Housing Needs, Availability and Affordability in the Eureka and McKinleyville Community Planning Areas of the Unincorporated Areas of Humboldt County

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Department of Community Development Services
Humboldt County Association of Realtors
Northern California Association of Home Builders

Humboldt County General Plan Update

Executive Summary

The Humboldt County Department of Community Development Services is in the process of updating the General Plan. For purposes of this update, the County initiated an assessment of land supply for residential demands. Secondarily, AB2292 prohibits the County from reducing, requiring, or permitting the reduction of the residential density for any parcel to a lower residential density unless trade-off densities are identified elsewhere in the planning area. The County initiated this housing availability study to determine what these threshold densities are for at least the Eureka and McKinleyville Community Planning Areas.

This study provides a detailed assessment of constraints on housing supply in two of the largest population growth areas of unincorporated Humboldt County: McKinleyville and Eureka. Factors considered in the assessment include zoning and general plan designations, physical constraints, development potential, environmental constraints, regulatory constraints, infrastructure constraints, and development profitability. The sources of information for these factors included assessor's records, planning records, community service districts and site inspections. Of the unincorporated portions of the County, the Eureka Community Planning Area accounts for 23.95% of the population, and the McKinleyville CDP accounts for 20.22%. The population projections partitioned to these communities were then used to determine the number of housing units needed in each community planning area. The number of additional residential dwelling units required to accommodate growth to the year 2025 according to California Department of Finance population projections are 1259 units in the Eureka area and 1062 units in the McKinleyville area.

The amount of vacant residential land required in sewered areas is 236 acres for the Eureka area and 199 acres for the McKinleyville area based on Department of Finance projected housing demand. The amount of vacant residential land currently available as determined in *Building Communities* is: 234 acres in the Eureka area and 211 acres in the McKinleyville area.

Vacant land was found to have significant constraints consisting of physical constraints, resources and hazards constraints, developed parcel constraints (due to status information time lags), and owner constraints. For the sample set of 100 parcels studied, the sum of all constraints documented consisted of 62.1% of the vacant residential acreage for Eureka and 59.0% of the vacant residential acreage for McKinleyville.

Given the constraints found, there is an inadequate amount of vacant residential land in both of the communities if it is assumed that a median density of about 3 dwelling units per acre is achieved in sewered areas. In order to meet housing goals, all vacant residential land in sewered areas would have to be developed at maximum density. Alternatively, additional land in sewered areas could be changed to residential use or sewered areas could be expanded.

Based on infrastructure cost modeling for each community, there are significant infrastructure costs required to meet population growth to the year 2010. Some of these costs would be external to those that might be borne by developers for individual development projects. There is a lack of the necessary infrastructure to support residential development at levels identified as necessary to meet housing demand.

There are growing demands on existing facilities caused by new residential developments and no identified means for fully upgrading or expanding these facility to meet future growth demand. Existing community service districts need to plan for projected growth demands in their service areas. There is also a marked increase in per unit housing costs, much of which can be attributed to high infrastructure development costs. There is a need to look at a suite of possible infrastructure funding mechanisms in order to proactively address this issue and ensure that vacant land that is zoned for residential uses can in fact be developed for residential use.

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Housing Needs, Availability and Affordability in the Eureka and McKinleyville Community Planning Areas of the Unincorporated Areas of Humboldt County

INTRODUCTION

Problem Statement: The Humboldt County Department of Community Development Services is in the process of updating the General Plan. For purposes of this update, the County needs an accurate assessment of land supply for residential demands. Secondarily, AB2292 prohibits the County from reducing, requiring, or permitting the reduction of the residential density for any parcel to a lower residential density (i.e. that is below the density that was utilized by the State of California Department of Housing and Community Development in determining compliance with housing element law) unless trade-off densities are identified elsewhere in the planning area and the County makes written findings supported by substantial evidence that the reduction is consistent with the adopted general plan, including the housing element, and the jurisdiction's share of the regional housing need as specified. The County needs to determine what these threshold densities are for at least the Eureka and McKinleyville Community Planning Areas.

Purpose: This study provides a detailed assessment of constraints on housing supply in two of the largest population growth areas of unincorporated Humboldt County: McKinleyville and Eureka. Factors considered in the assessment include zoning and general plan designations, acreage, development potential, environmental constraints, regulatory constraints, infrastructure constraints, and development profitability.

Background: The General Plan Update technical background reports analyzed residential land availability using assessor land vacancy records, mapped environmental constraints and zoning density factors. Based on this methodology, a significant amount of vacant land is available for residential development. However, this conclusion is at odds with an extreme market shortage of housing units and vacant residential land. This study is intended to identify additional constraints that act to restrict the market availability of vacant residential land and housing units. The results will be used to determine the appropriate target inventory of vacant residential land for the General Plan Update. It is a cooperative study sponsored by the Humboldt County Association of Realtors, the Northern California Association of Home Builders and the County of Humboldt Planning Division.

Statewide Crisis in Available Housing: It has been noted that statewide there is an on-going chronic problem with availability of new housing. The Little Hoover Commission put it this way:

> "*The increasing housing shortage is so severe that it affects all Californians, and threatens to mute the State's economic potential. But the greatest burden for these failures is on the shoulders of the poorest Californians, those who cannot afford a home of any kind, or who live in substandard or overcrowded conditions.*
>
> *More than 2.2 million low-income homeowners and renters in urban California are paying more for housing than they should, and as a result do not have enough left over for other necessities such as food, clothing or medical care. Among low-income renters, about two-*

thirds pay more than half of their income for housing and 91 percent pay more than the recommended 30 percent. Among low-income homeowners, more than three-quarters pay more than 30 percent of their income toward housing.

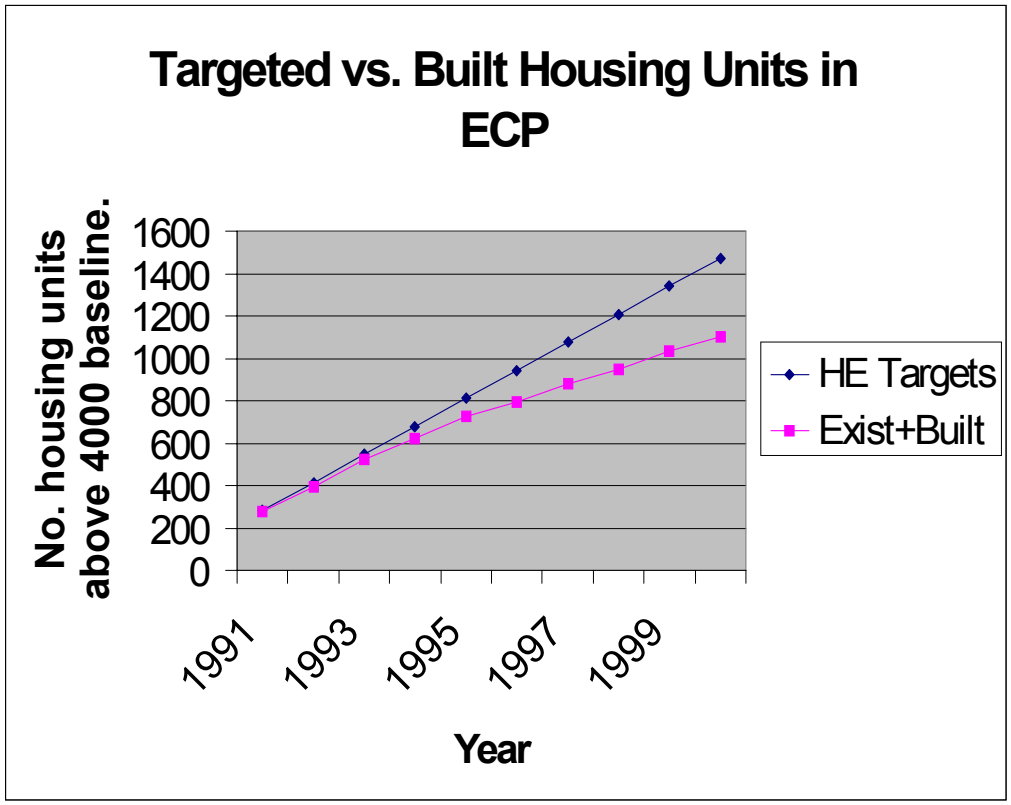
California has not built enough housing for more than a decade. To meet the needs of the growing population, state officials say that 220,000 housing units will need to be built every year between now and 2020. But between 1990 and 1997, only 91,000 units on average were produced each year. In 1999, when production was high nationally, fewer than 140,000 residential permits were issued in California. The shortage is greatest in the multifamily housing that could assist low-income families.

In the past, escalating prices were considered a mixed blessing. While buyers faced sticker shock, homeowners were quickly rewarded for their investment. The problem also was viewed by many as an unavoidable consequence of rapid economic and population growth. The evidence now shows that the problem is chronic and getting worse. California is consistently under-building houses and apartments and the prices are so high in so many places that it threatens the viability of regional economies competing in a global marketplace.

The consequences go beyond housing and impact other important public policy goals, including the need to provide for the elderly, the disabled, and the mentally ill. Children without safe and stable places to live face additional challenges in school."

(Little Hoover Commission, May 2002 cover letter to the report ***Rebuilding The Dream: Solving California's Affordable Housing Crisis)***

Humboldt County has experienced this same state-wide phenomenon. For example, for the past decade the number of new houses built has been consistently and increasingly short of the number of housing units needed as identified in the community planning documents and the housing element. Figure 1 illustrates this for the Eureka Community Planning Area.



The relatively rapid increase in housing prices coupled with an increasing shortage of available housing has prompted the need for more in-depth analysis. Initial review of available undeveloped residential land suggested that there is more than enough properly zoned parcels to meet housing needs, however, for other reasons, the housing necessary to meet housing element targets is not being built.

This study also analyzes the effect that development constraints might have on housing affordability. The assessment of constraints and affordability will be made for each targeted income group identified in the 1998 Housing Element.

NEEDS ASSESSMENT

This task consisted of review of the Housing Element, community plans, technical reports prepared by the General Plan Update addressing housing needs (specifically *Building Communities*, prepared by Dyett and Bhatia, February 2002), the Humboldt County Association of Governments (HCAOG) assessment of housing needs, and the California Department of Finance population projections. From these sources, it is possible to identify housing needs for the County unincorporated area and partition these needs to each community including Eureka and McKinleyville. An additional task was to identify and partition needs based on income status: very low, low, moderate and above moderate.

Table 1. Eureka and McKinleyville Community Planning Areas Housing Demand based on census district (CDP) population.

	2000 Population	2025 Population	Population Increase	Additional Dwelling Units Required*
Eureka				
Bayview CDP	2,359	3,000	641	268
Cutten CDP	2,935	3,425	490	205
Humboldt Hill CDP	3,246	3,700	454	190
Myrtletown CDP	4,459	4,550	91	38
Pine Hills CDP	3,108	4,650	1,542	645
TOTAL ECP	16,107	19,325	3,218	1,346
McKinleyville CDP	13,599	15,750	2,151	900

*Assumes an average household size of 2.39; columns 1-4 data are from *Building Communities* Table 1-6.

