CITY OF UKIAH
CITY COUNCIL MINUTES
Special Meeting
CIVIC CENTER COUNCIL CHAMBERS
300 Seminary Avenue
Ukiah, CA 95482
August 30, 2017
5:00 p.m.

WORKSHOP ON HOUSING

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1. **ROLL CALL**

The Ukiah City Council met for a Special Meeting on August 30, 2017, which was legally noticed on August 25, 2017. The meeting was called to order at 5:03 p.m. Roll was taken with the following **Councilmembers Present:** Stephen G Scalmanini, Douglas F. Crane, Maureen Mulheren, and Kevin Doble. **Absent by Prearrangement:** Jim O. Brown. **Staff Present:** Sage Sangiacomo, City Manager; David Rapport, City Attorney; and Kristine Lawler, City Clerk.

VICE MAYOR DOBLE PRESIDING

2. **PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Kevin Thompson, Planning Manager.

3. **AUDIENCE COMMENTS ON NON-AGENDA ITEMS**

No public comment was received.

4. **WORKSHOP**

a. Housing Workshop - Towards the Development of a Housing Strategy for the City of Ukiah.

Presenters: Craig Schlatter, Community Development and Planning Director and Kevin Thompson, Planning Manager.

Presentation was received.

(PowerPoint Presentation Attached)

Public Comment: Pinky Kushner, Michael Pallesen, Linda Sanders, Pinky Kushner, Sage Wolf, Phil Baldwin, Lee Howard, John Johns, Tom Simms, and Ryan LaRue.

Council Consensus directs staff to bring back strategies and approaches – starting with the most accessible items - for each of the following:

- Creation of Ukiah Housing Trust Fund (UHTF) and Revolving Loan Fund (RLF).
- UHTF and RLF guidelines for City Council adoption (with proposed deployment allocations).
- Long-term performance and administration procedures as part of UHTF guidelines adoption.
- Annual report presentations on UHTF accomplishments.
- Zoning ordinances and UCC for housing development regulatory relief; report for Council:
    - By-right residential uses in other zoning districts.
    - Reduction of parking and setback requirements.

- LID and creation of offsite mitigation bank(s).

- Formation and appointment considerations for a Middle Income Citizen Advisory Board.
- Innovation Zone for community benefit zoning, as identified by Staff and the Middle Income Citizen Advisory Board.

Additional Public Comment: Linda Sanders, Michael Pallesen, Pinky Kushner, and Michael Pallesen (responding to Council).

5. **ADJOURNMENT**

There being no further business, the meeting adjourned at 7:28 p.m.

Kristine Lawler, City Clerk

CITY COUNCIL
HOUSING WORKSHOP

TOWARDS THE DEVELOPMENT OF UKIAH'S HOUSING STRATEGY

City of Ukiah
COMMUNITY DEVELOPMENT & PLANNING DEPARTMENT
300 SEMINARY AVENUE
UKIAH, CA 95482

WHAT IS AFFORDABLE HOUSING?

U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT (HUD) DEFINITION

- Housing restricted to households paying no more than 30% of their income towards housing costs.

→ Housing is permanently affordable to "low-income" households.

GENERAL DEFINITION

- Housing that is generally perceived as "affordable" to the majority of residents in a community.

→ No specific definition and may include households of all incomes.

WHAT INCOME GROUPS EXIST IN OUR COMMUNITY?

HUD Affordable Housing

"Low- and Moderate- Income"

