

## **City of Arcata PRO Housing Action Plan**

### **Amendment 1**

#### **Action Plan Summary**

The City's vision for removing barriers to housing development is three faceted. First, the City proposes to update its zoning to conform to the General Plan 2045, which streamlines permitting and allows for infill densification. Second, the City will adopt an Accessory Dwelling Unit program that consists of a zoning ordinance supporting the development of Accessory Dwelling Units; the framework for City financing of Accessory Dwelling Units in exchange for affordability covenants on the newly developed unit; and a marketing program to encourage property owners to take advantage of the City's loan program. And third, the adoption of a new form-based code using objective standards to regulate high-density development in the Valley West Activity Center identified in the Land Use Element.

The result of these efforts will be (1) increased base density across several existing and proposed zones, resulting in 280 acres of land that is rezoned to allow multi-family housing; (2) a boost in ADU production across 1,491 acres of residentially zoned land with units that will be reserved for LMI individuals and households; and (3) streamlined, ministerial permitting by developing a form-based code with objective design standard for the Valley West Area. Together, these will tackle the following key barriers to affordable housing: lack of residentially zoned land and limitations on density, geographic barriers which prevent Arcata from building out, and discretionary permitting processes.

City of Arcata staff will administer the program and manage consultants. Primary contacts are:

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The Pathways to Removing Obstacles to Housing (PRO Housing) program is a competitive grant program funded by the Consolidated Appropriations Act, 2023 (Public Law 117-328). The program aims to remove barriers to affordable housing production and preservation through grants to state and local governments, metropolitan planning organizations, and multijurisdictional entities. FY23

PRO Housing requirements can be found in the PRO Housing Notice of Funding Opportunity (NOFO) (FR-6700-N-98, issued November 6, 2023).

## **Resources and Budget**

<b>Match</b>	<b>Grant</b>	<b>Total</b>
<b>City Staffing</b>		
Personnel (Direct Labor)	\$ 110,703	\$ 110,703
Personnel (Direct Labor)	\$ 253,490	\$ 253,490
General Administration	\$ 50,000	\$ 50,000
<b>Consultants</b>		
LUC Updates + ADU Ordinance	\$ 150,000	\$ 150,000
Valley West Area Objective Design Standards	\$ 300,000	\$ 300,000
ADU Loan Program	\$ 136,510	\$ 136,510
Environmental	\$ 100,000	\$ 100,000
Website	\$ 10,000	\$ 10,000
	\$ 110,703	\$ 1,000,000
		\$ 1,110,703

The City's budget for the proposed scope of work that involves reasonable staff allocation for a three-year period to manage a variety of consultants that will assist with draft and final work product. The budget commits a total of 1.2 FTEs per year. Based on the City's experience drafting the policy document and one form-base code, which this work will be similar to, this is appropriate to ensure that the task is completed on budget and on time.

Roles and responsibilities will be clearly identified between staff and consultants. Staff will manage the grant, including reporting, financial management, and project management. Staff will also lead public engagement with assistance from professional facilitators. Staff will conduct all public hearings. And City staff will oversee and direct the work product based on the community and decision maker input.

### **City Staffing**

- Administrative Specialist - 208 hours
- Community Development Specialist - 832 hours
- Senior Planner - 2,496 hours
- Deputy Director of Community Development - 416 hours
- Director of Community Development - 815 hours

Consultants will be hired to assist with engagement. Particular attention will be provided to engaging our BIPOC community. We anticipate using similar equity engagement strategies in this work as we used in the General Plan 2045 engagement. Consultants will also lead drafting the revised code language, developing the form-codes, and the Accessory Dwelling Unit ordinance. A consultant team will also conduct the environmental review.

The Accessory Dwelling Unit program will be largely drafted by staff and the City's attorney.

The City based its cost estimates for the work on recent contracts for similar work. The scope is dictated by the General Plan 2045 update, which was adopted by City Council on July 17, 2024. The City has contracts with consultants doing similar work on the Gateway form-based code, environmental work, and public engagement. We believe the costs to be reasonable to complete the scope of work.

Staff Costs - \$364,601

- Staff costs paid by grant - \$253,490
- Staff costs local match (10%) - \$110,703

Environmental Planning Consultant - \$100,000

- Conduct any special studies necessary to support up to an Environmental Assessment under NEPA and a negative declaration under CEQA; prepare the environmental record, including the reports

Urban Planning Consultant(s) - \$586,510

- Draft zoning updates to Land Use Code and Accessory Dwelling Unit Code \$150,000
- Draft form-based code for Valley West Infill Opportunity Zone \$300,000
- Accessory Dwelling Unit marketing program \$136,510

City Website Management Consultant - \$10,000

- Updates to code publishing

Administrative expense - \$50,000

- overhead and other expenses, including meetings, materials, printing, legal review, and other indirect costs

### Schedule

The City has allocated three years or 36 months to complete the work. Since the framework has already been established through the General Plan 2045 process, developing the implementing zoning updates and ordinances should proceed fairly rapidly. Because public process is unpredictable, additional time may be needed to complete the approvals of the new zoning codes. However, the work will be able to be completed within the HUD PRO Housing Grant timelines.

The Land Use Code updates will occur in two phases. The first phase will be minor amendments to update the Zoning Map to be consistent with the Land Use Map, to update the density ranges, and other minor amendments to make basic implementation consistent with the General Plan. The second phase will involve more substantive changes to permit procedures, including Hillside

Development permit, tree preservation ordinance, Planned Development Permit, Density Bonus, Inclusionary Zoning, and other sections necessary to implement the full scope identified in this application and the General Plan update.

The form-based code proposed in the Valley West neighborhood will involve more engagement to identify key design features to emphasize specific to this area. However, with the recent adoption of the Gateway Area Code, a Form-Based Code for the Gateway Area, the process is better understood by the Council, Commission, and community. The process will involve a well-defined engagement period to develop Form-codes for this neighborhood.

The ADU ordinance and loan program will mirror programs in operation in the City and current practice. This body of work should take less than a year to complete.

The City has broken down the activities into categories with estimated timeframes.

#### Procurement

- RFP and contracting for environmental planner and urban planner: Months 1 -4

#### Community Engagement

- Engagement workshops: Month 4 – 8
- Neighborhood meeting part 1: Months 4 - 12

#### Work Product

- Valley West Form-Based Code: Months 4 – 24
- Land Use Code: Months 4 - 36
- ADU Ordinance: Months 4 – 13
- ADU loan program: Months 4 – 13

#### Environmental

- NEPA: Months 1 - 4
- CEQA: Months 15 – 36

#### Hearings

- City Council: Months 5 – 36
- Planning Commission: Months 4 – 36

#### Need

#### **Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation.**

The City of Arcata has a long history of identifying, addressing, mitigating, and removing barriers to affordable housing production. The City has developed strong partnerships with local homeless services and housing providers, affordable housing developers, the public, and various granting agencies. These networks have been leveraged to identify housing development barriers and strategies to overcome them. To date, the City has participated in development and preservation of

more than 700 units of housing with affordability covenants on title. And while the City is proud of its accomplishments, there is more work to be done.

The City has worked diligently to address governmental barriers to affordable housing development. In the last six housing element cycles, the City has consistently updated and addressed barriers that are identified primarily through changes to the zoning ordinance and the City's fee resolution. Efforts to streamline housing development approval have resulted in a significant increase in housing production comparing 2001-2010 vs. 2011-2020. The increases in production are at least in part due to the changes in the zoning code the City made, such as eliminating design review for several classes of projects, increasing density in certain neighborhoods, and making land uses more flexible to encourage mixed use projects. This has resulted in an increase in the number of Accessory Dwelling Units produced, and reduced planning permit timelines for the majority of projects that do not require Planning Commission Design Review.

The City has also been very effective at securing grants in partnership with affordable housing developers to build new rent- and sale-restricted units, build off-site infrastructure, rehabilitate units, provide tenant rental assistance, and support housing the homeless. The City has developed capacity to garner and implement Affordable Housing Sustainable Communities (AHSC), Infill Infrastructure Grant (IIG), Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and California Tax Credit Allocation Committee (TCAC) projects.

The following describes the City's record implementing projects and programs to develop and preserve affordable housing.

#### Securing Affordable Housing Units

This is a short list of projects the City has assisted in the last two decades alone.

The City of Arcata provided Humboldt Bay Housing & Development with a HOME-funded rehabilitation loan in 2005, where \$275,000 was used for rehabilitation of 36 units of rental housing affordable to Arcata residents earning less than 80% of Area Median Income.

In 2007, the City successfully utilized \$1,120,000 HOME PI and CDBG PI to secure 99-year affordability restrictions on all 34 units of Arcata Mobile Home Park. Within five years of initial occupancy, eleven units were sold to low-income households through the City's Home Ownership Program. After the rental units were replaced with owner-occupied units, of the 34 units in the mobile home park, the occupancy of six of the units were restricted to occupancy by moderate-income households, 21 by low-income households, and 11 by very low-income households.

In 2008, the City provided a loan of \$800,000 to Danco Builders and secured a 55-year affordability commitment for 30 units of senior housing at Plaza Point. Funds were a combination of HOME grant and local funds.

In 2012, the City loaned \$483,000 of city funds to Resident Owned Parks for rehabilitation of the Sandpiper Mobile Home Park. As part of the agreement, for 55 years, affordability restrictions were

placed on all 20 units. Eight units are for moderate-income households, seven for low-income households, and four for very-low-income households.

