Project:	# Housing for All and Downtown Vitality Initiative Impact Analysis
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Prepared by:	Pro Forma Advisors LLC
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Executive Summary

Introduction

California state law mandates that the City plan to accommodate affordable housing to satisfy 2019 - 2027 RHNA targets. In response to this mandate the 2040 General Plan's Housing Element Update identified six City-owned parking lots in the downtown area for affordable housing production, in addition to eight other City-owned parcels located elsewhere in the City. In 2020 and 2023 the City issued two separate Request for Proposals (RFPs) to develop affordable housing on four of the six downtown area sites, and at the parking lot at Sunny and Myrtle. Two developers were selected and 180 affordable units are currently being planned for future development.

In response to the plan for affordable housing production on downtown parking lots, and subsequent RFPs, a petition was circulated within the City to amend the 2040 General Plan to provide an alternative plan to meet the City's need for affordable housing. If the Initiative is successful it will create a downtown parking overlay zone that will disallow all residential development (inclusive of both market rate and affordable units) on 21 City-owned parking lots (including the six lots identified in the Housing Element) unless the existing parking spaces are retained and/or supplemented. The Initiative also prohibits any other type of development other than parking and upper floor residential from occurring on the lots, including any retail, office, civic or recreational uses.

Pro Forma was retained to determine the economic and fiscal impacts of the Initiative if the ballot measure is successful. The analysis focuses on three hypothetical affordable housing scenarios:

- No Development;
- Affordable Housing Only; and
- Mixed-Use Affordable Development.

Based on our analysis, the proposed downtown parking overlay zone would potentially increase the cost of the illustrative affordable housing development by 30 percent. This would effectively block affordable housing production on City-owned parking lots based on the underlying economics of affordable housing development.

Impacts

No Development

- There are no estimated economic or fiscal impacts. This scenario assumes no change in the current parking lots and represents the status quo.

Housing Element Sites

The most immediate and quantifiable economic and fiscal impacts will occur through the loss of the development on the six downtown sites that have been awarded for affordable housing development. Based on our hypothetical development program the impacts include:

- The loss of $169.8 million in one-time construction related Output. This Output could support approximately 1,000 Jobs during the construction phase with an average Earning of $64,000 per Job.
- The loss of $7.2 million per year in retail spending in the County from new residents living in the downtown. Given that not all developments are anticipated to include retail, the annual impacts of mixed-use development has not been quantified herein.

Initiative Identified Sites

It is important to note that the City currently has no intentions of developing the other 15 parking lots with affordable housing. However, in order to estimate the additional potential economic and fiscal impacts of the Initiative it is assumed that the hypothetical impacts of the modeled affordable housing are extrapolated to the remaining parking lot sites. This analysis includes the six Housing Element sites along with the additional 15 development sites identified in the Initiative.

Given the different size of downtown parking lots, the total downtown parking lot square feet identified in the Initiative (268,922 square feet) has been divided by the prototypical lot size (13,200) to provide order of magnitude impacts assuming all 21 sites were developed as housing in 20 hypothetical lots. The total impacts of the Initiative include:

- The loss of $566.0 million in one-time construction related Output. This Output could support approximately 3,320 Jobs during the construction phase with an average Earning of $64,000 per Job.
- The loss of $24.0 million per year in retail spending in the County from new residents living in the downtown. Once again, given that not all developments are anticipated to include retail, the annual impacts of mixed-use development has not been quantified herein.

Other Qualitative Impacts

- If the Initiative is successful, the mandate to plan for affordable housing will remain. As such, there could be additional economic and fiscal impacts associated with new inclusionary housing policies or other affordable development mandates needed to satisfy the 2019 - 2027 RHNA targets.
- The Initiative prohibits any other type of development other than parking and upper floor residential from occurring on the lots, including any retail, office, civic or recreational uses. As such, the economic and fiscal impacts of all other market rate development could be significantly higher than quantified herein.

Total Potential Economic Impacts (Dollars in Millions)

	No Development Scenario	Housing Element Sites (6 Lots)	Initiative Identified Sites (20 Lots)
One-Time Construction			
Output	$0	-$169.8	-$566.0
Earnings	$0	-$63.6	-$212.0
Jobs (Rounded)	0	-1,000	-3,320
On-Going Annual Retail Sales			
Total	$0	-$7.2	-$24.0

Note: Impacts described above reflect the gross potential lost dollars associated with the Initiative. While the initiative has identified 21 lots, the illustrative lot size equates to 20 lots given some parcels with smaller footprints than modeled.

