



# COUNTY OF HUMBOLDT

For the meeting of: 11/9/2021

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File #: 21-1582

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**To:** Board of Supervisors

**From:** Planning and Building Department

**Agenda Section:** Departmental

**SUBJECT:**

Multifamily Rezone Project and Resolution Authorizing the Rescope to Humboldt County's Local Early Action Planning ("LEAP") Grant Program Application.

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Adopt the attached Resolution No. \_\_\_ that authorizes submittal of the proposed rescope to Humboldt County's LEAP grant application for the preparation of environmental studies and other documents supporting a voluntarily multifamily rezone program to increase the inventory of lots suitable for inclusion in the Lower Income sites inventory pursuant to the California Environmental Quality Act, and for \$55,452,37 of unspent Humboldt County's LEAP funding be reallocated for this activity;
2. Authorize and direct the Planning and Building Director, or designee thereof, to sign the rescope application and act on the county's behalf in all matters pertaining to the application; and
3. Should the Housing and Community Development ("HCD") determine and notify the county the proposed activity is not eligible for LEAP funding, authorize the Planning and Building Director to act on the county's behalf to reallocate the funds to a high priority activity that meets the requirements of the LEAP program.

**SOURCE OF FUNDING:**

General Fund (1100)

Local Early Action Planning ("LEAP") grant

**DISCUSSION:**

Executive Summary:

The primary action in front of the Board of Supervisors is to authorize staff to resubmit an existing grant where there are surplus funds available to be used in rezoning parcels to accommodate multi-family residential affordable to lower income households. This report also explains a process the county is undertaking to rezone property for multi-family residential to account for the loss of parcels

within the Martin Slough Interceptor project area (sewer service) due to non-compliance with a mitigation measure for that project.

Background. The County's 2019 Housing Element

<https://humboldt.gov/DocumentCenter/View/62000/Chapter-8-2019-Housing-Element-Final-PDF> was adopted by the Board of Supervisors on Aug. 20, 2019, then certified by the California Department of Housing and Community Development ("HCD") in October 2019. During the public review period that preceded adoption of the housing element, Legal Services of Northern California ("LSNC") challenged the county's inclusion of parcels in the Martin Slough Interceptor ("MSI") service area in the county's lower income inventory. The basis of LSNC's challenge was the contention these parcels did not meet the statutory requirement for sites to have sufficient sewer service to support housing development. LSNC contested sites in the MSI service area because Mitigation Measure 11-3.1 of the MSI project EIR (State Clearinghouse No. 2002082043) had not been completed.

In sum, Mitigation Measure 11-3.1, enables the City of Eureka to prohibit wastewater connections to the Martin Slough Interceptor until a circulation improvement program is funded by the county and city. To date, the county and city have not implemented a circulation improvement fund program. While the city has not prohibited new connections nor has the city communicated a willingness to do so, Mitigation Measure 11-3.1 creates doubt as to the availability of sewer service within the meaning of the governing housing statute. During the 2019 housing element update, the county negotiated with LSNC, and Implementation Measure H-IM7 is the negotiated outcome. Implementation Measure H-IM7 was adopted as part of the 2019 Housing Element. Because the county did not fund a circulation improvement program by the end of 2020, on Jan. 1, 2021, five parcels located in the Martin Slough Interceptor service area have been removed from the county's lower income site inventory pursuant to Implementation Measure H-IM7. These five parcels have a combined total realistic capacity of 169 units.

The Multifamily Rezone Project. Consistent with Implementation Measure H-IM7's requirements, the Planning and Building Department has initiated a multifamily rezoning project ("MRP"), that is now in the planning phase. The primary purpose of the MRP is to replace the lost MSI inventory on a one-for-one basis by rezoning qualifying properties in other areas to allow by-right multifamily development. Property owner participation is on a strictly voluntary basis. Similar to the county's previous rezoning initiatives to increase the affordable multifamily inventory, property owners will be incentivized to volunteer their eligible properties by the county underwriting a significant portion of the pre-entitlement work, including the following:

- Application filing fees for general plan, zoning, and local coastal program amendments.
- Preparation of an Environmental Impact Report ("EIR") that will evaluate impacts at a project level.
- Preparation of CEQA technical studies.
- Staff costs for conducting public workshops and hearings.
- Staff costs for preparing reports and resolutions.

The MRP will also utilize [SB 10 \(Wiener, 2021\)](#)

[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=20210220SB10](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=20210220SB10), a newly

created CEQA exemption for up-zoning urban infill parcels for multifamily development. (Attachment 3b contains details about SB 10’s eligibility criteria and requirements.) SB 10 allows rezoning of parcels for up to 10 housing units per parcel. Because SB 10 provides an exemption from CEQA, the cost and time to up-zone these properties will be significantly less. Not all SB 10 parcels will meet the lower income inventory density requirement of 16 dwelling units per acre. This means the county cannot rely solely on SB 10 to replace the lost MSI inventory.

In addition to replacing the lost MSI inventory, a more ambitious goal of doubling the number of multifamily units is being pursued. Local housing demand will potentially increase due to the expansion of Humboldt State University, and job growth associated with Nordic Aquafarms and expansion of the harbor to support offshore wind energy. A more ambitious capacity goal will also prepare the county for the next housing element cycle that starts in 2026. The legislative trend is for more eligibility criteria to be added, making it more difficult to qualify parcels for inclusion in the lower income inventory. A lower income inventory capacity target of 982 housing units is being identified:

Tl. Lower Income Inventory capacity at adoption of 2019 Housing Element	802 housing units
Lost Lower Income Capacity in MSI service area	- 169 housing units
1-for-1 Replacement of MSI Lower Income Inventory capacity	+ 169 housing units
New Lower Income Inventory Capacity To Be Added	+ 180
Tl. Capacity of Lower Income Inventory at Project Completion	982 housing units

The MRP has two additional goals:

1. Increase the number of sites with larger housing unit capacities, e.g., capacities of at least 65 housing units per parcel. This goal is the result of conversations with the development community.
2. All up-zoned sites be entitlement-ready (aka shovel-ready). This will mean more sites that are competitive for State and Federal housing programs. Shovel-readiness is a near-universal threshold requirement for housing projects to be eligible for funding.

