

DRAFT REPORT

SONOMA COUNTY WORKFORCE HOUSING LINKAGE FEE STUDY

Prepared for:

Associated Cities and County of Sonoma

Prepared by:

Economic & Planning Systems, Inc.

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TABLE OF CONTENTS

	<u>PAGE</u>
EXECUTIVE SUMMARY	1
I. INTRODUCTION	4
Background	4
The Workforce Housing Linkage Fee Study	5
II. EMPLOYMENT AND HOUSING MARKET TRENDS	7
County Job and Housing Location Patterns	7
County and Jurisdictional Commuting Patterns	8
Housing Price and Production Trends	14
Housing Affordability	21
III. EMPLOYER & HOUSING DEMAND LINKAGE	25
Employment Forecasts and Income Distribution	25
Household Formation and Demand	25
Employee Ability-to-Pay and Subsidy Analysis	27
Maximum Linkage Obligation	31
IV. PRELIMINARY FEE RECOMMENDATIONS	36
Jobs/Housing Linkage Fee	36
Economic Impact of Proposed Linkage Fee	38
Existing Resources and Affordable Production	40
V. JOBS/HOUSING LINKAGE FEE IMPLEMENTATION	48
Level of Cooperation	48
Fee Collection	48
Fund Distribution	50
Public/Private Cooperation	50
APPENDIX A: Housing Subsidy Calculation by Employment Category	
APPENDIX B: Existing Housing Programs	

LIST OF TABLES

	<u>PAGE</u>
Table 2.1: Jobs and Employed Residents by Jurisdiction	9
Table 2.2: Affordable Housing Production Requirements vs. Job Growth.....	10
Table 2.3: Projected New Jobs per Unit of Affordable Housing Required	11
Table 2.4: 1990 Jobs in County Held by County Residents	12
Table 2.5: 1990 Employed Residents who Live and Work in County and Place	13
Table 2.6: Bay Area Home Prices	15
Table 2.7: Median Sonoma County Home Sale Prices by Unit Type.....	16
Table 2.8: Housing Unit Mix in Sonoma County/Percent of New Units Added	17
Table 2.9: 2001 Median Housing Prices and Price Changes.....	19
Table 2.10: Job Growth vs. Housing Unit Growth by Place.....	20
Table 2.11: Sonoma County Households with Housing Cost Burden	24
Table 3.1: Projected Job Growth (2000-2005) in Sonoma County by Mean Annual Income.....	26
Table 3.2: Projected Households by Income Category	28
Table 3.3: Household Ability-to-Pay and Housing Subsidy by Income Range	29
Table 3.4: Summary of Housing Subsidy by Sector	33
Table 3.5: Jurisdictional Employment Growth 2000-2005 and Associated Housing Subsidy	34
Table 3.6: Maximum Linkage Obligation	35
Table 4.1: Proposed Jobs/Housing Linkage Fees.....	37
Table 4.2: Comparison of Non-Residential Linkage Policies.....	39
Table 4.3: Sonoma County Affordable Housing Production.....	41
Table 4.4: Affordable Housing Production by Area.....	44
Table 4.5: Affordable Housing Production in Sonoma County vs. Total Residential Construction.....	45
Table 4.6 Summary of Affordable Housing Production.....	46
Table 4.7: Inclusionary Requirements and In-Lieu Fees.....	47
Figure 5.1: Critical Decision Path	49

EXECUTIVE SUMMARY

This Draft Report sets forth the preliminary findings of the Sonoma County Workforce Housing Linkage Fee Study conducted by Economic & Planning Systems, Inc. (EPS) on behalf of a coalition comprised of Sonoma County and its nine incorporated jurisdictions. The findings are summarized as follows:

1. Workforce housing is a Countywide issue.

- Sonoma County is unique in the Bay Area region in that the labor force is highly self contained. Most jobs in the County are held by residents of the County and most County residents work within the County.
- Commuting into or out of the County, as a percentage of the total workforce, is relatively minor; however, commuting across jurisdictions within the County is prominent.
- Some cities are net providers of jobs (i.e., contain more jobs than employed residents) while other cities and communities serve primarily as housing locations.
- Communities that primarily provide housing are required by State law (following ABAG's RHND calculations) to provide a disproportionate share of affordable housing for workers in other jurisdictions.
- Communities that have a higher proportion of jobs to housing typically benefit from the higher public revenues (e.g., sales taxes) and lower service costs associated with employment uses, while more housing-dominated communities may bear higher service costs and receive comparatively lower public revenues.
- Throughout this report, the term "affordable housing" describes housing affordable to very low, low, and moderate income households who pay a maximum of 30 percent of income for housing.
- Many moderate income households cannot afford to purchase median-priced, single family homes in the County; very few multifamily units are available (for purchase or rent) that would otherwise provide an affordable alternative. As a result, families earning up to 120 percent of the median income may need assistance in securing housing and should be eligible for housing programs funded through the proposed jobs/housing linkage fee schedule.

2. The Sonoma County housing market has become less affordable in recent years.

- Housing in Sonoma County has gotten significantly more expensive in recent years, with every jurisdiction showing similar increases in housing prices. Moderate income households that could once purchase a single family home no longer have this option.

- The great majority of homes in Sonoma County are single family detached residences, which command increasingly high prices. In recent years, the proportion of Sonoma County homes in the single family detached category has actually increased, as fewer apartments and other multi-family units have been constructed.
- While townhomes and condominiums are priced within reach of many households, few of these units are being produced in Sonoma County, as is the case in many other communities.
- The rental market in Sonoma County has also become significantly more expensive. A recent survey of apartment complexes indicates that the Sonoma County rental market has experienced a 70 percent increase in rental prices since 1990.

3. Future employment growth will contribute to demand for housing at a range of prices.

- A very high proportion of future job growth in the County is expected to occur in relatively low-paying jobs.
- The great majority of new households in Sonoma County associated with this employment growth will not be able to afford to buy a median priced home.
- The financial difficulty of buying or renting a home in Sonoma County will cause employers to pay higher wages and/or cause employees to suffer a housing cost burden, live in overcrowded conditions to save money, or commute from outside Sonoma County and thus increase congestion on Sonoma County roads.
- High housing prices and unavailability of affordable housing options could reduce the attractiveness of Sonoma County to potential employers, weakening economic development and job opportunities for the County's residents.

4. A jobs / housing linkage fee could provide dedicated revenues for affordable housing finance.

- A jobs/housing fee would generate revenue for affordable housing production based on the nexus between the increase in jobs among various land use types (e.g., office, industrial, or hotel development) and the wages paid for jobs in those different land use types. These relationships have been assessed and quantified in this study, and the resulting fee calculations serve as a starting point for policy discussions regarding the extent to which these fees can and should be used to generate affordable housing production funds.
- As an initial proposal, it is recommended that the jobs/housing linkage fee contribute ten percent of the subsidy needed to provide affordable workforce housing (as calculated over a five year time period).

- It is initially recommended that the jobs/housing linkage fee be applied to three land use categories: Commercial, Industrial, and Retail.
 - A fee representing ten percent of the needed subsidy would result in the following fees per square foot:
 - Commercial: \$2.08 per square foot;
 - Industrial: \$2.15 per square foot;
 - Retail: \$3.59 per square foot.
 - If employment growth and associated development occur at their projected rates over the next five years, jobs/housing fees at the levels listed above could generate as much as \$35.5 million dollars.
 - Revenues from a jobs/housing fee would combine with other funding sources to construct affordable units. Significant annual sources of funds for housing programs include federal low-income housing tax credits, CDBG, and HOME funds, and RDA housing set-asides.
 - Approximately 22 percent of housing developed in Sonoma County since 1996 has been specifically targeted to lower income households. A total of 2,809 units have been constructed to serve families, seniors, and disabled residents in very-low, low and moderate income groups. County-wide jobs/housing fees at the levels proposed in this report could generate enough funding to construct up to 1,180 affordable units over five years. These potential units represent the equivalent of 42 percent of affordable units constructed in the County from 1996 to 2001.
- 5. Efforts to implement a jobs / housing fee can be enhanced by cooperative action of local governments and the private sector.**
- As part of the implementation process, the cities and County of Sonoma will need to make important strategy decisions regarding level of jurisdictional cooperation, fee collection, and fee distribution.
 - Expanded public/ private cooperation will be important to successfully adopting a jobs/housing fee.
 - A jobs/housing linkage fee schedule is only one component in achieving affordable housing goals. Other equally and perhaps more important factors include the supply of sites suitably zoned for affordable units as well as community attitudes toward affordable projects.

I. INTRODUCTION

BACKGROUND

The robust economic growth of the Bay Area during the later half of the last decade has been well documented. Through expansion of existing high technology companies and the many new start-up firms, the employment base and wealth of Sonoma County and neighboring Marin County has grown significantly. However, the supply of housing, reflecting a pattern throughout California, has grown less quickly than employment. At the same time rapidly inflating housing prices in other Bay Area locations made Sonoma County appear relatively affordable, shifting regional demand northward. As a result, housing prices in the County escalated substantially. Many communities in Sonoma County where the housing has historically been affordable to moderate income households are increasingly finding that they are being priced out of the market. Inflated housing prices and limited supply typically creates a “jobs/housing imbalance” in which many workers, especially lower paid workers, are forced to move increasing distances from their jobs -- a situation that deflates workers’ effective income, weakens community values, and increases congestion on the major highways and causes related impacts throughout the Region.

While the current economic slowdown will result in reduced job growth, in-migration, and housing construction in the near term, the imbalance established in recent years is not expected to be substantially altered. At some point the lack of affordable housing will detract from the ability of local business to sustain themselves, let alone expand. Coping mechanisms that have been relied upon in other parts of the Bay Area including the commuting of large numbers of workers from other areas (e.g., the Central Valley) are not available to businesses in Sonoma County, although increased commuting is evident along the Highway 101 corridor from Lake and Mendocino Counties. Without adequate housing economic growth could be curtailed and even the ability to maintain the existing workforce, many of whom occupy housing that their current incomes could not purchase at current market prices. Thus an ample supply of housing affordable to the local workforce should be a primary consideration in economic sustainability and development – especially in the “new economy” that is driven largely by the availability of a highly educated and talented workforce.

The shortage of housing affordable to lower- and moderate-income households extends beyond the boundaries of individual jurisdictions. Because workers and employers are highly mobile, commonly living and working in different places in the County, there is no balance of jobs and housing within any individual jurisdiction. The jobs housing imbalance could be addressed through a more coordinated effort by neighboring jurisdictions within the County and more direct involvement of the private sector, including both employers and the construction sector.

Such an approach could institute new housing policy initiatives (e.g., optimal use of available land and funding resources) while not placing one jurisdiction at a economic advantage or disadvantage vis-à-vis its neighboring jurisdictions.

WORKFORCE HOUSING LINKAGE FEE STUDY

The cities and County government of Sonoma County have joined together to study the workforce housing problem and, specifically, how employers might contribute to solutions. It is hoped that through a new cooperative effort opportunities to address the complex problem of assuring adequate housing for the County's workforce, and others in need of affordable housing, can be identified and implemented. Throughout this report, the term "affordable housing" describes housing affordable to very low, low, and moderate income households who pay a maximum of 30 percent of income for housing.¹

The Workforce Housing Study grew out of ongoing housing policy development in Sonoma County as each of the jurisdictions are currently updating their housing elements. Specifically, the City of Santa Rosa has been considering a range options for improving affordable housing production over the past several years, including the levy of a "jobs/housing linkage fee." The City Council recognized that such a fee, given the regional nature of jobs and housing distribution in the County, could be both unfair and ineffective if only imposed in one jurisdiction. Thus an effort was undertaken to garner the support of other jurisdictions to study the matter. Each of the cities and the County subsequently contributed, on a proportional basis, to funding the study effort.

At the same time private industry and public interest groups have joined to create the Sonoma County Housing Coalition, an organization committed to evaluating the housing problem and bringing forward new ideas for addressing identified problems. At its recent convention, the Housing Coalition adopted a policy platform that includes a range of approaches for solving the housing problem. One of the approaches suggested by the Housing Coalition most relevant to this study is the "housing trust fund," a pool of funding that would be created and cooperatively managed to meet housing needs in the County. The relationship between such a trust fund and the jobs/housing linkage fee considered in this study will need to be carefully considered and developed.

This study analyzes the opportunity to increase funding for affordable housing through the adoption of a jobs/housing linkage fee schedule. It provides a technical assessment of the housing situation in Sonoma County, establishes a rational nexus between employment growth and affordable housing needs, makes preliminary recommendations regarding a jobs/housing linkage fee, and offers policy options for fee implementation. This effort is ideally collaborative, engaging local governments, private industry (including traditional employers, the emerging high technology industries, and the building industry), and various public interest groups.

¹HUD generally defines very low-income as earning less than 50 percent of area median income (AMI); low income as earning between 50 and 80 percent of AMI; moderate income as earning 80 to 120 percent of AMI. The 2001 HUD median family income in the Santa Rosa PMSA is \$61,800.

This study is not exhaustive. Several other strategies that could be used to increase funding for affordable housing such as adoption of a new sales tax, payroll tax, or parcel tax, are not examined in depth. In addition, this study does not approach the challenge of achieving a jobs/housing balance through strategies for attracting employment to areas of the County that are housing rich but have few jobs.

It is important to note that a jobs/housing linkage fee is only one component in achieving affordable housing goals. Other equally and perhaps more important factors include the supply of sites suitably zoned for affordable units as well as community attitudes toward affordable projects. The County and its jurisdictions will have to address these issues through separate efforts that may include zoning changes, streamlined entitlement processing, and concerted community education and outreach. Without appropriately zoned land and community support, funding initiatives alone will be ineffective.

II. EMPLOYMENT AND HOUSING MARKET TRENDS

A Countywide jobs/housing linkage fee would be designed to allocate some of the costs of providing an affordable housing stock to the companies who attract employees and households in need of that affordable housing. Several factors influence the importance and relevance of such a program, including the following:

- The locational balance of jobs and housing within Sonoma County;
- The propensity of workers to live within the jurisdictions in which they work;
- The housing price and production trends within the County and its jurisdictions; and,
- The affordability of homes to current and future County residents.

Please note that much of the data presented in this chapter is intended to demonstrate five year historical trends (1996-2000); however, where partial data for 2001 was available it has also been included.

COUNTY JOB AND HOUSING LOCATION PATTERNS

Sonoma County was home to 203,530 jobs in the year 2000, ranking 6th among the nine Bay Area counties in total employment. Job growth has been rapid in Sonoma County, growing by 19.3 percent between 1990 and 2000. This job growth rate ranked 3rd among the Bay Area counties. Overall, Bay Area employment grew by 15 percent between 1990 and 2000, and totaled 3,688,590 jobs in 2000.²

During this same ten year period, the number of housing units in the Bay Area grew by only eight percent -- just over half the rate of the job growth. In Sonoma County, job growth outpaced housing production -- with employment growing by 19.3 percent and housing units increasing by 13.7 percent.³

There are more employed residents than jobs in Sonoma County, meaning there is a net out-commute of workers with the majority of outbound commuters bound for work destinations in Marin County. Within the County the ratio of jobs to employed residents varies dramatically by jurisdiction, and some cities are net providers of jobs (i.e., contain more jobs than employed residents) while other communities serve primarily as housing locations. As shown on **Table 2.1**, cities such as Santa Rosa and Sebastopol have more jobs than employed residents, while Cotati, Windsor, and the Unincorporated County have far fewer jobs than employed residents. Communities that have a higher proportion of jobs to housing typically benefit from the higher public revenues (e.g., sales taxes) and lower service costs associated with employment uses, while more housing-dominated communities may bear higher service costs and receive comparatively fewer public revenues. The Association of Bay Area Governments

² Source: ABAG Projections 2000

³ Sources: ABAG Projections 2000 (for jobs); California Department of Finance (for housing units).

(ABAG) has developed a model to allocate housing production requirements among Bay Area jurisdictions. This model generates the Regional Housing Needs Determination (RHND), which shows the total number of housing units that should be produced annually and over a 7.5 year period, and also shows the distribution of these units at various levels of affordability.⁴ **Tables 2.2** and **2.3** show the relationship between the RHND affordable housing production requirement and the number of jobs projected for each jurisdiction between 2000 and 2005.⁵ As these tables indicate, some jurisdictions (like Windsor) are required to provide many more affordable housing units than the number of jobs projected, while other jurisdictions (like Petaluma) will add far more jobs than affordable housing units.

This discrepancy could create or perpetuate a fiscal imbalance among jurisdictions, whereby some jurisdictions must shoulder the financial costs of producing affordable housing while reaping relatively minor revenues from new job growth. A Countywide workforce housing program can help to level this playing field, by distributing both costs and revenues for affordable housing more equitably without necessitating a significant change in the character of land use and development in each jurisdiction. That is, housing-rich jurisdictions may continue to be bedroom communities to other job-rich employment centers, rather than being forced to prioritize employment development so that revenues for affordable housing could be generated.

COUNTY AND JURISDICTIONAL COMMUTING PATTERNS

Sonoma County is unique in the Bay Area region in that the labor force is highly self contained. In 1990, 91 percent of jobs in the County were held by people who also lived within the county. This proportion was significantly higher than was found in any other Bay Area County (see **Table 2.4**). Applying this 91 percent figure to the Year 2000 Sonoma County employment estimates, roughly 185,200 people both lived and worked in Sonoma County last year.⁶

An estimated 18,300 jobs in Sonoma County were filled by residents of other counties. Conversely, an additional 31,900 Sonoma County residents worked outside the county. These trends reflect the minor net outward commute of workers in Sonoma County.

A significant proportion of the outward commute occurs as Sonoma County residents travel south to Marin and San Francisco counties. The propensity to work outside Sonoma County is significantly higher in the southern portion of the County, compared to northern jurisdictions (see **Table 2.5**).

⁴ According to the U.S. Housing and Urban Development standards, households earning less than 50 percent of the Sonoma County median income are considered "very low-income," households earning 50 to 80 percent of median income are "low-income," households earning 80 to 120 percent of the median income are "moderate income," and households earning more than 120 percent of median income are "above-moderate income." ABAG's affordable housing units are those required at very low-, low-, and moderate-income levels.

