

SONOMA COUNTY

STAKEHOLDER DATA BRIEF

September 26, 2018

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CDBG-DR Award Methodology

AWARDING FACTORS

HUD allocated \$124,155,000 of CDBG-DR funding for unmet needs to the State of California as a result of the devastating wildfires that impacted the state in late 2017. It is important to understand and consider the data factors behind HUD’s methodology for awarding funding to the State at all. As outlined in the Federal Register governing the award, California’s unmet need allocation was based on the results of the following data factors summed together:

- Factor (1) Owner-Occupied Housing* - Repair estimates for **seriously damaged owner-occupied units without insurance** in most impacted areas **after** FEMA and SBA repair grants or loans;
- Factor (2) Rental Housing* - Repair estimates for **seriously damaged rental units** occupied by renters with income less than 50 percent of Area Median Income in most impacted areas;
- Factor (3) Small Businesses* - Repair and content loss estimates for small businesses with serious damage **denied by SBA**; and
- Factor (4) Infrastructure* - The estimated local cost share for Public Assistance Category C to G projects (permanent work).

As the above factors suggest, HUD considered the most vulnerable populations with little to no ability to fully recover on their own when awarding CDBG-DR funding for disasters that occurred in 2017. The following data narratives and charts for each of the factors illustrate the data behind California’s CDBG-DR award based on HUD’s allocation methodology.

OWNER-OCCUPIED HOUSING

For *Factor (1) Owner-Occupied Housing*, HUD considered repair estimates for seriously damaged owner-occupied units that did **not** have hazard insurance. Serious damage to owner-occupied units was defined by HUD as those units with **\$8,000 or more of FEMA inspected real property damage**. Further, HUD only accounted for those owner-occupied units which were occupied by a household with **incomes below 120% of Area Median Income**. This means that HUD awarded funds to California for housing unmet need based only on those owner-occupied homes that were 1) seriously

damaged, 2) had no insurance, and 3) were occupied by low-to-moderate income owners. As the summary level data shows, the Sonoma County homeowners that HUD considered in their awarding methodology mostly occupied mobile homes and travel trailers and have an estimated unmet need of \$5.3 million.

| Seriously Damaged Low To Moderate Income Owner Occupied Housing | | |
|---|------------|----------------------|
| County | Applicants | Estimated Unmet Need |
| Butte | 14 | \$ 1,330,720 |
| Lake | 10 | \$ 1,244,810 |
| Mendocino | 31 | \$ 3,415,919 |
| Napa | 4 | \$ 497,924 |
| Nevada | 4 | \$ 497,924 |
| Sonoma | 47 | \$ 5,369,924 |
| Yuba | 22 | \$ 2,532,575 |
| Grand Total | 132 | \$ 14,889,796 |

| Sonoma County | | |
|--------------------|------------|----------------------|
| Housing Type | Applicants | Estimated Unmet Need |
| House/Duplex | 11 | \$ 1,369,291 |
| Mobile Home | 29 | \$ 3,609,949 |
| Travel Trailer | 7 | \$ 390,684 |
| Grand Total | 47 | \$ 5,369,924 |

RENTER-OCCUPIED HOUSING

For Factor (2) Rental Housing, HUD considered repair estimates of seriously damaged rental units occupied by very low-income tenants. Serious damage to rental units was defined by HUD as those units with **\$2,000 or more of FEMA inspected personal property damage**. Further, landlords were presumed to have adequate insurance coverage unless the unit was occupied by a household with **incomes below 50% of Area Median Income**. This means that HUD awarded funds to California for housing unmet need based only on those rental housing units that were 1) seriously damaged, and 2) occupied by tenant households with very low income. As the summary level data shows, Sonoma County renters account for the clear majority of housing unmet need that HUD considered in their awarding methodology, with approximately 400 impacted renter households represented having an estimated unmet need of \$30 million.

