett Foundation provided a \$1 million two-year grant to support start-up and implementation;
- The governing bodies of the City and County both voted to form the JPA in December 2018; the first meeting of the JPA Board was held in February 2018;
- The City of Santa Rosa Council took the following actions to encourage infill development:
  - Reduced discretionary action for design review and the use permit process for housing projects in the downtown and the City's four other PDAs (increases certainty and reduces time and cost).
  - Implemented a Downtown High-Density Residential Incentive Program Reduction of impact fees: up to 67% reduction based on height including a deferral of water and sewer fees with additional reduction for affordable units.
  - Downtown Specific Plan Update - With the funding support from MTC, began the process of updating the specific plan to consider increasing building height, decreasing parking requirements and implementing VMT.
  - Created an "Express Permitting" process for downtown infill, designed to take an 18-month process down to approximately 6 months.
  - Created prospectus to support the Federal Opportunity Zone in Downtown.
  - Implemented aggressive Density Bonus – up to 100% density bonus in the Downtown Station Area Specific Plan.
  - Authorized the evaluation of city property in the downtown for housing development partnerships.

- The County of Sonoma has taken the following actions to encourage housing:
  - Created a comprehensive Recovery & Resiliency Framework that emphasizes the importance of new housing approaches to the overall health of Sonoma County.
  - Engaged Bay Area Economic Institute to develop data and indicators of economic and social well-being that can be tracked publicly and used guide policy-makers into the future.
  - Garnered new sources of funding and financing to promote housing development.
  - Entered into negotiations with a developer for new housing on a parcel of County-owned land which will benefit from an innovative economic partnership.
  - Enacted new ordinances and streamlined administrative processes to accelerate construction of accessory and other small units in unincorporated Sonoma County.

Taken together, these actions hold promise for expediting the creation of needed housing and lay the groundwork for further advancements within the new RED JPA.

### ***Next Steps***

- Finalize RED criteria to reflect our community's policy priorities
- Develop strategic public communications to drive momentum
- Solicit projects
- Complete analysis of infrastructure needs
- Explore development of Enhanced Infrastructure Financing Districts in Opportunity Zones
- Continue efforts to organize public, private and philanthropic sources of capital in new ways to effectively leverage local funds and incentive projects that meet RED criteria and priorities
- Finalize updates to Specific Plans for targeted, streamlined development
- Ensure coordination of local housing efforts