

**Report Title: Financing Affordable Housing:
Local In-Lieu Fees and Set-Aside Funds**

Report Date: June 30, 2003

Response by: Albert J. Boro Title: Mayor

FINDINGS

- I (we) agree with the findings numbered: 1-7, 9
- I (we) disagree wholly or partially with the findings numbered: 8 & 10
(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered 2, 4 & 5 have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered 1 & 3 will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: _____ Signed: _____

Number of pages attached: 5

City of San Rafael

Response to Grand Jury

Financing Affordable Housing: Local In Lieu Fees and Set Aside Funds

Findings	
1. 1. Jurisdictions with little, if any, development generate minimal in-lieu fees.	Agree. The City of San Rafael requires all developers of projects over 10 units to provide 10% of the units affordable to very low, low or moderate income persons. Our experience shows that accepting fees in lieu of providing units in developments under construction does not result in an increase in the number of affordable units.
2. 2. A number of jurisdictions have not established redevelopment agencies and therefore do not collect set-asides.	Agree. San Rafael has a redevelopment agency. In order to establish redevelopment project areas, cities must meet the requirements of the CA Community Redevelopment Law. Not all cities in Marin have conditions that would meet the Law and would benefit from a redevelopment project.
3. Small amounts of in-lieu fees, held in special accounts in some jurisdictions in the county, are not large enough to be particularly useful in promoting that jurisdiction's affordable housing goals.	Agree. See response to #1.
4. Redevelopment agencies established by larger jurisdictions may generate substantial set-aside funds. These funds can be used effectively to provide affordable housing in those jurisdictions	Agree. San Rafael has a proven track record (see attached) for creation of affordable housing.
5. The town of Corte Madera's nonresidential development impact fee is an innovative way to raise funds for affordable housing from commercial developers.	Agree. A commercial impact has been proposed for the City of San Rafael and will be discussed by the City Council and the citizens. The impact fee may not raise a large amount of additional funds due to the small amount of commercial development anticipated to occur in San Rafael over the next ten years. It should be noted that additional fees raise the cost of doing business in Marin and may result in more companies leaving the County for Richmond and Sonoma County.
6. 6. Several jurisdictions are finding creative uses for their in-lieu fees and set-asides, thereby maximizing the effectiveness of these funds in creating affordable housing.	Agree. The City of San Rafael leverages the in lieu fees that have been collected with Redevelopment Agency housing funds to provide a larger amount of assistance to housing projects.
7. ABAG treats each jurisdiction as a stand-alone entity as required by state law.	Agree.
8. 8. There is no formal countywide mechanism for treating the affordable housing problem	Partially Disagree. Many of the cities utilize the expertise of the County's housing strategist, Barbara Collins. The Marin County Housing Workbook is another example of countywide

	<p>cooperation. Marin Housing Authority provides many services that are used by all county residents and funded by a variety of cities. Services provided by Marin Housing include the Assistline, the rehabilitation program which provides low interest loans to qualified property owners, the administration and technical support for many of the cities below market rate ownership programs and the Section 8 rental program. Many of the non-profits such as Homeward Bound, Marin Center for Independent Living and Ritter House provide assistance to all County residents.</p>
<p>9. 9. The recently developed <u>Marin Housing Workbook</u> can be an important tool in creating affordable housing particularly since it urges the full inclusion of all housing providers; public, private and nonprofit.</p>	<p>Agree.</p>
<p>10. 10. Local affordable housing information is not easily accessible to the general public.</p>	<p>Partially Disagree. All affordable housing services, lists of affordable units, assistance with deposits and landlord tenant disputes can be accessed through the Housing Assistline at 491-2345. This service has not been adequately advertised due to lack of funding.</p>

Recommendations	
<p><i>1. The Board of Supervisors should request that ABAG and/or the California Department of Housing and Community and Community Development treat the County of Marin as a single housing market unit for purposes of establishing affordable housing goals.</i></p>	<p>NOT TO BE IMPLEMENTED. The City of San Rafael has been a leader in affordable housing in the County and we do our share to provide housing for all residents regardless of income. Other cities in the County have been less successful in achieving their housing goals. We are concerned that treating the County as a whole for affordable housing goals will result in an additional burden for the larger cities, including the City of San Rafael, to provide housing for the all County residents which would be unfair. In addition, Redevelopment funds cannot be used outside the City limits.</p>
<p>2. The Board of Supervisors and the cities and towns should establish an appropriate mechanism for the coordination of all affordable housing activities in the County.</p>	<p>HAS BEEN IMPLEMENTED. The City of San Rafael and the County of Marin currently coordinate housing</p>

