

I. INTRODUCTION & PURPOSE

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The City of Grass Valley is experiencing population growth and housing demand pressures now common to many Sierra Foothill towns. As such, the City is turning its energy and focus to issues such as: how to grow, how to maintain its small town feel and how to ensure that its residents enjoy a variety of housing options. The Workforce Housing Task Force was formed in 2001 to help begin to address the residents' concerns about a lack of housing affordable to the working individuals and families of Grass Valley.

The Task Force has spent many hours deliberating the challenges that low- and moderate-income households face in a housing market that is becoming less and less affordable. Between 1998 and 2003 average home prices in Grass Valley increased from \$196,791 to \$337,910. In the first two quarters of 2004 the average home sold for \$375,238 (Nevada County Board of Realtors). A family of four would have to earn \$102,565 annually to support such a mortgage payment (assumes 6.5% interest for 30 years).

According to *"Bridging the Gap: Housing Needs of Nevada County"* prepared by the Workforce Housing Task Force and Nevada County's Housing and Community Development Department:

"...as of 1997, the housing affordability crisis facing very low-income renters continued to worsen as 5.4 million renter households, a record high, were experiencing worst case needs for housing. The number of working families with worst case housing needs increased sharply since 1991. In short, the report found that the housing supply affordable to the lowest income Americans continues to shrink.

Despite the widespread perception that California residents enjoy higher incomes and standards of living compared to other parts of the country, that relative wealth has come with a price tag. The State's residents have not been immune to the shrinking affordability of housing; on the contrary, our State appears to be leading the nation in terms of unaffordable housing markets. Indeed, ...,eight of the ten least affordable places to live in the United States are in California."

As noted in the City of Grass Valley 2003-2009 Housing Element, "according to the Sierra Planning Organization, Grass Valley is responsible for accommodating 1,448 additional housing units between 2001 and 2009", of which 594 units should be affordable to low- and moderate-income households, approximately 41 percent of Grass Valley's total share of regional housing need.

“Grass Valley is not responsible for actual construction of these units. However, Grass Valley is responsible for creating a regulatory environment in which these housing units can be built. This includes the creation, adoption, and implementation of general plan policies, zoning code policies, and/or economic incentives to encourage the construction of these kinds of units...”

The City of Grass Valley 2003-2009 Housing Element contain numerous Goals and Policies, including:

“Goal E: To Assure that All Present and Future Residents Have Equal Access to Housing Commensurate with their Financial Capacity.
Policy 5: The City shall encourage “workforce” housing that is affordable to residents who are employed locally through a study that identifies opportunities to develop such housing and design alternatives that would make the production of such housing financially feasible.”

Although the number of owner-occupied single-family homes has increased from 1990 to 2000, the percentage of owner-occupied homes continues to be less than neighboring cities. In fact, Grass Valley is 43% owner-occupied compared to neighboring communities which are much higher: Nevada County – 76%, Nevada City – 60% and Truckee – 74%.

It is generally found that homeownership stabilizes and empowers neighborhoods. Providing homeownership opportunities to more households is an important goal. Homeownership can be achieved for a market of under-served potential buyers by creating a Workforce Housing product and utilizing site planning components recommended in this document, and providing a mix of home sizes, lot sizes, and home amenities allows households with varying levels of buying power to have an opportunity to buy a home.

A mix of housing options also allows a family to choose to stay in their community when their circumstances change. These opportunities can be achieved modestly by creating a few units here and there, or more aggressively through City Ordinance. These conditions - having the housing and therefore the workforce in the community are attractive to businesses considering locating to Grass Valley, which is an important community consideration.

The purpose of this document is to evaluate the opportunities for Workforce Housing on infill development sites in the City of Grass Valley. The program will: 1) prepare preliminary architectural designs and cost estimates for three prototypical home plans; 2) develop three site plans for priority sites; and 3) identify measures to maintain long-term affordability that can be implemented by the City.

Funding for this study was provided by a Community Development Block Grant as part of the Planning and Technical Assistance Program administered by the State of California Department of Housing and Community Development. In May of 2003 the City of Grass Valley solicited proposals for consultant services and in mid-August 2003 executed

a contract with Mogavero Notestine Associates to develop the Workforce Housing Design Program. Throughout the process of developing the program, Mogavero Notestine Associates conferred with an advisory committee appointed by the City Council. The advisory committee was comprised of: City Councilperson Steve Enos, Planning Commissioner Paul Aguilar, Workforce Housing Task Force Member Ed Sylvester, and City Staff Members Joe Heckel and Leslie Harris.

Upon conclusion of the public review process Mogavero Notestine Associates working with the advisory committee will prepare an Implementation Matrix which will identify specific implementation actions, sequence and responsible parties.

