

AFFORDABLE HOUSING IN GRASS VALLEY

REASON FOR INVESTIGATION

Last year the Grand Jury investigated the status of affordable housing in Nevada County. This year, the Grand Jury wanted to investigate the status of affordable housing in Grass Valley since the city had recently performed a 5-year update of its Housing Element. The Grand Jury wanted to determine the priority given to the affordable housing issue by Grass Valley and the extent to which efforts and resources have been applied to that priority on behalf of the residents.

BACKGROUND

The Housing Element is one of the seven General Plan elements mandated by the State of California. Sections 65580 to 65589.8 of the California Government Code contain the legislative mandate for the Housing Element. State law requires that a Housing Element consist of “an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives and scheduled programs for the preservation, improvement and development of housing” (Section 65583). Every local jurisdiction is required to update the Housing Element component of its general plan every five years and submit it for approval to the Department of Housing and Community Development. The Housing Element must address the following subject areas:

- review of the prior housing element
- housing needs assessment
- land inventory by zoning type
- government and non-government constraints on housing
- quantified objectives of housing units by income level
- public participation, general plan consistency and other general topics, and
- local housing program policies and goals

The 2002 Little Hoover Commission Report entitled Rebuilding the Dream: Solving California’s Affordable Housing Crisis makes this observation: “Two fundamental problems hinder the effectiveness of the housing element law. First, the law requires local governments to plan for housing, but contains no enforcement mechanism. There are few incentives to encourage reluctant communities to adequately plan and no meaningful consequences when they fail to do so.

Second, the focus of the housing element law is on planning rather than performance. So

even when jurisdictions have plans approved by the State, local communities do not have to demonstrate that they have done their part to ensure that planned housing actually gets built. General Plans are easily amended to accommodate specific projects, undermining on a project-by-project basis the long-term housing goals.”

METHOD OF INVESTIGATION

The Grand Jury reviewed the City of Grass Valley 2003-2009 Housing Element, adopted January 2004, against the subject areas specified by the California Department of Housing and Community Development. The Grand Jury also interviewed members of the planning staff and Planning Commission.

Rather than compare the Housing Element against each of the subject areas, the Grand Jury chose to focus on those subject areas that appeared to have the largest impact on the development of affordable housing.

FINDINGS

1. Review of the prior housing element:
 - a. Grass Valley has made progress in the last three years to accommodate its regional housing needs allotment, with the following projects:
 - Cedar Park Apartments (under construction), 65 low-income units, and 16 very low-income units
 - Glenbrook Apartments (approved), 41 low-income units, 11 very low-income units
 - b. From January 2000 to January 2003, Grass Valley built about 38% of their regional housing allotment. However, no housing units were built for households of moderate-income levels and about 10% of housing units allocated to very low-income households were built. Housing units constructed/under construction/approved are shown in the table below.

Progress in Meeting Housing Allocation
(Units Constructed/Under Construction/Approved January 2000 - January 2003)

Income Level	Housing Allocation	Units	Remaining Allocation
Very low	274	27	241
Low	261	106	145
Moderate	333	0	333
Above Moderate	580	417	163
Total	1,448	550	898

Source: City of Grass Valley (definition of income levels not provided in Housing Element)

2. Housing needs assessment:

According to the Sierra Planning Organization (SPO), Grass Valley is responsible for accommodating 1,448 additional housing units between 2001 and 2009, of which 535 units should be affordable to very low, and low-income households. This represents approximately 37% of Grass Valley’s total share of regional housing needs. The table below shows the number and percentage of housing units allocated for the planning period 2001 through 2009 by income category.

Regional Housing Needs Allocation.

Income Category	Number of Units	Percentage
Very Low (below \$29,500)	274	19%
Low (\$29,500 to \$47,200)	261	18%
Moderate (\$47,200 to \$70,800)	333	23%
Above Moderate (above \$70,800)	580	40%
Totals	1,448	100%

Source: SPO and California Department of Housing and Community Development

3. Constraints on housing:

- a. According to the Housing Element, governmental regulations, local policies and regulations are putting constraints on affordable housing that impact price and availability. However it also states, “Perhaps one of the greatest constraints to the production of housing affordable to lower-income households is the chronic shortage of state and federal financial assistance for such housing.”
- b. Permit and mitigation fees affect housing costs. The fee structure for Grass Valley is shown in the table below.

