

CREATING AFFORDABLE HOUSING IN HUMBOLDT COUNTY

By

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ABSTRACT

Creating Affordable Housing in Humboldt County

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This project analyzes the local barriers and solutions to producing affordable housing in Humboldt County, focusing on the cities of Eureka and Arcata, as well as the Humboldt County level. Interviews with representatives and employees of local government, planners, developers, members of the real estate industry, and transitional housing professionals reveal the difficulties of developing affordable housing locally, the solutions which have been effective, and potential solutions for the future. The results of the interviews paint a picture of the local affordable housing situation, suggest reasons for the drastic increase in housing costs, and examine how affordable housing creation has been linked to or competed with open space conservation, housing rehabilitation, and historic preservation in Humboldt County. Issues at the local government level, such as public participation and concerns over community character and design, are addressed. Interview results also summarize the array of benefits of creating affordable housing in Humboldt County.

The literature review covers the economics of zoning for affordable housing, and examines examples of the obstacles and solutions to creating affordable housing in other U.S. communities, including NIMBY conflicts, local and state policy solutions, and innovative home buying programs for moderate and low income households. Theories of economic and social justice are explored, in terms of a community's collective responsibility to house all of its contributing workers and eliminate barriers based upon

economic inequalities. Theories of property rights and social class are examined in the context of rural communities, their history, modern changes, economic development, and community conflict.

This project is intended to benefit Humboldt County. Project results are specific to Humboldt County, but may also be valuable to other communities working through affordable housing crises. This project contributes to local understanding and discussion of local affordable housing issues, and can perhaps be used as a springboard for future community discussions. Summarizing the professional barriers and solutions to creating affordable housing opportunities in Humboldt County will also be useful for the purpose of addressing particular obstacles and working toward the necessary solutions.

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PROBLEM STATEMENT

Introduction

Over the past decade, the cost of housing in Humboldt County has risen drastically, and the ensuing lack of affordable housing has become a pressing local issue. In the most recent span of five years, home prices have more than doubled all over the County and rents have increased sharply, while local wages and salaries have more or less remained the same. As a result, a harsh separation has occurred between those who can afford to purchase homes or pay high rent and those who are burdened by spending much higher proportions of their incomes on housing costs than ever before. The federal government considers households that spend more than 30 percent of total income on housing to be cost-burdened. For this project, the definition of affordable housing is that which costs a household no more than 25 to 30 percent of total income. Humboldt County's housing affordability index measures the percentage of households that can afford to purchase a median-priced home in the County. According to the Humboldt Association of Realtors (2005), Humboldt County's overall affordability index has decreased from 50 percent in April of 1999 to 16 percent in April of 2005.

Many related topics interconnect with Humboldt County's need for affordable housing, including, but not limited to, land use and development, community character and design, economy, building costs, funding, politics, regulation, public resistance, and economic justice. Inevitably, nearly every solution for alleviating the local lack of affordable housing brings one or more of these interconnected problems to the surface. By interviewing a variety of professionals in the private, public, and government sectors

working on affordable housing issues in Humboldt County, this project gives voice to a variety of opinions on local affordable housing topics, and reflects a diverse array of local obstacles, successful strategies, and suggestions for the future.

Some of the obstacles to creating affordable housing identified through these interviews include lack of land, environmental constraints, high demand, high cost of land, high cost of developing, politics, regulations, public resistance, market structure, income disparities, funding, and financing. In addition, a number of obstacles were identified for advocates who address the needs of the homeless. Interviewees shared their strategies for successfully overcoming a variety of these obstacles. Some contributed ideas for potential use in the future. In addition, all interviewees contributed their opinions on the benefits of creating affordable housing in Humboldt County.

The purpose of this project is to reflect the diverse range of local obstacles related to affordable housing creation in Humboldt County, and to offer a wide array of local solutions, which may also be useful to other communities. This diversity of opinions and contributions is important because affordable housing solutions will be executed by a diverse group of stakeholders in the private, public, and government sectors, who may not necessarily agree with each other on how to tackle the issues at hand. Each contribution to this project is a piece of a larger puzzle, and my hope is that it will introduce advocates and stakeholders to the multitude of local ideas and perspectives on local affordable housing creation, and serve as an educational tool for the public and all who are interested in the creation of affordable housing opportunities in Humboldt County.

LITERATURE REVIEW

Part I: Economic Justice and Federal Background

This project explores the topic of affordable housing through the lens of economic justice. Therefore, in this section, economic justice theory will be examined in order to identify how lack of access to affordable housing relates to economic injustice. A common theme in discussions of communities lacking affordable housing is that many of these communities fail to affordably house their essential workforce. If a community is viewed as a collective of members dependent on each other for overall success of the community, then it would be unreasonable to debilitate the low-paid contributors to the economy by not providing housing options that are affordable to them.

Economic Justice Theory

Economic justice is justice concerning property. It also deals with the moral relationship between haves and have-nots. Locke's theories on property included the idea that the labor one puts into something is rewarded with property ownership (Meyers, 1985). According to Meyers, today this may be seen in the assumption that one who owns property obtained it through hard work and careful management of finances. Furthermore, many assume that those who earn little and own nothing have only to blame themselves for idleness. Meyers explains that Locke's work-ethic theory of property can be used to justify positions of power and blame the poor for their own problems.

Meyers (1985) posits that property can be a source of social conflict, as seen when advocates of social welfare disagree with advocates of private property rights. Some social welfare advocates may argue that the protection of private property rights

can ignore what would be in the public's best interest. Meyers explains that many criticize the uncontrolled amassing and unhindered use of private property, pointing out the detrimental social and environmental consequences that can result. Owners of private property may choose to use their property in ways that do not account for or minimize externalities imposed on the rest of a community or the natural environment. In addition, Meyers states that the social stratification of society can encourage elitism, corruption, and social conflict.

Advocates of private property rights and advocates of social welfare, through their disagreements, often try to restrict the basic rights of each other. According to Becker (1985), some argue that if private property had a social component to it, then there would be less conflict between property and social welfare. However, it has been difficult to establish what the social nature of property should be. Becker explains that if rights are able to trump any argument that tries to limit them, then property has virtually no social quality. Becker also points out several examples of social welfare conditions which have limited the acquisition of private property in the past. Locke's labor theory, for instance, included the condition that one who takes property must leave sufficient good property for others. This social welfare proviso takes into account that social conditions can change and limit people's ability to take private property.

Some question whether property rights are worth believing in, since they can be interpreted as obstacles that restrict others' freedom to do something. In other words, property rights can be seen as impeding individual freedom to use a resource for a positive intention (Nelson, 1985). Nelson explains that for the property holder, one's

property rights are a protection, but on a deeper level these rights grant control over particular resources and choices, and deny others the power to make those choices. It is debatable whether it should be solely the property owner's business how his or her rights are used. Nelson further explains that according to utilitarian theory, rights inhibit people from being able to make particular decisions that could be considered the correct decisions. For example, if everyone is a cooperative owner of all resources, then everyone is at liberty to make choices, although there is no guarantee that the choices that will be made are in everyone's best interest. Further, the nonexistence of rights may impede one's capacity to plan and execute long-term projects. All options are everyone's and no one's in particular at the same time. When all of these arguments are taken into account, the result is a theory of social justice that combines individual and collective rights, along with standards of conduct that intersect these rights.

People deserve the necessities of life, but these basics are not necessarily guaranteed as rights. Therefore, the question remains, what may one acceptably insist that others do to provide for one's social welfare? Benditt (1985) asks whether society is responsible for ensuring the welfare of all of its members. There is a difference between what is required and what would be the right thing to do, and this difference is related to the idea of rights. Benditt explains that although morality may encourage or require certain helpful acts of people, it does not obligate people to do all possible good things for others at every opportunity to do so. This cannot be legislated. Rights can be exercised or insisted upon, and having a right and exercising it are two different things. Someone can have a right and find it beneficial not to exercise it. It is the right-holder's

choice whether or not to exercise his or her right, whether the outcome is good or bad, morally or otherwise. The same is true of justice, in general.

Justice can be required of people or society, and can also be demanded as a right. According to Benditt (1985), some aspects of justice can be demanded from individuals, while other aspects, such as ideals, cannot. Justice, as an ideal, is not a right but a value. It is merely a way that society can potentially improve itself. It is desirable, but it is not demanded, owed to anyone, or granted as a right. Benditt explains that a society can be unjust and not violate anyone's rights. A fundamental question is whether or not a society should provide resources to those who need them, when it is not a requirement to do so. It may or may not be appropriate to force society to perform what none of its individual members are expected to do.

Benditt (1985) argues that if people have the right to expect society to promote their welfare, that there must be a connection between the people, their problems, and the society. In order to justifiably demand a right from society, it must be based on the charge that society, in some way, is at fault for the difficulties for which one requests assistance. According to Benditt, if there is a connection between the person and the society, then it may be possible to identify what rights the person has against the society. At the core, this is a question of whether society, as a collective, is responsible for the welfare of the individuals who compose it. Benditt explains that people enter the collective by forming economic relationships with others in the collective. One who enters a collective can specialize in one element of it and potentially do well for oneself. Those who enjoy great economic success ultimately depend upon the participation of

others. Benditt points out that without this relationship, the collective cannot exist. Each member, regardless of success level, expects to benefit from the participation of others. Some members of the collective may not be financially successful, which may not necessarily be their fault. Rather, the success of the collective often depends upon those who do not succeed economically, and therefore these people may, in actuality, be victims of the society.

If there are no alternatives to the economic life of the collective, then one is dependent on the collective. Benditt (1985) argues that if the economic life of the collective inevitably churns out victims who will lose out, then it may be possible for these victims to have welfare rights against the collective. For example, if one has contributed to the economic life of the collective, but his or her skills are no longer needed, or one has experienced a job-related injury or illness, the collective may be responsible for his or her retraining and medical care. Those who lose out as a result of participating in the collective may, at the very least, be entitled to expect that the collective will make some type of effort in their support. Benditt further explains that society may not be responsible for one's welfare if the circumstances of one's lack of basic needs cannot be connected to society. Inequalities are only corrected when the members of the collective are truly dependent on each other and the prosperous are accountable for the hardships of the disadvantaged. Often it is only out of kindness and the value of compassion that a society helps to provide the disadvantaged with basic needs. Benditt points out that this is an example of justice that is not required of society. No one has the right to be perfectly equal with everyone else in society, in terms of

welfare and resources, and society is not responsible for making sure that everyone has an equal amount of these things.

Rawls discussed the poor as regular workers who make a contribution to the production of goods and services in society, who are not compensated richly for the efforts they invest (Martin, 1985). Martin describes Rawls' "difference principle" as something that speaks to the need for extra income for those who work but earn meager incomes. Martin explains that the "difference principle" states that inequalities are acceptable in a society only if they promote contributions that boost the output of goods and services, which are then only to be dispersed in a manner that maximizes the well being of the least fortunate members of society. The "difference principle" speaks specifically to the distribution of incomes and wealth for those members of society who work, yet remain poor. It does not, however, speak to the range of individuals who are unable to work.

Landesman (1985) posits that true justice consists of all people equally possessing the greatest level of well being possible. Furthermore, he argues that the wealthy may owe something to the poor. He is not convinced by Benditt or Rawls, who absolve the wealthy of responsibility for the poor unless the wealthy can be proven responsible for others' substandard situations.

Benditt's concept of justice is considered by some to be limited. For example, Gwaltney (1985) posits that putting one's own welfare in jeopardy, in order to improve someone else's, improves the welfare of individuals and society as a whole. In addition, she believes that the poor have a right to demand that members of society act as citizens

to alleviate poverty, for example by voting for welfare programs and paying taxes. She relates interdependencies within a society to those in her family model. According to her model, everyone is born dependent on at least one person for providing basic needs and support. The family itself represents a society. She uses this model to demonstrate that people are, at their essence, social beings that are dependent on each other. Each member of a family has an equal economic right to having basic needs met. Some members of the family put in more work than others in order to provide these things, and therefore may require extra resources, such as tools, transportation, and extra food, in order to succeed at providing for the group. A provider is entitled to extra supplies because the upshot will be an increase in resources and welfare for the entire family, not the individual. In larger society, every one is born dependent on at least one person for survival, and even the economically independent members of society are dependent on someone or some type of circumstance for their success and ability to be independent. According to Gwaltney, life itself and everything that a person becomes is a result of a web of interdependencies.

Gwaltney (1985) posits that it is possible, beyond the family model, for society's social structure to categorize people in such a way that nearly every member is recognized as a contributor. She explains that contribution may come in the form of labor, education, and other alternatives that would satisfy the view that only contributors or producers ought to be entitled to welfare rights. Then, those who appear to be strictly consumers in one economic structure can be reclassified as contributors deserving welfare rights. Children deserve welfare rights against society because they are the

collective's future contributors and providers, and are therefore the collective's necessary investment. The retired are entitled because they paid their dues to the collective when it needed them. Gwaltney also suggests that a society is responsible for what it does not do to alleviate the hardship of others, because misfortune causes human suffering, an evil which society is capable of alleviating without harming itself. Furthermore, Gwaltney argues that since society's resources are much greater than those of an individual, it may be appropriate to expect society to have a larger duty than an individual to alleviate suffering.

MacLeod (1985) argues that economic inequality is a substantial barrier to equalizing quality of life. Inequalities exist between members of society in terms of wealth, income, opportunities, and access to a variety of goods and services, all of which manifest in one's standard of living. Without equal access to education and employment, it will be hard for some to create the types of lives they desire. He argues that those with sufficient economic resources can often exercise much freer control of their plans for life than those who lack resources. Perhaps when economic resources are unequally distributed in society, those who lose out are unfairly disadvantaged by those who profit. Furthermore, MacLeod explains that when political power is not equally distributed, those without power may find themselves living in a society that does not support their goals. Economic inequalities keep members of society from achieving equal quality of life. If a country boasts that all members of its society will be granted equal opportunity to live a good life, then it would be fair to expect that economic resources be distributed

equally, alongside equal access to legal protection, education, employment opportunity, and political power.

According to Starhawk (1990), an economy reveals its members' overall system of values, and it is often the case that the pursuit of profit overshadows the importance of interconnectedness and intrinsic value. She argues that economic justice is the answer to a wasteful, exploitative economy that fails to see the importance of interdependence and the value in all things.

This section's exploration of economic justice examined some of the ways that theorists view property, rights, and justice. It also looked at the ways societies can care for and view their individual members, regardless of the types of contributions these members have made to their collectives or the amount of property and wealth they have amassed. Food, shelter, and health care are several of the most basic needs that members of society require in order to live decent lives and contribute to society's overall ability to function. This discussion of economic justice helps to establish the social significance of affordable housing and important related economic justice issues.

Federal Role in Housing

The goal of equal access to decent affordable housing in the United States has been determined by the federal government. The Housing Act of 1949 established the federal goal of "a decent home and a suitable living environment for every American family" (42 U.S.C. 1471 et seq.), however this goal is still far from being met (Bratt, 2004). Bratt adds that there is not a single state in the United States that offers a minimum wage which would enable a household to pay no more than 30 percent of

income on housing, the percentage of income beyond which the federal government considers a household to be cost burdened. Some criticize that the federal government plays a major role in the current housing crisis, primarily because it is the most important source of funding and structure needed to address the nation's housing needs.

Some believe that the Housing Act of 1949 was framed in a way that unfairly favored homeownership over renting as the means for meeting the goal of decent housing for American families (Martinez, 2000). On the other hand, some argue that this was not necessarily a bad ambition, since it helped to democratize homeownership, opening up the possibility beyond society's elites. Historically, federal housing programs have not been aimed at assisting the poor. Bratt (2004) explains that the first federal housing programs of the 1930s were intended to boost the economy, provide jobs, and protect the banking industry. The federal government promised to produce housing, but the target beneficiaries were the struggling members of the middle class. According to von Hoffman (2000), conservative members of Congress were worried that public housing would compete with private housing. Von Hoffman adds that in addition to disapproval within the federal government, various business groups and associations believed that private business people should flourish in the free market, and that the government take-over of a portion of the housing industry was unfair competition.

For the most part, federal housing programs have been created by and for private builders (Bratt, 2004). Beginning in the 1930s, the federal public housing program's most fervent objectors worked within the private sector. According to Bratt, objectors feared that public housing would compete with market-rate housing. In order to prevent

such competition, public housing was constructed with the most basic amenities, often in inconvenient locations, and was designed to look different from private market housing. Bullard (1990) points out that controversy was widespread in the public housing program. He explains that the apprehensions of residents living near public housing, or NIMBY (Not In My Back Yard) groups, made it difficult to determine where to locate public housing. Furthermore, Bullard points out that the design of high-rise projects was severely flawed. The design was detrimental to its residents, fostering crime and deterioration which many believe are results of the architecture.

The Housing and Community Development Act of 1974, signed into law by President Ford, attempted to alleviate the problems of poorly designed, deteriorating public housing by shifting focus away from public housing units and offering housing allowances for low income families to obtain private housing (von Hoffman, 2000). This was made possible through Section 8 of the 1974 law. Section 8 provides rent subsidies that can be used for private housing, and the subsidies are transferable to new residences upon moving. According to von Hoffman, Section 8 has created many more low income units per year than the 1949 act. Listokin (1976) explains that the Section 8 housing subsidy program was intended to provide low income individuals with a variety of housing choices, and to break up the spatial concentration of publicly assisted residents. Furthermore, the 1974 Act created the Community Development Block Grant (CDBG), which is available to states, counties, cities, and local governments for many uses, such as blighted land acquisition, construction or acquisition of public facilities, housing rehabilitation, and many other housing and housing relocation actions.

According to Martinez (2000), homeownership, rather than renting, has its personal, economic, and societal advantages. For example, it allows for mortgage interest and real estate tax deductions, and becomes many Americans' primary source of wealth. Homeownership can enable perpetually disadvantaged households to acquire and increase wealth. If minority and low income families continue to lack equal access to homeownership in this country, then the inability to build up wealth in the form of homeownership will continue to be part of the perpetual wealth and racial inequalities that pass from one generation to the next. Greater homeownership opportunity grants individuals the ability to shape the racial integration of communities, to expand employment opportunities, and to improve the quality of education for one's children. According to Stegman (1991), homeownership fosters a mental sense of security. Furthermore, there may be a greater likelihood that homeowners will take better care of their homes than they would as renters. Stegman adds that homeowners also tend to be more active in their communities.

Although many have argued that the federal public housing program is a failure, it currently houses more than 1.3 million households who have few, if any, other options for housing (Bratt, 2004). According to Bratt, a portion of these units are in good shape, and reflect better design than older projects, in particular that they fit in better with their surrounding neighborhoods. In a more controversial sense, however, many affordable housing advocates point out that the federal government is unfairly partial toward homeownership, rather than rental housing. According to Bratt, the federal government spends approximately \$143 billion per year in housing subsidies, but less than 25 percent

of that amount goes to the poor and homeless. The rest goes to households earning more than \$50,000 per year in the form of homeowners' tax deductions. Quigley and Raphael (2004) state that from the beginning of the Urban Renewal Program in 1949, straight through to the 1970s, the minimum quality standards for housing increased, but housing stock decreased. According to Quigley and Raphael, redevelopment programs eliminated 600,000 low income units from the housing stock, but only added 250,000 new units, mostly tailored to middle and upper income households.

Federal housing policy is an important piece of any municipality's struggle to create affordable housing at the local level. Local governments utilize federal grants and funds set up for local affordable housing projects, and they must follow federal guidelines and regulations for using such funds. Furthermore, the history of federal housing policy offers a feel for the federal government's level of commitment to housing affordability and quality over time. It also outlines many of the hopes, mistakes, failures, and successes that set the tone for housing policy at both the national and local levels. The following section will place those topics into a larger context and examine the economics of zoning, land use and building regulations, and housing construction.

Part II: The Big Picture

Zoning and land use regulations affect the ways in which a community can build and create the affordable housing necessary to meet its needs. The topic of zoning, in particular, raises a variety of issues concerning community design, municipality budgeting, public services, and the exclusion of limited income individuals from communities. On the side of housing construction, there are many costs that go along

with land use and building regulations, which are inevitably passed on to housing consumers and renters, affecting housing affordability. This section will examine how zoning can benefit a community's overall health and design or function as a barrier to creating affordable housing opportunities.

The Economics of Zoning for Affordable Housing

Local land use controls such as zoning, growth management, subdivision regulations, and environmental restrictions can decrease the availability of land for housing, which increases the price of land and the price of housing (Rosen, 1984). In particular, these land use controls can decrease the ability to meet affordable housing demand. According to Rosen, land use controls are intended to benefit a community's health, safety, and welfare. Land use regulations manage growth and over-development of open space. Local governments can regulate and control the location, type, and amount of residential development through several means such as zoning ordinances, subdivision ordinances, building codes, and community land use plans. Since increased controls can be costly for the homebuilding industry, and this cost is passed on to the home buyer, the costs associated with land use regulation require some assessment in the case of the creation of affordable housing.

Zoning ordinances are implemented in order to ensure the organized development of a region, but they also present obstacles and negative consequences (Wedin, 1976). According to Wedin, zoning, in its most basic sense, is meant to appropriately combine community members' needs for jobs, housing, commercial services, and transportation. Zoning is also a means by which to minimize development of open space. It can be a

valuable tool for protecting open land, health, and the quality of life in a community. Zoning can protect or increase land value. Wedin adds that zoning is also used to help rural communities retain their rural surroundings, and it protects them from over-development and the high cost of building new infrastructure. At the same time, however, it can be used as a means to exclude outsiders, in many cases, those with low incomes, from attaining affordable housing (Burchell & Listokin, 1980). Critics of zoning argue that it has strayed from its original intention, and has instead been used to control the movement of people, rather than to manage land (Dahlman, 1982). This type of practice can produce many undesirable social consequences.

Economists have identified several land use control factors that affect affordable housing supply. According to Corey Cox Planning and Research Inc. (Corey Cox PRI) (2002), the first factor is that if growth controls do not set aside a sufficient amount of vacant land, then the cost of land rises. Second, shifting growth pressure to nearby communities raises housing demand in those communities. Third, focusing on existing housing stock, in order to meet housing demand, causes prices to rise. Lastly, improving the quality of life in a community increases demand for housing, and ultimately raises housing costs and excludes limited income households. In terms of larger economic and social justice issues, this points to some of the glaring economic class problems faced in the United States.

Exclusionary Zoning

Zoning ordinances spell out exactly what type of housing is permissible. In some communities, this means single-family detached housing and little chance for anything

different. Zoning ordinances can be structured to eliminate the possibility of multifamily housing. Some zoning ordinances have banned the construction of second units in single-family zones, and have banned or limited mobile homes, manufactured homes, and duplexes (Nelson, Pendall, Dawkins, & Knaap, 2004). All of these housing options, however, would decrease housing costs for limited income households. Unfortunately, the communities with the most available land or ability to provide for multifamily housing are frequently the ones that exclude it (Burchell & Listokin, 1980). Furthermore, the exclusionary practices of one community force externalities on neighboring communities (Dahlman, 1982). Those who are denied entry to one community move to their second or third choice community, which impacts those communities' tax rates, crowding, and community character. In addition, Dahlman points out that the receiving communities may eventually use zoning to impose entrance restrictions of their own.

Exclusionary zoning is an activity that uses land use controls and regulations to reduce the availability of low-cost housing (Burchell & Listokin, 1980). Examples of exclusionary zoning include minimum lot size and minimum building size requirements, rigid and expensive subdivision regulations, certain growth control measures, environmental controls, and complicated permitting procedures. These and various other limitations can make it very difficult and expensive to construct multifamily housing for low and moderate income groups.

For example, if there is a shortage of small building lots in a community, because undeveloped land is mainly zoned for large lots, then the price of small lots rises dramatically, excluding individuals looking for modest sized affordable housing. This

exclusion affects both middle income and low income professionals who contribute with equal importance to the overall functioning of a community. Some communities are unable to provide housing for a significant segment of their essential workforce. The rise in cost of the land itself excludes groups of people from the market (“The Attack,” 1976).

Dahlman (1982) discusses zoning as a tool that local governments can use in the name of the community’s health, safety, and welfare. However, it can very easily be used to deny landowners the right to use their land the best way they see fit, even if it promotes the general welfare. According to Dahlman, municipalities can zone large amounts of land for industrial use, knowing that it will never be used for that purpose. Zoning has been used to keep tax rates down, exclude undesirable entrants, and push the costs of taking in new residents on other communities. In the well known case Southern Burlington County NAACP v. Township of Mount Laurel (1975), the court made a decision on the legality of exclusionary zoning based on economic factors. According to Dahlman, the New Jersey Supreme Court pointed out that the legislative power to zone belongs to the State. Furthermore, the exclusionary zoning practices of one municipality negatively affect parts of the state outside of the municipality’s borders, thus negatively impacting the general welfare of the people of the State. Exclusionary zoning was struck down for instances in which it emits significant externalities, in which case the courts can pronounce local zoning law invalid. In the end, a portion of Mount Laurel’s zoning ordinance was declared invalid.

Fiscal Zoning

Fiscal zoning involves balancing local tax revenues with the municipal costs associated with different types of development, whether housing or commercial (Wexler & Peck, 1975). Local governments often opt for types of development that minimize costs to the municipality. In short, a municipality can alter its zoning policies according to its tax and expenditure factors. According to Wexler and Peck, the weakness of doing so is that it impedes the most efficient use of land and the geographic distribution of housing. According to Quigley and Raphael (2004), fiscal zoning reduces the amount of land available for housing, limits the housing supply, and therefore increases housing prices inside and outside of the municipality. Dahlman (1982) points out that some economists justify fiscal zoning by advocating that land use controls imposed on new residents help to manage a community's growth. Local communities have a variety of means by which they can limit entry to new residents or ensure that new residents pay for their impact on the community's services.

One reason for fiscal zoning is that expensive homes occupied by upper income residents are viewed as putting less pressure on community services and the rate of municipal spending than moderate and low-cost homes (Linowes & Allensworth, 1975). For instance, zoning for large lots can be done for tax reasons, since it helps a municipality to maintain a balance between revenue from property taxes and expenses for schools and other public services that support the local population. High-density zoning, on the other hand, would increase the amount of people that the community must support with public services. According to Linowes and Allensworth, local governments bring in

a large portion of their revenues from property taxes, thus property values are an important economic factor in managing a municipality. Unfortunately, this mode of thinking discriminates against those who cannot afford to own or rent valuable property. It can also ignore the importance of providing affordable housing to moderate and low income members of a community, including senior and young households.

Linowes and Allensworth (1975) further explain that high-density residential development invites more new residents to a community than single-family housing development, and may also require expansion of infrastructure and public services in order to support the population increase. Therefore, limits on population density are set via minimum lot size requirements and by restricting the number of families per acre. Linowes and Allensworth posit that high lot size minimums encourage expensive housing, which ensures a higher tax assessment base and more money for the community to maintain itself than smaller lots and less expensive homes. Smaller lots lead to a smaller tax assessment base, and lower tax revenue.

Fiscal zoning is criticized for excluding multifamily housing units and low to middle income housing (Rosen, 1984). Rosen explains that there are many who argue that fiscal zoning is used specifically to maintain segregation by keeping the housing costs within a particular community high enough to exclude those who cannot pay. Since an individual's economic class may be related to that individual's need for a particular style of housing, fiscal zoning can be utilized for income segregation (Fischel, 1985). Some argue that fiscal zoning has outright racist and classist motives. The National Association for the Advancement of Colored People (NAACP) charged several

communities around the nation for using local land use controls to keep people of color and the poor out of particular neighborhoods (Linowes & Allensworth, 1975).

Dahlman (1982) includes both fiscal zoning and what he calls socio-cultural zoning in his examples of exclusionary zoning. He defines socio-cultural zoning as the application of land use controls for maintaining a community's ethnic, racial, or economic purity. Those who practice socio-cultural zoning justify it on the premise that certain new residents will impose an externality on existing residents. Denying entry to communities based on race or ethnicity violates the U.S. Constitution, however it is legal to restrict entry based on income level. Dahlman explains that the Supreme Court has given local communities the right to shield themselves from expenditure externalities that could potentially be produced by new residents at the lower end of the income earning scale. Dahlman points out that alternative living styles have also been subject to socio-cultural zoning. For example, courts have decided that members of a commune, who may consider themselves one non-traditional family, can legally be excluded from a single-family housing zone. Local communities have the right to exclude people who do not fit within the cultural boundaries defined by traditional family values.

According to Corey Cox PRI (2002), local governments often frown upon regional collaboration, such as regional revenue sharing and "fair share housing" allocations, because it decreases local autonomy. Regional revenue sharing can improve the jobs-housing balance by collecting a share of commercial tax revenues at the regional level, and redistributing the funds according to where the workforce resides. Communities that generate a large amount of taxes from commercial uses would

compensate the communities that house their workforce. According to Corey Cox PRI, Minneapolis and St. Paul pool 30 percent of their municipal revenues in order to redistribute them based on the jobs to population ratio. Regional revenue sharing can also have the effect of swaying communities to stop zoning out housing that generates low revenues for the municipalities.

Inclusionary Zoning

Increases in housing costs prompted California legislation that could mandate local municipalities to provide an adequate supply of affordable housing through assistance to private sector developers (Schwartz, Johnston, & Burtraw, 1981). In order to increase the stock of affordable housing units, inclusionary programs offer developers incentives to build low and moderate cost housing for sale and rental that would otherwise be unavailable in the marketplace. According to Schwartz et al., mandatory inclusionary programs can require a minimum proportion of low and moderate cost housing to be incorporated into new construction projects in order to receive development authorization. The viability of inclusionary programs depends on the level of commitment from local governments, the minimization of builders' loss of profits, and flexibility in the number and location of the necessary housing units.

Inclusionary programs for homeowners typically require that affordable housing units remain affordable for a specific length of time, in order to protect the units from resale at market-rate prices (Porter, 2004). This helps to protect the affordable housing stock from diminishing. The length of protection time can vary from none to permanent. According to Porter, it is common that the length of protection time spans between ten

and thirty years. Porter further explains that ownership contracts for affordable housing units will commonly stipulate that an increase in selling price will be shared by the homeowner and the agency managing the affordable housing program. The agency may also reserve the right to first refusal for purchasing a unit up for resale, and if it chooses not to buy, its share of the sale would go into a housing trust fund to be used for future construction or purchase of affordable units.

Housing trust funds are set up for the purpose of helping low and moderate income households obtain affordable housing (Corey Cox PRI, 2002). Some of the sources of housing trust funds include linkage payments, tax increment financing, endowments, grants, surplus funds from the refinancing of municipal bond issues, taxes, and fees. Linkage fee ordinances call for developers of commercial, office, and industrial uses to either build housing or pay an in-lieu fee into an affordable housing trust fund. Tax increment financing (TIF) uses the tax on increases to a site's value for local government redevelopment activities, such as affordable housing and the improvement of run-down areas. According to Corey Cox PRI, the state of California requires 20 percent of TIF revenues to be used for low and very low income housing.

Ellickson (1982) hypothesizes that inclusionary programs are not fit to be called inclusionary, considering that they tax the construction of new housing, which often increases housing prices and restricts housing prospects for moderate and low income families. He argues that inclusionary programs worsen the affordable housing crisis, and are instead one more type of exclusion. He explains this view through the process by which housing filters down to low and moderate income households. New homes tend to

be occupied by upper income households, while older homes, over a long period of time, filter down to moderate and low income households. Through a slow trickle down process, the construction of new housing frees up older moderately priced housing for moderate and low income families, opening up opportunities for improved housing conditions. The point is that newly constructed, moderately priced housing is not necessarily the solution to increasing affordable housing stock for moderate and low income households, because a large amount of moderately priced housing is produced through the filtering process. Furthermore, Ellickson points out that it is common for those who manage inclusionary housing units to lean toward serving the upper segment of the eligible moderate and low income population, in order to appease neighbors in market-rate units. In other words, inclusionary zoning has tended to benefit the middle class more than the low income population.

Authors of a San Jose State University study of inclusionary zoning in the San Francisco Bay Area (Powell & Stringham, 2003) concluded that inclusionary zoning ordinances hurt affordable housing more than they help. In the San Francisco Bay Area, it was estimated that builders must give up approximately \$345,000 in revenue on each below-market unit, and sometimes more than \$500,000 (Powell, 2004). Most housing developers operate under the stress of attaining a certain rate of return on their projects, and if the projected loss on an affordable housing project prevents a developer from meeting the required rate of return, then it is quite possible that a developer would refuse to do a project (Fiscelli, 2005).

Put simply, inclusionary zoning can function as a tax on builders, which could result in fewer homes being built, and a need to heavily mark up the prices of market-rate units (Powell, 2004). Since the cost of building affordable units is spread out across a builder's market-rate units, all other homes become less affordable. Powell explains that in the median San Francisco Bay Area city, inclusionary zoning essentially puts a \$44,000 tax on each new market-rate unit, and in some cities it adds more than \$100,000 to the cost of housing units. Furthermore, in the 45 San Francisco Bay Area municipalities that implemented inclusionary zoning between 1973 and 2001, new housing construction decreased by approximately 31 percent the year following the passing of the ordinance. According to Powell, similar results were revealed over longer periods. For example, in 33 cities, 10,662 total fewer homes were produced in the seven years following the adoption of inclusionary zoning than in the seven years prior.

Powell and Stringham's (2003) study concluded that inclusionary zoning is unsuccessful in producing adequate numbers of affordable housing units. The authors further argue that the increased number of price-controlled affordable homes in the San Francisco Bay Area was overshadowed by the decrease in housing production that followed inclusionary zoning. They contend that while the purpose of inclusionary zoning is to promote affordable housing production, it actually produces the opposite effect. In their opinion, inclusionary zoning merely functions as a municipality's symbolic statement of caring about housing affordability. They consider price controls, such as below market pricing and restricted resale value, to be an ineffective way of producing affordable housing. In addition, Lucetta Dunn (2005), director of California's

Department of Housing and Community Development (HCD), cautioned local governments working on their housing elements to question whether mandatory inclusionary policies will act as governmental limitations on housing production. Dunn explains that local governments must consider whether inclusionary zoning will shift the cost of subsidizing the affordable units onto the buyers of market-rate homes. This is important because it puts housing out of reach to limited income buyers that earn too much to qualify for government aid.