⁵ Job growth projections by jurisdiction are from ABAG Projections 2000.

⁶ Updated journey-to-work data from the 2000 U.S. Census will not be available until Summer 2002.

Table 2.1 Jobs and Employed Residents by Jurisdiction, 2000

Source: ABAG

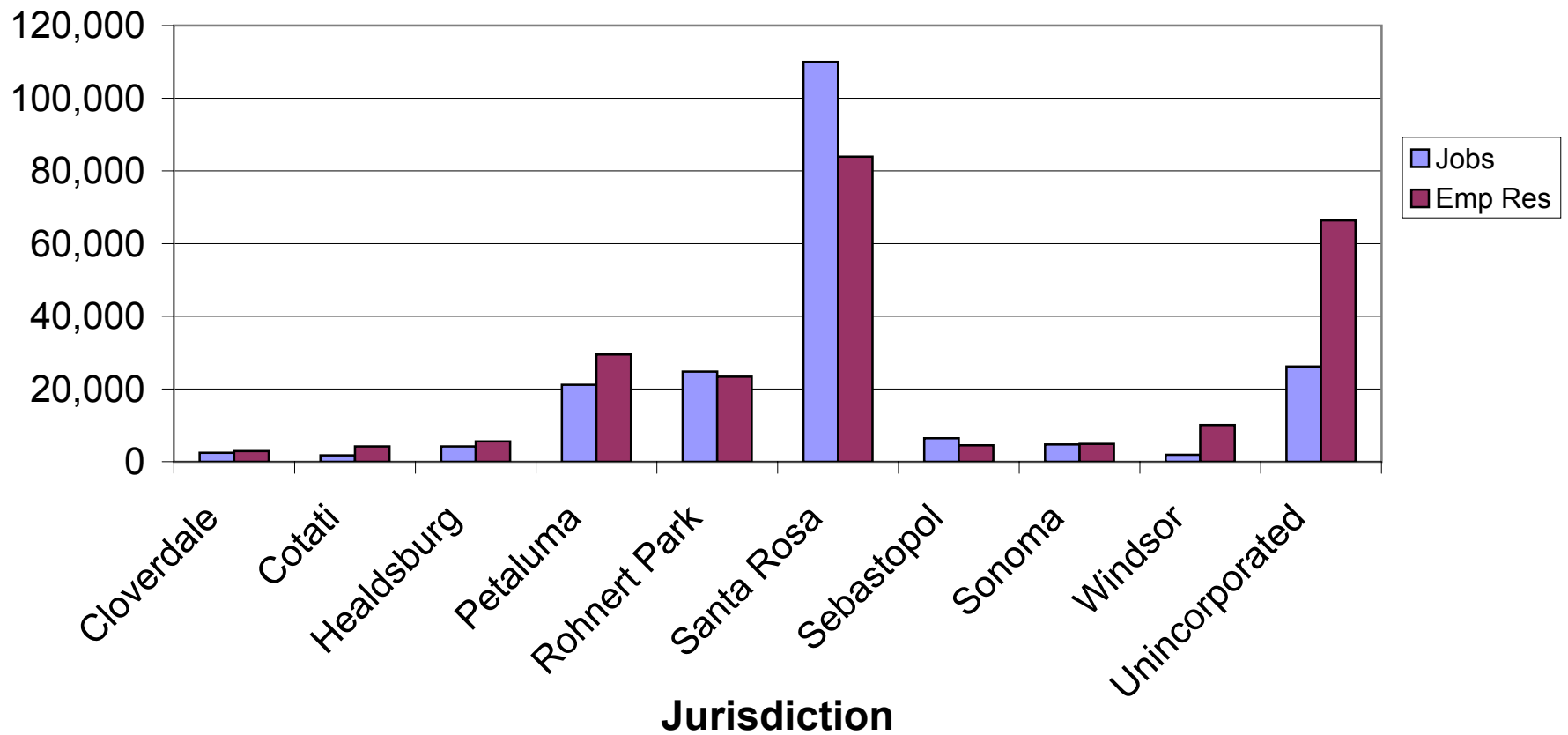


Table 2.2
Affordable Housing Production Requirements versus
Job Growth, 2000-2005

Source: ABAG

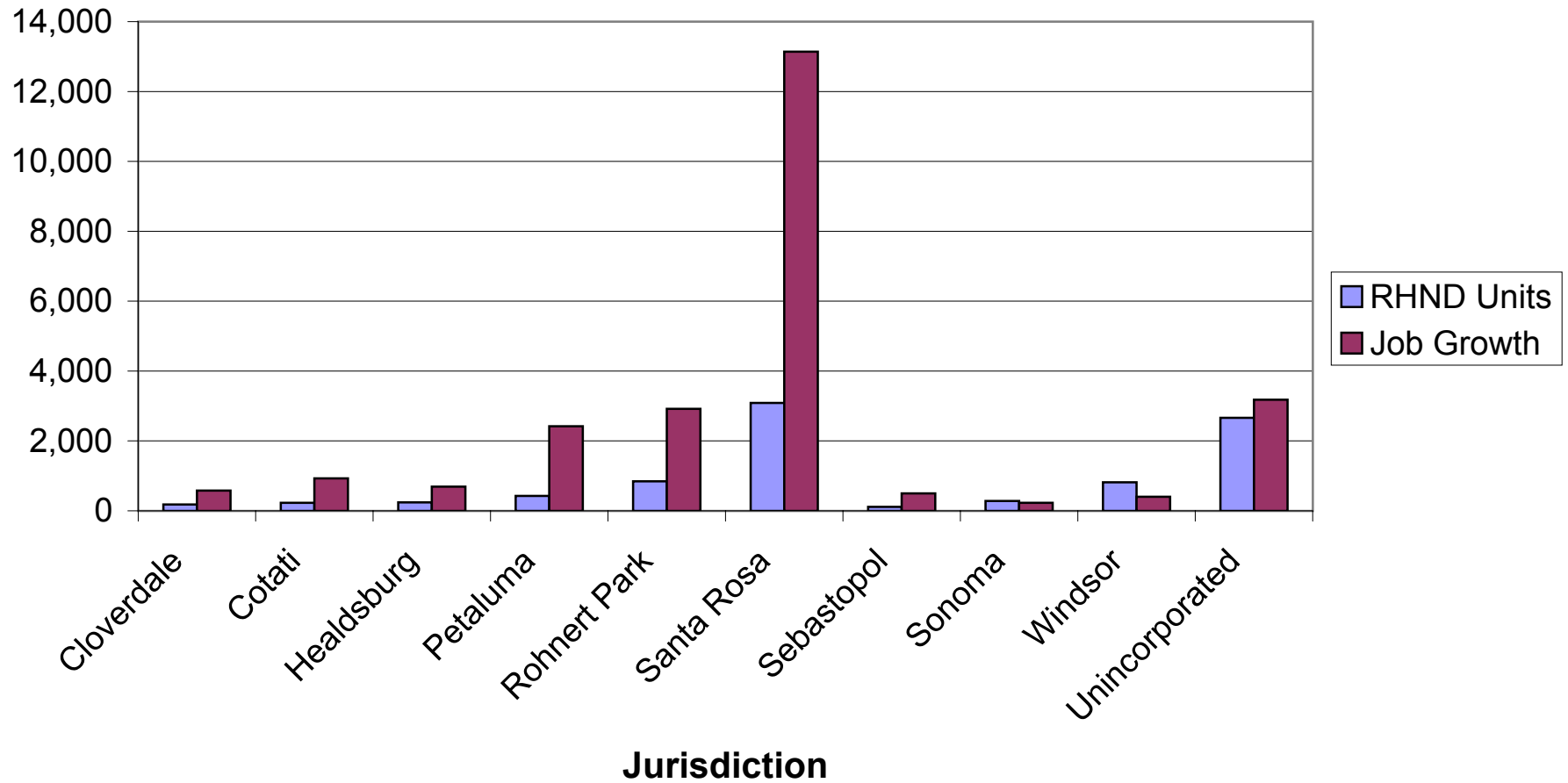
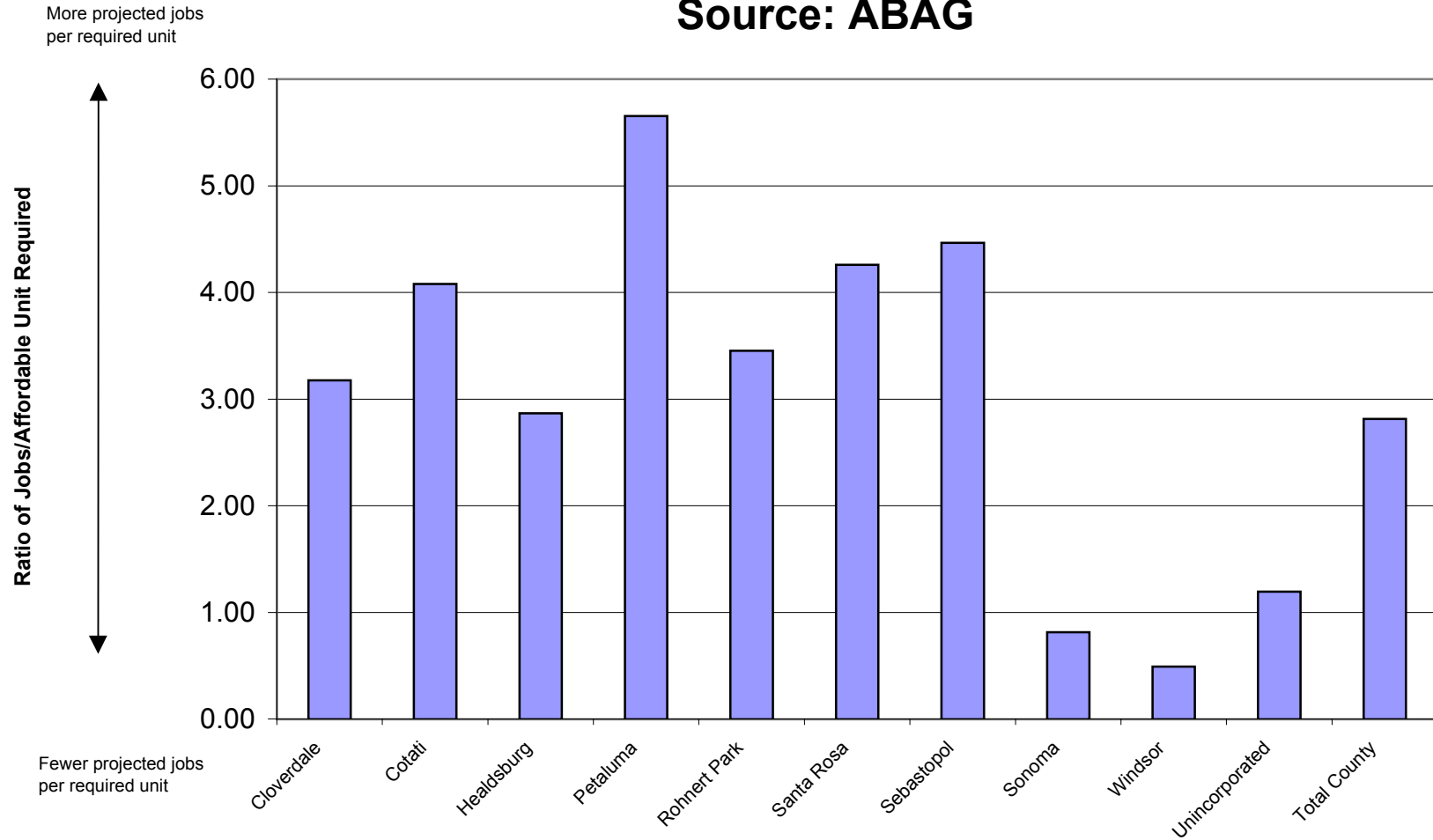


Table 2.3
Projected New Jobs per Unit of Affordable
Housing Required 2000-2005*
Source: ABAG



*See Table 2.2 for absolute numbers of projected job growth and required affordable units.

Table 2.4 1990 Jobs in County held by County Residents

Source: US Census Bureau, ABAG

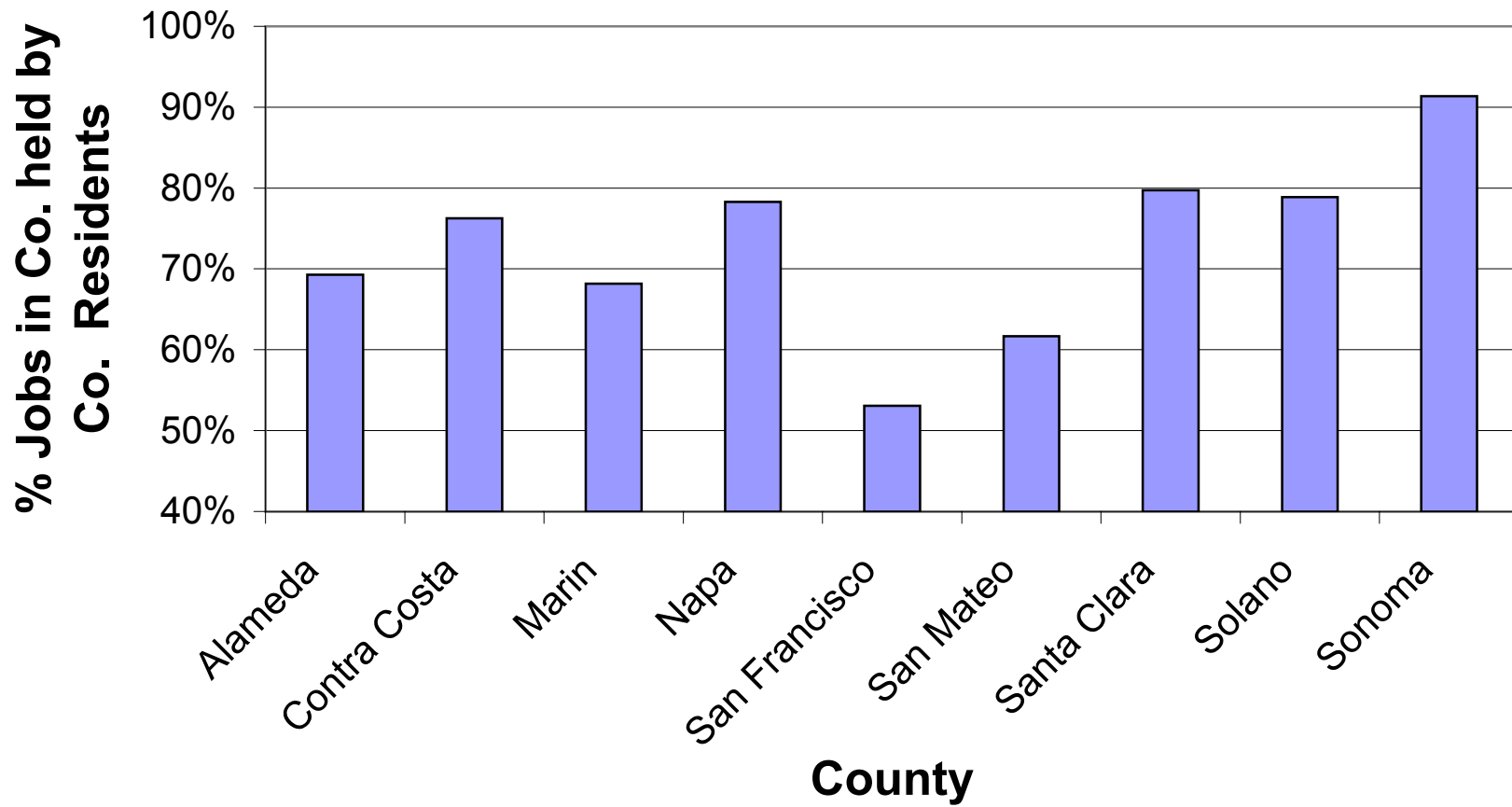
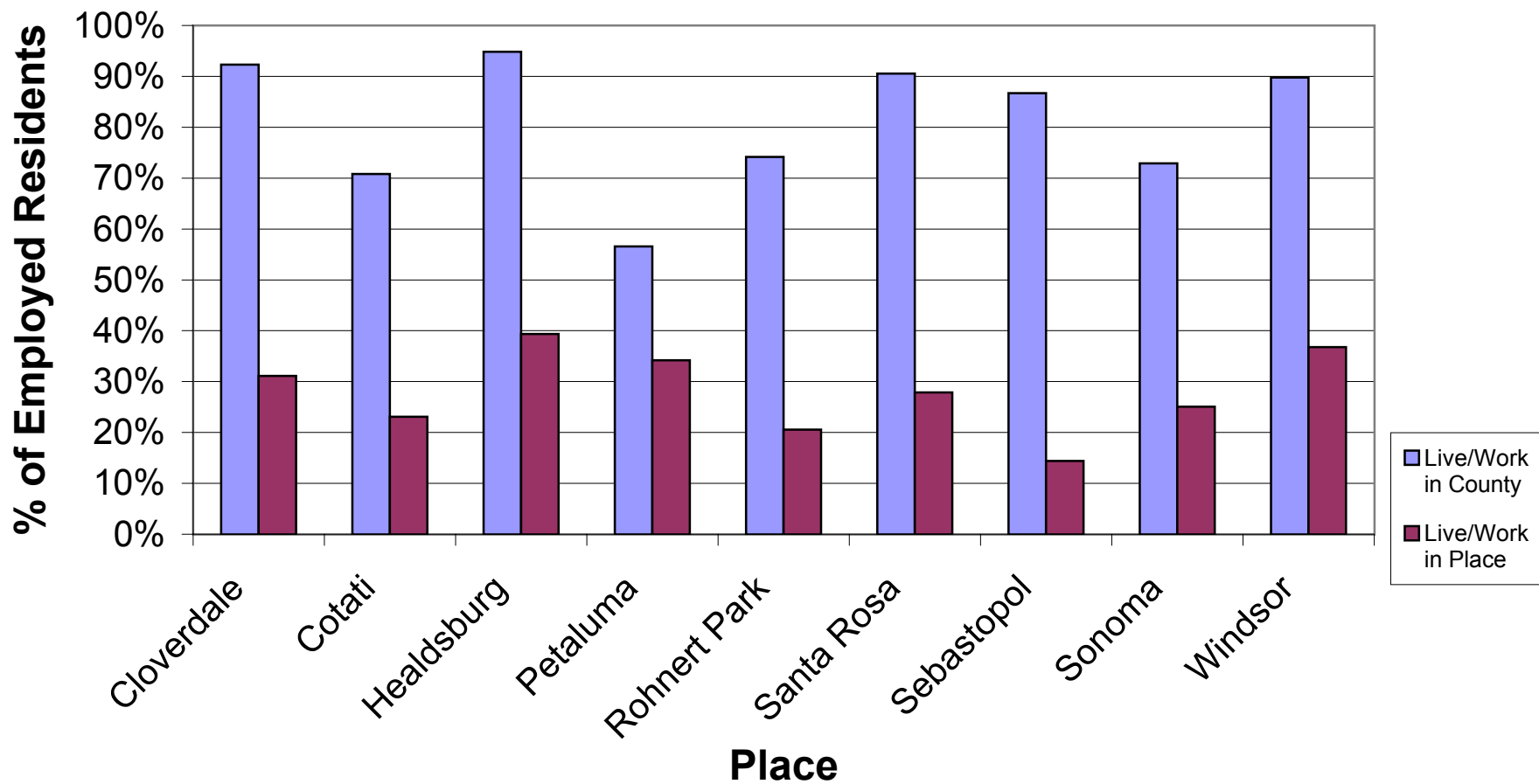


Table 2.5 1990 Employed Residents who Live and Work in County and Place

Source: US Census Bureau; ABAG



The growth rate of jobs and employed residents in Marin and San Francisco counties has been even more disparate than in Sonoma County, creating a net demand for housing that has been felt outside of these counties.

