

# Affordable Housing: Past, Present and Future

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

## SUMMARY

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

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

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

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

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

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

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

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

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

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

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

## **GLOSSARY**

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

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

## BACKGROUND

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

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

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

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

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

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

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

**Table 1.** Income Limits to Qualify for Affordable Housing

Source: CDC

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

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

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

### **The Association of Bay Area Governments (ABAG)**

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

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

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

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

**Table 2: The Final RHNA Allocation**

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

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

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

## METHODOLOGY

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

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

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

## DISCUSSION

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

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



## **Factors that Favor the Development of Affordable Housing**

### *Governmental Policies and Commitment*

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

### *Changes in Law*

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

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

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

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

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

### **Paths to Affordable Housing**

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

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

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

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

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

Less common routes include:

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



## **Who Builds Affordable Housing?**

### *Non-Profit/Mission-Oriented Builders*

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

### *Builders of Inclusionary Housing*

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

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



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

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

### *Housing Land Trust of Sonoma County*

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

### *Manufactured and Factory Built Housing*

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

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

### *Rehabilitation of Existing Housing*

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

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

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

### *Targeted Housing*

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

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

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

### *Federal Programs*

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

### *State Programs*

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

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

#### *Sonoma County and Local Funding programs*

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

#### **Concessions**

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

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



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



## Public Education

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

## Factors that Inhibit Development of Affordable Housing

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

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

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

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

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

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

### *Inconsistent and Complex Governmental Regulations and Commitment to Affordable Housing*

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

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

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

### *Land and Construction Costs*

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



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

### *Availability and Complexity of Financing*

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

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

### *Complex Multistep Approval Processes*

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

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

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

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

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

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

### *CEQA Exploitation and Misuse*

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

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

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



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

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

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

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

#### *Building Permits, Review Processes, and Personnel*

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

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

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

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



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

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

## **CONCLUSION**

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

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

## FINDINGS

The Sonoma County Civil Grand Jury determined that:

- F1. Increased Affordable Housing has been mandated by the State of California and officially accepted by Sonoma County and its nine Cities.
- F2. Housing jurisdictions must show sufficient progress in meeting 6<sup>th</sup> cycle Regional Housing Needs Allocation mandates or they risk being fined or losing local authority over their housing programs.
- F3. Sonoma County and its nine Cities have officially recognized the need for Affordable Housing but not all have fully endorsed the Regional Housing Needs Allocation or met earlier goals.
- F4. Some cities hinder the development of Affordable Housing through designation of new historic districts, increased landscaping requirements, highly restrictive zoning, and exploitation of environmental concerns.
- F5. Public acceptance of the need for Affordable Housing is not universal; NIMBYism and misinformation can negatively impact the planning and development process.
- F6. In Sonoma County, costs and availability of land, building supplies, and labor impede development and construction of Affordable Housing.
- F7. There is great variability in the planning and approval processes and procedures for developing Affordable Housing in the County and its Cities, thus complicating and slowing development.
- F8. Financing of Affordable Housing projects is unusually complex, slow, and uncertain.
- F9. Funding of Affordable Housing is often directed to specific groups such as seniors, veterans, or agricultural workers.
- F10. Design review and project approval are often slow and very complex, and hinder the development of Affordable Housing.
- F11. The permitting regulations, processes, and fees differ by jurisdiction.
- F12. Mitigation fees vary by individual projects and jurisdictions, complicating the building of Affordable Housing.
- F13. The speed of issuing permits has improved in some jurisdictions, but greater efficiency would help meet the building needs of Sonoma County.
- F14. Payment of in-lieu fees to the housing jurisdiction results in fewer inclusionary Affordable Housing units and houses being built.
- F15. Development of commercial projects such as hotels and big box stores is often favored over housing due to lesser demand on public services and increased sales or occupancy tax revenue.
- F16. Recent legislation encourages construction of transit-oriented infill housing but has yet to show a large effect.
- F17. Changes to city boundaries by annexation of land within their Spheres of Influence could allow the development of more Affordable Housing but is resisted due to the high costs of additional infrastructure.

- F18. The time periods for which new Affordable Housing units cannot convert to market-rate prices have been lengthened to preserve the units as Affordable.
- F19. Rehabilitation and the repurposing of existing properties both preserve and increase the supply of Affordable Housing.
- F20. Inclusive Affordable Housing must be equivalent to market rate units and be dispersed throughout a project making it harder to identify and stigmatize them.
- F21. Manufactured and factory built home construction provide less expensive routes to Affordable Housing without necessarily reducing its quality.
- F22. Design modifications can help make Affordable Housing projects economically viable.
- F23. Contrary to commonly expressed fears, Affordable Housing does not usually affect local property values.
- F24. Vacation homes, time shares, Airbnb, Pacaso houses, and vacant houses reduce the number of units available to permanent residents and, by reducing supply, increase the cost of housing.