In 2015, the City lent Housing Humboldt \$905,233 through CDBG to rehabilitate 10 units at Juniper Apartments. Affordability restrictions were placed on all 10 units for 30 years, reserving them for very low-income tenants (less than or equal to 50% Area Median Income).

In 2019, the City of Arcata acquired and supported off-site improvements for the downtown

housing complex, Sorrel Place. The City contributed \$1.3 million in HOME Program Income (PI), \$750,000 in CDBG PI, and \$850,000 in local funds. The 44-unit complex has 43 units which are affordable to residents earning less than 50% Area Median Income.

In 2019, the City of Arcata acquired and supported off-site improvements for the downtown housing complex, Sorrel Place. The City contributed \$1.3 million in HOME Program Income (PI), \$750,000 in CDBG PI, and \$850,000 in local funds. The 44-unit complex has 43 units which are affordable to residents earning less than 50% Area Median Income.

Arcata Garden Apartments is a 37-unit affordable housing project, located at 2255 Alliance Road, that received funding for improvements in 2019. Arcata Garden has seven buildings consisting of 4 studios, 16 one-bedroom, 11 two-bedroom, and 5 three-bedroom dwelling units. Each dwelling unit has an on-grade entrance. There are 4 units designated as handicap accessible. CDBG-17 for rehab

The Creamery Row Townhouse Project provides new housing for lower-income families. The project is a collaboration between the Danco Group and six other partners, including State of California Housing Tax Credit funding. The City of Arcata provided funding for offsite improvements. CDBG for off-site improvements.

Arcata Bay Crossing consists of 31 affordable housing units. 15 of the units are assisted by funding from the Mental Health Services Act and are set aside for mentally ill homeless who have access to onsite supportive services. The other 16 units are for qualified low-income households. The City of Arcata assisted Housing Humboldt with loan funding for the purchase of the land, as well as Community Development Block Grant (CDBG) funding to assist with the off-site improvements.

### Raising the Cap for Affordable Units

The City has produced so many income-restricted affordable housing units that it was required to put forward a Measure B in 2020 to increase its Article 34 limit. A "yes" vote supported authorizing private and public entities to develop, construct, or acquire 7.5%, an increase from 5%, or less of the housing units in Arcata for elderly, disabled, and low-income households. The City sponsored and wrote the measure, which the voters passed with a "yes" vote by 74.19%, showing strong local support for affordable housing.

### Tenant-Based Rental Assistance Program

The City of Arcata currently implements the Tenant-Based Rental Assistance (TBRA) Program with HOME funds to assist eligible tenants with monthly rent and utility payments. The program is tailored to each household, making up the difference between the amount the household can afford to pay and the actual cost of housing selected by the household. Under the Tenant-Based Rental Assistance program, rental assistance payment and any utility and/or security deposit may be made, on a case-by-case basis, directly to the tenant. The City has assisted 67 people with the TBRA program this round (2019 grant) of funding and 53 with the previous round of grant funding (2016 grant).

#### Community Land Trust

The City helped the Humboldt Community Land Trust start in 2007 by providing a planning grant and continues to collaborate closely with them. Under the Community Land Trust program, Housing Humboldt retains fee-ownership of the land and will sell the homes to income-qualified households. Ownership of the homes will be subject to a 99-year ground lease that keeps the homes affordable to low-income households while giving homeowners a reasonable return on their investment. The City collaborates with the Housing Humboldt by using the City's Down Payment Assistance Program to provide gap finance for eligible low-income applicants. The First-time Homebuyer Downpayment Assistance Program, available to buyers of affordable Community Land Trust properties, was funded by HOME and CDBG and is currently supported by local funds.

#### Density Bonus

The City of Arcata has a Density Bonus Ordinance that was adopted in 2008. The City's ordinance is out of compliance with current state law, which has been amended several times in the past years. Currently, State Density Bonus is considerably more favorable to developers than the City's ordinance. The City supports developers using state Density Bonus Law, and intends to update the local ordinance with the PRO Housing grant as one of the minor amendments to the Land Use Code.

#### Mobile Home Rent Stabilization Ordinance

The City implemented the Mobile Home Rent Stabilization Ordinance in 2018 to provide residents with long-term rent predictability. The ordinance proactively preserves the long-established value balance in the city's current mobile home market in order to ensure park owners retain a fair rate of return on their park investments and the mobile home residents retain the right to enjoy their own investments in their homes.

#### Housing for the Unhoused

As of February 2023, the City had initiated a Safe Parking Pilot Program and awarded a contract for operations to Arcata House Partnership. The program served 76 different individuals totaling 5,800 bed nights in 2022. Seventeen individuals moved from the program into shelter housing, 19 went straight to permanent housing and several are still in process.

In 2022, the City of Arcata and non-profit Arcata House Partnership were awarded a Homekey Grant for \$14,194,598 for The Grove project. A motel was fully renovated and furnished to create 60 studio units for a mix of chronically homeless, homeless, and at risk of homelessness persons.

Similarly, the West Village Studios was opened in 2023 by leveraging \$20,000,000 in Homekey funds and \$700,000 in CDBG PI, completely renovating a motel to create 78 studio apartments with kitchenettes for homeless and those at risk of homelessness.

#### Housing Element

During the previous Housing Element cycle (2014–2019), the City produced a total of 363 housing units. Between 2014 and December 31, 2018, the City issued building permits or planning permits for 43 very low-income units, 5 low-income units, 258 moderate-income units and 57 above-moderate-income units. Fourteen units received both planning and building permits. 44 have received planning permits. As a result of the building production from 2014 and December 31, 2018, the City produced 100 percent of 363 total housing allocations for the 2014–2019 planning cycle.

In addition to successfully taking actions to remove local barriers to increasing affordable housing production and preservation, the City has focused on developing and retaining talented grant and project managers that can leverage the partnerships to bring housing projects to our community. The combination of capacity retention, expertise in a range of granting types, and the streamlining work that is informed by our 'insider's perspective', having worked alongside our partners to develop affordable housing projects, is critical to our success mitigating the barriers to affordable housing production.

All of these programs and project involvement show that the City supports affordable housing, but there is greater need than these programs can supply. The City needs to add more units to house its residents.

#### Describe your acute demand and remaining need for affordable housing within the geographic scope.

#### Median Housing Cost and Area Median Income

Incomes, as well as the costs of both rental and for sale housing have increased. Based on the American Community Survey, the median household income for the City of Arcata went from \$30,866 in 2017 to \$39,069 in 2021. The median rent increased from \$1,015 in 2019 to \$1,350 in 2023 for a two-bedroom unit, and the median rent similarly increased in the same time period from \$949 to \$1,195 for one-bedroom units in the City. The median home sales price increased from \$350,000 in 2019 to \$504,250 in 2022. Median income has not been keeping pace with median housing costs.

#### Overpayment

Overpayment, which the City defines as monthly housing costs in excess of 30 percent of a household's income, is a major issue. By leveraging HUD's Comprehensive Housing Affordability Strategy (CHAS) data, the City determined that a significant proportion of Arcata's residents (56.92

percent) are overpaying for housing costs. By contrast, severe overpayment is defined as monthly housing costs in excess of 50 percent of a household's income. A moderate proportion of Arcata's residents (35.77 percent) are severely overpaying for housing costs. Among lower-income households (earning 80 percent or less of the area median income), 49.53 percent are overpaying, and 35.19 percent are severely overpaying, for housing costs.

Additionally, the City hired consultants to administer a housing survey. About 50% of 600 participants responded that they pay over 30% of their annual income for housing each year. About 31% out of 600 participants reported that they pay over 50% of their annual income for their housing each year. About 14% out of 600 participants reported that their monthly payments for housing over a year cost more than their annual income.

### Population Growth

The City's future housing needs are projected by HCD based on demographic trends. The full methodology is provided in the Regional Housing Needs Allocation adopted by the Humboldt County Association of Governments Board on March 21, 2019. The Housing Element identifies the housing stock characteristics, housing market trends, and the availability of appropriately zoned land to accommodate projected need. And while the Department of Finance population projections indicate the County is losing population, the City of Arcata is growing.

At the 2020 census, Arcata's population was 18,857. The City is planning for population growth to 26,400 in 2045. Over the decade from 2010 to 2020, the city's population growth was approximately 0.94% annually. The City is planning for the same annual background growth rate of 1% plus a growth factor associated with the increased population pressure associated with climate change, Cal Poly Humboldt, telework, and a host of regional and local economic drivers that affect the desirability of this community. Considering all of these factors, the City is planning for a growth rate as high as 1.4%.

California's North Coast, and more specifically, the City of Arcata, is a desirable location that has multiple external pressures on its housing market. The primary drivers of increase in growth include Californians being pushed out of other unaffordable or fire prone areas, an influx of remote workers, the Cal Poly designation for Cal Poly Humboldt, and several large economic development projects in the region including a large offshore wind project and the Nordic Aqua Farm land-based fish farm.