Government Fees	Single Family Home 1200 sq. ft.
Building Permit	\$1,200
City AB 1600 Fees (Fire, Police, Parks & Recreation, etc.)	2,150
Regional Traffic	630
School Mitigation	2,572
Sewer Connection	7,860
Water Connection	3,300
Total	\$17,712

Source: City of Grass Valley - December 2003

4. General topics:

“Many unique circumstances face our community and the provision of adequate

housing for all residents is dependent upon creating a program that adequately addresses these issues. Grass Valley has experienced a substantial rise in housing costs since the late 1990's; however, median household income in the City continues to fall well short of that in the rest of the County, including Nevada City and Truckee. The community also has a much higher percentage of rental housing than the County, and must ensure that new programs meet the needs of both future homeowners and renters alike.” Income statistics are shown in the table below.

Jurisdiction	Median Household Income
Nevada County	\$45,864
Grass Valley	\$28,182
Nevada City	\$36,667
Truckee	\$58,848

Source: Census 1990, 2000

5. Local housing program goals:

Housing goals and policies are established to guide the development, rehabilitation and preservation of housing to meet the needs of the city. Grass Valley has proposed 28 housing programs to help increase the affordable housing stock within the city. Seven programs depend on general fund monies, nine programs are funded from state and federal grants, six programs are funded from fees, five programs are funded from a combination of grants and fees, and one program is funded from Tax Exempt Bonds.

As an example, Program 13 (The Density Bonus) is to be revised by December 31, 2005 to offer a 25% increase in density and at least one other financial or regulatory incentive whenever a developer proposes a residential project that meets the program requirements.

CONCLUSIONS

1. The Grass Valley Housing Element addresses the issue of affordable housing from the perspectives of geography, population demographics, workforce mix, free-market forces, employment growth, community values, and the availability of vacant land. These perspectives tend to dictate the local solutions to addressing the issue of affordable housing.
2. The City of Grass Valley can address the affordable housing issue in three ways:
 - Locate available land, create zoning and develop policies and procedures to encourage the construction of affordable housing. Free-market forces will then dictate the type of housing that actually is built.
 - Develop financial incentives and the political will to encourage the construction of affordable housing. These actions will work to increase the affordable housing

- stock.
- Develop financial assistance programs to help residents purchase affordable housing. These actions will help residents get a “jump-start” into the housing market.
3. Free-market forces appear to be a major deterrent to the production of housing affordable to people in very low, low, and moderate-income levels. For these households, single-family home ownership will remain an unfulfilled dream unless Grass Valley becomes an advocate for the production of affordable housing.
 4. Without state, federal, and local financial subsidies, few housing units affordable for the very low, low, and moderate-income families will be built. Consequently, cities are concentrating on meeting the needs of their local workforce population with housing to accommodate the above moderate-income level households.
 5. The median income of Grass Valley residents for 2000 was \$28,182, which was \$17,500 less than the median income of Nevada County. This statistic means Grass Valley residents will be at a disadvantage when competing in the local housing market.
 6. Implementation of the housing policies proposed by Grass Valley would requires funding from a broad base of funding sources that include the city’s general fund (25%), state and federal grants (28%), application fees (21%) and a combination of grants and fees (18%). This “even” spread of funding sources could help to ensure the production of affordable housing units.
 7. The Grass Valley permit and mitigation fee structure adds an additional \$17,712 to the cost of a 1200 sq. ft. housing unit. These fees provide benefits to the City as a whole, but they also work to raise the bar of affordability for low and moderate-income households.
 8. The proposed housing density bonus could serve to encourage the construction of affordable housing. However, the mood of the community, as expressed at three recent public hearings, favors a reduction in housing density for any given housing project.

RECOMMENDATIONS

The Grand Jury Recommends:

1. The Grass Valley City Council should direct the Department of Community Development to follow their Workforce Housing Study (Program 12), and apply the results of that study to address the problem of housing for low and moderate-income families.
2. The Grass Valley City Council should direct the Department of Community Development to look beyond the planning stage of affordable housing, and focus on the actual building of affordable housing.