## **RECOMMENDATIONS**

The Sonoma County Civil Grand Jury recommends that:

- R1. By December 31, 2022, Permit Sonoma and the nine Cities should begin to streamline their procedures, from preliminary review through the permitting process, related to the development of Affordable Housing. (F7, F10, F11, F13)
- R2. By December 31, 2022, Permit Sonoma and the nine Cities should meet to consider standardizing their procedures related to the development of Affordable Housing. (F7, F10, F11, F13)
- R3. By December 31, 2022, Permit Sonoma and the nine Cities should meet to discuss the coordination of fee reduction standards for Affordable Housing throughout the County. (F11, F12, F14)
- R4. By December 31, 2022, Permit Sonoma and the nine Cities should identify properties within their jurisdictions and Spheres of Influence that could support the construction of infill housing and accessory dwelling units. (F1, F2, F3, F4, F16, F17)
- R5. By December 31, 2022, Permit Sonoma and the nine Cities should identify properties within their jurisdictions and Spheres of Influence that are likely opportunities for rehabilitation or repurposing to increase the availability of Affordable Housing. (F16, F19, F22)
- R6. By June 1, 2023, Permit Sonoma and the nine Cities should develop permit ready accessory dwelling unit and junior accessory dwelling unit plans. (F1, F2, F3, F4, F5, F7, F10, F11, F13, F21, F22)
- R7. By December 31, 2022, Permit Sonoma and the nine Cities should discuss integration of preliminary design review committees with their planning commissions to help expedite the construction of Affordable Housing. (F1, F2, F3, F4, F5, F7, F10, F11, F13, F19, F20, F21, F22)
- R8. By December 31, 2022, Permit Sonoma and the nine Cities should review their permitting requirements to allow nontraditional options such as manufactured homes,

factory built homes, and tiny houses to increase housing supply. (F1, F2, F3, F4, F5, F10, F11, F13, F21, F22)

## REQUIRED RESPONSES

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

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

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

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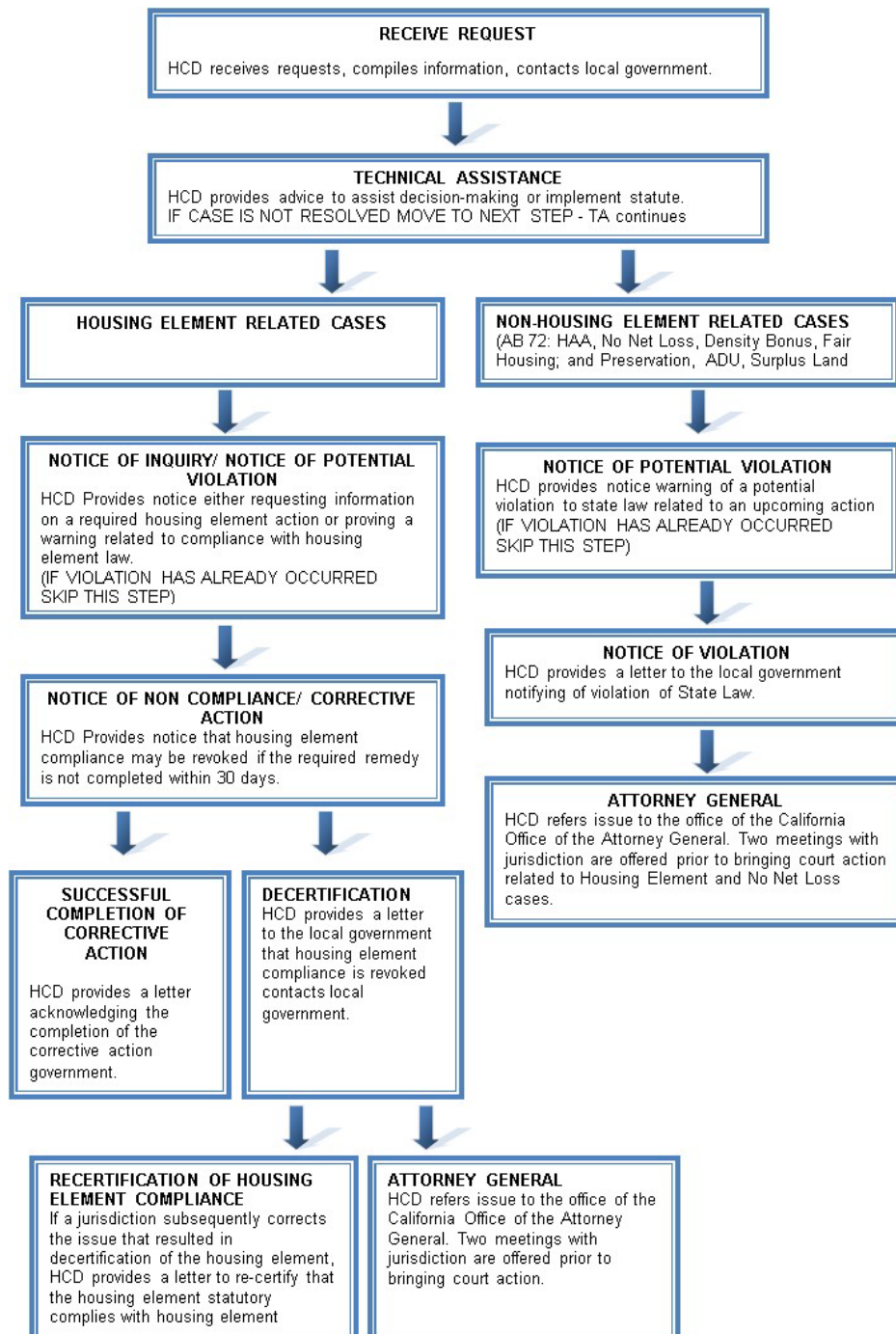
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## APPENDIX A

### California Housing Law Enforcement



Source: California Department of Housing and Community Development

## APPENDIX B

### Funding Sources for Affordable Housing

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

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

### Federal Programs

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



## State Programs

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

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

## Loans

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

## Sonoma County and Local Funding

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

## Cities

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