The economic effects of inclusionary zoning depend on who is left with the cost of developing affordable housing. In a highly desirable community, for instance, private developers could pass the cost forward by raising the price of market-rate housing in order to subsidize the cost of developing low-cost housing (Mallach, 1984).

Paradoxically, increasing the price of market-rate housing perpetuates exclusionary practices. For cases in which raising the price of market-rate housing is not feasible, developers may have to absorb the cost of developing affordable housing, possibly out of profits (Porter, 2004). Alternatively, the costs could be passed backward to the landowner, to whom less money would be offered for the land (Mallach, 1984).

According to Mallach, the marketplace limits the extent to which a developer is able to subsidize affordable housing. It also limits the degree to which a developer is able to pass that subsidy forward to buyers of market-rate housing or backward to the original landowners. There is a maximum subsidy cost at which a project becomes economically unfeasible or unprofitable. Some developers may opt out of a particular project if this is the case.

As a result, it has become necessary for inclusionary zoning programs to offer incentives to developers to make up for this cost. Porter (2004) explains that some ordinances offer incentives in the form of density bonuses, fee reductions or waivers, reductions in code standards for subsidized units, waivers of growth limits, and expedited approval processes. These all help to reduce development costs so developers can afford to and actually find it worth their while to construct affordable housing. According to Porter, inclusionary programs can be mandatory or voluntary, depending on how much affordable housing a community needs, and on how politically enthusiastic the municipality is about promoting affordable housing. Some localities that offer development fee exemptions expressly state that fees will not be waived unless the cost is paid by an alternative source of funds, such as a housing trust fund (Corey Cox PRI, 2002). One of the criticisms of the density bonus is that it uses regulation to counterbalance existing problematic regulation, such as zoning that previously imposed artificial density restrictions (Fiscelli, 2005).

Some developers choose to construct affordable housing on less expensive sites outside of a new development, or instead of constructing affordable housing at all, pay an in-lieu fee into a trust fund that can be used by public or non-profit groups to construct affordable housing (Porter, 2004). Several reasons for selecting either of these two options include that there are uncertainties about the market effects of mixing low and high income residents, and that developing costs can be cut drastically by moving production off-site. Porter points out that off-site construction defeats the purpose of distributing affordable housing throughout a community and increasing its housing

diversity. In addition, paying in-lieu fees passes the responsibility of affordable housing construction from the private sector to the public or non-profit sector, which may slow down construction. Nonetheless, these options are necessary in cases where land is scarce or unable to be developed.

Subdivision Development Expenses

There are many factors that make housing development expensive, one of which is subdivision regulation. Subdivision regulations are imposed in order to protect an existing community from the burden of costs for a new development (Fischel, 1985). Fischel explains that when building a new development, the developer must install and finance new sewers, water mains, utility lines, recreation areas, sidewalks, and roads. The developer may also have to assist the community in providing land for additional schools and parks, if necessary. To whom should the developer then pass on these costs? Fischel posits that if costs are absorbed by the new residents, while the rest of the community's infrastructure is, perhaps, already financed through municipal bonds paid off through local property taxes, then the new residents will essentially be paying for their new infrastructure in addition to paying for the infrastructure of the rest of the community.

In the event that a new subdivision's infrastructure costs are spread out over the whole community, for instance, in the form of higher utility prices, longtime residents may feel that they are unfairly subsidizing new development (Fischel, 1985). However, it would be unfair to charge new residents a higher price per unit of water than longtime residents. Therefore, Fischel posits that an efficient way to handle new infrastructure

costs is for the developer to pay the community a subdivision exaction, which is a fee for the costs of expanding the community. This still leaves the question of who ultimately pays for the subdivision exaction: the developer, new residents, or a combination of both?

There is a great deal involved, both politically and economically, in attempting to create affordable housing in a community. Zoning ordinances can be developed and implemented in a way that either opens the door to a more diverse array of housing for different affordability levels, or frames the land and housing market in such a way that those who cannot afford to compete are excluded. Zoning and land use ordinances add significant costs to the affordable housing development process. Whether one is a professional developer, or simply a landowner looking to add a housing unit, it can be difficult, expensive, and sometimes unprofitable to rezone land and pay all the fees required in the development and construction processes. It is an even greater challenge if the units are intended to be affordable to moderate and low income residents. Developers and individuals who aide in the creation of affordable housing must have some means by which to diffuse a portion of their costs so that the end price of a home can actually be affordable to middle or low income buyers and renters.

Zoning Critics

Dahlman (1982) contends that there is no good theoretical or social reason for the use of zoning. He believes that any positive results of zoning can be achieved by some other means, and that there is not enough energy focused on the exploration of alternatives. State legislatures grant local governments the power to zone, in the hope that local governments will act in the public's best interest. Dahlman explains that in the

mid 1920s, the U.S. Department of Commerce put together the Standard State Zoning Enabling Act, which laid out the zoning powers granted to local jurisdictions, for example regulating height, setback, and lot size, dividing a municipality into zones or districts with specific uses allowed in each zone, and regulation of all construction in the zones. The Act further stated that the purpose of these powers over land use is to advance the health, safety and welfare of the community, which Dahlman considers to be too easy a justification for government to do as it pleases in the name of the general welfare. He also posits that by taking control of zoning, the government, by fiat, took away a practice that had traditionally been achieved between the private market and the courts.

It has been left to local governments to determine which interests are important to the general welfare of its people. Dahlman (1982) points out that some local governments can be biased in making these choices. According to Dahlman, an example of a narrow interpretation of the community's general welfare can be seen in the way that a neighborhood's present interests exclude those of potential future residents. Dahlman explains that zoning has the potential to restrict the amount of land that can be used to house people who cannot afford a typical single-family home in a particular neighborhood. This limits the housing supply for limited income households, and restricts the amount of land that could be used for multifamily and other types of affordable housing. A lack of supply often drives up the cost of the existing affordable housing stock available to limited-income residents. The power to zone has effectively increased local government control over the distribution of resources and wealth. This

can be seen in exclusionary zoning practices that exclude particular groups of people, rather than particular land uses.

In some regions, there is little effort to change zoning laws because special interest groups prefer to keep them intact in order to benefit from something Karlin (1982) refers to as the “growth industry.” For example, members of the law profession benefit from practicing and teaching housing and land-use areas of law. Large developers benefit because increasing costs in the building industry, such as permitting and regulation, can debilitate small developers and reduce competition. Local, state, and federal employees benefit because they earn a living off of writing, implementing, and enforcing zoning and land use regulations. Lastly, Karlin states that some benefit from the ability to use zoning to alter the market and make property more valuable for owners.

Harvey Molotch (1976) has written extensively on “growth machine” theory, and argues that land use in most cities is heavily influenced by a small, insular group of elites with business interests linked to local development and growth. According to Molotch, these groups can shape governments and cities in ways that promote growth and profit. The rewards garnered by this group of “growth machine” elites are dependent on the growth of a large area. Molotch explains that one of the problems with development fueled by a “growth machine” is that it benefits only a small group of local residents, leaving the rest of the population to bear the externalities. For example, a high rate of development and growth can negatively affect the local environment by increasing air and water pollution, straining local natural resources, increasing traffic, and raising housing prices. In dealing with the larger public, elites of the “growth machine”

commonly develop rhetoric to shift focus away from their profits and onto the promise that growth creates jobs and income for the rest of the community. However, Molotch posits that it is more common for rapid growth to be associated with higher unemployment rates. It can also increase the cost of living. In terms of land use, he envisions the fall of the “growth machine” as a point when local governments can determine appropriate capacities for communities without the influence of business interests.

According to Molotch (1988), property moguls often utilize governments and other public organizations in ways that help them increase the rate of return on their investments. Property entrepreneurs profit not only by developing the properties that they own, but also from the growth of economic activity on others’ properties. Molotch explains that in a “growth machine,” elites profit, in one form or another, from increased economic activity in general. Properties with high levels of economic activity command high rents and sale prices. Thus, land use regulations are of particular interest to those who will profit. Molotch further explains that real estate investors stand at the center of the growth machine elite, benefiting from drawing an increasing number of people and jobs to an area. Furthermore, a wide array of people other than real estate investors and developers benefit from the “growth machine,” such as those offering services that rely on the “growth machine” itself. According to Molotch, political figures are essential to the “growth machine,” because elites depend on governments to promote certain land uses and facilitate the distribution and movement of people, goods, and services in a

community. Furthermore, political campaigns, even at the local level, are overwhelmingly funded by the “growth machine” sector.

In conclusion, zoning can be used both as a tool intended to benefit communities through organized planning, and as a means to limit the creation and preservation of affordable housing in a community. Zoning and land use regulations shape a community’s character, design, and growth, the outcome of which depends on the intentions behind them. In the case of affordable housing, the intentions behind zoning and land use regulations can affect the extent to which a community is able to accommodate the full spectrum of its income earners. The following section will examine the current housing picture for the United States and will set the stage for how Humboldt County fits into that picture.

Part III: The Current National Housing Picture

Focusing on the national housing picture, it is evident that lack of affordable housing is both a local and a national issue. Many of the housing affordability problems affecting Humboldt County residents can be seen in all types of communities across the country, although prices have increased the most in California. The lowest income earners are at the biggest disadvantage in today’s rental market. Income levels and wages, across the nation, fall short of what is necessary in order to cover housing costs without spending more than 30 percent of household income on housing costs.

In many regions of the United States, home prices have increased much faster than household incomes (Joint Center for Housing Studies of Harvard University [JCHSHU], 2004). Homeownership has continued to be attainable for many households

due to interest rates that are at 45-year lows, which also keeps housing markets booming. According to a report by JCHSHU, existing homeowners have seen rapid home price appreciation, which has boosted household wealth and increased the amount of home equity borrowing. The median sale price of a single-family home is at an all-time high, and changes in the finance industry, such as mortgage industry consolidation, a broader mortgage funding market, automation, loan loss alleviation tools, and a wide array of mortgage loan terms and repayment options have helped to keep home buyers in the market.

According to JCHSHU (2004), one of the benefits of lower interest rates is that after-tax mortgage payments decreased for buyers of median-priced homes from 2002 to 2003. Mortgage industry consolidation has increased lending efficiency on one hand, but on the other hand, has changed the relationships between community-based organizations and local lenders. During the 1980s and 1990s, banks were under regulatory pressure to work with local community organizations in order to better serve economically challenged households. After mortgage industry consolidation, community organizations were forced to develop relationships with much larger banks and institutions than before, in order to continue serving economically challenged households. The JCHSHU report further states that across the nation, the rate of residential construction continues to increase, and is expected to speed up even faster in the next decade.

Nationally, home prices were up 5.9 percent from 2002 to 2003, with the highest price increases occurring on the west coast, at an average of 10.6 percent (JCHSHU, 2004). Fifteen metropolitan areas in California experienced double digit increases,

making housing affordability an extremely pressing issue. According to the JCHSHU report, home prices affect buyers in several different ways: buyers must come up with larger down payments, search for less expensive homes, or borrow more money. Low interest rates have eased some of these affordability concerns by enabling buyers to borrow more money with less effect on monthly payments. The rapid rate of home price appreciation has caused some areas of the country to worry that price bubbles are forming. A rapid decline in the price of homes is unlikely without intense job losses, and if that should happen, houses would flood the market at a time when many are unable to buy. However, home prices are increasing even in regions that have experienced concentrated job losses. California is presently one of the seven states that are most vulnerable to home payment difficulties from rising interest rates.

Quigley and Raphael (2004) found that in the past several years, housing has not become less affordable for the two-thirds of United States households that own homes. For the remaining third of U.S. households that rent, the portion of income that median renters spent on housing has increased only slightly. The largest increases in cost burden have been borne by low income renters. To put the past few decades in perspective, in the 1970s, median renters spent 20 percent of income on rent, and the median poor renter, defined by Quigley and Raphael as being in the bottom 12 percent of households, spent 57 percent of income on rent. In the 1980s median renters spent 25 percent, and median poor renters spent 63 percent. In both 1990 and 2000, median renters spent 26 percent, and median poor renters spent 63 percent and 64 percent, respectively. Quigley and

Raphael add that the number of rental units affordable to median renters shrunk significantly over the decades.

Cost Burdened Households

Women and minorities face particularly high burdens in today's housing market. According to the JCHSHU (2004) report, unmarried women head a much larger share of households than ever before, and married women are contributing more to their households' income than they have in the past. Minorities and women still make up a large proportion of the lowest income earners. Unmarried women have more difficulty paying for housing than unmarried men, due to a sizeable income gap, and minorities still earn less than whites of comparable age and education. Out of all the women in the housing market today, the country's eight million single mothers are at the greatest disadvantage. Of these eight million single mothers, one-quarter spend more than half of their incomes on housing, compared to one-tenth of households headed by single fathers.

The nation faces numerous housing challenges related to cost burden. Almost one-third of all households spend 30 percent or more of their incomes on housing, and 13 percent spend 50 percent or more (JCHSHU, 2004). According to the JCHSHU report, in 2001, 95 million Americans were cost burdened or living in crowded or inadequate conditions. In addition, one in 50 households lives in substandard conditions, crowding has increased, and approximately 2.5 to 3.5 million people are homeless at some point in a given year. In the United States, more than twice as many people have housing affordability problems than lack health insurance. Half of the lowest income households spend at least 50 percent of their incomes on housing, with little left to spare for food and

healthcare. Most low wage jobs do not provide sufficient income for a household to afford (at 30 percent of income) a one-bedroom rental anywhere in the United States. Making matters worse, restrictive regulations and community opposition to increased density development impede the ability to replace or add affordable units to a community's housing stock.

Cost burdened households that own their homes are at high risk for home foreclosure. According to JCHSHU (2004), by 2001, two million borrowers in the middle two income quartiles spent at least half of their incomes on housing, and that number is most likely higher today. Low income borrowers are not likely to have substantial savings and are ill-equipped to deal with job loss or unexpected expenses. As a result, programs have been created to allow borrowers to miss payments in exchange for a fee or increased interest rate.

According to Quigley and Raphael (2004), several of the factors that can explain rent increases include increases in the quality of housing, the increasing price of upgrading the quality of units, land use regulations that limit the low income housing stock, and increased demand for housing. Quigley and Raphael explain that in the 1960s, the percentage of rentals that were affordable at 30 percent of income was steady. In the 1970s, it fell 14 percentage points. Rent increases explain 8 of these 14 percentage points, while decreases in renters' median incomes account for the other 6 percentage points. Some of the decline in renters' median incomes is related to the movement of wealthier renters into homeownership. In the 1980s, the percentage of rentals affordable at 30 percent of income fell another 7 points, and became stable again in the 1990s.

During these two decades, Quigley and Raphael explain that decreased affordability was related to movement in the rental market toward more expensive units. For the poorest households, the biggest dip in affordability took place in the 1980s and 1990s. Declines in income accounted only somewhat for decreasing affordability in the 1980s, and increased rents almost entirely accounted for decreased affordability in the 1990s. Overall, rent increases have accounted for most of the decreases in affordability, rather than decreases in incomes.

The National Rental Market

The national median percentage of income that renters spend on housing is 29 percent, the highest it has been since 1994 (JCHSHU, 2004). Over the past decade, the rental market has tightened in many parts of the country, which decreases affordability. According to JCHSHU, most of the newly constructed rental units in the past decade have done more to balance out the number of units lost, rather than increasing the total rental housing stock. In addition, the rental housing stock has edged toward high-end rentals, since newer units boast more amenities than the ones they replace. In the past decade, new rental construction has been concentrated in the top 20 percent of the rent distribution. Approximately 40 percent of newly constructed rentals fall appropriately in the middle-market, which serves low and moderate income working families. The problem lies in the bottom 40 percent of the rental market, for which new construction is limited by the amount of government subsidies offered in order to make the construction of this housing feasible. The JCHSHU report states that in the past ten years, the median income of renters has decreased and, in 2003 alone, rents climbed in more markets than

they fell. Four hundred thousand new low income renters entered the market, and ten percent of upper income renters moved into homeownership.

Across the nation, the low-cost housing stock is decreasing due to physical decline and gentrification (JCHSHU, 2004). Government programs such as the Low Income Housing Tax Credit (LIHTC) program, Housing Bonds, the HOME Investment Partnership program (HOME), Community Development Block Grants (CDBG), and the USDA Rural Housing Service all play a part in helping to preserve affordable housing stock and creating additional units. According to the JCHSHU report, it is commonly more expensive to replace affordable housing units than it is for community organizations to purchase and maintain those that already exist. Many factors account for the shrinking of affordable housing stock. Contracts for subsidized rentals expire, and the high exit tax on selling affordable housing deters owners from selling to community organizations at a price that is affordable to these groups. When it comes to creating new affordable units, state and local government regulations and fees raise the cost of construction, which reduces affordability.

The LIHTC program provides tax credits to developers or investors who build rental housing that includes low income rentals (Fiscelli, 2005). For example, a developer or investor can receive a tax credit of between ten percent and 20 percent for setting aside a certain percentage of rental units for moderate and low income households. Moderate and low income households are considered to be those earning 30 to 120 percent of the area median income. A household's rent is then determined

according to income. Fiscelli adds that the rent in these units cannot exceed 30 percent of a household's gross income.

Over the past 40 years, major improvements have been made to the quality of both rental housing and owner-occupied units in the United States (Quigley & Raphael, 2004). These improvements help to explain the increase in prices of housing units. According to Quigley and Raphael, 40 years ago, 40 percent of the poorest renter households lacked plumbing, and this number has dropped to almost zero today. In addition, today almost all rentals have complete kitchens. Over the past 40 years, the size of rental units occupied by the poorest households has increased, with increases to the number of bedrooms. Between 1975 and 1997, the number of rental units considered either overcrowded or inadequate, due to defective plumbing, electricity, heating, or physical elements, decreased substantially. Quigley and Raphael explain that the greatest number of improvements was made to the units occupied by the poorest renters. All of the above increases in quality are also true for owner-occupied units.

The Effect of Government Building Restrictions

Government restrictions explain some of the improvements to the quality of rental units (Quigley & Raphael, 2004). For instance, habitation standards require builders to include basic amenities and minimum standards. These standards can be implemented through zoning ordinances which reduce density, set minimum building and lot size requirements, and impose various limitations which increase the minimum quality standards of new units. Quigley and Raphael explain that quality improvements to housing units, through zoning ordinances and urban renewal, can increase the cost of

housing beyond what low income households are able to spend. Thus, the increased housing costs which result from quality improvements can in fact put low income households in worse situations, since they will be priced out of the market, and put at higher risk of becoming homeless. According to Quigley and Raphael, some argue that the use of these tactics to remove low quality rentals from the market may have been a direct cause for the rise in homelessness in the 1980s.

Some economists have pointed out that housing units go through a filtering cycle, or a quality hierarchy. Through this cycle, the total rental stock is shaped by new construction at various income levels, the rate at which units filter down through the quality hierarchy, and the rate at which rental units are removed from the housing stock, due to either deterioration or transfer to a different use (Quigley & Raphael, 2004). The construction of new high-end units is generally more profitable than the construction of new housing with minimum quality standards. According to Quigley and Raphael, the cycling process is critical for low income rental units, because the supply of affordable housing is dependent on new construction at all levels, not just newly constructed housing that is considered to be affordable. Affordable housing filters down to moderate and low income households as upper income households move up to more expensive or newly constructed housing. Thus, if a city restricts any type of housing construction, then it reduces the future availability of affordable housing, in addition to reducing the availability of all types of housing.

The Income Problem

The U.S. economy creates millions of low wage jobs that do not offer enough income for workers to afford the simplest housing. According to a report by JCHSHU (2004), the 2000 Census stated that 128 million workers earned at least the federal minimum wage of \$5.15 per hour. Thirty-two percent of these workers earned one to two times the minimum wage, or between \$5.15 and \$10.30 per hour. Twenty-six percent earned two to three times the minimum wage, or \$10.30 to \$15.45 an hour. The JCHSHU report states that many of these workers can only obtain part-time work because their employers do not want to provide benefits. Twenty-five percent of workers earning one to two times the minimum wage are part-time workers, and 12.5 percent of workers earning two to three times the minimum wage are part-time workers. In many households, the family depends on the income of one poorly paid worker. In 2000, nearly seven million households relied on one full-time worker earning roughly between \$9,000 and \$18,000 per year, or one to two times the minimum wage. Of these, 22 percent spent at least half of their incomes on housing.

Among households whose housing expenses were in the bottom 20 percent, or a monthly average of \$600, those spending less than 20 percent of income on housing spent 50 percent more on food and 144 percent more on healthcare than households spending at least 50 percent of income on housing (JCHSHU, 2004). The picture looks much different for middle class households, whose basic needs are not necessarily at risk if they were to increase the share of earnings put toward housing. Instead, these households are likely to put less money into savings or investments. According to the JCHSHU report, a

very large proportion of the lowest income households receive no housing assistance. Three-fourths of those who are eligible, receive no support. There is constant pressure to cut rental assistance and housing revitalization programs, and at the same time the economy creates an ever increasing number of low wage jobs.

Ehrenreich (2001) posits that low wage workers are destined to lose to the wealthy when competing for housing on the open market. According to Ehrenreich, the wealthy can outbid the poor, buy up the housing units rented by the poor, and tear down those units to make way for more expensive structures. As the wealthy increase their presence, a growing proportion of the poor are forced to pay a higher percentage of household income toward housing, live in rundown housing, or live farther from the workplace.

Ehrenreich (2001) adds that when the market fails to provide access to a crucial basic need or commodity such as health care, many look to government programs for assistance. However, Ehrenreich argues that the public sector's effort to alleviate housing affordability problems for low income renters has been particularly weak. For instance, government has decreased its spending on public housing since the 1980s and ceased the expansion of public rental subsidies in the 1990s. In contrast, housing subsidies for homeowners, who tend to be more prosperous than renters, have been generous. As a homeowner, Ehrenreich explains that the amount of money she receives each year as a housing subsidy, in the form of a mortgage-interest deduction, would enable a low income family to greatly improve its living circumstances and quality of life.

Fiscelli (2005) argues that rental subsidies, as a policy response, do not address the problem of lack of affordable housing units. He explains that one of the flaws is that renters and homeowners, who earn just a little too much to qualify for subsidies, are essentially penalized when the subsidy lost is greater than the income gained. Ironically, some households would be worse off if their incomes rose. According to Fiscelli, this results in households moving down the housing ladder as their incomes rise, rather than moving up. The subsidy has the potential to tempt households to limit their incomes and restrict their own earning potential.

Policy Options

Some policy options have been proposed in order to alleviate communities' lack of affordable housing. Some options are only relevant in specific locations, and others may be generalized to a number of locations in the country that have identified similar obstacles. Fiscelli (2005) offers five policy options for alleviating affordable housing crises. The first is to amend land use regulations and growth controls in order to enable developers to meet demand more quickly. According to Fiscelli, land use controls contribute to the rising cost of housing, as do architectural review and design preferences. NIMBY resistance also plays a role, since government representatives may be likely to acknowledge public opposition and refuse certain projects. By removing the barriers to increasing supply, tight housing markets could potentially become easier markets for limited income households to enter. The second policy option proposed by Fiscelli is to increase the salaries of civil servants in areas where incomes do not reflect the high cost of housing. The reasoning behind this policy suggestion is that areas with high housing

costs may have difficulty retaining the vital workforce of teachers, police, firefighters and others who cannot afford to live in the communities they serve.

Fiscelli's (2005) third policy option is to promote the use of creative financing options, and one such option is the location efficient mortgage (LEM). According to the Institute for Location Efficiency (n.d.), the LEM is designed for people who live in areas where they can walk to schools, stores, work, and public transportation, thus reducing or eliminating dependency on the automobile. Households that reduce or eliminate the need for an automobile end up saving money. LEM lenders count this savings as income that can go toward households' buying power and mortgages. As a result, a larger proportion of a household's monthly income is permitted to go toward monthly mortgage payments than is allowed by traditional mortgages. In order to qualify for LEMs, borrowers must live in areas that their lenders consider "efficient." The Institute for Location Efficiency explains that location efficiency is a measure of the transportation money a household will save by living in a transportation efficient neighborhood, which is based on the community's population and the level of public transportation services available. In addition to increasing a household's buying power, the benefits of LEMs are the increased use of public transportation, increased support of local businesses and local activities, the reduction of energy consumption, and improved air quality. According to Fiscelli (2005), Fannie Mae has sponsored test runs of LEM products, which are currently offered in Chicago, Seattle, the San Francisco Bay Area, and Los Angeles, but are not available beyond those cities yet. According to Fannie Mae, high-cost metropolitan areas tend to be the most location efficient.

The fourth policy option suggested by Fiscelli (2005) is to offer assistance to grassroots and volunteer organizations devoted to affordable housing construction. In addition, local governments can assist these types of organizations by providing land and infrastructure for construction, which in turn helps reduce the cost of the homes.

Fiscelli's fifth, and final policy option, is for local governments to use flexible housing vouchers for households that are eligible for the Earned Income Tax Credit (EITC). By focusing on the EITC population, vouchers would benefit the appropriate population and preserve the incentive to work, since this incentive is already built into the EITC. The vouchers could be offered on a sliding scale for rental or mortgage payments. By executing such a program locally, each community can adjust itself to local needs.

Fiscelli argues that it is extremely important to address the issues of housing affordability and availability at the local level, since these issues differ across various markets and communities, and wide ranging statewide or national policies can be unsuccessful.

Rural Communities

This project focuses on affordable housing issues specific to Humboldt County, a rural county transitioning and diversifying from its natural resource-based economy, like many other rural communities in the United States. Furthermore, it shares with many other rural communities a recent history of rising land and home prices that local incomes cannot sustain. According to Flora, Flora, Spears, & Swanson (1992), since the 1940s, rural economies around the United States have been shifting from the manufacturing industry to the service industry. Flora et al. state that this shift increased speed in the 1980s when 1.2 million manufacturing jobs were lost and 12 million service jobs were

created. Rural areas have experienced a decline in natural resource-based jobs, which for a long time were the economic bases upon which these communities depended. Flora et al. expound that natural resource-based jobs explain why a community was settled in a particular place, most commonly due to the discovery of potential profit. Communities that historically depended on a single economic base, for instance timber communities, have been the most economically vulnerable. Many rural communities have had to diversify their economies, and in some cases, retrain their workers to succeed in new types of jobs.

In conclusion, lack of housing affordability is an issue affecting the entire nation. Certain states are stressed more than others, and rural communities, such as Humboldt County, experience it in their own unique way. Federal, state, and local governments all bear some of the responsibility for housing their residents adequately and affordably. Policy changes and improvements will continue to play a vital role in addressing lack of affordability, but the responsibility also extends beyond government, to all who can play a part in advocating that people deserve decent affordable housing as a matter of fairness and justice. An important part of addressing affordable housing issues at the local level is learning about and gleaning ideas from the experiences of communities that have dealt with similar issues. The next section will take a look at some of the affordable housing strategies employed by various communities in the United States.

Part IV: Learning from Other Communities

Lack of affordable housing is a relatively recent problem in Humboldt County. Many other U.S. communities have been confronted by this problem beginning several

decades ago or earlier. Rural communities facing affordable housing crises share similar concerns for appropriate community design, community character, home and land value, community participation, open space conservation, historic preservation, and other types of questions that arise when affordable housing production is introduced into the community. Since Humboldt County is currently working on its housing affordability problems, a great deal can be learned from the problems, solutions, and tactics in rural communities outside of Humboldt County. Although solutions from outside of the area are often place specific, and will not necessarily be appropriate for Humboldt County, it is nonetheless a worthwhile exploration.

Some of the case studies to be examined in this section pertain to issues of historic preservation, rehabilitation, and brownfields, and include innovations such as a lease-to-own program and other creative lending options, creative state and local housing policy solutions, economic development projects, employer-assisted housing, and zoning options.

Historic Preservation and Rehabilitation

Big Rapids, Michigan is a rural community that, in 2003, rehabilitated two historic downtown buildings in order to house local seniors who were leaving town to find affordable housing (Hennessy, 2004). The historic downtown buildings were converted into apartments on the upper levels, with commercial space on the ground level. According to Hennessy, 80 percent of the housing units were affordable, while the remaining 20 percent had market-rate rents. The Big Rapids Housing Commission surveyed community members for input, applied for tax credits, and kept renovations in

line with historic rehabilitation standards. The historic grandeur of the buildings made them attractive both to tenants and the larger community. Hennessy explains that community input and support were a tremendous part of the success of the rehabilitation and conversion of the buildings. During the opening weekend, droves of local citizens toured the buildings in order to see, first-hand, the fusion of historic architecture and modern furnishings. In addition to providing affordable housing to a valued segment of Big Rapid's population, Hennessy adds that the rehabilitated buildings revitalized the downtown, reawakened commercial attention, cultivated a sense of community, and made locals proud.

Lease-to-Own

Spokane, Washington implemented a lease-to-own program, called "Welcome Home," in order to integrate its low income residents into the community (Hennessy, 2004). The Spokane Housing Authority acts as the initial owner, and keeps housing costs stable while tenant families work on settling debts and saving money. The program assists tenants in working toward new homeownership by giving them the time and skills to improve their credit and reach the point at which they are ready to take over a mortgage. According to Hennessy, the Spokane Housing Authority purchased the homes with a Federal Housing Administration (FHA) insured mortgage, invested in and granted by the Federal Home Loan Bank (FHLB), a process that can be replicated anywhere in the United States. In addition, the housing authority had to maneuver through regulations, and form additional partnerships with the Department of Housing and Urban

Development (HUD), a local developer, and a real estate agent who assists families in understanding the homeownership process.

According to Hennessy (2004), there were additional problems that needed to be worked on, since Welcome Home wanted to build the new homes in an area of Spokane where other new homes were being built. Hennessy explains that the development team had to be careful that the design of the lease-to-own homes fit well with the surrounding homes. It was important to both the community and the Welcome Home owners that the Welcome Home project's homes blended in with the rest of the community. Through much collaboration and hard work, the team was able to disperse the lease-to-own homes across the area, making Welcome Home owners indistinguishable from other owners.

The Spokane Housing Authority has committed to building 60 homes for the project, and tenant families are slowly worked into homeownership (Hennessy, 2004). Hennessy explains that each family pays \$500 in order to take part in the program, which eventually becomes a security deposit. Participants take a first-time home buyer course, and are given one year to take care of unresolved credit problems that prevent many low income families from becoming homeowners. Each family's rent goes toward the principal, interest, taxes, and insurance on the home, until the family finally purchases the lease. Most families in the program have taken over the mortgage within two months of moving in, and no one has been late paying rent, which demonstrates that low income families can become successful homeowners with the appropriate initial assistance. The very idea of ownership motivates many of the families, who may participate in the actual construction and design of the homes they know they will call their own.

Brownfields

Brownfields, or sites in need of expensive environmental cleanup, have often been paired with affordable housing projects. Fairfax County, Virginia was in need of affordable housing for its senior residents and was able to provide it by rehabilitating an overlooked lot in an area lined up for revitalization (Hennessy, 2004). The lot was discovered to be quite polluted, and Fairfax County had to remove and destroy over 8,000 tons of contaminated soil and debris. Fairfax County also worked with an architect in order to ensure that the two buildings of 60 housing units would fit in architecturally with the surrounding neighborhood.

Policy Solutions

Massachusetts' need for affordable housing stretches back several decades. In 1969, state lawmakers enacted Chapter 40B, the Comprehensive Permit Law, also known as the "anti-snob zoning law" (Kanders, 2001a). The law gives incentives to developers who build affordable housing by helping them navigate around exclusionary zoning laws and saving them time and money with an expedited approval process. Kanders explains that the incentive includes a comprehensive permit, which simplifies the review process, and excuses developers from local zoning requirements if less than ten percent of the town's housing stock is affordable for moderate and low income residents. In cases in which a town rejects a developer's proposal, the incentive also gives developers the right to appeal to the Massachusetts Housing Appeals Committee, which can override local decisions if it determines that the need for affordable housing outweighs local objections to development. According to Kanders, at least 25 percent of a 40B development's units

must be affordable for 15 years, and buildings that are rehabilitated must remain affordable for five years. A 40B development depends on state and federal subsidies.

Problems with Chapter 40B range from political disputes over how much affordable housing a municipality must provide, to developer abuses of the law (Kanders, 2001a). Those who oppose developer abuses of 40B fear that certain funds set aside specifically for affordable housing will attract developers who want to build large-scale housing developments that do not fit into their surrounding environments. A large-scale development can stir a lot of commotion in the community in which it is placed, especially when citizens feel powerless against developers. According to Kanders, when developers' proposals to build market-rate housing are rejected, they can threaten to use 40B instead for large-scale projects they know the community will disapprove of. Because 40B has the potential to treat communities that are not snob communities as though they are, some feel that the law needs readjustment. Others, however, believe that the law has done more good than harm in creating a large amount of urgently needed affordable housing for over 30 years. Kanders posits that it is an especially great success when a community can say it is pleased with 40B developers, because they improve the public's perception of what affordable housing looks like. The Massachusetts Department of Housing and Community Development is committed to strengthening the law, because Chapter 40B has awakened many towns to the fact that they cannot dodge affordable housing issues. Kanders states that the number of development proposals rejected by communities has decreased from 43 percent in the 1970s to 20 percent in the 1990s.

Overall, Massachusetts has been a leader in housing policy, and its affordable housing situation has improved since Chapter 40B was passed (Kanders, 2001a). However, the state's supply of affordable housing is still lacking. Massachusetts has taken several steps to offset new developments' strain on community infrastructure and services and to calm the opposition. Some of the community concerns consist of increased traffic, density, and burdens on schools. In 2000, Governor Cellucci signed Executive Order 418, which provided up to \$30,000 in grants and assistance for every municipality utilizing 40B, and provided funds to assist other towns in increasing their affordable housing supply. Kanders explains that Executive Order 418 also proposed to counterbalance the cost of schooling the additional children welcomed into these communities.

