



## MEMORANDUM

DATE: September 30, 2021  
TO: Christel Querijero, Deputy County Administrator  
FROM: Michelle Whitman, Executive Director, Renewal Enterprise District  
SUBJECT: Renewal Enterprise District, Assessments on Members

### Background

The Renewal Enterprise District's (RED) startup costs have been funded through a \$1,000,000 grant from the William and Flora Hewlett Foundation. In addition to the Hewlett Foundation funds, the RED has been awarded grants and donations totaling \$301,000 from the Community Foundation Sonoma County, Kaiser Permanente, Burbank Housing, Comcast, MidPen Housing, Metropolitan Transportation Commission, and Rebuild North Bay Foundation to support the RED's commitment to increase the housing stock in Sonoma County, most significantly through an initiative to design and implement a new Housing Fund for affordable and market rate housing production. A small portion of these funds was designated for participation in the Map One Sonoma Housing Strategy. The unused balance of the Hewlett Foundation funds, other grants and awards are included in the FY2021-2022 budget as a fund balance.

As with other governmental agencies, the RED's budget is dynamic. Given that the RED is still a young agency, there are variables that warrant consideration now, and that may tap reserves in the future. For instance, the RED Housing Fund (Fund) will have operational costs to cover until it generates enough revenue to be self-sustaining, which is preliminarily projected to occur in year two. A robust fundraising effort is currently underway to offset first year overhead costs for the Fund, however, assumptions on what deployment will look like over years one and two, and the terms of its loan products, its capitalization, operations, and administrative expenses will determine the level of revenue the Fund will generate. While current assumptions on overhead are reasonable, precise costs can only be estimated until such time as loan terms are finalized with Fund investors, and professional service proposals are received, reviewed, and executed. Therefore, identifying revenue for startup is critical so that the Fund is positioned to break even in the first year and start building retained earnings in the second.

Further, the possible formation of an Enhanced Infrastructure Financing District (EIFD) in the City of Santa Rosa (City) may have an administrative or governance role that includes the RED. City and County of Sonoma (County) staff and advisors are in a process of evaluating the costs and benefits of creating an EIFD, with no final decision expected until the matter is presented to elected officials well into the current fiscal year.

There are other initiatives and structures under development that could utilize the RED for administration and/or financing to facilitate housing production that addresses RED members' public policy goals for increased density, access to transit, protection of open space, and catalyzing new

housing that contributes to energy efficiency, climate resilience, and affordability. For example, the Bay Area Housing Finance Authority, a regional housing finance structure, could provide funding by formula to each of the nine bay area counties, including Sonoma County, once a revenue source has been established. The County is analyzing its affordable housing organization model, which may transition some programs to the RED to manage funding and deliver affordable housing units cross-jurisdictionally. Both the City and the County are exploring coordination regarding collaboratively meeting Regional Housing Needs Assessment (RHNA) obligations through RHNA sharing approaches that might involve the RED. And finally, the RED may one day play a role in the production of housing on public properties within its jurisdiction that are deemed surplus. These opportunities and others are being analyzed for mission alignment, and when appropriate, further developed.

Identifying a sustainable source of revenue is necessary for the ongoing general operation of the RED and accomplishment of its members' housing objectives.

### **Agency Funding Options**

The RED's Joint Powers Agreement (JPA) states "All fees, costs and expenses incurred by the Agency may be funded from: (i) voluntary contributions from third parties, such as grants; (ii) advances or loans from the Members or other sources; (iii) bond revenue; (iv) taxes, assessments, fees and/or charges levied by the Agency under the provisions of the Act or otherwise provided by law; (v) contributions from an infrastructure Financing District or other tax increment generating mechanism; and, (vi) subject to the unanimous vote of the Board, assessments on the Members to carry out the activities of the Agency generally applicable to all Members" (Section 8.06 – Agency Funding).

Previously, there had been no request made to the RED's Founding Members to contribute financially to the RED's operating budget. During a budget study session at its February 24, 2021 meeting, RED Board members suggested that assessments on Members should be considered to ensure that the RED is fully funded through the end of Fiscal Year 2021/2022.

