

MEETING MENDOCINO COUNTY'S NEEDS FOR HOUSING REQUIRES COORDINATION AND PLANNING

July 16, 2021

SUMMARY

Due to the critical lack of affordable and available housing, the Grand Jury (GJ) began investigating what was currently being done to improve the availability of housing in Mendocino County. Planning and Building Services (PBS) functions are currently limited to permitting the development of housing and ensuring that projects meet regulatory standards. PBS is not active in seeking modifications to State standards to meet the local housing needs and have experienced difficulty completing permit applications in a timely manner. All PBS functions are passive without specific direction from the Board of Supervisors (BOS).

The Mendocino County Community Development Commission (CDC) and Rural Community Housing Development Corporation (RCHDC) have been primary sources of developing new housing to address local needs. Of the cities, Ukiah has developed a creative way to adapt to the demand for new housing developments through a trust fund, supported by leasing city-owned property for market-rate construction.

It appears that the County will not meet the State assigned number of new units without local action to remove obstructions to development, increase Agency collaboration and find funds to develop new infrastructure. The GJ believes that PBS should be directed to increase its capacity to serve these functions.

BACKGROUND

While researching the issue of housing the homeless population throughout Mendocino County, the GJ became aware of a larger problem: the difficulty of developing any new housing in Mendocino County.

METHODOLOGY

The GJ researched the following documents and interviewed the following local resources:

1. Strategic Plan to Address Homelessness in Mendocino County,
2. Housing Element of the Mendocino County General Plan,
3. The Ukiah Valley Area Plan (UVAP),
4. State of California web sources on demographics,
5. Mendocino County Planning and Building Services Staff,
6. City of Ukiah Staff,
7. CDC Staff,
8. RCHDC Staff,
9. a Real Estate Broker,
10. Mendocino County Supervisors.

GLOSSARY

USC - The United States Code is made up of the official Federal statutes of the United States and contains 53 titles. It includes laws passed by Congress, also called statutes.

DISCUSSION

Vast areas of the county do not have water and sewer systems or other infrastructure that are required by Federal and State funding sources without mitigations. These areas are prone to wildfire and are currently struggling with water insecurity.

The number of housing units and structures lost during the 2017 - 2020 fires have impacted Mendocino County's housing inventory. Over 300 residential structures were destroyed or damaged during the 2017 fire season and Mendocino County Planning and Building Services (PBS) has issued 196 building permits for a combination of single-family homes, manufactured homes and accessory buildings. Of those 196 original permits, only 125 have been finalized. In subsequent fires, an additional 75 units were lost and permits for reconstruction have yet to be issued.¹

Due to COVID-19, the PBS staff has reported that new on-line options have lessened the pressure at the reception counter and allows for a more streamlined workload.

Mendocino County Council of Governments (MCOG), which normally functions as Mendocino County's Regional Transportation Agency was designated as the appropriate entity to develop the Mendocino County Regional Housing Needs Plan by the California Housing and Community Development (HCD). HCD estimates the need for new housing units in Mendocino County to be 1,845 during December 31, 2018 - August 31, 2027. 496 of those units are designated for the four incorporated areas of Fort Bragg, Point Arena, Ukiah and Willits. The remaining 1,349 are designated for the unincorporated areas of the County.²

In the Spring of 2021, the rental market rate for two to three-bedroom homes with one to two baths ranged from \$1,200 - \$2,400, not including utilities. Purchasing equal properties would range between \$390,000 - \$560,000.

Due to the enactment of Senate Bill (SB) 3, California's minimum wage increased to \$14.00 per hour, as of January 1, 2021, for employers with 26 or more employees and to \$13.00 per hour for employers with 25 or fewer employees.³ Housing costs for working families in Mendocino County is closer to half of their income rather than the 30% recommended by the U.S. Department of Housing and Urban Development (HUD).

Housing authorities and building developers attribute the shortage of housing to the difficulties of working with the current PBS system and the high cost of developing sewer, septic and water hookups in the unincorporated areas of the County, if available at all. Developers often cannot

¹ As reported by PBS Staff on 4/7/21

² MCOG - Mendocino County Regional Housing Needs Plan (2018)

³ <https://www.dds.ca.gov/rc/vendor-provider/minimum-wage/>

find sufficiently skilled workers in the building trades. More recently there are cost concerns about wildfire hardening standards for new development and 100-foot vegetation setbacks which could trigger regulatory review if certain species of oak trees are present.