### Cal Poly Humboldt

One key housing displacement pressure is the transformation of Humboldt State into a Cal Poly Humboldt. With the Cal Poly designation, comes a mandate to increase enrollment. In August 2021, California Governor Gavin Newsom and the State Legislature agreed on a new state budget with a historic \$458 million investment in Cal Poly Humboldt to become Northern California's first polytechnic institution. Fall 2023 enrollment was 5,964 students. Based on an October 2023 letter by Cal Poly Humboldt's Vice President of Enrollment Management and Student Success Chrissy Holliday, the university's goal is to reach an enrollment of 11,000 by 2028. An increase of 5,000 students is approximately 26% increase from Arcata's 2020 population. While Cal Poly Humboldt has committed to housing first-year undergraduate students, all other undergraduate students, graduate

students, staff, and faculty live in Arcata or commute from surrounding communities. The City is working closely with Cal Poly Humboldt to plan for the large increase in student population and accompanying staff and faculty increases.

#### Housing Stock Condition and Age

Two-thirds of Arcata's housing stock is more than 40 years old, but a minimum of 500 units have been added to the housing stock each decade since 1950. Arcata's housing stock is in relatively good condition. However, given its age, lead abatement issues may potentially be found in an estimated 3,852 housing units (48 percent of all housing units).

#### Employers

The City meets with employers in the region and they face challenges with retention and recruitment because housing costs are high. This is especially true of healthcare providers and school districts, which have been in conversation with the City and developers to purchase or develop their own housing stock because the need is so great.

#### Remaining Affordable Housing Needs

This blend of anecdotal evidence and data indicates that there is still an acute demand for housing. Rather than drawing the conclusion that our housing need has been met, this disconnect indicates that the need is far greater than the Regional Housing Needs Allocation indicates. The City estimates a need for at least another 300 units of low-income housing (80% AMI) in the current period. And there have been very few housing units produced for moderate income households. The need is acute and a significant number of new units are needed to meet the current housing crisis in our community.

The City's reporting for the 6th Cycle Housing Element (2019-2024) shows that 118% of its housing need for very low-income, 79% of its housing need for low-income, and 26% of the housing need for moderate income households have been met for the current cycle. This is good progress, but the input from employers and workers provided in General Plan engagement events the City has held suggests that there is still considerable need in this group.

Housing for extremely-low income households, including the unhoused, is a critical gap in the City's housing stock. While the City has added 218 units of rent restricted affordable housing during the 2019-2027 Housing element period, there are still hundreds of unhoused individuals and families. The 2023 Point in Time Count, which annually seeks to census unhoused individuals statewide, counted 1,648 individuals in Arcata. These estimates are generally considered low by experts in the field due to the difficulties associated with engaging the unhoused population. Arcata House Partnership, a local services provider for homeless individuals, served 1,649 clients in the last two months. Based on phone and intake information, Arcata House Partnership says the number one cited reason for newly homeless individuals is the rising cost of rent.

**Describe what key barrier(s) still exist and need to be addressed to produce and preserve more affordable accessible housing within the geographic scope of the Action Plan.**

The City of Arcata faces several key barriers to building affordable housing. The lack of residentially zoned land and limitations on density prevent the city from taking advantage of existing land that could otherwise be the site of multi-family housing. Additionally, geographic barriers prevent Arcata from building out. Discretionary permitting and environmental permitting processes increase risk and cost for developers. Similar to other parts of the country, input costs for builders have risen and are passed on to buyers and renters. Lack of construction financing for ADUs limits production despite interest from homeowners.

#### Lack of Residentially Zoned Land

The City currently lacks residentially zoned land suitable to meet its housing need. Lands that are zoned and are suitable for housing development in the 2019 Housing Element totaled approximately 350 whereas the City's Housing Needs Allocation was 610 units for the 2019-2027 Housing Element period. The majority of the City's residentially zoned land is zoned for single family residences, and this land base is built out. There are plenty of redevelop-able lands, but the current allowable densities and other land use regulations make investment cost infeasible. In short, there is very little land readily available for housing development in our community under the current land use zoning regulations. The lack of land zoned for housing is the most significant barrier to housing development that the City has the ability to control. The proposal addresses this issue directly.

#### Discretionary Permitting Procedures

The second largest barrier to affordable housing development is the City's discretionary permitting processes. Currently, all higher-density projects are required to obtain Planning Commission Design Review. This process requires a complete application with full designs for a proposed project; noticing of a hearing, including notifying nearby residents and property owners of the proposed project; a hearing to determine if the plan set the proponent invested in meets with the Commission's approval or if it needs to be amended (adding cost and time to the project); and an opportunity at the hearing for the public to weigh in on whether the project should be built. This process usually adds between three and six months to the approval process. Even if the project meets all the design requirements, there is a chance that the project will not be approved as presented. And, while the State Housing Accountability Act has been embraced by the Commission, there is still the possibility of appeals to Council and legal action against the City and the proponent over California Environmental Quality Act or other procedural concerns associated with a discretionary review.

The discretionary review process has had a negative impact on housing production and unsatisfactory outcomes for the public for several key reasons. When the outcomes of an approval process are uncertain or unclear, the risks associated with the initial investment into the planning process are high. The permit requirements for planning review, including the various plans, studies, and consultants required to produce a complete application create an expensive threshold in light of

the uncertainty of the process. Because of the time, public hearings, and noticing requirements, discretionary permitting is more likely to result in an appeal even after the project has already been approved.

One local example of the negative impacts of discretionary permitting is the Craftsman's Mall project. A developer submitted plans to build a four four-story, purpose-built, student housing project in recognition of the need for student housing. After receiving tentative approval to proceed at a pre-application meeting with the City Council, the applicant submitted plans for the project with full design specifications, elevations, landscaping plans, and an application to change the zoning and land use designation. After three years and at least 17 public hearings on the project, the proponent quit pursuing the project because of the overwhelming process involved in approval. While this was an outlier in terms of process, it shows that larger projects generate more public involvement, which has an impact on outcomes.

The City sees ministerial permitting implemented by form-based code as the antidote. A major concern raised by the public during the Craftsman's Mall project was the inability of the affected public to weigh in on design. The form-based code allows the public to be involved in design decisions before a specific project is identified. This provides certainty to the public about how the neighborhoods will look and feel before project proponents are investing in design decisions. In addition, ministerial permitting would reduce time, risk, and costs for builders, which would result in more housing being built. As one positive case study on the benefits of ministerial permitting, the City has seen the positive effect of the implementation of ministerial approval after Senate Bill 13 mandated ministerial approval of all ADUs within 60 days. Before the implementation of SB 13, the City had used a discretionary Design Review approval process for many ADUs. At that time, the City produced 10 ADUs on average per year. After the State ADU law was adopted, the City implemented ministerial approval of ADU's and the average jumped to twenty per year.

### Environmental Permitting Processes

Environmental permitting requirements, specifically the approval process for the California Environmental Quality Act (CEQA), presents a major challenge to multi-family housing projects. While CEQA has many benefits, the weaponization of CEQA litigation means that one individual can delay a developer's efforts to build housing. It is a similar barrier to discretionary permitting in that it greatly increases the risk, cost, and time of a project.

Projects that are ministerially approved are not subject to CEQA. The City proposes to conduct CEQA on the plan-wide basis, reducing the risk to future projects through ministerial approval.

### Geographic Barriers

Another key barrier is Arcata's geographic landscape, which greatly reduces developable land and the ability for surrounding communities to build as well. To the west, the Arcata is bounded by the Pacific Ocean, while to the southwest, the presence of Humboldt Bay and the Arcata Marsh renders the adjacent terrain prone to flooding and susceptible to sea-level rise. The Mad River is to the north and though not as significant of a barrier as other features, reduces buildable area because of the need to build outside of the 100-year flood zone. To the east, Arcata is hemmed in by the Klamath

mountain range and redwood forests. As it approaches the east, Arcata's terrain includes hilly or mountainous areas, making it challenging to develop on steep slopes. Many of the listed areas have environmental protections in place to safeguard natural habitats, which can restrict development. These environmental constraints are a key barrier to affordable housing because they represent a physical barrier to expansion, add lengthy and complex environmental permitting procedures, are off-limits because of their designation as open space areas or are subject to open-space easement deed restrictions, can be in flood zones or areas vulnerable to sea level rise. Additionally, it limits the ability of other neighboring communities which could provide additional housing to expand as well. The City of Arcata sees densification, mixed-use zoning, and infill development as the best way to overcome this barrier.

#### High Input Costs for Builders

There are several macroeconomic factors that have increased housing costs in Arcata. Insurance markets and lending have an impact on housing production. Building material costs are high and, like other rural jurisdictions, there is a shortage of skilled tradespersons. The higher costs for developers are passed on to renters and buyers.

#### Limitations on Density

Arcata's legacy zoning code prioritizes single family housing at the cost of multi-family housing. It puts limitations on building density, which include restrictions on building height, parcel size requirements, setback requirements, and restrictions on properties with four or more units. These have a direct impact on the amount of housing units that can be built on Arcata's limited developable land. The City has conducted numerous studies and engaged with the public to identify key areas where reducing these restrictions would lead to more housing in high opportunity areas.

#### Limited Financing Options for ADUs

One challenge many households face when contemplating development of an Accessory Dwelling Unit is financing. Construction financing for accessory units is nearly non-existent. And for those households that have enough equity to leverage a line of credit or second mortgage, interest rates are high, making unit production a non-starter for many. With the City's ADU loan program, the construction financing would make more projects viable for homeowners.

