

Housing Incentive Programs: Arcata

This brief is part of the Turner Center series “Statewide Goals, Local Tools: Case Studies in Affordable Housing Development in California.”

With a declining number of affordable neighborhoods in which to rent or buy housing, many Californians face a difficult tradeoff between neighborhood amenities and the cost of housing. The existence and quality of parks and open spaces relative to the accessibility of the neighborhood to a variety of income levels is one key indicator of the choices—or lack thereof—presented to California households. The Housing-Related Parks Program¹ (HRPP), a housing incentive program that was created by the state in 2008 and that provides park-related grants to cities and counties for increasing their supply of affordable housing, specifically addresses this mismatch.²

In Arcata, a coastal city just south of the Oregon border, HRPP funds have gone towards the rehabilitation of four parks, including the creation of the city’s first American Disabilities Act (ADA) compliant, all-inclusive park and playground. While the HRPP is not funded for 2019, Arcata’s use of the funds demonstrates how housing incentive programs can encourage the production of affordable housing while providing cities and counties the funding needed for a variety of capital asset projects at the local level.

Background

Located in Humboldt County, Arcata is a small, slow-growing³ coastal city located 275 miles northwest of San Francisco. Once a large-scale, timber-industry town, Arcata is now home to Humboldt County’s second largest employer, Humboldt State University (HSU), which has an annual enrollment of roughly 8,000 students.⁴

Despite Arcata’s modest population growth, shifting demographics

and population trends have contributed to an increasing need for housing affordability. Since 2000, the number of residents between the ages of 55 and 64 has doubled, and now represents the fastest-growing age group in the city.⁵ Overall, the majority of the population is between the ages of 15 and 34, a trend which is likely to hold steady due to the consistent influx of students into HSU.⁶

In addition to the growing need for senior and off-campus housing for HSU students, Arcata faces the challenge of addressing homelessness. According to a biennial Point-in-Time (PIT)⁷ count conducted by the Humboldt Housing and Homeless Coalition in 2015, 1,180 people experienced homelessness in either sheltered (temporary places such as emergency shelters and transitional housing) or unsheltered (cars, parks, abandoned buildings, or other places not designed for sleeping) conditions throughout the county.^{8,9} Of the seven cities located in Humboldt County, Arcata is home to 12 percent of the county’s homeless—the second-highest percentage in the county.¹⁰

Recognizing the need for affordable housing, Arcata’s 2020 General Plan Vision Statement includes a commitment to making “safe, quiet, affordable housing available for seniors and students, families and singles, people from every economic stratum.”¹¹ Programmatic highlights contained within Arcata’s 2014 Housing Element include addressing the shelter and service needs of homeless populations,¹² providing financial and management support to community land trust developments, and introducing tenant protections against rent increases and evictions.¹³ As part of the city’s broader affordable housing strategy, Arcata has made use of the state Housing-Related Parks Program.

Housing-Related Parks Program

Signed into law in 2008, the HRPP is a non-competitive financial incentive program administered by the state. It is designed to increase the supply of housing affordable to low-income households by providing funding for park-related infrastructure improvements to communities that produce affordable housing, with additional funding when those improvements are in park-deficient¹⁴ and disadvantaged communities.¹⁵ HRPP funds were most recently available in 2016.¹⁶