Building developers complain that Mendocino County's requirement for 25% of low-income units is 15% higher than other areas in the State. The County's housing regulation currently does not allow the geographic dispersal of low-income units to be separated from market-rate projects. When a market-rate housing development is planned, builders are required to designate 25% of the units to be low-income which shifts the project cost onto the developer making the project less profitable.

Housing projects that are either currently under construction or recently completed under the permitting process of PBS have moved slowly. For example, the Orr Creek Commons Project through Redwood Community Housing Development Corporation (RCHDC) was mentioned in the City of Ukiah's City Council meeting minutes back in 2008. However, residents will not be moving in until the second half of 2021. The Vineyard Crossing Subdivision on Lovers Lane in the north end of Ukiah has been under discussion for many years and finally submitted their application in February 2017 and proposes to build 121 housing units. Vineyard Crossing is on hold pending an Environmental Impact Report (EIR). On the south end of Ukiah, near Hwy 253, the Bella Vista Development (formally known as Gardens Gate) has reapplied and filed their application in July of 2020. The process is on hold pending the California Department of Fish & Wildlife's analysis. Bella Vista is slated to create 171 housing units.

The GJ was informed that PBS permit and inspection staff see their functions as separate from each other and unrelated. There is little communication within the functions of PBS and a lack of communication within the department overall. This illustrates the lack of communication between PBS and other agencies working on housing development without specific direction from the BOS.

Historically, there has been a lack of coordination with Mendocino County's Native American Tribes when it comes to planning housing needs. Assisting the Tribes with the development of housing would help the County reach its own housing goals and meet the requirements of United States Code (USC) 4.3b as stated in the Housing Element of the County's General Plan.⁴

The GJ learned that Mendocino County's Community Development Corporation (CDC) is awarded \$500,000 of HUD funds monthly (\$6.0 million annually) to subsidize 177 rental units in the County. The funding subsidizes the difference between the beginning rental rate of \$900.00 a month and the 30% of income which the tenants are required to pay. The monies supplement rent for very low or low-income individuals or families. HUD sets the rates for housing cost and eligibility requirements for CDC. Each time the CDC opens the application process for families and individuals the CDC receives 600-700 applications during their twice a year outreach. CDC reports due to the lack of one-bedroom housing units, single people with a Housing Choice Voucher (formally called Section 8) are challenged to find a place to live.

⁴ Mendocino County's 6th Cycle Housing Element

A major housing agency that develops and manages dwellings is RCHDC. They continue to develop and manage dwellings for very low to moderate-income individuals, families, and people with special needs. Currently, RCHDC is managing 454 units in affordable housing communities around Mendocino County. RCHDC is also responsible for 208 units of self-help housing development using the United States Department of Agriculture (USDA) funding which does three things: provides pride of ownership, develops community and teaches building skills.

The County of Mendocino was awarded a Project Homekey grant from the HCD in the latter part of 2020 and was able to purchase the Best Western Hotel on Orchard Avenue in Ukiah. The funding was created to protect the homeless in California who are at high risk for serious illness and who are impacted by COVID-19. The project provides the homeless with interim or permanent long-term housing.⁵ Recently, the County of Mendocino began contracting with RCHDC to manage the converted hotel, which supports 56-units and is now Live Oak Apartments. Even though the apartments are situated in the City of Ukiah, the County of Mendocino let the City know they would be applying for the funding as the developer and administrator. This project was developed through County Health and Human Services and not PBS and is one the few County-run projects to address housing needs.

The City of Ukiah has recently been very successful in facilitating several market-rate projects, specifically on Main & Gobbi Streets. For the Main Street project, the developer utilized a trust fund established by the City specifically to encourage new housing development. The trust fund empowered the City of Ukiah to lease city owned property to the builder to construct these market-rate apartments. The monies generated from leasing the land re-funds the trust fund for future projects.

Trust funds, which can be called “In-Lieu Funds,” are successful programs to receive cash value in lieu of requiring builders to include low-income housing within their project. The monies are then placed in a trust fund to be used to underwrite other projects for low-income or special needs renters.