When the *Building Communities* analysis was prepared in 2002, the year 2000 census data and interim Department of Finance population projections were used to assess community populations and project population increases (Table 1).

Needs Based on Income:

What is Affordable Housing?

Housing is considered affordable when a monthly mortgage or rent payment is no more than 30 percent of income. So defining affordable housing requires a consideration of both income and housing costs. California housing element law defines four income categories based on the percentage of an area's median income:

Very low-income 0 - 50% *Low-income 50 - 80%*
Moderate-income 80 - 120% *Above moderate-income 120+%*

For example, statewide in California, a very low-income household (earning $18,240 or 30 percent of the state area median income of $60,800) should pay monthly rent of no more than $456. But the fair market rent for a two bedroom unit is $957.

A minimum wage earner (earning $6.25 per hour) can afford monthly rent of no more than $325. In California, 47 percent of renter households (2.3 million households) pay more than 30 percent of their income for rent.

Sources: California Health and Safety Code Section 50052.5 and 50053; National Low Income Housing Coalition, *Out of Reach 2001: America's Growing Wage-Rent Disparity*.

The projected housing needs by income category was recently assessed in the draft 2003 Housing Element update as shown in Table 2. These needs were determined by the Humboldt County Association of Governments (HCAOG) in their report *Regional Housing Needs Plan for Humboldt County* (November 2002), and were based on more recent California Department of Finance populations projections.

Table 2. Projected Housing Needs for Humboldt County, 2001 - 2008 as Determined by the Humboldt County Association of Governments.

	Housing Units	
Income Category	**Unincorporated Areas**	**Total County**
Very Low	581	1,033
Other Low	378	676
Moderate	484	795
Above Moderate	645	1,471
TOTAL	2,088	3,975

Source: Humboldt County Association of Governments; Regional Housing Needs Plan for Humboldt County; November, 2002.

The population projection numbers for the unincorporated portions of Humboldt County were obtained from the California Department of Finance (May 2003) and these number were used to partition the population growth expected for the community planning areas of Eureka and McKinleyville. Population projection was partitioned to communities based on the relative proportions of existing population in each community (based on Table 1-3 of *Building Communities)*. Of the unincorporated portions of the County, the Eureka Community Planning Area accounts for 23.95% of the population, and the McKinleyville CDP accounts for 20.22%. The population projections partitioned to these communities were then used to determine the

number of housing units needed in each community planning area using a 2.4 per person household factor (Table 3).

Table 3. Housing needs for the Eureka and McKinleyville community planning areas based on Department of Finance population projections.

Year	Uninc. County Pop.	ECP Pop.	ECP d.u.	**Increase in d.u. from 2001**	**Increase in d.u. from 2003**	McK Pop.	McK d.u.	**Increase in d.u. from 2001**	**Increase in d.u. from 2003**
2001	129211	30946	12894	0	-	26126	10886	0	-
2003	130790	31324	13051	157	0	26445	11019	133	0
2008	134242	32150	13395	501	344	27143	11310	424	291
2025	143403	34345	14310	1416	1259	28996	12081	1196	1062

The numbers of Table 2 were used to determine the relative percentage of housing units needed in each income category: very low 27.8%, other low 18.1%, moderate 23.2%, and above moderate 30.9%. Given these percentages it was possible to partition the housing needs for each income category in the Eureka and McKinleyville community planning area that were identified in Table 3 above:

Table 4. Housing Demand (from 2003) Based on Income Category and Department of Finance (May 2003) population projections partitioned for Eureka and McKinleyville Community Planning Area.

	Eureka CPA Additional Housing Units Required By 2008	**Eureka CPA Additional Housing Units Required By 2025**	**McKinleyville Additional Housing Units Required By 2008**	**McKinleyville Additional Housing Units Required By 2025**
Very Low (27.8%)	96	350	81	295
Other Low (18.1%)	62	228	53	192
Moderate (23.2%)	80	292	67	247
Above Moderate (30.9%)	106	389	90	328
TOTAL	344	1259	291	1062

Additionally, the income ranges for each income category were determined based on the median income levels established by the Year 2000 Census.

Table 5. Income ranges based on income category and Year 2000 Census income data.

Income Category	Income Range* - All Households (Med=$31,226)	Income Range* - Family Households (Med=$39,370)
Very Low (0-50% Med.)	0 - $15,613	0 - $19,685
Other Low (50-80% Med.)	$15,614 - $24,981	$19,686 - $31,496
Moderate (80-120% Med.)	$24,982 - $37,471	$31,497 - $47,244
Above Moderate (120+% Med.)	$37,472 +	$47,245 +

*Based on 2000 Census statistics on median incomes from California Department of Finance.

Housing Element Targets and Community Plan Targets

There is a mismatch in the type of data presented in Tables 1 and 2 that requires further discussion relevant to development of Housing Element targets. The demand determined by the Humboldt County Association of Governments (HCAOG) only presents demand for the unincorporated portion of the county and the county as a whole. There is no breakdown to the community plan level. Also, the HCAOG demand numbers only project demand to the year 2008, whereas the *Building Communities* analysis projects demand to the year 2025. In an effort to reconcile these differences, the California Department of Finance population projections used by HCAOG were obtained and the population projections were partitioned to communities based on the relative proportions of existing population in each community (Table 3*)*.

The assumptions and analysis developed in the *Building Communities* report were based on Year 2000 census data and projections and different assumptions. As a consequence , they suggest different growth numbers and in some cases cover different areas than the Eureka and McKinleyville community planning areas (for example, census district boundaries are not equivalent to community planning boundaries). The housing demand for each community, as can be determined from the *Building Communities* report data, was projected to the year 2025 based on the annual average growth rate for the years 1980 to 2000. Eureka area growth rates were aggregated since there was no reporting of the Bayview, Cutten, Humboldt Hill, Pine Hill and Myrtletown CDPs prior to 1990. The projected demand for dwelling units needed through 2025, as determined by the different approaches, assumptions and data sets, are compared in Table 6.

Table 6. Projected Demand for Dwelling Units for the Eureka and McKinleyville Areas based on Census Data projections in *Building Communities* and Department of Finance (DOF) projections partitioned to each community.

	Growth Rate	2025 Building Communities Table 1-6	2025 Building Communities Table 4-10	2025 Dwelling Unit Demand Based on DOF Projections (from 2003)
Eureka CPA	1.0%	1346	695	1259
McKinleyville CPA	2.8%	900	629	1062

Housing Element and State Law

State law recognizes the vital role local governments play in the supply and affordability of housing. Each governing body (City Council or Board of Supervisors) of a local government in California is required to adopt a comprehensive, long-term general plan for the physical development of the city, city and county, or county. The housing element is one of the seven mandated elements of the local general plan. Housing element law, enacted in 1969, mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges that, in order for the private market to adequately address housing needs and demand, local governments must adopt land use

plans and regulatory systems which provide opportunities for, and do not unduly constrain, housing development. As a result, housing policy in the State rests largely upon the effective implementation of local general plans and, in particular, local housing elements. Housing element law also requires the Department of Housing and Community Development (HCD) review local housing elements for compliance with State law and to report its written findings to the local government.

The HCD's Division of Housing Policy Development accomplishes this mission by identifying California's housing needs and developing policies to meet those needs. HCD prepares and implements the federal consolidated planning and performance reporting requirements for HUD, ensuring California's receipt of millions of federal housing and community development dollars. HCD also administers state housing element law, including the review of local general plan housing elements; prepares numerous state plans and reports and conducts research to facilitate housing development and improvement

Under the directives of State housing law and AB2292, the County needs to identify housing goal targets in the Housing Element and is prohibited from reducing, requiring, or permitting the reduction of the residential density for any parcel to a lower residential density (i.e. that is below the density that was utilized by the State of California Department of Housing and Community Development in determining compliance with housing element law) unless trade-off densities are identified elsewhere in the planning area and the County makes written findings supported by substantial evidence that the reduction is consistent with the adopted general plan, including the housing element, and the jurisdiction's share of the regional housing need as specified. For purposes of conformance with the HCD requirements, the housing demand based on the California Department of Finance projections is used.

RESIDENTIAL LAND AVAILABILITY

- Task: AVAILABILITY OF UNDEVELOPED RESIDENTIAL PARCELS (Gross raw land): Reassess the number of undeveloped residential-zoned parcels and the number of units that could be provided based solely on zoning. Update these numbers based on information used for *Building Communities.*

The 2002 *Building Communities* report identifies the residential land demand in the Eureka and McKinleyville community planning areas as shown in the excerpt of Table 4-10, which just includes the data for these two planning areas. The data are not directly comparable to those of Table 1 above, as they split the areas between coastal and non-coastal areas, sewered and unsewered areas, and include slightly different assumptions. The McKinleyville coastal and non-coastal areas can simply be summed to determine demand for the entire McKinleyville area. However, the Eureka area coastal sections are just a portion of the area assessed in the Humboldt Bay Area Plan, which additionally includes Samoa, Manila, unincorporated coastal areas around Arcata, Jacoby Creek, Freshwater, King Salmon, Fields Landing and South Bay. To approximate that portion within the coastal area surrounding Eureka, a factor of 15% was used.

Table 4-10 (excerpt from *Building Communities*): Residential Land Demand in Unincorporated Humboldt County (showing Eureka and McKinleyville Community Planning Areas only).

Community Plan Area	*Total Vacant Residential*[1] *Acres*		*Target Residential Demand Units*		*Average Density*[2] *Units per Acre*		*Vacant Land Target Demand*[3] *Acres*		*Exceeding Allocated Demand Acres*	
	(sew.)	*(unsew.)*	*(sew.)*	*(unsew.)*	*(sew.)*	*(unsew.)*	*(sew.)*	*(unsew.)*	*(sew.)*	*(unsew.)*
Eureka	234.0	704.0	614		37	3.0	153.4	116.6		
McKinleyville	210.7	470.1	552	25	3.3		138.1	77.9	72.6	
Total CPAs	540.9	7,078.1	1,418	375	1.5		354.6	1,172.3	186.3	
Coastal Zone										
Humboldt Bay	103.2	462.0	271	24	2.6		67.7	76.5	35.5	
Eureka (@15%)	2.6	10.1	15.4	11.5	69.3	5.3	40	57.8	4	
McKinleyville	18.4	69.1	48	4	2.8		12.1	11.4	6.3	57.7
Total CZ	380.1	2,034.9	997		108		2.4	249.2	337.0	130.9
All Plan Areas	921.0	9,113.0	2,415	1,509.4	317.2	7,603.6	483	1.7	603.8	
Remainder of County	-	18,779.3	-				322	0.4	-	1,006.3
Total Unincorporated County	921.0	27,892.3	2,415	2,515.6	317.2	25,376.7	805	1.3	603.8	

Land demand allocation based on assumption that 75% of new units would be developed in sewered areas; 25% in unsewered areas. 10% of new units
were allocated to rural areas (all unsewered). The remaining 90% of units were distributed among CPAs and the CZ according to land availability.
1 Includes Single Family, Multiple Family, and Rural Residential less than 5 acres per unit.
2 Average density is shown for display purposes only, as an indicator of proportion of new housing units that will be constructed in sewered areas.
Housing units in unsewered areas were assigned a density of 0.4 units per acre to meet leachfield and septic requirements; units in sewered areas were
assigned a density of 5 units per acre, based on current trends. Average density is the total number of targeted units in each area divided by total gross
acreage those units will require.
3 Target demand acreage includes a multiplier of 1.25 for real estate inefficiencies and unique site needs.
Source: Humboldt County GIS, Dyett and Bhatia, 2002.