According to Kanders (2001a), neighboring states have been borrowing ideas from Massachusetts in order to address their own lack of affordable housing. Connecticut and Rhode Island passed similar laws to 40B, borrowing the ten percent rule and the right to state overrides. Unlike Massachusetts, these two states turned to such laws out of concern for the business community and its essential workforce. Kanders explains that moderate income residents were finding themselves priced out of the housing market, and as a result, this was pushing the job base out.

Trust Funds and Community Preservation

In many states, affordable housing advocates and land conservationists compete with one another for funding (Kanders, 2001b). However, the two are capable of working together to better achieve each other's goals. The state of Vermont is a prime

example. Kanders explains that Vermont's Housing and Conservation Board (VHCB) combined the two issues into one issue with two facets. The Board was formed in 1987 in order to develop affordable housing and protect Vermont's farms, land, and historic communities from sprawl. The Board's housing advocates and land conservationists shared a commitment to preserving the "real" Vermont, a state with "real" functioning farms, land, and rural communities, not glossed over tourist destinations, or exclusive communities that separate the poor from the rich.

The Housing and Conservation Coalition was created by citizens of Vermont who were affordable housing advocates or land conservationists, and together the group found common ground and started to lobby for funding (Kanders, 2001b). According to Kanders, a similar group was attempted in nearby New Hampshire, but affordable housing advocates and land conservationists there could not reach an agreement to share the commitment. Part of the problem in New Hampshire was that open space advocates had more power to obtain funding and political support than the affordable housing advocates, who tended to have more critics. The Vermont Natural Resources Council, Vermont Land Trust, and the Nature Conservancy all worked with the Housing and Conservation Coalition, and paid for the majority of the expenses to get the Coalition off the ground. Following this, other local coalitions began to make small donations and offer their participation and expertise. Kanders explains that the trust fund operated on a philosophy that housing is a right and a community resource that should be shared with future residents. The Housing and Conservation Coalition was also committed to keeping its housing perpetually affordable.

In 1987, Vermont's Governor Kunin signed the trust fund into law, the Coalition put together a board of directors, and the state provided both a generous budget and political support (Kanders, 2001b). To date, some of the VHCB's most important tasks have been to sponsor compact downtown development, resist sprawl, and protect land with important economic and natural value. The VHCB's agricultural and land conservation efforts represent the people, economy, and traditions of the state, and protect its landscape, local businesses, community organizations, and tourism industry. Kanders further explains that the VHCB maintains important partnerships with non-profit organizations, such as regional housing development corporations and other housing non-profits in Vermont, in order to provide them with the financial, technical, and educational support necessary to strengthen the goals of affordable housing and land conservation around the state of Vermont. To date, the VHCB's list of successes is long. It has provided over \$130 million in grants and loans to develop perpetually affordable housing and conserve over 324,000 acres of land in over 205 towns in Vermont. It has received over \$450 million in private and public funds, received numerous awards for projects that preserve historic buildings, barns, farmhouses, and archeological sites, and effectively provides for very low income Vermont residents.

According to Kanders (2001b), several problems concern the VHCB for the future. As Vermont's economy strengthens, the need for affordable housing and land conservation deepens. Home prices are rising, and the rising cost of farmland is overshadowing its agricultural profit potential. The state's land-based industries and history are threatened by a growing demand for cheap food and easy profits. The

pressure to increase the amount of housing is forcing Vermont's non-profits to shift focus somewhat from their emphasis on land conservation. Overall, Vermont has done an outstanding job at approaching affordable housing development in a holistic manner which combines land conservation, historic rehabilitation and preservation, and community preservation into inseparable goals.

Economic Development and Community Preservation

Some economic development professionals have found that historic preservation, affordable housing, and the preservation of community character can benefit a region's economic growth (Kotval, 2004). Kotval explains that in 2000, Massachusetts passed the Community Preservation Act (CPA), which provides funding for communities to take charge of local planning decisions and work on preserving open space, creating and supporting affordable housing, and obtaining and preserving historic buildings and landscapes. Each participating community sets up a fund for historic preservation, affordable housing creation, and open space acquisition by charging up to three percent extra on the local real estate tax. In addition, the state of Massachusetts matches all locally raised funds. According to Kotval, each community must use at least ten percent of the fund's annual revenues for each of these three main goals, and can decide which related community concerns deserve the remaining 70 percent. Since 2003, over 42 percent of statewide CPA funds have been used to develop affordable housing, 38 percent have been used for the protection of land, 17 percent for historic preservation, and three percent for public recreation. CPA communities have created over 259 units of

affordable housing, conserved over 1,690 acres of open space, and acquired or preserved over 70 historic sites.

The CPA's supporters are preservationists, smart growth advocates, housing activists, and community members who want to protect open space (Kotval, 2004). Opponents include those against the tax increase and those who fear that open space preservation will hinder new growth. Kotval explains that some do not believe that the Act will spur economic growth for the communities of Massachusetts. To the contrary, there are numerous examples of parks and open spaces that have raised the values of nearby homes and businesses, which in turn improve a community's tax base. According to Kotval, parks and open spaces raise a neighborhood's quality of life, which plays a key role in site selection for businesses as well as residents. In addition, historic preservation can significantly boost a community's economy, based on tourism alone. For example, Rhode Island estimates that half of its revenues from tourism are based on its cultural and historic sites.

Quality of life issues encompass good schools, available and affordable housing, recreational opportunities, and low crime (Kotval, 2004). Businesses are interested in locations with a high quality of life because they attract the finest employees. Kotval states that a survey conducted by *Area Development Magazine* found that housing availability and cost are among the five most important criteria for high quality of life. Furthermore, some of the most important criteria for businesses choosing a site location are the availability of good employees at reasonable costs, communication opportunity, proximity to commercial air service, a good transportation system, parks and open space,

high quality of life, and an array of available housing types and affordability levels.

According to Kotval, various studies have indicated that a high cost of living combined with a lack of affordable housing can hinder a region's economic growth and competitiveness.

According to the Local Impact of Homebuilding Model, developed by the National Association of Home Builders (NAHB), homebuilding produces a significant amount of additional economic activity for a community in terms of new jobs and income for residents, and revenue for local government (Kotval, 2004). First, local taxes are generated from the sale of the home, in addition to fees collected from construction activity, such as permit, utility connection, and impact fees. Second, the income earned from construction activity itself is spent on local goods and services available in the community, causing a ripple effect of income generation for other local residents who spend their income on other local goods and services, and so on, continually recycling income back into the community. Lastly, there is an unending contribution of property tax revenue to local government by the owners of new homes, and occupants will consistently spend their income on local goods and services available in the local economy. This, in turn, becomes income for local workers and businesses, which is spent locally, and the cycle continues. Kotval further explains that the local tax revenue generated from the income of each resident becomes part of the income paid to local government employees, who will spend their income locally, contributing to the bigger cycle that increases local economic activity, wages, jobs, and tax revenue.

Community Character and the Land Trust

Since the 1980s, many residents of Teton County, Wyoming have been concerned about protecting community character and other values as the area began to experience rapid growth and development (Lurie & Clark, 2001). Teton County is home to Yellowstone National Park and Grand Teton National Park, which, along with a national wildlife refuge, make up about 98 percent of Teton County's land. The rest is available for private development. According to Lurie and Clark, ranching had been Teton County's main industry since the late 1800s, until the national parks helped create a market for tourism and resorts. In 1987, in Jackson Hole, Wyoming, land prices began to increase ten times faster than local salaries were increasing, and by 2002, lack of supply and high demand drove land prices up by 780 percent (Jackson Hole Community Housing Trust [JHCHT], 2002).

Teton County is a rural community that desires to protect its small-town lifestyle and unique natural and social identity (Lurie & Clark, 2001). The Jackson Hole Community Housing Trust was created with a mission to preserve community character and uniqueness by building and advocating affordable housing for local workers (JHCHT, 2002). The Trust was created because rapid growth and development pressures rendered it nearly impossible for local working families to afford the cost of living. While the median price of a home in Teton County is \$550,000, and the average is over \$1,000,000, the Jackson Hole Community Housing Trust offers homes at a median price of \$111,260. The Trust has built new homes and converted existing market-rate homes and condominiums into affordable ones. Some community members have donated land

to the Trust and some have sold their homes to the Trust at below-market prices so that it is able to scatter affordable homes in neighborhoods comprised of market-rate homes.

Employer-Assisted Housing

Employer-assisted housing (EAH) consists of an assortment of programs that employers can use to help employees obtain and finance housing close to the workplace (DeKoven, 2003). DeKoven explains that it can include education or counseling on buying a home and financing it and a variety of types of financial assistance for renters or potential homeowners. In order to alleviate pressure on the participating businesses to develop real estate expertise, The Metropolitan Planning Council (MPC) in Chicago, Illinois connected with eight non-profit housing organizations in the region to create the Regional Employer-Assisted Collaboration for Housing (REACH). According to DeKoven, these housing groups manage EAH initiatives on behalf of employers, provide counseling to employees, and tailor the initiatives to meet the needs of each individual business.

In some communities, EAH has been best promoted when the local government itself sets the example (DeKoven, 2003). Local governments that offer EAH can promote these programs to local businesses, and offer incentives for developing their own EAH programs. According to DeKoven, some of the benefits of EAH include reductions in traffic, commuting time, car dependency, and automobile pollution. Other benefits include greater local investment and a stronger connection to one's community. Governments and businesses that participate in the program enable their employees to live affordably in the communities in which they work. Several Illinois universities and

colleges have developed programs to encourage employees to live closer to work, and a few hospitals have developed similar programs in order to reduce turnover expenses and encourage employees to keep their jobs. DeKoven adds that several municipalities have offered down payment assistance or reduced-interest loans to police officers who cannot afford to live in the communities they serve. The state of Illinois provides matching funds and tax credits to businesses that invest in workforce housing, and the Illinois Housing Development Authority (IHDA) matches employers' contributions to employees' down payment or closing costs. The Illinois Affordable Housing Tax Credit offers a \$.50 tax credit for every \$1.00 put into EAH programs.

Opening up the Lending Market

Lack of affordability is the main barrier for young households hoping to purchase a home. Quigley and Raphael (2004), explain that an expanded line of mortgage options is one of the ways to help. For example, young potential buyers tend to have lower income levels than they will in the future. With their long-run earning potential taken into account for specific mortgages, an increased number of young households could enter the real estate market. Quigley and Raphael state that in terms of underwriting, this could be extended to the need for a broader gauge of borrower credit worthiness. There are also home loan programs for low income households that offer credit counseling and risk-based pricing. Graduated payments allow a household that expects to earn more money as time passes to set up a plan in which payments increase over time. A longer amortization period, for instance a 35 or 40 year mortgage, helps households with limited

incomes to reduce monthly payments. According to Quigley and Raphael, some European countries boast even longer terms.

Shared appreciation mortgage programs are another tactic used to help potential owners get a foot in the door (Quigley & Raphael, 2004). This requires a partnership between an outside investor and the home buyer. The investor puts up some of the money for buying the house, and the homeowner pays off the remaining amount over a traditional mortgage term. The investor will then share in any capital appreciation accrued when the home is sold. This system enables a household to make lower payments in exchange for reduced capital appreciation in the long-run. According to Quigley and Raphael, many firms and universities participate in shared appreciation mortgage programs.

Zoning for Compact Development

Zoning has been revised in some communities to combine the needs for affordable housing and infill development by using strategies such as cluster site planning, tandem single-family development, zero lot line development, and construction of accessory dwelling units (Corey Cox PRI, 2002). Cluster site planning promotes compact development and efficient use of infrastructure. It drastically reduces the need and cost for infrastructure essentials such as street pavement and storm sewers. Tandem single-family development allows for two single-family units on one lot. Zero lot line (ZLL) development increases density in neighborhoods made up of single-family detached units. In communities such as Bentonville, Arkansas and Dade County, Florida, ZLL development has helped to alleviate housing shortages. According to Corey Cox

PRI, zoning ordinances that permit an accessory dwelling unit (ADU), such as an apartment built within a house, a cottage attached to a house, or a detached cottage on the same lot as the principle dwelling unit, encourage efficient use of a community's existing housing stock and infrastructure.

Humboldt County can benefit by learning from the affordable housing experiences of other communities. Humboldt County is known for its creativity and resilience, and some groups have already made significant strides in formulating local and sustainable strategies in the arena of affordable housing. However, many obstacles have yet to be resolved. Some of the strategies implemented in other areas could be adapted to fit Humboldt County, but most importantly, this requires the commitment and willingness to support affordable housing strategies, from local governments, builders, housing-related businesses and organizations, advocates, and residents.

Part V: Local Background

This section will review literature on affordable housing topics that pertain specifically to Humboldt County, its housing market, economy, and history. Humboldt County is a unique, growing rural county, and its economy is in a period of transition. Over the past several years, home prices and rents have increased drastically, for a number of reasons to be explored, however local incomes have remained relatively stagnant. This section will address topics related to buyers, sellers, renters, and creators of housing, in addition to land use, homelessness, residents with special needs, local policy, community planning and design, and local innovations in affordable housing creation.

Prices

Over the past decade and a half, home prices and rents have risen at much higher rates than salaries and wages in Humboldt County. In the past several years in particular, prices have increased at astronomical rates, bringing the topic of affordable housing, and the lack of it, into the local spotlight. In a local newspaper article, Hight (2002) states that according to data provided by the Humboldt Association of Realtors, throughout the 1990s, the cost of homes in Humboldt County increased slowly, at an annual average rate of approximately two percent. The median price of a Humboldt County home was \$110,000 in 1992, and by the end of the decade, in 2000, it had reached \$129,000. However, home prices rose 8.5 percent in 2001, and by 2002 increased an additional 16 percent to \$162,300. In the span of one decade, the median home price increased by \$52,300. Hight reports that in the City of Arcata alone, most homes sold for \$175,000 to \$200,000 in 2002, many selling for \$295,000 to \$400,000 or more. In the face of rising housing prices, Humboldt County has lacked the jobs and high salaries that many of its residents need in order to afford a median-priced home, and entry-level buyers' chances of purchasing a home have steadily diminished.

By April of 2005, the median price of a home in Humboldt County reached \$295,000 (Humboldt Association of Realtors, 2005a). Arcata's average home price reached \$380,000 (Johnson-Stromberg, 2005a). According to Johnson-Stromberg, competition for homes has been fueled in part by a shortage of homes, low interest rates, and a variety of lending avenues that are helping to qualify an increased number of buyers. Johnson-Stromberg adds that the shortage of housing inventory prompted many

buyers to submit offers far above the asking price of a home, which in turn cued the rest of the real estate market to keep raising prices. Table 1 summarizes the affordability indices, median home sale prices, and median incomes for the cities of Arcata and Eureka and Humboldt County as a whole, between April 1999 and April 2005.

Table 1. Affordability indices, median home prices, and median household incomes for Arcata, Eureka, and Humboldt County between April 1999 and April 2005.

Mo/ Year	Humboldt County			Arcata			Eureka		
	Median home sale price	Median house- hold income	Aff. index	Median home sale price	Median house- hold income	Aff. index	Median home sale price	Median house- hold income	Aff. index
Apr 99	\$113,250	\$31,442	50%	\$137,750	\$31,842	39%	\$98,500	\$32,680	59%
Apr 00	\$121,077	\$32,321	46%	\$163,700	\$32,732	30%	\$111,500	\$33,594	50%
Apr 01	\$146,500	\$33,224	43%	\$163,500	\$33,647	33%	\$126,000	\$34,533	48%
Apr 02	\$155,000	\$34,153	40%	\$216,000	\$34,587	24%	\$145,000	\$35,498	42%
Apr 03	\$190,500	\$35,108	36%	\$300,000	\$35,554	18%	\$183,750	\$36,490	36%
Apr 04	\$243,000	\$36,089	27%	\$234,000	\$36,548	26%	\$238,750	\$37,510	25%
Apr 05	\$295,000	\$37,098	16%	\$401,375	\$37,569	9%	\$259,000	\$38,559	20%

Source: Humboldt Association of Realtors (2005a)

Beginning in June of 2005, Humboldt County's real estate prices began a slow decrease, and the Humboldt Association of Realtors determined that prices fell throughout the summer as well (Sims, 2005). According to Eschker and Messner-Zidell (2005), these data may be a sign that Humboldt County's real estate boom is reaching its

end. However, even with a slow price decline or a potential period of stagnation, real estate prices are still quite high.

As home prices rose, rental prices also increased. According to the City of Arcata (2004), in 2003, the median rent of a one-bedroom house was \$500, a two-bedroom house was \$650, a three-bedroom house was \$975, and a four-bedroom house was \$1275. Since then, prices have risen much higher. Rental unit prices for the City of Eureka in 2000 are summarized in Table 2.

Table 2. Rental unit prices for the City of Eureka.

Monthly Rent	Percent of Total Rental Units
<\$300	10.4%
\$300 to \$499	39.2%
\$500 to \$749	32.9%
\$750 to \$999	12.0%
>\$1,000	2.4%

Source: U.S. Census (2000)

Local Economy

Humboldt County's economy was largely dependent on the timber industry for jobs until the 1970s, at which point fewer trees could be harvested and the timber industry increased efficiency (Redwood Community Action Agency [RCAA], 2004).

Since then, there have been increases in employment opportunities in the area, but personal incomes have declined because most jobs have been created in the low-paying service sector. According to RCAA, in the 1970s, Humboldt County residents' incomes were on par with the rest of the country and amounted to 81 percent of California's per capita income. In 2001, however, Humboldt County's per capita income fell to 79 percent of the nation's per capita income, and 74 percent of California's. It is possible that the low wage job sector will continue to grow throughout the rest of the decade, and that Humboldt County residents will continue to be less prosperous than they have been in the past.

The City of Arcata's Housing Element, adopted on March 17, 2004, acknowledges that during the recent years of drastic home price increases, neither the number of high paying jobs nor the median income has increased. According to the City of Arcata (2004), the majority of growth in new employment since the 1990 Census has occurred in low paying jobs. The City of Arcata also recognizes that as home prices increase, demand for affordable housing will grow. According to the City of Arcata, in order to qualify for a home loan in Arcata, at the June 2003 median price of \$289,000, a household would have had to earn approximately \$84,000 per year, assuming that it pays five percent down and obtains a six percent interest rate on a home loan. According to the 2000 Census, however, only 10.5 percent of Arcata's households earned an annual income of \$84,000 at that time. Furthermore, home prices have increased drastically since June of 2003, which has significantly decreased the number of local residents able to qualify for a home loan.

Buyers and Sellers

In order to determine where home buyers were coming from and where sellers were moving to, the Humboldt Association of Realtors (2005b) surveyed every third home of the 1530 homes sold through the Multiple Listing Service in 2004. The Multiple Listing Service is a database containing information on properties for sale in Humboldt County. The average selling price for 2004 was \$285,280, and the median selling price was \$255,000. Forty-five percent of the buyers lived in Humboldt County when they bought their homes. Thirty percent of the buyers originated from outside of Humboldt County, and 25 percent of the buyers were investors. In terms of the sellers, 37 percent stayed in Humboldt County after selling and 34 percent moved out of the County. Furthermore, 21 percent of sales were investment homes, and eight percent were estate sales.

Demand for homes in Humboldt County has poured in from out-of-towners, investors, local first-time buyers, and local homeowners seeking bigger homes. According to Hight (2002), many real estate agents claim that out-of-towners started buying homes in Humboldt County in full force beginning in 2001, although they had been moving in slowly for several years before that. In addition, stock values were declining, and investors were looking at the real estate market as a more profitable investment than the stock market. Hight states that regardless of its extreme home price increases, Humboldt County is still considered to be less expensive compared to the rest of California. Many out-of-town buyers from other parts of California are able to sell their homes for over three-quarters of a million dollars and pay cash for less expensive

homes in Humboldt County. Furthermore, many are willing to offer \$10,000 to \$20,000 above the asking price.

Investors all over California grew aware that Humboldt County was home to the most affordable coastal property in the state. According to Mintz (2002), this was somewhat of a setback for local residents, especially entry-level buyers, since it attracted increasing numbers of wealthy out-of-towners to purchase homes at prices local residents would have great difficulty finding affordable. Although prices were reaching heights considered outrageous to Humboldt County residents, many San Francisco Bay Area residents and Southern Californians viewed the prices as quite a bargain. Mintz adds that Arcata's Humboldt State University has also had an effect on the real estate market, because landlords can expect a decent return on investment from renting to students in a college town. Over the years, housing in the City of Arcata slowly changed from owner-occupied units into investment rentals, many of which are owned by out-of-town landlords. According to 2000 Census data, 58 percent of Humboldt County's households were owner-occupied, a one percent decrease from the 1990 Census, and 42 percent were renter-occupied, a one percent increase from 1990 Census data (U.S. Census Bureau, 2000).

The Affordability Picture

Humboldt County's housing affordability index represents the percentage of households that can afford to purchase a median-priced home. According to the Humboldt Association of Realtors (2005a), the Humboldt County housing affordability index was 16 percent for April of 2005, a 34 percent drop from 50 percent in April of

1999. In April of 2005, the median home sale price in Humboldt County was \$295,000, more than double the price of \$113,250 in April of 1999. In April of 2005, the County's median household income was \$37,098, an increase of only \$5,656 from the median household income of \$31,442 in April of 1999. Figure 1 summarizes Humboldt County's affordability index between April of 1999 and April of 2005.

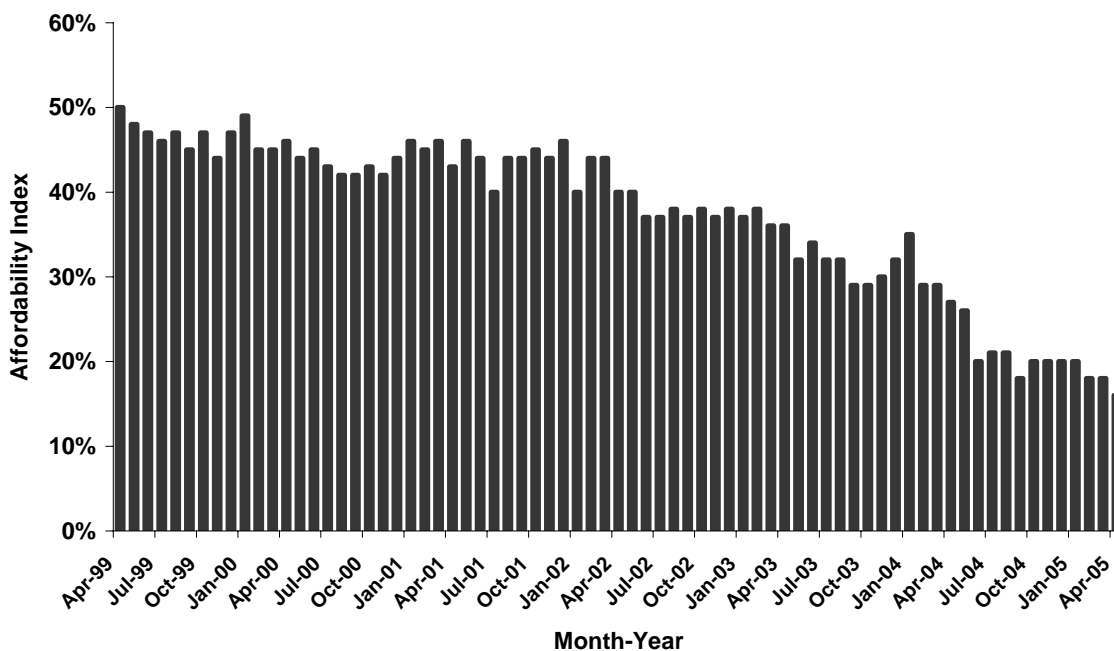


Figure 1. Humboldt County affordability index between April 1999 and April 2005.

Source: Humboldt Association of Realtors (2005a)

As summarized earlier in Table 1, the Humboldt Association of Realtors (2005a) determined that in April of 2005, the City of Arcata's affordability index was nine

percent, the median home sale price was \$401,375, and the median household income was \$37,569. That same year, in the City of Eureka, the affordability index was 20 percent, the median home sale price was \$259,000 and the median household income was \$38,559. Batley (2005) reports that in the City of Fortuna, the affordability index was 12 percent, the median home sale price was \$312,750, and the median household income was \$36,982. In the growing unincorporated town of McKinleyville, the affordability index was 13 percent, the median home sale price was \$330,000, and the median household income was \$45,201.

In November of 2003, The Redwood Community Action Agency (2004) surveyed a total of 1,504 rental units in order to determine local rent prices for different types of units and the monthly incomes necessary in order to rent specific units at 30 percent of income and at 50 percent of income. The survey was able to summarize the percentage of income that workers earning the minimum wage, \$10 per hour, and \$13 per hour pay toward rent. The survey also generated affordability data pertaining to recipients of benefits, relief, and insurance income. Table 3 summarizes Humboldt County rental housing prices and affordability as determined by the survey.

The City of Arcata (2004) has determined that 64 percent of renter households are overpaying for housing, in other words, spending more than 30 percent of household income on housing costs. In comparison, 17.7 percent of owners are overpaying for housing. According to Census 2000 data, the City of Eureka (2004) has determined that 72.7 percent of low income renters are overpaying for housing, compared to 47.4 percent of owners who are overpaying for housing.

Table 3. Humboldt County rental housing prices and affordability.

Studio						
Rent Ranges	% of Total Unit Type Surveyed	Monthly Income Needed to Rent at 30% of Income	Monthly Income Needed to Rent at 50% of Income	% of Full Time Worker Monthly Gross Income		
				At Min. Wage (\$1,100)	At \$10/Hr (\$1,640)	At \$13/Hr (\$2,132)
\$300-\$350	8.2%	\$1,083	\$650	29.5%	19.8%	15.2%
\$351-\$400	65.4%	\$1,250	\$750	34.1%	22.9%	17.6%
\$401-\$445	26.4%	\$1,408	\$845	38.4%	25.8%	19.8%
1 Bedroom						
<\$300	0.4%	\$997	\$598			
\$300-\$350	4.9%	\$1,083	\$650	29.5%	19.8%	15.2%
\$351-\$400	8.8%	\$1,250	\$750	34.1%	22.9%	17.6%
\$401-\$450	27.4%	\$1,417	\$850	38.6%	25.9%	19.9%
\$451-\$500	18.4%	\$1,583	\$950	43.2%	29.0%	22.3%
\$501-\$550	35.2%	\$1,750	\$1,050	47.7%	32.0%	24.6%
>\$550	4.9%					
2 Bedroom						
\$300-\$350	0.6%	\$1,083	\$650	29.5%	19.8%	15.2%
\$351-\$400	6.3%	\$1,250	\$750	34.1%	22.9%	17.6%
\$401-\$450	8.4%	\$1,417	\$850	38.6%	25.9%	19.9%
\$451-\$500	16.5%	\$1,583	\$950	43.2%	29.0%	22.3%
\$501-\$550	31.6%	\$1,750	\$1,050	47.7%	32.0%	24.6%
\$551-\$2,000	36.6%	\$4,083	\$2,450	113.6%	76.2%	58.6%
3 Bedroom						
\$540-\$600	8.1%	\$1,900	\$1,140	51.8%	34.8%	26.7%
\$601-\$700	20.8%	\$2,167	\$1,300	59.1%	39.6%	30.5%
\$701-\$2000	71.1%	\$4,500	\$2,700	113.6%	76.2%	58.6%

Source: Redwood Community Action Agency (2004)

Although the federal government considers households spending more than 30 percent of income on housing to be cost burdened, the Department of Housing and Community Development (HCD) considers households spending more than 25 percent of

income to be cost burdened. In order to calculate the percentage of Eureka residents overpaying for housing, HCD guidelines and Census data were used to determine that 72.7 percent of low income renter households in Eureka spent more than 25 percent of total household income on housing (City of Eureka, 2004). In addition, 47.3 percent of low income homeowners in Eureka spent more than 25 percent of total household income on housing. According to the City of Eureka, in 2000, in Humboldt County overall, 78.9 percent of low income renters overpaid for housing, and 48.9 percent of low income homeowners overpaid for housing. According to the Redwood Community Action Agency (2004), 35.7 percent of renters in Humboldt County spend more than 49 percent of income on rent. Figure 2 summarizes the percentage of income that median income homeowners paid toward mortgage payments on median-priced homes between January of 1999 and January of 2005 in Humboldt County.

The Humboldt County Housing Authority's subsidized rental units and Section 8 vouchers ensure that limited income households pay no more than the federal maximum of 30 percent of household income on housing. According to RCAA (2004), the local Housing Authority provides the largest number of subsidized affordable rental units in the area. Its stock consists of 272 units that it owns and 1,222 Section 8 Choice Vouchers. As of April of 2004, Humboldt County overall contained 2,709 subsidized affordable rental units. The City of Arcata contained 322 subsidized affordable rental units, Eureka had 1,208, Fortuna had 149, McKinleyville contained 132, and the Hoopa Valley Indian Housing Authority had 232 of Humboldt County's subsidized units.

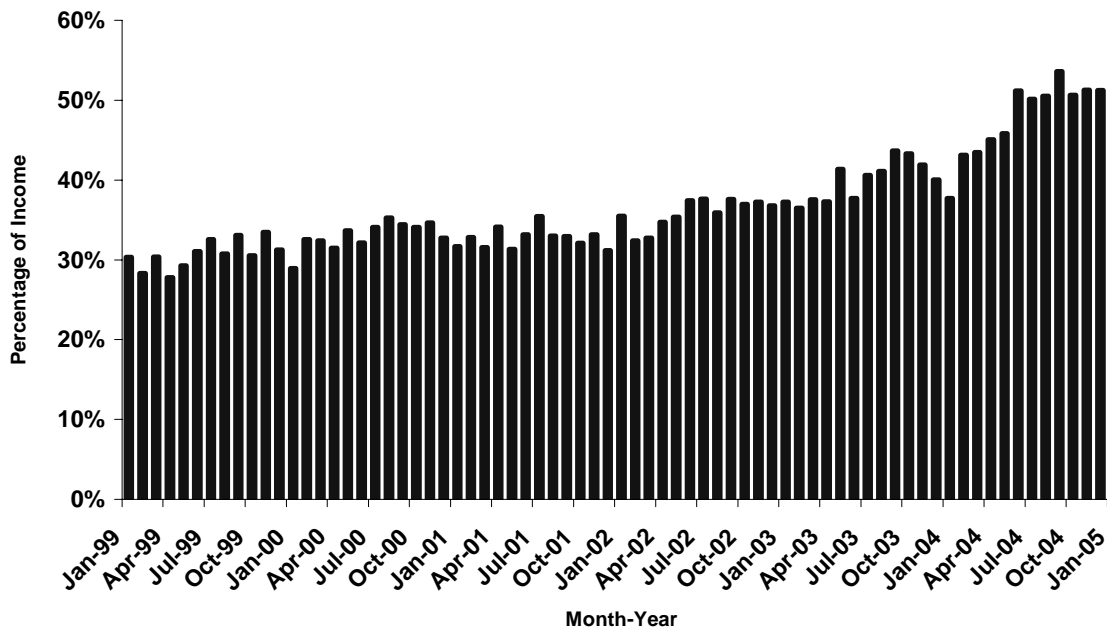


Figure 2. Percentage of income that median income homeowners paid toward mortgage payment on median-priced homes in Humboldt County between January 1999 and January 2005.

Source: Humboldt Association of Realtors (2005b)

Poverty and Vulnerability to Homelessness

According to RCAA (2004), move-in costs, such as security deposits and advance rent, can create debilitating obstacles for low income households, forcing some households into homelessness. Furthermore, the RCAA states that in all of Humboldt County, the highest percentage of persons and families in poverty are on Native American lands. The following statistics are based on a poverty level set at an annual income of \$8,667 for a household of one, \$11,156 for a household with two adults,

\$13,423 for a single-parent household with two children, and \$16,895 for a household of two adults with two children. RCAA states that according to Census 2000 data, one hundred percent of the population of Big Lagoon Rancheria lives in poverty, and 43.5 percent of the Karuk Reservation, 43.3 percent of Table Bluff, 32.9 percent of the Trinidad Rancheria, 32.3 percent of the Hoopa Valley Reservation, 33.3 percent of the Yurok Reservation, and 12.8 percent of the Blue Lake Rancheria lives in poverty.

In addition, RCAA states that 23.7 percent of Eureka's population lives in poverty, and 32.2 percent of Arcata's population lives in poverty, although these statistics are somewhat distorted due to the number of college students with little or no income living in those cities. Poverty rates in the rest of Humboldt County are significantly lower. In Fortuna, 17.4 percent of the population lives in poverty, and 14.9 percent of McKinleyville, 14.4 percent of Willow Creek, 11.1 percent of Blue Lake, and 9.3 percent of Trinidad lives in poverty. Ten percent of Humboldt County households receive CalWORKs benefits for low income families with children, and without a Section 8 rental unit, in which rent amounts to no more than 30 percent of a household's income, some of these families teeter at the verge of homelessness. According to RCAA, a family of three receives approximately \$671 per month, and a family of four receives approximately \$799 per month. The monthly benefit for a single unemployed minimum wage worker is \$524 per month. These low income benefits barely provide a safety net for low income individuals who are a small step away from homelessness. Furthermore, it is difficult for those with low incomes to obtain private rental housing because they must often come up with two months rent and a security deposit up front. Therefore,

without public assistance, it can be extremely difficult to transition from homelessness back into rental housing. Humboldt County's 2,709 subsidized rentals cannot cover the County's 9,159 rent burdened households.

Lack of Developable Land

It would seem that a low supply of housing would prompt an increase in home building. However, all types of construction have been slow to materialize due to a lack of developable land. Hight (2002) reports that a great deal of Humboldt County's land consists of wetlands, preserves, and land for the agriculture and timber industries. Some have suggested that agricultural land be rezoned for development, but opponents to this suggestion argue that a reduction of open space would be detrimental to Humboldt County. According to Hight, those in favor of rezoning agricultural land contend that an increased supply of land could reduce land costs, which could decrease the price of homes. Those against rezoning fear that it could threaten food security and local character.