Source: Pro Forma Advisors, BEA

Project Overview

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Project Overview

Introduction

California state law recognizes that local governments play a vital role in developing affordable housing. In 1969, the state mandated that all California cities, towns, and counties must plan for the housing needs of residents, regardless of income. The state mandate is commonly called the Regional Housing Needs Allocation (RHNA).

As part of RHNA, the California Department of Housing and Community Development (or HDC) determines the total number of new homes that the City of Eureka (City) needs to build and how affordable those homes need to be in order to meet the housing needs of people at all income levels. The Environmental Impact Report for the 2020 General Plan analyzed the creation of up to 1,886 additional housing units in the City. This is approximately double the 2019-2027 RHNA required 952 units.

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Overview

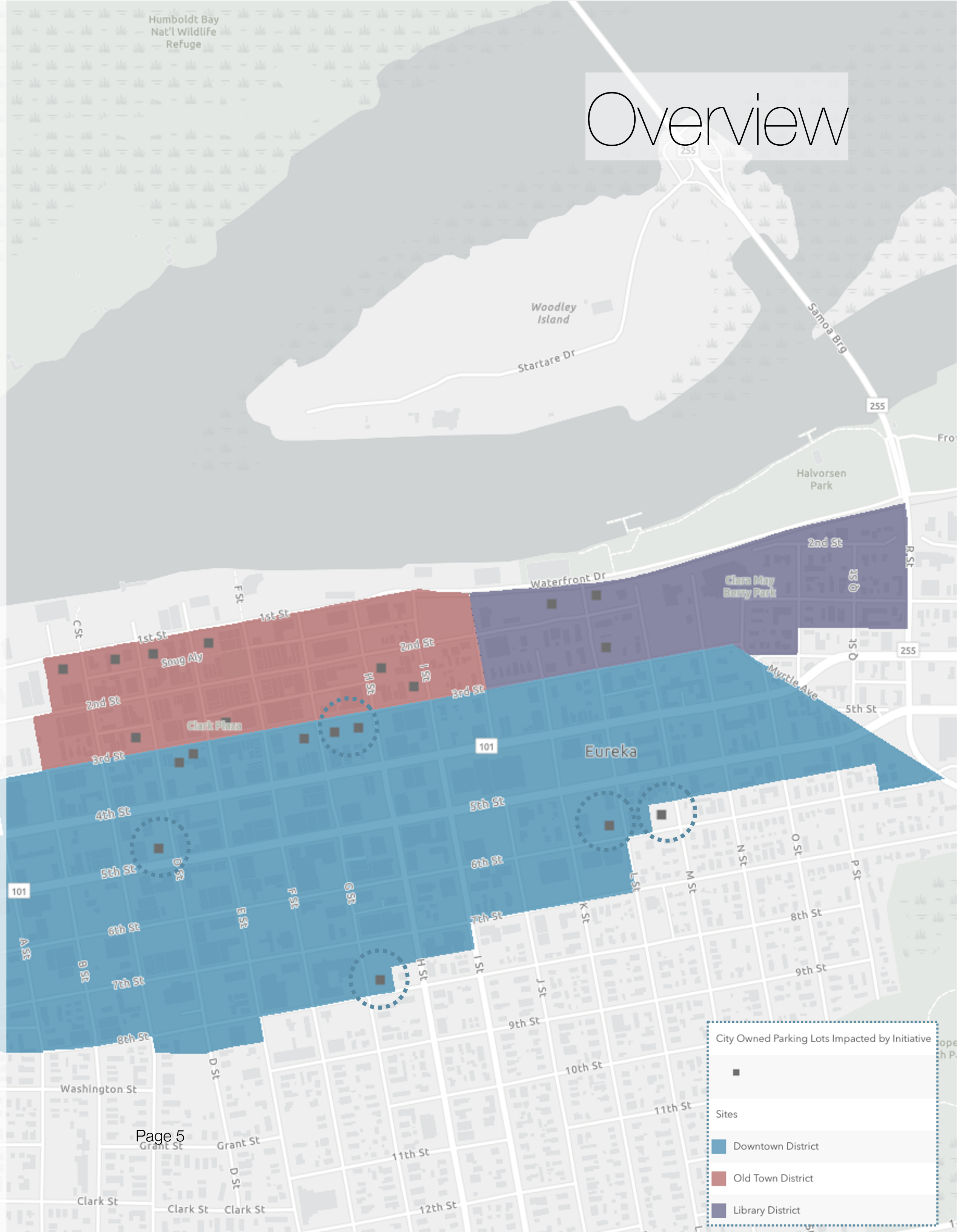
Affordable Housing Development

In the Housing Element Update, the City conducted a site inventory looking for parcels that might be suitable to develop affordable housing. Given that the City-owned parking lots typically have no or minimal improvements, they were candidates for site selection. Furthermore, the sites provided an opportunity to guide more dense housing and residential growth to the downtown area. The following **Table 1** presents the parking lots identified for potential affordable housing development. The Initiative implicates these six lots as well as an additional 15 lots spread throughout the Downtown, Old Town and Library districts (as shown on the map)