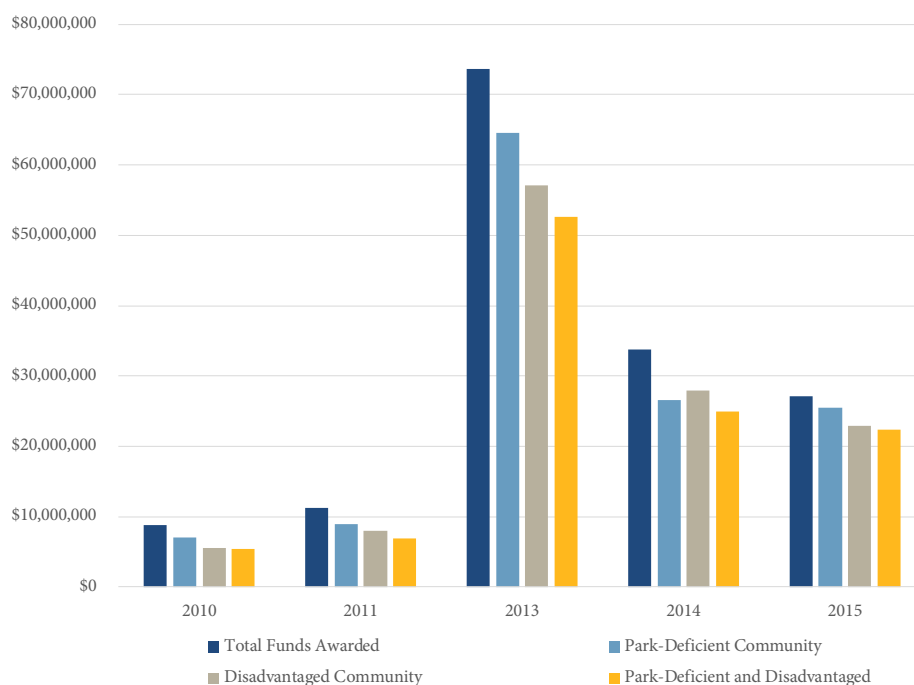
- » **HRPP funds may be used for parks and recreation projects that benefit the community.**¹⁷ Funded through the Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C)¹⁸ and administered by the Department of Housing and Community Development (HCD), HRPP grant funds have financed a wide range of park-related capital asset projects in both rural and urban cities, including new parks, recreation facilities, community centers, playgrounds, and improvements to existing parks.
- » **The program reinforces linkages between housing and livable communities.** Like earlier housing-incentive programs such as the Jobs-Housing Balance Incentive Grant (JHB) Program¹⁹ and its successor, the Workforce Housing Reward (WFH) Program,²⁰ the HRPP uses a “carrot” approach to addressing local community needs for a range of public works, new construction, and/or land acquisition projects, while also addressing unmet housing needs. HRPP encourages the development of new housing by rewarding cities and counties that approve affordable housing and are in compliance with the State Housing Element Law.²¹

- » **Revisions to the program expanded its reach.** In 2012, the HRPP was expanded to include units substantially rehabilitated, converted from market-rate to affordable, and preserved with certificates of occupancy issued during the designated program year.²² The program was also updated to include bonus grant awards for infill projects, housing affordable to extremely-low-income households, and jurisdictions demonstrating progress in increasing their overall supply of housing, among others.

These revisions had the practical effect of widening the eligible applicant pool to include smaller cities such as Arcata, which was first eligible to apply in the subsequent 2013 notice of funding availability (or NOFA). For Arcata in particular, this funding source presented an opportunity to replace park funding that had been eliminated as part of the dissolution of the state’s redevelopment agencies.

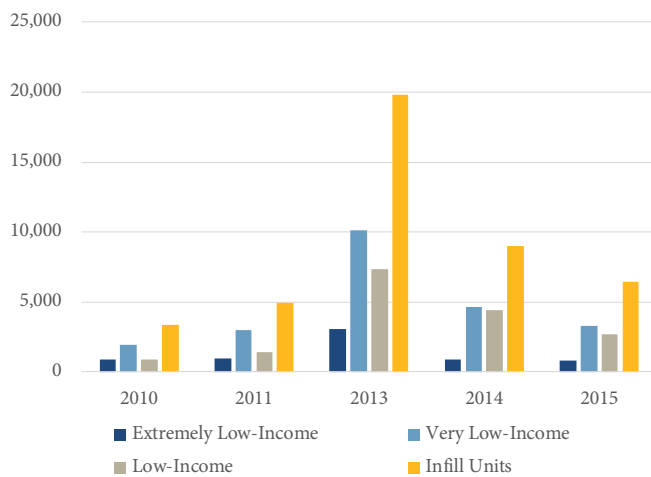
To be eligible for HRPP funding, cities and counties must have adopted a Housing Element that is in substantial compliance with housing element law, and must have submitted to HCD all annual progress reports (APRs) within that designated program year. All cities and counties must be able to meet a minimum grant amount of \$75,000, including the calculation of any bonus awards through eligible units. Eligible applicants may receive up to \$2,200 per bedroom in qualifying low-income units, and up to \$2,725 per bedroom in very low-income units.²³ Award amounts are based on the number of qualifying units and documented bonus award eligibility. Rental units must be rent-restricted for at least 55 years and ownership units must be initially sold to qualifying households at an affordable cost.²⁴ Any public funds used to achieve affordability in ownership units must be recovered on resale and reused for affordable housing for at least 20 years.²⁵