Table 7. Summary Demand by Acreage including both coastal and non-coastal areas based on Table 4-10 of *Building Communities.*

	2025 No. Units Sewered	2025 No. Units Unsewered	Total Units	Arces Sewered Required	Acres Un - sewered Required	Acres avail. sewered	Acres Avail. unsewered
Eureka	654	41	695	163.5	128.1	249.4	767.1
McKinleyville	600	29	629	150.2	89.3	229.1	539.2

Table 8. Summary Demand by Acreage based on Department of Finance projected housing demand using the assumptions (1-3 above) of *Building Communities* Table 4-10.

	2025 No. Units Sewered	2025 No. Units Unsewered	Total Units	Arces Sewered Required	Acres Un - sewered Required	Acres avail. sewered	Acres Avail. unsewered
Eureka	944	315	1259	236	984	249.4	767.1
McKinleyville	797	265	1062	199	828	229.1	539.2

CONSTRAINTS

- TASK: RESOURCES, HAZARDS AND OWNERSHIP CONSTRAINTS: identify number of parcels or potential number of dwelling units that would be constrained because of natural resource concerns or hazards or owner intentions based on the *Building Communities* report.

Data tables were prepared identifying parcels in two sample sets of 50 parcels each of vacant properties in the McKinleyville and Eureka Community Plan Areas. Data were collected in two surveys of 50 parcels each and are presented in Tables 11 - 14 at the end of this section. Data for each property includes acreage, acreage of mapped environmental constraints, number of units that could be built on the property at current plan density if there were no constraints, existing number of units and acreage developed, additional acreage constrained due to owners, and number of units possible given physical constraints, developed parcel constraints, and owner constraints. Some regulatory, environmental and infrastructure constraints are identified on a parcel by parcel basis using on-site inspections, discussions with agencies and owner surveys.

Environmental Constraints

Eureka CPA. The Eureka area resources and hazards constraints consisted of 32.4% of the acreage surveyed for Data Set 1 and 43.9% of the acreage surveyed for Data Set 2. Overall (both data sets combined), the Eureka area resources and hazards constraints consisted of **39.98%** of the gross acreage. The primary constraints in this category consisted of steep slopes (greater than 30%), streamside management areas or wetlands. This finding is consistent with the characteristics of the Eureka plain, which is laced with gulches, ravines or sloughs with significant amounts of riparian habitat and streamside management areas that may preclude development in some areas. The percentage of such constraints is higher than might be expected overall on the Eureka plain, suggesting that many of the remaining vacant parcels are in areas with such constraints.

McKinleyville CPA. McKinleyville area resources and hazards constraints consisted of 19.1% of the acreage surveyed for Data Set 1 and 22.7% of the acreage surveyed for Data Set 2. Overall, the McKinleyville area resources and hazards constraints consisted of **20.31%** of the gross acreage, The primary constraints consisted of wetlands and streamside management areas.

Additional Physical Constraints

Besides the typical hazards and resources constraints such as steep slopes, streamside management area or wetlands, there were a number of other physical constraints noted for some parcels through the field inspection process. Examples of such constraints include: access issues, conservation easements, or lack of suitability for on-site septic systems in unsewered areas.

Eureka CPA. The Eureka area additional physical constraints consisted of 19.9% of the acreage surveyed for Data Set 1 and 3.6% of the acreage surveyed for Data Set 2. Overall (both

data sets combined), the Eureka area additional physical constraints consisted of **9.25%** of the gross acreage.

McKinleyville CPA. McKinleyville area additional physical constraints consisted of 22.1% of the acreage surveyed for Data Set 1 and 3.9% of the acreage surveyed for Data Set 2. Overall, the McKinleyville area resources and hazards constraints consisted of **16.06%** of the gross acreage, The primary constraints consisted of wetlands and streamside management areas.

Developed Parcel Constraints

Site inspections of the parcels included in the sample sets revealed that a number of these "vacant" parcels were already developed. Recently developed lots may be identified as vacant as a result of the time lag between actual land use and updating of the assessor's use code status, which can be up to one year. Additionally, there is a time lag between assessor records and the Planning Division's LIS database, which is updated once a year and may add up to an additional year to the time lag for reflecting parcel development status. Consequently, a percentage of the acreage initially identified as vacant was not vacant and was consequently not available to meet future housing needs. In this sense, these developed parcels were considered as constrained and the percentage of acreage so constrained was calculated.

Eureka CPA. The Eureka area developed parcel constraints consisted of 2.4% of the acreage surveyed for Data Set 1 and 4.1% of the acreage surveyed for Data Set 2. Overall (both data sets combined), the Eureka area developed parcel constraints consisted of **3.5%** of the gross acreage.

McKinleyville CPA. The McKinleyville area developed parcel constraints consisted of 5.0% of the acreage surveyed for Data Set 1 and 18.5% of the acreage surveyed for Data Set 2. Overall (both data sets combined), the McKinleyville area developed parcel constraints consisted of **9.5%** of the gross acreage.

Owner Constraints

In the course of conducting site inspections of the parcels, it was apparent that a number of vacant parcels were owned by the property owner of an adjacent parcel on which a single family residence was developed. In many cases the vacant parcel was fenced along with the developed parcel, suggesting that two lots were purchased by one owner to have more land for one single family residence. To verify this field observation and to find out if there are potentially other owner issues which may constrain parcels from development, each property owner in the sample set was surveyed by mailing a questionnaire. The responses, along with field observations and ownership records were used to assess additional ownership constraints. Survey forms were only sent to owners of undeveloped parcels, and only acreage not constrained by hazards or resources was tallied for ownership constraints. Not all property owners returned the surveys, however, field observations were used to further refine ownership constraint data. For example, if a vacant parcel was owned by the same owner as an adjacent parcel and both

parcels were fenced as one, then the parcel was considered owner constrained whether or not the survey form was returned. Percentage of parcels in the sample set for which ownership constraints were determined with certainty were 56% for the Eureka data sets and 74% for the McKinleyville data sets. The various reasons for ownership constraints and the percentages of acres so constrained are shown in Table 9.

Table 9. Reasons Given for Owner Constraints.

Reason For Constraint	**Acres**	**% of Constrained**
Long Term Investment	10.07	24.5
Owned by adjacent owner, purchased to have bigger lot	4.97	12.1
Lack of capital to develop	4.75	11.5
On-site septic required and not possible	4.45	10.8
Institutional Owner, no intent to develop	1.20	2.9
Conservation Easement	15.0	36.5
Private Owner has no intent to develop	0.66	1.6
	41.1	

Eureka CPA. The Eureka area owner constraints consisted of 18.3% of the acreage surveyed for Data Set 1 and 4.7% of the acreage surveyed for Data Set 2. Overall (both data sets combined), the Eureka area ownership constraints consisted of **9.35%** of the gross acreage.

McKinleyville CPA. The McKinleyville area ownership constraints consisted of 9.0% of the acreage surveyed for Data Set 1 and 21.2% of the acreage surveyed for Data Set 2. Overall (both data sets combined), the McKinleyville area ownership constraints consisted of **13.13%** of the gross acreage.

Table 10. Summary of Constraints - Percentages of Acreage Constrained.

	Resources and Hazards % of Acreage Constrained	Additional Physical Constraints % of Acreage Constrainted	Developed Parcels % of Acreage Constrained	Owner Constraints % of Acreage Constrained	TOTAL % Constrained (By Acreage)
Eureka	39.98	9.25	3.5	9.35	62.1%
McKinleyville	20.31	16.06	9.5	13.13	59.0%

The percentage of constrained acreage leads to the following factors which need to be used for adjusting the amount of vacant residential land needed to meet housing demand:

Eureka adjustment factor = 100/(100-62.1) = 2.64

McKinleyville adjustment factor = 100/(100-59.0) = 2.44

The amount of vacant residential land required to meet demand needs to be multiplied by these factors to account for the constraints in these Community Plan areas.

Table 11. Eureka Community Planning Area - Data Set 1

APN	Acres	Acres Constrained	Unconstrained No. of Units	No. Existing Units[1]/ acreage	Additional Physical Constraints	Additional Owner Constraints [2]	No. of New Units Possible	Comments
015-124-05	0.21	0.17	6	0			1	Slopes > 30%
016-011-67	0.14	0.07	1	0			1	Currently on the market; buildable
016-231-46	2.69	0	14	0			14	Flat and developable; Currenlty on the market; High land cost
017-061-32	0.12	0	1	1/0.12			0	Developed
018-061-44	0.32	0	1	0		0.32	0	Owned by adjacent owner & fenced
018-071-22	0.09	0	1	1/0.09			0	Developed
018-171-22	0.22	0	1	1/0.22			0	Developed
018-251-07	1.20	0	6	0	1.20		0	Access built over; adjacent owner
019-082-29	1.40	0.27	7	0			2	Slopes > 30%
300-211-26	0.49	0	2	0			2	Potentially developable
300-252-29	0.06	0	1	0	0.06		0	No access; adjacent owner
303-081-29	2.47	1.85	12	0			3	Slopes > 30%
303-221-03	4.97	3.77	24	0		1.2	6	Slopes > 30%; per owner, long term investment
304-061-32	0.74	0	1	0		0.74	0	Owned by adjacent owner
304-061-41	0.75	0.75	1	0			0	SMA and slopes > 30%
304-162-02	1.95	1.55	9	0		0.40	0	Irregular shape; Slopes > 30%; per owner, long term investment
304-231-05	4.41	0	1	0	4.41		0	5 acre min. parcel; per owner, can't get septic
305-271-37	0.26	0	1	1/0.26			0	Developed
306-181-43	1.00	0*	5	0			4	*Earthquake fault study required
306-262-19	0.22	0	1	0		0.22	0	Owned by adjacent owner & fenced
306-284-16	1.85	0*	9	0		1.85	0	*Earthquake fault study required; per owner purchased for buffer
306-321-12	0.29	0	2	0		0.29	0	Owned by adjacent owner & fenced
306-321-32	0.14	0	1	0		0.14	0	Owned by adjacent owner & fenced
307-141-15	2.22	0.72	11	0			7	Slopes > 30%; Earthquake fault
Total	28.21 acres	9.15 acres	119 units	0.69 acres	5.67 acres	5.16 acres	40 units	
% of Acreage Constrained		32.4% Hazards Resources		2.4% Developed	19.9% Additional Physical constraints	18.3% Owner constraints		Total Acreage Constrained 73.0%

