

**SONOMA COUNTY**  
**POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS**  
**April 1, 2008**

The California Community Redevelopment Law (CRL) provides the authority for a county or city to establish a redevelopment agency to carry out a local redevelopment program using tax increment financing. The law governing community redevelopment resides in the Health and Safety Code, beginning with Section 33000 et seq. At its roots, redevelopment is about improving the health and safety conditions in a designated redevelopment project area. Redevelopment can only be used in areas that suffer from adverse physical and economic conditions, defined in the law as “blight”. Redevelopment is also focused on the preservation and expansion of employment and affordable housing opportunities.

The fundamental premise behind redevelopment funding is that real estate values (called Assessed Valuation – AV) typically increase over time as existing commercial and residential properties are sold and improved, and as new developments are built within a redevelopment project area. The additional property taxes generated as a result of this increase in AV (called the property tax increment) are allocated to the redevelopment project to finance additional activities that will benefit the project area.

Without the redevelopment project, all existing and new property taxes would continue to be allocated to the County’s general fund and to special districts serving the area. The County’s general fund provides resources for services such as law enforcement, public health, planning, public works, roads, library, and administration. Special district funding provides resources for services such as fire protection, schools, lighting, parks and recreation, and pollution control/conservation.

Only a portion of the tax increment revenues flow to the redevelopment project. A percentage is first “passed through” to the County’s general fund and to special districts. Tax increment revenues remaining after these pass-through payments go to the redevelopment project. CRL further stipulates that 20 percent of the gross tax increment revenues, as calculated prior to the pass-through payments, must be allocated to activities that will increase affordable housing opportunities for low- and moderate-income households in the project area. Remaining tax increment revenues received by the redevelopment project may be used for any eligible activity under CRL.

A county or city that establishes a redevelopment project may establish additional priorities and criteria for the types of CRL-eligible activities that will be considered for receipt of local redevelopment assistance. Accordingly, the Board of Supervisors, acting in their capacity as the Board of Commissioners of the Sonoma County Community Redevelopment Agency, has developed the following policies and priorities to more narrowly focus the investment of redevelopment funding in County redevelopment project areas.

**All requests for Sonoma County redevelopment assistance will be evaluated to determine that the proposed project will:**

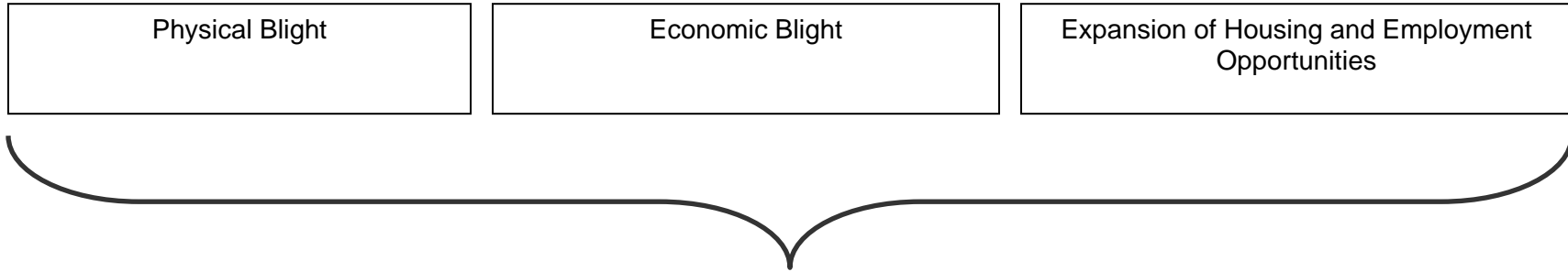
- 1) Address a primary purpose of CRL; and
- 2) Represent an allowable use of redevelopment funds under CRL; and
- 3) Meet the criteria and standards contained in CRL; and
- 4) Meet local priorities, criteria, and standards contained in these policies.

The following pages further describe each of the factors listed above, and lay out the framework within which proposed projects will be evaluated for redevelopment assistance within Sonoma County’s redevelopment project areas.