In August 2020, the City of Ukiah again began discussing the Brush Street Triangle, located south of the Redwood Empire Fairgrounds and the west side of Highway 101. The area has land to expand, and two new housing projects are already providing affordable housing to farm workers, seniors and primarily Housing Choice Voucher recipients. The City of Ukiah’s approach would provide a path to annexation, which furthers the development of additional affordable housing and industrial/manufacturing opportunities for employment in a location with adequate land and infrastructure.⁶

FINDINGS

F1. The areas around cities have the best developed sewer and water systems for new housing in Mendocino County. Rural areas of the County do not have adequate public infrastructure and amenities to meet HCD projections. (R1, R3)

⁵ <https://www.hcd.ca.gov/grants-funding/active-funding/homekey.shtml>

⁶ August 5, 2020 | Ukiah Daily Journal

- F2. Due to COVID-19 restrictions, PBS has developed more efficient digital options for routine matters which has created a more streamlined process to free PBS to pursue new opportunities for solving departmental issues and verifying State regulations and statistics.
- F3. MCOG is designated by the State of California Department of Housing and Community Development to coordinate the housing need allocation process for Mendocino County. By default, this has become the regional planning agency.
- F4. Lack of housing forces the price of existing housing to be unaffordable for working families as well as preventing new potential employees to choose to work in Mendocino County.
- F5. The Median income of county residents and the higher cost of goods and services does not keep pace with the cost of new single-family homes, which discourages contractors from building here when they can profit from building in other areas.
- F6. The current shortage of affordable housing will continue without Mendocino County hiring qualified housing and community development planners. Such assets would assist in locating funding sources for infrastructure improvements, attracting appropriate developers, and informing the BOS what effect proposed regulations may have on the development of new housing. (R6)
- F7. There is no formal or consistent communication between PBS and its counterparts in the cities of Fort Bragg, Point Arena, Ukiah and Willits which is indicative of the lack of planning on a regional basis in this County.
- F8. The prohibitive cost of new construction and limited income of most area residents makes new market-rate projects risky for builders.
- F9. The activation of a Mendocino County Building Trust Fund (In-Lieu fund) would give Mendocino County leverage in encouraging proactive development to meet the county's needs for infrastructure and housing projects.
- F10. Federal and State funding is targeted to urban areas and the BOS does not direct PBS to actively seek mitigations on these restrictions to acquire funding for housing projects when State & Federal funds become available.
- F11. As a result of restrictions on the use of local budget monies, Mendocino County's Native American Tribes may only be invited to the table when discretionary funds for housing are available through Federal sources.

RECOMMENDATIONS

The Grand Jury recommends that:

- R1. by January 1, 2022, County Administration provide direction to PBS to establish periodic meetings to work cooperatively with cities, infrastructure oriented special districts, and Tribal governments on meeting the needs established in the Housing Element. (F1, F7)

- R2. by January 1, 2022, PBS host bi-monthly meetings with all housing development entities including the four incorporated cities to monitor progress of goals in the Housing Element. (F7)
- R3. by FY 2022-23 County Administrators organize a coalition with cities to establish a framework for annexations through tax-sharing agreements. (F1, F9)
- R4. by FY 2022-23 the BOS establish a framework to enact Policy 4.3b of USC, which encourages the development of additional housing for Native Americans. This will help the County to meet their obligation under State law to provide housing, including for special communities by 2027. (F11)
- R5. PBS continue the development of digital systems to deal with routine applications so there is more time for researching innovative ways to plan for economic and housing development. (F2)
- R6. by December 1, 2021, the BOS direct PBS to set-up the Mendocino County Building In-Lieu Fund as a Building Trust Fund and report back to the BOS before the end of fiscal year 21-22. (F6, F9)

REQUIRED RESPONSES

Pursuant to Penal Code § 933 and 933.05, the GJ requests responses as follows from the following elected county officials within 90 days:

- Mendocino County Board of Supervisors: (All Findings and Recommendations)

REQUESTED RESPONSES

Pursuant to Penal Code § 933 and 933.05, the GJ requests responses as follows from the following respondents within 90 days:

- City of Ukiah, Community Development Department Director (F6, F7, F9, F10, R1-R3)
- County of Mendocino, Planning and Building Services Assistant Director⁷ (All Findings and Recommendations)

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code § 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

⁷ The response is requested of the Assistant Director due to the fact that there is no one permanently assigned to the PBS Director position as of the writing of this report.