

FIVE STRATEGIES TO STIMULATE THE CREATION OF HOUSING IN EUREKA



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Over the past twelve months, the City of Eureka has substantially increased efforts to stimulate the creation of new housing. These efforts are based on a renewed commitment to find pragmatic strategies that are both realistic and effective. A critical part of this commitment is the acknowledgement and acceptance of the fact that the City is largely built-out and there are relatively few sites that provide realistic opportunities for new development. This fact is the single most significant challenge that the City faces in the creation of housing. Eureka does not have developable ranch lands around the periphery of the City limits where new subdivisions can be constructed. From this point forward, Eureka is not likely to build any forty-lot subdivisions. Fortuna could entertain such subdivisions, as could McKinleyville. A substantial proportion of the new housing built in Humboldt County over the past 30 years has come from such developments. And, a substantial proportion of new housing built in Humboldt County in the coming 30 years is likely to come from such developments. But, such strategies have not worked in Eureka for over a generation. And such strategies will not work within the City limits of Eureka in the future as there simply isn't enough developable land remaining in the City.

Because of this challenge of limited development potential within city limits, Eureka expended efforts to analyze the potential for annexation of undeveloped lands surrounding the City. The analysis was conducted by a consulting economist and land use specialist in 2017 as a component of the 2040 General Plan. The analysis definitively determined that the developable lands surrounding the City are already proposed for development and well into the permitting pipeline. The analysis also determined that annexation of additional lands for the purpose of stimulating new development was not a viable strategy due to unsurmountable geographic, ecological, and regulatory constraints. This puts Eureka in a unique position in the County of Humboldt. Most of the other nearby communities have room to grow around their peripheries and many have room to grow internally.

Since annexation of new developable lands is not possible, and because the city is largely built-out with few developable sites remaining inside the city limits, Eureka cannot continue to adopt and implement post-WWII suburban housing strategies that rely on patterns of low-density sprawl. Such strategies simply cannot work in Eureka, even if the City desperately wanted them to. Yet, accepting these realities is relatively new for Eureka. Since the 1960s, the City's development regulations have favored low density, small buildings, segregation of uses, excessive parking spaces, large setbacks, large lots, and other development standards that hindered the development of housing. All of these constraints were adopted and promoted by the City despite the fact that the City's pre-WWII legacy development was based on a dense urban fabric with continuous city blocks and dense mixed-use multi-story buildings (see Old Town as an example). Accordingly, Eureka has developed a new set of strategies that accept that Eureka is unlikely to create many new single-family residential units via conventional single-family developments. These strategies also embrace Eureka's unique position in Humboldt County as being one of the few places in which multi-story mixed use development and dense infill is either possible or likely.

These new strategies are baked into the City's new General Plan and Zoning Code, which were adopted by the City Council in August of 2018 and May of 2019. Through these two documents, the City is currently implementing five specific strategies to stimulate the creation of housing within Eureka. These strategies are explicitly based on the City's existing context and designed specifically to stimulate new housing in Eureka. The five strategies are:

1. Maximize Development Potential of the Few Remaining Vacant and Underutilized Sites
2. Accessory Dwelling Units (ADUs)
3. Internal Conversions
4. Small-lot Subdivisions and Conservation Subdivisions
5. Geographically-Dispersed Affordable Housing Through Affordable-by-Design Incentives and Local Density Bonuses

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These strategies are the most realistic means of generating new housing in Eureka. There is effectively a zero percent probability of a new 50-unit single-family residential subdivision in Eureka. However, as is demonstrated below, the probability of a new 50-unit five-story mixed use building is considerable. There is also a substantial chance that Eureka could see significant growth in housing through the development of new ADUs and through internal conversions of existing buildings. The newly created allowances to create small-lot subdivisions and conservation subdivisions also will stimulate new housing units that would not have otherwise existed. Finally, the City's focused efforts to stimulate affordable housing geographically-dispersed throughout the City as a part of all multi-unit housing developments is a departure from the City's previous strategy of producing affordable housing primarily through large individual projects. These strategies are each based on actual existing conditions in Eureka, are the most realistic means of generating new housing in the City will lead to a substantial increase in the annual number of housing units constructed, and will greatly improve the City's ability to address the needs of all socioeconomic segments of the community. Each strategy is described in detail below.