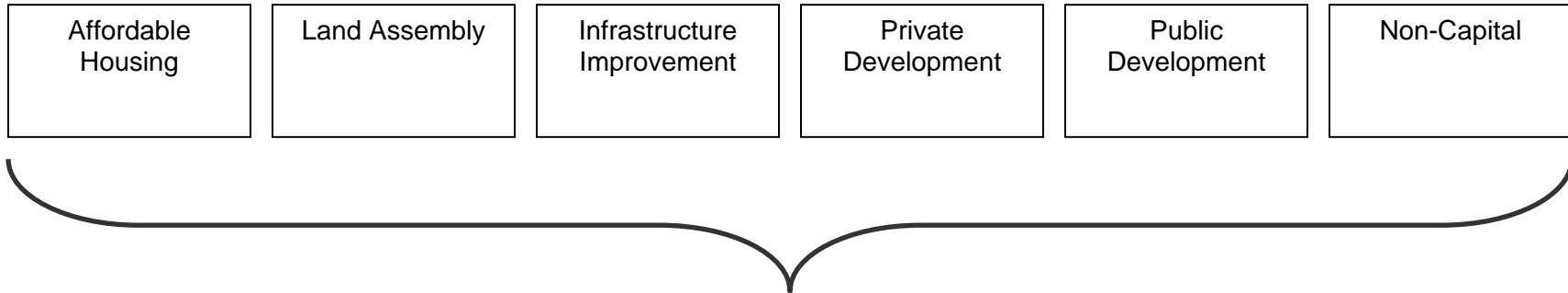
**For further information, please contact: Sonoma County Community Development Commission / Redevelopment Agency- 707-565-7508.**

# SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

## 1. Project must conform to State law: elimination of blight and the expansion of housing and employment opportunities



## 2. An activity must be permitted under CRL and meet statutory criteria and standards, as applicable



## 3 & 4. Project must meet state and local criteria and standards



## SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

The following decision-making framework will be used to evaluate projects seeking redevelopment assistance.

### 1. Is the proposed use consistent with the purpose of California Redevelopment Law?

California Community Redevelopment Law (CRL) establishes the primary purpose of redevelopment funding as the elimination of blight and the expansion of housing and employment opportunities. CRL defines **blight** as a **predominantly urbanized** area characterized by **one or more** CRL listed **physical blight condition and economic blight condition** that rise to the following levels of significance:

- the combination of blight conditions are so **prevalent** and **substantial**
- there is a resulting **reduction** of, or **lack** of, utilization of the area
- area constitutes a **serious** physical and economic **burden** on the community
- blight cannot reasonably be expected to be reversed or alleviated by **private enterprise**, or **government action**, without redevelopment assistance

To be eligible for redevelopment funding, an activity must address one of the purposes identified in CRL. Table 1 identifies CRL listed physical and economic blight conditions, and housing and employment opportunities eligible for redevelopment assistance.

**Table 1: Statutory Purposes for Redevelopment**

Physical Blight	Economic Blight	Housing and Employment Opportunities
- Unsafe or unhealthy buildings	- Depreciated or stagnated property values	- Expand supply of low- and moderate-income housing
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots	- Abnormally high vacancy rates, low lease rates, high number of abandoned buildings	- Expand employment opportunities for jobless, underemployed, and low-income persons residing in the project area
- Adjacent or nearby incompatible land uses	- Impaired properties (contamination)	
- Subdivided lots with multiple ownership and development constraints	- Serious lack of necessary commercial facilities	
- Inadequate infrastructure	- Serious residential overcrowding	
	- Excess of bars, liquor stores, or adult-oriented businesses	
	- High crime rate	

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### 2. Is the proposed use allowable under CRL?

In addition to addressing the purpose of redevelopment, an activity must be allowable under CRL. Table 2 includes examples of allowable activities. Allowable does not mean that such activities are automatically eligible for redevelopment funding. To be eligible, activity must meet the purpose of CRL, be allowable under CRL, and meet criteria and standards (Ref. 3 & 4 below) contained in CRL.

**Table 2: Examples of State CRL Allowable Activities for the Use of Redevelopment Funding**

<b>A. Affordable Housing (20 % low mod set-aside)</b>	<b>B. Land Assembly</b>	<b>C. Infrastructure Improvement</b>	<b>D. Private Development</b>	<b>E. Public Development</b>	<b>F. Non-Capital</b>
- New rental and owner units	- Acquisition	- Sewer	- Façade improve	- Parks	- Strategic plans
- Substantial rehabilitation	- Site preparation	- Water	- Commercial Rehab	- Health facilities	- Design guidelines
- Non-substantial rehab	- Disposition	- Roads	- Seismic Upgrd	- Community Ctrs	- Marketing (tourism)
- Hazard mitigation		- Sidewalks	- Visitor centers	- Public restrooms	- Clean-up programs
		- Lighting	- Hazard mitigation	- Fire stations	- Graffiti removal
		- Storm Drains		- Law enforcement	- Abandon vehicle abate
		- Landscape		- Signage	- Extraord code enforce
		- Drainage			
		- Bike lanes			

### 3. Does the activity meet criteria and standards contained in CRL?

CRL contains statutory criteria and standards a project must meet to be eligible for redevelopment assistance. Following is a list of criteria and standards arranged by activity type:

#### **A. Affordable Housing**

- Loans or grants for public or private developers/property owners
- Increases, improves, or preserves the supply of housing affordable to low- and moderate-income households
- Counts towards unmet replacement housing requirement, if any<sup>1</sup>
- Counts towards unmet housing production requirement, if any<sup>2</sup>
- In the aggregate, housing units assisted with redevelopment (RDA) funds must be affordable to very low-, and low-income households in at least the same proportion as the ratio of the number of units needed for these two income categories to the total number of units needed for very low-, low-, and moderate-income households, as determined by ABAG RNHD.

