



AGENCY:	City Council
MEETING DATE:	Oct 15, 2024
DEPARTMENT:	CDD/City Manager
PRESENTED BY:	Marie Jones Consulting/Isaac Whippy

AGENDA ITEM SUMMARY

TITLE: Receive Presentation on Pro-Housing Initiatives and Policies
Recommendations and Provide Direction to Staff

ISSUE:

Increasing the housing supply is a key priority for the City of Fort Bragg, as outlined in the [City's Strategic Plan 2024-2028+](#) and the City Council's goal of adding over 200 housing units by 2026. Housing affordability has become a significant challenge, with many residents finding it increasingly difficult to secure homes. The community faces a shortage of both rental and for-sale properties, driven in part by Fort Bragg's growing appeal as a place to live, retire, and work.

BACKGROUND:

The City has taken many proactive steps to address the housing shortage, listed below.

1. The City has adopted new housing regulations to:
 1. Make it easier to build accessory dwelling units (ADUs);
 2. Simplify the process of subdividing a low-density residential parcel;
 3. Increase the density of housing by allowing up to four units on a single-family home parcel;
 4. Allow a tiny home as an ADU;
 5. Allow tiny homes and small home communities; and
 6. Allow Planned Unit Development projects on smaller parcels. All of these efforts are geared toward increasing housing supply.
2. The City established the Mendocino Community Land Trust in 2022 to help make workforce housing ownership easier and more affordable.
3. The City has partnered with Danco to develop two large affordable housing projects of 24 and 69 units. This partnership has created a new neighborhood which serves seniors, formerly unhoused and low-income families with a variety of housing options.
4. The City is actively collaborating with developers on some significant new housing projects, set to add over 100 units by 2025.
 1. Harbor View apartments would include 53 townhomes in ten buildings on a parcel south of the Noyo Bridge. This project is under review and will likely come forward to the Planning Commission for a decision this November.
 2. The Hazelwood Senior project would provide 48 units in a three-story building at 860 Hazelwood. The project applicant has not yet submitted their application, but they are planning to submit by the end of October. This project will likely come before the Planning Commission in January of 2025.

3. Currently, the City is working with a third developer has expressed interest in developing housing on the Patton parcel at the intersection of Highway 1 and Highway 20.

ANALYSIS:

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law, establishing the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which provided \$350 billion in emergency funding for states, municipalities, counties, tribes, and territories across the nation. The City of Fort Bragg was allocated \$1,744,162 in ARPA funds. Following a Spring Survey of community priorities, the City Council approved the reallocation of these funds from the Broadband project to four key areas, with 50%, or \$800,000, dedicated to housing. This staff report begins the discussion on how to prioritize these housing funds.

The following analysis outlines staff policy recommendations for the City Council to consider, weighing the benefits and drawbacks of each, and provides a preliminary budget for implementing the selected approach.

1. Obtain Pro-Housing Designation from the State and Increase Zoning Flexibility

The State of California's 2019-2020 Budget Act and Government Code section 65589.9 provided for the establishment of the [Pro-Housing Designation Program](#) created incentives for jurisdictions that are compliant with state housing element requirements and that have enacted policies to facilitate housing production. The California Department of Housing and Community Development's Pro Housing Designation creates incentives for jurisdictions that are compliant with State Housing Element Law and that have enacted Pro Housing Policies. The State's Pro-Housing designation is awarded to cities that implement enough pro-housing initiatives to secure 30 points (Attachment 1).

The City has already completed sufficient rehousing initiatives to secure 23 points. The program rewards cities that adopt zoning and land use regulations that make housing development easier, cheaper, and faster. Cities select from a list of proven programs that focus on by-right permitting, reducing regulations, simplifying design review, reducing impact fees, providing financial subsidies, land, and more. Once awarded a Pro-Housing Designation, a city also becomes eligible for additional state funding to support housing. This year the state gave \$33 million to 18 pro-housing jurisdictions. Ukiah, Windsor, Rohnert Park, and Santa Rosa are all awardees.