While most employed residents of each Sonoma County jurisdiction work within the County, relatively few actually work within their home jurisdiction. **Table 2.5** shows that the strong majority of residents in each jurisdictions do not work within their jurisdiction of residence.

A workforce housing program that seeks only to recoup the costs of housing demand attributable to job growth within each individual jurisdiction would significantly discount the total Countywide cost of producing the affordable housing actually required by job growth. If, for instance, a linkage fee were designed to only address the Sebastopol workers' demand for housing *in* Sebastopol, only 14 percent of local workers would demand housing within that jurisdiction. However, 87 percent of Sebastopol workers live somewhere in the County (either Sebastopol or elsewhere), and the previously described linkage fee would not address the 73 percent of Sebastopol workers demanding housing elsewhere in the County. By assessing housing demand on a Countywide scale and applying a linkage fee to job growth throughout the County, the linkage fee can deal with the full impact of Sonoma County job growth on the County housing demand.

HOUSING PRICE AND PRODUCTION TRENDS

Housing prices in Sonoma County and the entire Bay Area have risen very rapidly in recent years. **Table 2.6** shows the recent escalation of home prices in each Bay Area county. In total, Bay Area home prices have increased by 79 percent since 1995. In all Bay Area counties, median home prices have increased by at least 44 percent since 1995, and some counties (San Francisco and Santa Clara) have had price increases of more than 100 percent. Sonoma County home prices are now 6th highest among the nine Bay Area counties. In 1995, Sonoma County prices ranked 7th highest in the Bay Area.

As shown on **Table 2.7**, the median home price in Sonoma County has increased from \$175,854 to \$312,747 between 1996 and 2001 -- an increase of 78 percent. Condominium and townhome prices, while still considerably lower than single family home prices, have actually risen faster -- 84 percent over the last five years. The great majority of homes in Sonoma County are single family detached residences, which command the highest prices. In recent years, the proportion of Sonoma County homes in the single family detached category has actually increased (**Table 2.8**), as fewer apartments and other multi-family units have been constructed.

Table 2.6 Bay Area Home Prices, 1995-2001

Source: RAND California

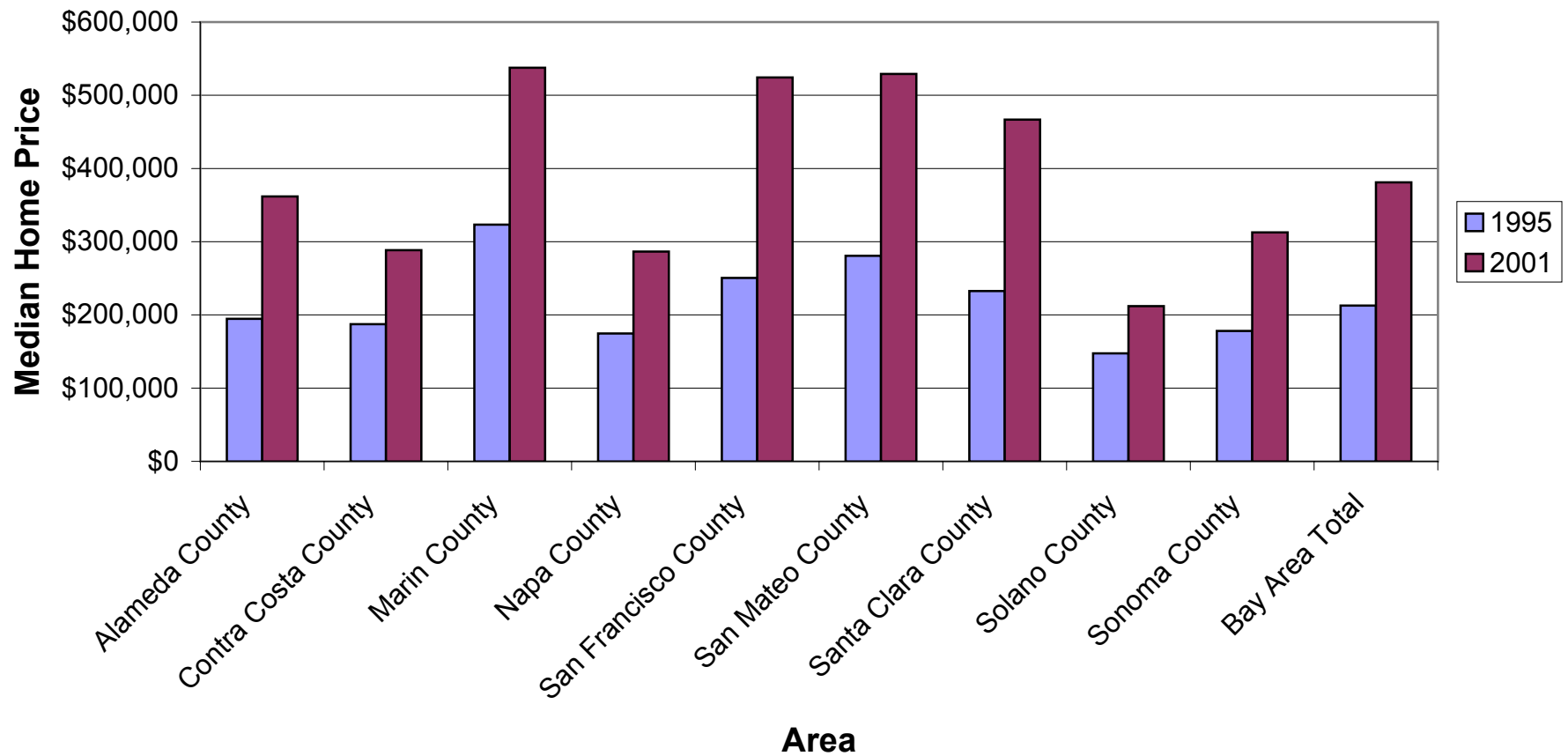


Table 2.7
Median Sonoma County Home Sale Prices
by Unit Type, 1996-2001

Source: RAND California

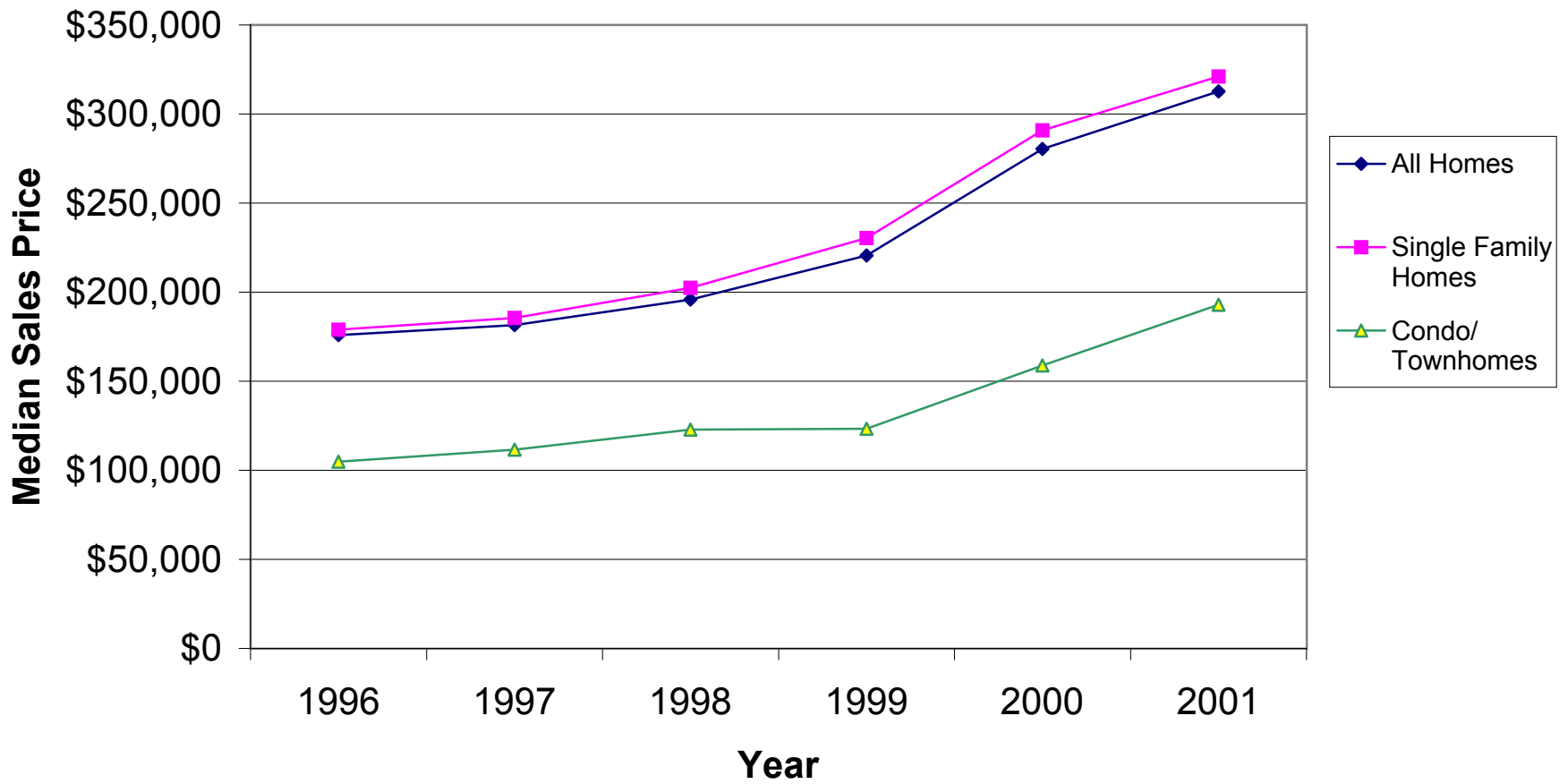
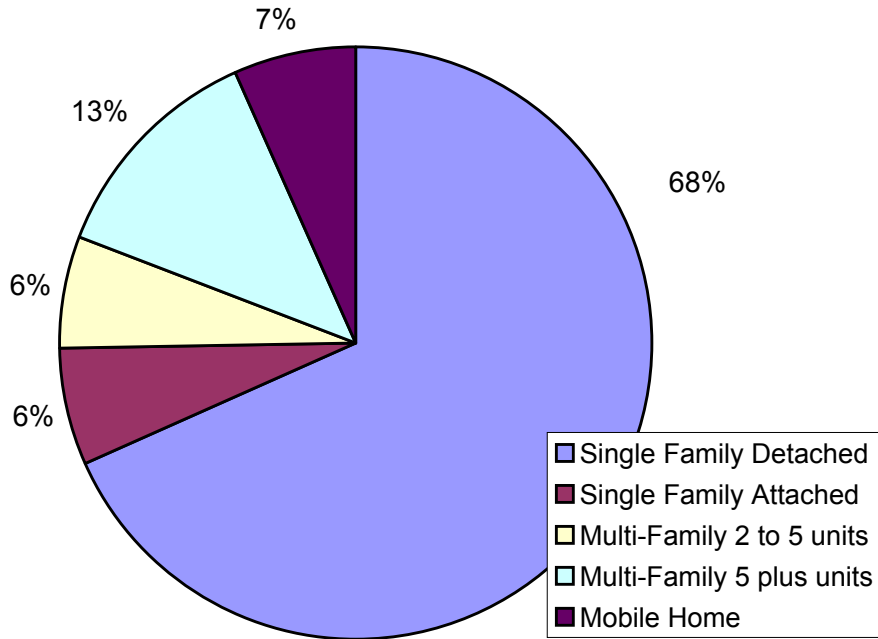


Table 2.8

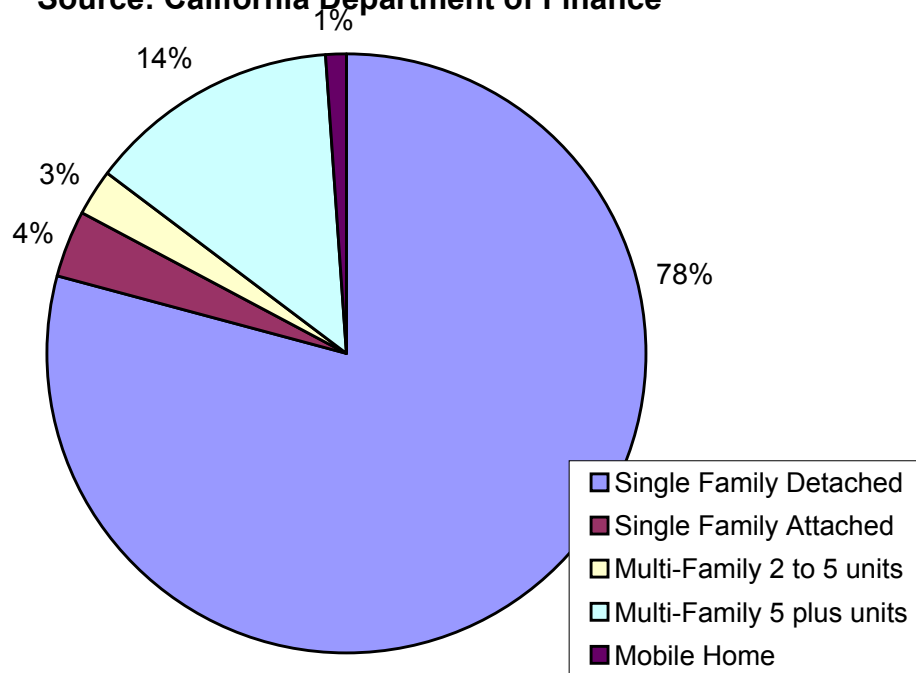
Housing Unit Mix in Sonoma County, 2000

Source: California Department of Finance



Percent of New Units Added, 1996-2000

Source: California Department of Finance



Rental housing prices have also increased dramatically. The rental market in Sonoma County has also become significantly more expensive. A recent survey of apartment complexes throughout Sonoma County revealed that the average rent for a two-bedroom, one-bathroom unit was \$1,095 per month. This figure, if representative of the entire Sonoma County rental market, represents a 70 percent increase in rental prices since 1990.⁷

Table 2.9 shows the 2001 median home price for each Sonoma County jurisdiction, and the rate of change in prices between 1996 and 2001. In each jurisdiction, the median home price now exceeds \$250,000 and reaches as high as \$366,600 in Petaluma. Each jurisdiction has also shown rapid five-year price escalation, ranging from 52 percent in Sebastopol to 114 percent in Cloverdale.

Several factors have contributed to the escalation of home prices. Real incomes have escalated. According to ABAG, the inflation-adjusted average household income increased 13 percent between 1995 and 2000.⁸ This increase in real income has meant that households could afford higher housing costs than would simply be attributable to normal inflation. However, even adjusting housing prices for normal annual inflation (at three percent per year), Sonoma County housing prices increased 26 percent between 1995 and 2000 -- twice the rate of increase for household incomes.

Supply limitations explain much of the price increases beyond those attributable to income increases. As mentioned above, the rate of housing production in Sonoma County has been well below the rate of employment growth. **Table 2.10** shows the growth rates for employment and housing units in each Sonoma County jurisdiction between 1990 and 2000. While some jurisdictions, such as Cloverdale, added houses more rapidly than jobs, on the whole the County's employment base has grown roughly 50 percent faster than the housing stock. The relative lag in housing supply in most jurisdictions has created a shortage in the market, driving prices upward.

A workforce housing program is intended to alleviate some of the strain on the housing supply by generating revenues that can be used to subsidize the production of housing units affordable to lower income workers. By adding to the housing supply and restricting the prices of homes and the income levels of residents of those homes, lower income workers can find housing without competing with higher income workers who can pay more at market rates.

⁷ The apartment survey was performed for the Sonoma County Housing Element Update, Spring 2001, and surveyed 40 apartment complexes throughout Sonoma County. The results were compared to the median rent price from the 1990 Census for Sonoma County.