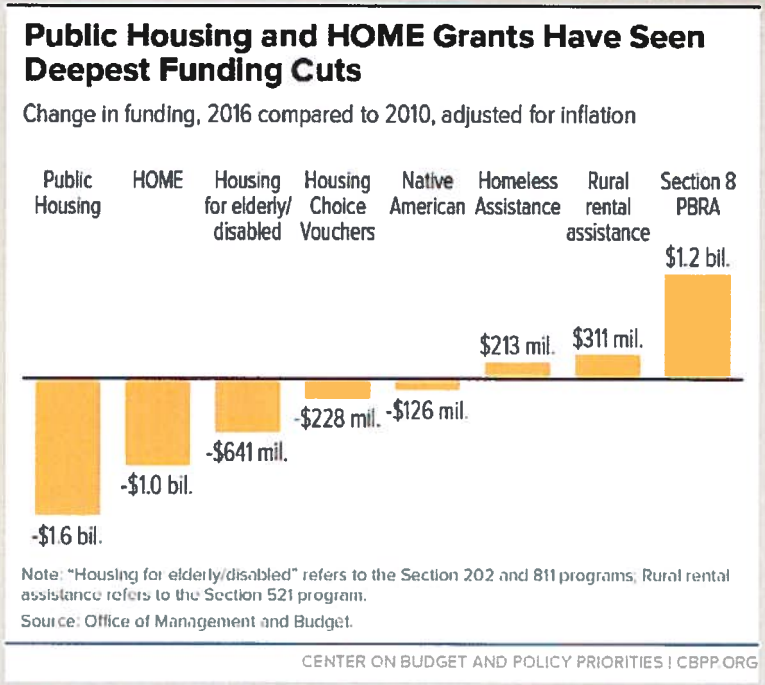
Extremely low-income = < 30% AMI
Very low-income = < 60% AMI
Low-income = < 80% AMI

AMI = Area Median Income

Food preparation and serving workers, farmworkers and laborers, nursery and childcare assistants, retail salespersons, bank tellers, veterinary assistants, bus drivers, college students
- Also can include fixed income households

WHY ISN'T THERE MORE AFFORDABLE HOUSING? HUD, RDA, AND THE FUNDING LANDSCAPE

- State Redevelopment funding impact
- HOME, PBV/HCV, public housing
- PHA 101: PBV vs. HCV
- Effects from sequestration
- Prevailing wage considerations
- Tax impacts on LIHTC



Public Housing and HOME Grants Have Seen Deepest Funding Cuts

Change in funding, 2016 compared to 2010, adjusted for inflation

Note: "Housing for elderly/disabled" refers to the Section 202 and 811 programs; Rural rental assistance refers to the Section 521 program.

Source: Office of Management and Budget.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

WHAT INCOME GROUPS EXIST IN OUR COMMUNITY?

Market-Rate

"Middle Income"
Up to double the AMI → Teachers, entry level nurses and other healthcare workers, public safety officers

"Upper Income"
More than double the AMI → Doctors, business and government executives, architects/engineers

USING THE **AFFORDABILITY** DEFINITION, WHAT HOUSING CAN THE RESIDENTS OF OUR COMMUNITY AFFORD?

1. HUD Affordable Income (LMI)

- Max household* income = $43,400
- Max affordable rent = $1,083
- Max PITI = $870
  - = $120,000 max PP

*All households in this and the following examples consist of three persons.

USING THE **AFFORDABILITY** DEFINITION, WHAT HOUSING CAN THE RESIDENTS OF OUR COMMUNITY AFFORD?

2. Middle Income

- Max income (3-person) = $85,960
- Max affordable rent = $2,149
- Max PITI = $1,886
  - = $320,000 max purchase price

3. Upper Income

Income greater than $85,960

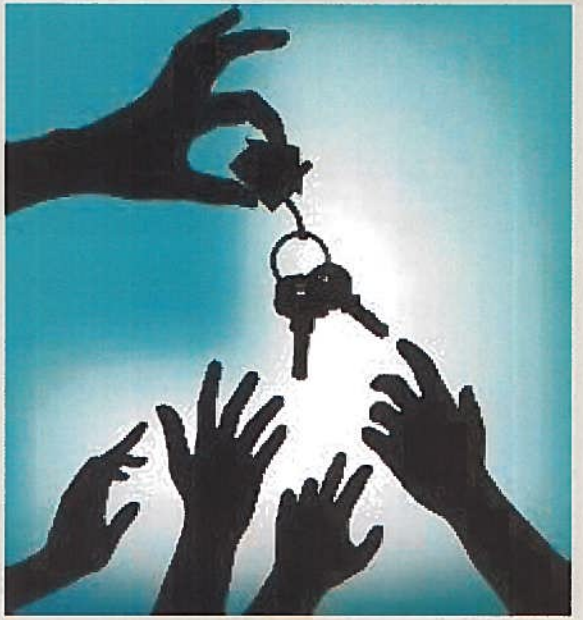
ANALYZING UKIAH'S HOUSING SITUATION: IS THERE REALLY CAUSE FOR CONCERN?