1. Select City-Owned Parking Lots

Location	Parking Spaces	Parcel Size (Square Feet)
8th and G	41	14,400
6th and M	33	13,200
5th and D	34	13,200
6th and L 1/	28	13,200
3rd and G 2/	82	13,200
3rd and H 3/	-	13,200
Total	218	80,400

Notes: 1) City Hall parking spaces not included in parking surveys described later in this report. 2) Combined with 3rd and H. 3) Combined with 3rd and F. Sites circled in Figure to the right.



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Ballot Initiative

A petition was circulated within the City to amend the City of Eureka 2040 General Plan (2040 General Plan) to provide an alternative plan to meet the City's need for housing. The "Housing for All and Downtown Vitality Initiative" (Initiative) proposes to create a parking overlay zone for the City's downtown parking lots.

If the Initiative is successful it will amend the 2040 General Plan to prohibit the development of a number of parking lots unless parking spaces are retained and supplemented with any new housing developments.

The petition contends that the 2040 General Plan's Housing Element is flawed because:

- Based on a City traffic study conducted "during the height of the COVID-19 pandemic" that failed to consider the impact of parking on residents, employees, and tourist to access commercial businesses in the downtown area; and
- Developing housing downtown does not help middle and working-class people because it is prioritizing low-income people.

If the initiative is voted into law in 2024, the City-owned parking lots (**Table 2**) would be impacted for all future residential development (inclusive of both market rate and affordable units) and no other uses would be allowed (e.g. retail).

2. City-Owned Parking Lots Identified in the Initiative

Source: City of Eureka

Location	Parking Spaces	Parcel Size (Square Feet)
8th and G	41	14,400
6th and M	33	13,200
5th and D	34	13,200
6th and L 1/	28	13,200
3rd and D	39	13,200
3rd and E 2/	33	6,000
3rd and G 3/	82	13,200
3rd and G	39	13,200
3rd and H 4/	-	13,200
3rd and I	31	8,800
104 C Street	61	19,800
221 1st Street	23	6,932
314 1st Street	33	13,200
1st and E	24	13,200
Opera Alley and E	18	7,400
312 3rd Street 5/	-	6,600
2nd and H	33	31,200
Waterfront Drive and L	81	25,000
111 2nd Street	27	11,890
1103 3rd Street	28	5,352
1103 3rd Street 6/	-	6,749
Total	688	268,922

Notes: 1) City Hall parking spaces not included in parking surveys described on the next page. 2) Combined with 312 3rd Street. 3) Combined with 3rd Street and H. 4) Combined with 3rd and G. 5) Combined with 3rd and E. 6) Combined with 1103 3rd Street.