3. The Grass Valley City Council should direct the Department of Community Development to pursue additional state and federal grants that would increase the affordable housing stock in the city.
4. The Grass Valley City Council should adopt a Below Market Rate (BMR) Ordinance and/or revise the present density bonus to require a fixed percentage of affordable housing units in all new single-family housing developments.
5. The Grass Valley City Council should direct the Department of Community Development to consider a waiver or reduction of permit and/or mitigation fees to encourage the development of affordable housing.

RESPONSES

Grass Valley City Council by October 4, 2004

City of Grass Valley

A CENTENNIAL CITY

DEPARTMENT OF COMMUNITY DEVELOPMENT

Building Division (530) 274-4340
Planning Division (530) 274-4330
Economic Development
Division (530) 274-4320

September 15, 2004

Honorable Ersel L. Edwards
Presiding Judge of the Superior Court of Nevada County
201 Church Street
Nevada City, CA 95959

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10-1-04

RE: Response to the Grand Jury Report on Affordable Housing in Grass Valley

Your Honor,

This letter is a response to the 2003-2004 Grand Jury Report regarding Affordable Housing in Grass Valley from the Grass Valley City Council. The Grand Jury's interest in affordable housing is appreciated.

As you know, the Grand Jury conducted an investigation on Affordable Housing in Grass Valley. Staff from the Community Development Department was directed to take the lead and assist with the City of Grass Valley's response to the Grand Jury's report. We have reviewed their effort and concur with their findings and recommendations that relate to the City of Grass Valley. Thus, the following are the City Council's responses to the Grand Jury Report on Affordable Housing in the areas of findings, conclusions, and recommendations:

FINDINGS

We agree with all the report's Findings, except for 2, 3.a., and 4.

- 2. Clarification Needed. It should also be noted that the City's greatest need for housing is for the moderate and above-moderate income groups, accounting for more than 63% of the City's allocation.
- 3. a. Disagree. Page III-14 of the City Housing Element states "Local policies and regulations *can* impact the price and availability of housing..." The Grand Jury report uses the words "are putting constraints on affordable housing", which implies a much greater impact or issue. Additionally, it should be noted that the City uses flexible standards to assist with affordability (see pages III-30 and 31 of the City's recently adopted Housing Element).

- 4. Partially Agree. The intent of this finding is unclear. It should also be noted that Page IV-1 of the City's Housing Element states that Grass Valley has traditionally provided the bulk of Nevada County's affordable housing.

CONCLUSIONS

We agree with all the conclusions of the report, except for 2, 3, 6, and 8.

- 2. Implemented. (1st bullet) The City's Housing Element includes the list of available land with zoning to accommodate affordable housing. The Housing Element has identified sufficient land lying within current City limits to address the housing needs into the year 2009. The Housing Element provides a number of regulatory approaches that, if implemented, would serve to encourage the development of affordable housing such as, but not limited to:
 - A. Program 1. g) Require mid-range of density for all R-3 properties;
 - B. Program 3. a) Rewrite zoning requirements to provide flexibility;
 - C. Program 3. i) Rewrite zoning requirements to encourage more mixed uses and higher densities in commercial areas; and,
 - D. Program 4. Promote use of infill properties.
- 2. Disagree. (2nd bullet) Based on the City's track record of providing a bulk of Western Nevada County's affordable housing, the City of Grass Valley should be acknowledged for their efforts and fortitude in this arena. The City has been fully compliant in providing its "fair share" of affordable housing as set forth in its previous 1993 Housing Element and recently had the State of California ratify their 2003 Housing Element. Within the last two years, the City has approved housing projects geared toward the rental and low-income market such as the Cedar Park Apartments (81 units) and Glenbrook Apartments (52) and housing projects geared toward the first time home buyer or the low-to-moderate income market such as the 624 Whiting Street (67 units), Highland Homes (39 units) and the North Church Project (5 units). All of these projects included restrictions that their housing units would remain affordable to the low-to-moderate income families of Nevada County. All of these projects had clear support from the Planning Commission and City Council in their path to approval.
- 2. Implemented. (3rd bullet) The City uses a First Time Home Buyers Programs to assist residents with purchasing their first home. The City utilizes both HOME and Redevelopment funds to operate this program.
- 3. Disagree. Based on the above responses, the City has clearly demonstrated it is an advocate of affordable housing. Presently, the City is embarking on a number of studies to address the goals of the Housing Element and further the development of affordable housing. Some of the studies include:
 - A. *Workforce Housing Design Program*. Completion Date: October 2004.
A study establishing architectural prototypes, infill opportunities, financial