1. What does the data say?

- U.S. Census vacancy rates
- Ukiah homeownership opportunities
  - Affordable income group = 0 homes
  - Middle-income = 10 homes (all $225,000 and up)
  - Upper = 37 homes (60% > $425,000)

- Ukiah rental housing opportunities
  - Affordable income group = 8
  - Middle-income = 6
  - Upper = 0

Homeownership numbers from MLS, 8/25/17. Rental information from Zillow.com, 8/29/17.



ANALYZING UKIAH'S HOUSING SITUATION: IS THERE REALLY CAUSE FOR CONCERN?

2. What do our housing stakeholders think?

Representatives from Community Health Improvement Plan – Housing Action Team (CHIP-HAT)
RCHDC
For-profit housing developers
Mendocino College Foundation
Ukiah Valley Medical Center
County of Mendocino

STAKEHOLDER COMMENTS

"There is a critical shortage in housing. The issue is complicated and misunderstood by the general public."

"Return on investment is the #1 reason that developers build."

"We need more housing for nurses and doctors. Housing [for purchase] in the $300,000s is not available."

"The City is in a good position to open the eyes of residents to more development."

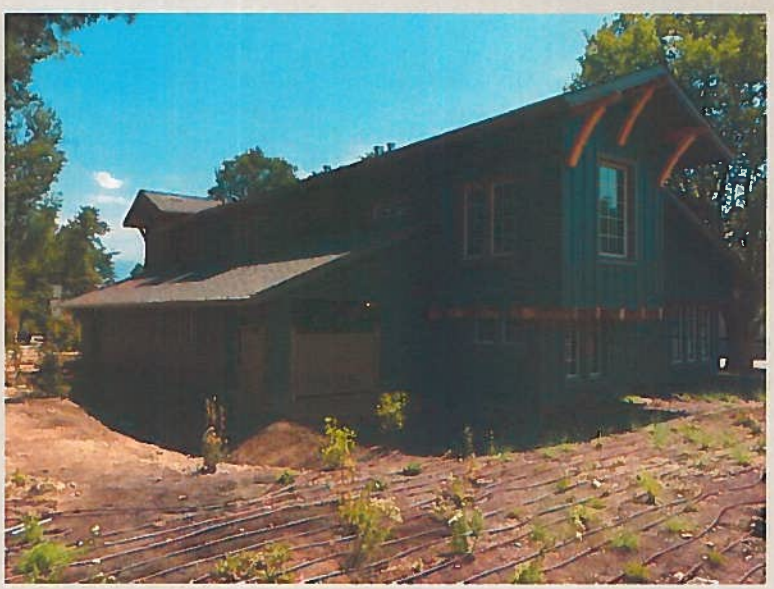
"There is no opportunity for homeowners to move up [from lower cost to higher cost housing] in the housing market."
(see 8/27/17 article "Boom times for remodeling work in Sonoma County" The Press Democrat)

RESULTS OF ANALYSIS

1. Strong demand for affordable (LMI) housing and middle income housing vs. limited supply of rental and homeownership opportunities
2. Build-out limitations
3. Future employment expectations and housing nexus
4. Utility connection cost concerns
5. Social impact of housing market appreciation on community

TOWARDS DEVELOPMENT OF A HOUSING STRATEGY: WHAT HAS WORKED SO FAR?

- ✓ Fee deferral program
- ✓ Use of CEQA exemptions
- ✓ Pre-development meetings
- ✓ High density residential in commercially zoned areas
- ✓ Certified Housing Element
- ✓ Land assembly program, public-private partnerships



DESIGNING A HOUSING STRATEGY FOR UKIAH

STAFF RECOMMENDATIONS

City of Ukiah

COMMUNITY DEVELOPMENT & PLANNING DEPARTMENT

AFFORDABLE HOUSING STRATEGY

1. Create Ukiah Housing Trust Fund + Revolving Loan Fund (RLF)
2. Stimulate affordable housing development
3. Engage with developers and community stakeholders
4. Frame the message and seek out new partnerships

AFFORDABLE HOUSING STRATEGY
1. UKIAH HOUSING TRUST FUND + RLF

FUNDING PROGRAMS (SOURCES)

- Payments of interest and principal due to the City from borrowers of previous UHTF loans
- Home Investment Partnerships Program (HOME)
- HOME Program Income
- Community Development Block Grant (CDBG) – Housing Allocation
- CDBG Program Income
- Other federal and state grants
- Gifts or awards made by individuals or organizations