Table 12. Eureka Community Planning Area - Data Set 2

APN	Acres	Acres Constrained	Unconstrained No. Units	No. Existing Units[1]/ acreage	Additional Physical constraints	Additional Owner constraints	No. of New Units Possible	Comments
015-111-09	4.39	3.51	1 (C-1)	0			1	~80% gulch/SMA/slopes > 30%
015-231-37	0.48	0.09	3	0			1	~20% slopes > 30%; single lot on cul-de-sac
017-072-02	3.09	0.51	18	0			15	Part of Morris proposed subdivision
018-031-20	0.23	0.06	4	0	0.11		2	~25% slopes > 30%; no developed access
018-194-24	1.48	0	8	0			8	Heavily wooded; slopes 15-30%
018-223-19	1.64	0.33	10	0		1.31	6	~20% slopes > 30%; two gulch areas; Long term investment
019-031-02	3.28	2.62	19	0		0.66	4	~80% SMA or wetlands
019-041-18	0.20	0	1	1/0.20			0	Developed with SFR
019-091-03	1.98	1.58	11	0			2	~80% gulch/SMA/slopes >30%
019-091-27	2.11	1.99	10	1/0.12		0.4	0	~90% gulch/SMA; developed with SFR
019-141-35	1.02	0	6	0	0.67		2	Substandard access
300-071-16	1.15	0	6	0	0.95		4	Flag lot w/ no other access; 1 as a flag lot; 4 if Cedar St. developed
301-041-36	0.14	0	1	1/0.14			0	Developed with SFR
301-041-39	0.13	0	1	1/0.13			0	Developed with SFR
301-082-10	1.85	0.18	11	0			9	~10% slopes > 30%
301-082-23	1.00	0	6	6/1.00			0	Subdivided and being developed w/ 6 SFRs
302-041-10	0.18	0	1	0		0.18	1	Legal status question.; Long term investment
303-151-04 (excluded)	81.9	81.9	1 (TPZ)	0			1	10-yr phaseout of TPZ in 2005
303-270-10	0.33	0	1 (R-1-B7)	0			1	No issues
304-061-54	18.6	6.15	3 (AG-B5)	0			2	~33% slopes > 30%
304-061-83	4.72	2.36	1 (AG-B6)	0			1	~50% slopes > 30%
306-261-03	0.20	0	1	1/0.20			0	Developed with SFR
306-351-06	0.42	0	1	1/0.42			0	Developed with SFR
306-381-32	0.43	0	2	0	0.22		1	Access issues; flag lot
307-141-09	1.74	1.05	1 (R-1-B4)	0			1	~60% slopes > 30%
311-241-01	3.40	3.40	1	0			0	100% SMA and/or Flood zone
Total	54.2 acres	23.8 acres	128 units	2.21 acres	1.95 acres	2.55 acres	57 units	
% of Acreage Constrained		43.9% Hazards /Resources		4.1% Developed	3.6% Additional Physical constraints	4.7% Owner constraints		Total Acreage Constrained 56.3%

Table 13. McKinleyville Community Planning Area - Data Set 1

APN	Acres	Acres Constrained	Unconstrained No. of Units	No. of Existing Units[1]/ acreage	Additional Physical Constraints (Acres)	Additional Owner Constraints [2] (Acres)	No. of New Units Possible	Comments
508-224-47	2.71	0	5	0	0.54		4	Previously approved subdivision to 4 lots not recorded; substandard access
508-310-38	1.51	0	1	1/1.51			0	Developed with a SFR
509-032-28	1.44	0	1	0			1	Flat and developable; 1 acre min.
509-141-36	0.37	0.22	1	0			1	Unsold Ridgewood lot; small building area but developable
509-171-64	0.27	0	1	1/0.27			0	Developed with a SFR
509-281-14	0.27	0	1	0		0.27	1	May have slope issues; not flat; per owner , long term investment
509-281-15	0.29	0	1	0		0.29	1	Owned by adjacent owner; purchased to have bigger log
510-091-55	0.34	0	12	12/0.34			0	Developed with a 12-plex
510-111-43	0.14	0	1	1/0.14			0	Developed with a SFR
510-171-43	0.86	0	1	0			1	Commercial; could have caretaker's
510-281-42	0.14	0	1	0			1	Ownned by Rural Community Housing Development Corp. and scheduled for construction of affordable housing.
510-281-50	0.13	0	1	0			1	
510-281-58	0.14	0	1	1/0.14			0	Developed with a SFR
510-431-10	1.04	0	1	0			1	Knox Cove-purchased in 2002 by an adjacent property owner.
510-461-12	0.16	0	1	1/0.16			0	Developed with a SFR
510-461-15	0.23	0	1	1/0.23			0	Developed with a SFR
510-461-30	0.20	0	1	1/0.20			0	Developed with a SFR
510-461-34	0.22	0	1	1/0.22			0	Developed with a SFR
511-021-42	0.15	0.15	0	0			0	100% SMA & Flood zone
511-031-74	0.30	0	1	1/0.30			0	Developed with a SFR
511-122-53	0.46	0*	1	0			1	*Earthquake fault study required
511-171-24	20.54	3±	2	0	15.00		1	10 acre min. parcel size; per owner, conservation easement on 15 acres; 5 ac. homesite
511-202-16	30.6	10±	30	0			17	Wetlands; 1 acre min. parcel size
511-241-45	2.75	0	1	0			1	AE zoning
511-271-55	1.06	0	1	0		1.06	0	Airport transition zone; lot purchased to have more land for adjacent SFR
511-281-12	4.75	0	1	0		4.75	1	5 acre minimum parcel size; owner lacks capital to dev.
Total	70.15 acres	13.4 acres	76 units	3.51 acres	15.54 acres	6.37 acres	35 units	
% of Acreage Constrained		19.1% Hazards /Resources		5.0% Developed	22.1% Additional Physical constraints	9.0% Owner constraints		Total Acreage Constrained 55.2%

Table 14. McKinleyville Community Planning Area - Data Set 2

APN	Acres gross	Acres Constrained	Unconstrained Units	No. of Existing Units/ acreage	Additional Physical Constraints (acres)	Additional Owner Constraints (acres)	No. of New Units Possible	Comments
508-301-08	0.23	0	1	0		0.23	0	Owned by adjacent property owner and fenced; substandard size lot
508-351-40	3.46	0*	17	0			17	*Earthquake fault study required
509-073-04	0.53	0	1	1/0.53			0	Developed with a SFR
509-095-19	0.24	0	1	1/0.24			0	Developed with a SFR (new m.h.)
509-201-46	3.07	0	32	32/3.07			0	Developed with 8 4-plexes
509-321-25	0.43	0	1	1/0.43			0	Developed with a SFR
509-321-35	1.35	0	1	1/1.35			0	Developed with a SFR
510-091-65	0.13	0	1	1/0.13			0	Developed with a SFR
510-211-74	1.35	0	6	0	1.35		0	Open space parcel for an existing multifamily PUD
510-261-27	0.64	0	1	0			1	Flat, developable, 20,000sf min. lot
510-281-48	0.33	0	1	0			1	Ownned by Rural Community Housing Development Corp. and scheduled for construction of affordable housing.
510-372-04	0.39	0	1	0			1	Flat, developable, 20,000sf min.; Knox Cove undeveloped parcel.
510-381-55	0.20	0	1	0			1	Flat, developable
510-431-23	0.60	0	1	0			1	Flat, developable, 20,000sf min.; Knox Cove undeveloped parcel.
510-461-17	0.14	0	1	1/0.14			0	Developed with a SFR
510-461-47	0.13	0	1	1/0.13			0	Developed with a SFR
510-461-48	0.12	0	1	1/0.12			0	Developed with a SFR
511-101-07	6.91	4	1	0			1	SMA & Flood zone; zoned C-2-P; caretaker residence only
511-101-18	10.4	4	52	0		6.4	14	SMA & Flood zone on 40%; Long term investment
511-122-45	0.84	0*	1	0		0.84	1	*Earthquake fault study required; Long term investment
511-151-04	3.32	0	1	0			1	Ag-B5 5 acre minimum
511-361-64	0.21	0	1	1/0.21			0	Developed with a SFR
511-361-65	0.17	0	1	1/0.17			0	Developed with a SFR
511-390-06	0.04	0	0	0	.04		0	Substandard lot size; too small for on-site septic, not sewered
Total	35.23 acres	8.0 acres	126 units	6.53 acres	1.39 acres	7.47 acres	39	
% of Acreage constrained		22.7% Hazards /Resources		18.5% Developed	3.9% Additional Physical constraints	21.2% Owner constraints		**Total Acreage Constrained 66.3%**

[1] Number of units found existing on these "vacant" lots. Some recently developed lots were identified as vacant as a result of the time lag between actual use and assessor use code status and status on Planning's LIS database, which can be up to two years.

[2] Only includes acres constrained in excess of hazard constraints (so that constrained acreage is not double counted). Also, those lots that were developed were not included in the owner constraint acreage.

ADJUSTMENTS FOR CONSTRAINTS

- TASK: SERVICES AND INFRASTRUCTURE AS CONSTRAINTS: identify portion of vacant residential parcels that requires major infrastructure improvements such as water, sewer, and roads.

  Eureka CPA - The County jurisdictional area surrounding the City of Eureka is served for the most part by the Humboldt Community Services District (HCSD) for water and sewer needs. The District has indicated that they have no major infrastructure improvement projects for serving the large tracts identified in the Eureka Community Plan for rezone into residential (10 year phase-out of TPZ to occur in 2005). Improvements would be planned and designed only when large development projects come forward. However, the District has had prepared a consultant study for addressing future sewer need in the Ridgewood Dirve and Westgate Drive area in the ***Ridgewood Drive and Westgate Drive Sewer Master Plan*** (prepared March 1993 by Winzler & Kelly Consulting Engineers). This study address potential future sewage demand and cost for the Reardon area, Winzler area, Robinson area and Eggert area. An more recent study, entitled ***Final Alternative Analysis Report Martin Slough Intercepter Project,*** also identifies potential future sewage needs and costs for some of these outlying areas. These two potential plans would serve some areas outside of the Eureka Community Planning area and have costs of up to $5.5M and $28M respectively. There would be additional costs associated with providing domestic water service to these areas. Additional infrastructure cost unknowns for these large tracts relate to road access and major arterial access roads development. Without precise location, traffic volumes, and a regional circulation model, the Department of Public Works is unable to provide specifics on road cost requirements and has indicated that they are waiting for results from traffic modeling being conducted for the General Plan Update to provide more specific information. The Department of Public Works has provided cost per foot for typical road, gutter, curb and sidewalk development as well as cost for major arterial upgrades. Some financing options would be required, as it is highly unlikely that any one project or developer would be capable of carrying the full burden for infrastructure for domestic water main extensions, sewer main extensions, and major arterial road network expansion.