Figure 1: Units Incentivized by Income and Type, 2010-2016



Source: California Department of Housing and Community Development

Figure 2: HRPP Projects Funded, 2010-2015



Source: California Department of Housing and Community Development

Between 2010 and 2016, \$190,537,200 in HRPP grants were awarded to 346 eligible cities and counties, incentivizing approximately 61,831 units affordable to low-income households (Figure 1).²⁶

Of the grants awarded, 58,023 (roughly 94 percent) of affordable units are in infill areas (Figure 2). Of those park-related projects funded, nearly three-quarters of grant monies distributed went to communities that were both park-deficient and disadvantaged.

HCD has received significant positive feedback from local governments on the impacts of HRPP, with many local governments indicating the program as being a motivating factor for bringing Housing Elements into compliance and submitting APRs,²⁷ Arcata being a primary example.

In Arcata, the alignment of incentives for affordable housing and open space under HRPP dovetailed with local policy priorities for affordable housing production, preservation of open space, and infill development. In Arcata's 2010 Parks and Recreation Master Plan, repairing decades-old park infrastructure was noted as a high priority. The report's findings detailed six specific areas which needed basic recreational amenities in order to promote equitable access to parks and open space for all city residents. Another key recommendation was the implementation of ADA-compliant upgrades for all developed parks in the city.²⁸

Relative to other cities its size in the region, Arcata's affordable housing production is high, due in part to experienced and successful local affordable housing development firms. The City Council has identified affordable housing as a priority, and resident resistance to new development is relatively low. The city is currently on target to meet its regionally-allocated housing needs by 2019,²⁹ although it is lagging somewhat in permitting very low-income and low-income units.³⁰ Since HRPP awards are based on the number of housing starts, this programmatic success positioned Arcata to take maximal advantage of the incentive funds. Between 2013 and 2015, Arcata was awarded more than \$300,000 in total grant funding from HRPP.

Implementation

Capitalizing on the success of its affordable housing programs, Arcata has been able to leverage affordable housing production to the betterment of the city's public park system. In 2013, Arcata received \$106,650 from the HRPP for the permitting of 53 units, and \$201,050 for the permitting of 48 units in 2015.³¹ HRPP funding has incentivized Arcata Bay Crossing, a 31-unit "housing first"³² complex serving homeless and special-needs communities, and Plaza Point, a 29-unit senior citizen living facility.

Arcata's HRPP funding will support the rehabilitation of four parks, two of which are identified as priority projects in Arcata's Five Year Capital Improvement Plan.³³ Most notably, HRPP funds will support capital improvements for Greenview Park, for which local community groups have actively campaigned and fund-raised.³⁴ Planned improvements for Greenview Park include new playground equipment and surfacing, an ADA-compliant access ramp, and other enhancements to make it the county's first all-inclusive park and playground.³⁵

For Arcata, the allocation of funding represented a compromise between HRPP requirements and city priorities. Greenview Park is one of the smallest parks in Arcata and contains a playground specifically designed for use by children, and is therefore not inclusive of Arcata's large senior and young adult population. HRPP bonus-funding criteria required that "the ratio of usable park space (in acre) per 1,000 residents within a half-mile radius of the identified Qualifying Park Project site must be less than three," and as such automatically precluded a number of parks under consideration from receiving bonus funding.³⁶

The renovation of Arcata's larger parks was a higher priority for the city's recreation department, but Greenview was eligible for maximum HRPP funds under program constraints. According to Arcata Community Development Specialist Jennifer Dart: "it doesn't work the same when you are rural. Because we are rural, and rural [cities tend] to have more green space... that criterion limited the number of parks eligible for the bonus, which would have provided additional funds."³⁷ Arcata did not successfully apply for HRPP funding in the 2016 award issuance, which may have been due to this lack of eligible green space.