⁸ Source: ABAG Projections 2000

Table 2.9
2001 Median Housing Prices and Price Changes 1996-2001
Source: RAND California

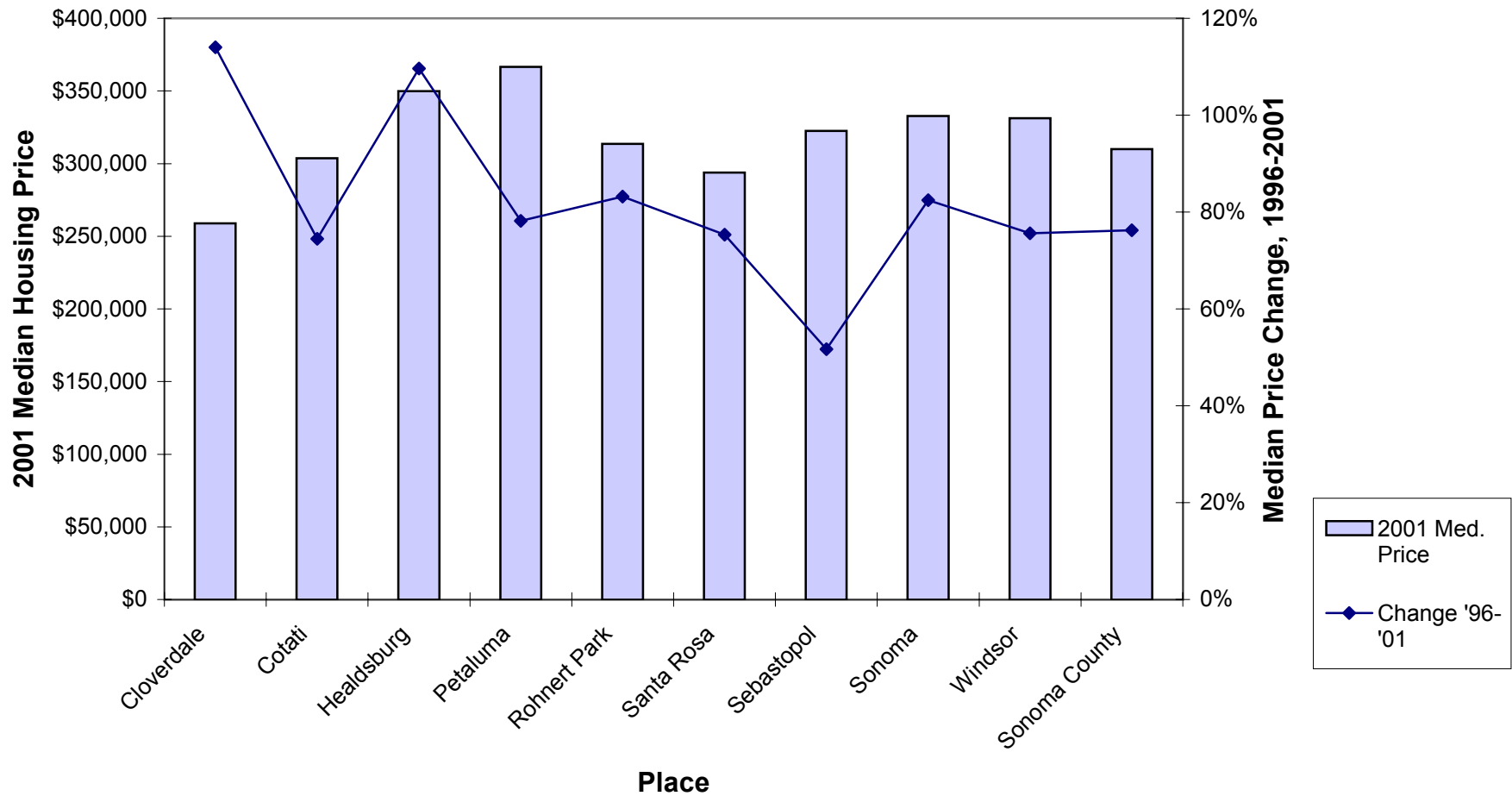
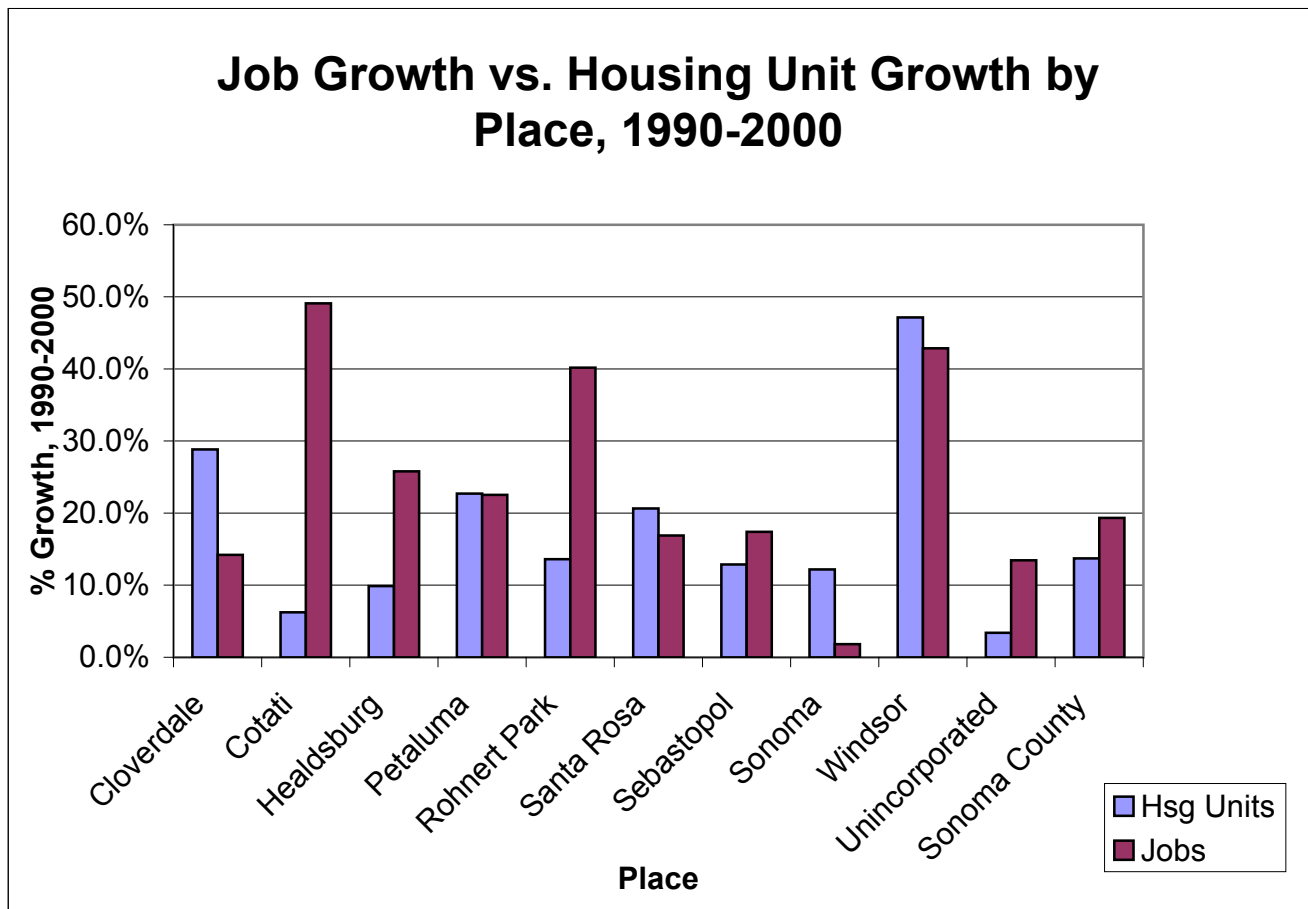


Table 2.10
Job Growth vs. Housing Unit Growth by Place, 1990-2000
Sonoma County Workforce Housing Study

Place	Jobs 1990	Jobs 2000	Job Growth	Percent Growth	Hsg Unit 1990	Hsg Unit 2000	Hsg Unit Growth	Percent Growth
Cloverdale	2,040	2,330	290	14.2%	2,033	2,619	586	28.8%
Cotati	1,120	1,670	550	49.1%	2,433	2,585	152	6.2%
Healdsburg	3,180	4,000	820	25.8%	3,766	4,138	372	9.9%
Petaluma	16,510	20,230	3,720	22.5%	16,546	20,304	3,758	22.7%
Rohnert Park	17,020	23,860	6,840	40.2%	13,915	15,808	1,893	13.6%
Santa Rosa	89,910	105,100	15,190	16.9%	47,726	57,578	9,852	20.6%
Sebastopol	5,230	6,140	910	17.4%	2,942	3,321	379	12.9%
Sonoma	4,420	4,500	80	1.8%	4,164	4,671	507	12.2%
Windsor	1,330	1,900	570	42.9%	5,252	7,728	2,476	47.1%
Unincorporated	29,790	33,800	4,010	13.5%	62,285	64,401	2,116	3.4%
Sonoma County	170,550	203,530	32,980	19.3%	161,062	183,153	22,091	13.7%



Sources: ABAG Projections 2000; US Census Bureau; Economic & Planning Systems, Inc.

HOUSING AFFORDABILITY

The fact that housing prices have increased more quickly than incomes has resulted in a less affordable local housing supply for workers in Sonoma County and throughout the Bay Area. In 2000, the National Association of Home Builders released a study ranking 177 metropolitan areas across the nation in terms of the affordability of the housing stock.⁹ This study accounted for the income levels of each region's residents as well as the prices of homes. Out of 177 metropolitan areas, Sonoma County (the Santa Rosa PMSA) ranked 173rd, meaning only four other regions in the nation had a less affordable housing stock. Perhaps not surprisingly, those four other regions were also in the greater Bay Area, and included the Salinas and San Jose areas (tied for 174th least affordable), Santa Cruz-Watsonville (ranked 176th), and San Francisco¹⁰ (ranked last at 177th). The neighboring Vallejo-Fairfield-Napa PMSA ranked only slightly higher, at 168th, making it the 10th least affordable housing market in the nation.

In the Santa Rosa PMSA, only 13.8 percent of all homes sold in 2000 were affordable to households making the area's median income.¹¹ By comparison, 58.4 percent of homes sold across the nation were affordable at the median income level of their local metropolitan areas.

As of this writing, the vast majority of households in Sonoma County cannot afford to buy an average house. However, people obviously do live in Sonoma County, and continue to move into the county faster than residents move out. Clearly, then, there are strategies for coping with these difficult housing market conditions.

Rental housing is more affordable than for-sale housing; the average monthly rent in a recent survey of multifamily developments in Sonoma County was \$1,095, while a mortgage payment on a median priced home would be \$1,950 per month.¹² However, the strong majority (64.1 percent) of homes in Sonoma County are available as for-sale units rather than rental units. The supply of rental housing as a proportion of the total housing stock is decreasing slightly, from 37.1 percent in 1990 to 35.9 percent in 2000, as single family homes are comprising a larger segment of the newly built homes (see **Table 2.8**). Rental housing, therefore, has been only part of the solution to finding homes in Sonoma County.

Other strategies Sonoma County residents employ in securing housing involve spending a greater proportion of income on housing, or having more people live in each household. While the Department of Housing and Urban Development (HUD) has established a standard that not more than 30 percent of gross annual income should be

⁹ Source: National Association of Home Builders' Housing Opportunity Index

¹⁰ The San Francisco PMSA includes San Francisco, San Mateo, and Marin Counties.

¹¹ Per HUD standards, "affordability" is measured as the purchase price than can be supported by a household spending 30 percent of its gross annual income on housing (mortgage, taxes, insurance, etc.).

¹² Mortgage payment calculated on home priced at \$312,747 with 7.25 percent interest on 30-year term, and 10 percent downpayment.

spent on housing, a significant proportion of Sonoma County residents pay more than this amount. This condition is especially prevalent among lower income groups. **Table 2.11** shows the propensity of households at various income levels and different housing tenures to spend greater than 30 percent of their gross income on housing in 1990. Given that housing prices have escalated more rapidly than incomes, this phenomenon is likely to have gotten significantly worse in the last decade. Spending greater than 30 percent of income on housing typically has a negative effect on a household's quality of life as well as incomes, as less money is available for education, health care, food, and clothing as well as more discretionary goods.

Sonoma County households are also becoming larger as a result of the housing market conditions. The average household contained 2.55 people in 1990. This figure increased to 2.60 in 2000. During this time, the proportion of County residents age 0 to 19 has not changed (27.2 percent), which indicates that the difference in household size is attributable to more adults in households, rather than more children. This trend is further evidenced by the fact that an increasing proportion of the County's households are "nonfamily" households of multiple unrelated adults (9.1 percent in 2000, versus 8.0 percent in 1990). Anecdotal evidence from throughout the Bay Area suggests that more and more households are comprised of unrelated adults living together to combine incomes for purposes of affording housing.

Finally, many of the residents of Sonoma County are simply remaining in housing that they found before the recent market price escalation. As noted previously, the price of homes have increased dramatically in recent years. Many Sonoma County residents fortunate to have purchased homes before the dramatic price increases are now residing in homes they could not afford if they had to purchase them now. Average home prices have increased 78 percent in the past five years. Few Sonoma County residents have received wage increases of this magnitude in that same time.

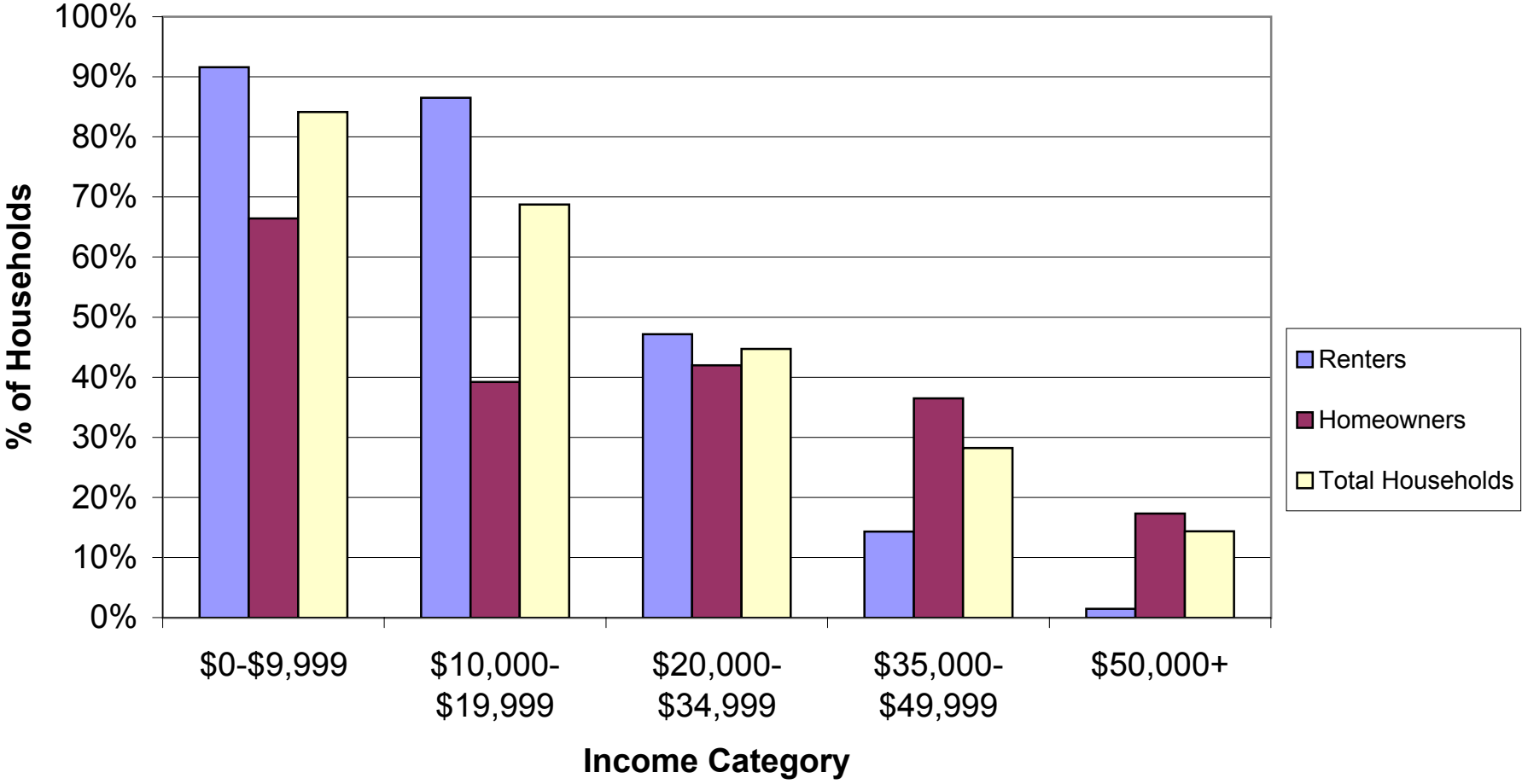
This housing price trend will eventually affect the wage levels of Sonoma County workers. For instance, to purchase the median priced home in 1996, a household would need to have earned \$44,000 per year -- a salary within range for registered nurses, school psychologists, environmental engineers, and real estate appraisers, for example.¹³ To purchase today's median-priced home, a household would require an income of \$78,000. Those same nurses, psychologists, engineers, and appraisers are now making roughly \$55,000 on average. As such jobs are vacated, the people who replace the current workers will either need to: 1) be paid significantly higher wages in order to afford living accommodations comparable to those of their predecessors; 2) spend a larger proportion of their income on housing, and less on other goods and services; 3) find more affordable housing outside of Sonoma County, but incur the costs and inconveniences of long commutes; or 4) defer their goals of homeownership. The first result would directly affect the bottom line of Sonoma County businesses, while the latter three would make employee recruitment and retention difficult.

¹³ These figures are inflation-adjusted from 1999 Bureau of Labor Statistics data for Sonoma County.

These negative results of the housing market price escalation would hold true for new employers in Sonoma County as well as existing employers. Starting a business in an area with such high housing costs will also become more difficult, especially for businesses that rely heavily on a diverse employment base with both high- and low-paying jobs. A workforce housing program that directs funds toward the production of more and more affordable housing can mitigate these negative results. By building more permanently affordable housing in Sonoma County, the County can remain a viable location for both existing and new businesses.

Table 2.11
Sonoma County Households
with Housing Cost Burden, 1990

Source: US Census Bureau



III. EMPLOYER & HOUSING DEMAND LINKAGE

This chapter analyzes projected employment growth and evaluates the impact of this growth on the need for affordable housing. The analysis is intended to demonstrate the rational nexus between employment growth and potential jobs/housing linkage fees. The methodology and assumptions used here do not dictate or otherwise imply how jobs/housing linkage fees should or will be used if they are approved.