<sup>1</sup> Agency must replace any affordable housing units eliminated as a result of agency-funded activity

<sup>2</sup> Agency must ensure that 15% of all housing units built or substantially rehabilitated within the RDA are affordable to low- and moderate-income person, regardless of whether such activity is assisted by the Agency. Forty percent of the 15% (or 6% of total), must be affordable to very low-income households

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- In the aggregate, housing units assisted with RDA funds must be available to persons regardless of age in at least the same proportion as the number of low-income households in the community with a member under age 65 to the total number of low-income households in the community, as determined by the most recent census.
- New and substantially rehabilitated<sup>3</sup> rental units assisted with RDA funds must be restricted as affordable for minimum of 55 years
- New and substantially rehabilitated ownership units assisted with RDA funds must be restricted as affordable for minimum of 45 years
- 100% of non-substantially rehabilitated units must be restricted as affordable for reasonable period of time given level of assistance
- Transitional housing permitted with long-term affordability restrictions in place
- Prohibition against using housing set aside funds for emergency shelters
- Housing outside of RDA permitted only if finding of benefit to RDA

### **B. Land Assembly**

- Agency will own land only for period reasonably necessary to return the land to productive reuse by private sector or other public agencies
- Property will be developed by another public or private entity based on established criteria & standards, as applicable
- Consistent with 5-Year Implementation Plan
- Disposition is for not less than highest and best use value or “fair reuse value” under terms of conveyance

### **C. Infrastructure Improvement**

- Provided for in Redevelopment Plan
- Consistent with General Plan
- Consistent with 5-Year Implementation Plan
- No other reasonable means available to finance improvements
- Must eliminate blight and benefit project area
- Prohibition against use of funds for normal operation or maintenance of publicly-owned buildings, facilities, structures, or other improvements (except properties owned directly by Agency)

### **D. Private Development – Non Housing**

- Loans only for commercial rehabilitation
- Loans or grants for seismic retrofitting
- Loans or grants for manufacturing facilities
- Land assembly/site preparation/land disposition to cause private sector reinvestment in underutilized sites
- Prohibition against use of funds for private construction costs

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<sup>3</sup> Rehabilitation cost at or above 25% of after—rehab value inclusive of land value  
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### E. Public Development (Land and Public Buildings and Facilities; Section 33445 Findings)

- Provided for in Redevelopment Plan
- Consistent with 5-Year Implementation Plan
- Consistent with General Plan
- Building, facilities, structures, or other improvements are of benefit to the project area or the immediate neighborhood in which the project is located
- No other reasonable means available to finance development
- Payment of funds for the acquisition of land or the cost of buildings, facilities, or structures, or other improvements will assist in the elimination of one or more blighting conditions or provide housing for low- or moderate-income persons
- Prohibition against use of funds for normal operation or maintenance of publicly-owned buildings, facilities, structures, or other improvements (except properties owned directly by Agency)

### F. Non-Capital/Planning/Marketing

- Promotes economic development and creates job opportunities, particularly for low-income persons residing within RDA
- Promotes elimination of blight
- Necessary to effectively and efficiently administer the RDA and implement the RDA Plan and 5-Year Implementation Plan

## 4. Does the proposed use meet local criteria and standards?

### A. Affordable Housing Projects

In addition to meeting all applicable statutory requirements, housing projects must meet local criteria and standards to be approved for redevelopment assistance. The County will use the following criteria to evaluate housing projects proposed for redevelopment assistance.

Housing projects that develop new or preserve existing housing units affordable to and restricted for occupancy by low- and moderate-income households are a high priority for assistance.

- Housing projects will receive a higher priority for funding if they:
  - o Exceed the affordability requirements listed in 3.A. above
  - o Help meet replacement housing and project area housing production requirements
  - o Help County to satisfy the Housing Element Quantified Objectives
- Assistance for housing projects will be provided in the form of a loan
- Assistance must be secured by the appraised value of the property
- Assistance must meet all CDC underwriting criteria and locally-adopted lending policies

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### **B, C, D, & E Non-Housing Capital Development Projects (Land Assembly, Infrastructure Improvements, Private Development, Public Development)**

In addition to meeting all applicable statutory requirements, non-housing projects must meet local criteria and standards to be approved for redevelopment assistance. All non-housing capital development projects will be evaluated according to the following three-tiered structure that describes the local priorities, criteria, and standards that must be met to receive approval for redevelopment assistance.