POTENTIAL ACTIVITIES (USES)

- New rental housing and homeownership construction projects
- Affordability preservation projects
- Land acquisition towards affordable housing development
- Single- and multi-family housing rehabilitation
- First Time Homebuyer programs
- Construction of Accessory Dwelling Units
- Predevelopment loans to assist developers with project feasibility studies and other studies for affordable housing projects
- Tenant Based Rental Assistance

REVOLVING LOAN FUND IN ACTION

CDP
Housing Division

UHTF

Loan repayment

Housing loans

Developer

1. UKIAH HOUSING TRUST FUND + RLF WHAT IS AVAILABLE TO DEPLOY NOW?

2017 UHTF Potential Funding

Former RDA Housing Bond Proceeds =	$2,745,000
2016 HOME grant New! =	$ 500,000 (TBRA + FTHB)
HOME Program Income =	$ 102,000 (TBRA, FTHB, or Rehab)
Total available	$3,347,000

AFFORDABLE HOUSING STRATEGY
2. STIMULATE AFFORDABLE HOUSING DEVELOPMENT

UHTF Housing Bond funds = $2.745 million

- Loans to developers for new housing construction = 70%
- Land acquisition for future affordable housing projects = 15%
- Affordability preservation loans for at-risk units = 10%
- Loans/grants for predevelopment activities = 1-5%

AFFORDABLE HOUSING STRATEGY
FRAMING THE MESSAGE AND ENGAGEMENT (3,4)

1. Marketing message alignment
2. Developer meetings and Requests for Proposals
3. UHTF guidelines and clear performance expectations

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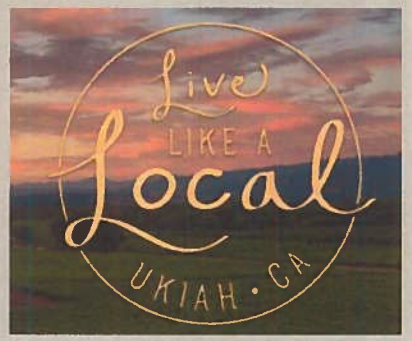
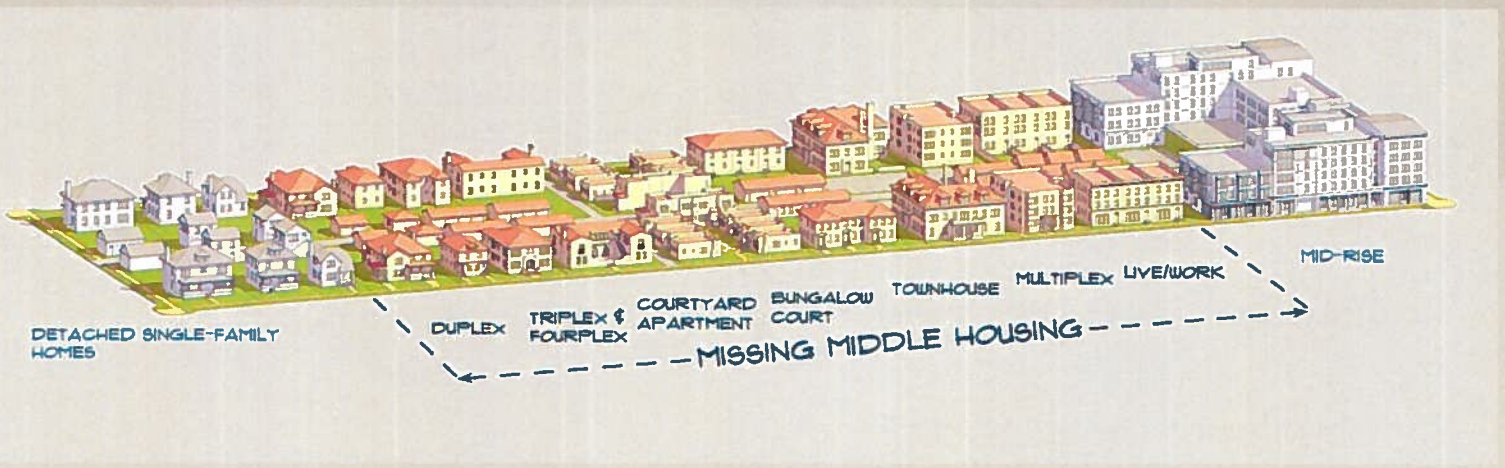