Strategy 1: Maximize Development Potential of the Few Remaining Vacant and Underutilized Sites

This strategy aims to allow and promote full build-out of all remaining vacant and underutilized sites in the City, across all zone districts. While there are very few such parcels available, those that do exist should be developed at their maximum densities. For the City to promote such an outcome is consistent with the City's historic legacy, but counter to the regulations and policies embraced by the City for the past 50 years.

With a population of around 27,000, Eureka is not a "big city." However, Eureka is the largest incorporated city in a five-county region (Del Norte, Trinity, Humboldt, Mendocino, and Lake). That region constitutes substantially more land area than the states of Connecticut, Massachusetts, and Rhode Island combined. Eureka is the only city in that five-county region with buildings over three stories, which is likely the reason that Eureka's Downtown has the highest "job density" in the region according to the US Census Bureau. Eureka is also home to the largest hospital in the region, the only commercial waterfront, the largest industrial waterfront, the largest concentration of lodging, and by far the largest continuous urban grid. In addition, while Eureka contains only 20 percent of Humboldt County's overall population, the City generates approximately 50 percent of the County's overall sales tax and is home to nearly half the jobs in the County. So, while Eureka is not a "big city," it plays the role of "the big city" in the north coast region.

The historic development pattern of Eureka is based on the early establishment of an uninterrupted urban grid with 300-foot blocks and alleys that pass through the center of nearly every block. From the 1860s through the 1950s, the commercial downtown was densely developed with three to five-story buildings, and the residential areas were developed with a rich diversity of construction types, sizes, setbacks, and heights. The City was forward thinking in the establishment of wide sidewalks that accompany nearly every street in the grid, creating a city that is very walkable relative to many other similarly-size cities. While Caltrans's conversion of 4th and 5th Streets into Highway 101 severely diminished pedestrian connectivity between Downtown and the residential portion of the City, and while the industrial waterfront has experienced dramatic changes since its earliest days, the City's core grid and historic development patterns primarily remain intact.

Unfortunately, in the 1960s the City adopted a strict proscriptive Euclidean zoning code, which became the most substantial obstacle to the construction of new high-quality development and for several decades was the primary source of deviations from the City's historic mixed-use development patterns. At the moment of its adoption, the 1960s code was out of alignment with the development in Eureka that already existed at the time and led to new development that was detrimentally-inconsistent with the City's previously-existing development pattern. It appears that the zoning code adopted in the 1960s was based on standards that were intended for suburban subdivisions, while Eureka was largely built-out at the time and needed a custom code specific to the unique conditions of Eureka. For instance, over 65 percent of Eureka's housing units were constructed prior to 1959 and the vast majority of the City's street network had been constructed by that time, which means that Eureka needed a zoning code that emphasized infill and development of

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vacant/underutilized properties. Instead, the 1960s code enforced new standards that were out-of-place and that never served Eureka in a functional or logical way. For example, each year the City turned away home owners seeking to build additions onto their homes, despite the fact that they were seeking nothing more than to duplicate the design of the homes that surround them. The problem was that the zoning code has made illegal many of the development styles and patterns that were constructed prior to the 1960s and that formed the basic fabric of what made Eureka the city that it is.

Like most communities in California, Eureka is experiencing a shortage of housing at all income levels. Eureka is especially hard hit by this trend since the City is almost completely built-out and has little to no room for expanding the City's residential zone districts. According to the City's 2013 Housing Element and recent housing projections associated with the City's General Plan Update, the maximum potential growth of new single-family residential homes is not likely to exceed a couple hundred at most. The City has conducted extensive analysis of opportunities for annexation and no meaningful opportunities for territorial expansion are viable. The City is surrounded by fully built-out residential subdivisions and coastal wetlands, which means that there is nowhere for the City to expand in order to create new housing. Accordingly, the City's recent analysis of vacant and underutilized parcels within City limits shows that the City's greatest opportunity for residential growth is through the construction of multi-story buildings in the Downtown and Old Town areas. Such development is envisioned to consist of multi-story buildings with retail on the ground floor and residential units on the upper floors.