Parking Study

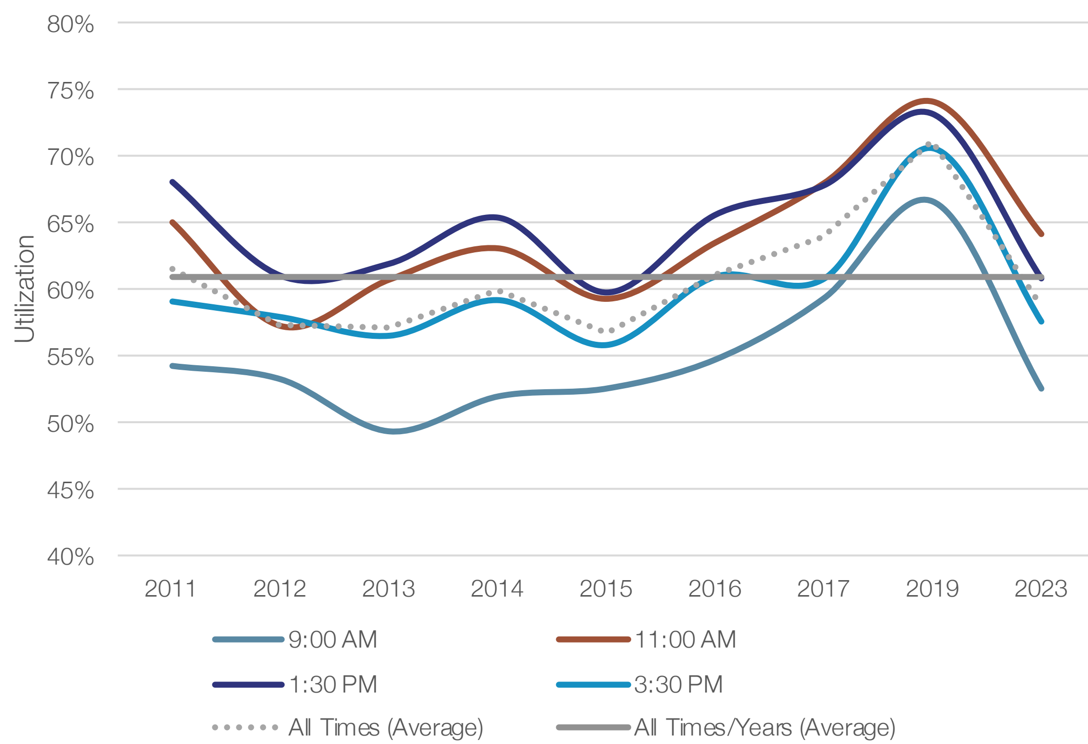
In 2022, TJKM Transportation Consultants delivered the "Old Town & Downtown Parking Study" (Parking Study). The Parking Study documented parking utilization and proposed parking management strategies.

The Parking Study found that there are 3,114 on-street and off-street public and private parking spots in the study area, which was defined as the area bordered by A Street to the west, L Street to the east, 1st Street to the north, and 7th Street to the south. The study examined traffic data during 2016, 2017, 2019, and 2021 (Study Period). During the Study Period, the Study Area reached a maximum of 49% occupancy during peak hours (between 12pm and 2pm) with 1,584 spaces open for parking.

The City provided additional information for a parking survey conducted in the summer months of 2011-2019 and 2023 (**Figure 1**). Similar to the Parking Study (which looked at calendar year data that tend to be less peaky as summer demand), the data suggests that the parking lots are not being fully utilized in the downtown area and that the summer of 2023 represented the lowest average utilization during the time analyzed.[1]

1. Summer Parking Survey Comparison (2011-2023)

Source: City of Eureka



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[1] Survey included the following downtown parking lots: 1st and Commercial, 1st and C, 1st between C&D, 1st and D, 1st and E, 2nd and H, 3rd and I (Metered), 3rd and L, 3rd between G & H (Metered), 3rd and G (2hr Meter), 3rd and G (10hr Meter), 3rd between E&F, 3rd and E, 3rd and D (Metered), 5th and D (Metered), 4th and G, 5th and H (Metered), 4th and G, 5th and H (Metered), 8th and G (Metered), 6th and M, 2nd and L West Parking Lot, 2nd and L East Parking Lots at select times during the day.

Affordable Housing

The 2040 General Plan's Housing Element is effectively a strategic plan to generate the housing needed to accommodate future growth and to address affordable housing. As noted, the 2040 General Plan EIR analyzed the impact of the 2019-2027 RHNA required 952 units.

The following **Table 3** presents the 952 RHNA housing units by the HDC income limits. The HDC income limits reflect updated median income and household income levels for very low-, low-, and moderate-income households for Humboldt County (County). Above Moderate income units reflect those households making more than the area median income (AMI) of $83,800 for a four-person household, which would reflect market rate housing production.

Table 4 presents an adjusted table with the City's affordable housing target along with the 2-and 4-person median household income limits. Utilizing a weighted average of the proposed RHNA units would suggest a median income range between $46,000 and $59,000 for 2- and 4-person households, respectively.

3. RHNA Objectives for the City - All Housing Units (2019-2027)

Source: City of Eureka

	RHNA Housing by Type	
Income Limit	**New Units**	**% of Total**
Very Low	231	24%
Low	147	15%
Moderate	172	18%
Above Moderate	402	42%
Total	952	100%

4. RHNA Objectives for the City - Affordable Housing Units (2019-2027)

Source: City of Eureka; HDC

	RHNA Housing by Type		Income (2023)	
Income Limit	**New Units**	**% of Total**	**2-Person Median Household**	**4-Person Median Household**
Very Low	231	42%	$26,400	$35,625
Low	147	27%	$52,800	$65,950
Moderate	172	31%	$80,450	$100,550
Total / Avg. (Rounded)	550	100%	**$46,000**	**$59,000**

Wage by Occupation

The Occupational Employment and Wage Statistics program produces employment and wage estimates for approximately 830 occupations based on a survey of employers. The following information is for the North Coast Region of California (North Coast Region) Bureau of Labor Statistics (BLS) defined nonmetropolitan area of Del Norte, Lake, Mendocino, and Humboldt counties. As of May 2022, the North Coast Region had approximately 104,000 people employed. Of those employed, 66 percent of workers had a median wage less than $50,000, many of which would qualify for affordable housing.