EMPLOYMENT FORECASTS AND INCOME DISTRIBUTION

In order to estimate employment growth in Sonoma County from 2001 to 2006 by specific employment categories, EPS used data gathered by the California Employment Development Department (EDD) and the U.S. Department of Labor Bureau of Labor Statistics (BLS). Combining these two data sources allowed EPS to estimate job growth by category at a fine grain and enabled income distribution to be analyzed.

Specifically, EPS analyzed the average annual employment growth projected by EDD for 1997 to 2004 and applied it to BLS' 1999 employment census for Sonoma County to estimate the net job gain for 2001 to 2006. As part of the employment census, BLS gathers data on nearly 350 job descriptions and reports mean annual income for each. EPS assigned each of the BLS job descriptions to one of twelve major employment categories associated with expected land uses: Agriculture, Manufacturing & Distribution, Education, Government, Hotel, Heavy Industrial, Light Industrial, Medical, Office, Retail, and R&D. Employment within each major category was then summarized by average annual income to illustrate the income distribution of projected job growth.¹⁴ Of the nearly 30,000 jobs projected in the County from 2001 to 2006, the majority will pay wages of less than \$30,000 annually, as illustrated on **Table 3.1**.

HOUSEHOLD FORMATION AND DEMAND

Census 2000 data and ABAG Projections 2000 indicate that there are approximately 1.52 workers per household in Sonoma County. This average was derived by dividing total employed residents by total number of working households. Because some households do not include any employed members, households headed by people over age 65 were subtracted from the total number of households in the County in order to develop a proxy for working households.

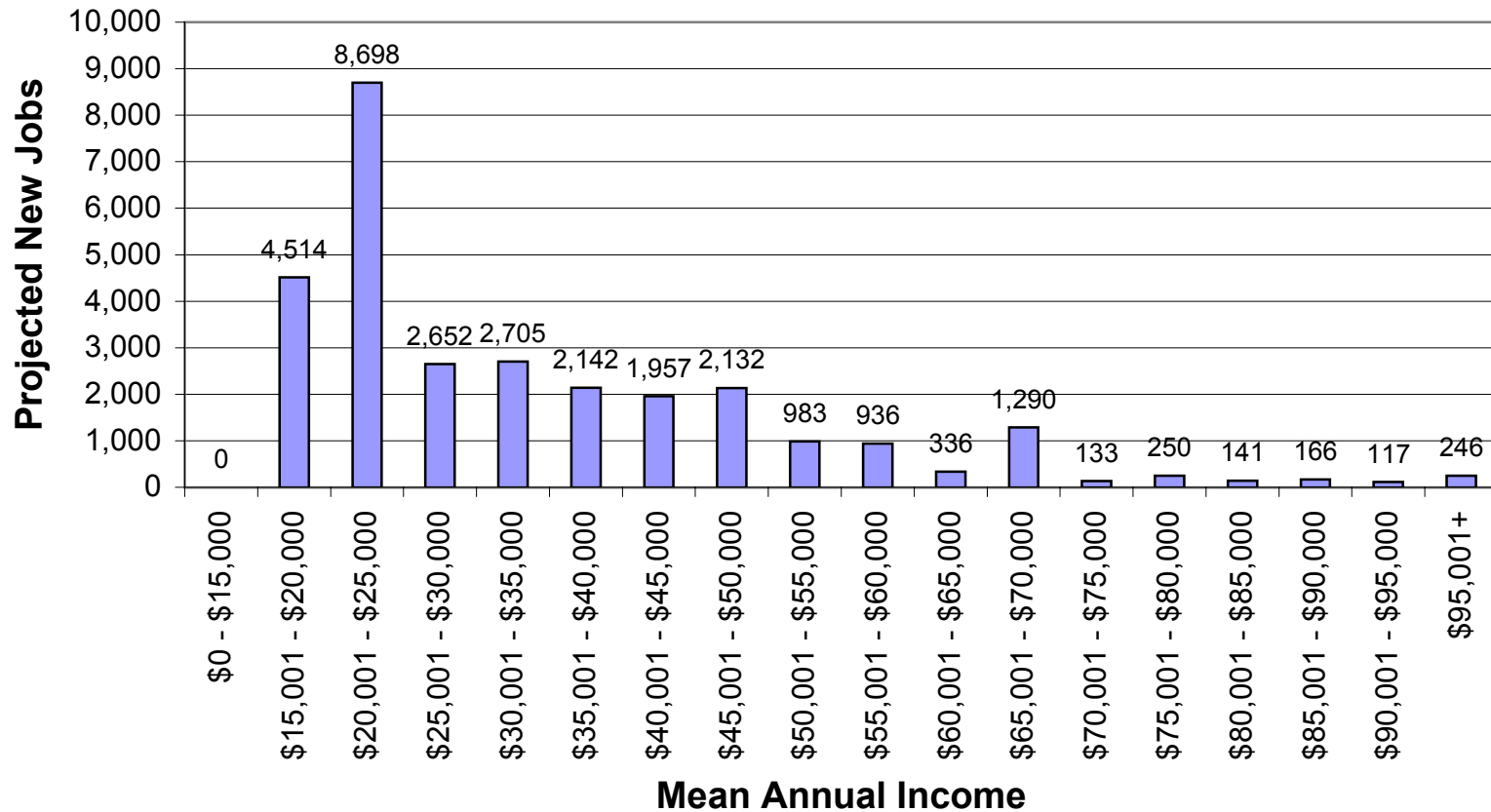
The number of employees projected for each major job category and in each income range was divided by 1.52 to estimate the number of new households resulting from new employment in Sonoma County. This number was further adjusted by the percentage of residents who currently live and work in Sonoma County: 91 percent.¹⁵

¹⁴ Average annual income was reported by the BLS in 1999 dollars and therefore was inflated by 3 percent per year to reflect 2001 values.

¹⁵ From 1990 U.S. Census data.

Table 3.1
Projected Job Growth (2001-2005) in Sonoma County
by Mean Annual Income (2001\$)

Source: US Bureau of Labor Statistics; CA Employment Development Department; EPS



The assumption is that Sonoma County will continue to accommodate the percentage of its workforce that historically has chosen to live in the County. As a result, over the next five years an estimated 15,379 new households will need housing. **Table 3.2** summarizes the estimated number of new households (and the implied housing units required to accommodate them) in each income category.

EMPLOYEE ABILITY-TO-PAY AND SUBSIDY ANALYSIS

A number of calculations and assumptions were made in order to estimate the ability of new employee households to pay for housing and to project the amount of subsidy needed to bridge the gap between ability-to-pay and the cost of producing new housing. These calculations and assumptions are assembled in **Tables 3.3 to 3.6** and **Appendix Tables A-1 to A-11** and are discussed below.

ADJUSTED HOUSEHOLD INCOME

In order to adjust individual employee income to reflect household income, it was assumed that employee household income is equivalent to 1.52 times an individual employee's annual income. For example, 129 agricultural workers are anticipated to earn between \$15,001 and \$20,000 annually. These workers are expected to form households comprised of 1.52 employees. Consequently the top of the income range (\$20,000) was multiplied by 1.52 to result in an adjusted household income of \$30,400. This calculation was done for all income ranges and is illustrated in **Table 3.3**.

This calculation incorporates a number of assumptions, most notably the idea that workers have a propensity to form households with other workers who earn approximately the same income. In reality, workers form households with other people who may earn much less, or much more, or who may not work at all. However, because on average employed residents in Sonoma County live in households with 1.52 workers, it was necessary to adjust individual incomes by some amount to reflect increased earnings at the household level. Lacking specific data on the propensity of workers to form households with other workers in disparate income groups, it was assumed that workers stayed within their income ranges.

ABILITY TO PAY

It is assumed that each household will pay no more than 30 percent of its income toward housing payments. In reality many households in Sonoma County currently pay more. However, housing policies at the State and Federal level generally accept that 30 percent of income is an acceptable housing burden and recognize that above this threshold families begin to have trouble paying for other necessities such as utilities, groceries, and health care. **Table 3.3** illustrates ability-to-pay by income range.

Table 3.2
Projected Households by Income Category
Sonoma County Workforce Housing Study

Employment Category	Projected Households / Units 2001-2006 (1)				Total
	Very Low	Low	Moderate	Above Mod	
Agriculture	78	44	18	0	140
Distribution	306	651	329	46	1,332
Education	7	626	539	368	1,539
Government	0	66	24	-13	77
Hotel	82	0	0	0	82
Heavy Industrial	0	527	230	29	786
Light Industrial	111	1,491	1,144	438	3,184
Medical	43	582	240	513	1,378
Office	23	1,555	831	1,654	4,062
Retail	1,021	815	397	71	2,304
R&D	0	39	162	294	494
Total	1,669	6,396	3,914	3,399	15,379
RHND (2)	2,941	2,019	3,919	5,996	14,875

(1) Assumes 1.52 new employees per household. See Appendix Tables A-1 to A-11 for detailed calculations.

(2) Adjusted to show five year production need.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table 3.3
Household Ability-to-Pay and Housing Subsidy by Income Range
Sonoma County Workforce Housing Study

Income Range	Adjusted HH Income (1)	Yearly Hsing Pmt (2)	Yearly OpEx (3)	Cap. Value (4)	Production Cost (5)	Value Gap / Subsidy
\$0 - \$15,000	\$22,800	\$6,840	\$3,300	\$41,647	\$148,500	(\$106,853)
\$15,001 - \$20,000	\$30,400	\$9,120	\$3,300	\$68,471	\$148,500	(\$80,029)
\$20,001 - \$25,000	\$38,000	\$11,400	\$3,300	\$95,294	\$148,500	(\$53,206)
\$25,001 - \$30,000	\$45,600	\$13,680	\$3,300	\$122,118	\$148,500	(\$26,382)
\$30,001 - \$35,000	\$53,200	\$15,960	\$3,600	\$145,412	\$148,500	(\$3,088)
\$35,001 - \$40,000	\$60,800	\$18,240	\$3,600	\$172,235	\$148,500	\$0
\$40,001 - \$45,000	\$68,400	\$20,520	\$3,600	\$199,059	\$148,500	\$0
\$45,001 - \$50,000	\$76,000	\$22,800	\$3,600	\$225,882	\$148,500	\$0
\$50,001 - \$55,000	\$83,600	\$25,080	\$4,200	\$245,647	\$148,500	\$0
\$55,001 - \$60,000	\$91,200	\$27,360	\$4,200	\$272,471	\$148,500	\$0
\$60,001 - \$65,000	\$98,800	\$29,640	\$4,200	\$299,294	\$148,500	\$0
\$65,001 - \$70,000	\$106,400	\$31,920	\$4,200	\$326,118	\$148,500	\$0
\$70,001 - \$75,000	\$114,000	\$34,200	\$4,200	\$352,941	\$148,500	\$0
\$75,000 +	\$121,600	\$36,480	\$4,200	\$379,765	\$148,500	\$0

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Assumes 30 percent of income will be spent on housing payments.
- (3) Assumes monthly operating expenses of \$275 for very low income units, \$300 for low income, and \$350 for moderate and above moderate income units.
- (4) Assumes a capitalization rate of 8.5 percent.
- (5) Assumes an average total development cost of \$165 per square foot and an average unit size of 900 square feet.

Source: Economic & Planning Systems, Inc.

HOUSING PRODUCTION COSTS

EPS has relied on housing cost data provided by both private and nonprofit housing developers, as well as on previous research pertaining to Sonoma County real estate market. For the purposes of this analysis, cost estimates are limited to "basic" multi-family units using typical prototypes for affordable housing projects. Multi-family construction is generally the most efficient and economical way to accommodate lower and moderate income households and still provide attractive, safe housing. Jurisdictions may decide for a variety of policy reasons to provide other types of affordable units (e.g., for-sale single family houses or townhomes); however, the associated land and construction costs will generally be higher on a per-unit basis.

Construction costs for multi-family units were estimated at \$165 per square foot, which includes land and all other development costs exclusive of developer profit. The apartment prototype was assumed to be a two-bedroom, 900 square foot unit appropriate for a family of three. The resulting average production cost per unit is \$148,500.¹⁶

UNIT VALUE AND REQUIRED SUBSIDY

In order to estimate the value gap between what lower income households can pay and the cost of housing production, capitalized unit values were compared to construction costs. First the value of an affordable unit when rented to households at certain incomes was calculated. This analysis is shown on **Table 3.3**. For example, when a unit is rented to a household earning \$22,800 and housing payments are capped at 30 percent of income, the landlord can expect to receive \$6,840 per year in rent (\$570 per month). When operating expenses (\$275 per month) are subtracted and the net income is capitalized at 8.5 percent (i.e. divided by 8.5 percent), the unit value is approximately \$41,650. In this case, the capitalized value falls almost \$107,000 short of the cost of constructing the unit.¹⁷ This value gap is equal to the total subsidy needed to construct the affordable unit.

¹⁶ Unit size and development costs are conservative estimates; many units actually built in Sonoma County may be larger and more expensive to develop. However, for the purpose of this analysis, increasing assumptions about average unit size and costs will only increase the total subsidy required to provide housing for new workers. Because this subsidy is much too large to ever be met by a jobs/housing linkage fee, there is little value in increasing the assumed size or cost of prototypical affordable units.

¹⁷ Capitalized value is the value estimated by converting an income stream into a lump sum. The formula is Value = Annual Net Income / Capitalization Rate. The "cap rate" represents a rate of return on investment.

Appendix Tables A-1 to A-11 calculate the housing subsidies needed to accommodate new employees in each major employment category. **Table 3.4** summarizes cost per job category and indicates a Countywide subsidy need of almost \$394 million. **Table 3.5** illustrates each jurisdiction's allocation of the subsidy based on its share of total projected employment growth.¹⁸

Although the calculations on **Table 3.3** appear to indicate that households earning a combined income of \$60,000 or more do not need housing subsidies, in fact these moderate income families may need assistance in order to rent or purchase housing units that are currently available in the Sonoma County market. Subsidies calculated on **Table 3.3** represent the gap required to build basic affordable units constructed by non-profit developers. It does not indicate the gap required to enable households to rent or purchase homes at the current median price points in the County.¹⁹ In reality many moderate income households cannot afford to purchase median-priced, single family homes; there are very few multifamily units available (for purchase or rent) that would otherwise provide an affordable alternative. As a result, families earning up to 120 percent of the median income may need assistance in securing housing and should be eligible for housing programs funded through the proposed jobs/housing linkage fee schedule.

MAXIMUM LINKAGE OBLIGATION

Table 3.6 illustrates the maximum jobs/housing linkage obligation per square foot of building space demanded as a result of employment growth. The housing subsidy calculated for each job category is divided by the number of square feet demanded to yield a maximum linkage obligation per square foot in each employment category. Agriculture has been excluded from the per square foot analysis; the low proportion of building space per employee renders this approach inappropriate for linking housing subsidy to agricultural employment growth. Please note that the Agriculture category does not include food or wine processing; these activities are included in Light Industrial.

The maximum obligation represents the amount that would be required if the subsidy for providing affordable housing to Sonoma's workforce were paid entirely from jobs/housing linkage fees. The per square foot costs shown on **Table 3.6** do not represent a fee recommendation but rather demonstrate the magnitude of housing affordability problems that are created by certain sectors, particularly those characterized by low-wage jobs. At the same time, however, employment growth in

¹⁸ Source: ABAG Projections 2000.

¹⁹ In 2001, the average rent for a two-bedroom one-bath apartment in Sonoma County was \$13,400 per year and the median sales price of a single family home was \$312,747; see Chapter II of this report.

low-wage sectors occurs in part as a result of the demand for services by employees and residents in higher-wage jobs. Therefore in determining jobs/housing linkage fees by employment categories, it will be important to reconcile the inevitable relationship between low- and higher-wage employment and to recognize each sector's obligation to participate in the solution of affordable housing problems to which they have directly or indirectly contributed.

It is important to note that in addressing affordability challenges jurisdictions will assemble funding from a variety of local, State, and Federal resources; jobs/housing linkage fees will likely account for only a fraction of the subsidy reflected on **Table 3.6**. The following chapter evaluates and describes the recommended fee per square foot for designated land use types.

**Table 3.4
Summary of Housing Subsidy by Sector
Sonoma County Workforce Housing Study**

Sector	Housing Subsidy (1)
Agriculture	\$7,270,025
Manufacturing & Distribution	\$57,085,845
Education	\$29,880,749
Government	\$1,743,380
Hotel	\$6,582,285
Heavy Industrial	\$18,571,953
Light Industrial	\$69,122,849
Medical	\$22,447,595
Office	\$58,616,457
Retail	\$121,492,884
R&D	\$1,160,462

Total	\$393,974,485

(1) See Appendix Tables A-1 to A-11 for subsidy calculation per sector.

Source: Economic & Planning Systems, Inc.

**Table 3.5
Jurisdictional Employment Growth 2001-2005 and
Associated Housing Subsidy
Sonoma County Workforce Housing**

Area	Share of County Employment Growth (1)	Share of Total Subsidy
Cloverdale	1.3%	\$5,223,800
Cotati	1.2%	\$4,585,910
Healdsburg	2.1%	\$8,396,008
Petaluma	10.3%	\$40,635,299
Rohnert Park	12.1%	\$47,824,489
Santa Rosa	53.9%	\$212,434,518
Sebastopol	3.0%	\$11,947,502
Sonoma	2.2%	\$8,568,411
Windsor	1.0%	\$3,965,260
Unincorporated	12.8%	\$50,393,288
Total	100%	\$393,974,485

(1) ABAG Projections 2000.

Source: ABAG Projections 2000; Economic & Planning Systems, Inc.