  Because of infrastructure constraints, it was deemed appropriate to re-evaluate the estimate of available undeveloped land in the 1995 Eureka Community Plan and exclude those portions for which there are significant costs for infrastructure development but no viable mechanisms for funding.

  The following table is excerpted from the 1995 Eureka Community Plan:

TABLE 2
RESIDENTIAL UNIT DEVELOPMENT POTENTIAL

LAND USE DESIGNATIONS**

LOCATION	***RL***	***RM***	***T***	***AR***	***AS***	***AE***	***TOTAL***
West MyrtleTown	*222*	*112*	*1*				*335*
Cutten	*150*	*80*					*230*
Pine Hill	*540*						*540*
Humboldt Hill	*630*			*8*	*8*		*646*
Ridgewood Hts.	*364*		*1*				*365*
Elk River				*33*		*1*	*34*
Barry Property	*400*						*400*
*Robinson Property**	*940*						*940*
Braun Property				*56*			*56*
*North McKay **	*320*						*320*
*Mid McKay **	*12*	*288*					*300*
*South McKay **	*730*						*730*
Eggert North	*300*						*300*
Eggert South	*240*						*240*
Outlying Areas			*10*	*30*	*35*	*18*	*93*
TOTAL UNITS	*4,848*	*480*	*12*	*127*	*43*	*19*	*5,529* ***units***

**The majority of land on these properties is zoned TPZ. These properties, with the exception of North McKay, will not be eligible for residential development at the proposed densities until approximately the year 2005. The development potential on these properties totals approximately 2300 units.*
***Please see section 2700 (Land Use Designations) for density range.*

Much of the acreage and a majority of the potential units that could be build as shown in the 1995 Eureka Community Plan need to be revised based on infrastructure development cost constraints and the lack of any mechanisms to provide for essential public services. Areas with obvious lack of infrastructure are indicated by gray highlighting. These are the large tracts, most of which are scheduled for rezone out of TPZ in 2005, for which no infrastructure projects have been financed. There are additional partial infrastructure constraints in other unsewered areas due to the HCSD's strategy of only planning for capital improvements necessary for their existing service areas. These include portions of Humboldt Hill, Pine Hill, Cutten, Myrtletown, and Ridgewood Heights.

A more recent analysis of vacant residential land in the Eureka Community Planning Area was performed by Dyett and Bhatia in *Building Communities* (Table 4-10). These data are presented in Table 15 along with adjustments for constraints identified in this study.

Table 15. Available vacant residential land, residential land demand per *Building Communities*, and residential land demand re-adjusted for constraints (replacing 1.25 factor for market inefficiencies with the constraints factors of 2.64 for Eureka and 2.44 for McKinleyville).

Planning Area	Vacant Res. Land (acres)		**Average Density du/ac**	**Target Demand (acres) Per *Building Communities* (1.25 factor)**		**Target Demand (acres) Re-Adjusted for Constraints 2.64 Eureka 2.44 McKinleyville**		**Target Demand based on DOF Projections (unadjusted for constraints)**	
	Sewered	Unsewered		Sewered	Unsewered	Sewered	Unsewered	Sewered	Unsewered
Eureka	249	767	3.0	163.5	128.1	345.3	270.5	236	984
McKinleyville	229	539	3.3	150.2	89.3	293.2	174.3	199	828

After adjusting for constraints, and not including the TPZ rezone areas as currently available, it can be seen that there is insufficient acreage to meet the 2025 residential demand in the sewered area, even assuming that vacant land is developed at the mid-density range for residential single family land use (3.0 du/ac for Eureka). Furthermore, all of the existing vacant land in the sewered area would have to be developed at the maximum density to meet the target demand. Additional acreage of vacant residential land in the sewered area is required or the sewered area needs to be expanded to include additional vacant residential land (sewer main extensions).

McKinleyville CPA - Likewise, as can be seen in Table 15 for McKinleyville, if constraints are taken into considered there is an insufficient amount of vacant residential land to accommodate demand through 2025 if parcels are developed at an average density of 3.3 dwelling units per acre. Like the Eureka planning area, development at maximum density would be required to meet the target demand for the McKinleyville community planning area in sewered areas, given the existing amount of vacant residential land that is not constrained . And additional acreage is required to meet projected demand for the sewered area.

Need for additional residential land use acreage. One of the objectives of this study is to identify the requirements that might apply to future subdivision to ensure conformance with AB2292. AB2292 prohibits the County from reducing, requiring, or permitting the reduction of the residential density for any parcel to a lower residential density (i.e. that is below the density that was utilized by the State of California Department of Housing and Community Development in determining compliance with housing element law) unless trade-off densities are identified elsewhere in the planning area and the County makes written findings supported by substantial evidence that the reduction is consistent with the adopted general plan, including the housing element, and the jurisdiction's share of the regional housing need as specified. As can be seen in the above analysis, if we use the demographics and demand analysis from *Building Communities* and take into consideration the constraints identified in this study, all future subdivisions in the sewered areas of both Eureka and McKinleyville would have to be developed to maximum density to satisfy the housing demand. And, additional acreage within the sewered areas would need to be changed from some other land use to residential land use designations to meet the density targets necessary for demand or sewered areas could be expanded.

INFRASTRUCTURE REQUIREMENTS

- TASK: COST AND TIMING OF REQUIRED INFRASTRUCTURE IMPROVEMENTS.

Planning staff contacted service districts and public works to determine for each community planning area (Eureka and McKinleyville) what the timing requirements and cost requirements would be for serving undeveloped residential properties that require major infrastructure improvements. As noted above, HCSD indicated that they have no capital improvement projects or precise cost estimates for such infrastructure improvements for large undeveloped tracts planned for rezone out of TPZ in 2005, with the exception of the 1993 sewer master plan for the Ridgewood Drive and Westgate Drive area. The McKinleyville CSD has infrastructure improvement plans to upgrade 1900' of sewer main extension, including those passing under Highway US 101, so that the Central McKinleyville area could be served (Central Estates Phase 2 and Miller Farms properties). There are funding mechanism in place for providing for those infrastructure improvements, however, for areas further out from the city core, extension of water and sewer mains remains on a project by project, developer cost basis. The Department of Public Works has identified no plans in place or funding mechanisms to implement development of new major arterials or arterial upgrades that might be necessary to support major new subdivisions. As with HCSD, the requirements for future road development and improvements is deferred to future individual project reviews and approval requirements. Major road extension and arterial upgrades would likely only happen under this scenario if very large scale development projects come forward for which there is an adequate nexus for significant road infrastructure improvement requirements. Neither HCSD or the Department of Public Works would venture a guess as to the cost and timing of major infrastructure improvements without specific project details in hand.

MIPCOM Modeling of Infrastructure Costs

As a consequence of the lack of available information on infrastructure costs necessary to meet growth demands, planning staff elected to utilize a simple model entitled Municipal Infrastructure Planning and Cost Model or MIPCOM which was developed and made available by the State of Utah's Office of Planning and Budget. The model is an infrastructure planning model to help communities estimate the costs associated with the installation, maintenance, and replacement of roads and utilities in new development. While not a precision predictive model, multiple evaluations using MIPCOM can show how different development methods will impact a community's infrastructure budget.

MIPCOM is not a fiscal analysis program and it cannot provide revenue-based projections for development. It can, however, help planners and community officials understand the costs involved and can give a general indication of what will be necessary to plan for expected growth. MIPCOM is structured to receive inputs for two community scenarios. The first data input represents a community's present day structure, and the second input series represents projections

for a future growth scenario. The year 2002 population figures were used for the first scenario with separate model runs for the Eureka Community Planning Area and the McKinleyville Community Planning Area. The year 2010 projections in population and demographics was selected for the second scenario for each community. Demographic data from the *Building Communities* report were used, and geometric data were obtained by cartographic procedures described in the model instructions. Default values for typical suburban communities for gross block sizes were used. Cost for infrastructure development (usually expressed as costs per linear foot) were obtained from Humboldt Community Services District and McKinleyville Community Services District for water and sewers service costs. The Department of Public Works provided typical cost per foot for roads, curbs, gutters, sidewalks and arterial road upgrades.

Eureka Model Runs

Base Conditions and Year 2010 Projections. The first model run (Spreadsheet 1) examined base conditions and year 2010 projects and yields per dwelling unit development cost, which are broken down for separate infrastructure requirements (water, sewer, roads, etc.). Typical per dwelling unit development costs are approximately $51,845 in 2002 and the total cost increment for infrastructure to year 2010 is $66,903,813. These scenarios do not include the approximately 900 acres to come out of TPZ in 2005. Also, the per dwelling unit costs include several costs that would be external to developers of new subdivisions, for example arterial road upgrades and sewer main extension costs that do not have a nexus to a specific subdivision approval.

Base Conditions less Road Upgrade and Sewer Main Extension Costs. In an effort to approximate the per dwelling unit costs that would be borne by developers, the infrastructure costs that would be external to them were set to zero (Spreadsheet 2). These include road upgrade cost of arterials and sewer main extension costs. With this model run, the per dwelling unit costs for infrastructure were reduced to about $46,770. The difference in these external costs is approximately $5,075 per lot.

Base Conditions Plus 900 Acres Rezone Area Added 2005. In an effort to simulate the approximately 900 acres of TPZ land scheduled to be rezoned to residential in 2005, the model geometric input data were adjusted by adding in this acreage amount (Spreadsheet 3). The total infrastructure development cost under this scenario was $90,236,369 and the difference between this scenario and the scenario without this acreage is $23,332,556. This is a very conservative estimate of the cost of providing infrastructure to these large tracts, as it assumes relatively flat, urban expansion factors built in to the model. There would likely be additional costs due to sloping terrain and distance from urban developed areas. A portion of this total infrastructure cost could be borne by developers as the large tracts are subdivided and developed. However, there would be significant infrastructure development costs external to individual developers related to arterial road development and sewer main extensions. As seen in the above model run, these were about $5,075 per dwelling unit. The 900 acres would have constraints on development as was seen in the constraints analysis. For the Eureka area, the constraints totaled 57.1%. Given this factor, that would leave the equivalent of 386 acres that could be developed at full density of 6 du/ac for 2,316 dwelling units. The costs external to developers would be

$5,075 times the number of dwelling units or $11,753,700. This represents a conservative estimate of the infrastructure development cost necessary to serve the rezone acreage but for which there are no current financing mechanisms.