Illustrative detailed (opposed to major) occupations that would be considered eligible for affordable housing include:

- Child, Family, and School Social Workers;
- Preschool Teachers; and
- Postal Service Mail Carriers.

The following **Table 5** presents the median wage and total jobs in the North Coast Region ranked from lowest median to highest median wage per major occupation. Those professions shaded in grey italics would not qualify for affordable housing in the City.

5. Employment and Wages for Major Occupations in North Coast Region (2022) Source: BLS

Occupation Title	Median Wage	Number Employed	Percent of Total Employment
Healthcare Support Occupations	$29,690	10,280	9.9%
Food Preparation and Serving Related Occupations	$33,530	9,810	9.4%
Personal Care and Service Occupations	$34,150	1,990	1.9%
Sales and Related Occupations	$35,180	9,760	9.4%
Building and Grounds Cleaning and Maintenance Occupations	$35,770	3,540	3.4%
Farming, Fishing, and Forestry Occupations	$36,430	2,230	2.1%
Transportation and Material Moving Occupations	$37,780	7,220	6.9%
Office and Administrative Support Occupations	$43,180	12,120	11.6%
Production Occupations	$44,140	3,670	3.5%
Arts, Design, Entertainment, Sports, and Media Occupations	$47,010	820	0.8%
Community and Social Service Occupations	$48,900	3,310	3.2%
Installation, Maintenance, and Repair Occupations	$49,770	3,910	3.8%
Construction and Extraction Occupations	*$61,010*	*4,180*	*4.0%*
Protective Service Occupations	*$61,980*	*4,040*	*3.9%*
Educational Instruction and Library Occupations	*$62,040*	*8,050*	*7.7%*
Business and Financial Operations Occupations	*$64,950*	*4,220*	*4.1%*
Life, Physical, and Social Science Occupations	*$70,620*	*1,530*	*1.5%*
Computer and Mathematical Occupations	*$73,310*	*830*	*0.8%*
Architecture and Engineering Occupations	*$82,660*	*950*	*0.9%*
Legal Occupations	*$93,970*	*410*	*0.4%*
Management Occupations	*$94,740*	*6,090*	*5.8%*
Healthcare Practitioners and Technical Occupations	*$102,230*	*5,230*	*5.0%*
Total	$57,120	104,190	100%

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Financial Analysis

Financial Feasibility

Assumptions

The City asked Pro Forma Advisors (Pro Forma) to analyze the potential impact of the Initiative on the future development of affordable housing. The following section focuses on the following hypothetical development scenarios:

- Option 1: Affordable housing only; and
- Option 2: Mixed-use Development with commercial space and affordable housing.

In order to simplify the financial analysis, Pro Forma modeled a hypothetical development program on a typical 13,200 square foot parking lot. In each case it is assumed that in Options 1 and 2 that:

- 40 affordable units are constructed (44,000 square feet of gross building area)[2];
- 33 parking spaces are lost; and
- The median income limit of affordable housing reflects the combined Linc Housing and Wiyot Tribe mix of Studio, 1-, 2-, and 3-bedroom units (60 percent very low- and low-Income households and 40 percent moderate-income households).

The following **Tables 6 and 7** provide additional detail regarding the income and development assumptions.

6. Assumed Median Income Limit by Unit Type

Source: Pro Forma Advisors; HDC

Bedroom	Very-Low Income (VLI) (30-50% AMI)	Low-Income (LI) (50-80% AMI)	Moderate-Income (MI) (80-120% AMI)
3-Bedroom 1/	$39,200	$62,675	$95,525
2-Bedroom 2/	$35,075	$56,100	$85,475
1-Bedroom 3/	$30,950	$49,500	$75,425
Studio 3/	$30,950	$49,500	$75,425

Notes: 1) 3-Bedroom median income limit assumes average of 3- and 4-person households. 2) 2-Bedroom median income limit assumes average of 2- and 3-person households. 3) Studio and 1-Bedroom median income limit assumes average of 1- and 2-person households.