Since Humboldt County's housing shortage is likely to worsen, a compromise between the two groups could be the appropriate balance between new development and open space preservation. However, Hight (2002) reports that there is no guarantee that the rezoning of open space for development will help to lower land costs because land is not the only aspect of development that has become expensive. Developers' liability insurance has skyrocketed, adding significant costs to the final price of a home, and local government fees and regulations also add costs. In a local study by Smith and Steinberg (2005), various potential scenarios were set up for future land use options for housing,

and two points were stressed for future development. First, if Humboldt County continues to develop at the same rate of density as it has in the past, which was approximately one unit per ten acres, it will run out of residentially zoned land supported by water and sewer to meet the needs of the projected population. Second, if the County increases density, it can meet projected growth by developing only residentially zoned land with existing water and sewer. This second point takes into account an approximate 60 percent of land that could be disqualified for building constraints. Furthermore, it takes into account preservation of the County's rural character and desire for a certain number of large lots.

Limited infrastructure keeps many areas of Humboldt County from being able to support new housing. For example, according to Johnson-Stromberg (2005b), some wells have dried up in the unincorporated towns of Kneeland and Freshwater, requiring residents to have water delivered. Both Humboldt County and some of the municipalities within it are dealing with sewer treatment capacity shortages which are extremely expensive to fix. Johnson-Stromberg explains that the County has to limit people from attaching to the water lines because it begets growth that the County cannot support at the moment. Community members disagree on whether the County should develop outward to produce more affordable housing or leave open spaces alone and keep growth in check. The Humboldt County General Plan will address problems such as these, and sort out the location and amount of development that can occur.

The Future for Local Housing

A wide array of opinions exists among local professionals on whether local home prices will continue to increase in Humboldt County. According to Stevens (2005), some argue that demand will always be high and a lack of developable land will limit supply. In contrast, some argue that prices will eventually come down. Stevens explains that although interest rates have been quite low recently, they are starting to climb, which could decrease affordability for some households. For homeowners with variable-rate loans, monthly payments may eventually exceed what owners are able to afford. In addition, if interest rates increase drastically, home values could drop.

Local home prices could decrease at some point in the future, and Frazier (2005) posits that the reasons include rising interest rates and decreased return on investment (ROI). Return on investment is defined as annual income, minus expenses, divided by one's cash investment, and does not include equity growth. To put the ROI for real estate into perspective, an investor who is able to put 100 percent cash down on a local home may only see about four to six percent ROI, not including tax, insurance, depreciation, vacancy, and maintenance, all of which decrease one's ROI. In addition, the ability to raise rent may be limited by stagnant or decreasing local incomes. According to Stevens, as home prices increase, ROI decreases, and it may become more attractive for investors to put their money elsewhere. In addition, as mortgage rates increase, the ROI on bonds and savings accounts will increase. If the ROI for bonds and savings accounts becomes more attractive than the ROI for real estate, then it may become more appealing for investors to pull their money out of real estate and put it into the bank.

Since the affordability index is decreasing statewide, politicians may have to take action to alleviate affordability problems (Frazier, 2005). In order to free up housing stock for owner-occupied purposes, laws could be designed to discourage commercial ownership of residential property and taxes could be imposed on equity earned on rental properties. According to Frazier, these types of laws could have negative consequences on some of the population, but it comes down to a question of whether or not the benefits outweigh the costs. Inevitably some will benefit while others pay the costs.

According to a recent analysis of Humboldt County's rapid rise in home prices by Eschker and Messner-Zidell (2005), Humboldt County's thriving real estate market may have recently peaked, and the boom may be nearing its end. In other words, the authors posit that a "price bubble" may have formed in Humboldt County, which refers to the situation of home prices rising out of the anticipation that prices will continue to rise. Many buyers are willing to pay a higher price simply because they believe prices will increase. As a result, prices increase based on speculation rather than supply and demand factors in the market. Eschker and Messner-Zidell explain that although it is difficult to predict if there is a price bubble in Humboldt County, or when it will burst, eventually a price bubble does burst, and prices decline. Several factors that may potentially cause Humboldt County's price bubble to burst, if there is one, include rising interest rates and a decline in buyers' willingness to pay high prices. A decline could be rapid or slow, or prices could stagnate for a long period of time.

According to Sims (2005), many signs demonstrate that Humboldt County's seller's market is decreasing in intensity. According to the Humboldt Association of

Realtors, during the summer of 2005, median single-family home prices decreased for three consecutive months. In June of 2005, the median home price in Humboldt County was \$333,000, which fell to \$320,000 in July, and fell further to \$319,000 in August. In addition, by autumn of 2005, the market was flooded with more sellers than the County has seen in the last several years. Sims further states that the simple law of supply and demand predicts that an increasing supply of existing homes on the market will decrease competition and prices. Indeed, many local sellers have had to reduce their prices. Sims explains that Humboldt County's real estate market is not necessarily approaching a collapse, but instead prices may drop slightly and then increase at a much slower pace than they have been over the past several years. Eschker (2005) reported that in November of 2005, the Humboldt Association of Realtors determined that the median home sale price in Humboldt County was \$331,055, up four percent from October 2005, and slowly increasing back up to spring 2005 prices.

With home sale prices and monthly mortgage payments at such high levels, some begin to question the economic benefits of ownership over renting. In other California communities with soaring real estate prices, some are finding it much cheaper to rent than own. In the San Francisco Bay Area, where the difference in home costs between owners and renters is one of the largest in the country, Zachary (2005) explains that homes that are extremely expensive to purchase are available for rent at somewhat reasonable prices. According to Zachary, home prices have risen rapidly over the past few years in the San Francisco Bay Area, and rents have been forced down by 15 percent or more. One who can afford to buy a house and pay \$3,500 to \$4,000 per month on mortgage payments

could instead rent a comparable home for \$1600 per month, invest the saved cash in something else with a good return, and watch the money grow. It is possible that the same may be true for some Humboldt County residents who may find that it is cheaper and perhaps more beneficial to continue to rent than to own.

Local Affordable Housing Policy

The County of Humboldt and local incorporated cities have developed goals, policies, and implementation programs, within the housing elements of their general plans, for addressing local housing needs and concerns. The goals, policies, and programs of each housing element summarizes each jurisdiction's housing program and methods for preserving, improving, and developing housing to meet the population's needs.

The City of Arcata's (2004) Housing Program has been planned in accordance with several housing goals identified in Arcata's General Plan 2020. One of these goals is to broaden the range of housing choices available to various household sizes, including affordable units. Another goal is to promote infill development of vacant, brownfield, and underutilized land. The purpose of doing so is to meet housing and job needs, without requiring major expansion of infrastructure and services. Arcata's Housing Element consists of several policies supporting the goal of promoting affordability of all types of housing for the present and projected population. One of these policies is to implement inclusionary zoning by offering incentives to developers to include low and moderate income housing in development proposals, which also deters the segregation of economic groups. Several other policies include maintaining the housing rehabilitation

program for lower income renters and owners in order to preserve affordable housing stock in the community, and to give precedence to the needs of low income households, given that they denote the most significant area of unmet need.

The City of Arcata (2004) carries out these policies through various implementation measures in its Housing Element. One is the Infill Development Program in which the City will promote the use of small lots for housing development and settle problems over density requirements by removing constraints on setbacks, open space, and parking. The Mixed-Use implementation measure allows mixed-use development, for example residential development in commercial districts, by reducing or waiving development standards. The City will also try to land bank available properties, when possible, for the purpose of affordable housing development in the future. In addition, the City has outlined its plan to develop inclusionary zoning standards.

In its Housing Element, the City of Eureka (2004) shares with the Eureka Redevelopment Agency and the Eureka Housing Authority a commitment to creating and preserving low and moderate income housing. The three acknowledge that the limits of their commitment depend on their ability to acquire non-city funding sources. For example, both the federal government and the California State Legislature have reduced or eliminated sources of local funding, making it difficult for the City of Eureka to fund its housing programs. Several of the goals outlined in Eureka's Housing Element include developing new housing to meet the City's fair share housing allocation, and maintaining

and rehabilitating the existing housing stock. Policies have been developed in order to meet these and other goals.

The City of Eureka (2004) will carry out policies related to those goals through various implementation programs. Several of these programs include promoting secondary dwelling units as a form of affordable housing, converting downtown buildings for mixed-use or residential use, and awarding density bonuses to residential projects that set aside a specific percentage of units for limited income households.

In its Housing Element, the County of Humboldt (2004) lists as one of its goals the ability to meet the estimated future housing needs of the County. Additional goals include providing for sufficient sites for new housing throughout the County, maintaining and rehabilitating existing housing, and developing techniques to reduce the cost of new residential construction. Policies for carrying out these goals include promoting various types of new housing opportunities at low, moderate, and high densities, promoting infill and reuse of vacant properties, increasing density, encouraging affordable housing projects that integrate well with surrounding neighborhoods, acknowledging and providing for nomadic households, identifying sites for homeless shelters and transitional housing, and providing low-interest loans for rehabilitation of rental properties and homes owned and occupied by limited income households.

Community Land Trust

One innovation developed in and with the City of Arcata, for the purpose of building affordable housing, is the Humboldt Community Development Land Trust (HCDLT). The City of Arcata works with the Humboldt Bay Housing Development

Corporation (HBHDC), a non-profit developer, on the Land Trust (Humboldt Community Development Land Trust [HCDLT], n.d.). The Land Trust was founded in 2003 and helps to build affordable housing in the City of Arcata. HBHDC has utilized City redevelopment loans and federal funds to purchase lots and construct houses that will sell for a fraction of surrounding market-rate homes. This is possible because the price of each home is separated from the cost of the land on which it is built. Buyers own their individual homes, but the land itself is leased to the homeowners by HCDLT for 99 years at a time for a small fee. The homes are reserved solely for limited income buyers who earn less than 80 percent of the area median income. In 2004, an eligible one-person household earned no more than \$27,500, two-person households earned no more than \$31,400, three-person households earned no more than \$35,350, and four-person households earned no more than \$39,300.

If and when a household in the program is ready to give up its home, it can be sold to an income qualified buyer, given to one's children, or sold back to HCDLT (HCDLT, n.d.). The resale price is based on a formula, rather than the speculative housing market, and allows for only a small amount of equity appreciation. HCDLT homeowners pay property taxes, and mortgage interest is tax deductible, just like any other type of home loan. So far, homes that are part of the HCDLT in Arcata's Windsong subdivision have sold for approximately \$140,000 to buyers in the First Time Homebuyer Program. In the spring of 2005, market-rate homes across the street sold for approximately \$405,000. The Land Trust is a way for the City of Arcata to invest in long-term affordable housing solutions, since these homes will not be lost from the

affordable housing stock. The Land Trust has an elected board of directors and is managed by the Humboldt Bay Housing Development Corporation.

Housing for Senior Citizens and Persons with Special Needs

The City of Arcata (2004) recognizes, in its Housing Element, that many seniors are on fixed incomes that make it difficult to afford housing costs, and those who own their homes may have a difficult time maintaining them. In response, the City has pledged to encourage the development of new affordable housing for low income senior households. Several of the ways it plans on doing so are by offering density bonuses, assistance to developers in applying for government financing and subsidies, and assistance in obtaining surplus government land acceptable for multifamily housing development. The City will expedite permit processing, offer reductions in parking standards and lot sizes, and waive fees for low income senior housing units.

The City of Eureka (2004) has reported that it contains a higher proportion of senior residents than both Humboldt County and California overall. At the time of the 2000 Census, 21.9 percent of Eureka's population was over 55 years of age, 16 percent of the population was over 65 years of age, and 6.7 percent was over 75 years of age. Most of Eureka's senior households are owner-occupied. Seventy-four percent of senior households in Eureka are owner-occupied and 26 percent rent. For those living on fixed incomes, it may be difficult to maintain or rehabilitate homes or handle rent increases. Putting off maintenance can leave households in unpleasant or unsafe living conditions. The City of Eureka offers rehabilitation programs to assist these households. Keeping up on home maintenance also helps preserve the City's housing stock for the future.

At the time of the 2000 Census, 27.5 percent of Eureka's population had a physical, mental and/or developmental disability (City of Eureka, 2004). In Humboldt County overall, 25.3 percent of the population had a disability, and in the state of California overall, the percentage was 15.9 percent. The City of Eureka has the highest percentage of disabled persons in Humboldt County, possibly because it is the County's hub for social and health services (RCAA, 2004). Many have particular housing needs that are difficult to meet at an affordable price. Some live in independent residences, and others need to live in group homes or institutional care facilities. Those with physical disabilities often need housing that is designed to be easily accessible, and some require special features or architectural alterations. The City of Eureka (2004) takes several steps toward assisting these households, one of which is to allow a household of six or fewer handicapped persons to be considered a family, therefore enabling this living situation to be a permitted use, requiring no zoning changes. Homes run by non-profit charitable organizations dedicated to housing and/or training youth, seniors, impoverished, or handicapped persons are also allowed in residential zones.

Single-Parent and Female-Headed Households

Households headed by single women in Humboldt County bear a heavy burden exacerbated by rising home costs. Eureka has a higher proportion of households headed by single women than Humboldt County and the state of California overall (City of Eureka, 2004). The City of Eureka reports that it also has a higher proportion of single women with children heading households in poverty than the State overall. According to 2000 Census data, 35.6 percent of Eureka households with children under 18 are headed

by single women, an increase from 29.2 percent in 1990. Out of those households, 53.4 percent are living below the poverty level. According to the City of Arcata (2004), 76.9 percent of Arcata's 648 households headed by single parents are headed by women. In Humboldt County overall, 27.1 percent of all households with children are headed by single women, and 44.6 percent of those are living below the poverty level. The Eureka Housing Authority has determined that 77.5 percent of the recipients of Section 8 Choice Vouchers are female heads of household, although men may also live in some of these households.

Homelessness and Transitional Housing

There are between 50 and 75 homeless individuals in Arcata year round, and the number rises to approximately 200 in the summer (RCAA, 2004). According to RCAA, the City of Arcata does not zone for transitional or emergency shelters. There are a few transitional housing and day center facilities in the City, which provide approximately 18 beds. The RCAA reports that the City of Eureka provides approximately 423 beds in various shelters and transitional housing facilities, and an additional 86 during the winter. Many sleep in automobiles, outdoors, or in motels. Much smaller homeless populations are estimated to live in other incorporated cities in Humboldt County, which provide minimal or no homeless services. In unincorporated areas of Humboldt County, transients and homeless individuals often camp or stay with friends.

In 2004, the Redwood Community Action Agency and the County Department of Health and Human Services estimated that 888 homeless individuals lived in the Eureka area (RCAA, 2004). According to RCAA, the Eureka Housing Authority has

approximately 455 households on its waiting list for Agency owned apartments, and 993 households on the waiting list for the combined City and County Section 8 Choice Vouchers. The City of Eureka Redevelopment Agency offers loans for several transitional housing units serving women, youth, veterans, and recovering substance addicts (City of Eureka, 2004). According to Eureka's Abbreviated Consolidated Plan, written by RCAA (2004), Eureka is home to the largest numbers of affordable housing units, residents in poverty, homeless individuals, and homeless services in Humboldt County. It has been estimated that Humboldt County overall contains 4,000 homeless residents over the course of a year.

Owner-Occupancy

The City of Arcata (2004) is interested in examining means to promote and increase owner-occupied housing in the City. Arcata's Housing Element identified that 37.5 percent of Arcata's housing stock is owner-occupied, and the City hopes to increase that percentage and decrease the amount of absentee homeowners. The City plans to research this issue in order to develop means to further assist its First Time Homebuyer Program and those who do not qualify for the program. A first-time buyer is defined as one who has not owned property within the last three years and meets income criteria for the Program. According to the City of Arcata, the Program helps to reduce initial costs, increase borrowers' purchasing power, and reduce mortgage payments by offering low-interest loans of a maximum of \$75,000. Borrowers in the Program will also need to obtain private loans, and there are restrictions on the amount of monthly income one can put toward payments. Under Arcata's First Time Homebuyer Program, the maximum

purchase price for a home is \$285,000, and the home must be located within city limits. The income limit for a one-person household is \$27,500; \$31,400 for a two-person household; \$35,350 for a three-person household; and \$39,300 for a four-person household.

The City of Eureka's Redevelopment Agency offers a First Time Home Buyer Down-payment Assistance Program to Eureka home buyers (City of Eureka, 2005). The purpose of the program is to assist low and moderate income first-time buyers, who would otherwise not qualify to purchase a home in Eureka. The Program assists with down payments, which reduces the amount a buyer needs to borrow from a private source, thus lowering monthly payments. According to the City of Eureka (2005), the loan is offered at two levels, one for moderate income households and one for low income households. A maximum of \$50,000 is offered to moderate income qualified households, which are defined as those earning up to 120 percent of the Humboldt County median income as determined by HUD. The limit for a one-person household is \$41,250; \$47,100 for a two-person household; \$53,000 for a three-person household; and \$58,900 for a four-person household. The loan is offered for up to \$80,000 to low income households, which are defined as those earning up to 80 percent of the HUD-determined Humboldt County median income. All First Time Home Buyer loans have a 30 year term. Homeowners have two options to pay off their loans. The first is to share equity with the Eureka Redevelopment Agency upon resale, refinance, or default of the home. The second option is to pay interest at a rate of five percent if paid back in full within one year, four percent if paid back within two years, or three percent if paid back

after two years of signing the Promissory Note. The mortgage limit under Eureka's Program is \$237,500.

Low and Moderate Income Housing Fund

The Eureka Redevelopment Agency was created in order to promote revitalizing development within the City (City of Eureka, 2004). The City of Eureka explains that this revitalization is intended to encourage growth in downtown Eureka, Old Town, on the waterfront, and in industrial areas on the west side of the City. In addition, the Agency works on providing an array of housing opportunities, especially for limited income households. The Low and Moderate Income Housing Fund program (LMIHF) obtains its funding from 20 percent of tax increment revenue generated from three redevelopment project areas in the City. These funds are then used for the Agency's programs, or paid out in the form of grants. It is estimated that for 2005, the LMIHF will accumulate \$681,000.

In addition, the City of Arcata (2004) has assisted in the development of affordable housing units using Arcata Redevelopment Agency LMIHF funding obtained from property tax increment revenues. The County of Humboldt (2004) has recently created its own Redevelopment Agency and plans to use the required 20 percent of Agency revenues from tax increment financing for the production of affordable housing projects across Humboldt County.

Programs for Owners and Neighborhood Revitalization

The Eureka Redevelopment Agency (2003), offers a series of programs for different types of housing situations. For instance, one program serves owners who rent

to economically disadvantaged residents by offering assistance for exterior repairs, painting, wiring and foundation upgrades on certain properties. The Agency's programs for economically disadvantaged property owners include the Rehabilitation Loan Program, which offers financial support for repairs to low income property owners at below market-rates, and the Paint Up/Fix Up Grant Program, which offers funding for crucial exterior repairs. Other neighborhood improvement programs offered by the Agency are the Dumpster Program, which places dumpsters in areas requiring removal of large pieces of refuse, and the Demolition Program, which provides grants to tear down selected unsafe structures. The purposes of the Demolition Program are to improve neighborhood appearance, decreases the risk of fire and public health concerns, and address uninhabitable structures that remain standing due to high-priced demolition and dump fees.

Governmental Constraints

The City of Eureka's (2004) Housing Element identifies several governmental constraints which local government has little, if any, control over. One of these constraints is the high cost of raw land, in addition to the cost of holding the land during development. Land costs can amount to half of the sale price of homes. Another constraint is the cost of construction, which amounts to approximately \$90 to \$120 per square foot, and includes architectural and engineering costs, permits, fees, and financing. According to the City of Eureka, the availability and cost of financing is another constraint. Developers often borrow money in order to develop a project, and it is somewhat difficult for developers to obtain this financing for multifamily housing

construction, which is a constraint on the building of affordable housing. Furthermore, insurance costs for multiple units have risen. As mortgage interest rates rise, they will also constrain homeownership.

The City of Arcata (2004), in its Housing Element, has identified a number of governmental and non-governmental constraints that prevent the public and private sectors from meeting the affordable housing needs of the City's population. Some include decreasing availability of buildable land, high construction costs, land use controls, design review, the permitting and approval processes, California Coastal Commission approval, and development impact and processing fees.

The County of Humboldt (2004), in its Housing Element, identified a number of constraints arising from the local, state, and federal levels. State and federal constraints increasing the cost of housing include discretionary review, coastal zone permitting, State building regulations, development impact fees, various development restrictions and requirements, flood insurance, and reduced state and federal funding for housing. The County of Humboldt associates local governmental constraints with the actions and processes that limit the number of building sites, which in turn increase housing prices. Some of these constraints include zoning regulation, subdivision regulations, Humboldt County regulations, local budget constraints, and tax constraints.

The Density Debate

Since it has become difficult for the average worker to afford a home in Humboldt County, local government has tried to work out the conflicts between finding more land for housing and protecting Humboldt County's timber lands and open space. Infill

development has been identified as a step in the right direction. Looking back on past local land use and zoning maps, lots in the early 1900s were smaller than they are in today's new neighborhoods (Dobkin, 2005). According to Dobkin, suburban sprawl began its boom after World War II, and growing lot sizes resulted in the problem of public utilities and infrastructure not supporting as much housing as they could. Today, when the government and the public consider new land use proposals, such as infill development or adding accessory dwelling units to properties, there are always supporters and critics. Dobkin explains that some people favor such proposals, while others like an idea in theory, but do not want to see it in their backyards or neighborhoods. If the opposition is loud enough, it can take precedence over what others consider to be the common good.

Many developers build the types of houses that are popular in the market, and many people seeking homes in Humboldt County want a large house on a large lot (Hight, 2002). According to Dobkin (2005), of those who oppose increased density, some argue that accessory dwelling units decrease neighboring home values, however there is little evidence to prove that this is true. Dobkin explains that the building of second units is one way to increase the local affordable housing stock and promote infill. Some wonder whether it is reasonable for a municipality to zone areas strictly for large lots, since the open space is not necessarily used for agricultural purposes. These are the types of land use issues that are left to the public to consider and comment on at public meetings. Dobkin states that the stakes include, but are not limited to, the housing needs

of the next generation, the fate of housing costs, and the extent to which people will feel comfortable living in or moving to Humboldt County.

Some affordable housing advocates ask that local governments alter their zoning codes to promote the construction of smaller houses and more densely constructed subdivisions (Hight, 2002). Since land is extremely expensive, high-density neighborhoods are one way to spread out costs over more housing units. Several ideas and incentives have been offered or proposed for incorporation into local housing elements. Hight explains that by offering density bonuses, local governments can allow developers to construct more units per acre than would otherwise be allowed, in exchange for keeping a certain proportion of the homes affordable. This is an effort to make affordable housing production profitable and feasible for developers, since there is much greater profit in large high-end homes than in affordable housing. Other ideas include permitting the halving of lots and reducing the required minimum size of homes in new subdivisions. By doing so, more housing could be made available to entry-level households.

Developing condominiums is another way to promote smart growth and high-density affordable housing in Humboldt County (Hight, 2002). According to Hight, households could own their individual units and share ownership of the land and any common areas. There are only a few condominiums in Humboldt County, and it is uncertain how accepting the community is of them or how willing people are to live in them. Hight explains that many households prefer the single-family detached house with private land. However, condominiums and other strategies for infill promote smart

growth within existing communities, avoid sprawling into surrounding open space, and utilize a community's existing infrastructure, services, and downtown. Mixed-use zoning also promotes infill, for example, by offering housing units above commercial structures.

Non-profit Developer Options

First-time home buyer programs have been offered by the Cities of Arcata and Eureka, and also by the U.S. Department of Agriculture, the Humboldt County Housing Authority, and the Redwood Community Action Agency. However, home prices have climbed so high that low income buyers cannot make up the financial gap between what the programs offer and what the sellers are asking (Hight, 2002). In Arcata's program, federal law requires that a participant not pay more than a home's appraised value, but nearly everyone who purchases a home in Arcata does. Several local non-profit developers have been working on providing options to a wider range of income earners. According to Hight, some utilize low income buyers' sweat equity, or hands on construction labor, to save on the costs of hiring someone else to do the work. Some organizations rely on donations of construction materials and services. Self help programs allow low income buyers, their families, and their friends to help the buyer by donating their time, labor, and skills, instead of cash. According to Gordon and Gray (2005), for some first-time home buyers, it might be necessary to seek out non-traditional financing methods in order to enter the local market. Some of these options include low or no down payments, interest-only payments, and multi-loan financing.

According to the City of Eureka (2004), the Eureka Housing Development Corporation was created by the Housing Authority to serve low income families, seniors,

and the disabled. The City states that the advantage of involving non-profit developers in housing development is that they have access to federal funds that are not available to private developers or public agencies. Non-profit developers have the advantage of being able to negotiate contracts without the same restrictions placed on public agencies.

Local Innovations in Affordable Housing

The Hoopa Modular Building Enterprise (HMBE), created by the Hoopa Valley Tribe, was recently established as a local source of affordable housing. HMBE manufactures different styles and sizes of modular homes, which can be shipped all over Humboldt County, the state of California, and nearby states (Walters, 2005). The modular homes are being sold at three different price levels. Hoopa tribal members can purchase the homes at the lowest price, members of all other tribes receive the next best price, and non-Indian buyers pay the highest price. According to Walters, part of the motivation for investing in the factory comes out of the tribe's need both for affordable housing and jobs on the Hoopa Valley Reservation. The tribe has a 50 percent unemployment rate, and tribal timber revenues have decreased under tribal sustainability policies. By investing in the new modular home factory, the tribe has been able to offer 50 new jobs on the reservation, most of which are held by the Hupa and other Indians, and the number of jobs is expected to grow to more than 100. Many of the tribal members working for Hoopa Modular will soon be able to purchase their own homes through the business and live affordably in the Hoopa Valley. Walters adds that beyond Hoopa, HMBE is also enabling the members of many communities in other regions to obtain affordable housing.

According to Hoopa Modular Business Enterprise (2005), its mission is to interconnect affordable housing, job creation, and job training. According to their mission, job training for tribal members is as important a goal as creating affordable homeownership opportunities. According to HMBE, the main purpose of the manufacturing plant is to increase the supply and quality of affordable housing on the Hoopa Valley reservation and in the surrounding region. According to Walters (2005), another beneficial outcome of HMBE is the positive economic effect it will produce throughout the region. For example, the factory creates jobs not only for assemblers at the factory, but also for truckers and other businesses that the factory will rely on up until the point that each house is completed at its final destination. Local businesses will benefit from the increasing number of jobs in the community, since employees of HMBE will most likely be spending a large portion of their earnings in the community.

Many have contributed to the existing literature available on affordable housing issues in Humboldt County. Various problems have been documented, in addition to ideas and solutions for alleviating them. A review of local information helps to establish background on the affordability struggles and concerns of local residents, in addition to the experiences of local housing creators and local policy issues. As a next step, in-depth interviews with various local professionals involved in local affordable housing issues will paint a more detailed picture of specific affordable housing problems in Humboldt County and ideas for moving forward.

Overall, the review of literature pertaining to affordable housing issues has covered a variety of important topics, which are either directly related to affordable

housing or inevitably intertwined with it. The review began by exploring how economic justice theory can be a valuable perspective from which to examine the topic of affordable housing. It then ranged from the broad scope of federal policy to the state power of zoning and onward to the ways U.S. communities and individuals are affected. The final section reviewed literature pertaining to Humboldt County specifically, which lays a foundation for the qualitatively gathered data presented in this project.

METHODOLOGY

In order to paint a picture of the various obstacles and solutions to creating affordable housing opportunities in Humboldt County, interviews were conducted with various local creators of affordable housing opportunities. Interview questions, located at the end of this section, focused on the obstacles, solutions, and proposed solutions identified by a diverse array of professionals working on different aspects of affordable housing creation in Humboldt County. Interviewees included local and county government representatives, planners, and employees, private and non-profit housing developers, real estate brokers, mortgage lenders and brokers, transitional housing professionals, and employees of various affordable housing organizations. Interviewees represented a diversity of opinions, experiences, and goals, all of which are important to the purpose of this project.

Approval for this project was obtained from the Institutional Review Board of Human Subjects on February 23, 2005. I conducted all interviews and the interviews took place in person or over the phone. The interviews were conducted between March 17 and June 23, 2005. I explained to each interviewee the purpose of the interview, that the interview would be confidential, and that the interviewee would have an opportunity to review and comment on a draft of the interview results before publishing. For cases in which an interview was conducted in person, I provided a consent form, which explained this information, for the interviewee to read and sign. In the case of telephone interviews, the consent form information was explained, and verbal permission was granted. I conducted all interviews and manually recorded responses for each question.

Three different sets of interview questions were utilized, depending on whether an interviewee was (1) a government representative, government employee, or planner, (2) a housing developer, or (3) someone who does not fall into either of the first two categories. The third set of questions included questions from the first two sets of questions, but certain questions were altered to better fit each interviewee's occupation or role in creating local affordable housing opportunities. I chose to conduct semi-standardized interviews, which utilized the same three lists of questions for each of the three groups of interviewees, but allowed me the freedom to probe a response, and re-word or clarify interview questions in order to make them relevant to the interviewee (Berg, 2004). This was especially critical in the case of the third group of interviewees, since individual roles in affordable housing were quite different from one another. Interviewees in this group included real estate brokers, transitional housing professionals, mortgage lenders, and mortgage brokers.

This research project was carried out qualitatively, and interview responses were transformed into a readable text, organized in a manner that highlights important themes captured from the interviews (Berg, 2004). A qualitative approach was necessary in order to give voice to the diversity of professional opinions and experiences regarding affordable housing creation in Humboldt County. Qualitative research methods offered more depth and richness in responses than quantitative methods would have offered to this particular project. Interview results stem from interviewees who have had different experiences with affordable housing issues from one another and who speak from different perspectives, all of which are important to this project. The appreciation of such

diversity resonates with ecofeminist principles purporting that differences are valuable in maintaining any type of interconnected web (Bach & Bullis, 1993). All voices are essential to the whole, and a diversity of voices promotes diverse manners of learning and understanding.

The purpose of confidentiality was to protect participants from potential harm that could be experienced after the publishing of this research, for example, if a reader were to associate a response with an interviewee's identity. Since interviewees include elected representatives, government employees, and private businesspeople, it is not my wish for their public images or businesses to be negatively impacted by their participation in this research. Thus, identifying information has been omitted.

All interviewees were sent a draft of the research results in order to inform me of any changes I should make to reflect their answers more accurately, better protect their confidentiality, or request that a response be omitted. This step is extremely important to me for ethical reasons, in addition to ensuring accuracy. It is my hope that since these interviewees volunteered to participate in my research, that they will have a positive experience, and feel confident that I have presented their responses accurately and fairly.

I began the interviewee selection process by generating an initial list of local professionals who work as public representatives, planners, real estate brokers, and transitional housing professionals. I telephoned all interviewees and explained the project. If they were interested in participating, I set up interviews at their offices, coffee shops, or over the telephone. I left it up to the interviewees to choose the location that was most comfortable for them. At the close of each interview, I used the snowball

method of sampling, and asked each interviewee for a recommendation of other potential subjects with a role in affordable housing issues (Berg, 2004). This sampling method provided a wealth of new potential interview subjects and professions to pursue for obtaining data. A total of 22 people agreed to participate in this research and one declined.

One of the benefits of conducting interviews, rather than utilizing an alternative method, was that I was able to work out any confusion with a question, or alter questions that consistently provided no results. For instance, a question asking about the types of regional revenue sharing, if any, that are or could be offered in order to better house employees who cannot afford to live where they work, consistently elicited the answer “none.” For each instance, I was able to briefly explain what led me to ask that question, which in turn brought forth responses and ideas that were of great benefit to this project and helped me to reframe the question for subsequent interviews.

Some interviewees made suggestions of things to add or remove from questions. For instance, for a question asking about how affordable housing creation relates to open space conservation, housing rehabilitation, and historic preservation locally, it was suggested that I add the design review process to that list, which proved to be a good recommendation that generated valuable data. Furthermore, it was recommended that when interviewing developers, I ask about the link or competition between non-profit and private developers in the case of affordable housing creation. Interviewees are a source of valuable information about what additional questions I, as a researcher, should be

asking in order to get as much data as possible from local professionals involved in affordable housing issues.

Interview results were sent to all interviewees on November 27, 2005.

Interviewees were asked to review the results and inform me if they wanted any of their individual responses omitted or if their responses needed to be edited for better accuracy. They were given two weeks to respond. A total of three interviewees responded with comments for alterations. Their recommendations were incorporated into the results section. In order to get an idea of how many years of experience shaped interviewees' responses overall, interviewees were asked how long they have worked on housing issues in Humboldt County. Their responses are summarized in Table 4.

Table 4. Length of time that interviewees have worked on housing issues in Humboldt County.

Number of Participants (22 Total)	Years Working on Housing Issues in Humboldt County
4	2-5 years
6	6-10 years
2	11-15 years
4	20-25 years
1	26-30 years
5	More than 30 years

Questions for Government and Planners

1. What incentives has local government offered to promote affordable housing?
2. What obstacles do you face in addressing affordable housing?
3. What strategies have been employed in order to work through those obstacles?
4. What has been (or could be) done in order to better house employees who cannot afford to live where they work? (For example: regional revenue sharing, employer assisted housing, etc.)
5. How has affordable housing creation been linked to, or competed with, open space conservation, housing rehabilitation, or historic preservation in Humboldt County?
6. When you hold meetings which have affordable housing issues or related ordinances on the agenda, do the community members present at these meetings represent a wide array of interests or only one or two? What types of interest groups are present for these meetings? Explain.
7. In the context of affordable housing, what are the most common public concerns about community character and design, and how do you address them?
8. How do you address NIMBYism related to affordable housing or its siting?
9. What additional strategies, not currently used, would encourage or facilitate the creation of affordable housing locally?
10. What factors have contributed to the local lack of affordable housing (For example, what happened over the past 5 years?)
11. What are some of the benefits of creating more affordable housing locally?
12. How long have you worked on housing issues in Humboldt County?
13. Can you recommend anyone else I should talk to for this research?