Source: Opticos Design, Inc., www.missingmiddlehousing.com

UKIAH'S MIDDLE INCOME HOUSING MARKET

DESIGNING A STRATEGY

WHITE HOUSE SEPTEMBER 2016 REPORT HOUSING DEVELOPMENT TOOLKIT

"Local policies acting as barriers to housing supply include **land use restrictions** that make developable land much more costly than it is inherently, **zoning restrictions, off-street parking requirements, arbitrary or antiquated preservation regulations, residential conversion restrictions, and unnecessarily slow permitting processes**. The accumulation of these barriers has reduced the ability of many housing markets to respond to growing demand."

"Housing regulations that allow supply to respond elastically to demand helps cities protect homeowners and home values while maintaining housing affordability."

STRATEGY FOR MIDDLE INCOME HOUSING PRODUCTION: POTENTIAL IDEAS

1. Reduce barriers to development
   - Amend zoning ordinance to allow **by-right** residential uses in certain zoning districts
   - Reduce setback and parking requirements
   - Review and modify land use regulations, focusing on impact

STRATEGY FOR MIDDLE INCOME HOUSING PRODUCTION: POTENTIAL IDEAS

2. Revise LID requirements
   - Mitigation banks and offsite credits

3. Work with partners to develop new solutions
   - Airport Land Use Commission
   - County of Mendocino

STRATEGY FOR MIDDLE INCOME HOUSING PRODUCTION: POTENTIAL IDEAS

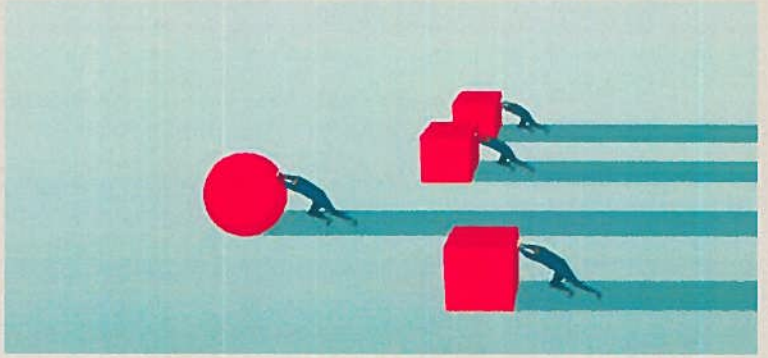
4. Develop Middle Income Community Benefit Zone
   - Innovative community benefiting zoning
   - Neighborhood Innovation Pilot Program (Boulder model)
5. Establish Middle Income Citizen Advisory Board

COMMENTS AND INPUT
PLANNING COMMISSION, PUBLIC

- Job creation, wages, being more business friendly
- Marketing of vacant/underutilized parcels and identification of wetland mitigation bank
- Smaller homes, increased density, reduced setbacks
- Increased regulation
- Subsidies/incentives and BMIR loans for low- and middle-income homeownership
- Education around entitlements and permitting processes

NEXT STEPS: CITY COUNCIL TOWARDS DEVELOPMENT OF A STRATEGY

1. Discuss staff recommendations (summary on two proceeding slides)
2. Hear public comment
3. Provide direction to staff on how to proceed.



STAFF RECOMMENDATIONS
AFFORDABLE HOUSING STRATEGY

1. Authorize creation of Ukiah Housing Trust Fund (UHTF) + Revolving Loan Fund (RLF)
2. Direct staff to develop UHTF and RLF guidelines for City Council adoption (with proposed deployment allocations)
3. Direct staff to develop long-term performance and administration procedures as part of UHTF guidelines adoption
4. Direct staff to present annual report on UHTF accomplishments

STAFF RECOMMENDATIONS
MIDDLE INCOME HOUSING STRATEGY

1. Direct staff to investigate zoning ordinances and UCC for housing development regulatory relief; prepare report for Council.
   - By-right residential uses in other zoning districts
   - Reduction of parking and setback requirements
   - LID and creation of offsite mitigation bank(s)
2. Appoint citizens for Middle Income Citizen Advisory Board.
3. Direct staff to work with Advisory Board to identify an Innovation Zone for community benefit zoning.