RED Board members have also recommended establishing a general fund reserve, with the Executive Director suggesting member assessments totaling \$100,000 to fund the reserve. Best practices from the Government Finance Officers Association of the United States and Canada recommend a total unassigned General Fund Reserve balance equal to 1/6 or 2 months of annual General Fund operating revenues, or \$137,479 for the RED based on the FY 2021/2022 final budget.

### **Final Budget**

Member Assessments were approved by the RED Board on May 28, 2021, and the Final Budget for Fiscal Year 2021/2022 was approved by the RED Board on August 23, 2021. The Final Budget featured below incorporates Board direction by including Member contributions of \$50,000 per Founding Member, for a total of \$100,000, to contribute to the general fund reserve. As New Members join the RED JPA, each will be required to contribute financially to the RED's budget. The Fiscal Year 2021-2022 Preliminary Budget below achieves full agency funding and a balanced budget through the end of the fiscal year. Fiscal Year 2021-22 spending would be \$824,878, including costs related to creating and deploying the RED Housing Fund.

Dept ID: 66150100	Fiscal Year 2020 - 2021			Fiscal Year 2021 - 2022		Fiscal Year 2021 - 2022	
	Actual	Budget	Variance	Proposed Final Budget	Change from Prior Year Actual	Preliminary Budget	Change from Proposed Final Budget
<b>Description</b>							
Revenues							
Other Grants - Hewlett Foundation	220,923	563,418	342,495	-	(220,923)	-	-
Community Foundation Sonoma County	1,590	7,101	5,511	-	(1,590)	-	-
Kaiser Permanente (East Bay Community Foundation)	90,000	90,000	-	-	(90,000)	-	-
Burbank Housing	10,000	10,000	-	-	(10,000)	-	-
Rebuild North Bay Foundation	5,000	5,000	-	-	(5,000)	-	-
MidPen	10,000		(10,000)	-	(10,000)	-	-
Expected Grant Revenues	-	45,000	45,000	484,333	484,333	150,000	(334,333)
Member Assessments	-		-	100,000	100,000	-	(100,000)
Interest on Pooled Cash	2,876	3,000	124	3,000	124	2,000	(1,000)
Miscellaneous	95	-	(95)	-	(95)	-	-
<b>Total Revenues</b>	<b>340,484</b>	<b>723,519</b>	<b>383,035</b>	<b>587,333</b>	<b>246,849</b>	<b>152,000</b>	<b>(435,333)</b>
Expenditures							
Administration Services and Supplies	9,589	10,100	511	14,378	4,789	14,378	-
Client Accounting Services	10,418	13,200	2,782	17,000	6,582	15,000	(2,000)
Consulting Services	209,879	294,000	84,121	328,500	118,621	266,500	(62,000)
RED Housing Fund Planning	110,825	150,000	39,175	150,000	39,175	132,000	(18,000)
Contribution to Other Governments	488	20,000	19,512	15,000	14,512	-	(15,000)
RED grant to housing project	-	250,000	250,000	-	-	-	-
RED grant to RHF for admin overhead				300,000			
<b>Total Expenditures</b>	<b>341,200</b>	<b>737,300</b>	<b>396,100</b>	<b>824,878</b>	<b>183,678</b>	<b>427,878</b>	<b>(97,000)</b>
Starting Fund Balance	86,323	86,323	0	363,094	276,771	363,094	-
Revenues	340,484	723,519	383,035	587,333	246,849	152,000	(435,333)
Expenditures	(341,200)	(737,300)	(396,100)	(824,878)	(483,678)	(427,878)	397,000
Unearned Revenue Adjustment - Hewlett Foundation	279,077	(63,418)	(342,495)	-	(279,077)	-	-
Unearned Revenue Adjustment - Community Foundation	(1,590)	(7,101)	(5,511)	-	1,590	-	-
Fund Balance Reserve	-	-	-	(100,000)	(100,000)	-	100,000
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>276,771</b>	<b>(84,300)</b>	<b>(361,071)</b>	<b>(337,545)</b>	<b>(614,316)</b>	<b>(275,878)</b>	<b>61,667</b>
Ending Fund Balance available for budgeting	363,094	2,023	(361,071)	25,549	(337,545)	87,216	(38,333)