A. What is Workforce Housing?

As noted in the City's Request for Proposals, Workforce Housing is:

"...housing that is generally a smaller single-family detached unit or "cottage" style residence purchased by an individual or family whose income falls within the low- to moderate-income range for Nevada County."

Such unit shall be preserved as affordable for perpetuity or at least 55 years as required by Deed Restrictions formulated with the goal of long-term affordability.

Affordable housing cost* should not exceed more than 30% of gross household income.

For low-income households which means:

No more than \$195,000 average purchase price

For moderate-income households that means:

No more than \$290,000 average purchase price

* Costs include mortgage payment, insurance, property taxes for ownership projects or rent and utilities for rental projects. Based on a median family income of \$63,600 for a family of four. See Affordability Analysis in Appendix H: Development Cost Estimates for more information.

B. Workforce Housing Design Program Goals:

- Create a framework or roadmap which the City can rely upon to assist in updating the zoning code and subdivision ordinance,
- Design prototypical housing units,
- Create incentives for development of infill sites, and
- Develop a homeownership program to ensure long-term affordability.

C. Program Scope:

This document includes the following:

- Review of the City’s planning documents including: General Plan; Zoning and Subdivision Ordinance; Housing Element; and Design Guidelines; and recommendations to enhance Workforce Housing development opportunities.
- Identification of regulatory barriers to Workforce Housing development and recommend ways to streamline the development application and approval process.
- Review of architectural styles common to Grass Valley.
- Analysis of infill sites and opportunities for infill development incentive programs.
- Analysis of three priority infill sites and the development of site plans for these infill development sites.
- Development of three prototypical housing units that fit the definition of “Workforce Housing Unit”.
- Development of prototypical capital development budgets for each site analyzed.
- Affordability Analysis for each of the sites and recommendations for gap funding and long-term affordability.
- Develop an Implementation Matrix. Please see Appendix I for the Implementation Matrix.

Appendices include:

- A. Workshop #1 - Summary and Style Survey Results
- B. Workshop #1 - Architectural Character Presentation
- C. Example Construction Specifications
- D. List of Sites for Consideration
- E. Compact Development Code Example
- F. Floor Plans and Elevations
- G. Inclusionary Housing / Mixed-Income Housing Ordinance Summary Examples
- H. Development Cost Estimates
- I. Implementation Matrix

D. Summary of Recommendations

Workforce Housing Design Program recommendations have been made relative to preferred prototype design and site plan, zoning reform, infill strategies and affordability options. These recommendations include home plans which are small, simple two-story structures configured on small lots with limited infrastructure development needs. The site plan configurations developed on the three priority sites analyzed requires that zoning reform consider alternative setbacks, parking requirements and street widths,

and increased lot coverage ratios and should include the incorporation of a “form” based approach whereby architectural and design preferences are illustrated and coded for future developments to address.

Additionally, the City should consider marketing infill properties through an infill program that promotes specific infill sites for development of Workforce Housing. The program should identify target area(s), establish project size parameters (note that the sites studied for this document are multiple unit development sites - not single lot infill sites), identify community improvement planning projects that could benefit infill, and consider fee reductions across several City departments where the “off the shelf” plans are utilized.

The City will need to adopt affordability requirements on a project by project basis as required by City ordinance and/or funding sources utilized to achieve the desired affordability level. The City should adopt a Mixed-Income Housing Ordinance for SDAs that require a certain number of units or 20 percent of the development be set-aside as affordable.

Long-term affordability is best achieved through Community Land Trust, where a non-profit owns the land. Another option is soft-second mortgages provided by the City or a non-profit. These mortgages offset the price of the home to make it affordable to the target income buyer. This method is revenue sensitive due to budgetary changes and would require annual budget approval. Additionally, it does not ensure long-term affordability without very cumbersome regulatory agreements which frequently do not meet lender approval.

Funding sources available to develop Workforce Housing include Tax Increment (Housing Set-Aside and Capital Projects funds), Community Development Block Grant (CDBG) funds, Home Program funds and other public and private grant funds specific to each project type.

A more detailed discussion of recommendations is included in Section V - Final Recommendations.

E. Limitations

Due to the qualitative nature of this analysis, the findings are very preliminary and will require a higher level of investigation during subsequent phases of planning and/or development. The site plans and architectural plans are schematic in nature and are meant to guide a discussion towards change that will promote the development of Workforce Housing. As a result, the level of improvements and development costs might vary significantly from those presented in this analysis. Issues such as land-value and on-site improvements were only given a preliminary evaluation.

Additionally, cost estimates presented in the Development Feasibility Section and Appendix H are current as of the date of the document and will require updating for use in the future.