	services in appropriate programs, including the Below Market Rate program.
3. The intra-county governmental cooperation, which was basic to the development of the <u>Marin Housing Workbook</u> (February 2002), should be used as a foundation for ongoing implementation of the recommendations contained therein	NOT TO BE IMPLEMENTED. San Rafael city staff was very involved in the preparation of the Marin Housing Workbook, and we look forward to continuing to work with our colleagues in other cities and at the County to implement affordable housing programs. The Workbook, however, is not intended as a list of recommendation for all cities, but instead a list of options, from which each jurisdiction can choose the most appropriate for their community. Each jurisdiction must complete its own analysis. San Rafael has submitted an Updated Housing Element to the State which includes many implementing actions and programs (see enclosed) which best suit this community's needs.
4. The Board of Supervisors should support and cooperate with the various nonprofit housing agencies and developers within the County by including them in the implementation of the countywide housing programs.	HAS BEEN IMPLEMENTED AT THE CITY LEVEL. San Rafael currently works with local and regional non-profit organizations on affordable housing development and rehabilitation.
5. All local governmental agencies should assure that their housing programs and funding are fully disclosed to the public.	HAS BEEN IMPLEMENTED. As required by the Community Redevelopment Law, the San Rafael Redevelopment Agency provides an annual report on the Agency's housing activities. This report is approved and adopted by the Agency and the City council at regularly scheduled meetings. All items that are discussed by the City Council and Redevelopment Agency Board are accessible though the City's website or by contacting the City Clerk. The Agency also has a five-year implementation plan which includes information on the Agency's affordable housing activities. This report is available to the public through the City Clerk's office.

May 11, 2004

The Honorable Lynn O'Malley Taylor
Marin County Superior Court
P.O. Box 4988

San Rafael, CA 94913-4988

Foreperson
Marin County Civil Grand Jury
3501 Civic Center Drive, Room 303
San Rafael, CA 94903

Re: Grand Jury Reports

Dear Honorable Judge Taylor and Marin County Civil Grand Jury Foreperson:

The City of San Rafael is proud of our record on providing affordable housing. San Rafael is also among the 95 California cities that have adopted inclusionary housing requirements. The City's inclusionary housing requirements were adopted in 1988 earlier than most other cities. San Rafael was recently named as one of the top 15 affordable housing producers in the State (Inclusionary Housing in California, CA Coalition for Rural Housing and Non Profit Housing Association of Northern California, 2003). As a leader in affordable housing we commend the Grand Jury for choosing to address this important issue.

The City of San Rafael agrees with the Grand Jury in many of the findings and recommendations in their report "Financing Affordable Housing: Local In-Lieu Fees and Set Aside Funds." The City agrees that cities and the County should coordinate our efforts to provide affordable housing, and San Rafael does so in many ways, as is summarized in the attached documents. The report advocates coordination beyond what is reasonable, by looking at the County as one housing market and by suggesting that all cities adopt all recommendations in the Marin Housing Handbook. Treating the County as a whole will create an additional burden on San Rafael to provide the needed housing for all County residents and workers within the City's boundaries. We feel it is imperative for each city to provide their fair share of affordable housing within their respective boundaries. The City has completed our Draft Housing Element update. It has been reviewed by the State, and is now being revised. While participating in the creation of the Marin Housing Handbook, the City has included into our Draft Housing Element only those implementing programs that are appropriate for San Rafael. San Rafael is proud of its record in the creation of affordable housing and will continue to do its fair share in this effort.

The City does not agree, however, with many of the findings and recommendations in the Grand Jury report "A Crisis Brewing: Housing for Public Health and Safety Employees." While it would be preferable for employees to live closer to their workplace to reduce traffic congestion, better engage in community life, and provide disaster response, many factors prevent employees from living in the City of San Rafael and in Marin County. While mentioning the extremely high cost of housing, City employees have also cited the need to be close to a spouses' job, not wanting to be "on duty" during off hours, preference for a different type of housing than is available in Marin, a more rural lifestyle and the desire for a better school system as additional factors for living outside Marin County. The majority of Below Market Rate units in San Rafael are

located in planned unit developments on small lots with minimal yards. This type of housing does not appeal to many of the City's police and fire personnel. These workers can live outside of the community in a more traditional suburban home for the same or less cost and chose working shifts to avoid the peak commute hours.

The City of San Rafael provides more than adequate staffing levels for police and fire, and the City participates in mutual aid with the surrounding communities. During an emergency San Rafael residents would continue to be served by the staff on duty. A problem may arise during a severe disaster that prevents employees from reporting for duty. This will depend on the location and the type of disaster. As some of City staff lives north of San Rafael, a blockage of Highway 101 could present some difficulty. If the Highway problems existed just north of the City or even in the City north of Puerto Suello hill, the access problems would be the same whether staff lived in Terra Linda, Novato or Santa Rosa. It should be noted that City staff commutes from many locations, and employees residing in the East Bay may continue to be available even if North Bay employees are not.

San Rafael has approached the problem of providing services during an emergency by providing employee housing assistance, cross training employees and citizen training in disaster preparedness. Given the City's current fiscal crisis, there is no funding source to provide for the new programs suggested by the Grand Jury and therefore the implementation of such policies is impractical. The State's adopted budget will result in a loss of redevelopment funds, vehicle license fees and other local revenue.

Even with funding identified, the issue for affordable housing is, at its core, one of a lack of available land for development of new housing. Until this crisis is handled throughout the County, we will continue to struggle with this issue.

Please call Nancy Mackle, Economic Development Director, at 485-3383 if you have any questions or need additional information.

Very Truly Yours,

Al Boro
Mayor, San Rafael

cc: City Council
Rod Gould, City Manager
Nancy Mackle, Economic Development Director

Enclosures: Response to Grand Jury Report Form and Detailed Response Comments on Report "A Crisis Brewing: Housing for Public Health and Safety Employees"

Response to Grand Jury Report Form and Detailed Response Comments on Report "Financing Housing: Local In-Lieu Fees and Set Aside Funds"