McKinleyville Model Runs

Base Conditions and Year 2010 Projections. The first McKinleyville model run (Spreadsheet 4) examined base conditions and year 2010 projects and yields per dwelling unit development cost, which are broken down for separate infrastructure requirements (water, sewer, roads, etc.). Typical per dwelling unit development costs are approximately $66,108 in 2002 and $67,166 in 2010 and the total cost increment for infrastructure to year 2010 is $40,550,694. Again, the per dwelling unit costs include several costs that would be external to developers of new subdivision, for example arterial road upgrades and sewer main extension costs that do not have a nexus to a specific subdivision approval.

Base Conditions less Road Upgrade and Sewer Main Extension Costs. In an effort to approximate the per dwelling unit costs in McKinleyville that would be borne by developers, the infrastructure costs that would be external to them were set to zero (Spreadsheet 5). These include road upgrade cost of arterials and sewer main extension costs. With this model run, the per dwelling unit costs for infrastructure were reduced to about $55,980. The difference in these external costs is approximately $10,128 per lot.

FUNDING MECHANISMS

A discussion of funding mechanisms for providing the required infrastructure is included in Appendix B. The lack of funding spans the gamut of new development service demands, including: water, sewer, roads, police, and fire. Planning staff surveyed existing literature to identify funding mechanisms that might be considered to deal with the constraints due to lack of infrastructure. Some of these mechanisms might be used as prerequisites for future subdivision or, where feasible, made as conditions for future subdivision of properties with such constraints.

Summary of Infrastructure Funding Mechanisms. There is a lack of the necessary infrastructure to support residential development at levels identified as necessary to meet housing demand. There are growing demands on existing facilities caused by new residential developments and no identified means for fully upgrading or expanding these facility to meet future growth demand. Existing community service districts, particularly Humboldt Community Service District, need to do a better job at planning for projected growth demands in their service areas. Alternatively, large areas planned for residential developed could be considered for separate service district formation. There is also a marked increase in per unit housing costs, much of which can be attributed to high infrastructure development costs. There is a need to look at a suite of possible infrastructure funding mechanisms in order to proactively address this issue and ensure that vacant land that is zoned for residential uses can in fact be developed for residential use, unconstrained by the lack of any mechanism for ensuring the required infrastructure is in place. Funding mechanism that should be examined in greater detail for new major residential development project areas include: Mello-Roos financing, County Service Areas, existing or new CSD financing of infrastructure, and Homeowners Associations.

Task: Development Profitability: Land value for each property was estimated from available sources including; real estate ads, Multiple Listings, and discussions with developers, during the time period from March 31, 2002 - March 31, 2003. Taxes, insurance and financing costs for each property will be calculated using the same methodology the Association of REALTORS uses to derive the Housing Affordability Index. Construction costs for a typical home will be expressed as a range based on information provided by the Northern California Association of Home Builders (NCHB). On and off-site infrastructure development costs will also be estimated. The information will be presented as a separate table. Income levels for households in the study area will be derived from the 2000 Census, and will be described in a separate table at the most detailed level available (census blocks or block groups).

Development Profitability and Housing Affordability

Financial Constraints

Land Cost - The following data were provided by NCHB in January 2004 based on a survey of the realty sector, builders and developers:

Eureka (Cutten) - $95,000 - $135,000 per acre = average $115,000 per acre
McKinleyville - $90,000 - $100,000 per acre = average $95,000 per acre.

Land cost were also estimated using most recent assessed value per acre provided by the Assessor's Office for parkland dedication fee assessment for major subdivisions. The most recent assessor's office valuations were: McKinleyville at $65,000 per acre and Eureka at $75,000 per acre. These numbers, however, lag market conditions so the NCHB data are used in further analysis. Table 16 shows the per lot costs taking into consideration environmental constraints, area taken up by roads, and minimum lot size (6,000 s.f. in Eureka and 5,000 s.f. in McKinleyville).

Table 16. Per lot raw land costs in the Eureka and McKinleyville Community Planning Area based on Assessor's Office valuations for one acre (Eureka at $115,000, McKinleyville at $95,000).

	Eureka	McKinleyville
Environmental constraints	39.98%	21.6%
Area taken up by roads	15%	15%
Total Constraints	55%	36.6%
Developable portion for lots	45%	63.4%
Developable portion (sq. ft.)	19,602	27,617
Minimum lot size	6,000 sq. ft.	5,000 sq. ft.
Number of lots possible/ac.	3	5
Cost per Acre	$115,000	$95,000
Raw Land Cost per lot	$38,333	$19,000

Construction Costs - The following information was provide by Bob Higgons of the Northern California Association of Home Builders in a survey conducted between March 2003 and January 2004:

> Following are square foot construction figures after my survey of residential builders. There are three quality categories:
> Low $ 85 - 90 sq. ft.
> Medium $ 95 - 110 sq. ft.
> High $ 135 "and up" sq. ft.
> These numbers are multiplied times the living (heated) area of the house then the quote includes a two car garage.
> I thought you might also be interested in a survey I did about March on finished lot costs at the request of CBIA. In 2000 a subdivision type finished lot costs $45,000 - $50,000. As of January 2004 those figures are $85,000-$95,000. Note: this assumes the lots are relatively flat and therefore do not require extensive engineering or grading work.

On-site and Off-site Infrastructure Development Costs - These costs were estimated through MIPCOM modeling as described above. Eureka per lot infrastructure development costs (realized by developers) were estimated at about $46,000, and McKinleyville per lot infrastructure development costs were estimated at about $56,000. NCHB's January 2004 survey for the Cutten area was $50,000 (versus the MIPCOM result of $46,000), while their survey result for McKinleyville agreed with the MIPCOM determined $56,000.

Taxes, Insurance and Financing Costs -. These costs were estimated at 10%. NCHB's survey agrees with this figure.

Analysis of Development Costs versus Income Levels for Households

Typical new home costs were estimated for the Eureka and McKinleyville Community Planning Areas based on raw land costs, estimated infrastructure costs, home construction costs and adjustments for taxes, insurance and financing. The costs assume minimum parcel size, full density build-out under residential single family zoning with water and sewer, and a developer profit margin of 10%. NCHB's survey shows a profit margin range of 10% to 12%. Development costs are presented in Table 17.

Table 17. Typical New Home Costs in Eureka and McKinleyville.

	Eureka (Cutten)	McKinleyville
Raw land cost	$38,000	$19,000
Infrastructure costs	$50,000	$56,000
1,200 sq.ft. home construction costs @ $95/sq. ft.	$114,000	$114,000
Subtotal	$202,000	$189,000
Taxes, Insurance, Financing (estimated @ 10%)	$20,200	$18,900
New Home Cost (Developer)	$222,200	$207,900
New Home Cost (Buyer) @ 10% profit margin	$244,420	$228,690

Additionally, the lack of new construction in Humboldt County and record low interest rates has driven up the cost of comparable existing housing to similar price levels, further exacerbating the extreme shortage of housing for very low and low income households.

Table 18A illustrates the monthly rent or mortgage payment that could be afforded for the different income categories based on 2000 income statistics.

Table 18A. Typical mortgage payment ranges for different income categories based on year 2000 income statistics for Humboldt County.

Income Category	Income Range* - All Households (Med=$31,226)	30% of Monthly Income	Income Range* - Family Households (Med=$39,370)	30% of Monthly Income
Very Low (0-50% Med.)	0 - $15,613	0-$434	0 - $19,685	0-$547
Other Low (50-80% Med.)	$15,614 - $24,981	$435-$694	$19,686 - $31,496	$548-$875
Moderate (80-120% Med.)	$24,982 - $37,471	$695-$1,041	$31,497 - $47,244	$876-$1,312
Above Moderate (120+% Med.)	$37,472 +	$1,042+	$47,245 +	$1,313+

*Based on 2000 Census statistics on median incomes from California Department of Finance.

Table 18B illustrates the maximum sales prices a household may qualify for based on annual incomes at various interest rates. These are the highest prices a household can afford (qualify) to buy. In September 2003, the median sales prices for Eureka (Cutten) and Mckinleyville areas were $320,000 and $221,750 respectively (Median sale price data per Humboldt Association of Realtors Multiple Listing Service). Households in the Cutten area must earn over $75,840 and in the McKinleyville area over $54,620 annually, with a 6 percent interest rate, to qualify for $320,000 and $221,750 home purchases respectively. This assumes that the borrower has good credit and no other long term debts. According to the table, family households with the median income of $39,370 (Median income per Table 18A). can not afford to buy a house priced over $164,075.

Table 18B. Price of an Affordable House.

Annual Income		Interest Rates 5%	6%	7%	8%
$19,685 (1)	Price of Affordable House	$91,250	$82,500	$77,500	$70,000
	Monthly Payment - PITI (2)	$495	$495	$495	$495
$31,496 (1)	Price of Affordable House	$146,500	$131,350	$123,750	$112,500
	Monthly Payment - PITI	$790	$790	$790	$790
$39,370 (3)	Price of Affordable House	$183,250	**$164,075**	$153,250	$140,000
	Monthly Payment - PITI	$984	$984	$984	$984
$47,244 (1)	Price of Affordable House	$220,000	$196,250	$185,000	$167,500
	Monthly Payment - PITI	$1,181	$1,181	$1,181	$1,181
$47,245+ (1)	Price of Affordable House	$220,001+	$196,251+	$185,501+	$167,501+
	Monthly Payment - PITI	$1,182+	$1,182+	$1,182+	$1,182+

(1) Table 18A. Represents upper income limit in each "Family Household" category.
(2) PITI refers to Principle, Interest, Taxes and Insurance.
(3) Median income per Table 18A.

Methodology Notes:

Calculations are based on assumptions and methodology as used by the Humboldt Association of Realtors in the calculation of its Housing Affordability Index.

i. Monthly payment is derived by calculating a 20 percent down payment on the sales price and amortizing the loan amount, 80 percent, over 30 years for a total principle and interest payment.

ii. Property taxes are assumed to be 1 percent of the sales price, which is divided by 12 for a monthly amount. The monthly amount is then added to the principle and interest payment.

iii. Insurance is then calculated by taking 0.35 percent of the sales price and dividing by 12 for a monthly insurance amount. The monthly amount is then added to the principle, interest and taxes figure for a total monthly payment.

iv. It is assumed that in order to qualify for financing, the total monthly payment (PITI) can not exceed 30 percent of the total monthly income. The PITI payment is annualized (multiplied by 12). The total annualized payment is divided by 0.3 which gives the annual qualifying income.

Table 18C lists house availability (houses listed for sale in 2003) by price range and location.

Table 18C Availability

Price range	Eureka (Cutten)	McKinleyville
$80,000-$120,000	0	0
$121,000-$160,000	8	21
$161,000-$200,000	17	59
$201,000-$240,000	14	56
$240,000 +	30	116

Note: Table shows all houses (new construction and resale) listed for sale for the period January, 2003 through December, 2003. Data per Humboldt Association of Realtors Multiple Listing Service.