Table 3.6
Maximum Linkage Fee Obligation
Sonoma County Workforce Housing Study

Sector	Projected New Employees 2001-2006	SF per Employee	Total SF Demanded 2001-2660	Total Subsidy (1)	Max. Fee per SF
Agriculture (2)	194	na	na	\$7,270,025	na
Distribution	2,220	1,000	2,219,854	\$57,085,845	\$26
Education	2,565	375	961,901	\$29,880,749	\$31
Government	128	300	38,324	\$1,743,380	\$45
Hotel	137	1,500	205,590	\$6,582,285	\$32
Heavy Industrial	1,309	800	1,047,545	\$18,571,953	\$18
Light Industrial	5,305	600	3,183,274	\$69,122,849	\$22
Medical	2,296	500	1,148,092	\$22,447,595	\$20
Office	6,770	275	1,861,625	\$58,616,457	\$31
Retail	6,773	500	3,386,446	\$121,492,884	\$36
R&D	824	400	329,558	\$1,160,462	\$4
Total	28,522 employees		14,382,209 SF	\$393,974,485	

(1) See Appendix Tables A-1 through A-11 for subsidy calculations by sector.

(2) Includes direct farm employment only; food and wine processing employment is included in Light Industrial.

Source: Economic & Planning Systems, Inc.

IV. PRELIMINARY FEE RECOMMENDATIONS

The County and its jurisdictions have a rational basis for implementing up to 100 percent of the maximum fees that are presented in the preceding chapter (see **Table 3.6**); however, local jurisdictions around the State and country that have imposed jobs/housing linkage fees have not levied an amount even close to the suggested "nexus" derived from analysis.

There are three primary considerations involved in determining an appropriate fee. First, there are a range of other programs that contribute to the production of affordable housing that offset the funding need. Federal tax credits alone typically can offset 40 percent or more of the subsidy requirement. Other potential sources of support for housing production include local inclusionary housing requirements and redevelopment housing set-aside funds, and state and federal funding.

Second, the economic impact of fees upon commercial development must be considered. Commercial development is often highly competitive and price sensitive. Added costs can make a given location less attractive in comparison to competing areas. Accordingly, impact fees of all sorts need to reflect the economics of commercial development. Excessively high costs will simply deter desirable commercial and job-producing development and thus affect economic development objectives.

Finally, new employment will be accommodated in both new and existing space. Therefore new development would be paying more than its "fair share" if the total subsidy needed to provide affordable workforce housing were charged to new construction alone.

The jobs/housing linkage fee that is ultimately adopted should take these considerations into account and avoid excessive burdens on the non-residential development industry.

JOBS / HOUSING LINKAGE FEE

As an initial proposal, it is recommended that the jobs/housing linkage fee contribute ten percent of the subsidy needed to provide affordable workforce housing (as calculated over a five year time period). Recommended linkage fees per land use type are illustrated on **Table 4.1** and range from \$2.08 to \$3.59 per square foot. Employment sector categories (as presented in earlier chapters) have been consolidated into three land use categories: Commercial, Industrial, and Retail. These categories describe the type of land uses in which employment sector growth is expected to be accommodated; the recommended fees represent an average subsidy across employment sectors included in each land use category (see **Table 4.1**).²⁰

²⁰ Subsidies needed for Education and Government employment have not been included in the recommended commercial linkage fee calculation because construction of government and school district buildings will be exempt from these fees.

**Table 4.1
Proposed Jobs/Housing Linkage Fees
Sonoma County Workforce Housing Study**

Sector	Total Subsidy	Share of Total at 10 percent	Projected SF	Fee per SF
Commercial (1)	\$87,646,337	\$8,764,634	4,215,532	\$2.08
Industrial (2)	\$145,941,109	\$14,594,111	6,780,231	\$2.15
Retail (2)	\$121,492,884	\$12,149,288	3,386,446	\$3.59
Total (4)	\$355,080,330	\$35,508,033	14,382,209	

(1) Hotel, Medical, and Office employment.

(2) Includes Distribution, Heavy Industrial, Light Industrial, and R&D employment.

(3) Includes Retail employment.

(4) Does not include housing subsidy needed for Agricultural, Education, or Government employment.

If employment growth and associated development occur at their projected rates, these fees could contribute as much as \$35.5 million dollars for affordable housing over the next five years (or \$7.1 million annually). The number of units constructed given this level of funding depends on the subsidy granted per unit. In Santa Rosa, for example, the City typically contributes \$30,000 to \$40,000 in local subsidies per unit of affordable housing that is developed with local assistance.²¹ At that level of subsidy, projected jobs/housing fees could finance the construction of between roughly 890 and 1,180 units over a five year period. These potential units represent the equivalent of 32 to 42 percent of affordable units constructed from 1996 to 2001.

Alternatively, the equivalent of \$7.1 million could be raised annually through other public finance mechanisms such as an increase in sales tax, payroll tax, or parcel tax. For example, \$7.1 million could be generated annually for affordable housing if the following County-wide measures were approved by the voters:

- .1 percent sales tax increase (increasing County sales tax from 7.25 to 7.35 percent);
- \$39 annual parcel tax paid by property owners in addition to other taxes owed;
- .11 percent payroll tax applied to all wages and salaries disbursed in the County.

ECONOMIC IMPACT OF PROPOSED LINKAGE FEE

Generally speaking, the fees presented in **Table 4.1** are higher than fees currently charged in other Northern California communities. **Table 4.2** offers a sampling of these fees by land use type and jurisdiction.

Fees will increase the total cost of development. For example, shell construction costs for a two- to three- story office building are estimated at approximately \$93 per square foot. At \$2.08 per square foot, the proposed commercial linkage will increase building construction costs by 2 percent. Vertical construction for industrial space (suitable for light manufacturing) is estimated to cost \$59 per square foot. The proposed industrial fee (\$2.15 per square foot) will increase building costs by approximately 3.6 percent. Finally, building costs for retail space are estimated at \$74.50 per square foot. The proposed retail linkage fee (\$3.59 per square foot) will increase shell construction costs by 4.8 percent.

Increased development costs associated with jobs/housing linkage fees will be absorbed by land prices, potentially causing a reduction in market land values. It is not anticipated that added development costs will be passed on to tenants, as rental rates will not rise above what market demand dictates.

²¹ In most cases, additional subsidies per unit will also be required from other sources such as the Low-Income Tax Credit Program and other state and federal grant programs.

Table 4.2
Comparison of Non-Residential Linkage Policies
Sonoma County Workforce Housing Study

Jurisdiction	Type of Program	Applicable Development	Fee per Square Foot
City of Alameda	In-Lieu Fees	Non-Residential	\$1.50 Retail \$3.00 Office \$0.50 Warehouse/Manufacturing \$770.00 Hotel (per hotel room)
City of Pleasanton	In-Lieu Fees	Non-Residential	\$0.52 Non-Residential
City of Sacramento	In-Lieu Fees	Non-Residential	\$0.79 Retail \$1.99 Office \$0.84 R & D \$0.62 Manufacturing \$0.27 Warehouse \$0.94 Hotel
County of Sacramento	Impact Fees	Non-Residential	\$0.77 Retail \$0.97 Office \$0.82 R & D \$0.61 Manufacturing \$0.26 Warehouse \$0.92 Hotel
City of San Francisco	In-Lieu Fees	Non-Residential	\$7.05 Office (over 25,000 square feet)

Source: Jurisdictions listed; Economic & Planning Systems, Inc.

Despite added development costs, it is not expected that the proposed fees will have a significant impact on decisions to expand or relocate business operations in the County. Rather, business location decisions will be informed primarily by access to targeted labor force, quality of life amenities (such as reasonably priced housing, good schools, open space), availability of appropriately zoned land, and specific site attributes.

EXISTING RESOURCES AND AFFORDABLE PRODUCTION

Proposed jobs/housing fees are projected to generate a substantial amount of funding for affordable housing production; nevertheless it will be critical to use these funds in combination with other local, state, and Federal resources to maximize housing production. A variety of resources are currently used successfully throughout the County, resulting in the construction of 2,809 affordable units between 1996 and 2001 (approximately 22 percent of all new housing)²². These units provide housing for families, seniors, and disabled residents in very low, low and moderate income groups (see **Tables 4.3-4.6**). In addition, approximately \$13 million in Section 8 rental subsidies are provided to 2,000 very low and low income families throughout the County each year. A description of housing programs currently used in the County is provided in **Appendix B**; a summary of inclusionary housing requirements and in-lieu fees by jurisdiction is presented in **Table 4.7**.

Existing resources in combination with a new jobs/housing linkage fee will help to achieve the affordable housing production targets set forth by the Association of Bay Area Governments (ABAG) in its Regional Housing Needs Determination (RHND). The RHND is used by the State department of Housing and Community Development (HCD) to evaluate the Housing Element component of each jurisdiction's General Plan. RHND estimates indicate that 13,319 affordable units will need to be constructed in Sonoma County between 1999 and 2006.²³ If affordable housing production continues at the pace achieved during the last two years (1999-2000), the County will achieve 30.5 percent of the RHND target.

²² Complete data on affordable housing development is not yet available for 2001.

²³ "Affordable units" are defined as dwelling units that can be afforded by a range of very-low, low-, and moderate-income households.

Table 4.3
Sonoma County Affordable Housing Production 1996-2001 (1)
Sonoma Workforce Housing Study

Area	Project Name	Tenure Type	Unit Type	Total Aff. Units	Target Income Group	Funding Source / Incentive	Year Completed
Cloverdale	Citrus Garden	Owner	Family	41	V. low, Low, Mod	Not Available	1996
	Clover Springs	Owner	Family	<u>23</u>	Mod	Not Available	2000
	Subtotal			64			
Cotati	Charles Street Village	Rental	Senior	<u>47</u>	Not Available	HUD 202	2000
	Subtotal			47			
Healdsburg	Harvest Grove	Rental	Family	44	Low	CDBG	1996
	Healdsburg Senior Apts	Rental	Senior	23	V. low, Low	LIHTC, CDBG, HOME, RDA, AHP, SAMCO	1998
	Quarry Ridge	Owner	Family	20	Low	USDA, HCD	2001
	Canyon Run Apts	Rental	Family	51	V. low, Low	LIHTC, CDBG, HOME, CHFA, AHP	2001
	Oak Grove	Rental	Family	<u>81</u>	V. low, Low	LIHTC, RDA, CHFA	2001
	Subtotal			219			
Petaluma	Round Walk Village	Rental	Family	129	V. low, Low	Housing Fund, CDBG, HOME	1996
	Wisteria	Owner	Family	28	Low, Mod	Land Donation, Hsg Fund, BEGIN	1996
	Sunrise of Petaluma	Rental	Senior	15	V. low, Assisted	Bond	1997
	Vallejo Steet II	Rental	Senior	40	V. low, Low	Housing Fund	1998
	Vintage Chateau	Rental	Senior	240	Low	Bond, JPA	2000
	Edith Street Senior Apts	Rental	Senior	23	V. Low	Housing Fund, HOME	2001
	Old Elm Village	Rental	Family	<u>87</u>	V. low, Low	Housing Fund, CDBG, HOME	2001
	Subtotal			562			
Rohnert Park	The Gardens	Rental	Family	20	Low	CDBG	1996
	Muirfield Apartments	Rental	Special Needs	24	V. low	Housing Fund	1997
	Maurice Avenue	Rental	Family	<u>7</u>	Low	Not Available	1998
	Subtotal			51			

Table 4.3
Sonoma County Affordable Housing Production 1996-2001 (1)
Sonoma Workforce Housing Study

Area	Project Name	Tenure Type	Unit Type	Total Aff. Units	Target Income Group	Funding Source / Incentive	Year Completed
Santa Rosa							
	Franklin Park Place	Rental	Family	2	Low	Private, HAP	1996
	Dutton Annex	Rental	Family	1	V. low	SRHA	1997
	McBride Lane	Rental	Family	1	V. low	DIP	1997
	Pressley House	Rental	Family	1	V. low	SRHA	1997
	Vista Sonoma	Rental	Senior	189	Low	LIHTC, Bond, DIP	1997
	Apple Valley Lane	Rental	Family	66	Low	LIHTC, SRHA	1998
	Chelsea Apts	Rental	Family	119	V. low, Low	Bonds, FHA loans	1998
	Del Nido Apts	Rental	Family	205	Low	LIHTC, Bonds	1998
	Papago Court	Rental	Family	40	V. low, Low	LIHTC, SRHA	1998
	Panas Place	Rental	Family	66	V. low, Low	LIHTC, SRHA, Bonds	1998
	Victoria Park	Rental	Family	2	V. low	Private, DIP	1998
	Youthbuild	Owner	Family	11	Low	SRHA silent seconds	1998
	Marvin Gardens	Rental	Senior	12	Mod	Private, DIP	1999
	Vintage Park Sr. Apts	Rental	Senior	120	Low	LIHTC, DIP	1999
	McBride Apts	Rental	Family	78	Low	LIHTC, Bonds	1999
	Quail Run Apts	Rental	Family	200	Low	LIHTC, Bonds	1999
	West Oaks Apts	Rental	Family	53	V. low, Low	LIHTC, SRHA	1999
	De Turk Commons	Owner	Family	32	Low, Mod	HCD, SRHA silent seconds	1999
	Ripley Street	Owner	Family	1	V. low	SHRA silent seconds	2000
	Meadowbrook Court	Rental	Family	2	V. low	DIP	2000
	SR Gardens	Rental	Family	110	V. low, Low	Bonds, FHA loans	2000
	Northpoint Village I & II	Rental	Family	110	V. low, Low	LIHTC, SRHA	1999, 2000
	Oaks of Hebron	Rental	Family	1	V. Low	SRHA	2000
	Apple Creek	Rental	Family	<u>58</u>	Low	Bonds	2001
	Subtotal			1480			
Sebastopol							
	Bodega Hills	Rental	Family	24	V. low	LIHTC, CDBG, Home, AHP	1997
	Bodega Hills	Owner	Family	23	Low	Not Available	1997
	Montera	Rental	Family	1	Mod	Inclusionary, Density Bonus	1997
	Two Acre Wood	Owner, Rental	Family	4	Low, Mod	Inclusionary, Density Bonus	1998
	Woodstone Village	Owner, Rental	Family	2	Mod	Inclusionary, Density Bonus	1999
	Vista del Sol	Rental	Family	1	Mod	Inclusionary, Density Bonus	2000
	Willow Tree Townhomes	Rental	Family	<u>1</u>	Mod	Not Available	2000
	Subtotal			56			

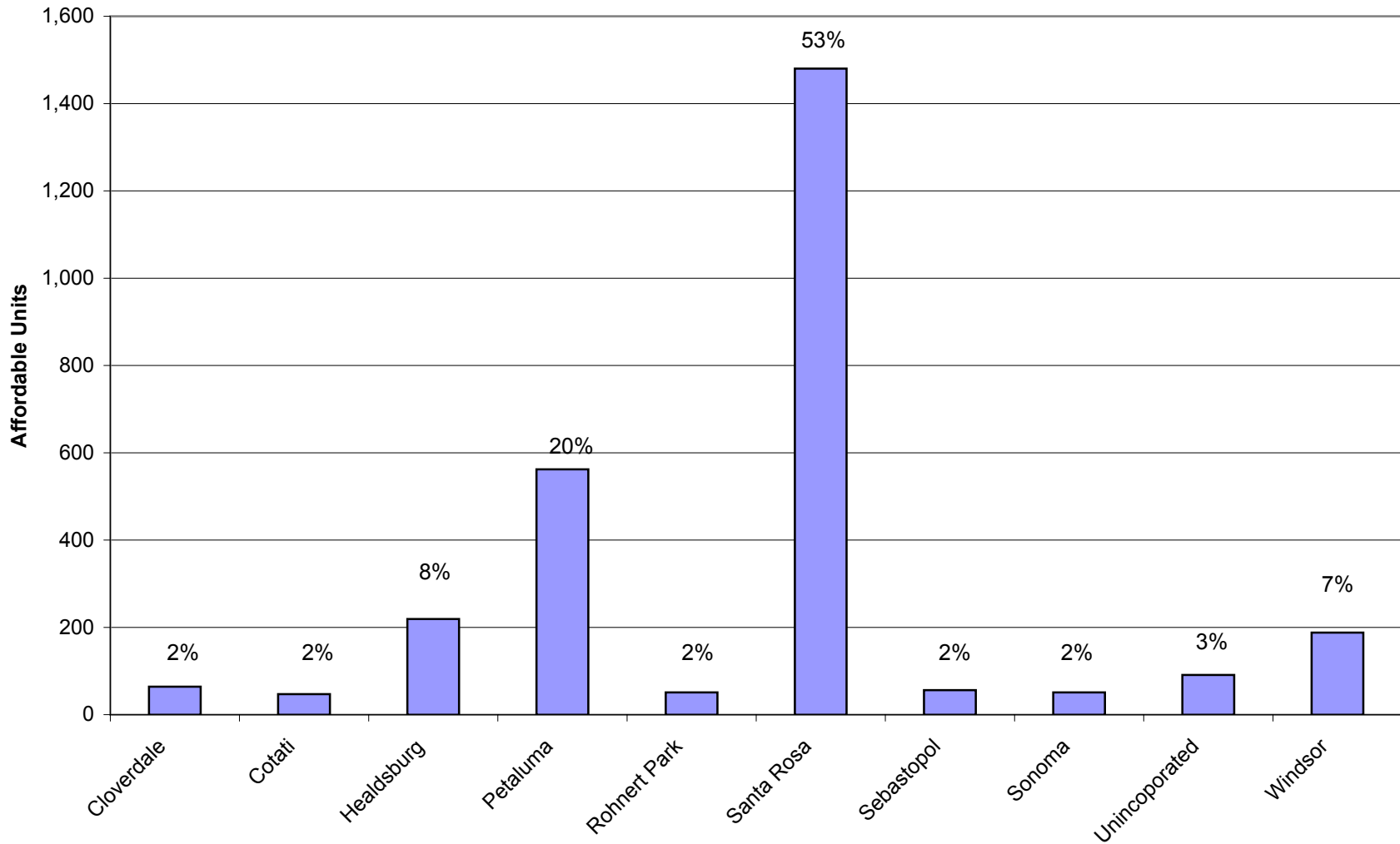
Table 4.3
Sonoma County Affordable Housing Production 1996-2001 (1)
Sonoma Workforce Housing Study

Area	Project Name	Tenure Type	Unit Type	Total Aff. Units	Target Income Group	Funding Source / Incentive	Year Completed
Sonoma							
	Maysonnave Apartments	Rental	Senior	10	V. low	CDBG, GMO Exemption	1996
	Sonoma Hills	Rental	Senior	20	Low	Inclusionary	1996
	Fryer Creek Village 1	Owner	Family	4	Moderate	Density Bonus, GMO	1996
	Manor Place	Rental	Family	1	Low	Inclusionary	1998
	Sonoma Commons	Owner	Family	14	Low	CDBG	1998
	Waterstone	Owner	Family	2	Low, Mod	Inclusionary	2000
	Subtotal			51			
Unincorporated Areas							
	Green Valley	Owner	Family	14	Low, Mod	CDBG	1996
	Peach Court	Owner	Family	35	Low, Mod	Density Bonus	1997
	Villa Hermosa	Owner	Family	22	Low	RDA	1997
	Anteo Place	Owner	Family	20	Low, Mod	Density Bonus	1998
	Subtotal			91			
Windsor							
	Chancellor Place	Rental	Senior	15	V. low asst'd living	\$4.3 M bond issue	1996
	Vinecrest Senior Apts	Rental	Senior	60	V.low, Low	HUD 202, CDBG, HOME, RDA	1998
	Evergreen Court	Owner	Family	6	Mod	Not Available	1999
	Windsor Park Apts	Rental	Family	80	V.low, Low	9% LIHTC	2000
	Esmond Place	Owner	Family	27	V.low, Low, Mod	Not Available	2001
	Subtotal			188			
	Total			2809			

(1) Projects that are in planning or construction phases have not been included. Complete production data is not yet available for 2001. Table does not include shelters or other group facilities.