Key regulatory changes and incentive programs that the City could implement to achieve the required 30 points are highlighted in yellow in Attachment 1. These measures aim to promote housing development and address affordability and availability within the City. Some of the critical pro-housing strategies that the City should consider adopting include:

- **1B. Permit missing middle housing uses** (e.g., duplexes, triplexes, and fourplexes) **by right** in residential zones. (3 points)
- **1F. Eliminate minimum parking** requirements for residential development. (2 points)

- **1G. Zoning incentives for affordable housing in a range of housing types** in high resource areas for TCAC funding. (2 points)
- **1L. Modify development standards**, zoning provisions, and/or the zoning map to promote and **enable greater development intensity**. (1 point)
- **2A. Establish a ministerial approval process** for multifamily and mixed-use housing. (3 points)
- **2H. Replace subjective development and design standards** with objective development and design standards (as shown in attachment 2) that simplify zoning clearance and improve approval certainty and timing. (1 point)
- **3A. Waive or reduce development impact fees** for residential projects that include affordable to Lower-Income Households.(3 points)
- **4D. Provide grants or low-interest loans for ADU construction** for lower and moderate income households. (2 points)

Pros: This effort would include undertaking proven pro-housing actions that would position the City to gain additional funding to support increasing the City's housing stock. The recommended programs would incentivize additional housing development by reducing uncertainty, increasing allowable project size, and/or reducing costs.

Cons: Some neighborhoods and residents will oppose increases in density, and by making such approvals ministerial the City would eliminate the opportunity for such opposition to be considered when approving permits for housing.

Cost: \$40,000 to \$60,000 depending on the regulatory changes selected. This cost would include the required CEQA review, development of ordinances, and taking those ordinances through the adoption process. Subsidizing capacity fees would be on a project-by-project basis. Developing new missing middle plan sets would cost around \$25,000 per plan set.

2. **Expand and Strengthen the Accessory Dwelling Unit Program.**

- This effort could include **improved marketing of the existing free designs**, easy regulations, and exemption from paying capacity fees by creating some information videos, brochures, etc.
- The City could also consider **funding connection fees** for new Accessory Dwelling Units (ADUs) built for rental purposes. While current state law prohibits charging capacity fees, this initiative would extend support by covering connection fees, further incentivizing ADU construction.
- **ADU Grants:** Once the City's Building Department successfully completes the foundation and slab inspection for an Accessory Dwelling Unit (ADU) or Junior Accessory Dwelling Unit (JADU), the City could enter into a forgivable loan with the applicant for \$4,000/year of renting the ADU at an affordable rent to low- or moderate-income people. For example, an applicant could get a loan of \$32,000 for 8 years of affordable rental or \$16,000 for 4 years of affordable rents. The City would likely put an upward limit of a \$40,000 loan for ten years of affordability. The loan would be structured as a deed of trust lien recorded on the property title. The grant recipient would be required to 1) rent the ADU or JADU at an affordable rate for he agreed to time period and 2) use the main residence as the applicant's primary residence. At the end of time period the loan would be forgiven, and the lien will be removed from

the title after two years. The City would verify the tenant's income and rental rate annually.

Pros: This option builds on the City's already successful ADU program and would require limited additional staff effort. It would assist existing city residents and result in more rental housing. An expanded ADU program would likely result in the construction of additional ADUs in town, especially as interest rates go down, the cost of borrowing declines, and rental rates continue to increase.

Cons: Additional Public Works staff time would be required to install sewer and water connections. Alternatively, the City could provide a grant to the property owner who could in turn hire an independent contractor to install the connections. The City should avoid hiring contractors to make the connections, as this would trigger prevailing wage and the cost would increase.

Cost: \$5,000/ADU for 16 sewer/water connection fees. \$5,000 for a marketing push for the ADU Program. \$100,000+ for an affordable ADU program.

3. Purchase Land and Enter into a Public-Private Partnership for Housing Development.

Under this option, the City would purchase land and collaborate with private developers through a public-private partnership (PPP) to develop housing. By acquiring land, the City gains more control over the type of development and ensures that housing aligns with community needs, including affordability and design standards.

Key benefits of this approach include leveraging private sector expertise and resources, while the City provides land and possibly additional incentives like fee reductions or expedited permitting. This option can attract developers to build housing that meets local priorities, such as affordable units, workforce housing, or mixed-use developments. This strategy also allows the City to retain some influence over long-term housing goals and ensure that development proceeds in a timely and sustainable manner. The PPP can be set up as a long-term lease with an option to sell at the end of the lease. When redevelopment agencies were functioning, these partnerships were set up to utilize tax increment financing to improve the feasibility of marginally feasible projects. PPP should be set up for a public goal, in this case, either for affordable or workforce-rate housing. To see a list of vacant properties that are suitable for housing, please see attachment 3.