For Arcata, whose affordable housing agenda predates HRPP, access to park-related capital improvement funds for building affordable housing proved more of a reward than an incentive. However, HRPP has acted as an incentive for Arcata to bring its APR reporting into compliance with State Housing Element Law. To meet threshold requirements for the 2013 and 2015 HRPP NOFA cycles, Arcata submitted APRs for 2009-2012 and 2013-2014, including the submission of four previously-delinquent APRs (Table 1).³⁸

APRs are the sole vehicle through which the state collects data on housing production by its level of affordability, and are therefore a valuable source of information on affordable housing at the local level. Although tangential to the core purpose of HRPP, its role in incentivizing compliance with State Housing Element Law—and specifically APR reporting—should not be overlooked.

Table 1: APR Submission for Arcata, 2009-2015

| Eligible Units From: | APR | Date Submitted |
|----------------------------------|----------------|----------------|
| January 1 – December 31, 2010 | 2009 CY Report | 12/23/2010 |
| January 1 – December 31, 2011 | 2010 CY Report | 02/10/2011 |
| January 1 – December 31, 2012 | 2011 CY Report | 01/16/2014 |
| January 1 – December 31, 2013 | 2012 CY Report | 01/16/2014 |
| January 1 – December 31, 2014 | 2013 CY Report | 01/19/2016 |
| January 1 – December 31, 2015 | 2014 CY Report | 01/19/2016 |

Source: City of Arcata

Lessons Learned

- » **The HRP incentive program works best under certain conditions.** Arcata's pre-existing affordable housing development strategy allowed the city to benefit from HRPP in a way that similar cities in the region could not. Conversely, for rural cities with ample green space like Arcata, HRPP programmatic constraints considerably limited the green space eligible for maximum incentive funding.
- » **HRPP funding filled a needed gap in open space financing.** For Arcata, as for other small cities, financing public park maintenance and rehabilitation is a difficult fiscal challenge. By offering a funding tool that helps jurisdictions improve the livability of their communities through park-related projects, HRPP served this specific need.
- » **The HRPP design incentivized compliance with state law.** HRPP program requirements incentivize cities to provide the state with important information regarding the local land use regulations and production-by-income data.

Useful Sources

California Department of Housing and Community Development,
Housing-Related Parks Program
<http://www.hcd.ca.gov/grants-funding/active-no-funding/hrpp.shtml#application>

California Department of Housing and Community Development,
Notices of Funding Availability (NOFAs)
<http://www.hcd.ca.gov/grants-funding/nofas.shtml>