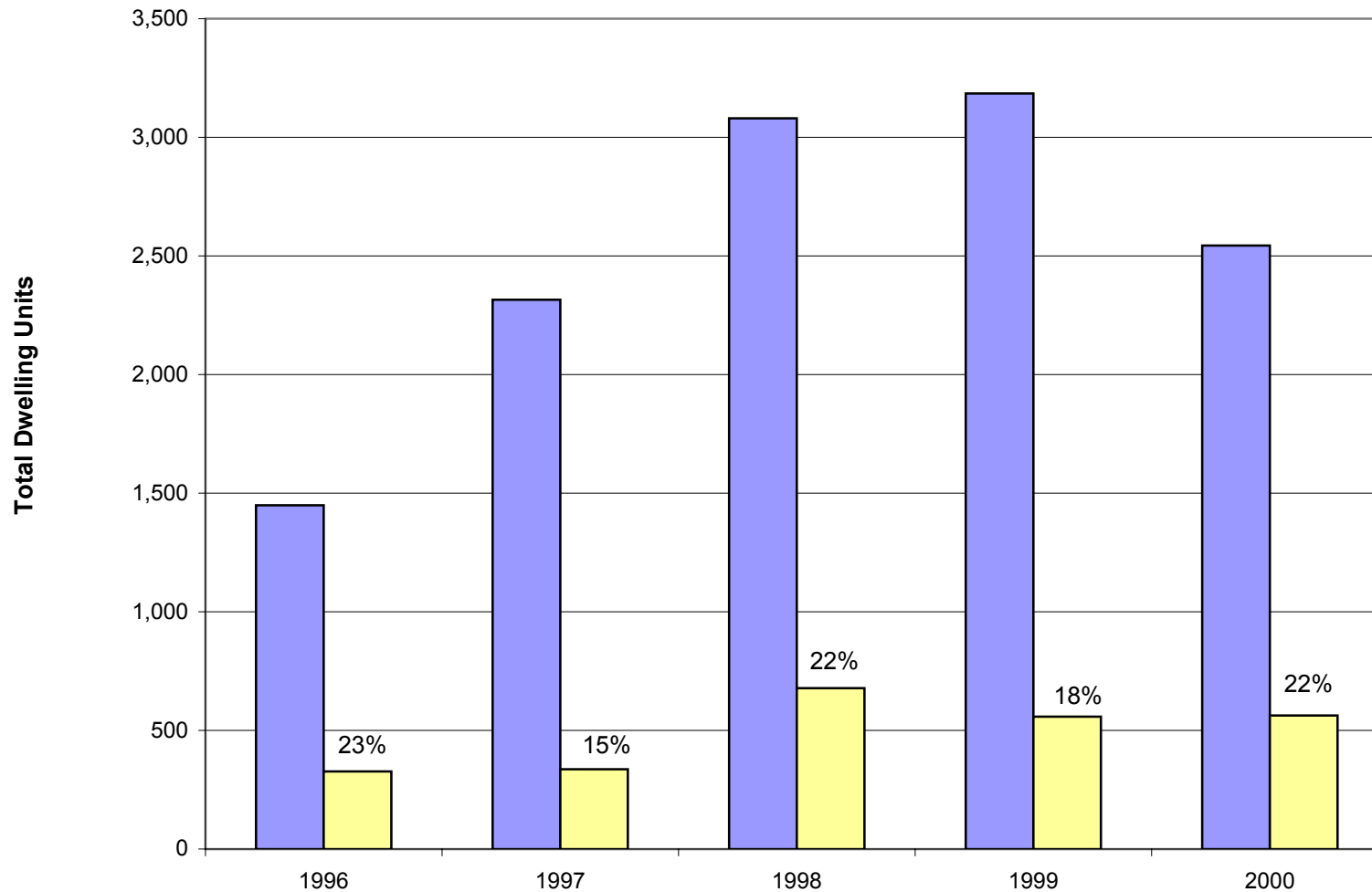
Sources: Cities of Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Windsor and Sonoma County; Economic & Planning Systems, Inc.

Table 4.4
Affordable Housing Production by Area 1996-2001*
(Absolute Construction and as Percent of Total County Affordable Production)



*Complete data on affordable unit construction is not yet available for 2001.
 Percentages do not total 100 percent due to rounding.

Table 4.5
Affordable Housing Production In Sonoma County vs. Total Residential Construction
1996-2000*



Source: Cloverdale, Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa Sebastopol, Sonoma, Windsor, Sonoma County; RAND; Economic & Planning Systems, Inc.

* Total housing production data is not yet available for 2001.

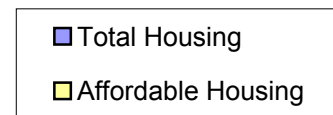


Table 4.6
Summary of Affordable Housing Production 1996-2001*
by Type and Affordability Level
Sonoma County Workforce Housing Study

Type	Family	Senior/ Spec. Needs	Total
Owner Occupied	323	0	323
Owner / Rental (1)	6	0	6
Rental	1,642	838	2,480
	-----	-----	-----
Total	1,971	838	2,809

* Complete data is not yet available for 2001.

(1) Indicates a combination of rental and ownership units in the same development.

Sources: Cities of Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Windsor, and Sonoma County; Economic & Planning Systems, Inc.

**Table 4.7
Inclusionary Requirements and In-Lieu Fees
Sonoma County Workforce Housing Study**

Area	Inclusionary Requirement	In-Lieu Fee (1)
Cloverdale	Proposed	Proposed
Cotati (2)	15-45 percent as defined in Zoning Ordinance. Applies to subdivisions of five lots or more.	\$10,000 per unit
Healdsburg	10 percent for projects of ten units or more	\$1,500 per unit
Petaluma	10-15 percent of all housing in projects subject to development agreements	\$2,400 per unit
Rohnert Park	Pending Review	Pending Review
Santa Rosa	15 percent of non-exempt units	\$2,600 up to \$9,707 per unit
Sebastopol	10 percent in projects of five or more units	\$11,880 per unit
Sonoma	Varies by zoning district; 10 or 20 percent in projects of five or more units	None
Unincorporated	Pending Review	Pending Review
Windsor	None	None

(1) Indicates fee paid per market rate unit built.

(2) Existing Inclusionary Housing Ordinance is currently under review.

Sources: Cities of Cloverdale, Cotati, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Windsor and Sonoma County; Economic & Planning Systems, Inc.

V. JOBS / HOUSING LINKAGE FEE IMPLEMENTATION

A jobs/housing linkage fee is envisioned as a local ordinance-based development impact fee that would require new commercial development to pay a fee that contributes to funding affordable housing for new employees. This approach involves several critical policy decisions, which are outlined in **Figure 5.1** and discussed below. In addition to the "critical path decisions" illustrated in **Figure 5.1**, public/private cooperation will also be an important component in successfully implementing jobs/housing linkage fees.

LEVEL OF COOPERATION

The first policy decision that will be key to implementation is determining the level of cooperation desired between the County and jurisdictions. Specifically, the question is whether jurisdictions will decide to address workforce housing needs regionally by adopting uniform County-wide fees or whether jurisdictions will decide to act independently by adopting (or declining to adopt) separate fees (see **Figure 5.1**).

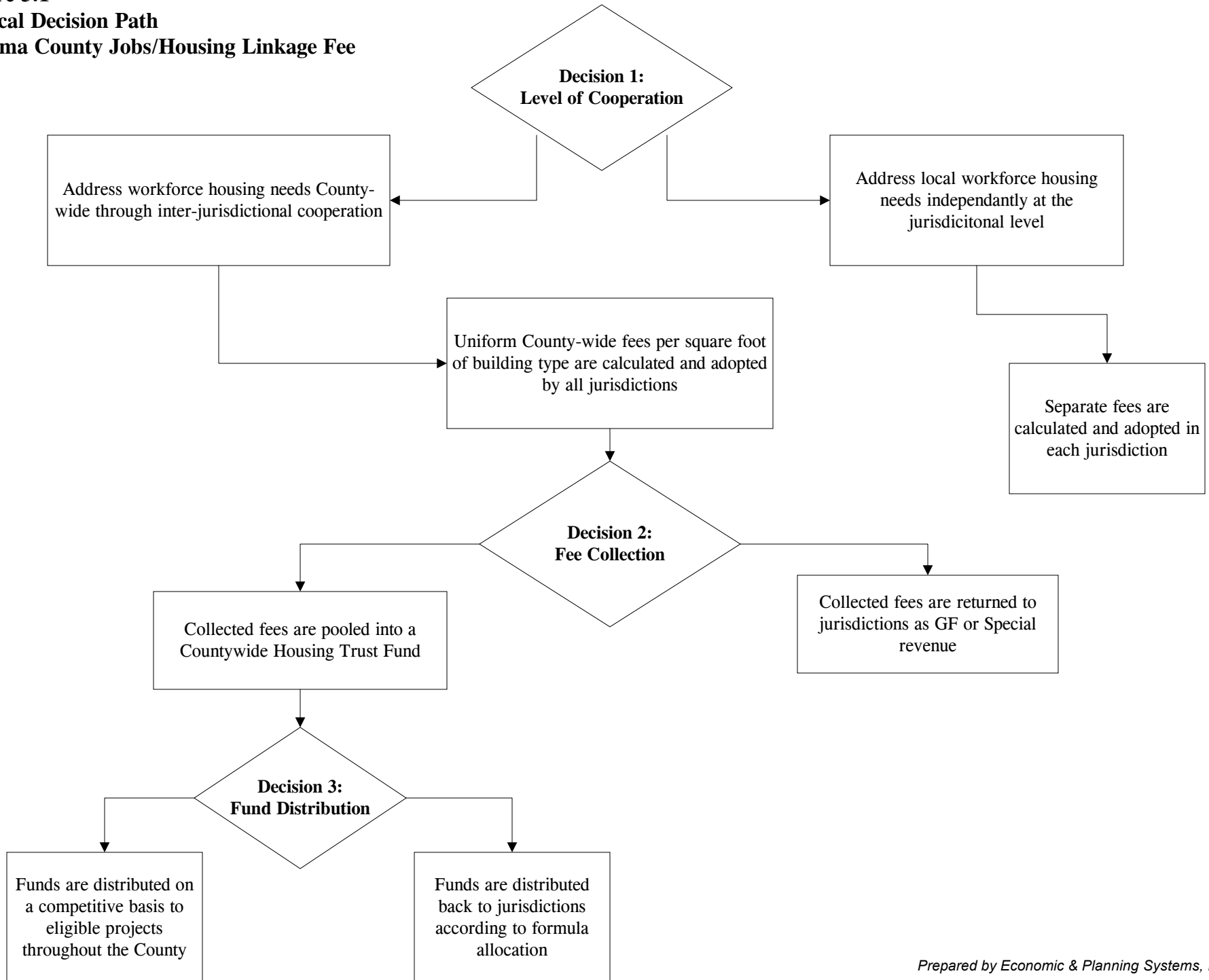
This report was commissioned by the County and incorporated jurisdictions because there was broad support for analyzing workforce housing needs and evaluating strategies at the regional (County) level. As a result, the maximum fee analysis and preliminary fee recommendations presented in this report are predicated on the idea that there will be County-wide cooperation at the implementation stage. Jurisdictions should come to an understanding as soon as possible regarding their intentions to pursue a County-wide jobs/housing linkage fee or alternatively, their preference for calculating and adopting fees independently at the local level.

FEE COLLECTION

The second decision critical to implementation involves the question of how fees are collected and pooled (this decision only becomes relevant if there is County-wide adoption; see **Figure 5.1**). Two options have been identified for collecting fees: 1) fees could be collected and pooled into a County-wide Housing Trust Fund, or 2) collected fees could remain in the jurisdictions where they are generated as general fund or special revenue.

The advantage of the first option is that fees could contribute to a larger County-wide Housing Fund that could also receive matching funds or other contributions from business leaders and the philanthropic community. This Fund would offer increased potential for leveraging financing resources and could maximize efficiency of capital placement.

Figure 5.1
Critical Decision Path
Sonoma County Jobs/Housing Linkage Fee



Alternatively the advantage of collecting fees and returning them locally is that both collection and distribution would be made easier administratively. Jurisdictions would keep fees generated locally and would have discretionary use to fund eligible housing projects. The problem with this system is that each year jurisdictions could find themselves with too little fee revenue to meaningfully contribute financing to affordable housing construction. As a result many jurisdictions would have to accrue fees over time before directly investing in housing development.

FUND DISTRIBUTION

If County-wide jobs/housing linkage fees are directed to a Housing Trust Fund, a third set of decisions must be made regarding how funds will be distributed. One option would be to award funds on a competitive basis to eligible projects regardless of their location within the County. Projects anywhere in the County that had sites, developers, and other funding in place would solicit the Trust Fund for gap financing. This would be the most efficient system and would likely result in the highest number of total units built per year.

Unfortunately, however, this system would conflict with the Housing Element certification process as it currently exists. Under existing HCD policy, individual jurisdictions must demonstrate that they are attempting to meet RHND targets by funding and approving affordable housing projects within their jurisdictional boundaries. Individual cities and the County would not necessarily be able to claim credit for affordable units built outside their jurisdictions even if substantial financing for those units was provided in part through fees generated within their municipal boundaries.

A second option would be to return funds to jurisdictions according to a formula allocation. The formula could be designed, for example, to incorporate variables such as population, employment, and availability of other local "matching" funds to determine the level of fee-generated funding that should go to housing projects within each jurisdiction. This system would avoid conflicts with existing Housing Element certification procedures; however, it would not be as efficient as a competitive awards process.

PUBLIC/PRIVATE COOPERATION

Expanded public/private cooperation will be important to successfully adopting a jobs/housing fee regardless of the level of cooperation and collection system that is ultimately designed. Such cooperation is becoming more common around the County as local areas tackle difficult challenges. In Sonoma County the advent of the Sonoma County Housing Coalition is an example of how the private sector is willing to engage public policy problems. The range of policies recently outlined by the Coalition offer a number of fruitful approaches that should be further explored and developed in a cooperative effort between local officials and private industry representatives.

Another important challenge that must be addressed is the availability of appropriately zoned sites. The County and its jurisdictions must work to ensure that existing land supply can accommodate higher density residential projects. It may be necessary to implement land use controls such as minimum densities and affordable housing overlay districts to facilitate the construction of affordable projects.

Finally, community acceptance plays a critical role in achieving affordable housing construction goals. In the absence of support from the community at large as well as from public officials and staff, affordable projects often experience lengthy permitting delays and may be refused entitlements altogether. Going forward, jurisdictions must endeavor to bolster community support for higher-density, affordable development and to affect streamlined entitlement procedures for affordable projects.