Questions for Housing Developers

1. What obstacles prevent you from being able to develop affordable housing?
2. What strategies have you used to overcome these obstacles / barriers?

3. Have you ever had to overcome (citizen/neighborhood/NIMBY) opposition to any of your affordable housing projects? How?
4. Have you ever needed to hold meetings to address citizens' questions about acquiring or rezoning land for what could include affordable housing? Explain. Any other community outreach?
5. What types of incentives have you been offered, or used, in order to create affordable housing?
6. What additional strategies, not currently used, would encourage or facilitate the creation of affordable housing in Humboldt County?
7. For how long are your affordable homes affordable?
8. Have lack of profitability, feasibility, or financing deterred you from an affordable housing project? Explain.
9. Do you participate in any housing related organizations and/or programs for potential owners and renters? (For example, advocacy groups, community or neighborhood organizing, revitalization, social services to help people obtain homes, etc.)
10. How has affordable housing creation been linked to or competed with the following in Humboldt County?
 - Open space conservation
 - Housing rehabilitation
 - Historic preservation
 - Non-profit/private developers
 - Design review process
11. What factors have contributed to the recent lack of affordable housing in Humboldt County (housing that is affordable to moderate and low income workers)? (for example, what happened in the past 5 years?)
12. What are some of the benefits of creating more affordable housing in Humboldt County?
13. How long have you worked in housing in Humboldt County?
14. Can you recommend anyone else I should talk to for this research?

Questions for Others with a Role in Housing

1. What obstacles do you face in addressing affordable housing?
2. What strategies have you employed in order to work through those obstacles?
3. How has affordable housing creation been linked to or competed with open space conservation, housing rehabilitation, or historic preservation in Humboldt County?
4. Do you encounter NIMBYism when it comes to affordable housing issues? How do you address it or overcome it?
5. What additional strategies, not currently used, would encourage or facilitate the creation of affordable housing in Humboldt County?
6. What factors have contributed to the lack of affordable housing in Humboldt County? (housing that is affordable to moderate and low income workers) (for example, what happened in the past 5 years?)
7. What are some of the benefits of creating more affordable housing in Humboldt County?
8. Is there anything you would like to add that has not been touched on through these questions?
9. How long have you worked in housing in Humboldt County?
10. Can you recommend anyone else I should talk to for this research?

Question Variations

Transitional Housing Professionals

1. What obstacles do you face in helping others to obtain affordable housing?
2. What strategies have been employed in order to work through those obstacles?
3. What types of incentives are offered (by government, etc.) to assist you and your clients in obtaining affordable housing?

4. Are your clients eventually able to live in the towns in which they work, or are they more likely to commute? How do these scenarios impact your clients?
5. Have you or your clients had to deal with NIMBYism? If so, how is it addressed?
6. What additional strategies, not currently used, would encourage or facilitate the creation, availability, or ability to obtain affordable housing locally?
7. What factors have contributed to the local lack of affordable housing? (For example, have the housing market changes of the past 5 years posed different challenges than before?)

Real Estate Brokers

1. What types of incentives, programs, or assistance are available for moderate or low income individuals seeking housing?

Mortgage Brokers

1. What obstacles do you face in assisting buyers who have difficulty affording local homes? (For example, those with moderate and low incomes who seek affordable housing)
2. What strategies have you employed in order to work through those obstacles? (For example, what types of financing work best for these buyers?)
3. What additional strategies, not currently used, would encourage the creation of affordable housing ownership opportunities in Humboldt County? (For example, in your field, what additional strategies could help moderate and low income buyers to obtain and stay in their homes?)
4. What factors have contributed to the lack of affordable housing in Humboldt County? (housing that is affordable to moderate and low income workers) (For example, what happened in the past 5 years? Who are the buyers?)

Mortgage Lenders

1. What obstacles do you face in addressing affordable housing or lending to low and moderate income buyers? (For example, those who have difficulty affording local homes.)

2. What strategies have you employed in order to work through those obstacles? (For example, what types of financing work best for these buyers? What types of incentives, programs, or assistance are available to limited income households hoping to qualify for a loan?)
3. What additional strategies, not currently used, would enable you to better serve moderate and low income buyers in need of affordable housing in Humboldt County?

The use of qualitative research methods has been extremely valuable for the exploration of affordable housing issues in Humboldt County. It has greatly benefited this project by helping to reflect various serendipitous and meaningful stories and discussions that are intertwined with affordable housing issues unique to Humboldt County. It has also brought depth and voice to local history. Through qualitative interviews, participants were given the chance to reflect on their professional struggles with local housing affordability issues and to share insight and stories unique to the rapidly changing rural County of Humboldt. In the following section, important themes and results of these interviews will be revealed.

RESULTS

This section discusses the results of interviews with various Humboldt County professionals and government representatives working on local affordable housing issues. The results are not a comparison between different types of participants, but rather a weaving together of their experiences and opinions on local affordable housing issues. The results section will begin with the topic of obstacles to creating affordable housing in Humboldt County and the strategies that have been used to overcome them. This sets the foundation for subsequent topics which include suggested solutions for the future of Humboldt County's affordable housing, competition and alliances with affordable housing endeavors, community character and design concerns, NIMBY opposition, affordable housing construction deterrents, suggested reasons for Humboldt County's drastic increase in home prices, incentives for building affordable housing, the role of government meetings and public participation, housing near employment, and the benefits of creating affordable housing in Humboldt County.

Part I: Obstacles and Strategies

Professionals working with affordable housing issues in Humboldt County have identified a wide variety of obstacles that keep them from being able to acquire, access, build, or provide affordable housing to members of the community. In addition, these local professionals have discussed some of the strategies they have employed in order to work through those particular obstacles. The subtopics within this section highlight important and recurring themes that have emerged from interviews with local professionals on this topic. The obstacles identified and discussed in this section include

lack of land, lack of housing stock, environmental constraints, high costs, high demand for housing, politics and regulation, public resistance, income disparities, the free market, funding, financing, the permitting and approval process, zoning, insurance costs, insufficient infrastructure, and competition with out-of-town buyers.

Lack of Land

A number of local professionals responded that a major obstacle preventing the creation of affordable housing opportunities is a lack of available land in Humboldt County. Land is in high demand. A Humboldt County government employee explained that there is not enough property available which is zoned residential. Many of the residential properties that do exist may have a lack of infrastructure, which would be expensive to expand. According to a representative of a local affordable housing organization, finding a site to build on can be difficult. For instance, the availability of sites is limited in Eureka because Eureka is built up.

For one local government organization, government processes related to land, such as zoning, are a barrier to creating affordable housing in the community. A representative of the organization explained:

We are in an area where we cannot make anymore land, so property is at a premium. So we work with what land we have, and do improvements such as helping areas establish mother-in-law units as an allowed use to increase density. (Interview Group 1, Interviewee 1).

In order to overcome obstacles related to lack of land, local city governments have employed infill and smart growth. A city employee remarked that the local

government has encouraged the development of smaller units in developed areas and the reduction of vehicle miles traveled. Several local government employees highlighted that mother-in-law units are one way to work through the land obstacle. A government employee added that local city governments have promoted housing in upper floors of downtown buildings, although limited parking can be a problem. In addition, local agencies have tried to create affordable housing opportunities by offering rehabilitation funding and working on changes for permits and zoning.

Two of the main strategies that one local government employee identified for overcoming land obstacles are land banking and the land trust model. The government employee explained how a local city performs land banking in order to create affordable housing opportunities:

When it comes to land availability, we have purchased lots from developers getting ready to subdivide. We purchased prior to subdividing, so there was no need to compete on the open market. There is a special clause in state law that you cannot market or sell lots without subdivision approval, parcel numbers, the State Board of Realtors, and so on. Cities, states, or counties can acquire property before all of this has happened, under the Subdivision Map Act. A developer buys property, and in the process of putting in infrastructure and other necessities, it costs a lot of money. The city comes in and says it will buy the land now, before the developer has to put it in. For the land use permit part of it, the developer is paying for permitting, but with the city buying some of the property, it

is already done. It simultaneously addresses NIMBYism because the city, or whoever owns the land, is part of the neighbors. The city is the neighbor. The city is there first. (Interview Group 1, Interviewee 2).

The obstacle of limited supply of buildable land in Humboldt County may require the local community and local governments to make important decisions regarding community design and how to meet the housing needs of the County. Outward expansion onto lands without infrastructure will require a great deal of funding, and the tactic of infill development may become more commonly employed, inevitably changing the appearance of neighborhoods. This may bring with it a number of objections concerning community character, design, and resident preferences.

Environmental Constraints

In some cases, environmental cleanup of a contaminated site, or a brownfield, is necessary before an affordable housing project can be constructed. For example, the topsoil on the site must be cleaned up. There are costs related to cleanup, and there are zoning requirements for doing it. Contaminated soils are an obstacle for several local housing organizations, because vacant contaminated parcels cost a lot of money to clean up and need monitoring. Additional environmental issues, such as the presence of wetlands, restrict the amount of buildable land available and pose an obstacle for several housing development organizations. One organization representative commented that such restrictions are both positive and negative. For example, the preservation of

wetlands has significant ecological value. However, some builders would argue that the need for certain environmental protections is exaggerated.

Low Supply of Affordable Housing

The primary obstacle for several local real estate brokers assisting limited income buyers is a lack of acceptable housing structures for people to rent or buy. A local broker explained that with a lack of inventory, it becomes necessary to help entry-level and first-time buyers, who are seeking the least expensive homes on the market, become aware of the reality of the market:

I have an entry-level buyer who can only afford to spend \$250,000 and there is financing and credit available, but few homes are for sale in that price range. That client is going to have a tough time. You have to be willing to be flexible. For example, don't buy a home you expect to live in for the rest of your life. Expect to settle for less. For first-time buyers, you have to educate them on the market realization. In the category of entry-level buyers, there are a lot of buyers in that range, and it is very competitive. However, if someone is in the \$400,000 range, it opens up the inventory. (Interview Group 3, Interview 1).

A local developer pointed out an additional obstacle related to lack of affordable supply, in which some real estate agents are able to buy affordable local homes as investment properties before listing them on the market. As a result, many of the homes that could be affordable to potential owner-occupants with low and moderate incomes

never make it to the marketplace. Although sellers can choose who to sell to, one real estate broker argued that most people will sell a home to whoever will buy it.

A local government representative highlighted a dilemma that arises with short-term affordable housing solutions such as those that offer limited income buyers some type of help purchasing a home. A household that receives assistance purchasing a home may sell the home in the future after it appreciates to a level unaffordable to future limited income households. A local government representative explained:

You can help people get into homes at lower costs, but then factor in appreciation on the houses. The houses then leave the affordable realm.

How do we avoid that problem? Does it really create a supply of affordable housing? Maybe the Land Trust can help with that dilemma.

(Interview Group 1, Interviewee 3).

Several local government employees and representatives stated that one of local government's most successful long-term strategies for overcoming the obstacle of low inventory was the establishment of the Humboldt Community Development Land Trust. The purpose of the Land Trust is to keep homes affordable over a long period of time. Owners of homes in the Land Trust gain a certain limited amount of equity on the houses over time, so they can move on and buy something bigger or do whatever they choose to do after they sell. The homes themselves, however, remain affordable to the next limited income buyers.

A first-time home buyer program is another strategy used by local governments to overcome a lack of affordable inventory. According to a government employee, many of

the houses on the market are not offered in first time buyers' price ranges, therefore the program may help them to afford something that they otherwise would have trouble affording. In the opinion of a local mortgage broker, programs for first-time buyers and down payment assistance programs are not necessarily as optimal as they seem. The broker explained that someone, whether it is the borrower or taxpayers, ends up paying for the assistance:

. . . when it comes to subsidized programs, there is always a day of reckoning. It is not really forgiven. You may have to share the equity gained with the people who help you get in. Subsidies will affect taxpayers. There is no free lunch. There is payback somewhere. These programs do not necessarily fit well. (Interview Group 3, Interviewee 2).

High Demand for Affordable Housing

High demand for affordable housing is an obstacle for local governments in Humboldt County trying to address affordable housing issues. Demand is so high that it makes it difficult for local governments to create or maintain all of the affordable housing that areas need. Furthermore, government employees and representatives want to be careful about where they locate affordable housing projects within the community. A local government employee explained:

According to the Housing Element, we should be building 200 to 400 very low income housing opportunities per year. If we have clean, healthy, respectable, if you will, houses, then subsidized housing rents meet people's income. But then you risk pushing them to the outskirts of

towns. And does the community want pockets of poverty? Housing opportunities for the low income group brings up the issue of environmental justice. If you put all the poor in one area, and call it all good, it's not right. We need modern acceptable housing to meet the standards, and 200 to 400 units per year. (Interview Group 1, Interviewee 4).

Another local government employee stressed that local governments need to promote the construction of a wide range of housing types, from affordable to high-end. In addition, the employee expressed concerns over the manner in which housing is developed locally:

We need to push all kinds of housing, not just more affordable kinds. Cost is up all over California. If it were cheaper in Arcata, everyone would move there. We need the majority of low income housing in Eureka, and some in Fortuna, McKinleyville, even Trinidad. We need it everywhere in order for these communities to be balanced, healthy, and have their fair share. The topic of low income housing has advocates, and you will hear oppositions to low income people, and with some truth too. If either side wins, it is a detriment for our children, grandchildren, students, and students that are graduating. If there is too much low income housing, it burdens city services. If housing is built too cheaply, it can be slum. We need intermixed style and design to fit into a neighborhood, which is hard.

We need multi-economic classes in neighborhoods. (Interview Group 1, Interviewee 5).

Cost of Land and Construction

According to several government representatives, it is the price of raw land itself that has greatly affected whether the home built on it can be affordable. A local government representative reminisced about a time when raw land in Humboldt County was reasonably priced and affordable housing creation was approached much differently than it is today:

There was a different definition of affordable housing here in the 1960s and 1970s. There were little parcels at good prices and terms. A lot of people built cabins, which eventually grew, and they were affordable. Some would build a shack, and then eventually build a house, and then someone else would move into the shack, who then moves on, and so on. There was a lot of rural housing from the 1960s to the 1980s. There were lots of back-to-the-land-ers and lots of affordable housing. They were do-it-yourself-ers, or if people could afford it, they could hire someone to build a small house. (Interview Group 1, Interviewee 6).

Today, however, many residential lots cost \$100,000 or more for the raw land, and when this is added to what it costs to construct homes, it pencils out to be quite difficult to put affordable homes on those lots. A local government representative explained that a major obstacle to developing affordable housing is the economic reality of it not being beneficial to developers because of the low profit margin. The

representative added that unless affordable housing construction is subsidized by HOME (HOME Investment Partnerships Program) or CDBG funds, the numbers do not crunch. A member of the private developer community suggested that developer incentives are needed, because it is difficult for a developer to design a project of affordable housing and earn a profit similar to that of market-rate housing. A developer highlighted the following:

Cost is an underlying challenge. There must be a subsidy. To me, affordable housing means subsidized housing. The cost is too high to make it affordable. It costs us \$300,000 to build a single-family home, so we charge \$350,000. (Interview Group 2, Interviewee 1).

For one local non-profit developer, construction costs are not as much of an obstacle as land cost. The developer explained that five or six years ago, it was not as difficult to build affordable housing as it is today, so it is unfortunate that current affordable housing projects were not started earlier. The developer added that building lots today are expensive, thus it is quite difficult to try to build a house for \$200,000. A local government representative stated that buying land at a lower price can make all the difference in price when it comes to creating the home. The representative explained that if someone bought a building lot before land costs in Humboldt County shot up, and decided to build a house on it now, the final cost of the home will be significantly lower than if the owner bought the building lot itself today. The representative further explained:

Land cost is a major factor. Some lots have been in family possession for a long time, back when it cost \$5,000 per acre for wooded land. Some of those properties will be subdivided. Lots that cost \$2,500 25 years ago are worth a minimum of \$100,000 to \$125,000 today. (Interview Group 1, Interviewee 7).

A developer pointed out that there are huge differences in social attitude within the developer community, arguing that a lot of developers are building housing for the profit, not because housing is a right. A local government representative added another point which is particularly pertinent for a rural county, that when agricultural lands become increasingly valuable on the market, they pose the risk of being affordable only to the rich, and it makes those properties less feasible and profitable for agricultural uses. A government employee commented on how a subdivision's design can be affected by land cost:

It does not look like what the council or the developer had in mind. Now it looks like large single-family homes with for rent signs. They are big ugly boxes because of the cost. It had cost \$100,000 per lot, and they wanted to cover the lot with whatever you can get the most money out of.

A bigger box means more money. (Interview Group 1, Interviewee 8).

In order to work on overcoming the obstacle of cost, a local developer explained that the company tries to use similar contractors, who are familiar with the product, so they can develop it over and over to find efficiencies. For example, the developer will use similar floor plans in order to get economies of scale.

A non-profit housing developer claimed that the additional costs of property, for instance the cost of getting it ready to build on or installing infrastructure if there is none nearby, is an obstacle to creating affordable housing. Infrastructure costs are borne by the developer. The developer further stated:

When I first started, building cost \$75 per square foot. Now it costs between \$125 and \$150 per square foot, because of the costs of material and labor. Davis Bacon wage rates, or prevailing wage rates, can add a lot of costs. If certain federal or state funds are used, they may require that their wages be used, which adds considerably to costs. Then your costs are dictated by whether you have to pay Davis Bacon wage rates.

(Interview Group 2, Interviewee 2).

According to the Davis-Bacon Act, prevailing wage rates must be used when the United States is a party in the contract for a construction project which is over \$2,000 (40 U.S.C. 276a-7). Under the Davis-Bacon Act, contractors and subcontractors must pay workers at least the equivalent of local prevailing wages and benefits paid on similar projects. This applies to construction projects that are funded through federal grants and loans.

Politics and Regulation

According to a local government employee, inclusionary zoning is a redistribution of wealth, and many jurisdictions go in this direction to fill the gap in affordable housing. The government employee explained that inclusionary zoning works out to be a tax on people who can pay for their housing, or in other words, a transfer of wealth from those

who can pay to those who cannot afford to pay for a home. A member of a local affordable housing organization argued that although inclusionary zoning is not mandatory, it needs to be. According to some developers, however, inclusionary zoning is a major obstacle. A member of the private developer community is opposed to it, arguing that it is not an equitable way to address the affordability issue, since market-rate houses will cost more in order to make up for the subsidy.

A government employee pointed out that state-level politics are changing the affordable housing scene by arguing against inclusionary zoning. The Department of Housing and Community Development (HCD) in Sacramento, headed by Director Lucetta Dunn, who was appointed by Governor Arnold Schwarzenegger, has cautioned local governments that inclusionary zoning may be an obstacle to affordable housing creation. According to a San Jose State University study by Powell and Stringham (2003) of inclusionary zoning in the San Francisco Bay Area which looks at the costs added to market-rate homes, the net loss is that less housing is being built. In contrast, a representative of a local affordable housing organization felt that an inclusionary zoning ordinance is one of the best tools public officials have for meeting the requirements of providing affordable housing. This representative explained that if a percentage of new development is not set aside for affordable housing, then there is no way to create it. The representative recommended inclusionary zoning as a useful tool for all of Humboldt County, and pointed out that about one third of jurisdictions in California adopted some kind of inclusionary zoning.

A member of the private developer community is opposed to inclusionary zoning and felt that it is not an equitable way to address the affordability issue. The respondent argued that in one local municipality, inclusionary zoning is pushed more firmly than required by its laws, and that land use development code is waiting to revisit inclusionary zoning details in order to determine how to interpret and implement California law dictating density bonuses in local inclusionary zoning. The respondent argued that it is important to look at the benefits and non-benefits of inclusionary zoning:

As an example, say you have 12 lots in a city. The city says three must be made affordable, which may mean no profit on those. The other nine lots are market-rate, and the developer may have to spread the profit of the affordable three to these nine. If the math doesn't work, the developer will not do it in that city, and it just does not get done. (Interview Group 2, Interviewee 3).

Several members of the private developer community cited abuse of the California Environmental Quality Act (CEQA) as an obstacle to creating affordable housing, with examples of how the CEQA process has been abused to the detriment of housing affordability. CEQA is used to inform governments and the public about the potential environmental effects of a project, and it can be used to prevent damage to the environment by requiring changes in projects (County of Humboldt, n.d.). A local developer added that some people litigate under CEQA guidelines in ways that the law is not intended to be used, for instance, merely to stop development in anti-development communities.

Developers pointed out several additional building constraints related to politics and regulation, such as not being able to build on a 30 percent slope, wetlands, or a certain distance from streams, all of which raise prices. Some local developers consider these regulations to be an obstacle to constructing affordable housing. A representative of the private developer community added that there are other government regulations that affect cost and affordability, such as rules for setting aside land for storm water detention basins. The representative cited the 1972 Clean Water Act and the State Water Quality Control Board as obstacles. According to the representative, if a developer has ten lots, then one lot may be lost for a storm water detention basin. The profit lost from that lot will come out of the profit on the other nine lots, and it will be reflected in home prices. A local government representative expressed that one of the strategies for overcoming permitting and approval obstacles is to ease developer constraints and allow things such as low setbacks, which is permission to build close to the property line.

A local government employee expressed that a big obstacle at the local government level is the lack of capacity to manage increasingly complex affordable housing programs. The employee explained that in order to handle the government regulations and the burdens associated with them, it takes a high level of skill to navigate the bureaucracy, grants, and other technicalities. In terms of strategies to overcome the difficulties with these programs, a Humboldt County government representative stated that one of the main strategies, from a policy standpoint, is cooperation with non-profit development work.

Public Resistance

A local government employee expressed that many local residents have a certain vision of what type of housing they want to see in their communities: private lots that people can fence in, call their own, and keep other people off. The employee added that condos are not widely embraced in Humboldt County, and that there is a certain “social leap” that the public needs to take in order to live in urban situations, such as with high-density development and mixed-use zoning. Several employees in local government have experienced that overall the public has been unwilling to accept higher densities, which contributes to high land costs in the community. A local government representative commented that, “One of the biggest obstacles is the culture of thinking. Americans are into monster houses on big tracks on infinite land. The conceptual framework we are working in is an obstacle.”

NIMBYism is a common barrier for several local government employees working on affordable housing. According to a local government employee, accessory dwelling units are very affordable, but because of neighborhood objections and design criteria, the city has backed off from realistically promoting them. According to the local government employee:

Secondary living units are encouraged, but are not successful because of neighborhood pressures, such as residents not wanting two-story structures in their neighborhoods, or insistence on more parking than necessary for a housing unit. These types of restrictions and conditions de facto eliminate affordable housing. (Interview Group 1, Interviewee 8).

A local developer stated that NIMBYism, a lot of the time, is what takes a project a long time to reach completion, because it makes it difficult to do. In the developer's experience, affordable housing is sometimes looked down upon, and people are afraid of it. In an area outside of Humboldt County, one developer had scheduled a neighborhood meeting to discuss plans for an affordable housing project, and before the meeting even took place, local media implied that the development of new affordable housing would bring crime to the community. A local developer pointed out that there is a stigma and stereotype of what affordable housing will be like. According to the developer, in some Humboldt County neighborhoods, there is a lot of NIMBYism, and neighbors may be so opposed to an affordable housing project that they will go to great lengths to stop the project. A Humboldt County government employee added that if the County is working on low income affordable housing, low income meaning those making 80 percent of the median income or less, NIMBYism is the number one constraint.

NIMBYism is a big obstacle for a representative of a local affordable housing organization, and it is also expensive because the organization has to prove that what it does is in the public's best interest. A representative of another housing organization explained that the organization tries to be sensitive to both sides of NIMBYism struggles. The representative added that the organization cares about people's concerns, but recognizes that prices are up so much that people are getting priced out of housing. The representative stated that most neighborhoods want to see ownership in their neighborhoods, rather than rentals, and they especially want to see single-family homes rather than other housing types.

In working to rise above NIMBYism on affordable housing projects, local developers, housing organizations, and local governments hold neighborhood meetings. One developer commented on the importance of being very proactive with neighbors. The developer explained that at meetings with neighbors, the developer listens to residents' concerns and tries to incorporate them into the construction of the neighborhood. A non-profit developer explained how the organization handles NIMBYism:

For NIMBYism, we hold public meetings. We show the public what we have already built. There was one person in the past who was a major NIMBYist, and we had a chance to sit down together. The person said that a certain project would be alright if we do it, because we do it with the community in mind. There is an impact on the community. When the housing projects are scattered appropriately, and they are small scale, it works out. By doing so, the development has less of an impact on any one neighborhood. We take the community into consideration. We do not go in there full speed ahead. We ask if it fits with the community and whether they will accept it. We listen to the community and incorporate them. We look at construction locally and scale a development architecturally so that it blends with what is there. That is the difference between making a profit and not. When profit is the motive, you try to get the most number of units on the site as possible. When you're not trying

to make a profit, the question is what it will take to break even. (Interview Group 2, Interviewee 2).

A local real estate broker stressed that the needs of those who are looking for affordable housing need to be on equal par with those who already own housing. According to the broker, NIMBY groups often say that affordable housing is a great idea, but not where they live. In other words, there is a lot of talk and little action. A real estate broker added that it is important to get government entities to understand the importance of their own roles in this issue.

The Free Market

A local government employee commented that a major obstacle to creating affordable housing is the minimum level of support for it and that the private market will not provide the support. The employee explained the relationship between affordable housing and the market:

The free market has failed. Even the most conservative Smithian economist would say then that there is a role for government. If the free market is not providing the optimum for society, then the government needs to step in. Reaganists would say that people will either sink or swim, but with homes, it is a heartless policy. (Interview Group 1, Interviewee 4).

A local government representative felt that market systems are a big obstacle, and that many of those who hope to own a home have the same problem of market-rate housing being much more expensive than what local residents are used to. A local

government employee argued that a city can influence housing availability, but not the housing market. A member of the private developer community pointed out the shortcomings of restricting the free market, using the example of a land trust:

The land trust locks in the price, which cannot exceed a certain percentage. It has very restricted appreciation for resale. This allows the next buyer to buy affordable housing, but it restricts equity for the seller. A restricted market is not the answer. There is a place for it. It removes the housing for 99 years from the market and market-rate prices. It reduces the land available for market-rate housing, which can be a disadvantage. (Interview Group 2, Interviewee 3).

Some who work in local government and planning posit that the disparity between income and housing prices is an obstacle that the free market may not be able to fix. A local government employee explained that a huge segment of the population cannot afford the cost of housing, and if the private market will not provide affordable housing, then subsidized housing is needed. The employee further stated that since the private market outstrips the buying power of low income groups, public money is often required to create affordable housing opportunities. For low income households hoping to buy an affordable home locally, one local planner stated that no incentive will bring back the \$150,000 home.

A local government representative pointed out that it has been difficult for Humboldt County to overcome its housing market obstacles. The representative explained that many questions about fixing the housing market are brought to local

government representatives, but these representatives cannot control the market. The representative further stated:

If we are successful in getting a fiber optic cable manufacturer, a question which came up from some people was where we will put their employees. That will always be a question. Market forces are not under the command of a supervisor or local government. It is not a rich county. I do not know how to overcome our obstacles when we have a failed stock market and people have started to invest in our housing market from other areas.

(Interview Group 1, Interviewee 7).

On the topic of how long existing affordable housing can remain affordable, a member of the private developer community explained that market-rate housing prices will fluctuate with the market and do not have a price cap. In the experience of a local private developer, when the developer's housing units have a period of affordability, it means that the developer or property manager must maintain the affordable housing component for 55 years. Every year, for 55 years, the tenants are recertified. The developer expressed plans to develop affordable houses that will be for sale and will include a period of affordability. The developer explained that this will be a shift from strictly looking at rental apartments as the company's only affordable product. The developer explained that in a future development of these affordable houses, buyers will have to remain in the homes for a certain number of years and can then sell and capitalize on the equity.

To further explain the period of affordability, the private developer stated that the tax credits and funding for building the affordable housing in the first place are awarded to the project itself, and the condition is that it must remain affordable for 55 years. The developer can sell the project, but it still must remain affordable for the duration of the period of affordability. Prices cannot increase to the market rate. A non-profit developer added that 55 years is only the minimum length of time that housing units must be kept affordable. Affordable homes that are owned within the local Humboldt Community Development Land Trust, for instance, will be affordable in perpetuity.

Income

In response to the recent rise in local home prices, a local mortgage lender stated that when a home is considered affordable today, it is not truly affordable, because incomes have not risen along with home prices and rents. The lender explained that many people feel a sense of pressure in Humboldt County because property values are up and incomes are not. The lender further explained that it does not seem like anyone in Humboldt County is making more money than before the drastic rise in home prices, and that homes that cost \$160,000 a few years ago cost \$400,000 or more now.

Even moderate income families struggle to afford buying homes locally. A local government employee explained that a moderate income household is considered to be one that earns 125 percent of the area's median income. A median income family of four earns \$49,100. A moderate income family of four earns \$58,900. A local transitional housing professional added:

The hot real estate market is squeezing people out. People want good wages, a good environment, and a house. The beauty of living in Humboldt County is not enough anymore. It is not enough to take low wage jobs. (Interview Group 3, Interviewee 3).

Funding

A government employee remarked that local governments are in need of state and federal money. According to the employee, Humboldt County government had no grants for rehabilitation and new construction until four years ago, and if local governments become more aggressive about writing grants and getting grant money, the County could build 40 to 50 houses per year with it. A developer commented that in some areas, if local jurisdictions do not have the money for affordable housing construction, or do not support it, it can be a big obstacle to creating it. However, the developer added that Humboldt County and its cities all support it, which helps eliminate that obstacle locally.

According to a private developer, one of the biggest obstacles for developers building affordable housing is meeting all the criteria necessary to get funding. The developer stated that finding the right property that meets all the criteria for all the funding sources is the most difficult part of the process. The developer explained:

The biggest obstacle is that there are certain criteria that we have to meet in order to get funding. Finding the right site and finding land that meets all these criteria is the hardest part. With affordable housing funding strategies we have HOME funds and tax credits, and when you combine that with all the criteria for the site, it's like all the planets need to be

aligned. Everything needs to be aligned all at the right time for everything to work. We also need to get the most appropriate return for the risk we are putting out there. (Interview Group 2, Interviewee 1).

In order to overcome some funding obstacles, the developer stated that the company works on lowering costs for local planning, community development, and building departments. The developer explained that sometimes these departments may be unfamiliar with something the developer is doing, so the developer takes the time to educate them on technicalities that they may not have been prepared to work on.

A local non-profit developer stressed that it is important to be smart about seeking funding sources for affordable housing creation. According to the developer, it is imperative that a developer get the least restrictive funding sources as possible, otherwise it may hurt affordable housing creation in the long run. The developer explained:

For getting money, you have to use your head when seeking funding devices. The mistake that agencies make is that they do not account for what happens every time they go for funding sources with different restrictions on each, and then piggyback them on other sources. Some use HOME grants or the tax credit program. What happens is they get all these grants, and each has restrictions, which means fewer people you can serve in the end. The population that you can serve gets smaller as you use more sources. An agency can end up with empty units that no one can use, cannot pay the mortgage, and cannot help people. It is important to

get the least restrictive funding sources as possible, and not to piggyback them onto restrictive sources. (Interview Group 2, Interviewee 2).

A local real estate broker suggested that a unique way to help overcome a lack of funding for affordable housing solutions is to financially support innovative projects and programs devoted to funding new and creative ideas. For instance, the broker suggested that becoming a member of the State Housing Trust Fund for the California Association of Realtors is a positive way to work through affordable housing funding barriers. The broker explained:

Here we have a problem, and lots of traditional ways of looking at the obstacles. With the Housing Trust Fund, we can get ideas funded, which could lead to new and innovative ways of solving the affordable housing problem. We gave money to a land trust, because they needed money for set up. We gave them money because the idea of leased land was a new idea at the time. The idea has spread throughout the state, and it is no longer a novelty. (Interview Group 3, Interviewee 4).

The real estate broker elaborated that it is hard to think of new ways to solve affordable housing problems, and acquiring financial help outside of government structures can be a good idea since it avoids the need to constantly answer to many people in government. Another real estate broker agreed that supporting new ideas is important, citing the example of a contest sponsored by the San Diego Association of Realtors:

The San Diego Board of Realtors had a contest for architects to design a mother-in-law unit, and standardize the designs and plans so that the city can pick out the details they want you to have in the design, and then you can get easier approval. Plans should match the overall architecture of the area. It is a big process to build a mother-in-law unit if you are a homeowner. (Interview Group 3, Interviewee 1).

According to this broker, the contest came out of an idea, and the hope behind the idea was that maybe somewhere a design can be adopted and pre-approved by government, which would cut down on development costs. In one particular local city, for example, it takes many months and a lot of money to go through design review, because architects, builders, and others must be paid for their time going through the process.

Several government employees pointed out that local government has to stretch dollars in today's market, and some programs, such as particular rehabilitation programs, are able to stretch those dollars farther than others. A government employee offered the example that local government may purchase property so it can keep land costs down when the time comes to develop the property. Several government employees stated that they constantly work on locating grants and funding sources for affordable housing programs and projects in the community.

A Humboldt County government representative added that some grant and loan programs are only for non-profits, and therefore non-profit organizations are a key to success in overcoming some funding obstacles. The representative explained that one of

the ways that a local non-profit housing organization can help is by managing large sums of money invested in the process of creating affordable housing, without receiving quick return. According to the representative, it can take a long period of time from the point of commitment to a project to the point of sale, therefore it helps when a non-profit organization, dedicated to affordable housing rather than profit, manages part of the money invested in the process.

Financing

For one local real estate broker, finding creative ways to finance homes for buyers, such as through government programs, is difficult. According to the broker, when real estate brokers work with limited income clients, they have to explore all options in the existing housing stock and in financing. The broker recalled that there was a time when it was possible to help limited income buyers qualify for a loan on paper, but today there is no competitive chance against buyers from outside of Humboldt County who have large amounts of cash to spend.