Each project must demonstrate that it meets the standards in each of the three tiers to be approved for redevelopment assistance.

Tier 1: First, a project will be assessed to determine if it falls within one of the Tier 1 relative priority areas that will be considered for assistance.

Tier 2: If the project falls within one of the Tier 1 priority areas, it will next be assessed against Tier 2 eligibility criteria. The project must meet at least one of the eligibility criteria under Tier 2 to be eligible to receive assistance.

Tier 3: If the project meets one or more of the eligibility criteria, it will then be assessed using benefit indicators such as those listed under Tier 3. The information provided through the benefit indicators will be used by staff, advisory committees, and the Board of Supervisors to evaluate whether the project will provide a level of benefit that justifies the investment of the requested redevelopment funds.

#### 1. Relative Priority of Projects

Several types of non-housing projects are eligible for redevelopment assistance under the State standards and criteria discussed above. Sonoma County has established additional standards and criteria that give a higher relative priority for assistance to certain types of projects, and a lower relative priority for assistance to other types of projects. In general, projects will be considered for assistance in accordance with the following relative priority structure:

##### Highest Priority Projects (most likely to receive assistance)

- Blight removal
- Public health<sup>4</sup> and safety (e.g., buildings falling down, pedestrian crossings, flood/seismic hazard mitigation. Not medical clinics).
- Economic development and tourism / visitor-serving uses

##### Moderate Priority Projects (will require significant community benefit analysis to receive assistance)

- Public recreation the primary purpose of which is to remove blight and/or support economic development
- Natural environment preservation the primary purpose of which is to remove blight and/or support economic development

##### Lowest Priority Projects (least likely to receive assistance)

- Accommodate diverse households, preserve and foster diverse local character
- Mobility improvements
- Social issues, personal health issues, and support of programs, services, and neighborhood organizations

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<sup>4</sup> Public health addresses the health of the population as a whole rather than medical health care, which focuses on treatment of the individual ailment.

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### 2. Eligibility Criteria

Non-housing projects must meet one or more of the following criteria to receive County redevelopment assistance. Projects meeting more than one of these criteria are more likely to receive assistance.

- Projects that will replace or improve deteriorated buildings and infrastructure
- Projects that will mitigate a public health or safety threat to the physical well-being of area residents and visitors
- Projects that will mitigate an environmental health hazard
- Projects that will correct a condition for which a government abatement action is pending
- Projects that will induce private investment in surrounding properties with goal of removing blight and/or economic development.
- Projects that establish recapture of redevelopment investment through:
  - o Increase in property values
  - o Increase sales tax revenue
  - o Increase transient occupancy tax revenue
  - o Repayment of redevelopment funds over time
- Projects that will have a direct impact on increased tourism
  - o Higher priority for increase in off-peak and mid-week visits
- Projects that will result in a significant number of new jobs for lower-income residents of the project area
- Projects that will also support development of affordable housing
- Projects that will maximize the leveraging of redevelopment funds with private debt and equity, and other governmental funds

### 3. Benefit Indicators

Requests for non-housing project assistance will be evaluated based on the project proponent's identification of specific indicators of benefit to the project area, such as those listed below. Additional indicators may be used, as appropriate, to demonstrate project benefit.

- How and to what extent blight condition will be mitigated
- How and to what extent health and safety will be improved
- Number of jobs to be created
- Number of persons to benefit from development
- Source and amount of gross income expected to be generated
- Projected increase in property tax paid
- Projected increase in sales tax revenue paid
- Projected increase in TOT generated
- Terms and conditions for repayment of redevelopment assistance
- Amount and source of other public/private funding leveraged
- Provision for long-term maintenance of development
- Savings in need for expenditure of other local government funds
- Number, type, and tenancy of affordable housing units that will be supported by development
- Capacity of project proponent to successfully complete and maintain the project
- Readiness to proceed
- Inability to proceed without redevelopment funding (particularly for public entities supported by tax or fee revenue)

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### **F. Non-Capital/Planning/Administration/Marketing Activities**

A minor amount of redevelopment funding may be expended for the following activities. Any projects funded under this category must be undertaken by the Redevelopment Agency either directly or through an administrative services agreement with an appropriate contractor. Approval of funds for costs in this category falls under the sole purview of the Community Development Commission, in its capacity as the governing body of the Sonoma County Community Redevelopment Agency.

- Planning and other general administration activities necessary for Redevelopment Agency to effectively administer and implement the Redevelopment Project
- Activities that will eliminate physical blighting conditions
- Activities that will eliminate economic blighting conditions, including significant level of crime reduction
- Marketing activities that are expected to result in increased tourism