### **Use of Funds-Soundness of Approach**

#### **Vision**

The City's vision for removing barriers to housing development is three faceted. First, the City proposes to update its zoning to conform to the General Plan 2045, which streamlines permitting and allows for densification. Second, the City will adopt an Accessory Dwelling Unit program that consists of a zoning ordinance supporting the development of Accessory Dwelling Units; a marketing program to encourage property owners to develop Accessory Dwelling Units; and the framework for City financing of Accessory Dwelling Units in exchange for affordability covenants on the newly developed unit. And, third, the adoption of a new form-based code using objective standards to

regulate high-density development in the Valley West Infill Opportunity Zone identified in the City's 2019 Housing Element.

The result of these efforts will be (1) increased base density across several existing and proposed zones, resulting in 280 acres of land that is rezoned to allow multi-family housing; (2) streamlined, ministerial permitting by developing form-based codes with objective design standards for Infill Opportunity Zones; and (3) increased Accessory Dwelling Unit production with units that will be reserved for LMI individuals and households. Together, these will tackle the following key barriers to affordable housing: lack of residentially zoned land and limitations on density, geographic barriers which prevent Arcata from building out, and discretionary permitting processes.

This proposal is the culmination of over five years of planning and public engagement. The concepts identified in 2017 through Council direction to pursue the Gateway Area Plan, then the Housing Strategic Plan, were solidified in the City's 6<sup>th</sup> Cycle 2019-2027 Housing Element. The Housing Element engagement initiated in 2019, and subsequent outreach associated with the General Plan update currently underway, has involved more than 200 public engagement events to date. In the 18 months following the release of the Gateway Area Plan in 2020, the City conducted 92 engagements to involve the community in a variety of innovative ways. These events were primarily held out in the community, not in City Hall. This engagement has informed the proposal in this grant application.

#### Updating Zoning to Conform to General Plan 2045

The City proposes updating the Land Use Code to support affordable housing production by aligning it with the General Plan 2045 densities and updated land use characteristics. The updated zoning ordinance will simplify the planning review process citywide, update zoning in the Commercial Mixed-Use designation to allow more flexibility to develop housing, increase the density of most residentially zoned districts, and make other improvements to permitting in chapters such as Hillside Development Permits, the Tree Preservation ordinance, Inclusionary Zoning, and the environmental review procedures.

The City has incrementally worked to streamline housing development for over a decade. In light of the City's land inventory, the City committed to an ambitious approach to infill development in 2017 with the start of the Strategic Infill Redevelopment Program. The concept was to establish a new General Plan policy that would not only allow high-density residential and mixed-use infill but would also incentivize this pattern of development.

These changes will result in allowing more high-density and affordable housing within the City. Rezoning and streamlining permitting reduce barriers to all types of housing, but as the PRO Housing NOFO acknowledges, planning for housing also supports the development of affordable housing: "general planning activities are presumed to meet a national objective under the requirements at 24 CFR 570.208(d)(4)." (source NOFO section VI.E.5.a.ii)

The City plans for the implementation of this part of the proposal to take less than three years. While this is an ambitious timeline for the work proposed, the lessons learned over the last five years and the ability to motivate multiple contractors simultaneously we hope will facilitate the community review process. Through our engagement with property owners, the City is aware that several owners

are interested in using the new regulations as soon as they are available. Once in place, the City expects this work to have an immediate and permanent effect on housing production. In the last two decades, the City developed an average of approximately 100 housing units per year. The streamlining in the last decade resulted in code streamlining that increased housing production towards the end of the 2010s. We anticipate the additional streamlining will increase the rate of housing production over the next two decades.

### Accessory Dwelling Unit Program

The City sees encouragement of Accessory Dwelling Units as low hanging fruit for producing additional density in the jurisdiction without major changes in zoning. To this end, the City proposes the development of an Accessory Dwelling Unit program which includes both planning and development component. The planning component would be the development of a local Accessory Dwelling Unit ordinance. The development component would be an Accessory Dwelling Unit loan program, which would finance the construction of Accessory Dwelling Units in exchange for placing an affordability covenant on the unit. The City currently produces approximately 20 Accessory Dwelling Units per year.

A local Accessory Dwelling Unit ordinance is needed because there is lack of clarity on local requirements and permitting processes for ADUs. The State of California has passed several key pieces of legislation to make it easier for homeowners to build Accessory Dwelling Units. While the City has encouraged Accessory Dwelling Unit development with a liberal interpretation of the state's Accessory Dwelling Unit regulations, Arcata lacks its own Accessory Dwelling Unit ordinance which would make the permitting process clear for local homeowners. In contrast to professional builders who are likely to be up-to-date on new housing regulations and have experience with the City's permitting process, most homeowners may not be aware that the State has made tremendous progress in streamlining Accessory Dwelling Unit permitting and that it is easier than ever before to build an Accessory Dwelling Unit in Arcata. The ordinance would codify permissive state regulation at the local level and make benefits clear to homeowners.

There are many examples of recent California state legislation which superseded local regulations that promote building Accessory Dwelling Units. Since 2019, all ADU applications must be approved within 60 days, without a hearing or discretionary review. Since October 2023, ADUs can be sold separately from the main house with the main house retaining the land underneath the ADU. Some ADUs are eligible for automatic approval, including an ADU converted from existing space in the home or another structure (e.g., a garage), so long as the ADU has exterior access and setbacks sufficient for fire safety. The City's Accessory Dwelling Unit production has doubled since the enhancements in State Accessory Dwelling Unit law. While the overall numbers are modest at around 20 units per year, nearly all of these qualify as low-income or lower-moderate income units. The City could enhance this by developing a program to assist property owners to develop Accessory Dwelling Units on their property.

The Accessory Dwelling Unit loan program proposes to use PRO Housing grant funding to develop the loan program guidelines, the loan application and marketing materials, and the loan documents. The loan program would be structured with sustainable funding in mind. The loans would be performing, and the proceeds of the loan payments would fund future loans. In addition, the loans

would require a period of affordability to low income or lower moderate-income individuals. The interest rate would be lower than the market rate, which would incentivize homeowners. The affordability covenants will be recorded in a regulatory agreement on title, and released only after the term is met.

The City expects this program to be fully developed in two years. Once the ordinance and loan are implemented, the City also expects this program to have an immediate effect. This program would be expected to create an additional 10-20 units annually to start.

Developing the ADU ordinance would fall under an eligible planning activity and based on the PRO Housing NOFO section VI.E.5.a. ix, "general planning activities are presumed to meet a national objective under the requirements at 24 CFR 570.208(d)(4)." Financing the construction of ADUs that are restricted under an affordability covenant would benefit low to moderate income individuals because they could afford to rent the units.

#### Infill Opportunity Zone Form-Based Code

The City identified four infill-opportunity areas in the General Plan 2045. The City Council selected one of the remaining Infill Opportunity Zones, Valley West, to develop a form code using the HUD PRO Housing funding. While the public engagement on the elements to include in the code are still pending, staff anticipate they will be similar to the Gateway Code, which allows ministerial review of projects that conform to the code, provide a community benefit from a menu of listed benefits, and meets a minimum density threshold. This review process provides a high degree of certainty to the public and the developer about process and outcomes. It also allows the community to engage in the design process, whereas traditional discretionary project review only allows the public to comment on design, not assist in it.

The new form-based code would be in contrast with the current permitting process, which uses a traditional committee-based design review process based on general guidelines. The general guidelines introduce ambiguity and can lead to an extended back and forth in the design process. The committee system also introduces time and uncertainty in the approval. This discourages developers from applying or contributes to higher costs which are passed on to the community in the form of higher housing costs. The form-based code will directly address this barrier to affordable housing by instituting a clear and predictable permitting process.

One element that is still lacking is strong objective standards for design. Currently, the City relies on the Design Element in the General Plan. This is a broad set of policies that give some guidance but lacks the specificity to constitute "objective design standards". While the specific design elements are left to the building designers to ensure that each building reflects the owner's and architect's vision, the basic form, including massing, glazing, bulk, setback, public orientation, pedestrian oriented design, and fenestration, to name a few elements, are all regulated in the code with specificity.

Projects that follow the design standards, meet the density minimum of 30 units per acre, and provide some community benefit among a menu of benefits, would be ministerially approved. This last iteration on design review streamlining provides a high level of certainty about the project review process for the public and the developer, incentivizing housing development in part by

reducing risk associated with the permitting process. Additional revisions will include rezoning lots in Valley West for mixed uses. This would allow potential development of some large parking lots.

The City anticipates that development of objective design standards will take approximately two years, include broad engagement with the Valley West community, and result in a form-based code with objective design standards that can be applied in the area. The impact of the form codes is anticipated to be immediate. Through engagement with developers and landowners, the City is aware of at least a few projects that would find zoning changes enough incentive to initiate a project. The zoning would have a lasting effect as well. New property owners or future developers would benefit from objective design standards in the infill opportunity zones in the future.

#### Lessons Learned Based on Similar Efforts

The City of Arcata has built on various attempts to streamline development review for over a decade. Each iteration has provided more certainty in the zoning process. For example, in 2011 the City combined the Historic and Design Review Commission and the Planning Commission. This simplified the review process and reduced the number of hearings required for most permit types. This was followed by amendments to the Design Review ordinance that reduced the number of project types that require a hearing, allocating a large proportion of the Design Review decisions to a staff level determination in an over-the-counter process that is combined with building permit review. Each iteration streamlined review process without sacrificing design quality scaled to the community impact and importance of the decision.