| Seriously Damaged Very Low Income Renter Occupied Housing | | |
|---|------------|----------------------|
| County | Applicants | Estimated Unmet Need |
| Butte | 5 | \$ 553,736 |
| Lake | 18 | \$ 1,522,990 |
| Mendocino | 47 | \$ 4,559,322 |
| Napa | 31 | \$ 2,439,064 |
| Nevada | 4 | \$ 497,924 |
| Sonoma | 391 | \$ 29,331,187 |
| Yuba | 23 | \$ 2,008,057 |
| Grand Total | 519 | \$ 40,912,280 |

SMALL BUSINESSES

For Factor (3) Small Businesses, HUD considered real estate and content losses of small businesses that exceeded \$30,000 and were denied an SBA loan, including those denied a loan prior to inspection due to inadequate credit or income. This means that HUD awarded funds to California for economic unmet needs based on small businesses that 1) applied for an SBA disaster loan, 2) were seriously damaged, and 3) denied an SBA loan. Of particular note, the industry most represented in the population denied an SBA business loan in Sonoma County are lessors of residential buildings and dwellings, as reflected below, indicating that some rental property owners are underinsured and unable to obtain loan funding for addressing serious damages to their rental property.

| Seriously Damaged Small Businesses Denied an SBA Loan | | |
|---|------------|----------------------|
| County | Applicants | Damage Estimate |
| Butte | 1 | \$ 268,699 |
| Lake | 4 | \$ 1,074,796 |
| Mendocino | 7 | \$ 1,880,893 |
| Napa | 48 | \$ 12,897,552 |
| Orange | 1 | \$ 268,699 |
| Sonoma | 184 | \$ 49,440,616 |
| Yuba | 2 | \$ 537,398 |
| Grand Total | 247 | \$ 66,368,653 |

| Top Industries in Sonoma County Denied SBA Loans | | | |
|--|----------------------|--|--|
| Applicants | Damage Estimate | Industry Descriptions | |
| 24 | \$ 6,448,776 | Lessors of Residential Buildings and Dwellings | |
| 9 | \$ 2,418,291 | Full Service Restaurants | |
| 7 | \$ 1,880,893 | Wineries | |
| 6 | \$ 1,612,194 | Grape Vineyards | |
| 5 | \$ 1,343,495 | General Automotive Repair | |
| 4 | \$ 1,074,796 | Offices of Lawyers | |
| 55 | \$ 14,778,445 | Grand Total | |

INFRASTRUCTURE

For Factor (4) Infrastructure, HUD considered the estimated local cost share of FEMA Public Assistance (PA) projects for permanent work categories as of March 30, 2018. For California, this data factor had a negligible effect on the State's allocation because most FEMA PA-funded permanent work projects were not yet obligated by FEMA as of March 30, 2018.

| Estimated Local Cost Share of Permanent Work Projects | | | |
|---|----------------|----------------|----------------|
| Permanent Work Category | Project Amount | Federal Share | Local Share |
| C - Roads and Bridges | 302,052 | 226,539 | 75,513 |
| D - Water Control Facilities | 271,611 | 203,708 | 67,903 |
| E - Public Buildings | 6,197 | 4,648 | 1,549 |
| G - Recreational or Other | 72,684 | 54,513 | 18,171 |
| Grand Total | 652,544 | 489,408 | 163,136 |

Overall Impact and Eligibility

HOUSING

Utilizing HUD's award methodology above notably disregards owner-occupied housing which may have had some level of hazard insurance, but which may be experiencing a sizable insurance gap. Considering the households that fall outside the strict parameters of the awarding methodology but still within basic CDBG eligibility criteria illustrates additional affected households that would benefit from an investment of CDBG-DR. Specifically, among homeowners, we found 243 seriously damaged owner-occupied households with estimated unmet need of almost \$30 million and income at or below 120% AMI that may have had some level of hazard insurance. Accounting for this expanded CDBG-DR eligible population captures households with moderate incomes which may be experiencing an insurance gap that CDBG-DR funds could help address.