For home builders, the cost of borrowing money, for example loans, is an obstacle. A non-profit developer explained that loans from state and federal agencies have been used to float mortgage revenue bonds, and that property itself is the asset which backs the bond. The developer further explained that interest is tax exempt, and a reasonable rate of return will be taken, but not as much as the amount taken on a loan. The developer added that if an affordable housing organization can issue tax exempt bonds and notes, then it gives that organization the ability to negotiate with banks directly, cutting out the costs of paying middlemen. It can cost approximately \$100,000

to \$125,000 to pay middlemen such as attorneys and brokers. A local affordable housing developer claimed that it can be very difficult to get through the process of financing affordable housing projects, and at times it has felt as though some force is trying to keep the organization from doing it. The developer added that it is still worth fighting for, because it is the right thing to do for a healthy community.

A representative of the private developer community pointed out that competition in the financing industry has helped make it easier for people to qualify for home loans, but it has also brought a large number of consumers into the marketplace to compete with each other, thus driving up home prices. The representative explained:

Mortgage bankers and banks compete for your business and it keeps rates competitive as a consumer. Competition keeps things healthy because it keeps rates down. Easy credit drives costs up. Forty-year mortgages lower your payments. June 2004 through summer we had the lowest rates ever. More people qualify, so it brings in more people competing, and drives up the price. It is one of the single largest factors in the past two years. You can buy a home without having to declare income. It brings more people into the market. (Interview Group 2, Interview 3).

A local mortgage lender expressed that most loan programs, provided by any lender, are set up the same way. The lender explained that if an applicant has no government assistance, then lenders will say that the applicant needs to make a certain amount of money, because lenders do not want to take unreasonable risks. The mortgage lender further stated that banks and loan companies are not non-profits, and an action

needs to make sense for business. A mortgage broker explained what it is like to work with and educate low and moderate income families hoping to buy homes in Humboldt County:

One of the obstacles I deal with is that many people do not qualify for a loan. Low and moderate income families cannot afford a home in Humboldt County. People have very little for a down payment and closing costs. If you take an entry-level home of \$250,000, many people have little or no money to work with. On a standard loan, you would need to make at least \$60,000 per year, which is not low or moderate in Humboldt County. I show them Lending 101. I show them how a bank is going to look at them, and how to understand a 30-year program.

(Interview Group 3, Interviewee 2).

The broker stated that one way to help a limited income applicant work through financing obstacles is to suggest financing options other than the norm. The broker explained that there are ways to do creative financing, but in the long term, potential buyers must decide how important ownership is over renting. The broker further stated:

With a 30-year fixed-rate mortgage, as one's income rises, payments get easier to make. Interest-only payments make the payments a little easier, but the buyer is not paying the loan down yet. This loan only makes it more affordable today. This type of payment option program enables a buyer to have low payments to start, but I do not always advise it. It may not be a good idea to put oneself in the situation of having much more to

pay later, but it is the buyer's choice. We provide other types of loans to lower payments while buyers' incomes are low. If buyers know that they will have more income later on, there are adjustable-rate mortgages.

Family participation can also help. For example, parents may help their children buy a home, which can help to lower payments. (Interview Group 3, Interviewee 2).

A local lender that offers a five year interest-only mortgage loan explained that this type of loan lowers payments so a household can qualify for a higher loan amount. The lender pointed out that the obstacle with an interest-only loan is that the borrower must put 20 percent down. The lender further explained:

As an example, take a \$200,000 loan with fixed-rate payments over 30 years. Payments would be \$1,183.08. On an interest-only loan at the rate of 6.375, payments would be \$1,062.50. The savings is \$120 per month.

It is not a lot, but it is something. (Interview Group 3, Interviewee 5).

According to another local lender, one of the ways to help limited income households overcome financing obstacles is through education. The lender educates applicants on credit and offer strategies on how they can financially profile themselves a certain way. The lender added that sometimes it is necessary to help applicants find alternate conduits that will work better for them, such as by referring them to a bank that specializes in what they are looking for.

Permitting and Approval Processes

Several private developers have expressed that one of the barriers to creating affordable housing in Humboldt County is the length of time it takes for approval from the County. A representative of the private developer community explained that it can take several years to get subdivision approval, and the longer it takes, the more the developer's costs and risks increase. The representative further stated:

It takes two to five years to get a subdivision approved. A developer borrows money to buy the ground, and is paying interest on it over time. The time it takes for the zoning approval process and planning permits adds interest onto the overall cost. If the holding cost is too high, the developer will not do it, or may have to redesign it. If the developer makes larger houses and larger lots, there is a bigger profit. There is a risk factor. If a developer is putting their own capital into this, is it worth doing the project? If the risk is too high, the developer either will not do the project, or will do a high-end project instead, which moves away from affordable housing. There would be lower risk if there were more certainty and predictability in the planning approval process. (Interview Group 2, Interviewee 3).

Some private developers feel that in addition to long waiting times for approval from planning departments, building permit fees are also an obstacle to creating affordable housing. A representative of the private developer community explained that

when fees are piled onto a project, the developer ultimately passes on the cost to the consumer, which decreases housing affordability. The representative further explained:

There are traffic fees, school district impact fees, and so on. In one area of Humboldt County, there is a \$2.25 fee per square foot of living area, which can sometimes total approximately a \$3,800 fee per house. There are permit and planning fees. A developer adds them all up and passes them on to the consumer. If builders had to take it from profits, they would not do it. The cost is passed on into the sale price. So if you are trying to keep market-rate affordable housing, it is an obstacle. (Interview Group 2, Interviewee 3).

According to a local private developer, housing costs could be lowered if developers did not have to navigate through as much red tape as they do in order to build a project. Time, studies, and bureaucracy all drive up costs for developers, and the developer is concerned that many people do not see that part of the process. The private developer added that navigation through bureaucracy added one extra year to the development of a specific local housing project, which increased the cost of homes in the development by \$7,000 each.

Insurance Costs

Several housing developers in Humboldt County expressed that the high cost of general liability insurance is a major obstacle to affordable housing construction. A representative of the private developer community stated that general liability insurance

is very expensive in California, and it is reflected in the prices of homes. The representative explained:

A developer must have it in place for the protection of the business and assets. Sometimes a developer cannot get it. Some insurers have left the California market altogether. It is a problem all over California, and especially in California, in general. If you can get it, it is very expensive, and it is built into the end price of homes. Specifically for condos and townhouses, which can be market-rate affordable housing, it is expensive. For example, for a local project of condos, which will sell at \$185,000 each, the insurance cost per unit was a \$20,000 premium for the general liability insurance to build the units. Some developers cannot find an underwriter, so they stick with single-family detached housing. (Interview Group 2, Interviewee 3).

The representative urged that this obstacle is in serious need of repair in the state of California. The representative explained that in Humboldt County, there is a market for townhouses and condos, because these housing types represent a viable form of market-rate affordable housing. The representative added that whether this type of housing will appreciate and become more expensive over time is a function of the market. A local government employee acknowledged that the high cost of contractors' liability insurance is both a local and statewide problem, and does add approximately \$20,000 to the cost of local homes. The government employee added that the reason

liability insurance has become this expensive is because contractors who have done shoddy work in the past caused insurance companies to pay out a lot of money.

Infrastructure

A representative of the private developer community listed infrastructure problems, such as water and sewage systems, to be an obstacle to creating affordable housing in Humboldt County. The representative stated that some areas of Humboldt County have moratoria on infrastructure expansion, and that Eureka is close to having no available sewer hook-ups. The representative added that some current building projects have no sewer yet, or do not have as much as they require. Furthermore, the representative stated that if a developer wants to do a high-density project, it may not be possible to do it right now, because the cost to get sewer extensions out to some areas is too expensive. The representative stated that developers need the government to help with infrastructure issues, for instance through grants and state funding sources such as the State Infrastructure Bank.

A local government representative agreed that the need for improvements to infrastructure such as roads, wastewater transport, and water systems is an obstacle to affordable housing creation in Humboldt County. The representative explained that local government is trying to address these problems and is aware of what the major constraints are for wastewater transport and water systems in Humboldt County. According to the representative, the County has been working with community services districts (CSDs) more closely than ever before, and also with cities and unincorporated areas like the McKinleyville CSD and the Humboldt CSD. The representative added that

it would be nice if Humboldt County government could have planned for growth 20 years ago, in order to avoid or lessen current problems with traffic and wastewater systems.

The infrastructure problems of one particular area in Humboldt County helped a government representative explain some of the obstacles to creating high-density developments on the outskirts of town. In some areas, there is not sufficient infrastructure in place to support high-density development, and the high cost of making the necessary improvements can jeopardize the affordability of housing to be developed.

The representative explained the obstacles associated with one project:

There is a proposal for high-density development, but there is only one road and there are only so many wastewater hookups. So we have to look for a compromise until we get the infrastructure in place, for instance an extension of wastewater, and the construction of a new road. We also need to consider the cost of that. So we tell developers not to build too many houses without the infrastructure. That will be an affordable housing factor. If it costs \$2 million to build a road and another \$2 million for a wastewater line, we end up with huge developer fees per lot, for instance \$40,000 in developer fees per lot before starting to build, which is the case in some other counties. (Interview Group 1, Interviewee 7).

A representative of the private developer community suggested the option of creating a Mello-Roos district, which can be formed as an assessment district for a new area in order to get financing for necessities such as infrastructure. Instead of imposing one large fee for a home or subdivision to pay for local schools, roads, or infrastructure,

the fee is paid out over a period of years, and the home buyers in a Mellow-Roos district promise to pay monthly toward it. The representative explained that in a place like Humboldt County, there are obstacles to forming Mellow-Roos districts:

The problem is that projects are not big enough in Humboldt County. It may take 50 years to pay a bond off, so lenders would not be interested. So it is a matter of scale. Vallejo and Antioch will get a timely payback, but our market is so small, and it is so hard to pay for infrastructure. A typical development here is 17 or 23 houses, not hundreds. (Interview Group 2, Interviewee 3).

Zoning

Zoning can be an obstacle for some affordable housing builders in Humboldt County. According to a local non-profit developer, the zoning review process for a property takes about three to four months, and during that time, a developer carries the cost of holding the land, which becomes expensive. The developer added that zoning review is necessary in order to get a conditional use permit, which is required for all transitional housing. The developer added:

Public officials need to take a stand. In the County, nothing is zoned for transitional shelters. Instead, they require a conditional use permit, which requires a public hearing process. A lot of NIMBYism is then present at these meetings to fight it. We also need more mixed-use zoning. To curb NIMBYism, zoning is a tool that can be used to decide what goes where beforehand, and then that use is already expected for a site. What matters

in zoning is what you are zoning for: pre-zoning for an affordable housing overlay zone, inclusionary zoning, and so on. (Interview Group 2, Interviewee 4).

The developer explained that an affordable housing overlay zone would involve pre-zoning an area specifically for affordable housing. The developer felt that it could be useful for private and non-profit developers, because it allows affordable housing to be a permitted use in an area.

Strategies for the Homeless and Transitional Housing

A representative of a local transitional housing facility explained that one of the ways the facility works to overcome barriers to transitioning clients into permanent housing is by offering life skills classes. The organization helps clients with budgeting, managing a bank account, getting a driver's license, and credit counseling. The representative explained that the organization works with clients to examine why they lost their housing and what it will take to get them back into stable housing again. One-on-one meetings, group meetings, and outside experts all help clients get back into the housing market.

The representative explained that there is a continuum, or an array of services, that are available to help clients transition into permanent housing. According to the representative, the continuum starts with places like St. Vincent de Paul, the Endeavor, and food banks, which are just some of the points of entry where one is identified as homeless. The representative further explained:

People may be living in substandard housing, staying with friends, or camping. They may stay at a night emergency shelter, and then move on to an array of local transitional housing facilities. Different things work for different people. Some need board and care or supportive housing. The next step would be moving into subsidized housing or an apartment. This is a point of success for most people. Some might move on to rent a house, and if there is an increase in income, they can potentially own a home one day, which is the American Dream. (Interview Group 3, Interviewee 3).

The representative added that learning about policy and the General Plan is important to what transitional housing providers do on a daily basis, and that it is essential that housing advocates work on government policy issues. The representative recommended that housing providers figure out how they can be involved with working on the General Plan and the Land Use Plan. The representative explained that members of transitional housing organizations, in addition to other support providers, need to make sure that good public policies are in place to set precedent and take care of the community as a whole.

Additional Strategies Not Used Currently

Interviewees were asked for their input on additional strategies, not currently used, that would encourage or facilitate the creation of affordable housing in Humboldt County. Some of the suggestions are in the beginning stages of being utilized in Humboldt County, some are ideas discovered in other areas of the country, and some

suggestions are simply hopes for what could work in Humboldt County. Suggested strategies in this section address land cost, infill techniques, alternative zoning tools, sweat equity in home building, and changes to government and local residents' visions for the community.

A local non-profit developer suggested that allowing both infill development and construction on substandard lots would alleviate some of the obstacles associated with the cost of land. The developer explained that communities elsewhere have allowed zero setbacks, or building up to the property line, which is a way to increase density and create a large number of affordable housing sites. It allows the living space itself to take up more of the lot. The developer added that houses built up to the property line could have larger backyards or alleys behind the homes in order to discourage parking on the streets. The developer stated that an additional benefit of this design is that neighborhoods employing it have been able to open up space within the neighborhood, with more of a park atmosphere when the backs of houses faced inward.

Local government representatives agree that smart infill would be a good strategy for developing affordable housing locally. A local government representative felt that a city could apply incentives to individual small projects, rather than limit them to large-scale developments. Furthermore, the representative suggested that affordable housing be scattered, which can potentially be encouraged with incentives. The representative commented that it would be beneficial if the local government could hire a staff person to handle these types of affordable housing issues, but there is no money to do it.

Since infrastructure problems have increased home prices in some areas of Humboldt County, a government employee suggested that municipalities plan ahead for drainage, flooding, and infrastructure problems to save money on the cost of housing in the long run. The employee elaborated that for some particular unincorporated towns that contain affordable housing, lack of planning will cost homeowners more in the long run. For example, the employee outlined that these types of towns need to fully address infrastructure, transportation circulation, drainage, water, and sewer problems, because some housing developments have already ended up with flooding problems. According to the employee, affordable housing in a community that lacks infrastructure planning may seem to be affordable in the beginning, but in the long run, drainage and flooding problems will be quite expensive. Furthermore, unincorporated towns cannot use grant programs for affordable housing.

A government representative recommended that local governments consider the benefits of using Form Based Codes, a strategy that is not used currently in Humboldt County. The representative explained that under this method, a community is zoned according to appearance, rather than allowable uses. Instead of the type of zoning in which specific uses are outlined for a zone or neighborhood, Form Based Codes explain what the neighborhood will look like. According to the representative, these codes would determine whether structures would come up to the sidewalk and set a height limit for structures in a neighborhood. With these codes, use is not zoned, only the shape and placement of buildings. The representative added that some of the benefits of Form Based Codes are that they have the potential to bring balance to neighborhood plans by

encouraging mixed-use development and discouraging the placement of all residences in one part of town and commercial zones in another. Furthermore, the representative pointed out that this balance decreases dependence on the automobile for acquiring goods and services located only in commercial districts.

Further on the topic of zoning, a local non-profit developer suggested that cities revise zoning in certain areas in order to make more land available specifically for affordable housing. In addition, the developer suggested that cities revise their rules on minimum house sizes, because the current minimum may be larger than many people need, and homes that take up a minimal amount of land could be offered at affordable prices. The developer explained:

The city does not allow a house under 1,000 square feet, but under 1,000 square feet works well for some people. Why is 1,000 the magic number?

There is no magic number. Is it not a house if it's under 1,000 square feet? The problem is the cost of land. Why does the city have to require a 6600 square foot lot? (Interview Group 2, Interviewee 2).

A local private developer suggested using strategies that involve the limited income home buyer as part of the solution to reducing home costs. The developer is in the process of implementing a strategy for reducing costs to home buyers by encouraging buyers to invest sweat equity into their homes. The developer will build houses, but leave the interiors and landscaping unfinished for buyers who can do it themselves. According to the developer, buyers will be able to put sweat equity into their homes so

that the homes can be bought at lower prices than if those details were finished by the developer.

In a less tangible set of solutions, a Humboldt County employee pointed out that there needs to be a change in the way people think about community and housing, so that it would be acceptable for the County to make changes such as increasing density. The employee was concerned that if Humboldt County does not increase density, it will end up with a sprawling pattern of development. In addition, the employee explained that walkable communities are important to public health and are attractive to many people:

Walkable communities are becoming popular as our generation ages.

People who are now in their 50s, 60s, and 70s in age want to buy into small, dense, safe communities, where things are close together. It is something that is very European. (Interview Group 1, Interviewee 9).

Furthermore, the employee stated that it would be advantageous if people could accept projects such as land trusts, condominiums, and other creative ways of addressing Humboldt County's lack of affordable housing. On a similar note, some suggest that changes in the government itself are equally as important as working on increasing the public's willingness to accept changes. A local real estate broker explained that alterations in the government in Washington D.C. could change the funding available for affordable housing programs. However, the broker stated that the United States is not necessarily ready to address that sort of change in government.

A local non-profit developer added that creativity is important for developers of affordable housing, for instance, in creating solutions other than going after federal

money. According to the developer, the federal and state governments have cut back on their programs, so non-profit and affordable housing developers have to be creative in order to survive. The developer gave credit to local government employees and local non-profit and private developers who pull the tricks of the trade when it comes to finding these solutions.

Several local government employees stated that their municipalities are interested in the Humboldt Community Development Land Trust, but the main issue is with management and who will manage it for such a long stretch of time. A local government employee explained that the local government is short of funds for staffing, and would need to work with a non-profit organization. The employee added that one local city is looking into creative options to help with designing and developing property that is owned by the city. For example, the employee pointed out that this city is considering working with students on designs. The employee added that the city wants to work on creating mixed income housing, since it is a healthy way to avoid segregation.

A representative of a local affordable housing organization offered several suggestions for new affordable housing strategies to employ locally. One suggestion was the creation of a dedicated funding source for affordable housing, such as a housing trust fund. Another suggestion was that inclusionary zoning be made mandatory in General Plans in all jurisdictions. The representative stated that the third strategy is to create an affordable housing overlay zone for Humboldt County which would designate mixed-use development and affordable housing as allowed uses.

A local planner suggested that the city purchase affordable homes that go on the market so they can be resold to income qualified households. The planner felt that cities need to work on long-term plans for affordable housing. For example, when a city obtains affordable housing units, it must work on keeping them affordable. The planner explained that if a city assists a limited income household with purchasing an affordable home, and the household eventually decides to sell, the home is usually lost from the affordable stock.

When a local mortgage lender was asked about new strategies that could enable lenders to better serve moderate and low income buyers in Humboldt County, one suggested strategy was to develop a lending program in which a city can back up bank loans for moderate and low income borrowers. The lender explained:

One strategy could be to for the bank to utilize programs such as a loan in which the city seconds behind it, but the bank needs volume. The bank will not do these programs if they are only being used once per month or once per year. The bank needs loan volume and a certain number of people coming through. (Interview Group 3, Interviewee 6).

The lender acknowledged that one of the obstacles to developing such a program locally is that the bank requires high loan volume and a certain minimum number of borrowers to participate in a lending program. Another local lender suggested that borrowers who own raw land consider using the equity in that land to obtain loans to construct affordable homes. The lender explained that modular or manufactured homes can be an affordable housing option for these loans:

...we started offering loans for new construction of manufactured homes on land. Manufactured homes usually cost less than building new homes with a building contractor. I have helped people who have bought property in the last couple years. They take the equity out of the value of the current appraisal of the land. We can loan 100 percent of the cost to buy the manufactured home and place it on a permanent foundation, however it cannot exceed 80 percent of the final appraisal. (Interview Group 3, Interviewee 5).

Competition and Alliances with Affordable Housing

When creating affordable housing in Humboldt County, it is common for competing interest groups to raise questions or objections to affordable housing development plans. However, there are also a number of interest groups that can form valuable alliances with affordable housing advocates and creators. This section will review the various ways that affordable housing creation competes with or complements specific local interests such as open space conservation, housing rehabilitation, historic preservation, and design review.

Open Space Conservation

According to a local planner, open space conservation competes with affordable housing creation in Humboldt County. The planner explained that some people view the preservation of open space in Humboldt County as a high priority, and others perceive it as hindering affordable housing creation because that land could potentially be used for the development of affordable housing units. The planner stated:

Open space is in the eye of the beholder. Andres Duane, an architect of New Urbanism, talks about how the urban setting has no open space.

There is a desire to landscape, but it takes available land. We have fewer apartments and a larger amount of grass because of open space requirements. Open space issues can be a problem because the preservation of large amounts is beneficial for agricultural uses, but for the community, it means less land for affordable housing. (Interview Group 1, Interviewee 10).

A local government employee suggested that by encouraging infill and high-density development, open spaces can be left around communities. The employee explained that high-density development enables a community to protect open spaces, and that it has been successful in some local communities but not in others. The employee added that open space conservation can result in very expensive housing.

A local government representative remarked that some interest groups will argue that more affordable housing could be built if a larger supply of land were available. According to the representative, these groups argue that there is no affordable housing because the preservation of open space has limited where one can build. The representative stated that infill is the method that the community will use to create the affordable housing it needs. A Humboldt County employee recounted some of the common arguments between developers and the County:

The biggest one is that a developer in a community will say we need housing so badly, that we should pay no mind to environmental protection,

aesthetics, minimum infrastructure demands, and so on. We say that you cannot build housing in wetlands, and they say that this will drive up cost. There are also standards for demolition, for example, demolishing a farmhouse. If we say that you must save the farmhouse, they say it drives up cost. (Interview Group 1, Interviewee 4).

According to another local government representative, open space conservation brings up growth issues. The representative stated that some developers get involved in political battles over how to use open spaces. The representative elaborated that if local growth and development is not planned carefully, there may be a variety of consequences on health and the community overall. Community design can affect health when neighborhood layouts discourage walking and exercise and encourage dependence on the automobile. The representative explained:

There are growth issues with open space. There is a battle in the developer community over the open space between towns and in other areas. There is a political battle on how to use those open spaces. The development community wants *laissez faire*, to let the market decide.

That may not be smart development, and there are health ramifications of development. Richard Jackson, a public health official, did a presentation in Eureka on health and design of communities. (Interview Group 1, Interviewee 11).

On a similar note of community design, another government representative commented that communities would benefit if residential development incorporated

mixed-uses in neighborhood design, for instance by including commercial structures in neighborhoods. The representative explained:

High-density, small commercial development can be integrated into neighborhoods, for instance with grocery stores, auto service centers, and cleaners, so that people don't need to travel into the mainstream traffic in the city. We also don't want to knock out timber production. If we do that, affordability is compromised because we'll sprawl out. Sprawling only fits the needs of a few people. (Interview Group 1, Interviewee 7).

Another local government representative felt that the community needs to think about how growth will affect the community in the long run. The representative explained that there are a number of issues that need to be dealt with, such as water systems and other infrastructure. The representative elaborated:

How big do we want to be? We need to think about growth over the long term, not just in numbers, but infrastructure. Development is happening outside of the city because that is where there is still space. Development at the edges also brings up infrastructure issues. In one area, people are living with substandard water wells. The water table is not good, and they say they need relief from the city. There is a push-pull now and there needs to be a plan about it. (Interview Group 1, Interviewee 11).

Several members of the private developer community stated that when conservation groups and developers compete for the same ground, it drives up the price of the land. A representative of the private developer community added that even private

and non-profit developers have competed with each other for the same land. According to the representative, if a non-profit group is successful, then land is removed from the inventory for market-rate housing. In contrast, another private developer noted that non-profit and private developers often partner with each other. The private developer explained that non-profits have experience with developing affordable housing, and private developers get points for having a non-profit on their team.

A local affordable housing developer argued that affordable housing does not need to compete with open space preservation. The developer explained that smart growth advocates try to link open space conservation, housing rehabilitation, and historic preservation with affordable housing, and that it is important not to be pitted against each other. According to the developer, some interest groups make links and some compete, but overall it is important to link these issues, figure out how to successfully address them all, and utilize smart growth methods. In contrast, a Humboldt County employee felt that there is not really an issue of competition between affordable housing and open space conservation, because lack of infrastructure keeps those lands from being developed in the first place. The employee explained:

In terms of affordable housing competing with open space conservation, it is not an issue. Some think so, but it is not so much that open space conservation is the problem, because we don't have the infrastructure to build in those areas. It would be very expensive. If we can expand infrastructure, it would be good. (Interview Group 1, Interviewee 9).

Housing Rehabilitation

Housing rehabilitation helps a community to maintain and preserve its affordable housing stock for continued and future use. A local planner explained that grants and low interest loans are available from local cities and Humboldt County to low income households for rehabilitating their homes. The planner added that these programs do not necessarily increase the quantity of affordable housing as much as they increase the quality. For example, hazards like lead paint can be removed. According to the planner, rehabilitation allows the housing stock to last longer. Another planner pointed out that rehabilitation programs help low income households maintain their homes, which is important both for their safety and for ensuring the homes' longevity as part of the community's stock of housing. In some cases, it also preserves homes' historic value.

The planner explained:

Owner-occupied housing is a main priority, and the city takes a lead in creating opportunities. For low income residents who currently own a house, we offer rehabilitation assistance in order to rehabilitate the house.

It is important to preserve the existing housing stock and develop incentives to support that. (Interview Group 1, Interviewee 2).

A local government representative stated that the rehabilitation program is an inexpensive way to improve the community's housing stock, especially for low income and moderate income households. According to the representative, if a house is falling apart or needs rehabilitation, then low interest loans are available so that limited income households can fix their homes and end up with homes worth much more than they could

have afforded. A County employee added that one of the most important benefits of rehabilitation programs is that it gets people into better quality housing. The employee explained:

We do housing conditions inventory, and many people are in substandard housing. So there are rehab loans. It is not so much about affordable housing, as it is about getting people into housing that they can be proud of, and which meets minimum standards. Some people invest in rehab because they have equity, which can also drive up prices. It is better to have houses meet state minimum standards. (Interview Group 1, Interviewee 4).

A representative of the private developer community commented that rehabilitation is good for affordable housing creation, since older housing stock is generally less expensive than new housing. The representative stated that rehabilitation brings inventory to affordable housing. A local government employee added that the infrastructure is already available, and furthermore, it is cheaper to rehabilitate than to build anew.

A local non-profit developer stated that housing rehabilitation is helpful to limited income households and for improving the community overall. The developer elaborated that rehabilitation helps the entire community by improving its appearance and maintaining its housing stock for the future. The developer stated:

We do rehabilitation all the time. It takes redevelopment money to revitalize the housing stock. The definition of redevelopment is to

eliminate blight. The money is always aimed at helping people who can't do it on their own. For instance, many elderly are considered to be low income because they are on fixed incomes. One of them may need a new roof or wiring, and this is a way to keep them in their homes and keep them affordable. (Interview Group 2, Interviewee 2).

Historic Preservation

According to a local government representative, historic preservation sometimes works against affordable housing, because it gives more value to a house than it may actually have. The planner explained that there are times when the owner of a dilapidated house wants to demolish the house and construct something new on the lot, but cannot due to protest from a historical society. According to the planner, the option of moving a historic house to a new lot may not sit well with a historical society either, since some believe that part of what is important about a historic house is where it is located. The planner stated that sometimes a compromise can be reached by preserving an aspect of the original house, such as a façade, and reconstructing new housing units behind it.

A government employee remarked that historic preservation can be excessively expensive, because often one is required to restore a home to a higher level of quality than would be required if the house were not historic. However, the employee added that this is only a minor factor and does not have major effects on affordable housing. A local planner stated that in general, no regulations concerning historic preservation will worsen housing affordability. A local government employee explained how opinions on historic preservation in Humboldt County have changed over the decades:

There was no such thing as historic preservation until the 1970s. Up until then, if a structure was old, you tore it down. It was during the 1970s and 1980s that the concept was developed here. Large older homes can be converted into multifamily units in order to create some affordable housing. (Interview Group 1, Interviewee 8).

According to a local government representative, there are constant battles over historic preservation in the City of Eureka. The representative explained that competition exists between historic preservationists, developers, and neighbors, because preservationists and some neighbors would like to see more effort to save the community's historic houses. The representative stated:

The neighborhood is characterized by old Victorian homes. It is zoned multifamily, and because of that zoning, there are apartment developments. So we are losing historic stock, and in place we are getting apartments. Some historic homes are demolished, and some are converted. You may see a historic structure torn down and replaced with apartments. So there is a battle between preservationists and developers. The argument is that new construction is cheap and not conforming to the landscape of the neighborhood, and neighbors are irritated by that. We could have design review say that at least the façades should match the neighborhood. (Interview Group 1, Interviewee 11).

According to a representative of the private developer community, a historic preservation ordinance could compete with the creation of affordable housing. For

instance, the representative explained that if someone owns a large house and wants to convert it into apartments, but the ordinance precludes it, then it impedes the creation of affordable housing units. Another private developer added that when a developer has to preserve or set aside historic structures in order to complete a project, it drives up the cost of the project, which affects affordability. A local government employee explained some of the arguments between developers and community members concerned with historic design:

In some historic neighborhoods, if a structure needs to be replaced, there is a desire to replace them with something that fits in with historic design.

Some developers may ask why it is necessary to put these expenses into designing something according to historic standards, because they would prefer to build a big box and keep costs down to increase profit. Housing rehabilitation and historic preservation do not compete with affordable housing because we try to keep with the historic preservation as much as possible. However if something is beyond repair, and it is not functional anymore, it may cost too much to fix it up. Anything has zealots, even in the case of these types of structures. (Interview Group 1, Interviewee 12).

A local non-profit developer pointed out that many houses in Humboldt County are historic, and that by the 1970s, many historic houses were in a state of disrepair. The developer explained that in the past, instead of historic preservation programs, it was city rehabilitation programs that were responsible for fixing and restoring many of the dilapidated historic homes. The developer further explained:

Most old houses are historic. In the 1970s you could buy a Victorian for under \$10,000, but they were totaled. The city had a rehab program so that you could buy it and rehab it as a first-time buyer. A lot of the preservation that happened was through this program. It helps young people with the energy and enthusiasm to put the work into getting a house and fixing it. In 1978, a local city was able to do 62 houses.

(Interview Group 2, Interviewee, 2).

Design Review

According to a representative of the private developer community, the design review process adds to housing costs, thus competing with affordable housing. The representative explained that if a geographic area is in a design review area, then a proposed development is required to go through the design review committee, which can add conditions and changes to a project. According to the representative, these changes and conditions increase cost, and it can be an obstacle to affordability. A local private developer added that it costs time and money to go to design review meetings. The developer explained that at the meetings, the committee can require additional design features, which add considerable costs to the project, as a condition for getting the project through the approval process. According to the developer, sometimes design features are added to a project for environmental or energy conservation reasons. The developer felt that there are benefits to incorporating environmentally friendly features, even though they are expensive, but overall, in the design review process, one concern can jeopardize another. For example, the developer stated that the preservation of open space goes

against encouraging high-density development, which increases dependency on cars and driving. A non-profit developer felt that design review is very important, but that it needs to serve a real purpose, rather than serving as a hoop to jump through.

Community Character and Design Concerns

Some of the strategies that have been used or could potentially be used to increase the amount of affordable housing in Humboldt County have spurred concerns about changes in community character and design. In the opinion of a local planner, residents concerned about community character and design can usually be considered part of the NIMBY group opposition. The planner explained:

This is part of the NIMBY group opposition. Small growth and infill is rough to implement in the center of town. We cannot match the character of the community. In some areas, people don't want to allow two-story construction for secondary dwelling units. Some people prefer a height limit. There is tension between community character and infill. Often we can't build upward instead of outward, because we can't build higher than one story. So it's tough. There will be unhappy people one way or the other. (Interview Group 1, Interviewee 10).

A local government representative suggested using Form Based Codes, because community design would focus on the appearance of neighborhoods rather than allowable uses. The representative added that the use of such codes could drastically reduce the huge document of zoning codes down to a few pages. The representative also

stated that a city addresses concerns about community character and design through the Design Review Commission, which tries to keep designs consistent and complementary.

A local government employee explained that most affordable housing projects go through the same design review as any other development. According to the employee, almost all affordable housing projects are designed by an architect, not just a building contractor, so there is a high level of expertise working on the project. The employee explained a city's review process:

There is a standard review process, most of which goes through the federal level. The state historic preservation office will comment if something will be done on or near a historic site. Since the city provides the money, we discuss it internally and hope to get the city's perspective on the design of neighborhoods. We try to live up to the city's vision that it has laid out.

The city council approves who we hire, and the public gets to see this.

(Interview Group 1, Interviewee 2).

A Humboldt County employee stated that land use is hard to legislate because it can be hard to be objective about character and design issues. According to the employee, residents come forward to give their input at public meetings when the County reviews projects. The County tries to work out the concerns with developers. A local government employee explained that local government is careful about choosing projects that fit in with neighborhoods, and the public always has varying opinions.

For a local non-profit developer, a common fear voiced about community character and design is that an affordable housing project could be too large, resulting in

negative impacts on the rest of the neighborhood. In addition, the developer explained how income segregation affects communities:

The most common concern about community character and design is whether the project is of a size that will negatively impact the surrounding neighborhood. Will the neighborhood be too concentrated with low income households? In 1952, people were warehoused in one spot. You will not see expensive homes there. Farther from it, you will see different houses, because they are not near the low income households. There is a huge societal impact when a project comes in. I think people would rather see mixed income housing. There is a new affordable housing development that is not all low income. It has mixes, so it is a better development. That developer is doing it right. (Interview Group 2, Interviewee 2).