This approach to streamlining housing development that meets local standards is new for the City of Arcata. But these form-based codes have been successful in other jurisdictions. In addition, the City has included housing developers, property owners, banks, and realtors in the engagement to develop the code. In general, professionals in each of these sectors believe the strategy will work to incentivize housing development. Also, the decision makers have indicated a desire to monitor the effectiveness of the new zoning and modify it to achieve the desired results. Because the method has been applied in several jurisdictions over several years, the support for the concept by industry leaders that are familiar with the cost and nature of housing development have high confidence that the strategy will be successful.

The City has experience operating loan programs for affordable housing. The currently active Down Payment Assistance Program has approximately 60 active LMI borrowers, and the City has had more than 125 loans in its history. The City has staff expertise and capacity to manage the ADU loan program.

In short, the lessons the City has learned is that more process does not result in better design or outcomes and that deeper engagement with a racial equity and social justice lens suggests an emphasis on affordable housing, safety, and better alternative transportation options. The City plans will focus on creating walkable neighborhoods as high enough housing density to support vibrant commercial and community streetscapes with access eventually to high-quality transportation alternatives.

#### Alignment with Existing Planning Initiatives and Community Assets

The proposed updates to the City's zoning ordinance and development of an Accessory Dwelling Unit program are direct extensions and implementation of the City of Arcata General Plan update currently being processed. The City anticipates adopting the General Plan policy that supports the zoning amendments by April of 2024. The implementation identified in the General Plan update requires the zoning amendments described in this application.

In addition to aligning with ongoing local long-range planning, the proposal also fits within the regional framework. This planning work was in part informed by regional collaborations with several other jurisdictions, including the County of Humboldt and the City of Eureka, among others.

The Humboldt County Association of Governments has convened the local jurisdictions to address housing need, which has leveraged much of the public engagement around the General Plan update. The Association of Governments has provided positive input on the updates in their role as a multi-jurisdictional joint powers authority addressing transportation planning and regional housing planning. The Association of Governments specifically identified how the Gateway Area Plan, which covers the first of Infill Opportunity Zones to be planned, supports the regional transportation plan.

In addition, the Community Economic Resilience Consortium, an ad hoc group of planners, elected officials, economic development professionals, industry representatives, and Cal Poly Humboldt, formed in 2020 around the pandemic response and continues today to support regional collaboration in support of housing and economic development, has supported the efforts as consistent with many of the missions and/or plans that this diverse group hold. Direct actions that have resulted from this group include the development of a regional housing trust fund, better coordination on the Regional Housing Needs Allocation process, and support for the Gateway Area Plan, to name a few.

These regional efforts continue to support the proposed zoning, which the jurisdictions can then borrow from. And the Accessory Dwelling Unit program would be directly portable to other communities in the region. This type of sharing of resources will enhance the already robust regional coordination in Humboldt County.

The proposed work will borrow from the Gateway Area Plan. This ambitious plan established several features that protect current residents from displacement, as well as new inclusionary zoning requirements to ensure the benefits of new development are shared across households of all incomes. Specifically, the policies directed at preventing gentrification includreloation benefits, minimum inclusionary zoning requirements, and broad support for public assistance with housing development. These Gateway policies will be captured in the Valley West Infill Opportunity Zone through the proposed form-code. These measures will support equitable access to current and future residents, including households with lower incomes.

The proposal also supports transit, economic development, and job creation/retention. Again, many of the concepts embedded in the Gateway Area Plan are applicable citywide. The priorities for alternative transportation and programs that support transit will feature prominently in the new form-codes. Specifically, the City is developing a project-based bus pass program that would strongly encourage projects to offer bus passes to residents and workers as part of the community benefits program included in the form code. This program will help build out a robust transit

network and reduce vehicle miles traveled. These also will support transit-oriented development, such as it is in our less urban community.

All of the neighborhoods identified for the form-codes include new mixed-use zoning. This will provide more flexibility for developers to meet the market demand with fewer constraints in regulation. In addition, these mixed-use neighborhoods are already in areas with a combination of housing and jobs, which will further enhance the walkability of these areas. These infill policies will support greater access to residents and workers to the range of amenities within walking distance to their homes and jobs.

Job retention and creation has been a major consideration for the community. As discussed earlier, leaders in several economic sectors have described difficulties with recruitment and retention. The streamlining associated with the proposed zoning updates will facilitate more rapid development of housing to address this need.

The proposal also aligns with planning efforts around expected population growth discussed in more detail in the section on "Need". These include the transformation of Humboldt State to Cal Poly Humboldt, the future development of the offshore wind farm, and the Nodic Aquafarm. The City has been in conversation with leadership at these organizations to work in concert for housing solutions.

The proposal targets new housing opportunities in areas that allow current and future residents to access public transit, jobs, public services, and other amenities, such as trails, community spaces, and new retail. Currently, the region's population and land use density patterns do not support high-quality transit. Cal Poly is the region's largest employer and the County, which is primarily situated in Eureka across the Bay to south, is the second largest employer. Infill densification in these two jurisdictions primarily will better support siting housing in areas that increase access to jobs, services, and other amenities. While this transformation will not happen over the near term, this development pattern focus will ultimately improve rapid transit options.

The City is already adopting programs to move the community in the direction of higher quality transit. The City's Gateway Plan includes programs that support rapid transit by providing all residents or employees with bus passes. This community amenity program helps increase headways for bus lines, which currently suffer from low ridership because of the lower quality service. This program will jump start service, so to speak. In addition, the City is emphasizing other modes of alternative transportation, including public and private bike infrastructure, project-based car share programs, reducing or eliminating parking requirements, and other transportation policy and programs that do not rely on single occupancy vehicles.

## **Geographic Scope**

The updated Land Use Code will regulate land use within the city limits of the City of Arcata (approximately 5,503 acres of land). The scope of this planning work emphasizes development in the urban core. While this area is small relative to the City, it constitutes the majority of the areas in which the City can expand through infill development without negatively affecting the environment.

The Valley West area is located at the farthest north end of the City and is identified in the Land Use Element of the General Plan as the "Valley West Activity Center". Valley West is identified as a priority infill opportunity zone and the form-based code created with HUD PRO Housing funds will result in approximately 280 acres of land rezoned to allow multi-family housing with streamlined, ministerial permitting. Since the adoption of the General Plan, the City's Planning Commission and City Council have discussed increasing the area to be rezoned to more closely align with the area identified in the Land Use Code Activity Center Map as the Valley West Activity Center. This would also align more closely with the new commercial-mixed zoning in that area. This would allow the form-based code to cover a broader area of the city and maximize its impact.

The City's proposal to develop an ADU ordinance and loan program will remove barriers to affordable housing for 1,491 acres of residentially zoned land in Arcata city limits.

## **Fair Housing**

### Removing Barriers to Affordable Housing in Well-Resourced Areas

Our proposal is to update the City's Land Use Code to align with the General Plan 2045, create an Accessory Dwelling Unit ordinance, and create a form-based code for the Valley West Infill Opportunity Zone. All three of these are focused on densification of housing and streamlining permitting of new housing. The areas that land use code and form-based code updates aim to densify are downtown Arcata, Valley West, and the Creamery District. All three of these areas are well-resourced areas of opportunity and increase access for underserved groups in the City of Arcata. The ADU ordinance would allow for affordable housing to be built on lots with single family homes which are dispersed throughout the jurisdiction and would counter any concentration of affordable housing.

Downtown Arcata and the Creamery District is home to many of the city's businesses and offices; is walkable, bikeable, and served by an electric bus line; has a vibrant restaurant and coffee shop scene; is home to Arcata's arts scene; has childcare and school centers; and is less than a mile from two renowned open space areas with beautiful trails—the Arcata Community Forest and the Arcata Bay Trail. Existing housing is a mix of affordable housing and housing for above moderate income. This ensures that residents moving into this area will have access to and be surrounded by sustainable modes of transportation, to businesses, arts and culture, and natural open space.

The General Plan includes a new "community benefits program" that utilizes a system of tiered incentives in which projects that provide higher levels of community benefits are permitted greater building heights, increased residential density, and streamlined approval processes. Thus, a proposed development project that includes electric vehicle charging stations, street trees, murals, on-site bike parking, rooftop solar, enhanced architectural features, or other defined community amenities can be larger than a building without those features. So too are projects that daylight creeks, enhance the vibrancy of City streets, minimize sprawl by contributing to a strong bike and bus networks, or improve the quality of life for community members in other ways. This ensures that new housing developments which include affordable units will have amenities which are shown to increase economic opportunity, health, and wellbeing.

Multiple strategies are baked into the General Plan updates to make housing in the Gateway Area affordable to the full range of Arcata household incomes. This includes promoting a range of residential unit sizes and types, including studios, which are affordable because of their size, student housing, deed-restricted affordable housing, single room occupancies, and family-sized dwellings with three or more bedrooms. As a result, the Gateway Area will be a mixed-income neighborhood, with housing options available for all income groups, ranging from 200 square foot deed-restricted micro- units to luxury condominiums for high-income households.

Equitable, sustainable, and efficient mobility systems are highly valued in Arcata. Thus, this Plan also prepares for a substantially realigned transportation network that significantly enhances bicycle and pedestrian facilities while also creating a more efficient vehicular circulation pattern. Fulfilling the "Gateway" name, the Plan's newly configured circulation network provides much improved mobility, with better north-south and east-west connections. Once implemented, the Gateway will seamlessly link the Gateway Area to the Downtown's Plaza. Traveling north from Samoa Boulevard to Alliance Avenue will be much more fluid and enjoyable, especially for bicycles and pedestrians.