7. Assumed Hypothetical Unit Mix and Median Income Limit

Source: Pro Forma Advisors; HDC

	3-Bedroom 1/	2-Bedroom 2/	1-Bedroom 3/	Studio 3/	Total
Units	**6.0**	**10.0**	**18.0**	**6.0**	**40.0**
VLI	2.0	3.0	5.0	2.0	12.0
LI	2.0	3.0	5.0	2.0	12.0
MI	2.0	4.0	8.0	2.0	16.0
Unit Mix (Percent)	**15.0%**	**25.0%**	**45.0%**	**15.0%**	**100.0%**
VLI	5.0%	7.5%	12.5%	5.0%	30.0%
LI	5.0%	7.5%	12.5%	5.0%	30.0%
MI	5.0%	10.0%	20.0%	5.0%	40.0%
Median Income	**$65,800**	**$61,500**	**$55,900**	**$52,000**	**$58,200**
VLI	$39,200	$35,075	$30,950	$30,950	$33,400
LI	$62,675	$56,100	$49,500	$49,500	$53,300
MI	$95,525	$85,475	$75,425	$75,425	$80,500

Notes: 1) 3-Bedroom median income limit assumes average of 3- and 4-person households. 2) 2-Bedroom median income limit assumes average of 2- and 3-person households. 3) Studio and 1-Bedroom median income limit assumes average of 1- and 2-person households.

[2] Assumes that the ground floor commercial space would be interchangeable with a noncommercial amenity for residents in Options 1 and 2.

Revenue

For the purposes of the analysis, the HDC's 2023 rent limits have been applied to the illustrative unit mix previously provided. **Table 8** provides the average household monthly rent (not including utilities) multiplied by the corresponding number of units to estimate the annual gross rent. In total, the hypothetical residential only development could create a maximum of $763,000 dollars in total gross revenue for the project.

Based on conversations with local real estate brokers, ground floor retail in the downtown area could command between $1.10 - $1.25 per square foot[3] for retail spaces around 2,000 square feet. In general, there is currently strong demand for lease spaces 2,000 square feet and under. For both Option 1 and Option 2 it is assumed that there is five percent allowance for vacancy for the residential units, and the retail in Option 2 is 100 percent occupied.

Expenses

Typically expenses for market rate multi-family projects are 35 percent of the effective gross income (gross annual rent less vacancy allowance). However, affordable housing projects typically carry additional administrative and other residential service related expenses. In this analysis, it is assumed that the net operating income represents 20 percent of the gross effective income.

[3] Modeled at $1.10 per square foot.

8. Assumed Affordable Rent Level (Excluding Utilities) Source: Pro Forma Advisors; HDC

Bedroom	**Very-Low Income (VLI)** (30-50% AMI)	**Low-Income (LI)** (50-80% AMI)	**Moderate-Income (MI)** (80-120% AMI)
Monthly Rent			
3-Bedroom 1/	$980	$1,567	$2,787
2-Bedroom 2/	$877	$1,403	$2,493
1-Bedroom 3/	$774	$1,238	$2,200
Studio 3/	$774	$1,238	$2,200
Gross Annual Rent 4/			
3-Bedroom	$23,520	$37,608	$66,876
2-Bedroom	$31,572	$50,490	$119,664
1-Bedroom	$46,440	$74,250	$211,152
Studio	$18,576	$29,700	$52,788
Total Gross Annual Rent	**$120,108**	**$192,048**	**$450,480**

Notes: 1) 3-Bedroom median income limit assumes average of 3- and 4-person households. 2) 2-Bedroom median income limit assumes average of 2- and 3-person households. 3) Studio and 1-Bedroom median income limit assumes average of 1- and 2-person households. 4) Please see unit mix in Figure 7.

9. Illustrative Annual Pro Forma Source: Pro Forma Advisors

	Option 1	**Option 2**
Effective Gross Income		
Residential Units (40 Units)	$762,636	$762,636
Commercial (2,000 SF)	$0	$27,600
Vacancy Allowance (5%)	($38,132)	($39,512)
Total	$724,504	$750,724
Total Expenses	$579,603	$600,579
Net Operating Income (Rounded)	$144,901	$150,145

Development Cost

From the beginning of 2020 through 2022, construction costs across the nation grew exponentially. In California, the construction cost index increased by over 20 percent. Additionally, developers have noted that because the City is in a rural area, there is a limited labor pool that further escalates construction costs.

Pro Forma Advisors has utilized a simplified rough order of magnitude (ROM) development cost assumption of $500,000 per unit. This estimate includes an 80/20 split between hard[4] and soft[5] costs, respectively.