- approaches and regulatory reform options for workforce housing.
 - B. *South Auburn Street Master Plan*. Completion Date: January 2005. A study evaluating South Auburn Street from Colfax Avenue to Bank Street for future infill, parking/circulation needs and mixed use options.
 - C. *Colfax Avenue Infill Study*. Completion Date: February 2005. A study evaluating Colfax Avenue from Highway 20/49 to Memorial Park for its future infill, infrastructure needs and mixed use opportunities.
- 8. Disagree. Program 13 in the Housing Element states the City will offer a density bonus to projects that meet the affordability standards, consistent with state law. Program 1.f requires developers of land with R-3 zoning to develop at the mid-range for density (between 8-20 units/acre). Since the report does not specifically identify the three projects, the City is unable to adequately respond to the circumstances related to the approvals. With the adoption of the Housing Element, the City will now be advising all developers of this policy and the need to provide a site plan that reflects such a density range.

RECOMMENDATIONS

We agree with all the reports recommendations, except for 2, 3, 4 and 5

- 2. Clarification of Recommendation. It is unclear what is meant to look beyond the planning stage and focus on the actual building of affordable housing. As stated above, affordable housing is being constructed in Grass Valley. In addition, the City is initiating a number of studies and special programs with the specific intent to plan for, and examine, new ways to integrate affordable housing into the community.
- 3. Clarification of Recommendation. The City has applied for and obtained numerous state and federal grants over the last two years. It is the intent of the City to continue to pursue all funding avenues that can assist with the development of affordable housing. It is also the intent of the City to fully utilize its Redevelopment Agency, Low-to-Moderate Income Funds, to facilitate the construction of affordable housing within the City. A partial list of the City's recent grant awards include:

<u>Project</u>	<u>State/Federal Program</u>	<u>Funding Award/Year</u>
Cedar Park Apartments	HOME Grant	\$997,500 in 2001
Glenbrook Apartments	HOME Grant	\$2,727,000 in 2003
Doris Drive Infrastructure Project	CDBG Grant	\$181,000 in 2002
Housing Rehabilitation Program	CDBG Grant	\$500,000 in 2004
Workforce Housing Prototype	CDBG Grant	\$35,000 in 2003
Colfax Avenue Infill Study	CDBG Grant	\$35,000 in 2004

- 4. Disagree. This recommendation is not consistent with the findings found on page I-4 of the Housing Element. The State Department of Housing and Community Development did not require this regulatory approach after its review and its subsequent finding that the element was in substantial compliance with state law. However, the yet to be adopted "Workforce Housing Prototype Study"

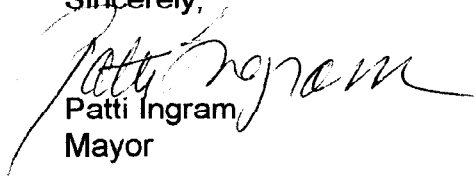
is encouraging the City to evaluate a "mixed income" inclusionary requirement for all annexations and substantially sized residential developments.

- 5. Disagree. The Housing Element does not identify the reduction of fees as a necessary program to consider. This recommendation is not consistent with the findings found on page I-4 of the Housing Element. The State Department of Housing and Community Development did not require this after its review and its subsequent finding that the element was in substantial compliance with state law.

In closing, the Grass Valley City Council wishes to convey that we have made significant strides as a community in facilitating the development of affordable housing. For the future, we wish to work with community leaders and affordable housing advocates to proactively address our needs for affordable housing.

This response was reviewed and approved by the Grass Valley City Council at its September 14, 2004 meeting. Thank you for your consideration.

Sincerely,


Patti Ingram
Mayor


DeVere "Dee" Mautino
Vice Mayor

cc: Members, City Council
Members, Planning Commission
Members, Planning Division