A driving motivation in the new mobility infrastructure is to ensure the Gateway Area supports a car-free lifestyle. This is accomplished in part by planning for non-motorized connectivity to other parts of the City with pedestrian and bicycle-friendly corridors that draw residents and visitors to enter the Gateway via means other than motorized vehicles. A large part of promoting a car-free lifestyle is providing safe and attractive pedestrian friendly walking routes that focus on safety and aesthetics by incorporating art and street lighting. Off-street parking is de-emphasized in support of more valuable uses of land, while the streetscape prioritizes human activity and movement. Where viable, sidewalk widening strategies create unobstructed accessible pedestrian pathways. Providing adequate bike infrastructure, including secure parking at destinations will ensure usage meets the goals of a car-free lifestyle. In pursuit of these values, development project that enhance active transportation are considered community amenities that qualify for the Community Benefits Program.

#### Addressing the Unique Needs of Protected Classes

The City has adopted policy and programs in the Gateway Area Plan that will address housing needs for specific communities, including households with protected class. The Gateway Area Plan incentivizes adaptable design in Policy GA-3I, which provides a density bonus for projects that emphasize accessible and adaptable design. The Gateway Code has a community benefits program that includes production of special needs housing intended for special needs populations, including families and individuals experiencing homelessness, people over 55 years of age, students, and those who have mobility or sensory impairments.

There are additional policies that support projects with multiple unit sizes that will serve families at different sizes. There is also a community benefit that supports this in the Gateway Area. And, while it is difficult to adopt housing policy that supports the BIPOC community, which experiences greater housing insecurity, without running afoul of the Fair Housing Act, the City's Health Element describes several measures related to housing that are designed to improve outcomes for BIPOC community members.

The City anticipates incorporating these same incentives into the Infill Opportunity Zones. In addition, some of these strategies may be appropriate in other areas that will support higher density housing. Underlying all the City's efforts to improve the quality of life for protected class groups is the absolute and critical need for more housing units. None of the City's goals will be met without additional units.

#### Affirmatively Furthering Fair Housing Certification

The City of Arcata has been attending HUD's monthly Affirmatively Furthering Fair Housing (AFFH) Interim Rule Office Hours with the intent to obtain AFFH certification for the City.

#### Anti-Displacement and Relocation Measures

The City has considered anti-displacement in the Gateway Area Plan and will do so in consideration of the Valley West form-based code. The City requires a relocation plan for any affordable housing project that uses City funding. The City also has a Relocation Plan. The plan outlines reasonable steps, which the city will take to minimize displacement and ensure compliance with all applicable federal and state relocation requirements. The City does not anticipate that the Accessory Dwelling Unit ordinance will displace any residents because it will be building housing where none existed before.

#### Evaluating Progress to Advance Racial Equity

In order to evaluate the City's progress towards advancing racial equity, the City will seek feedback from stakeholders, including local housing authorities, nonprofit organizations, and advocacy groups, to gauge the impact of our policies on promoting desegregation and expanding housing access.

The City of Arcata closely tracks the locations of affordable housing with mapping tools (see Attachment E - Map - Affordable Housing). This analysis will help us visualize patterns of housing distribution. In line with our current practices, for activities in this proposal we will create spatial representations of housing developments and their proximity to well-resourced areas. We will also monitor new affordable housing development to make sure concentration does not occur.

We will actively engage with residents, especially underserved groups, to gather their insights and experiences related to housing access, desegregation, and opportunities in well-resourced areas. The City of Arcata contracted with Equity Partners to create a replicable framework to support the City's goal of outreach to diverse groups of community members moving forward. Equity Partners recommend that a system of continuous improvement be integrated into the plans, and that it be explicitly created to amplify the voices of marginalized community members whose input will inform decision making and policy shifts for the betterment of all community members.

#### Affirmatively Marketing Benefits

The City plans to affirmatively market the Accessory Dwelling Unit loan program to diverse demographic groups. The City has a list of Community Stakeholders we update and use for outreach that includes organizations that are led by and serve people of color, families with children, and

individuals with limited English proficiency. We will actively engage with community organizations and service providers that have a strong presence among demographic groups such as Black and Brown communities, individuals with limited English proficiency, individuals with disabilities, and families with children. This will include partnerships with local non-profits, cultural organizations, and community centers serving these populations.

We will ensure that the application process is accessible to individuals with disabilities. This includes providing ADA-accessible online and physical alternative formats for application materials. We will offer additional accommodations upon request.

Our marketing efforts will extend to digital channels, including websites, social media, television, radio, and print media that serve local members of the targeted groups. We will employ culturally sensitive and inclusive advertising to resonate with these communities.

We will organize community events and workshops to provide information and assistance to potential applicants. These events will be held in locations that are convenient for the target populations, and they will be designed to be inclusive and culturally relevant.

We will continuously monitor the impact of our marketing efforts by tracking the diversity of applicants and participants in our housing and service programs. If we find that any demographic group remains underrepresented, we will adjust our marketing strategies accordingly.

The other two parts of our proposal consist of zoning and code changes. The City has implemented an extensive stakeholder engagement process to include the voices of a diverse group of people in the development of these updates. The City plans to continue public engagement through the grant timeline.

### **Grantee and Partner Capacity**

The entity leading implementing the proposed activities is the City of Arcata's Community Development Department (the Department). At the City, the Department is responsible for land-use planning, zoning regulations, housing programs, planning permits (including Accessory Dwelling Unit permitting), and grant management. The Department led the community engagement efforts around all the activities named in the proposal and has in-depth knowledge of its community's needs, demographics, and local dynamics. We have established relationships with community stakeholders and can engage with residents to ensure their voices are heard in the decision-making process.

The City has a long track record of success meeting the objectives of federal and state grants, especially CDBG and HOME Partnership Program grants. This experience includes financial management, reporting, and compliance with federal regulations and guidelines. The City is also very familiar with financial reporting and management associated with federal grants. The Department works closely with the City's Finance Department to ensure appropriate local controls and accounting practices.

### **Capacity to Quickly Launch and Implement**

The Department has experienced staff who will be working on the activities: the Director of Community Development, Deputy Director of Community Development, Senior Planner, Community Development Specialist, and Administrative Specialist. Each of the staff has the institutional knowledge, experience, and skills to successfully carry out the activities.

David Loya has been the Director of Community Development for over seven years and previously worked as the Deputy Director for eight years. He has led the stakeholder engagement for the General Plan updates. Jennifer Dart has been the Deputy Director of Community Development for over five years and has been with the Department for a total of ten years. She led the stakeholder engagement for the Housing Element and has been integral in the General Plan engagement. They will be overseeing implementation of the proposed activities. The Department has the staff capacity to carry out the project management and administration, with the experience in procurement and quality assurance to successfully implement activities.

The Department has an extremely strong track record of successfully carrying out grant activities, specifically Affordable Housing Sustainable Communities (AHSC), Infill Infrastructure Grant (IIG), Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), which we went into detail in Exhibit C - Need "Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation."

#### Leadership Capacity and Legal Authority

The City of Arcata has the leadership capacity and legal authority to effectively implement the proposed reforms related to updating the Land Use Code, the City's zoning ordinance, to align with the General Plan 2045, including the Gateway Plan for increased housing production.

The City of Arcata is governed by an elected City Council who provides leadership and oversight for City affairs. They are committed to addressing the housing affordability and production challenges in the community and are supportive of the proposed reforms. The City Manager serves as the Chief Executive Officer of the city and provides professional leadership in the administration and implementation of City policies and initiatives. They oversee City departments, including the Community Development Department responsible for land use and zoning regulations. This is outlined in "Attachment H - Organizational Chart".

The Community Development Department manages land use and zoning regulation updates. It has experienced staff, including planners, project managers, and administrative professionals well-versed in urban planning and housing policy. In addition, the City's contract City Attorney has multiple staff with a combined multiple decades experience with land use and municipal law.

The City of Arcata's General Plan is a legally adopted document that serves as the City's comprehensive policy for land use, development, and building. Proposed updates to the zoning and Land Use Code align with the General Plan, which provides a strong legal foundation for the updates. The City has the legal authority to adopt, amend, and enforce its zoning code, which dictates land use regulations within the City. The proposed reforms involve updating the zoning code to align with the General Plan's goals and objectives.

As a municipality in California, the City of Arcata is subject to state laws and regulations governing land use, housing, and planning. The proposed reforms will be in compliance with state laws and regulations. The Accessory Dwelling Unit ordinance will codify state laws regulating Accessory Dwelling Units at the local level. Therefore, the Arcata City Council and staff have the legal authority to implement all actions in the proposal.

The Department, and its current team, have several years' experience collaborating with partners to implement similar projects. This collaboration extends to partners spanning contractors, funders, subrecipients, stakeholders, and other governmental agencies. As described in this grant application, the City is currently approaching the final decision-making phase of a comprehensive update to the General Plan. This project involved coordinating across a full spectrum of partners to fund and implement the work and was part of a broader scope of work collectively referred to as the Strategic Infill Redevelopment Program (Infill Program). This Program involved several studies, investigations, proforma, the 6<sup>th</sup> Cycle Housing Element adopted in 2019, a comprehensive update to the General Plan, and adoption of the first of four form-based codes in areas designated in the Housing Element as Infill Opportunity Zones. The proposed work builds on this body of intentional work aimed at increasing the City's housing stock and meeting its obligations to the current and future community members to preserve the environment, provide economic growth opportunities, and ensure safe, affordable housing options.