In early 2019, the Eureka City Council rescinded the entire 1960-era zoning code and adopted an entirely new zoning code. The new code eliminated many regulations that held back the creation of housing, simplified many development procedures, and includes a substantial set of new development incentives. In particular, the recently adopted code substantially advances opportunities for mixed use residential development in commercial zones including multi-story buildings with upper floor residential units, especially near transit stops. Mixed use residential developments have multiple advantages and can satisfy many of the goals and policies of the Housing Element. Residential units in dense multi-story buildings are likely to be smaller than other types of residential units, typically making them more affordable. Such development may also include a range of unit sizes, providing for a diverse mix of income levels in the same building. It is also possible for some or all of the units to be subdivided into condominium units, providing for opportunities for owner-occupied housing and, in some cases, affordable owner-occupied housing. Mixed use residential developments are also typically closer to amenities, such as transit stops, entertainment opportunities, grocery stores, and other basic needs. Such proximity can reduce or eliminate the need for vehicle ownership, thereby enhancing overall affordability. According to staff analysis, such developments are likely to constitute a substantial portion of the overall housing units developed in Eureka in the coming 20 years.

This strategy is not limited to mixed use development. Dense residential complexes that contain no commercial uses are allowed (and will be promoted) in the City's multi-family residential zones as well as in commercial zones.

Strategy 2: Accessory Dwelling Units

This strategy seeks to take advantage of the fact that over half of the City's residential units are currently single-family homes on individual lots, the vast majority of which could contain a second (accessory) unit. The City of Eureka contains approximately 10,000 total residential units and approximately 6,000 single-family residential parcels, which means that a majority of the residential units in the City are in the single-family residential zone district. According to estimates based on utility data, only 5% of these single-family parcels already contain an ADU (also known as a mother-in-law unit, granny flat, etc.). Given these numbers, the creation of ADUs constitutes a substantial opportunity for the creation of housing in Eureka. If just 10 percent of these parcels created an ADU, 600 new housing units would be created and the City would see a six percent increase in total housing units, which is more than has been generated in Eureka in the past several decades. For context, the average number of new housing units created City-wide in Eureka over the past 10 years was approximately 12 units per year. If just one percent of single-family

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parcels developed a new ADU each year, then the City would have 60 new housing units per year which is five times more than what has been developed each year in Eureka for the past 10 years. Clearly, ADUs present one of the best opportunities for Eureka to create new housing units.

The State of California recently required all jurisdictions to allow ADUs in Residential zones. The City of Eureka has gone beyond State requirements and provides enhanced allowances for ADUs. The City is also engaged in an on-going effort to promote and encourage the development of ADUs through publicity campaigns and outreach.

Strategy 3: Internal Conversions

This strategy focuses on providing the regulatory flexibility to modify the interiors of existing structures in order to create new residential units. Eureka is rich in historic structures. Many of these structures contained residential units on upper floors that were converted to office uses. With the recent demand for new housing units, there is a constant interest from owners of such buildings to convert upper floor offices spaces back to residential units. Some of the historic structures in the City consist of large homes that have sufficient internal space to be converted into multiple residential units without any modifications to building exteriors. In other cases, some property owners seek to convert unused garages into residential units.

Such “internal conversions” and adaptive reuse of existing underutilized structures is among the least expensive and most commonly pursued paths to create housing in Eureka. Compared to new construction, development costs may be reduced because internal conversions can often take advantage of existing foundations, walls, and roofs. This type of develop has the additional benefit of reducing neighborhood impacts because new buildings are not being constructed; in many instances, adjacent property owners are not aware that a conversion has occurred or that a new housing unit has been created.