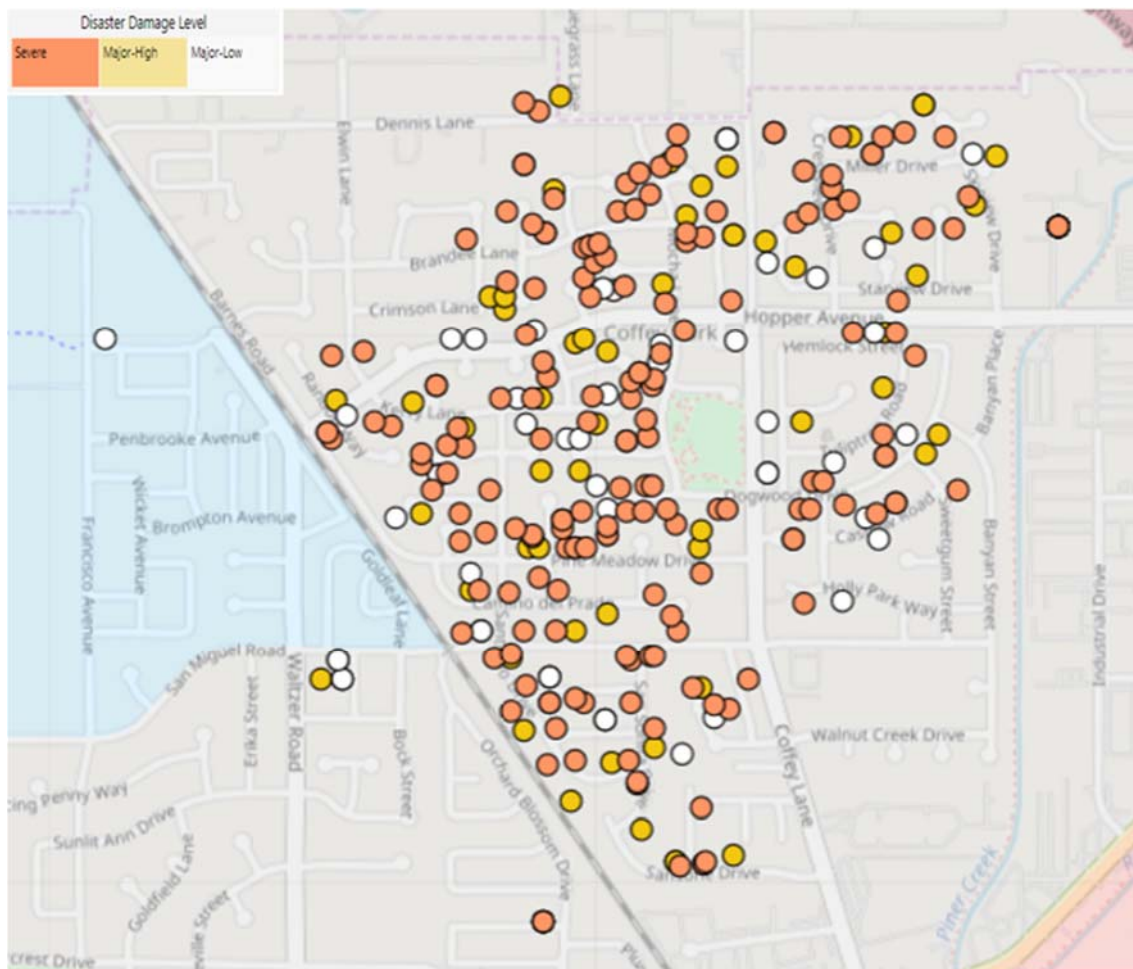
| Seriously Damaged Low To Moderate Income Owner Occupied Housing Including Potential Insurance Gap | | | |
|---|------------|----------------------|-------------------|
| County | Applicants | Estimated Unmet Need | |
| Butte | 14 | \$ | 1,330,720 |
| Lake | 17 | \$ | 2,116,177 |
| Mendocino | 40 | \$ | 4,383,421 |
| Napa | 11 | \$ | 1,369,291 |
| Nevada | 10 | \$ | 1,244,810 |
| Sonoma | 117 | \$ | 13,930,767 |
| Yuba | 34 | \$ | 3,942,189 |
| Grand Total | 243 | \$ | 28,317,375 |