Table 18C illustrates a shortage of affordable housing for sale. For the twelve month period reviewed, 29 houses were listed for sale at or below the affordable price of $164,075 (Table 18B). This represents only 20% of the market.

Table 18D reviews the details of a no down payment sale. For first time buyers, having enough money for down payment and closing costs is often a problem. The current mortgage market (2003-2004) offers zero down payment loans which can include closing costs.

Table 18D No Down Payment Sale

Sales Price	$200,000
Closing Costs	6,000
Down Payment	0
Mortgage Balance	206,000
Monthly Principle and Interest at 6% (30 years)	1,235
Mortgage Insurance (1)	100
House insurance	60
Property Taxes	168
Total Monthly PITI	$1563
Income needed (30% qualifying ratio)	$62,520

(1) Mortgage insurance is required on all loans which exceed 80% of the sale price. In this example, the mortgage is 103% of the sales price.

The median family household income of $39,370 (see Table 18A) is considerably below the required figure of $62,520 as shown in this example. Even with the advent of more liberal lending policies, middle income families are unable to qualify for home purchase at current (2003) prices.

Table 19 illustrates the typical monthly mortgage amounts for new home costs (1200 sq. ft. home) in Eureka and McKinleyville as determined in Table 17 above. Mortgage amounts are based on 30-year fixed rate loans with 20% down.

Table 19. Mortgage payments for typical new home construction in Eureka and McKinleyville based on 30-year fixed rate loans and 20% down.

	Eureka	McKinleyville
New Home Cost (1200 sq. ft.)	$244,420	$228,690
Amount financed at 20% down	$195,536	$182,952
Interest rates (depending on points paid)	5.376 - 6.125	5.376 - 6.125
Monthly mortgage payment	$1095 - $1188	$1024 - $1112

Given the cost of new construction and the extreme market shortage of existing home, almost all low or very low income brackets are effectively forced out of the housing market without some form of incentive program.

SUMMARY OF FINDINGS

- Humboldt County is experiencing an extreme market shortage in available housing units. This shortage has been a consequence of a growing disparity between increasing demand for residential units and the amount of new units developed to meet this demand.
- The relative amounts of housing demand (units) based on income were determined to be: very low 27.8%, other low 18.1%, moderate 23.2%, and above moderate 30.9%.
- The number of additional residential dwelling units required to accommodate growth to the year 2025 according to census data population projections are 695 units in the Eureka area and 629 units in the McKinleyville area.
- The number of additional residential dwelling units required to accommodate growth to the year 2025 according to California Department of Finance population projections are 1259 units in the Eureka area and 1062 units in the McKinleyville area.
- The amounts of vacant residential land required in sewered areas are: a) 163.5 acres for the Eureka area and 150.2 acres for the McKinleyville area based on *Building Communities;* b) 236 acres for the Eureka area and 199 acres for the McKinleyville area based on Department of Finance projected housing demand.
- The amount of vacant residential land as determined in *Building Communities* is: 234 acres in the Eureka area and 211 acres in the McKinleyville area.
- This amount of vacant residential land needs to be adjusted for constraints to ensure that there is an adequate amount of unconstrained vacant residential land.
- Vacant land was found to have significant constraints consisting of physical constraints, resources and hazards constraints, developed parcel constraints (due to status information time lags), and owner constraints.
- For the sample set of 100 parcels studied, the sum of all constraints documented consisted of 62.1% of the vacant residential acreage for Eureka and 59.0% of the vacant residential acreage for McKinleyville.
- Given the constraints found, there is an inadequate amount of vacant residential land in both of the communities if it is assumed that a median density of about 3 dwelling units per acre is achieved in sewered areas.
- In order to meet housing goals, all vacant residential land in sewered areas would have to be developed at maximum density. Alternatively, additional land in sewered areas could be changed to residential use or sewered areas could be expanded.
- Based on infrastructure cost modeling for each community, there are significant infrastructure costs required to meet population growth to the year 2010. Some of these costs would be external to those that might be borne by developers for individual development projects.
- There is a lack of the necessary infrastructure to support residential development at levels identified as necessary to meet housing demand.
- There are growing demands on existing facilities caused by new residential developments and no identified means for fully upgrading or expanding these facility to meet future growth demand.

- Existing community service districts need to plan for projected growth demands in their service areas.
- There is also a marked increase in per unit housing costs, much of which can be attributed to high infrastructure development costs.
- There is a need to look at a suite of possible infrastructure funding mechanisms in order to proactively address this issue and ensure that vacant land that is zoned for residential uses can in fact be developed for residential use.
- Funding mechanism that should be examined in greater detail for new major residential development project areas include: Mello-Roos financing, County Service Areas, existing or new CSD financing of infrastructure, and Homeowners Associations.
- There are additional implications for the balance of the County, i.e. there is a need to estimate the constraints in each of the other Community Planning areas.

The findings of this report are based on the following limitations and caveats:

- The 100 randomly selected parcels surveyed in this evaluation are a subset of thousands of parcels in the McKinleyville and Eureka planning areas. The results represent the best available data regarding the potential for development of vacant residential parcels in these planning areas.
- The extrapolation of these results to other community planning areas must be done in consideration of the factors that might affect development potential, such as market demand, presence of unmapped constraints, parcel size and adequacy of infrastructure. For example, in rural planning areas containing large parcels with planned densities of 1 unit per 10 acres or more, development potential will likely come closer to planned densities.

Appendix A

MIPCOM Model Runs

Appendix B

FUNDING MECHANISMS FOR INFRASTRUCTURE IMPROVEMENTS

Funding mechanisms are not in place for providing the required infrastructure for development required to accommodate growth to 2025 in either the Eureka or McKinleyville community planning area. The lack of funding spans the gamut of new development service demands, including: water, sewer, roads, police, and fire. Planning staff surveyed existing literature to identify funding mechanisms that might be considered to deal with the constraints due to lack of infrastructure. Some of these mechanisms might be used a prerequisites for future subdivision or, where feasible, made as conditions for future subdivision of properties with such constraints.

The funding of major new infrastructure development in the State of California needs to be examined in the light of requirement imposed by Propositions 13 and 218.

Proposition 13

In 1978, voters approved Proposition 13, a constitutional amendment lowering property taxes and placing other restrictions on local government taxation. Proposition 13 also required two-thirds voter approval of special taxes imposed by cities, counties and special districts. General taxes were not subject to a popular vote requirement. In 1982, the California Supreme Court determined that special taxes were taxes earmarked for a specific purpose, whereas general taxes were taxes that were placed in the general fund to be used for general government purposes.

Constrained by Proposition 13 and confronted with shrinking budgets, many local governments looked for ways to raise revenues while avoiding Proposition 13's restrictions. They seized upon property-related assessments, which traditionally were used to fund capital improvements that directly benefited property. Because Proposition 13 did not subject assessments to voter approval, local governments quickly broadened their use of assessments. Thus, Proposition 218 was placed on the ballot to close the assessment and other loopholes in Proposition 13.

Proposition 218

Governmental Entities Covered

Proposition 218 became effective November 6, 1996 and applies to local governments, which include cities, counties, charter cities or counties and special districts in California. Special districts include redevelopment agencies, school districts and, though not expressly listed, community facilities districts.

Taxes, Assessments and Fees Covered

Proposition 218 applies to both general and special taxes. Special taxes are defined as taxes imposed for specific purposes, even if placed in the general fund. Under Proposition 218, all future local general taxes, including those imposed by charter cities, must be approved by a majority vote. Existing local general taxes established on or after January 1, 1995 must be ratified by November 1998 or be forgiven. General taxes, such as the hotel room tax, imposed by

charter cities are now subject to voter approval. Local governments may not increase or impose new special taxes without two-thirds voter approval.

Proposition 218 also applies to "benefits assessments," "special assessments" and "maintenance assessments," affecting street lighting and landscaping districts, landscape maintenance assessment districts and other assessment districts. In California, property has been assessed for a variety of things such as parks, playgrounds, street lighting, sidewalks, rapid transit, flood control, libraries, police and fire services. Local governments have created assessment districts to levy such assessments. In 1992, the California Supreme Court ruled that Proposition 13 was not intended to limit traditional benefit assessments and thus upheld the validity of a city's special assessment for park maintenance under the Landscaping and Lighting Act of 1972.

However, under Proposition 218, only special benefits and not general benefits are assessable. Special benefits should include traditional improvements that enhance property such as roads, sewers, sidewalks and street lights. On the other hand, general benefits likely include such general government services as emergency services, flood control, habitat for endangered species, open space acquisition, school landscaping and beach cleanup. Proposition 218 leaves unclear whether parks and park maintenance are general or special benefits. The amount of assessments, which must be approved by a majority vote, is limited to the special benefit received by the property owner.

In addition, government-owned property, including schools, will be subject to assessments, unless the government can show that its property receives no special benefit. Finally, only property owners and any renters responsible for paying assessments will have the right to vote on certain assessments. Voting will be weighted based on the amount of the assessment the property owner or renter would pay. Commercial property owners and school districts will have more voting power under this weighted voting provision.

Proposition 218 also restricts local governments' ability to charge property-related fees. Property-related fees include fees for water, sewer, garbage collection and street sweeping, but specifically does not include gas and electric fees and fees charged to land developers. Proposition 218 limits a property owner's fee to the cost of providing service to that property owner's land. However, no fee may be charged for widely available public services such as fire, police, ambulance and libraries. All local property-related fees must comply by July 1, 1997. New property-related fees, other than sewer, water and refuse collection fees, may not be imposed if a majority of the affected property owners submit a written protest.

Mello-Roos Community Facilities District Act

In 1982, Senator Henry Mello and Assemblyman Mike Roos affected the passage of the Community Facilities District Act (CFD). This act authorized local governments and developers to create CFD's for the purpose of selling tax-exempt bonds to fund public improvements. Subsequently, property owners that participate in the CFD's pay a "special tax" to repay the bonds.

The Act allows any county, city, special district, school district or joint powers of authority to establish a "Community Facilities District" which allows for the financing of public services and facilities. The services and facilities **Mello-Roos** Districts can provide include streets, police protection, fire protection, ambulatory, elementary schools, parks, libraries, museums, and cultural facilities. A requisite for the **Mello-Roos** districts' establishment is that it be approved by two-thirds margin of qualified voters in the district. If there are fewer than twelve registered voters within the proposed district, the vote may be passed by current landowners. At the close of legal proceedings, an established **Mello-Roos** District has all the legal privileges of a legally sanctioned governmental body.

Responsibilities of Property Owners in the Mello-Roos Districts:
Property owners in **Mello Roos** Districts are responsible for payment of the "special tax". The amount of the "special tax" is not (directly) based on the value of the property. Special taxes are based on mathematical formulas that take into account property characteristics such as square footage of the home and parcel size. The special tax is typically included in the annual County tax bill, however it can also be paid off on a monthly basis.