If the Initiative was successful, then 33 replacement parking spaces would be required. It is assumed that these replacement parking spaces would need to be configured as podium development, likely with some subterranean parking, to accommodate the illustrative development program. It is estimated that the podium/subterranean parking along with a five-story development would increase construction costs by an estimated 30 percent or $650,000 per unit.[6]

Table 10 presents a general overview of assumed cost allocations by category for the hypothetical project.

10. ROM Development Costs (2023)

Source: Pro Forma Advisors

Uses	Option 1 & 2 (Rounded)	Option 1 & 2 with Parking Replacement (Rounded)
Hard Costs		
Construction	$13,600,000	$17,680,000
Contingency (15% of Hard Costs)	$2,400,000	$3,120,000
Total (80% of Total Costs)	**$16,000,000**	**$20,800,000**
Soft Costs		
Architectural/Engineering/Consulting (37.5% of Soft Costs)	$1,500,000	$1,950,000
Permits/Fees (6% of Soft Costs)	$240,000	$310,000
Other (7% of Soft Costs)	$260,000	$340,000
Contingency (10% of Soft Costs)	$400,000	$520,000
Developer Fee (8% of Total Costs)	$1,600,000	$2,080,000
Total (20% of Total Costs)	**$4,000,000**	**$5,200,000**
Total Costs	**$20,000,000**	**$26,000,000**
Per Unit Cost	**$500,000**	**$650,000**

Note: Option 3 (No Development) would not create any additional development costs.

[4] Hard Costs in construction are costs that are directly related to the physical construction of a building. These costs include the building materials and labor for construction.

[5] Soft Costs in construction are costs that are not directly related to the physical construction of a building but still necessary to the property development. These costs include design, financing, and administrative expenses.

[6] All buildings over four stories must pay commercial prevailing wages (35% increase over base costs) as well as change construction type, which increases costs further.

Implications of Initiative on Feasibility

While the analysis is illustrative, the following demonstrates the key issues impacting the feasibility of mandating replacement parking with the delivery of affordable housing in the City:

- Residential revenues in Options 1 and 2 are capped and will not increase because the rent is determined by HDC income limits;
- HDC has unadjusted and adjusted thresholds for affordable housing loans issued through the Low-Income Housing Tax Credit (LIHTC). These numbers are capped with the noted adjustments and will not increase (**Table 11**).
- In California, the amount of equity per dollar of federal housing credit can range from $0.90 to $1.16. In this example, we have modeled $0.91;
- Conventional "Hard" loans require a debt to service coverage ratio (DSCR) that is derived from the project net operating income (NOI) and has little flexibility (modeled at 1.15 for this example, a DSCR ratio above would indicate surplus money to pay off debt and a DSCR ration below would indicate an inability to pay off debt); and
- It is important to note that The California Tax Credit Allocation Committee develops additional regulations for allocating the credits. Priority is given to projects that are located near amenities such as public transit and provide services such as child care. The inclusion of parking would make the projects less competitive to win grants predicated on sustainable/smart growth development principles.

Given income limit restrictions placed on affordable housing (and relationship to the loan limit via the DSCR), developers must seek to find grants and other funding to fill the financial gaps. In California, it is not uncommon for developers to layer up to 15 different funding sources. Given the high competition for loans, it is unrealistic to assume that the burden of additional costs can be subsidized.

For illustrative purposes, the following **Table 12** illustrates the impact of the increased cost of the Initiative. As modeled, the increase in costs would add $1.1 million in equity. This represents an over 150 percent increase in cost and would make the project effectively infeasible even if the loan increased as development would no longer be able cover debt payments (changing from 1.15 to 0.6 DSCR).

11. HDC LIHTC Limits

Source: Pro Forma Advisors

	Unit Basis Limit	Units	Total
Unit Size			
3-Bedroom	626,688	6	3,760,128
2-Bedroom	489,600	10	4,896,000
1-Bedroom	405,878	18	7,305,804
Studio	352,022	6	2,112,132
Total Unadjusted Threshold Basis Limit 1/			**18,074,064**
Option 1 (Adjustment +10%)			19,881,470
Option 2 (Adjustment +40%)			25,303,690
Federal Tax Credit Factor ($0.91)			
Option 1 - Credit Pricing (Rounded)			18,100,000
Option 2 - Credit Pricing (Rounded)			23,000,000

Note: (1) Option 1 includes a 10 percent increase for an elevator. Option 2 includes 10 percent increase for elevator, 20 percent increase for prevailing wage associated with 5-story construction, and 10 percent increase for parking.