Attachment 2 details the schedule for the Multifamily Rezoning Project. In December 2021, the outreach phase to engage property owners, stakeholders, tribes, and the public will begin. The objective of this phase is looking for willing property owners to volunteer properties for up-zoning. The outreach phase is expected to conclude in April 2022, at which point a list of volunteered properties will be examined. Some properties will be up-zoned via SB 10 and others that will up-zoned under the traditional amendment process specified in State law and Humboldt County Code. The SB 10 zoning amendments will be completed first, with a planned completion date of August 2022. For non-SB 10 volunteered properties, it will take two years from start of the EIR to completion of the amendment process. The final phase of the MRP will be applying for and securing Coastal Commission certification of Local Coastal Program amendments for all up-zoned parcels located in the Coastal Zone.

Because of the removal of the MSI sites it is projected the County will have a Lower Income inventory shortfall at the start of the next housing element update cycle. In fact, absent a measurable increase in housing

production of units affordable to lower income households/individuals, it is possible the shortfall will occur sooner. The prospect of a shortfall in the Lower Income inventory, however, intensifies the importance of initiating and completing the multifamily rezone project in a timely manner because realizing a shortfall has the potential to adversely affect the County's Housing Element certification by the State, compliance with housing law, and eligibility for State housing program funding, including its PLHA funding allocation. In the event of a shortfall, the MRP can serve as the County's action plan to remedy the shortfall in a timely manner. Implementing the MRP to reach the 982 unit capacity target will accomplish two equally important goals: avoid a shortfall in the County's Lower Income inventory and create additional and more diverse housing opportunities in the community.

Rescope of the County's LEAP Application. The county's LEAP grant application was approved for funding by the HCD in the fall of 2020. The county's LEAP grant has \$30,452 of unspent funds. There are unspent funds because the actual costs were significantly lower than the budgeted costs for the county's Article 34 activity, which was successfully completed last year. Tracking of actual costs vs. budgeted costs for the Supportive Housing legislative amendments activity indicates \$25,000 of \$76,900 budgeted can be reallocated without detracting from completion of the Supportive Housing amendments. HCD has stated the county's awarded-LEAP grant application can be modified by applying for a rescope. By filing a rescope application the County can add a new activity and reallocate awarded funds.

The Department believes the best activity to target with the reallocation of funds is supporting Multifamily Rezoning Project discussed above. With the proposed reallocation of funding from the LEAP grant, the county will complete the technical background studies necessary for considering rezoning qualifying properties to allow multifamily housing. This includes the California Environmental Quality Act ("CEQA") evaluation of volunteered eligible sites.

The resolution in Attachment 1 amends Board resolution 20-41, and authorizes the Director of the Planning and Building Department to file with HCD a rescope application for the county's LEAP grant in the amount of \$55,452 to:

1. Prepare the necessary CEQA analysis and documents for legislative amendments to allow voluntary rezoning of qualifying properties for inclusion in the County's Lower Income multifamily housing inventory; and
2. Reallocate \$25,000 from Activity 1 "Zoning Amendments for Supportive Housing" to the activity for preparation of environmental studies and documents for a voluntarily multifamily rezone program as described above; and
3. Reallocate \$30,452 of unspent LEAP funds from Activity 4 "Article 34" to the activity for preparation of environmental studies and documents for a voluntarily multifamily rezone program as described above.

While staff is confident the activity outlined under item 1 above will be approved, should HCD advise LEAP funds cannot be used for this activity, the resolution authorizes the Director of Planning and Building to act on the county's behalf to replace this activity with a high priority activity that meets the requirements of the LEAP program.

FINANCIAL IMPACT:

Should the HCD approve the LEAP rescope there will be no impact as funds have already been budgeted in the current fiscal year. The proposed action would simply reallocate unspent grant funds that have already been awarded.

Fiscal Year (FY) 2022-2023: The Department's FY 2022-23 budget will include a line item for \$200,000 for the costs associated with having a consultant prepare the MRP EIR. Funding for the MRP EIR has not yet been identified and will require a General Fund contribution in the FY 2022-23.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by streamlining county permit processes facilitating new housing and living-wage private sector jobs and protecting vulnerable populations.

OTHER AGENCY INVOLVEMENT:

State of California Department of Housing and Community Development ("HCD"), County Administrative Office and the Office of County Counsel.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose to not apply for a rescope of its LEAP grant. This is not recommended because the availability of grant funding for pre-entitlement work generally is scarce and highly competitive. Also, the State will pool all unexpended LEAP funds at the close of the LEAP program (i.e., 2023/2024). The pooled funds will be made available in the future on a competitive basis.

ATTACHMENTS:

1. Resolution No. 21 \_\_\_\_\_
2. Multifamily Rezone Project Schedule
- 3a. Standards to Qualify Sites for Inclusion in the Lower Income Inventory
- 3b. SB 10 (Weiner, 2021) Eligibility Criteria and Requirements

PREVIOUS ACTION/REFERRAL:

Board Order No.: C-25  
Meeting of: May 19, 2020  
File No.: 20-528