**Economic &
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Real Estate Economics

Regional Economics

Public Finance

Land Use Policy

APPENDIX A:
HOUSING SUBSIDY CALCULATION
BY EMPLOYMENT CATEGORY

Table A - 1
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Agriculture

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	129	100%	85	\$80,029	\$6,823,589
\$20,001 - \$25,000	\$38,000	7	100%	5	\$53,206	\$257,775
\$25,001 - \$30,000	\$45,600	48	100%	32	\$26,382	\$833,646
\$30,001 - \$35,000	\$53,200	36	100%	24	\$3,088	\$74,029
\$35,001 - \$40,000	\$60,800	12	100%	8	\$0	\$0
\$40,001 - \$45,000	\$68,400	0	100%	0	\$0	\$0
\$45,001 - \$50,000	\$76,000	0	100%	0	\$0	\$0
\$50,001 - \$55,000	\$83,600	0	100%	0	\$0	\$0
\$55,001 - \$60,000	\$91,200	0	100%	0	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		233		154		\$7,989,039
Adjusted Total (5)	at 91%	212		140		\$7,270,025

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 2
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Manufacturing & Distribution

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	510	100%	336	\$80,029	\$26,894,019
\$20,001 - \$25,000	\$38,000	966	100%	637	\$53,206	\$33,906,606
\$25,001 - \$30,000	\$45,600	109	100%	72	\$26,382	\$1,891,071
\$30,001 - \$35,000	\$53,200	20	100%	13	\$3,088	\$40,003
\$35,001 - \$40,000	\$60,800	176	100%	116	\$0	\$0
\$40,001 - \$45,000	\$68,400	364	100%	240	\$0	\$0
\$45,001 - \$50,000	\$76,000	0	100%	0	\$0	\$0
\$50,001 - \$55,000	\$83,600	0	100%	0	\$0	\$0
\$55,001 - \$60,000	\$91,200	0	100%	0	\$0	\$0
\$60,001 - \$65,000	\$98,800	76	100%	50	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		2,220		1,464		\$62,731,698
Adjusted Total	at 91%	2,020		1,332		\$57,085,845

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 3
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Education

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	11	100%	8	\$80,029	\$603,138
\$20,001 - \$25,000	\$38,000	829	100%	546	\$53,206	\$29,070,276
\$25,001 - \$30,000	\$45,600	172	100%	113	\$26,382	\$2,991,948
\$30,001 - \$35,000	\$53,200	84	100%	55	\$3,088	\$170,626
\$35,001 - \$40,000	\$60,800	0	100%	0	\$0	\$0
\$40,001 - \$45,000	\$68,400	359	100%	236	\$0	\$0
\$45,001 - \$50,000	\$76,000	994	100%	656	\$0	\$0
\$50,001 - \$55,000	\$83,600	76	100%	50	\$0	\$0
\$55,001 - \$60,000	\$91,200	0	100%	0	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	41	100%	27	\$0	\$0
Total		2,565		1,692		\$32,835,987
Adjusted Total	at 91%	2,334		1,539		\$29,880,749

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 4
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Government

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	0	100%	0	\$80,029	\$0
\$20,001 - \$25,000	\$38,000	0	100%	0	\$53,206	\$0
\$25,001 - \$30,000	\$45,600	110	100%	73	\$26,382	\$1,915,803
\$30,001 - \$35,000	\$53,200	0	100%	0	\$3,088	\$0
\$35,001 - \$40,000	\$60,800	0	100%	0	\$0	\$0
\$40,001 - \$45,000	\$68,400	36	100%	24	\$0	\$0
\$45,001 - \$50,000	\$76,000	8	100%	5	\$0	\$0
\$50,001 - \$55,000	\$83,600	0	100%	0	\$0	\$0
\$55,001 - \$60,000	\$91,200	41	100%	27	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	3	100%	2	\$0	\$0
\$70,001 - \$75,000	\$114,000	-71	100%	-47	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		----- 128		----- 84		----- \$1,915,803
Adjusted Total	at 91%	116		77		\$1,743,380

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 5
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Hotel

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	137	100%	90	\$80,029	\$7,233,280
\$20,001 - \$25,000	\$38,000	0	100%	0	\$53,206	\$0
\$25,001 - \$30,000	\$45,600	0	100%	0	\$26,382	\$0
\$30,001 - \$35,000	\$53,200	0	100%	0	\$3,088	\$0
\$35,001 - \$40,000	\$60,800	0	100%	0	\$0	\$0
\$40,001 - \$45,000	\$68,400	0	100%	0	\$0	\$0
\$45,001 - \$50,000	\$76,000	0	100%	0	\$0	\$0
\$50,001 - \$55,000	\$83,600	0	100%	0	\$0	\$0
\$55,001 - \$60,000	\$91,200	0	100%	0	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		----- 137		----- 90		----- \$7,233,280
Adjusted Total	at 91%	125		82		\$6,582,285

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 6
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Heavy Industrial

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	0	100%	0	\$80,029	\$0
\$20,001 - \$25,000	\$38,000	401	100%	264	\$53,206	\$14,062,535
\$25,001 - \$30,000	\$45,600	330	100%	218	\$26,382	\$5,744,921
\$30,001 - \$35,000	\$53,200	295	100%	195	\$3,088	\$601,284
\$35,001 - \$40,000	\$60,800	61	100%	40	\$0	\$0
\$40,001 - \$45,000	\$68,400	142	100%	93	\$0	\$0
\$45,001 - \$50,000	\$76,000	67	100%	44	\$0	\$0
\$50,001 - \$55,000	\$83,600	14	100%	9	\$0	\$0
\$55,001 - \$60,000	\$91,200	0	100%	0	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		----- 1,309		----- 863		----- \$20,408,740
Adjusted Total	at 91%	1,192		786		\$18,571,953

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 7
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Light Industrial

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	184	100%	122	\$80,029	\$9,727,639
\$20,001 - \$25,000	\$38,000	1584	100%	1045	\$53,206	\$55,588,824
\$25,001 - \$30,000	\$45,600	523	100%	345	\$26,382	\$9,106,235
\$30,001 - \$35,000	\$53,200	754	100%	498	\$3,088	\$1,536,477
\$35,001 - \$40,000	\$60,800	531	100%	350	\$0	\$0
\$40,001 - \$45,000	\$68,400	689	100%	454	\$0	\$0
\$45,001 - \$50,000	\$76,000	619	100%	408	\$0	\$0
\$50,001 - \$55,000	\$83,600	198	100%	131	\$0	\$0
\$55,001 - \$60,000	\$91,200	188	100%	124	\$0	\$0
\$60,001 - \$65,000	\$98,800	34	100%	22	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		5,305		3,499		\$75,959,175
Adjusted Total	at 91%	4,828		3,184		\$69,122,849

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 8
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Medical

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	71	100%	47	\$80,029	\$3,746,050
\$20,001 - \$25,000	\$38,000	378	100%	250	\$53,206	\$13,276,401
\$25,001 - \$30,000	\$45,600	393	100%	259	\$26,382	\$6,836,615
\$30,001 - \$35,000	\$53,200	397	100%	262	\$3,088	\$808,621
\$35,001 - \$40,000	\$60,800	3	100%	2	\$0	\$0
\$40,001 - \$45,000	\$68,400	151	100%	100	\$0	\$0
\$45,001 - \$50,000	\$76,000	96	100%	63	\$0	\$0
\$50,001 - \$55,000	\$83,600	129	100%	85	\$0	\$0
\$55,001 - \$60,000	\$91,200	336	100%	221	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	154	100%	102	\$0	\$0
\$70,001 - \$75,000	\$114,000	84	100%	56	\$0	\$0
\$75,001 +	\$121,600	105	100%	69	\$0	\$0
Total		----- 2,296		----- 1,514		----- \$24,667,686
Adjusted Total	at 91%	2,090		1,378		\$22,447,595

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 9
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Office

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	38	100%	25	\$80,029	\$1,996,098
\$20,001 - \$25,000	\$38,000	1379	100%	909	\$53,206	\$48,367,816
\$25,001 - \$30,000	\$45,600	684	100%	451	\$26,382	\$11,894,211
\$30,001 - \$35,000	\$53,200	1058	100%	698	\$3,088	\$2,155,564
\$35,001 - \$40,000	\$60,800	534	100%	352	\$0	\$0
\$40,001 - \$45,000	\$68,400	146	100%	96	\$0	\$0
\$45,001 - \$50,000	\$76,000	349	100%	230	\$0	\$0
\$50,001 - \$55,000	\$83,600	479	100%	316	\$0	\$0
\$55,001 - \$60,000	\$91,200	93	100%	61	\$0	\$0
\$60,001 - \$65,000	\$98,800	226	100%	149	\$0	\$0
\$65,001 - \$70,000	\$106,400	919	100%	606	\$0	\$0
\$70,001 - \$75,000	\$114,000	119	100%	79	\$0	\$0
\$75,001 +	\$121,600	745	100%	491	\$0	\$0
Total		6,770		4,464		\$64,413,689
Adjusted Total	at 91%	6,160		4,062		\$58,616,457

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 10
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
Retail

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	50%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	3402	50%	1122	\$80,029	\$89,779,237
\$20,001 - \$25,000	\$38,000	2322	50%	766	\$53,206	\$40,739,864
\$25,001 - \$30,000	\$45,600	234	70%	108	\$26,382	\$2,854,488
\$30,001 - \$35,000	\$53,200	66	100%	44	\$3,088	\$135,074
\$35,001 - \$40,000	\$60,800	557	100%	368	\$0	\$0
\$40,001 - \$45,000	\$68,400	71	100%	47	\$0	\$0
\$45,001 - \$50,000	\$76,000	0	100%	0	\$0	\$0
\$50,001 - \$55,000	\$83,600	0	100%	0	\$0	\$0
\$55,001 - \$60,000	\$91,200	119	100%	78	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	0	100%	0	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	0	100%	0	\$0	\$0
Total		6,773		2,532		\$133,508,664
Adjusted Total	at 91%	6,163		2,304		\$121,492,884

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.

Table A - 11
Projected Employment Growth 2000-2005 and Associated Housing Subsidy
R&D

Income Range	Adjusted Income (1)	Projected Employees	FTE (2) Adjustment	Projected Emp. HH (3)	Subsidy per HH / Unit (4)	Total Subsidy
\$0 - \$15,000	\$22,800	0	100%	0	\$106,853	\$0
\$15,001 - \$20,000	\$30,400	0	100%	0	\$80,029	\$0
\$20,001 - \$25,000	\$38,000	8	100%	5	\$53,206	\$292,384
\$25,001 - \$30,000	\$45,600	56	100%	37	\$26,382	\$982,849
\$30,001 - \$35,000	\$53,200	0	100%	0	\$3,088	\$0
\$35,001 - \$40,000	\$60,800	270	100%	178	\$0	\$0
\$40,001 - \$45,000	\$68,400	0	100%	0	\$0	\$0
\$45,001 - \$50,000	\$76,000	0	100%	0	\$0	\$0
\$50,001 - \$55,000	\$83,600	87	100%	58	\$0	\$0
\$55,001 - \$60,000	\$91,200	159	100%	105	\$0	\$0
\$60,001 - \$65,000	\$98,800	0	100%	0	\$0	\$0
\$65,001 - \$70,000	\$106,400	213	100%	141	\$0	\$0
\$70,001 - \$75,000	\$114,000	0	100%	0	\$0	\$0
\$75,001 +	\$121,600	29	100%	19	\$0	\$0
Total		824		543		\$1,275,233
Adjusted Total	at 91%	750		494		\$1,160,462

- (1) Assumes adjusted household income is equal to 1.52 times the maximum individual income for a given income range.
- (2) Shows the percentage of new jobs / employees that are expected to be full-time equivalents.
- (3) Equals new employees times FTE adjustment divided by 1.52 workers per household.
- (4) See Table 3.3 for calculation.
- (5) Assumes 91 percent of County workers will live in the County, based on historical trends.

Source: U.S. BLS; California EDD; ABAG; U.S. Census 2000; Economic & Planning Systems, Inc.



**Economic &
Planning Systems**

Real Estate Economics

Regional Economics

Public Finance

Land Use Policy

APPENDIX B:

EXISTING HOUSING PROGRAMS

EXISTING HOUSING PROGRAMS

A variety of Federal, State, and local financial resources as well as local development incentives and requirements are available to address housing needs in Sonoma County. The County's Community Development Commission (CDC) is responsible for administering a number of Federal grant programs (which will be discussed in more detail below) for the municipalities of Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, Sonoma, Windsor, and the unincorporated areas of the County. The cities of Santa Rosa and Petaluma qualify for Federal grants under a different formula and administer their own funds.

In general, Federal and State funding is available to projects located throughout the County and are awarded as part of a competitive selection process that corresponds with each program's specific funding cycle. Local resources are funded through impact fees, in-lieu fees, redevelopment area set-aside funds, bond issues, and other local revenue sources. Typically these funds are only available to support housing development or other housing assistance programs located within the boundaries of the sponsoring jurisdiction.

FEDERAL RESOURCES

Community Development Block Program (CDBG)

The Community Development Block Grant (CDBG) Program was created by the Housing and Community Development Act of 1974. The program has funded a wide variety of housing and community development activities throughout the United States. These include land acquisition for new affordable housing projects, rehabilitation of existing housing, construction or renovation of community centers, infrastructure improvements, fair housing services, and other public services.

Sonoma County receives approximately \$2.5 million annually in CDBG funds. The program is administered by the Community Development Commission, and the Sonoma County Board of Supervisors makes the final decision regarding how the funds are distributed locally. Since 1982, the Urban County CDBG program has set aside funding on an annual basis to participating cities (Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, Sonoma, and the Town of Windsor), the lower income unincorporated areas of the county, and to numerous nonprofit organizations.

HOME Investment Partnership Program

The Cranston-Gonzalez National Affordable Housing Act created the Home Investment Partnership (HOME) Program in 1990. This Federal program provides annual grants to cities, counties, and states throughout the United States to support affordable housing activities that benefit very low- and low-income households.

Sonoma County uses one-half of its HOME program funds for rental assistance. This helps to ensure that rents become affordable to very low-income families. In addition, HOME funds are used for construction of rental units for very low- and low-income families and seniors in participating municipalities (Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, Sonoma, and the Town of Windsor) and the unincorporated areas of Sonoma County.

As a designated Urban County, Sonoma County receives approximately \$1 million in HOME Program funds annually. The Sonoma County Community Development Commission administers the program for the County, and the Sonoma County Board of Supervisors makes the final decision regarding the local distribution of the funds.

Federal Emergency Shelter Grants Program

The Federal Emergency Shelter Grants Program (FESG) was authorized under the Stewart B. McKinney Homeless Assistance Act of 1987. The program provides funding to State and local governments to improve the quality of existing emergency shelters for the homeless, to make available additional emergency shelters, to pay a portion of the costs to operate homeless shelters and to provide certain essential social services to homeless individuals. The program is also intended to restrict the increase of homelessness by funding preventive programs/activities.

As a designated Urban County, Sonoma County receives approximately \$87,000 in FESG Program funds annually. The Sonoma County Community Development Commission administers the program for participating municipalities and the unincorporated areas of the County, and the Sonoma County Board of Supervisors makes the final decision regarding the distribution of the funds to local nonprofit homeless shelter/service providers.

HUD Section 202/811

Section 202 provides capital advances to finance the construction and rehabilitation of structures that will serve as supportive housing for very low-income elderly persons and provides rent subsidies for the projects to help make them affordable.

This program helps expand the supply of affordable housing with supportive services for the elderly. It provides low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc.

This program provides capital advances to finance property acquisition, site improvement, conversion, demolition, relocation, and other expenses associated with supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. Project Rental Assistance is used to cover the difference between the HUD-approved operating cost per unit and the tenant's rent.

Section 811 program is similar to Section 202 and provides interest-free capital advances for nonprofit sponsors to help them finance the development of rental housing with supportive services for persons with disabilities. The capital advance can finance the construction or rehabilitation of supportive housing. The advance is interest free and does not have to be repaid as long as the housing remains available for very low-income persons with disabilities for at least 40 years.

The program also provides project rental assistance; this covers the difference between the HUD-approved operating cost per unit and the amount the resident pays--usually 30 percent of adjusted income.

Each project must have a supportive services plan. The appropriate State or local agency reviews a potential sponsor's application to determine if the plan is well designed to meet the needs of persons with disabilities. Services may vary with the target population but could include items such as 24-hour staffing, in-unit call buttons, and planned activities.

HOPWA

Housing Opportunities for Persons with AIDS (HOPWA) is a Federal program that provides housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Grants for Sonoma County activities are provided by competitive selection of projects proposed by State and local governments and nonprofit organizations. Two County nonprofits, Face to Face and Sonoma County People for Economic Opportunity, receive HOPWA funds each year.

HUD Section 8 Rental Subsidies

The Sonoma County Housing Authority operates this federally funded program, which provides approximately \$13 million in rental subsidies to almost 2,000 extremely low- and low-income families each year throughout the County.

Low-Income Housing Tax Credits

Through this program, private investors provide financing to housing developments for very low and low income persons and in return receive Federal tax credits. According to the County CDC, the tax credit program has provided the greatest portion of financing for recent rental projects in Sonoma County, including a number of projects sponsored by Burbank Housing Development Corporation such as Bodega Hills Apartments in Sebastopol, Harbor View Village in Bodega Bay, and Firehouse Village in Sonoma.

McKinney Homeless Assistance

The McKinney-Vento Homeless Assistance Act authorizes funding for a number of Federal programs designed to ameliorate the problem of homelessness including the Supportive Housing, Shelter Plus Care, Safe Havens, and Section 8 Moderate Rehabilitation Single Room Occupancy programs. Funds are available only in jurisdictions with approved Continuum of Care Plans addressing the housing and

service needs of homeless persons. In recent years Sonoma County's Housing Authority and nonprofit agencies have received \$750,000 to \$1 million annually under the Supportive Housing and Shelter Plus Care programs.

Rural Development (U.S. Department of Agriculture)

Many areas in Sonoma County qualify for Rural Development programs. The most frequent use of these funds is for self-help ownership development projects. Through this program, funding is provided to the nonprofit developer and below-market rate mortgages are provided to the homebuilder/buyers. Burbank Housing Development Corporation has used this program for Citrus Gardens in Cloverdale, Bodega Hills Townhomes in Sebastopol, and Esmond Place in Windsor.¹

STATE RESOURCES

Farm Worker Housing Grant and Loan Programs (FWHG)

The State FWHG Program, established in 1977, is funded by the State of California and administered by the California State Department of Housing and Community Development (HCD). The funding for the grants is allocated from the General Fund each year in the Budget Act. Funds are used for a variety of family placement costs, including homeownership through the self-help housing process, as well as construction, acquisition, and rehabilitation of rental housing projects. The grants are distributed based on individual need and are part of an ongoing funding program open to local governments, nonprofit organizations and Federally recognized Indian tribes. Grants must be matched or exceeded by the individual family, a local bank, the county, the Federal government, or other entity to maximize the housing assistance.

Department of Housing and Community Development (HCD)

In addition to the FWHG program, HCD administers more than twenty programs that award loans and grants to hundreds of local public agencies, private nonprofits, for-profit housing developers, and service providers every year. This money supports the construction, acquisition, rehabilitation, and preservation of affordable rental and ownership housing, homeless shelters, transitional housing, public facilities, infrastructure, and other programs. Jurisdictions within the County have participated in HCD's Predevelopment Loan Program as well as its Self Help Housing Program.

LOCAL RESOURCES

Inclusionary Housing Requirements and In-Lieu Fees

The majority of municipalities in Sonoma County require that a certain percent of new housing be affordable to lower-income households. These requirements vary by jurisdiction and are summarized in **Table 4.4** (see main report text).

¹ Source: Sonoma County Consolidated Plan 2000.

In general, inclusionary requirements range from ten to fifteen percent of market-rate units and apply to projects over a specified size. In many cases a fee may be paid "in-lieu" of constructing affordable units. These fees are leveraged and used by the jurisdictions to support construction of affordable units off-site.

Redevelopment Area Housing Set-Asides

There are nine redevelopment areas (RDAs) in the County including two in the unincorporated area and one each in incorporated jurisdictions. Twenty percent of total tax increment generated in these areas is required to be set aside for housing programs each year and provides a significant source of funding for housing activities. For example in Sebastopol, RDA housing set-asides are expected to generate approximately \$200,000 annually.