Endnotes

1. Signed into law in 2008, Assembly Bill 2494 (Caballero) established the Housing-Related Parks Program (HRPP) under the administration of the Department of Housing and Community Development. The bill allocated \$200,000,000 in funds from Housing and Emergency Shelter Trust Fund of 2006 to be deposited in the Housing Urban-Suburban-and-Rural Parks Account. Once established, the HRPP provide grants for the creation, development, or rehabilitation of park and recreation facilities, to cities and counties that meet certain criteria and issue housing starts, as defined, for newly constructed units that are affordable to very low- or low-income households. See: Caballero, “AB 2494 Assembly Bill - Chapter 641,” February 21, 2008. Retrieved from: http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_2451-2500/ab_2494_bill_20080930_chaptered.html.
2. California Gov’t Code § 65583.
3. Over the last 30 years, Arcata’s population grew by less than 10 percent from 16,400 to 18,000 respectively with the population projected to grow to less than 20,000 by 2020. See: City of Arcata. (2008). “Arcata General Plan: 2020.” Retrieved from: <http://www.cityofarcata.org/DocumentCenter/View/37>.
4. Humboldt State University, together with its auxiliaries, is the second-largest employer in Humboldt County and one of only two employers with 1,000 employees or more. See: Humboldt State University. (2005). “HSU’s Impact—Employment.” Retrieved from: <http://www2.humboldt.edu/impact/employment.html>.
5. City of Arcata. (2014). “City of Arcata Housing Element 2020.” Retrieved from: <http://www.cityofarcata.org/DocumentCenter/View/36>.
6. Ibid.
7. A Point-in Time (PIT) is a count of sheltered and unsheltered people experiencing homelessness on a single night in January. The PIT is a requirement for the HUD Continuum of Care (CoCs) federal grant program. Counts are planned, coordinated, and carried out by local governments, typically at the county level. See: US Department of Housing and Urban Development. (2017). “PIT and HIC Guides, Tools, and Webinars.” Retrieved from: <https://www.hudexchange.info/programs/hdx/guides/pit-hic/#pit-survey-tools>.
8. The following homeless PIT count was taken from the 2015 survey conducted by the Humboldt Housing and Homeless Coalition (HHHC). A more recent survey taken was taken in 2017, however, due to a significant drop in volunteer counters and the non-participation of cities located in Southern Humboldt County, tallies taken are considered less representative and thus are not included in this report. See: Mintz, D. (2017). “Humboldt’s Homeless ‘Point in Time’ Count Sees Drop from 1,180 to 668.” *Mad River Union*. Retrieved from: <http://www.madriverunion.com/humboldts-homeless-point-in-time-count-sees-drop-from-1180-to-668/>.
9. Humboldt Housing & Homeless Coalition. (2017). “PIT Tally Reports. ” Retrieved from: <http://humboldthousing.org/download-center/>.
10. Mintz, D. (2017). “Humboldt’s Homeless ‘Point in Time’ Count Sees Drop from 1,180 to 668.” *Mad River Union*. Retrieved from: <http://www.madriverunion.com/humboldts-homeless-point-in-time-count-sees-drop-from-1180-to-668/>.
11. City of Arcata. (2008). “Vision Statement.” *Arcata General Plan: 2010*. Retrieved from: <http://www.cityofarcata.org/151/Vision-Statement>.
12. Policy HE-29; See: City of Arcata. “City of Arcata Housing Element 2020.”
13. Policy HE-17; See: Ibid.
14. For the purposes of the HRPP, the State defines a “Park-Deficient Community” as an area in a

community where the amount of park space for every 1,000 residents living within a 1/2 mile radius of that park space is less than three (3) acres. See: Caballero, “AB 2494 Assembly Bill - Chapter 641.”

15. For the purposes of the HRPP, the State defines a “Disadvantaged Community” as an area within a city, county, or city and county that is composed solely of those census tracts designated by the United States Department of Housing and Urban Development as having at least 51 percent of its residents of low- or moderate-income levels, using the most recent United States Department of Census data available at the time of the Notice of Funding Availability. See: *Ibid.*, 24.
16. Department of Housing and Urban Development. “Notices of Funding Availability (NOFAs).” Retrieved from: <http://www.hcd.ca.gov/grants-funding/nofas.shtml>.
17. California Gov’t Code §16727.
18. The Housing and Emergency Shelter Trust Fund Act of 2006 authorizes the issuance of bonds in the amount of \$2,850,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds are required to be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks. See: Senate President Pro Tem Don Perata. “Proposition 1C: The Housing and Emergency Shelter Trust Fund Act of 2006.” (California State Senate, 2006). http://stran.senate.ca.gov/sites/stran.senate.ca.gov/files/FactSheet_Prop1C.pdf.
19. The Jobs-Housing Balance Incentive Grant (JHB) Program was created in 2000 through Chapter 80, Statutes of 2000 (AB 2864, Torlakson). Administered by the Department of Housing and Community Development the JHB Program provided \$25 million in grant funding to eligible cities and counties with documented increases in housing production during the 2001 calendar year. These grant funds were to be used by cities and counties for public benefit capital outlay projects, as defined by California Gov’t Code § 7914. See: California Department of Housing and Community Development. “California’s Jobs-Housing Balance Incentive Grant Program: Final Report to the Legislature.” (Department of Housing and Community Development, n.d.), http://www.hcd.ca.gov/financial-assistance/jobs-housing-balance-incentive-grants/jhb_rept_legis1007.pdf.
20. The Workforce Housing Reward Program was created in 2002 through SB 423 (Torlakson), Statutes of 2002, Health & Safety Code 50550. Administered by the Department of Housing and Community Development the WHF provided financial incentives to cities and counties that issue building permits for new housing affordable to very low- or low-income households. Funding for the program was made possible by the Housing Emergency Trust Fund Act of 2002 (Prop 26), which appropriated \$20 million in funds.
21. California Gov’t Code § 65583.
22. Existing law—Assembly Bill 1672 (Torres)—establishes the Housing-Related Parks Program, administered by the Department of Housing and Community Development, which provides grants for the creation, development, or rehabilitation of park and recreation facilities to cities, counties, and cities and counties that meet certain criteria for housing starts, as defined, for newly constructed units that are affordable to very low- or low-income households. This bill expands the program to provide grants to local entities based on the issuance of building permits for new housing units, or housing units substantially rehabilitated, acquired, or preserved with committed assistance from the city, county, or city and county, that are affordable to very-low- or low-income households. The bill also provides for substantial and additional bonus funds to specified jurisdictions and qualifying units. See: Torres. (2012). “Bill Text - AB-1672 Housing-Related Parks Program.” *California Legislative Information*. Retrieved from: https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201120120AB1672.
23. Department of Housing and Urban Development. (2016). “Housing-Related Parks Program: Program Guidelines 2016 Designated Program Year.” Retrieved from: <http://www.hcd.ca.gov/grants-funding/nofas/docs/DPY-2016-HRP-Program-Guidelines.pdf>.