At the Humboldt County level, a government representative felt that the most common public concern about community character and design is with how the County will build. For example, resident preferences differ on how much land one needs for one's home. The representative explained:

The most common public concerns about community character and design are how you build and where you go. Some people want five acre lots with 3,000 square foot homes, landscaping, and beautiful driveways. Some want 20 houses on 20 acres, as opposed to 50 houses on that land.

Some want some houses on tighter lots and some houses on larger lots.

The point is to have a mixture. (Interview Group 1, Interviewee 7).

Many Humboldt County residents are concerned with retaining the unique character of their communities. A local government representative explained that residents can influence the design review process. However, the representative added that the design review process can frustrate developers who feel that there are too many regulations. The representative explained:

We mostly hear about retaining the character of the city. We call ourselves a Victorian seaport. Are we? We have a tremendous stock of old homes in this community. We have a huge debate about design review. Our city council is divided on the issue. The city council says it wants to preserve the integrity of the community, and we have design review to tell developers the regulations up front. Developers say there are too many regulations. The point is to stay up front so it is not a surprise. There are façade requirements. We addressed it by strengthening our design review process. We changed it from a committee of three to a committee of five or six community representatives, and staff as non-voting members. So we put the issue of design review back into the community. It puts more community involvement into the process. Preserving the city's character is the biggest battle in this city, or we could become Anyplace, USA. (Interview Group 1, Interviewee 11).

NIMBY Opposition

NIMBYism, which stands for Not In My Backyard, is a word used to describe the situation of community members who do not want something that they perceive as negative to be located in their immediate environment. In the case of NIMBYism related to affordable housing, residents may understand that affordable housing is necessary and important, but prefer that it be located somewhere other than their neighborhoods. Most of the professionals and government representatives working specifically on affordable housing issues in Humboldt County have encountered the issue of NIMBYism, to some extent. Some have tactics for compromising with or assuaging the resistance, but sometimes a decision must be made between pushing through on finishing a project, or giving in to the opposition and abandoning a project.

A local government employee has experienced that few local residents are willing to accept affordable housing projects in their neighborhoods. According to the employee, many residents support the idea of affordable housing, but not in their backyards. As a result, local government has to make choices between neighborhood interests and the general public interest. The employee further explained:

Affordable housing projects are controversial in neighborhoods because no one wants them. Everyone wants it, but not in their backyards. We address it by writing policies without speaking of specific projects. Thus, we can hear concerns, and do what we can, but we go ahead and build the facilities. We approach it like this: Legislate in the public interest and site

in the public interest. If you site in a neighborhood interest, you will never get the affordable housing in. (Interview Group 1, Interviewee 4).

A local planner discussed an ironic example of local NIMBYism, in which opposing neighbors of an affordable housing project were themselves the targets of affordable housing NIMBYism several decades earlier. The planner explained that many of the fears that NIMBY groups have about the residents of affordable housing are not always realistic or fair:

Neighbors in a nearby affordable housing development from the 1970s opposed it, even though they acknowledged that they had the same prejudice against them with their housing project in the 70s. There are a lot of emotions and perceptions that are not based in reality. We are trying to help working people with families to try to do the same thing as everyone else. (Interview Group 1, Interviewee 10).

A government employee in one municipality has seen a lot of NIMBYism when property owners want to build accessory dwelling units, which are a type of affordable housing. The employee explained that those in opposition go to Design Review Commission meetings and object to the building of the units. Another government employee commented that some feel NIMBY has a negative connotation, and that it can be looked at from another perspective. The employee explained:

NIMBY is seen as bad. You have NIMBY, or you have spirited public participation in local government. We provide a process so that all can be

heard. We write an adequate, correct staff report so that decision makers can make a vote. (Interview Group 1, Interviewee 5).

According to a local government representative, NIMBYism is highest in regard to housing the homeless and the poorest. The representative added that elitism has been a factor in holding back the production of affordable housing, and that people have to be willing to give something up and be willing to live with something different. The representative commented further:

People talk a lot about affordable housing and low-cost housing, but do not extend it to very low income housing, camping, or getting the homeless out of the rainy weather. People still need jobs and income, which is not addressed. Poverty level and very poor housing issues are not addressed. NIMBYism is highest with the homeless and poorest. Many associate poverty with crime, and think the poor do not look or act like the rest of us. Everyone wants to put them on the outskirts. Homeless NIMBYism is based on fear, and that, per se, crime and poverty go together. (Interview Group 1, Interviewee 6).

A local private developer explained that most affordable housing projects have opposition, and to overcome it, it is important to maintain an open line of communication with the public. The developer listens to concerns, and incorporates public concerns into development. The developer further explained how NIMBYism is addressed for affordable housing projects:

Education is a big part of it. Most people do not understand our product, or what affordable housing is. People automatically think of crime, unemployed people, or laziness. They may not know that our residents have jobs and income. These are good working people who just do not earn the average income. Some of our residents are moms with a lot of responsibilities. In the Bay Area, they may be police officers, because they cannot afford the housing there. People may think that affordable housing residents are on welfare or Section 8. Some are, and that's ok. It's not the norm, however, and even if they are, it doesn't mean that they're not working. (Interview Group 2, Interviewee 1).

Public meetings and dialogue between developers and neighbors have greatly helped affordable housing creators and rehabilitators to win the confidence and support of neighbors. Neighborhood opposition arises in response to many different kinds of projects, and in the end, sometimes neighbors simply want to feel informed and aware of the purpose and benefits of a project. A local non-profit developer encountered neighborhood opposition while attempting to rehabilitate existing affordable housing units. In response, the developer held public meetings for questions and comments from neighbors. The developer commented that it became apparent that the organization was actually fixing a blighted eyesore in the neighborhood, so the project won the neighborhood's support. The developer further explained how the organization handles NIMBYism:

There are two things you need to do to handle NIMBYism. Involve people to participate early on and often. Invite their participation, and don't spring it on them. Keep educating them. Then you go to public officials. I advocate for YIMBY: Yes In My Backyard. I get advocates and neighbors together and try to bring to public officials as many people saying yes as no. Then there is better balance for public officials to make decisions. (Interview Group 2, Interviewee 4).

A local private developer felt that it is important to hold a neighborhood meeting every time a project is planned, even though in situations of permitted use, only a building permit is needed, and neighborhood meetings are not required. According to the developer, zoning laws are designed so that a builder is not required to go through that process. However, the developer felt that it would be beneficial to have neighborhood meetings every time, regardless of whether they are required. The developer added that neighborhood meetings can get messy, because a lot of people show up to demand that the project cease, which the developer felt is not the point of the meetings.

A representative of the private developer community cited abuse of the California Environmental Quality Act (CEQA) as a specific tactic used by NIMBY groups against developers of market-rate affordable housing. According to the representative, some use CEQA to say that a project has not been reviewed properly and argue that the Planning Commission needs to do a full blown Environmental Impact Report (EIR), which is very expensive. The representative explained that the various studies required can add

thousands of dollars to the builder's costs, which are then built into the final price of homes, or the costs may deter a city or developer from doing a project.

A representative of a local transitional housing facility for the homeless stated that when the facility blends in well with a neighborhood, fewer neighbors oppose it. The representative explained that in the past, few neighbors knew that certain houses were in fact transitional housing facilities because they blended in well with their neighborhoods. The representative added that it has been beneficial to do a lot of pre-work to form relationships with neighbors and the community before opening a facility. In addition, the facility does have house rules, which include keeping the environment quiet for surrounding neighbors. The representative stated that in terms of potential NIMBYism for graduating clients, they are not identifiable as transitional housing clients when they move on to permanent housing, and they do have sources of income.

According to a representative of a transitional housing facility, people are homeless for a variety of reasons, and case management is extremely important for helping clients get the help they need. The representative expressed frustration with public perceptions of the homeless, and explained how some clients end up in the situation of being homeless:

The public usually judges the homeless as either the good homeless or the bad homeless. They judge who is worth supporting. People have rallied for a sick or hurt animal and raised money for it, but they would not judge a human being as worth the same effort. Everyone deserves a safe place to live. One person is not more homeless than the next homeless person.

People are homeless for a variety of reasons. A big reason is psychological problems such as PTSD, Post-Traumatic Stress Disorder, and traumas. Other reasons include abuse and poverty. And sometimes it is a question of which came first: the trauma, the abuse, or the poverty. People come here emotionally, physically, and spiritually bankrupt. We get them counseling to figure out how we can help that. I think of it as an array of services. Some do well with a small bedroom to call their own. Some need board and care or an assisted facility for the rest of their life. Others can take some life skills classes and then move on and make it in the world. (Interview Group 3, Interviewee 3).

A representative of another local shelter organization described some of the NIMBYism the organization has faced and how the organization has worked through the NIMBYism. According to the representative, when the organization received funding to buy and renovate a home to use as a shelter, NIMBYism was a major obstacle to overcome:

We picked a home, and I knew the neighbors would flip. We had a public meeting and invited neighbors from three blocks around. It was standing room only, and I was yelled at for three hours. I have a legal right to create the shelter. I was at that meeting because we wanted to be good neighbors. Now, 15 years later, people love us because we restored a beat-up house. We combated NIMBYism by meeting with neighbors and creating a group for them to address grievances and concerns. We did

public relations work. The NIMBYism went away. (Interview Group 3, Interviewee 7).

According to the representative, many of the neighbors who fight group homes claim that they run the city into the ground and promote neighborhood deterioration. However, the representative felt that in order to fight deterioration, residents of the city need to form their own groups, such as neighborhood associations, with pure community oversight and involvement. The representative felt very strongly that enhancement of the city has to come from the grass roots. The representative added:

Upper income folks would never want a group home in their neighborhoods. Sometimes I don't bother going through with it, because people with money often win. The ugly things that people can say are horrible. The city council was running scared, so city councils need to stand up. (Interview Group 3, Interviewee 7).

A local real estate broker stated that NIMBYism toward affordable housing is constant, and that the community needs to come up with ways to provide affordable housing for residents and students. According to the broker, after World War II, accessory dwelling units (ADUs), or mother-in-law units, were common locally because the community needed places to house people. However, the broker explained that today there is a great deal of opposition to ADUs locally:

A community can make it impossible to build, and then we have to go back to the California State Legislature and say that they have to pass laws that stop communities from shutting off opportunities to add ADUs by

regulating so that it cannot occur. If it is in the common good, it gives legislators an out. Then they can say to those who oppose and to NIMBYers, 'Our hands are tied because State law supersedes.' The State plays an important role in combating NIMBYism. (Interview Group 3, Interviewee 4).

A local government employee commented that increases to the cost of living over the past few decades have greatly widened the range of people searching for affordable housing. For instance, the employee explained that today, in Humboldt County, the need for affordable housing no longer applies only to those with the lowest incomes. It now includes people making 80% of the median income. The employee further stated that federal housing policies and public perceptions of affordable housing have changed over the decades:

In the 1970s, the United States was in a different head space, and affordable housing was not a bad word. Somehow it became bad. The government threw a lot of money out there for affordable housing when it was popular to do so. Apartment complexes were built with a lot of units, sometimes 495 units, but it concentrated the poor in one place. Today, affordable rental housing is different. It used to mean welfare housing. Now it represents housing affordable to those making 80% of the median income. This includes store clerks, bank tellers, teacher's aides, nurse's aides, etc. Federal programs consider a three-bedroom at \$750 per month

rent to be affordable. We need education, or maybe a campaign that talks about the value of affordable housing. (Interview Group 1, Interviewee 9).

For several local government employees, NIMBYism has been especially tough to manage in the past few years. One employee commented that recently, an increasing number of people are moving to Humboldt County from other areas, and some of them have preconceived ideas that low income housing equals ghettos. According to the employee, in reality, many of the local residents who have low incomes now may not have had such low incomes before, but have experienced some life changes that resulted in their current financial situations. The employee further explained what it means to have low income neighbors in Humboldt County:

If people live in a low income area of San Francisco, it may mean that undesirables live there with them. In Humboldt County, living near people with low incomes means something different. It is so mixed here. You might have some with nice homes next to some with dilapidated homes. When people are new to the area, they might not remember what it was like before they moved here. In actuality, their current neighborhoods are probably better than their old ones. (Interview Group 1, Interviewee 12).

A local government employee, who was raised in Humboldt County, told a story about growing up locally, in a type of community in which people were friends with people from every socioeconomic class. The employee further explained how neighbors

interacted with each other and viewed each other as part of a community, but pointed out that it has changed today:

I grew up in Humboldt County, and growing up here, people were friends with people from every socioeconomic class. We had a real sense of community. If you had a problem with something your neighbor was doing, you went over to their house and talked to them. These days, people call the cops instead. Now, outsiders come here and some want us to kick out their neighbors because they don't like them. In the past, we had a sense of community. Now, so many problems are about how they affect 'me,' the individual, rather than the overall community. See what a neighborhood is like before you move to it, and don't complain afterward. Eventually, sense of community and generosity may change here.

(Interview Group 1, Interviewee 12).

The employee stated that it is necessary to hold many public hearings and do special presentations in order to educate on the issue of affordable housing and present the facts. According to the employee, the key is to inform the community about the positive effects of a project. Furthermore, the employee expressed that it is crucial that people who are in favor of affordable housing are present at meetings to back up others who are working to combat NIMBYism.

A local real estate broker stated that clearing up the definition of affordable housing is one step toward combating NIMBYism. The broker felt that advocacy for

affordable housing could benefit from a different choice of words and labels. The broker explained:

People equate affordable housing with low income housing. Entry-level homes could be starter homes or condominiums. There is quite an education process that has to take place. I actually prefer to use the term “workforce housing” rather than affordable housing. That really represents housing for our workforce, such as teachers, police officers, nurses, and people who are critical to the community. (Interview Group 1, Interviewee 1).

In response to public resistance to high-density housing, the broker argued that Humboldt County can have high-density affordable housing and still have attractive properties. The broker explained that attractive high-density designs have proven successful in many communities across the country, and that the problem for Humboldt County is overcoming the NIMBYism that goes along with building something labeled as affordable housing.

In an area of Humboldt County experiencing new growth, a government representative has been dealing with neighborhood NIMBYism in relation to a road and excessive traffic. One main road is being utilized to accommodate new growth in a nearby neighborhood, and many of the existing residents are disappointed about the influx of new vehicle traffic. The representative outlined the problem and how it was resolved:

They don't want all those cars going through their neighborhood. The questions for a road are: Who will use it? Is it legal? Does it meet criteria for fire and police? This one does not, so we need a new road. Who will pay for it? The people in the new houses will pay for it, and that dissolves some of the NIMBYism from existing residents. It puts the costs on the new developing, rather than on old residents. (Interview Group 1, Interviewee 7).

A local planner stated that local government deals with NIMBYism by addressing it early and often. The planner explained that residents are informed about things early in the process, before a choice-limiting decision is made that could leave neighbors feeling like they have no impact. The planner added that one of the best ways for a city government to beat NIMBYism is to have a good track record, so that people are less scared of the same issues in the future. In addition, the planner felt that it is important to be a good neighbor and set a good example.

Affordable Housing Construction Deterrents

Lack of profitability, feasibility, and financing have deterred some developers from working on specific affordable housing projects. A representative of the private developer community commented that in order for an affordable housing project to be feasible, it has to "pencil out" financially. According to the representative, profitability in the development industry has been great for the past five years, but it does go through cycles. The representative explained that the market will change, profitability will shrink, and it will make affordable housing production harder for private developers to

take on. The representative stated that when interest rates rise, home costs will increase, and it may result in lower demand for building. In this case, the representative felt that Humboldt County could end up with a supply shortage problem.

A local private developer claims to have been deterred from affordable housing projects many times due to lack of profitability, feasibility, and financing. The developer explained that there is a procedure for determining whether or not an affordable housing project makes financial sense for the company. The developer described this process:

The process is that we have criteria for how much profit there needs to be in a project in order for us to put the company at risk. We go through an analysis before moving into a project. You can't apply for funding without doing this. It has to pencil out. We do this for every project and make sure it makes sense. It does not make sense if the expenses are too high for the subsidy. (Interview Group 2, Interviewee 1).

A local non-profit developer commented that it has been necessary to back out of an affordable housing project due to lack of feasibility. The developer explained that private developers sometimes ask non-profit developers to manage their affordable housing projects, since private developers may not get tax credits or certain grants without a non-profit on their team. The developer added that those types of projects need to be planned out well in order to maintain feasibility. The non-profit developer explained how lack of feasibility has deterred participation in an affordable housing project:

The developer did not plan it out well, because the project would have had a lot of vacancies. I returned the grant to the state, which does not look good, but the state was glad I did, because it was the right thing to do. Sometimes non-profit developers chase grants. They need the money. Private developers just want the developer fee and construction financing. Then they go and get us to manage it, but I backed out. Private developers cannot get tax credits without a non-profit on board. I will not do it without control over the deal. Private developers go in and out for profit, but non-profits can lose their certification. The HOME program should have requirements for a market study. Developers should do a market study. (Interview Group 2, Interviewee 4).

Lack of profitability, feasibility, and financing have deterred housing creators from carrying out projects that would increase the amount of affordable housing in Humboldt County. Many conditions and factors, such as funding sources and the accompanying rules or restrictions, have to line up correctly for developers to proceed with affordable housing projects. For some developers, home building is a business requiring a certain margin of profit beyond breaking even. For others, breaking even is enough. The financial scenario of a project must be satisfactory for any developer to continue producing affordable housing.

Humboldt County's Drastic Increase in Home Prices

Government representatives, government employees, and various local professionals involved in the creation of affordable housing opportunities in Humboldt

County have offered a variety of factors they believe have contributed to the drastic rise in local home prices and rents since the 1990s. The factors covered in this section include supply and demand, the desirability of Humboldt County, shifts in investment activities, baby boomers, family legacy, increased building costs, and changes in government.

Supply, Demand, and Desirability

According to a local planner, Humboldt County used to be a very affordable place to live compared to the rest of California. The planner explained that since then, many of the developable lands in the County have been developed, demand for land has continued to rise, and people continue to view Humboldt County as more affordable than the rest of California. The planner stressed that for Humboldt County residents, affordability is based on local incomes, rather than comparison with the rest of California. The planner further stated:

For the whole county, this county was the original frontier. Most people felt that their property was their property. Land was cheap. There were huge parcels. It was a bargain compared to the rest of the state. Now that developable land is used up, we are left with more complicated properties: slopes, gulches, wetlands, etc. The regulatory environment has changed, and the market is much tighter. In larger society, the issue for cost of land is that the coasts are where everyone wants to be. Land values are skyrocketing. Our land here is a bargain compared to Southern California. Affordability has meaning in state law that developers do not want to deal

with, but affordability is based on local incomes, not comparison with the rest of the state. (Interview Group 1, Interviewee 10).

According to a local developer, many people want to move to Humboldt County because it is a desirable place to live, and this factor has contributed to the rise in prices. The developer explained that Californians from other parts of the state view Humboldt County as both gorgeous and affordable compared to other communities:

People want to live here. We have the ocean and it is beautiful here. The dot-commers move up here because they can't afford to live down south. So they sell their homes down there for \$400,000 or more, move up here, and can afford to buy up here. (Interview Group 1, Interviewee 1).

A local mortgage lender stated that some buyers are simply passionate about Humboldt County. The lender explained that even though there is not much of an economy in the area, their souls tell them that they need to live in Humboldt County, so they try to find a way to make it work. A local mortgage broker added that some residents of the San Francisco Bay Area find the housing market there unaffordable, but they have no problem getting into the Humboldt County market. The broker commented that some of those buyers do not move into their Humboldt County homes right away, and instead anticipate moving into those homes at some point in the future.

Investments

According to a local government employee, the student population is one factor contributing to the rise in Humboldt County's home prices and rents. The employee explained that Humboldt State University (HSU) is the primary economic power

contributing to Arcata, and the rental housing market for students provides a high rate of return for investors and speculators. According to a non-profit developer:

In the marketplace, because of the lack of the number of housing units available, prices have gone up. HSU students are part of the reason. Price is no object to parents who are paying for it. This drove the \$250 per month apartment into a \$900 per month apartment. (Interview Group 2, Interviewee 2).

A local mortgage lender stated that some parents buy homes for their children and earn rental income off of the investment. The lender explained that some parents may have negative cash flow for a while, but the homes appreciate in value. According to the lender, when they eventually sell the homes, it turns out to be a money maker and it helps them pay for their children's college expenses. According to a local planner, the fact that the HSU dorms are not fully occupied contributes to a housing imbalance in the rest of the community:

From the city perspective, we are unique because this is a college town. The dorms are not fully occupied. If we get some of the students living off campus to live in the dorms and dorm apartments, then it frees up rentals for others who need it. If we get renters into housing that they should own, then we can get the correct balance of uses, and maintain that balance. (Interview Group 1, Interviewee 2).

According to a local government employee, many single-family homes in Arcata have been converted from owner-occupied units into investment rentals, and this factor

has contributed to rising costs. An increasing number of these investors are out-of-area landlords. The employee added that housing costs are so high that very few of the city's employees can afford to live in the municipality they serve. The employee commented that those who have lived in Arcata for many years would not be able to afford to buy or rent their homes at what they are worth today.

In the opinion of a local government representative, Humboldt County's rise in home prices is purely tied to the stock market, because people have been losing money in the stock market and have chosen to reinvest in real estate. A local planner explained how the movement of capital has greatly impacted housing affordability in Humboldt County:

In the last five years, the most dominant factor is that billions of dollars flew into real estate from the stock market. It is the single largest factor. Humboldt County is considered a good buy because our land is undervalued. People look for good return. It drives up land and housing prices. We suffer as a result. People move out of the Bay Area and the Valley. There is a migration of capital on the market. It is the migration of capital, not so much as feet that is the factor. (Interview Group 1, Interviewee 4).

A local real estate broker agreed, explaining that since the dot-com bust, many Californians have changed the way they invest their money. According to the broker, many real estate investors feel that the real estate market is more predictable than the stock market. The broker explained:

People looked at the stock market as a source of capital, but it is unreliable, and has taken hits, so real estate is seen as a better source of surplus income. There is little interest for putting money in the bank, and the stock market is considered to be unpredictable. If you invest in real estate, and hold on long enough, despite fears of a bubble, prices go up over time. Prices go up and down a little bit, but generally up over time. (Interview Group 3, Interviewee 4).

Out-of-Area Buyers and Equity Refugees

According to a local government employee, “equity refugees” contribute to the rise in housing costs in Humboldt County, often moving from urban areas with excess amounts of money to spend. A local mortgage lender explained that a lot of buyers own houses outside of Humboldt County, which are now worth \$800,000, so they sell those homes, buy homes for much less in Humboldt County, and live large. A local non-profit developer commented:

This is all speculation, but the boom in Silicon Valley has impacted us. A high percentage of the people buying homes in Humboldt County are from outside of the County. They are equity refugees who have \$450,000 to put down on a home here. Humboldt County’s median income is not high, and certainly not high enough to compete with that. (Interview Group 2, Interviewee 4).

A local real estate broker commented that out-of-town buyers drove home values off the board for local residents. According to the broker, property values have doubled

and doubled, but incomes do not move as quickly. A local government representative stated that it is terrible for a Humboldt County city to have an affordability index that is below 20%, because it shows that the gap is widening between the haves and the have-nots. The representative further commented:

The market has gone crazy. I am not convinced that it is supply and demand. The gap is widening between people with money and people without. Our prices are going up, and it is killing people here because people in Los Angeles sell their homes for \$800,000 and buy homes up here for significantly less. (Interview Group 1, Interviewee 11).

Speculation

A government employee commented that speculation is another factor contributing to rising home costs in Humboldt County. According to the employee, speculation has gotten so bad that real estate agents encourage their clients to offer ten percent more money than the asking price, which has been driving up the value of homes. A mortgage lender explained that there are not enough homes for those looking, and a house may be on the market for \$250,000 but it will sell for \$275,000 because many people are bidding on the same home. According to the lender, it is a seller's market, not a buyer's market. A local developer commented that since Humboldt County has a speculative housing market, prices will be dictated by whatever the market will bear.

Baby Boomers and Family Legacy

Several local professionals stated that baby boomers have affected Humboldt County housing prices, because they introduced a lot of money into the market.

According to a representative of the private developer community, if one bought a house 20 years ago, one's equity increased a lot. A local mortgage broker explained how baby boomers have benefited from knowing the importance of buying a home:

Baby boomers were raised to know to buy a house. So for example, if a moderate income baby boomer had bought a house, decades ago, in Southern California for \$80,000, it is now worth \$800,000. Then this person can move up here and compete with people here, but pay cash for a home and bank \$500,000. The playing ground is not equal. Baby boomers are selecting where they want to live when they are done, and it drives prices up. (Interview Group 3, Interviewee 2).

A representative of the private developer community explained how many families that own homes are able to pass on the legacy of ownership to the next generation or use home equity to help family members purchase homes. According to the representative, easy credit and financing, low interest rates, and the equity that comes out of the appreciation on homes all make it easier for parents to help their children buy homes, which introduces even more people into the market. The representative added that for many of those families, the ability to get cash has little to do with income. The representative further commented on one of the factors for rising home prices in Humboldt County:

The gap between the haves and have-nots in society. If you've got it, you keep it, and extend it to the next generation. The have-nots are moving farther away from being able to get into that first house. California has the

highest median home price of any state, and the lowest affordability. The gap is manifesting sooner here than in the rest of the country. The highest affordability index is in Lima, Ohio, where 91.6% at the median income can afford a median-priced home. It's 86% in Buffalo, New York. San Diego, however, is 14%. In Humboldt County, 20% of people at the median income can buy a median-priced home. In San Francisco, it is only 5.7%. (Interview Group 2, Interviewee 3).

Building Costs

Some developers of affordable housing have stated that increased costs for builders, which are eventually passed on to consumers, have resulted in increasing home prices in Humboldt County. A private developer stressed that profits have not increased. The developer listed five factors that have resulted in rising home costs in Humboldt County. The first is that the price of liability insurance has increased 400 percent over the past several years. Secondly, the cost of building materials has increased. The third factor is the high price of gas and oil. According to the developer, the cost to manufacture building products is up because developers use oil and gas for machines, and the cost for oil and gas trickles down into home prices. The developer stated that the fourth factor is that regulations have increased for builders, and there is more red tape and time delays. The regulations and time delays cost developers money, in part because of the carrying costs of holding the land, and again, they pass the cost on to consumers. In the developer's experience, there are much easier communities to build in than Humboldt County, and the red tape is directly related to the prices.

State and Federal Government

According to a local government representative, the priorities of the federal government can drive the lack of affordable housing. For example, the representative stated that CDBG grants were cut in half under President George W. Bush's budget. A local non-profit developer also explained:

We used to have more funds available, but many programs got shut down in the past five years with the new administration, republicanism.

Domestic programs got cut. The federal government has laws which help in tax aspects. Investors get tax breaks, so if the federal government takes away the breaks, fewer investors want to get in. (Interview Group 2, Interviewee 2).

A local government employee stated that the recent rise in home prices is both a state and national issue. According to the employee, the State takes money away, which affects what local governments are able to do to address affordable housing. In the opinion of another government employee, the key to affordable housing in California is for the state to raise taxes on investment properties that are single-family uses. The employee explained that this would discourage investments in these types of units and free up housing stock for households intending to live in the homes that they buy. The employee felt that this strategy would probably work in California, because the State has a major affordable housing problem.

Incentives for Creating Affordable Housing

In this section, local government representatives and employees discuss some of the incentives offered by government in order to create affordable housing. Local housing developers explain how they acquire and utilize government incentives, and real estate brokers discuss how they can help limited income buyers take advantage of government programs.

Government Incentives

A local government employee discussed some of the incentives offered by the City of Arcata for the creation of affordable housing within the City. According to the employee, the City of Arcata provides grants to for-profit and non-profit developers for the creation of affordable housing. In addition, the employee stated that the City has also purchased building lots within subdivisions to help set up the Humboldt Community Development Land Trust so that properties can be kept affordable for a long period of time. Another government employee added that the state of California has certain mandated programs that grant developers density bonuses in exchange for ensuring that a percentage of a project's housing units will be affordable. According to the employee, Arcata's General Plan speaks of inclusionary zoning, but standards such as threshold and income have not been developed yet. In the opinion of a local planner, incentives for affordable housing have to be separated into four groups. The planner explained:

The first is the homeless, and most people do not look at this group. There are incentives and grants available to help, and we must do this for them.

The second group is traditional multifamily housing, which means

apartments. The third group is homeownership, or owner-occupied housing. There is also a fourth group consisting of existing affordable housing that we want to maintain. If a 30 year affordability restriction was set on a complex, and that time is up, those units can be lost. That becomes an issue of preserving affordable housing stock. The incentives are entirely different depending on which target group we are talking about. (Interview Group 1, Interviewee 2).

According to a local government representative, the City of Arcata has incentive programs such as the HOME program, CDBG, and tax incentives. The City utilizes grants by putting together a package of loans and grants for a project, deciding on a place to locate the project, and finding a developer or contractor to build the project. The representative added that it also takes a developer who has the resources to hire employees whose main purpose is to ensure that all of the paperwork and details necessary for using these incentives are taken care of so the project can work. The representative commented that the number of local developers doing this is very limited.

A government representative cautioned that after packages are assembled for developers, some affordable housing projects can end up with drawbacks, such as sprawl-like layouts. For example, residents of affordable housing projects are often distanced from commercial parts of the community. The representative discussed some of the drawbacks of past affordable housing projects:

A proposal or package is put together for a project or a developer. You can end up with something with big drawbacks, because we don't want

sprawl. We can end up with segregated communities, a half mile from shopping, where people are committed to cars for everything. With smart growth, every community has a corner grocery store and other things that help residents meet everyday needs. A subdivision with one-way in and out streets and the sprawl-like layout is not related to the rest of town. There was another subdivision that was supposed to be affordable. Ninety-nine percent of those units are rentals now, and they are not affordable. There are different schools of thought. Affordable housing can be done as projects in finite locations, because that is how the funding is, or we could open up housing opportunities above stores and utilize mixed-use in order to create a stock of affordable housing with a wide range of types of housing. (Interview Group 1, Interviewee 6).

A government representative commented that there is momentum toward high-priced housing in Arcata, and that there is not much hope for Arcata for the future of affordable housing. According to the representative, the City intends to put the effort in, but there are big hurdles, one of them being that many people create housing for profit. The representative explained that there is not as much profit in affordable housing as there is in creating other types of housing.

According to a local government representative, the Eureka City Council is also very interested in affordable housing, and has been working on its strategic planning process with the topic in mind. The representative explained that the City has a plan for the types of affordable housing it wants to work on, but it has not been implemented yet.

The representative added that the City recently adopted a new Housing Element which at least conceptually addresses implementing infill downtown and concentrating the population.

According to a local non-profit developer, the City of Eureka offers a variety of incentives for the creation of affordable housing. The developer explained that the state of California can offer incentives by loosening zoning and development requirements, and local government agencies can assist by offering low interest loan options. The developer further explained:

The State can reduce package requirements for zoning and sometimes setbacks. You also have to get the Planning Commission to sign off. Low interest loans are available through the City of Eureka Redevelopment Agency. There are 30-year deferred loans at 3 percent simple interest, and things to make sure that you are not trying to profit from it. There are grants that the City of Eureka gets, such as HOME grants and CDBGs. The City then turns them over to you as an incentive to build. (Interview Group 2, Interviewee 2).

A government representative added that the City of Eureka may not be doing the best job it can to offer incentives for creating affordable housing, but it has done some things, such as purchasing property to be used for the construction of affordable housing. According to the representative, those properties are offered at competitive, but reasonable prices, and the City imposes conditions for what it wants done with the properties. The representative added that one of the remaining obstacles is that there is a

low profit margin on affordable housing for developers. The representative explained that cities elsewhere have found creative ways to offer additional incentives to aid such developers. For example, on an affordable housing project in Portland, Oregon, the City of Portland offered a variance on the height limit in the zoning and was able to acquire redevelopment money to install an elevator, both of which helped to make the numbers crunch for the developer.

A government representative commented that Humboldt County government is always keeping an eye on the economic development arm of the County, and specifically on how to acquire loans, grants, and whatever it takes to benefit affordable housing creation. The representative stated that the County is trying to get more money into the First Time Home Buyer program, and is working on fixing infrastructure problems, so that the entire burden of infrastructure improvement or expansion is not put on the individuals buying homes. According to the representative, the cost of such infrastructure improvements makes it very difficult for young families to purchase homes. In addition, the representative stated that although the County has not invested in a land trust at the county level, there are plans to examine how it could work.

Incentives and Programs used by Housing Creators and Brokers

A private developer explained that the company receives developer fees as part of affordable housing packages offered by local governments. According to the developer, local governments apply to the Department of Housing and Community Development (HCD) in order to acquire funds for affordable housing projects. Then the developer

receives those funds through the city or county in which it is building. The developer explained:

We get paid developer fees. This is part of an affordable housing package.

We get HOME funds through the city or county, who apply to HCD and get, for example, \$3.5 million to go toward affordable housing projects.

Then the city turns around and makes an offer to a developer. (Interview Group 2, Interviewee 1).

A non-profit developer commented that incentives do not really apply to the non-profit organization, but non-profit developers can obtain low interest loans from a local jurisdiction and the State. In addition, the non-profit developer can get long-term low interest deferred loans. As a Community Housing Development Organization (CHODO), a non-profit developer can get funds from the Department of Housing and Urban Development (HUD) and HCD.

According to a private developer, when tax credits are combined with HOME funds, it generates a lot of equity to go into an affordable housing project. The developer explained that the less debt and risk a developer has to take on to do an affordable housing project, the lower rents on the units can be. The developer further explained:

Tax credits are directly given to a developer who then can sell them to a Fortune 500 company for cash. This, combined with HOME funds, makes a lot of equity to go into the project. We can offer lower rents because we aren't taking on as much debt. If the city offers \$100,000, then we don't have to borrow as much, and can pay it back at a cheaper rate. We get a

developer fee out of the overall budget. It's an expense of the project, in order to do affordable housing projects. It's not a get rich quick scheme. It is very difficult and costly to do what we do. The developer and partners are at risk for all of it. They are liable. The period of affordability is 55 years. If the market should shift, and units go vacant, those who are liable are in trouble. (Interview Group 2, Interviewee 1).