Legal Rights of the Community Facilities District
A **Mello-Roos** District has the legal right to adopt stringent penalties and foreclosure priorities; in the event that the special tax payment is delinquent. Ergo, if the "special tax" is not paid, the District may exercise its legal right to foreclose and sell the property. Foreclosure rights can be initiated after 150 - 180 days in arrears.

The Mello-Roos Community Facilities Act of 1982 provides a versatile method of financing public facilities, infrastructure, and services associated with new development. It is more flexible than either assessment district or general obligation bond financing, and can finance a wider range of facilities and services at interest rates that are typically 3 to 4% below conventional financing rates.

Use of Mello-Roos is expected to continue its rapid growth in the post-Proposition 13 era. After a slow start in 1983 (with a single bond issue of $8 million), Mello-Roos financings mushroomed to 58 issues in 1989, totaling over $750 million. Almost one-third of these were for school facilities.

Ironically, in the first years after passage of the Mello-Roos Act, many developers viewed it suspiciously as simply another vehicle by which public agencies could impose additional burdens on their projects. More recently, however, developers have begun to regard Mello-Roos as an important tool in the development process; one that can often mean the difference between the success and failure of a project.

A Mello-Roos District, or “Community facilities district,” is a financing district formed under the Mello-Roos Community Facilities District Act of 1982 (the “Act”). The Act is found at Government Code section 5311, et seq. It provides designated local agencies (including cities, counties, school districts, and all other municipal corporations and districts) with authority to form Mello-Roos District to finance a broad array of public facilities and services through imposition of special taxes approved by a two-thirds vote of the qualified electorate of the

District. The vote is either by registered voters or, if there are fewer than twelve registered voters within the proposed District, by landowners. The facilities or services may be funded either through bonded indebtedness secured by the special taxes or directly from the special tax proceeds on a "pay-as-you-go" basis.

A Mello-Roos District may finance the purchase, construction, improvement, expansion or rehabilitation of any real or tangible property with an estimated useful life of 5 or more years. The District may also finance the planning and design work associated with the authorized facilities.

Authorized facilities include, but are not limited to:
1. Park, recreation, parkway, and open-space facilities
2. School sites and buildings
3. Libraries
4. Child care facilities
5. Natural gas pipeline facilities, telephone, electrical, and cable TV facilities
6. Any other governmental facilities to which the legislative body creating the Mello-Roos District is authorized to contribute revenue, construct, own, or operate.

A Mello-Roos District may finance one or more of the following services:
1. Police protection services, including the provision of services for jails, detention facilities, and juvenile halls
2. Fire protection and suppression services
3. Ambulance and paramedic services
4. Flood and storm protection services, including the operation and maintenance of storm drainage systems
5. Removal or remedial action for the cleanup of any hazardous substance related or threatened to be released into the environment.

Mello-Roos taxes have been called "designer taxes" in recognition of the great flexibility accorded the legislative body in apportioning the tax. The tax may be apportioned in any manner that is fair and reasonable, except ad valoreim, i.e., based upon the value of the property. The tax imposed under the Mello-Roos Act is a special tax and not a special assessment, and therefore need not be apportioned on the basis of benefit to any property. On the other hand, there is no prohibition against a benefit-based tax. Possible bases for apportionment of special taxes include:

1. Unit of Property (e.g., per acre, per lot, per dwelling unit, or per square foot)
2. Consumption of Usage (e.g., estimated gallons of water used, gallons of wastewater treated, vehicle trip generation, etc.); and
3. Equivalent Dwelling Unit (a formula based upon the level of benefit enjoyed by a standard dwelling unit and adjusted upward or downward for other types of property according to benefit received).

After establishment of the District and approval of the special tax, new facilities or services may be added, or the maximum special tax may be increased or decreased. Any of these changes, however, requires procedures almost as involved as those for formation of the District, including

adoption of an initial resolution (the "resolution of consideration"), notice to landowners or residents, a public hearing and a 50% protest procedure, a vote by the legislative body to put the issue on the ballot, and an election with two-thirds voter approval requirement for the changes.

Territory may also be annexed to an existing District after formation. It need not be contiguous to land within the District. The procedures for annexation are similar to those for other changes, including adoption of a resolution of intention to annex, a public hearing at which a majority either within the existing District or the territory slated for annexation can protest and nullify the annexation, and a two-thirds vote requirement. The vote, however, is only by the qualified electors of the area proposed to be annexed, not those of the existing District.

The tax rate specified in the resolution of formation and submitted to the voters is the maximum tax that may be levied by the district. The special tax actually levied is almost always lower than the maximum rate, and is determined by the legislative body each year as necessary to meet the debt service requirements on any outstanding bonds and other obligations of the District for the forthcoming year.

Once levied, the special tax is collected twice a year in the same manner as other property taxes. Properties of the state, federal, or other local governments are exempt from the special tax. The special tax is subject to the same penalties, foreclosure procedures, and sale and lien priorities in the event of delinquency as ad valorem taxes.

County Service Area

County Service Areas (CSA) are designed to provide a mechanism to furnish extended public services to unincorporated areas experiencing high growth. A CSA is authorized to provide any governmental services which the County is authorized by law to perform and which the County does not already perform to the same extent on a countywide basis. The costs are borne by the citizens who directly benefit from the increased services, while the decision-making remains with the County Board of Supervisors. Formation of a CSA can be initiated in three ways: 1) a petition signed by ten percent of the registered voters residing within the proposed area; 2) a written request by two members of the Board of Supervisors or a resolution adopted by majority vote; or 3) a resolution adopted by the city council of an incorporated city within the County. Once initiated, formation of a CSA requires application to and approval of the Local Agency Formation Commission (LAFCO). A CSA is not a special district, and therefore does not require majority approval in a registered voter election.

Services provided through a CSA can be funded through user fees or special assessments. A user fee must directly relate to the cost of providing such service and benefit received by each user. The revenues from this source are limited, as these assessments would be levied on the property tax bill and would therefore be considered as part of the total effective tax rate.

The advantages of CSAs are: they are simple to for as no registered voter election is required; they can be set up to provide only one service or to provide a long list of services; zones of benefit may be identified within CSA boundaries to localize specific services and their costs; and

revenues received from a CSA are excluded from the County's Gann Initiative spending limit. The disadvantages of CSAs are that charges collected by the CSA are reflected on the property tax bill, and therefore reduce the capacity of other financing vehicles if there is a limit on the total effective tax rate. Also, CSA charges may result in dissatisfaction in the community if it is felt that other County residents receive the same level of service without paying a charge other than their regular property taxes.

Community Service Districts

Currently there are two existing community service district in the study area: the Humboldt Community Service District boundaries encompasses the Eureka Community Planning Area and the McKinleyville Community Service District encompasses most of the McKinleyville Community Planning Area. One of the problems that has been expressed by the districts is that it is difficult to commit large amounts of capital for infrastructure to serve undeveloped and currently unserved areas within their jurisdictional boundaries. Such expenditures are problematic in the sense that they do not serve the existing customer base which elects the district board members and could be viewed as current customers financing the infrastructure development costs of new users. Districts do have the authority to plan for and collect revenue for their facilities expansion, and this role could be facilitated through more discussion and cooperative planning with the County.

An alternative to having existing districts plan for and develop financing options for future growth, would be the formation of new separate districts in area of significant new growth and development, shrinking the sizes of the spheres of influence or even district boundaries of existing community service district.

Formation of a Community Service District (CSD) an be initiated in two ways: 1) a petition signed by ten percent of registered voters residing within the district; or 2) a resolution of application adopted by the Board of Supervisors. In either case, the application must include: a description of the boundaries, methods by which the district will be financed, the proposed name of the district, and a detailed listing of the reasons for formation. In addition, the petition or resolution must specify the number of members of the Board of Directors, their method of selection, and the purposes and powers for which the district will be authorized to provide. The petition is filed with the local agency formation commission (LAFCO), and LAFCO would convene a hearing to determine whether the formation is consistent with its adopted plans and policies, and established a set of terms and conditions which will govern the formation of the district.

Once LAFCO approves the formation, election on the issue of formation is held if the proposal has not been signed by at least 80% of the registered voters residing within the area to be included within the district. A majority vote is required for formation. An election on formation may also be accompanied by a proposal for the establishment of a special tax. If it is done this

way, then a 2/3rd vote is required. If the requisite votes are cast, then the Board of Supervisors will declare by resolution that the CSD is duly organized.

Each district has a board of directors consisting of either 3 or 5 directors, all of whom shall be registered electors residing within the boundaries of the proposed district and all of whom are elected at large. A CSD Board may act by ordinance, resolution or motion. A majority constitutes a quorum and a majority must approve by ordinance, resolution or motion to become effective. The CSD special act requires that a CSD be run by a general manager. Elections are governed by the Uniform District Elections Law, and ordinances passed by the Board may be disapproved by referendum.

CSDs have the general ability to borrow money and incur or assume indebtedness. A district may impose special taxes by submitting it to a vote of the people within the district. A district may prescribe, revise and collect rates or other charges for the services and facilities furnished by it, and use such rates and charges and security for the payment of revenue bonds issued by the district. Rates and charges may be collected on the tax roll and placed as liens on the land. Also, CSDs my levy standby charges for water and sewer.

Homeowners Associations

Homeowners associations offer another approach for dealing with infrastructure costs, however, they are primarily useful for maintenance of facilities that are typically put in by developers. There are three types of homeowners associations (HOAs): 1) Full Service HOA, often done with Master Planned Developments, which include building, street and landscaping maintenance, architectural control and CC&R enforcement; 2) Limited Mainenenace HOA with Common Areas (Private Streets), which include streets, landscaping, gates and fencing, limited architectural control and CC&R enforcement; and 3) HOA Without Common Area (Public Streets), which inlcude limited architectural control, CC&R enforcement, and funding source for public maintenance requirements.

HOA have several advantages for developers. Full service HOA provide a strong marketing package to potential buyers, minimize unknowns in large planned developments, and provide certain services not guaranteed through public funding. Limited Maintenance HOAs help to maintain values, provide neighborhood identity, and with gated communities provides for security. HOAs without common areas provides a funding mechanism for maintenance of public improvements and allows for architectural control to retain quality and integrity of the neighborhood.

Disadvantages of HOA from the developers perspective include the following: reduces control of the developer, becomes a hurdle as a quasi-public agency, architectural control and CC&R enforcement can become subjective, developers may become tied to long term maintenance problems, the provide a sounding board for any and all compliants, dissident members can fuel litigious attitudes, and HOA dues and assessments can steer buyers in other directions.

The legal basis for HOAs in found in California Civil Code, Division 2, Part 4, Title 6: Common Interest Developments, sections 1350 - 1366. Section 1364 identifies the association as responsible for repairing, replacing, or maintaining the commons areas unless otherwise provided in the declaration of a common interest development. Section 1366 gives the association the authority to levy regular and special assessments sufficient to perform its obligations under the governing documents. In some cases such levies may be subject to majority vote approval and noticing requirements.