Pros: Could reduce upfront development costs for a housing project and if the City entered into a ground lease with a developer, it would allow the City to turn a one-time grant into a 30+ year source of income for other housing projects.

Cons: While land prices are currently elevated, this investment could provide long-term benefits, as owning the land gives the City flexibility in timing the partnership to align with market improvements. If land or housing prices were to drop before entering a public-private partnership, the City would hold an asset that can be strategically developed when market conditions are more favorable. In the interim, the land could be maintained or even used for temporary community purposes, ensuring it continues to provide value to the City.

Cost: Initial investment of approximately \$600,000+ for land acquisition, along with an estimated \$25,000 for legal fees and the RFP process to structure the public-private partnership. However, this cost could potentially be offset by future revenue streams, especially if the City opts for a ground lease, generating long-term income for future housing initiatives.

4. Mill Site Rezoning

The former Mill site offers the most significant housing development opportunity in Fort Bragg. Rezoning the Mill Site consistently with the most recent land use map (2019), could result in the eventual development of 250 to 400 housing units.

Pros: Over the past 15 years, the City, Georgia-Pacific, and the Coastal Commission have invested considerable time and resources in the effort to rezone this property. The City could build on this foundation to develop a land use plan and Local Coastal Program (LCP) amendment that respects the community's input and aligns with City Council's housing goals. Rezoning the Mill Site would not only help revitalize the western third of the City but also enable the phased development of substantial new market-rate and affordable housing. Significant infrastructure upgrades (roads, sewer, water mains, drainage, utilities) would be needed, but state or federal grants could offset these costs. Additionally, funding from the Coastal Commission is likely available to complete the 2017-2018 rezoning efforts.

Cons: While Mendocino Railway stands to benefit from the increased land values that rezoning would bring, the City could explore ways to share or offset the costs of the rezoning process with them, given their vested interest in the property's future.

Cost: Estimated at \$75,000 to \$100,000 to finish the Local Coastal Program amendment, with an additional \$150,000 to \$250,000 needed to complete the required studies (traffic, botanical, wetland delineation, stormwater, etc.). These costs could be justified by the long-term benefits of unlocking significant housing development potential and economic revitalization.

5. Convert Older Hotels to Housing

Fort Bragg has several underperforming hotels, some of which have seen a decline due to a lack of investment by owners, while others have been impacted by lower occupancy rates due to the growing popularity of vacation rentals on the coast. A notable example is the Colombi Motel, which was successfully converted into 22 apartments, illustrating the potential of this approach.

Pros: Converting low-performing hotels into housing can be more cost-effective than constructing new apartment buildings from the ground up. This option allows for quicker adaptation to address housing shortages, and many of the necessary infrastructure elements, such as utilities, are already in place.

Cons: While this is a promising solution, the City currently lacks sufficient funds to purchase any of the available hotel properties on the market. However, partnerships or state funding opportunities could help bridge this gap, making it a viable long-term solution.

Cost: Estimated at \$1.5 to \$2 million, depending on the property and the scope of the conversion, but the investment could deliver housing units faster and more affordably than new construction.

6. Attract Non-Profit Housing Developers

The City of Fort Bragg has had notable success in attracting non-profit housing developers. For instance, Danco has completed two major projects in the community, and the City is currently collaborating with a new affordable housing developer on a project on Hazelwood. Building on this momentum, City staff could continue efforts to attract additional non-profit developers and affordable housing projects to meet ongoing community needs.

Pros: Fort Bragg continues to face a significant demand for affordable housing, and this strategy provides a relatively low-cost way to support and encourage further development. By attracting experienced non-profit developers, the City can facilitate the creation of high-quality, affordable housing options.

Cons: None identified.

Cost: Approximately \$5,000 per year, primarily for outreach and engagement efforts, making this a cost-effective approach to addressing the affordable housing shortage. The City has been relatively successful at attracting non-profit housing developers to Fort Bragg. City staff brought Danco to our community and they have constructed two large projects, and the City is working with a new affordable housing developer on a new project on Hazelwood. Staff could work to attract new affordable housing developers and projects to the community.

7) Support the Conversion of Vacant Downtown Space into Housing

Many second-floor spaces in downtown Fort Bragg remain vacant, presenting an opportunity for conversion into much-needed housing. However, the requirement to install fire sprinkler systems may discourage property owners from making these conversions. This program could involve the City funding the installation of sprinkler systems for property owners who transform unused space into residential units.