Strategy 4: Small-Lot Subdivisions and Conservation Subdivisions

Similar to Strategy 1, this strategy focuses on embracing historic development patterns in Eureka that have been disallowed for the past several decades. Approximately 45 percent of all parcels in the City’s multi-family residential zone districts are less than 6,000 square feet. Yet, since the 1960s, the City has strictly enforced a minimum lot size of 6,000 square feet. Such a restriction has prevented what was formerly a common means of creating small lots and small residential structures. Known as “small lot subdivisions,” this strategy provides opportunities to create smaller-than-average developable lots (down to 2,000 square feet per lot) containing smaller-than-average single-family homes. Typically, this happens on lots that already contain residential structures. A typical example would be an existing small home (e.g. 1,200 square feet) on a standard City lot (e.g. 6,000 square feet). A portion of the lot (e.g. 3,000 square feet of the backyard) would be subdivided to provide a new buildable lot, which could then host a smaller (and therefore more affordable) 800 square foot unit. Small Lot Subdivisions have a number of advantages and can satisfy many of the goals and policies of the Housing Element. This regulatory option can generate housing units in places where property owners formerly never saw such an opportunity (such as a large and unused back yard). As a consequence, the number of residences (i.e. the actual residential density) can gently increase in a neighborhood without a substantial alternation of the neighborhood fabric or demolition of existing structures. While ADUs are on the same lot as their respective primary units and therefore cannot be sold, Small Lot Subdivisions create legally separate lots, which means that they can be individually sold. Small lots are inherently more affordable than larger lots and host smaller housing units, which are also inherently more affordable. Accordingly, Small Lot Subdivisions are among the best means of creating owner-occupied affordable housing.

A similar tool that has not formerly been allowed in Eureka is “conservation subdivisions.” This option is valuable for parcels that have physical characteristics such as steep slopes and/or gulches that prevent or hinder traditional development. This regulatory option allows the owner of the property to preserve the unbuildable portions of the lot for conservation while shifting the development rights of the unbuildable portion to the buildable portion of the lot. The overall gross density of the parcel remains the same, but the net density of the buildable portion of the lot may be substantially higher than otherwise would be allowed.

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Strategy 5: Geographically-Dispersed Affordable Housing through Affordable-by-Design Incentives and Local Density Bonuses

This strategy is complementary to the four strategies above and will be incorporated into each of them. The strategy is based on a commitment to promote and incentivize the creation of affordable housing in all future multi-unit residential developments in Eureka, regardless of location or zone district. The objective is for affordable housing to be geographically dispersed throughout the City. One way to do this is to incentivize the creation of affordable-by-design housing units and/or deed restricted housing units in all future residential projects. For example, when a developer approaches the City with the interest of developing a 15-unit apartment complex, the City will encourage the developer to build 16 units, with two of the total units being “affordable-by-design.”

In Eureka, “Affordable-by-Design” housing consists of housing units that are less than 500 square feet and are not required to provide dedicated off-street parking spaces. These units are naturally affordable due to their small size, as opposed to being made affordable by the legal mechanism of a deed-restriction. This is because, based on standard rental rates in Eureka, units that are less than 500 square feet are typically naturally to low and moderately low-income households in Eureka (i.e. the rent for such units is often less than 30 percent of the income of low-income households). These small units are typically most appropriate for one and two-person households, which is a growing demographic sector in Eureka. Affordable-by-Design developments can consist of rental or owner-occupied housing units and may be either attached (e.g. apartment building/condominiums) or detached (e.g. bungalow courts). Another advantage of small units is that they can lead to considerably more density. For example, an Affordable-by-Design development on a 6,000 square foot lot may have twelve 500 square foot units instead of six 1,000 square foot units.

Affordable-by-design units can take the form of ADUs, owner-occupied condominium units, upper-floor apartments in a mixed-use development, multi-family rental apartments, townhomes, live/work units, tiny houses, efficiency dwelling units, micro-units, shared housing, and even single-family homes. In each of these cases, the City will provide incentives to developers for a portion of their units to be “affordable-by-design” (i.e. 500 square feet or less). Because affordable-by-design housing can be incorporated into such a diverse range of housing types, the probability of geographic distribution throughout the City is much higher than more traditional forms of affordable housing, which typically consist of single large projects that are complexes of entirely affordable housing.

Finally, the City also has local affordable housing density bonus options that go beyond the density bonuses afforded by State law. The City’s local affordable housing density bonuses allow flexibility in development regulations and residential density for affordable housing built within a certain proximity of transit, schools, parks, and other similar amenities.