The Strategic Infill Redevelopment Program has been funded in part with local funds, but the City was also successful with various planning grants to implement Infill Program. The City obtained a CDBG Planning and Technical Assistance grant, an SB2 grant, a Regional Early Action Planning grant, and a Department of Conservation Sustainable Agricultural Lands Conservation grant to fund the Infill Program. The City has fulfilled its obligations with regard to the CDBG PTA grant, and will satisfy its obligations to the other funders with the adoption of the remaining General Plan and zoning ordinances. These are recent examples of the City's experience working with funders, but the City has a decades long history with several granting agencies to bring affordable housing to the community.

The Department's work on the Infill Program has also involved significant work with stakeholders. The application details this work elsewhere, but it is important to note that the City's efforts in this engagement has involved thousands of individuals over a variety of engagement strategies. The engagement included nearly every sector in the community. And was led by City staff with vital support from two collaborating contractors. The Department has established a strong network of stakeholders that it will continue to coordinate with and be responsive to.

The City has formalized subrecipient agreements in several projects. Most recently, the City obtained CDBG CV-1, -2, and -3 grants. The City used a subrecipient agreement for some of this work. And the City has involved subrecipients in Tenant Based Rental Assistance programs in the past. The City has a history working with subrecipients to execute work that those subrecipients have particular experience that the City does not possess.

Lastly, the City has strong relationships with several government agencies. The City has involved several local, State, and Federal agencies in the review of the Infill Program since 2019. Notably, the General Plan 2045 and Gateway Code involves an EIR. The City has coordinated with the California Coastal Commission, the California Department of Fish and Wildlife, the State Department of

Transportation, the Arcata Fire Protection District, the Local Agency Formation Commission, the Humboldt Bay Harbor Conservation and Recreation District, the County of Humboldt, and the local Wiyot Tribe through consultation with the area Tribal Historic Preservation Officers, among others.

The Department will continue to enhance its relationships with the various partners needed to bring representative proposals to the decision makers.

#### Experience with Fair Housing

The Department has experience working in racial equity, social justice, civil rights and fair housing issues at both a policy and a programmatic level. The City has been involved in several efforts to understand and address the impacts of bias and discrimination in public service and in the private sector. And the City's proactive approach to addressing disparities, while not as fast or as productive as the City leadership and the community would like to see addressing systemic racism, is making an impact.

The City is required to analyze and address fair housing issues as they relate to racial and economic disparities when adopting and implementing its Housing Element periodically. The City has identified several policies and established programs to address the impact of discrimination in housing. The results of these analysis and programs can be found in the Housing Element and its appendices.

In addition, the City has addressed fair housing issues through its Housing Division's implementation of several housing programs. Notably, the City operates a Tenant Based Rental Assistance Program, which supports housing needs of individuals earning less than 80% area median income, in part addressing economic disparities.

The City has also financed over 600 units of affordable housing with several affordable housing developers. Elsewhere in this application, we detail several recent projects. However, a recent example are two Homekey Projects. The City worked with two different housing providers to develop 140 units of housing reserved for formerly homeless individuals and families. Similar to the TBRA program, this program addresses racial equity and fair housing at the household scale. The combined efforts of the City and its partners have a social impact at the City scale.

Developing housing and operating programs that assist residents to retain housing are important components to the City's impact on civil rights, economic, and racial disparities. But the City has also invested considerable effort into understanding the underlying causes of the disparities. The City, along with several regional partners, attended an 18-month program to explore racial equity and bias in 2018. The Government Alliance on Racial Equity (GARE) provided organizations in our area intensive training to understand the different ways in which individual, organizational, and systemic factors affect disparate outcomes with race as a critical and central factor.

This work led to the City forming a multi-agency/community partnership called Equity Arcata that was designed to work on racism in our community. The City and Cal Poly Humboldt (then Humboldt State University) partnered to ensure organizational stability and hired the network manager to build the relationships in the community necessary to make the organization effective. This group has

been a partner helping develop policy for the General Plan 2045, expanding the outreach network of the City, and being an accountability partner.

This has also resulted in a cultural shift in the City as an organization. The Department has led several efforts to break down the systemic barriers to inclusion. As noted in this application, the Department hired Equity Partners to conduct engagement with a diverse cohort of stakeholders, many of which the City Staff did not possess sufficient trust and understanding to engage directly. This innovative approach to engagement allowed the City's policy to be receptive to members of our community that are most impacted by policy and programs that would, if not for this work, be designed without their input. The City intentionally designed engagement to ensure accountability to address racial and economic inequity.

## **Strategies for Engagement**

The City's strategy for engagement for the activities in this proposal was divided into two phases, with the first phase being focused on understanding the community's needs in order to develop a draft a strategic infill development plan. The goal of Phase 2 engagement was to obtain feedback from the public on the draft infill development plan, dubbed the Gateway Area Plan for its focus on the "entrance" of the City of Arcata. Phase 1 engagement started in 2017 and was presented in the [2019 Infill Market Study Community Engagement Report](#) completed by Equinoss Consulting. Findings from Phase 2 were summarized in the [2022 Draft Strategic Infill Redevelopment Program Community Engagement Report](#).

The City of Arcata has conducted extensive and very creative engagement to develop the policy grounding for the proposed zoning amendments. Of particular note, the City has worked to make engagement on the plan as inclusive as possible, conducting several "we'll come to you" meetings to ensure that traditionally marginalized communities' voices are shared with the decision makers. The City has conducted two bilingual Spanish meetings; has engaged Equity Partners, an equity-focused consulting group, to hold focus groups with a very diverse group of primarily BIPOC community members; and the City has held engagement events on Cal Poly Humboldt's campus to encourage participation among young people to name a few. In short, the City assessed the gaps in demographics among participants, then developed engagement strategies to specifically provide access to those in the community who had not been reached by previous efforts. This method has resulted in very deep and broad engagement across the entire community.

The City's General Plan 2045, along with the Gateway Area Plan, was vetted using engagement from every sector involved in the development process. The City understood from the beginning that establishing a plan that ignores or precludes involvement of any one sector would create barriers at the best and completely block development at the worst. The Council understood that in addition to engaging existing residents, the City needed to hear from businesses, prospective residents, business leaders, workers, developers - especially housing developers, realtors, bankers and lenders, utility service providers, public safety agencies, labor unions, builders groups, and a broad network of other community groups.

### Phase 1 Stakeholders and Outreach Events

In 2019, the City held events to reach out to stakeholders to understand their needs and concerns around housing in Arcata. The following is a summary of the outreach we conducted:

- 911 people completed an online survey (in English and Spanish) about housing needs concerns, and affordability
- Consultants and City employees surveyed at ten community events in Arcata, Eureka, and McKinleyville
- Focus group with Latinx families with young children (12 in attendance). The session was conducted in Spanish.
- Focus group with Creamery District artists, residents, and business owners
- Focus group with housing advocates who work with members of our community who are housing insecure
  - Housing Advocates: Redwood Community Action Agency, Arcata House Partnership, Redwood Coast Regional Center, Housing Humboldt, Affordable Homeless Housing Alternatives
- Focus group with low-income seniors
- Engaged with Humboldt State University students' experiences through a variety of methods including:
  - "Pop-up" event surveying on the quad
  - One-to-one conversations with students during events
- Two community workshops were held, one in English (65 in attendance) and the other in Spanish (20 in attendance), where City staff shared information about the state and local housing context, current housing plans under development, and gathered input on the tensions that will have to be managed as new housing is developed, as well as how to reach the City's housing goals.
- Held one "We'll Come to You" Session with True North Organizing Network
- One-on-one meetings with housing developers, realtors, bankers and lenders, utility service providers, public safety agencies, labor unions, builders groups, and a broad network of other community groups

### Phase 1 Engagement Takeaways

In Phase 1, staff worked to engage a wide variety of community stakeholders in planning efforts, with an emphasis on bringing new people to the table and engaging a diverse array of current and future residents, including Cal Poly students and local organizations. Given the City's interest in reaching a variety of community members—including both those who currently live inside Arcata's city limits as well as those that do not but would like to—staff used a multi-pronged engagement approach to gain insight into people's experiences with housing and provide various opportunities to offer input into the housing plans under development. To this end, City staff and consultants provided several means of engagement with this work throughout the process of developing and reviewing draft documents, with a focus on equity and inclusion.

Community input throughout the development of the City's 6th Cycle Housing Element and Infill Market Study established the foundational intentions of the SIRP in several important ways. Most crucially, both engagement processes underscored the severity of Arcata's housing shortage. For example, the Infill Market Study found that in 2019, about half (50%) of 600 participants were paying

over 30% of their annual income for housing each year, 31% were paying over 50%, and 14% reported that their monthly payments for housing over a year cost more than their annual income. Phase 1 engagement reflected an urgent need for increased access to safe, affordable housing for a variety of community members, including students from Humboldt State University, artists, and seniors, among others. Furthermore, that engagement pre-dates the steep increase in Humboldt County housing prices that the community has witnessed since the beginning of the pandemic.