Pros: Increasing the number of residential unit's downtown would bring more vitality to the area, fostering a lively community atmosphere. Additionally, installing sprinkler systems would enhance fire safety for both the residential units and the commercial spaces below.

Cons: The project may trigger prevailing wage requirements, which could raise the overall cost of the conversions.

Cost: The cost of installing fire sprinkler systems varies by building size, typically ranging from \$2 to \$7 per square foot. Smaller buildings, such as those in downtown Fort Bragg, tend to be on the higher end of this range. For a typical downtown building of approximately 10,000 square feet, the cost to install sprinklers and the necessary backflow device is estimated between \$50,000 and \$70,000. Each building could accommodate two to three

residential units on the upper floors, making this a relatively efficient way to add housing.

8.) Staff Person for Housing and the Community Land Trust.

While much work has been completed for the Community Land Trust, for the effort to get to the next level, the non-profit should hire a part-time Executive Director to build the non-profit, seek additional funding, and start building housing.

Pros: The City has already invested staff effort to establish the Community Land Trust non-profit which has \$700,000 in seed funding that is earmarked for property acquisition. This model has been used successfully in other rural communities to establish workforce housing.

Cons: Generally, Community Land Trusts should seek to purchase housing and or land when prices are low. Fort Bragg is currently experiencing historically high housing and land prices. However, these high housing prices may continue as interest rates decline and people continue to move to Fort Bragg to escape fires and heat waves worsened by Climate Change.

Cost: \$150,000 for an ED position for two years.

RECOMMENDED ACTIONS:

Provide direction regarding preferred housing initiatives for Fort Bragg. Most of these initiatives would be effective and useful. The table below illustrates a very rough cost per unit for each initiative. These numbers are very rough, especially for options 3, 5 and 7, which are the most speculative.

Housing Initiatives: Rough Estimate of Cost/unit				
Option	Title	Total Cost	Potential Units	Cost/unit
1	Pro-Housing Policy Changes	\$85,000	30	\$2,833
2	Expand and Strengthen the Accessory Dwelling Unit Program.	\$85,000	16	\$5,313
3	Purchase Land for Public Private Partnership	\$625,000	25-35	\$25,000
4	Mill Site Rezoning and LCP Amendment	\$250,000	250	\$1,000
5	Convert Older Hotels to Housing	\$1,150,000	10	\$115,000
6	Attract Non-Profit Housing Project	\$5,000	25	\$200
7	Support Conversion of Vacant Second Stories to Residential in Downtown	\$140,000	6	\$23,333
8	Community Land Trust	\$150,000	20	\$7,500

ALTERNATIVE ACTION(S):

None

FISCAL IMPACT:

The proposed work program would be funded by ARPA Funding. An increase in the population of Fort Bragg would result in increased requirements for services (police, fire, utilities, roads, and City Hall) which would likely not be recovered entirely by an increase in property taxes, as the City receives a fraction of new property taxes. However more workforce housing could make it easier for employers to grow and expand and employers pay a range of business taxes (property, business and TOT) which would help the City's fiscal performance.

GREENHOUSE GAS EMISSIONS IMPACT:

Encouraging densification and more housing development within existing cities is a smart growth strategy that results in reduced miles traveled and thereby reduces greenhouse gas emissions. Additionally, as climate change results in increases in inland temperatures and fire risk, the addition of housing units on the coast will allow some people to move to the coast which is considered a climate refuge.

CONSISTENCY:

All regulatory changes would be required to go through an ordinance adoption process at which time General Plan consistency will be analyzed.

The recommendation is consistent with the *Strategic Plan Goal 1E Develop affordable and market-rate housing that is accessible for every arc of residents' lifetime experience including Fort Bragg's permanent and temporary workforce, students, retirees, and newcomers who want to share our rich cultural and natural home.*

IMPLEMENTATION/TIMEFRAMES: Depends on the direction provided. Most of the proposed options are intended to be completed within a two-year timeframe.

ATTACHMENTS:

1. Pro-Housing Checklist
2. Sample Administrative Design Review Check List
3. City of Fort Bragg Vacant Parcel Inventory

NOTIFICATION:

"Notify me" lists for Housing, Economic Development, Central Business District