| Seriously Damaged Low To Moderate Income Renter Occupied Housing | | | |
|--|------------|----------------------|-------------------|
| County | Applicants | Estimated Unmet Need | |
| Butte | 8 | \$ | 858,510 |
| Lake | 21 | \$ | 1,743,606 |
| Mendocino | 85 | \$ | 8,831,119 |
| Napa | 59 | \$ | 4,611,045 |
| Nevada | 7 | \$ | 787,209 |
| Sonoma | 674 | \$ | 55,991,698 |
| Yuba | 30 | \$ | 2,726,597 |
| Grand Total | 884 | \$ | 75,549,784 |

Similarly, utilizing HUD's award methodology above notably disregards housing occupied by moderate income renter households whose landlord may have an insurance gap. Among renters who fall outside of the strict parameters of the awarding methodology but within basic CDBG eligibility criteria, we found an expanded population of 884 seriously damaged households with income at or below 120% AMI having unmet need of \$76 million and whose landlord may not have had adequate insurance coverage to rebuild. Sonoma County's renters make up almost 75% of the unmet need in this regard. Even if approved SBA disaster loans for landlords are considered, which currently total \$10.5 million, there would remain \$65 million in unmet need among this population.

COFFEY PARK SAMPLE

Sizing down the data to a neighborhood level further magnifies the unmet need of the renter population in Sonoma County. The Coffey Park neighborhood, which consists of both owner-occupied and renter-occupied households at mostly moderate incomes, requires further consideration as it relates to the wildfires impact, unmet need, and CDBG-DR eligibility. The Coffey Park neighborhood is the most densely populated area in Sonoma County affected by the wildfire and has a medium level Social Vulnerability Index (SoVI®). The SoVI® is a comparative metric that facilitates the analysis of differences in social vulnerability at a certain level of geography. The index synthesizes 29 socioeconomic variables, which, with support from research literature, can contribute to a reduction in a community’s ability to prepare for, respond to and recover from hazards. The following map shows the 300+ renter-occupied households, representing over 925 individuals, who lived in Coffey Park and sustained HUD-identified serious damage from the wildfires. This affected population has an average household income of \$52,100 and total estimated unmet need of \$29 million, which represents over half of the unmet need among the renter population in Sonoma County. Without adequate insurance and SBA disaster loan coverage, landlords may lack incentive to rebuild the rental stock in Coffey Park. As a result, low-to-moderate income renters will continue to be displaced as a result of the fire.



Data Conclusion

Renters in Sonoma County account for 60% of the seriously impacted population with low-to-moderate incomes. With an estimated unmet need alone that totals \$56 million, renters in Sonoma County are not only a key component of California's CDBG-DR award methodology but account for the majority of the "most impacted and distressed" population as defined by HUD. As a result, the disaster impact data supports an intentional CDBG-DR investment in low-to-moderate income renter-occupied housing. Further, intentionally collaborating with owners of rental property to ensure their rebuilding needs are met while securing reconstructed housing for low-to-moderate income renters must be a key component of Sonoma County's recovery strategy. Examples such as Coffey Park offer just a snapshot of the opportunities available for targeting recovery efforts with CDBG-DR funds. Sonoma County is committed to offering other proven recovery models, including financing denser, multifamily developments close to public transportation that assist populations found within the data, including the elderly, disabled, homeless, and veteran communities. Repairing and rebuilding all forms of low-to-moderate income rental housing is a CDBG-DR eligible activity that will ensure Sonoma County's most impacted and distressed residents recover and HUD's National Objectives are achieved.