A second primary takeaway from Phase 1 engagement is that existing inequities in Arcata negatively impact one's ability to find housing. Once again using the example of Infill Market Study survey participants, 44.65% who identified as a person of color were renters. 41.44% who identified as white were homeowners. In comparison, about 27.04% of participants who identified as a person of color were homeowners. In this way, Phase 1 engagement reinforced the need for equitable access to housing across various groups, irrespective of race, age, or socioeconomic status. Understanding this need, the infill plan was developed with a focus on equity. Phase 1 engagement activities also underscored the Arcata community's interests in climate change preparation, environmental stewardship, prioritization of infill development rather than sprawl, and careful planning for future infrastructure needs. This opposition to developing the City's green belt has formed the basis for the decision to prioritize infill as a way to meet Arcata's current and future housing needs.

Finally, stakeholders in Phase 1 engagement expressed an interest in streamlining housing production processes, understanding that City procedure and requirements often stand in the way of necessary growth and development. Participants stressed collaborating with existing artists and community partners to guide the design of structures and open space in ways that reinforce Arcata's unique feel and aesthetic.

### Phase 2 Stakeholders and Outreach Events

Beginning in late 2020, the City initiated Phase 2 of engagement on the draft Gateway Area Plan, which outlined the City's draft infill strategy. Development of this plan was an iterative process, with multiple points of public input from the earliest steps through the completion of the plan. Early public engagement on the infill program in 2020 was undertaken in partnership with the Institute for Local Government (ILG), as the City of Arcata was chosen as a BOOST community in 2019, which was intended to provide additional, targeted support to select jurisdictions leading the way on climate action. The Institute for Local Government is the nonprofit 501c3 research and education affiliate of the League of California Cities, the California State Association of Counties and the California Special Districts Association. ILG's mission is to promote good government at the local level with practical, impartial, and easy-to-use resources for California Communities. The City's ILG team assisted staff in setting a preliminary course for engagement on the Gateway Plan, including drafting a "community landscape" list to identify community partners, and assisting with facilitating our first visioning session in 2020; and supported the City in securing millions of dollars in grant funding for parks and infrastructure improvements associated with infill housing development. Development of the Gateway Plan has synthesized public input from its earliest stages. Multiple public walking tours of the Plan Area were also hosted by City staff. Overall—including study sessions with various City committees/commissions—the City hosted over 100 public engagement events and activities throughout the development of the Gateway Area Plan's first draft. In addition, an online survey was open to the public from February-December 2021.

## Phase 2 Engagement Takeaways

Staff heard consistent through-lines in the community priorities and needs shared in Phase 2 engagement on the City's Strategic Infill Redevelopment Program so far. These themes have been found consistent in a variety of settings citywide. For example, residents place very high priority on Arcata's natural resources. Residents identify more housing, available for all user groups at accessible costs, as a top priority. Development of additional infrastructure to support alternative transportation is a priority. And infill development, as opposed to sprawl, is strongly supported. These perspectives lead to the conclusion that the proposed outcomes of the infill plan are aligned with the Arcata community's vision for housing solutions. However, public engagement through Phase 2 has also made clear that some Arcata community members have apprehensions regarding some aspects of the Strategic Infill Redevelopment Program (and the draft Gateway Area Plan specifically). These include building height above five stories, population growth, increased demands on transportation and water/wastewater infrastructure, and the role of developers in housing production. Regarding racial equity in upcoming General Plan revision, the most prominent themes throughout engagement to date were housing and transportation, but new themes presented as well. These include the need for additional community services, increased connections to Cal Poly Humboldt, and relationship building with local Indigenous stakeholders and tribal councils.

## Summary of the Public Engagement Process During the Application Phase

On October 23, 2023, the City Council held a public meeting to gather community input and approve the submission of the HUD PRO Housing grant application. Additionally, the City established a dedicated webpage to share details about the application process and provide ongoing updates on funded activities. This webpage serves as a central resource for community members to stay informed.

## Key Stakeholders and Continued Outreach Strategy

The City maintains a Community Landscape template to identify and document key stakeholder groups, ensuring outreach efforts reflect the diversity of the community. This tool will guide engagement efforts throughout the grant's period of performance, ensuring all stakeholders have the opportunity to participate in shaping HUD PRO Housing activities.

To facilitate ongoing communication, the City utilizes the "Notify Me" portal, where residents can subscribe to receive updates via email and text message. Engagement opportunities related to HUD PRO Housing planning activities will be shared with the Long-Range Planning and Community Visioning subscriber group.

## Public Participation Strategies & Community Engagement

The City of Arcata has implemented extensive and innovative engagement strategies to develop the policy framework for General Plan 2045, which will inform upcoming Land Use Code amendments. A key component of this outreach has been identifying demographic gaps in participation and designing targeted engagement efforts to ensure broader community representation. This approach has fostered deep and inclusive engagement across all segments of the community.

For the Valley West objective design standards, the City's engagement strategy will occur in two phases:

- Phase 1: Focused on understanding community needs to inform the development of a draft form-based code.
- Phase 2: Sharing the draft form-based code with the community and gathering feedback to demonstrate how public input shaped the final standards.

Public hearings at Planning Commission and City Council meetings, along with website postings and other outreach methods, will ensure transparency and ongoing opportunities for community participation.

#### Public Participation in Substantial Amendments and Compliance with HUD Requirements

The City is committed to maintaining transparency and compliance with HUD's public participation requirements for any substantial amendments to the action plan. To achieve this, the City will:

- Post all amendments to the City's HUD PRO Housing webpage with clear instructions for public comment.
- Provide regular updates on the City's website in accordance with HUD PRO Housing activities.
- Notifying stakeholders and the public through; public notices, stakeholder e-mails, and social media posts.
- Holding public meetings, hearings, engagement workshops, and neighborhood meetings, as needed to gather community feedback.

By implementing these strategies, the City will ensure meaningful and inclusive public engagement throughout the grant period.

#### **Long-Term Effect**

The HUD PRO Housing grant will create a lasting impact by significantly increasing the availability of housing across all income levels. The City's General Plan 2045 anticipates up to 7,000 new residents over the next 20 years, requiring between 3,000 and 4,350 new housing units. The proposed activities will lay the foundation to meet this need by modernizing zoning, streamlining permitting, and supporting infill development.

Arcata is at a critical juncture in its housing strategy. While the City has long supported infill development through progressive policies, barriers such as limited buildable land and discretionary permitting have constrained housing production. Through extensive community engagement, infill development has emerged as the most effective solution.

#### Key long-term impacts of the grant-funded activities include:

**Accessory Dwelling Unit (ADU) Ordinance & Loan Program** – Unlocks housing potential across 1,491 acres of residentially zoned land, enabling more homeowners to add affordable units. The

program is designed for long-term sustainability through self-funding loans and regulatory agreements.

**Rezoning & Densification** – Updates to the zoning code and the introduction of a form-based code for Valley West will rezone 280 acres for multi-family housing with streamlined, ministerial permitting, removing discretionary barriers to development.

**Modernized Zoning & Streamlined Permitting** – Encourages high-density, affordable housing while creating a predictable framework for developers, reducing uncertainty, and accelerating production.

**Valley West Form-Based Code** – Establishes objective design standards, fosters walkable, mixed-use development, and enhances equitable access to amenities, creating a vibrant, economically resilient neighborhood.

The cumulative effect of these policies is a permanent shift towards sustainable, high-density housing development, ensuring Arcata is well-positioned to meet future housing needs while fostering economic growth. As Arcata strengthens its reputation as a pro-housing city, developers will be more inclined to invest in the community.

#### Removing Barriers to Affordable Housing Production & Preservation

Successfully implementing these initiatives requires anticipating and addressing potential roadblocks:

**Community Concerns About Change** – Changes in housing type and density often raise concerns about neighborhood character, traffic, and property values. The City is committed to ongoing education and engagement, helping residents understand the broader community need for housing, particularly for those currently struggling to find secure housing. The City will also continue early and inclusive public participation to ensure concerns are addressed proactively.

**Ministerial Permitting for Predictability** – By shifting towards objective, by-right approvals, the City ensures that projects already shaped by community input can move forward without delays. This provides certainty for developers while maintaining transparency for residents.

**Alignment with State Housing Laws** – The State of California has prioritized streamlining housing development through progressive legislation. While regulatory challenges at the state or federal level are unlikely, the City will continuously update its ordinances—particularly for ADUs and zoning—to remain in compliance with evolving policies.

The City's housing strategy extends beyond affordability—it integrates transportation, economic opportunity, and sustainability to enhance overall quality of life:

**Transit-Oriented Development** – Increasing density near transit, jobs, and amenities lowers transportation costs, reduces carbon emissions, and enhances mobility.

**Economic Access** – Expanding affordable housing options near job centers improves employment opportunities for low- and moderate-income residents while bolstering the local economy.

**Proximity to Essential Services** – Affordable housing near healthcare, education, and community services reduces household costs and improves long-term outcomes for families.

#### Measurable Outcomes

To evaluate the success of these efforts, the City will track key metrics:

- Increased Housing Production – The City aims to double annual ADU approvals from 20 to 40 and increase overall permitted housing units by at least 20% compared to previous Housing Element cycles.
- Reduction in Homelessness – By expanding housing supply and affordability, the City aims to decrease the rate of homelessness, recognizing rising rents as a primary driver.
- Improved Housing Affordability & Stability – Metrics will assess reductions in overcrowding, displacement, and cost burdens, ensuring new housing aligns with community needs.

The City is committed to continuously assessing performance and adapting strategies as needed to create a more equitable, sustainable, and affordable housing landscape for Arcata's future.