24. Ibid.
25. Ibid.
26. Department of Housing and Urban Development. "HRPP Performance Measures."
27. Seeger, J. and Herrera, F. (2017). Interview with HCD Policy Analysts Jennifer Seeger and Fidel Herrera, interview by Liana Arnold, Telephone Interview.
28. City of Arcata. (2010). "Parks and Recreation Master Plan." Retrieved from: <https://www.cityofarcata.org/DocumentCenter/View/5580/Parks-and-Recreation-Master-Plan-2010-PDF?bidId=>.
29. Dart, J. (2017). Interview with Arcata Community Development Specialist, Jennifer Dart, interview by Liana Arnold, Telephone Interview.
30. Department of Housing and Community Development. (2018). "Annual Progress Report Permit Summary." Retrieved from: <http://www.hcd.ca.gov/community-development/housing-element/index.shtml>.
31. Department of Housing and Urban Development. (2017). "HRPP Performance Measures."
32. Housing First permanent supportive housing model targeted to individuals and families with chronic illnesses, disabilities, mental health issues, or substance abuse disorders. Also referred to as rapid re-housing, Housing First models remove preconditions to housing access such as sobriety, treatment, and/or service participation requirements. See: HUD Exchange, "Housing First in Permanent Supportive Housing Brief," July 2014, <https://www.hudexchange.info/resource/3892/housing-first-in-permanent-supportive-housing-brief/>.
33. City of Arcata. (2009). "Implementation Plan: 2010-2014 Arcata Community Development Project Area." Retrieved from: <http://cityofarcata.org/DocumentCenter/Home/View/230>.
34. Chen, J. (2015). "Arcata Residents Look to Create All-Inclusive Playground." *KRCR*. Retrieved from: <http://www.krcrtv.com/north-coast-news/eureka-news/humboldt/arcata-residents-look-to-create-all-inclusive-playground/11078205>.
35. City of Arcata. (2016). "Resolution No. 156-33." Retrieved from: https://arcataca.iqm2.com/Citizens/Detail_LegiFile.aspx?MeetingID=1009&MediaPosition=&ID=1073&CssClass=&Print=Yes.
36. California Department of Housing and Urban Development. (2016). "Housing-Related Parks Program: Program Guidelines 2016 Designated Program Year."
37. Dart, J. (2017). Interview with Arcata Community Development Specialist, Jennifer Dart, interview by Liana Arnold, Telephone Interview.
38. City of Arcata. (2016). "Arcata Housing-Related Parks Program Grant Application for 2015 Designated Program Year NOFA."

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