

Support withdrawing from Gravenstein Commons Homekey Project

It is difficult to find a criticism of the staff recommendation to withdraw from the partnership with SVdP explained in the Staff report for this agenda item. **City staff has done much more due diligence than was done in May of 2023, and the result has been eye opening and should be a cause for great concern among City Council members who voted for this last year.**

Significant Risks

- It turns out a simple request last year to be the “jurisdictional partner” omitted the 15 year financial obligation to backstop the entire project.
- There may be significant risks associated with unrealistic estimates of a development and construction cost shortfall of more than \$5MM.
- Ongoing expenses “in the plan are likely under-counted.”
- SVdP paying for a consultant to negotiate with them on behalf of the city appears to be a conflict of interest.
- Project will require additional time for services from the Police and Fire Departments (Recall there was a 60% increase in calls for police service in 2023).
- While the state has been supportive of Homekey projects, it (the state) faces major financial challenges of its own and ultimately places the burden of risk on cities such as Sebastopol. Another way of saying this is that political winds do change.
- The whole area is new, laws and regulations are evolving, and non-profits are relatively inexperienced increasing the chance the project will fail and the city will be on the hook for \$6.5MM.
- The City faces major financial challenges of its own. We don’t have \$6.5MM in unrestricted funds now and are unlikely to have it any time in the next 15 years. This amount is ½ our operating budget and 3.6 times our policy target reserve for the general fund.

The fact the city would carry a substantial and uncertain liability that it cannot satisfy should be cause for concern for lenders holding our current debt and whom we may seek additional debt in the future. **Have we had an opinion from our accountant on how this will be treated on our books?**

SVdP has promised they have \$23MM in assets, sufficient to meet any obligation under this contract. A review of their 2021 990 indicates that on September 30, 2022, they had only \$11MM in assets and \$4.38MM in liabilities. **The numbers don’t add up.**

Who on the city staff is qualified, has extra time and can be assigned to be accountable for this program? **Maybe the city manager but when is he going to have time to solve the issues with Water and Sewer and to plan and execute an effort to get public support for the proposed increase in sales tax and find an optimal solution to the fire department?**

The city has numerous issues that affect approximately 7,000 people in the city. This project is projected to help something like 21 individuals or small families who are unlikely to come from our city and will likely bring new issues when they come. When resources are scarce, we cannot afford to invest the time and energy required here at the expense of major issues like mismanagement of the water and sewer operations which impact the safety and wellbeing of 7,000 people.

There was a brief discussion in the consultant document about numerous studies that show providing permanent supportive housing for the homeless is less costly than letting them live on your streets and doorsteps. He also recognized that nothing about this project (as has been the case with Elderberry) will take one person off the streets of Sebastopol. In fact, the consultant points out that individuals brought into a community bring with them friends, family members and hangers on that are typically the one's who create problems.

We are dangerously close to transitioning from a "quaint" little tourist city to a destination for Sonoma County's homeless. The trend needs to be reversed as we are too small to absorb this problem. We want to help but inviting the homeless to live in our town without services just creates issues leading to public backlash and significant taxpayer costs to police, fire, and public works for cleanup.

I encourage the city council to support withdrawing from this obligation while the cost of withdrawal is low.