A local real estate broker stated that many government programs are available to help limited income households purchase homes. For example, banks offer special loans to first-time buyers, who are defined as those who have not owned property in the past three years. The broker pointed out that many programs lag in California because of the maximum home price allowed under first-time home buyer programs. Home prices in California are often much higher than what is allowable under the terms of the loan, so one is no longer eligible for the program if a home cannot be found within one's price range. Another local real estate broker added that second mortgage loans with good terms are offered under local government programs, but the combined loan amounts have not kept up with the price of housing.

Government Meetings and Public Participation

When affordable housing is on the agenda of a local government meeting, various individuals and special interest groups may attend to voice opinions. In this section, government representatives, government employees, and a representative of an affordable housing organization discuss what it is like to be at a meeting with affordable housing

issues on the agenda, how the public is included in the process, and what types of individuals or groups commonly attend.

For one local planner, public meetings generally serve as exposure for development proposals, for instance in the case of meetings for the General Plan, Housing Element, and Land Use Code. According to the planner, individual developers and developer representatives attend, and some attendees are affordable housing advocates. Overall the planner has not witnessed many individuals objecting to affordable housing. However, the planner commented that there are organized groups with philosophical objections and concerns with standards. The planner described some of the NIMBY groups that have attended in the past:

Complaints were that they didn't want students as neighbors, nor did they want secondary dwelling units to be constructed. They were also opposed to the additional cars that would be present. There was a proposal for senior housing, but neighbors were very against it. With neighbor NIMBY issues, we tend not to see people representing age groups or affordability groups. (Interview Group 1, Interviewee 10).

In order to attract participants to these meetings, the planner explained that local governments rely on local media and word of mouth, since the town is small enough to accomplish that. According to the planner, State law requires direct mail notice, and the planner's municipality notices an area much larger than what is required.

A local government employee in the same municipality noted that only a few interest groups attend meetings that have affordable housing issues on the agenda.

According to the employee, those interest groups consist of the builder community, low income housing advocates, and first-time home buyers. The employee added that it is common for NIMBY groups to write letters instead of attending meetings. In the same municipality, a local government representative stated that often no one shows up at public meetings centered on affordable housing issues. However, when people do, the groups usually consist of developers who defend their plans and advocates who defend open space. According to the representative, General Plan meetings received a large amount of public input, and more often than not, the input has come from property owners. The representative stated that overall, long time residents tend to set the agenda.

According to a planner in a different municipality, there is usually a maximum of two or three interest groups present at most public meetings covering affordable housing issues, but a specific project can bring in more than three interest groups. The planner explained that in those cases, the groups are usually heavily weighted toward opposition. An employee of the same municipality commented on past meetings compared to current ones, "Meetings used to just happen, and they were quiet and not controversial. Now, the 'I' oriented community wants to get up and speak." A government representative in the same municipality described several groups that commonly attend meetings:

There are advocates from human service programs, who say that we have a responsibility to provide affordable housing to folks in this community.

They say that it is the city's responsibility. The second group is the development community, but they do not show up too often. They say that the city shouldn't regulate them to death, and that we should let them

do what they do best. The third group says that their neighborhoods are being destroyed, that historic structures are being torn down, and that the city should change that and run the poor out of town. (Interview Group 1, Interviewee 11).

In order to include a wide array of people in the discussion of an affordable housing project, an employee of one city explained that the city develops a project pipeline, with many opportunities along the way for the public to join in. The employee further explained:

In order to include a wide array of people, we have a project pipeline. We have regular meetings. We are responding to a grant application, and we look for proposals for projects, so often only those people will come out. The idea behind the project pipeline is that the project is not ready now, but maybe next year, so people hear about it more than once before it reaches its final stage. They hear about it for a while, so word gets out into the community. These projects take a minimum of three to five years to mature, with multiple opportunities to participate at the pipeline level. The project pipeline is not a spur of the moment thing. Hopefully the project pipeline also dissipates potential for conflict at the same time, for example by simultaneously addressing NIMBYism. (Interview Group 1, Interviewee 2).

A Humboldt County employee stated that the County has been purposeful in outreach for the Humboldt County General Plan. According to the employee, the County

has seen a wide array of interest groups present at meetings, which it achieves through process design and seeking residents' input via the internet, meetings, newsletters, and neighborhood centered meetings. The employee explained that there are multiple methods to reach out to multiple people. The employee commented further on the interests present at General Plan and Housing Element update meetings:

Meetings for improvements for the General Plan are dominated by special interests. Housing has been a focal point for the General Plan update. The General Plan itself is not driven by a few special interests. When updating the Housing Element, it is a smaller group of people. The General Plan and Housing Element processes overlap. Last time, when it was only the Housing Element, the special interests present were the developer community, affordable housing advocates, the real estate community, and social commentators with opinions on policy. (Interview Group 1, Interviewee 4).

In the experiences of a non-profit developer, the interest groups at public meetings consist of NIMBY groups and groups who support a particular project and want to see it go through. The developer discussed some of the arguments present by various groups:

The interest groups present are those for and those against. Those against will get businesses involved and riled up. They'll say that businesses could have drunks lying at their front door, but I have yet to see that happen. They make up all kinds of stuff to scare people. Those who are

for a project make a good pitch too. Then there's a third group, which is made up of attorneys who try to figure out which side they can win with. (Interview Group 2, Interviewee 2).

A Humboldt County representative expounded on two groups with a major presence at County meetings. The first is a group of advocates that wants more affordable housing, high density, and no sprawl. According to the representative, members of this group support growth, but prefer that communities do not expand outward. They argue that growth can be done within a municipality's existing boundaries and infrastructure. The representative stated that the second interest group is made up of developers, real estate brokers, and land and housing professionals who say that the County is not doing enough for affordable housing because there is not enough work being done to improve and expand infrastructure. The representative commented that the County is a bit behind on basic infrastructure, such as wastewater lines. Another government representative added that members of the private sector often say that if the County will leave everything alone, the private sector will take care of everything.

Housing near Employment

When housing costs in a community soar above what its workforce can afford, many residents must commute from less expensive communities. The tax revenues generated in municipalities hosting the majority of an area's commerce are usually not shared with the communities that house the commuting workforce. In this section, government representatives, government employees, and local housing professionals

discuss the issues of helping to house some of Humboldt County's workforce near the workplace and whether it is possible to implement regional revenue sharing.

A local government employee explained that it is difficult to employ regional revenue sharing locally. According to the employee, it occurs in urban areas, but generally not in rural ones. The employee discussed an attempt in 2004 to introduce the concept of revenue sharing locally, although not for affordable housing specifically:

The closest we came to an example of a regional revenue sharing program was with last year's attempt to pass a one-cent sales tax. The sharing part of it was the sales tax. For example, Eureka has almost all of the car dealerships and a high proportion of the region's sales tax money. The additional tax would have been allocated based on population rather than point of sale, and was meant for police and fire. It didn't pass. In general, people don't want a tax. Regional revenue sharing is very difficult.

(Interview Group 1, Interviewee 10).

A local non-profit developer related the concept of housing employees near the workplace to the example of company towns. The developer explained that resource industries such as the logging and steel industries have had company towns for many years and have offered reduced rates on housing costs. In Humboldt County, for example, the company logging town of Scotia offered housing with inexpensive rent and free electricity generated by the mill. However, the developer added that people may not want company towns anymore and suggested what companies can do to help create affordable housing for employees:

When a company comes to town, it looks at whether employees will be happy settling in, and whether the company can expect low turnover and high productivity. Companies look for places with good housing stock to house their employees. Some companies build apartment buildings.

Some companies could donate land, since land is one of the hugest costs.

(Interview Group 2, Interviewee 2).

In Arcata, Humboldt State University has been exploring how to house its faculty affordably. According to a local government representative, the university is interested in creating subdivisions to house new faculty, since lack of housing and lack of affordability are problems even for moderate income teachers.

A local government employee pointed out that in Eureka's First Time Home Buyer program, which ordinarily limits where a participant can purchase a home, those who work in the redevelopment area of Eureka can use the program to buy a home anywhere in Eureka. The employee explained that this is because their jobs contribute to the tax increments which fund redevelopment. The employee added that it is an incentive to live near work.

According to the representative of a local transitional housing facility, most of the organization's graduating clients move to Humboldt County communities where housing costs are most affordable for them. The representative explained that most do not move on to permanent housing in Arcata, mainly because the student impact on prices there is huge, even for the City's own employees. The representative stated that the majority of clients rent, and they have a better chance of finding something that they can afford in

places like McKinleyville, Eureka, Fortuna, or Rio Dell. In addition, the representative added that commuting and transportation are big issues for clients, because many of them are disabled, with low incomes, and are required to commute to several different locations to receive each of their benefits and social services. The representative further explained:

When you go to the office you need to go to for food stamps, it's the same office that offers the application for Medi-Cal, but they don't offer it to you. You have to ask for it. If you qualify for food stamps, you qualify for Medi-Cal, so why not give you both at once? You have to know to ask for it, which is ridiculous. It's a huge barrier for us that you have to request things separately, rather than have it offered all at once. In the Healthy Families program, for instance, if they asked just two more questions beyond whether a child needs free lunch, they would see that they need healthcare too. (Interview Group 3, Interviewee 3).

According to a local government employee, the strategy for housing people closer to work is infill, and it would mean offering zoning incentives. For example, the employee explained that zoning incentives could help create affordable housing near the workplace by allowing second units above commercial structures. The employee added that applicants hoping to subdivide for commercial-industrial properties could incorporate housing units into their plans. The housing units would increase local housing stock for employees working in the commercial area.

Benefits of Creating Affordable Housing

This final results section summarizes some of the benefits of creating more affordable housing opportunities than currently exist in Humboldt County, as identified by local government representatives, government employees, and local professionals working on the creation of affordable housing opportunities. Specific benefits addressed in this section include benefits for the local workforce and job market, community stability, the ability to achieve the American Dream, and the ability to keep young residents from leaving the area.

In the opinion of a local planner, one of the benefits of increasing the amount of affordable housing in Humboldt County is that the community would be able to offer safe, healthful living for members of the community and their children. The planner added that another benefit is the ability to offer worker housing. According to the planner, people want to work, have a home, and raise a family, and it is unfair that a segment of society is excluded by the real estate market.

A local government representative commented that affordable housing is a benefit to the local community because a diverse community made up of mixed incomes is a healthy community. A local government employee added that many Humboldt County residents cannot afford to own homes, and furthermore, not everyone desires to buy a home, thus the community needs affordable rentals. The employee further commented on the benefits of ensuring that there is an adequate amount of affordable housing in the community:

In both cases, whether you rent or own, the benefits are contribution to the community, sense of community, and interest in contributing back to the community, in terms of maintaining property, participating with children in schools, and reducing air pollution from commuting by living closer to work. (Interview Group 1, Interviewee 8).

A local government employee explained that creating affordable housing in Humboldt County is indeed beneficial, but so is the creation of other types of housing. According to the employee, a healthy community needs a full spectrum of housing types for people of different income levels. The employee explained that a local city needs everything from very low income housing to high-end housing. The employee stated:

Creating housing of any kind is a benefit. The city talks about low and very low income housing and market-rate, but we are not building a whole housing spectrum. Low income: We are building it. Very low income: none. High-end: We need some. A healthy city needs all types of housing for all kinds of people and income levels, from very low income housing to market-rate high-end housing. The whole spectrum of housing is not seen here, because we are not prosperous enough. We do not subsidize low income housing enough, and there are not enough high paying jobs. (Interview Group 1, Interviewee 5).

A local mortgage lender felt that a benefit of creating more affordable housing in Humboldt County is the diversity it brings into the community. The lender explained that if an area becomes too affluent and unaffordable, then it can turn into a monoculture.

The lender stated that increasing the amount of affordable housing opportunities locally keeps things mixed up socially and creates more of a cultural melting pot.

According to a local government employee, one of the benefits of increasing the number of affordable housing opportunities is that members of the local workforce could potentially afford to live in the communities in which they are employed. The employee explained that this would benefit Humboldt County's current workforce in addition to attracting future workers. A local mortgage lender added that increasing the number of affordable housing opportunities benefits people who are committed to the community and want to feel entrenched in the community. According to the lender, people want to feel like they can still get ahead. A local planner commented on the benefits of affordable housing for the local service sector:

A benefit is for service employees, people in the service industry, who aren't paid enough to afford a house. Everyone has to live somewhere. The average rent of a small apartment is \$700 to \$800. Ten to 20 years ago, there were almost no street people in Eureka. Now there are hundreds in the city. It is a direct result of the housing crisis. There is no other choice. (Interview Group 1, Interviewee 5).

In reference to the employees that make up Humboldt County's tourism industry, a local planner explained that Humboldt County could end up with an affordable housing crisis similar to Vail, Colorado and other tourist communities that have become so expensive that employees of the tourism industry struggle to afford the cost of living in the communities they serve. The planner stated:

A healthy economy depends on having housing for your workforce.

Affordable housing is important to a healthy economy. A university cannot attract a quality workforce because that workforce will not be able to afford a place to live. By creating more affordable housing, we could meet the demands of the tourist market. We can't staff tourism if we can't house the people who would work in that industry. Then you end up with the Vail phenomenon. (Interview Group 1, Interviewee 4).

In the opinion of a local real estate broker, one of the benefits of increasing the number of affordable housing opportunities in Humboldt County is that it creates more jobs in the community. A mortgage broker agreed, explaining that various local professionals in the real estate industry earn a living through the selling and purchasing of homes, and many other local businesses benefit from the home beautification and decorating process. A local real estate broker explained how increased ownership opportunities benefit the larger community:

If you are a home buyer, you deal with a realtor and a lender. There are 15 to 20 or more people that touch your file that you don't see: the loan processor, appraisers, a title officer, an escrow officer, and so on. As a homeowner, you are also buying furniture, window coverings, carpets, and so on for your home, and all of this creates jobs in the county. (Interview Group 3, Interviewee 1).

A representative of the private developer community stated that a benefit of creating more affordable housing in Humboldt County, specifically in terms of owner-

occupied housing, is that it will create community stability. The representative explained:

I strongly believe that it creates community stability. If you own a home, you take care of it, and you take interest in your neighborhood. You're a stakeholder in your community. Owning any type of housing brings community stability. (Interview Group 2, Interviewee 1).

A private developer added that a benefit of increasing the amount of affordable housing opportunities in Humboldt County is that an increasing number of people could potentially achieve the American dream of homeownership. Several local government employees agreed that if an increasing number of people could afford to own homes, it would provide them with a great sense of stability and the pride of ownership. A local government employee added that neighborhoods improve with ownership. Several government employees explained that affordable rental housing is definitely important, but local government puts a lot of focus on getting limited income households started on the path of ownership. A local government employee stated:

My emphasis is on owner-occupied single-family units. This type of housing creates stable neighborhoods. Rentals do not. It builds a stronger community with better connections to neighbors, and it promotes walkability. It creates strong communities. (Interview Group 1, Interviewee 2).

According to a local government employee, one of the benefits of creating affordable housing in Humboldt County is that it would enable people who grew up

locally to remain in the community. The employee explained that perhaps these residents would not have to leave the area and their families in order to find higher paying jobs and more affordable living circumstances.

A local non-profit developer stated that a benefit of creating affordable housing in Humboldt County is that residents will get the safe, decent, sanitary housing that they deserve. The developer commented that it is healthy for the whole community to have affordable housing, because people should not have to spend all of their money on housing costs. According to the developer, the ability to buy things in the community keeps local businesses going.

In conclusion, the data gathered for this project cover a wide spectrum of issues related to lack of affordable housing in Humboldt County. The various and, at times, conflicting obstacles faced by local professionals, demonstrate that affordable housing creation is a complex issue for Humboldt County and its residents. It requires a number of different and creative solutions so that all involved in creating affordable housing opportunities can successfully meet the housing needs of the community. In addition, a variety of solutions is needed in order to address local issues interconnected with the topic of affordable housing creation.

DISCUSSION AND CONCLUSION

The information gathered for this research project summarizes various aspects of Humboldt County's affordable housing picture. It also offers recommendations and ways to move forward, both through the experiences of creators of affordable housing opportunities in Humboldt County, and through examples of other U.S. communities with similar problems. Rather than focus on points of difference between various local professionals, this project sews together those differences as the various barriers, solutions, interconnected topics, and innovations important to Humboldt County's unique struggle. It is intended to be readable and accessible to residents of Humboldt County and beyond, whether for the creators of housing opportunities, academics, or concerned residents.

This project adds to the existing body of knowledge on affordable housing by providing information specifically on the experience of Humboldt County and by exploring it through an interdisciplinary lens, inspired by the pursuit of economic justice. I believe that people deserve decent, affordable housing, and that a community can only truly be strong and just when it cares for the welfare of its members. This project offers a sense of what is currently being done to address the lack of affordable housing in Humboldt County, and it identifies some of the ways in which local professionals and government representatives feel hindered. Interview questions focused on the experiences of local professionals and political forces currently working on affordable housing issues. Of equal importance are the opinions of residents who are adversely affected by the rise in housing costs in Humboldt County. I strongly urge that more

research be done to highlight and give voice to the experiences of cost burdened residents, since their stories are the very reason why Humboldt County needs to alleviate its lack of affordable housing and stand up to issues of economic injustice.

This project spans many academic disciplines and professions including economics, political science, planning, philosophy, sociology, social work, and feminism. Various points of view and interests are represented, and a variety of concerns and opinions were given a chance to be heard. Perhaps some viewpoints can be experienced in new ways. At the very least, this project offers an examination of how various affordable housing dilemmas bridge to each other and inevitably connect to the larger community. There is no single problem, solution, or point of view that sums up Humboldt County's affordable housing picture. Humboldt County grapples with affordable housing issues on many different levels and through many different lenses. For example, this one topic can be analyzed based on any one discipline or topic, such as land use, politics, NIMBYism, social, economic, or environmental justice, public health, the jobs-housing imbalance, economic development, social work, planning, psychology, sociology, communications, and others. In addition, any one of the barriers or solutions to creating affordable housing can be researched individually, in greater depth.

A certain resistant "culture of thinking" about property, affordable housing, and community is a theme that has emerged from the results as an obstacle to creating affordable housing locally. For instance, one interviewee phrased it as a "social leap" that community residents may have to be willing to take in order to accept urban styles of planning for growth, such as increased density and mixed-use zoning. Many people have

preconceptions about affordable or low income housing and of the types of people who would live in it. The obstacles that fall under this theme have impeded local professionals and local governments from creating affordable housing. As a more abstract aspect of the affordable housing topic, this theme relates to the level of commitment that individual members of a community are willing to put toward upholding or creating economic justice for all members of the community. This is a question of whether the residents of Humboldt County are willing to actively support and advocate for the creation of decent, affordable housing for cost-burdened residents. This theme also speaks to the conceptual framework and “culture of thinking” followed by government and organizational structures.

The obstacle of NIMBYism toward affordable housing was a common thread linking nearly all of the interviewees together, regardless of professional or philosophical point of view. In addition, social and economic justice concerns were raised in a number of interviewee responses, as demonstrated by references to environmental injustice, gentrification, and the desire to provide or produce affordable housing as a matter of right. Input from local professionals involved in the creation of affordable housing opportunities has reflected the ways that some must continually balance what is a right, according to law, with what would merely be the right thing to do. In other words, opinions revealed the tension between justice and values. These social justice concerns, along with the obstacle of NIMBYism, bring economic justice theories and debates directly to the local level in Humboldt County, in terms of willingness to advocate for and provide affordable housing opportunities to all members of the community.

Viewing housing as a right conjures Benditt's (1985) explanation of the difference between what is required as a legal right and what would appear to be the right thing to do. In other words, when talking about affordable housing as a right in the context of economic justice, it is important to explore the difference between justice as a right and justice as a value. When some interviewees spoke about the right to affordable housing in a community, they spoke of that right as a moral value and as something that can be strengthened and validated with the assistance of local government and affordable housing policy development. In one interviewee's opinion, if the free market is failing to provide the basic need of affordable housing, then there is a place for government to step in with alternatives and policies that promote the general welfare of the community. This idea begins to connect justice as a value with justice as a right.

Benditt (1985) also posits that society may not be responsible for one's welfare if the circumstances of one's lack of basic needs cannot be connected to society's responsibility. The problem with this mode of thinking is that it may be quite difficult to prove oneself a victim of the economic structure of society. If one were to go along with Benditt's reasoning, then the burden of proof lies on the side of the disadvantaged, and if they cannot prove themselves victims of the collective, then the collective does not have to take on responsibility for their welfare. In this case, justice, or a right to housing, could not be demanded, and any assistance in attaining this basic need would only be a result of voluntary benevolence.

Marilyn Gwaltney's (1985) family model is useful for critiquing the obstacle of NIMBYism and confronting lack of responsibility for the welfare of the disadvantaged.

Her model demonstrates how contribution to a collective can come in many forms, such as labor, education, past contributions, future contributions, and other alternatives that would satisfy the view that only contributors or producers ought to be entitled to welfare rights. According to several interviewees in this project, NIMBYism is often based on fears and misperceptions about low income households, the homeless, senior citizens, students, and others. Several interviewees have expressed that in particular, homeless and low income individuals have been judged as not working or contributing to society, which is often untrue. By using Gwaltney's family model, it is possible to see that people contribute to society in different ways, and although some will end up with more material resources than others, all at least deserve to have their basic needs met and to have alleviation of suffering. The creation of affordable housing opportunities in Humboldt County may depend partly on residents' willingness to live with different types of neighbors and neighborhood designs than they may have been used to in the past. Perhaps this acceptance can grow into YIMBYism, which is exactly the type of "social leap," as described by one interviewee, that encourages the priority of the public's best interest over personal, neighborhood, and special interests. According to Gwaltney, a society is responsible for what it does not do to alleviate the hardship of others, because society is capable of alleviating this type of suffering without harming itself.

Fortunately, a number of local professionals have been able to successfully overcome NIMBYism, and their tactics compose a valuable paradigm for finding compromise between public resistance and the benefits of creating affordable housing opportunities. This paradigm is an important step in the direction of promoting economic

justice Humboldt County. It is one of the many starting places for working on shifting the resistant “culture of thinking” about affordable housing, property, and community.

Zoning is a topic that is important to the local discussion on affordable housing creation, both in terms of how it has hindered housing development and how it has been or could be useful. Zoning has been identified as an obstacle to a number of local housing creators, but on the flipside, it has been discussed as a beneficial tool for creating affordable housing opportunities. By examining the criticisms, benefits, and realities of the economics of zoning for affordable housing, it is possible to see some of the ways in which zoning both limits and helps various Humboldt County housing creators and the community as a whole.

Burchell & Listokin (1980) describe exclusionary zoning as an activity that uses land use controls and regulations to reduce the availability of low-cost housing, and one example they offer is minimum lot size and minimum building size requirements. One interviewee in this project stressed that certain minimum lots size and minimum building size requirements in Humboldt County indeed hinder affordable housing development by increasing the final cost of homes. The interviewee criticized that such minimums can be arbitrary and unnecessary. Using a small amount of land to build affordable housing units saves money, and according to the interviewee, many people live comfortably in homes that are smaller than the required minimum. This is just one example of the many ways zoning can affect affordable housing production in Humboldt County.

Interviewees disagreed over the implementation of inclusionary zoning. Some interviewees consider inclusionary zoning to be a necessary tactic for creating the

affordable housing stock a community needs and protecting it over the long term. Others felt that inclusionary zoning causes the prices of market-rate homes to rise unfairly and discourages housing development in general. According to Ellickson (1982), inclusionary programs are not fit to be called inclusionary if they tax the construction of new housing, and in so doing, restrict housing prospects for moderate and low income families. He argues that inclusionary programs worsen the affordable housing crisis, and are instead one more type of exclusion. A study of inclusionary zoning conducted by Powell and Stringham (2003) found that inclusionary zoning tends to result in excessive market-rate home prices, reduced housing development, and therefore a lack of supply.

There are a number of interviewees who support inclusionary zoning in Humboldt County communities, and some of the reasons return to the idea that if the free market has failed to provide affordable housing opportunities to all members of the community, then government tools such as inclusionary zoning are necessary. Other suggested tactics are to pre-zone for affordable housing, establishing it as a permitted use, and to encourage mixed-use and high-density development. These tactics relate to economic justice theory, and the question of whether residents and NIMBY groups will be willing to accept change and make sacrifices, in terms of personal preferences and economic resources, for the benefit of economically disadvantaged members and contributors to the community.

Market forces and the free market in particular are topics that inevitably go together with affordable housing. It is common to view housing as a commodity, with prices that fluctuate on the market like any other product. However, some affordable

housing advocates view housing as something that ought to be a right, or at least something that ought to be subsidized in order to meet the housing needs of residents who cannot compete in the arena of market-rate housing. It is the pursuit of economic justice that marks the difference between housing viewed merely as a profitable product and housing created and reserved for community residents who are marginalized by the local economy and housing market. It is clear that there is a place for market-rate housing and free market solutions, but it is also clear that Humboldt County's housing market is in dire need of options to the free market model, which have already been realized in the form of subsidized housing, inclusionary zoning, and land trusts. Debates over inclusionary zoning and potential infringements on the free market may continue for some time in Humboldt County, and this quandary is exactly the reason why Humboldt County needs a number of different tactics, including free market ones, for encouraging the creation of affordable housing opportunities.

Some interviewees stated that an increasing number of affordable housing units could be built if certain lands, such as open spaces, were rezoned for residential use. This argument is met by opposition from open space preservation advocates, who want the community to develop in a sustainable manner that preserves Humboldt County's natural environment, agricultural lands, and unique rural character. The topic of affordable housing creation in Humboldt County is intertwined with open space issues, and the two can either compete with each other or be linked together in order to satisfy the greatest number of residents possible.

Humboldt County can relate to the way in which the state of Vermont combined affordable housing issues with open space, agricultural, and community character issues. According to Kandars (2001b), Vermont's Housing and Conservation Board (VHCB) was formed in order to create affordable housing and protect Vermont's farms, open spaces, and historic communities from sprawling development. Kandars explains that what bridged the VHCB's affordable housing advocates and land conservationists together, was a shared commitment to protecting the unique rural identity of Vermont, in terms of both land and people. Vermont is a state rich with functioning farms and rural communities, and its residents have reason to be concerned about the protection of their state's natural beauty, agricultural lands, local businesses, local economies, and housing affordability as development pressures increase and the gap between haves and have-nots widens.

These concerns are quite similar to those in Humboldt County, where development has sparked concern and debate about the changing landscape, economy, and agricultural character of the community. Humboldt County residents have shown concern over how these changes affect them on a personal level. According to one interviewee, the feasibility of using land for agriculture is diminishing with the rising cost of land, which poses a threat to food security in Humboldt County. In addition, the development of open spaces may change the unique character of Humboldt County. According to Kandars (2001b), tying the need for affordable housing with other issues important to locals, such as open space conservation, has enabled the VHCB to take on projects that represent the people, economy, and traditions of the state, in addition to

protecting its landscape, local businesses, community organizations, and tourism industry. Vermont has been working on this process for several decades, and its experiences offer a great deal of information for other unique rural communities experiencing a lack of affordable housing.

The imbalance between local income levels and housing prices is an economic and societal issue that is addressed in tandem with Humboldt County's affordable housing crisis. Humboldt County simply lacks the volume of high-paying jobs that entry-level home buyers and renters need in order to afford local home costs today. Humboldt County home prices and rents have soared at an extremely rapid rate over the past several years, and incomes have essentially remained stagnant. As a result, the gap between Humboldt County's haves and have-nots has grown especially wide, making this local circumstance an economic justice issue. Humboldt County's economy functions through the contributions of all types of workers, some of whom are marginalized by the very economy they help to prosper.

Repeatedly, the topic of baby boomers arose in interviews, as many participants acknowledged that the buying and investment patterns of this demographic have played a role in Humboldt County's affordable housing crisis. Decades ago, many baby boomers purchased homes, and after decades of appreciation, built up a great deal of equity to use as they wish. Today, one of the ways this can be seen is in the example of "equity refugees" who sell their homes in expensive areas of California or the United States and move to comparatively less expensive areas where they can pay cash for homes at a fraction of the cost of the ones they have sold. One does not have to be a baby boomer in

order to be an “equity refugee.” In these relatively inexpensive areas, such as Humboldt County, “equity refugees” face little competition in the housing market and are willing to pay higher prices for homes than many locals would be willing or able to pay. In addition to homeownership being a priority for many baby boomers, investing one’s money has also been important to this demographic. Again, investments have been important to many people other than baby boomers. Many have invested in the stock market, and when the returns began to decline, they found it more profitable to invest in up and coming real estate.

On a personal note, I have passed the age at which my baby boomer parents were able to afford to purchase their first home at their modest middle class salary. I am at peace with the reality that at today’s prices, even if I found a good middle class job, and worked off some of my debts, I still may not qualify for a home loan. Home prices in Humboldt County are extremely high compared to local income levels, and competition is fierce for the starter homes within reach. The least expensive starter homes in Humboldt County today are still quite expensive, costing more than today’s most expensive homes cost several years ago. In addition, Humboldt County rents have increased drastically, forcing renters to spend a greater percentage of income on rent than they did several years ago, which leaves less income for other expenses. As a resident of Humboldt County, it would be much more economical for me, and many other local residents, to continue to rent than to own. It may be the only option, since many will have difficulty qualifying for a loan. Today’s housing market is much different than what it was for baby boomers in the 1960s, and for some of the renters of my generation,

the only hope of owning a home lies with what some may inherit from their baby boomer parents. This shift in homeownership patterns and costs over the generations is an interesting topic for further research in and of itself.

As Humboldt County continues to grow and become increasingly gentrified, it suffers from a lack of affordable housing and a sense of economic injustice. I consider the members of a community's various socioeconomic classes to be the interdependent parts that are vital to the success of the community as a whole. Gentrification and rising home prices threaten overall community health and stability. Communities may not function to their highest potential if the working class, or in Humboldt County's case even the middle class, is displaced, disregarded, priced out, and potentially rendered unable to provide the goods, services, and creativity that the rest of the community depends upon. All socioeconomic groups within a community depend on each other in order to cover all bases in meeting the community's needs. If all members of a community are crucial to the overall success of the community, then they should all be entitled to a decent quality of life, which includes access to decent, affordable housing. This includes recognizing that members of Humboldt County's homeless population may have already made valuable contributions to society and may have many contributions to offer now and in the future. These contributions cannot be overlooked, and the solutions for reduction of homelessness are partly the responsibility of those who have the material wealth to make the necessary changes in local communities and larger society.

Humboldt County depends on a diverse array of people, jobs, and skills in order to function successfully. Members of the working class perform critical functions. Members of the middle and upper classes do the same. However, when one class enjoys greater

satisfaction of basic needs than another, such as access to decent, affordable housing, society as a whole suffers. If community members are priced out of the housing market, to the point of not being able to perform crucial functions in the community, then it is an injustice that does a disservice both to those individuals and the community as a whole.

In the course of researching this project, I experienced, yet again, a taste of what it is like to be marginalized by Humboldt County's housing market, and stories such as these are important to research on this local topic. The house I rent was put on the market. Drove of investors toured through the home, discussing plans to fill the house with as many renters as possible in order to cover the cost of mortgage payments. There would be little chance for immediate rental profit on the home, the rent would have to double in order to cover loan payments, and I would most likely have to move out in order to make room for a renter with a higher income than mine, or a group of renters who are willing to live in cramped quarters. Potential investors would have to view the home as an investment that could be sold in a future decade, in the hopes that the price of housing in Humboldt County will be much more expensive than it is today. Someone in my position does not earn enough to qualify for a home loan, and as rents continue to rise, the possibility of raising a family comfortably in Humboldt County diminishes. Someone in my position considers moving to an area with higher paying jobs or lower home costs rather than moving into another local home, a quarter the size of my current small home. As one interviewee put it, those who are marginalized by today's housing market are beginning to realize that the benefits of the gorgeous surroundings and communities of Humboldt County no longer make up for the high cost of living.

This project paints a picture of Humboldt County's unique affordable housing situation. Humboldt County's lack of affordable housing is a problem that will require a large number of creative solutions aimed at helping all types of creators of housing opportunities. The information compiled in this project gives voice to various debates and obstacles to creating affordable housing in Humboldt County, in addition to highlighting some of the community's strengths, in terms of successfully established solutions and potential for the future. This project is an educational tool, a source of qualitative data, and an example of activism. As a whole, the purpose of this project is to educate and inspire the development of a more equitable community through the creation of affordable housing opportunities.

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APPENDIX A

Acronyms

ADU	Accessory Dwelling Unit
CDBG	Community Development Block Grant
CEQA	California Environmental Quality Act
CHODO	Community Housing Development Organization
CPA	Community Preservation Act
CSD	Community Services District
EAH	Employer-Assisted Housing
EIR	Environmental Impact Report
EITC	Earned Income Tax Credit
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
HBHDC	Humboldt Bay Housing Development Corporation
HCD	Housing and Community Development
HCDLT	Humboldt Community Development Land Trust
HMBE	Hoopa Modular Building Enterprise
HOME	HOME Investment Partnerships Program
HUD	Housing and Urban Development
IHDA	Illinois Housing Development Authority
JCHSHU	Joint Center for Housing Studies of Harvard University
JHCHT	Jackson Hole Community Housing Trust
LEM	Location Efficient Mortgage
LIHTC	Low Income Housing Tax Credit
LMIHF	Low and Moderate Income Housing Fund
MPC	Metropolitan Planning Council
NAACP	National Association for the Advancement of Colored People
NAHB	National Association of Home Builders
NIMBY	Not In My Back Yard
PUD	Planned Unit Development
RCAA	Redwood Community Action Agency
REACH	Regional Employer-Assisted Collaboration for Housing
ROI	Return on Investment
TIF	Tax Increment Financing
VHCB	Vermont Housing and Conservation Board
YIMBY	Yes In My Back Yard
ZLL	Zero Lot Line