12. Initiative Impact on Feasibility (Millions)

Source: Pro Forma Advisors

Options 1 and 2	LIHTC Equity	ROM Cost Estimate	Funding Gap	Max Conventional Loan	Funding Gap
Existing (40 Units)	$18.1	$20.0	$1.9	$1.2	$0.7
Initiative (40 Units)	$23.0	$26.0	$3.0	$1.2	$1.8

Note: Conventional loan (15 year loan with an assumed interest rate of 6.5 percent) based on the NOI and a 1.15 DSCR.

Implications of Initiative on Parking for Local Businesses

The Parking Study noted that 85 percent parking lot occupancy is the practical threshold that indicates a healthy balance between supply and demand. A parking occupancy below 85 percent is considered underutilized whereas an occupancy greater than 85 percent is considered over utilized. Given the finding of the Parking Study, the removal of 218 parking spaces on six downtown lots will not impact local business.

Overall, the potential loss of parking associated with Housing Element affordable housing redevelopment represents seven percent of the Parking Study Area supply. Assuming the same utilization as studied, the removal of 218 off-street parking spaces would increase occupancy from 56 to 69 percent in City parking lots. The overall impact, as shown in **Figure 13**, suggests the total parking utilization would increase from 49 to 53 percent.

The removal of all 688 parking spaces associated with all 21 lots identified in the Initiative would adjust the occupancy or total parking utilization to 63 percent, which is still below the 85 percent threshold. The illustrative analysis does not account for new parking demand created by new residents in the downtown. As shown in **Figure 2**, the majority of current parking demand (+/- 60%) is between the hours of 6am and 6pm, which reflect typical working hours. Residents at the proposed developments would most likely utilize parking in hours between 6pm and 6am (+/- 40%). However, the Parking Study identified numerous short- and long-term policy and management strategies to further optimize the existing parking supply in the downtown that could help mitigate issues associated with the loss of off-street parking.

Pro Forma Advisors also utilized Placer.ai, a foot traffic tracking service, to further examine recent trends in the downtown area. While these findings do not factor into the analysis they provide additional information about historic visitation trends and market attributes of the downtown (please see **Appendix**).

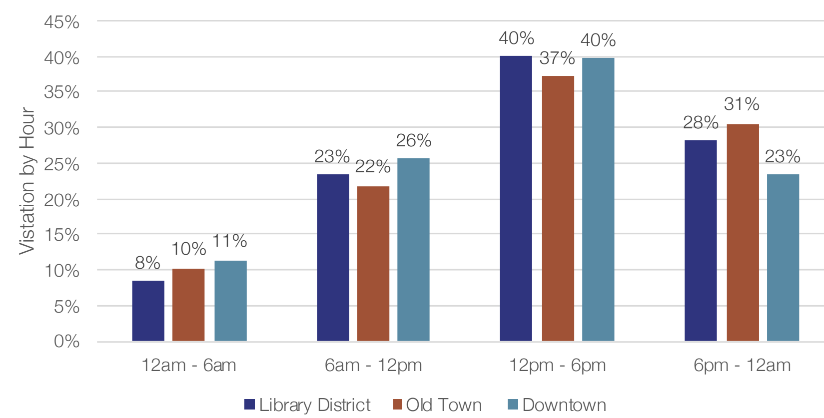
13. Removal of Housing Element Parking Impact

	On-Street Parking Spaces	Off-Street Parking Spaces	Total Parking Spaces
Parking Study			
Total	1,990	1,124	3,114
Vacant	1,084	500	1,584
Occupied	906	624	1,530
Occupancy	**46%**	**56%**	**49%**
Removal of Select City-Owned Lots			
Total	1,990	906	2,896
Vacant	1,084	282	1,366
Occupied	906	624	1,530
Adjusted Occupancy	**46%**	**69%**	**53%**

Source: Pro Forma Advisors; City of Eureka

2. Hourly Visitation (10/01/2022 - 09/30/2023)

Source: Placer.ai



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Economic Impact

Economic Impact

Introduction

The economic impact is based on the hypothetical development Options 1 and 2 previously described (without replacement parking). In other words, the impact described herein could be understood as the impacts lost due to the passage of the Initiative, based on making the affordable housing not feasible in the City.

Economic Impact Overview

Economic impact analysis evaluates the total economic impacts generated during the construction period and a theoretical year of operations. This section provides a general explanation of economic impact analysis, describes the components of economic impact, and presents the methodology and key assumptions used to estimate the economic impact in this report.

Definitions

Economic impact can be described as the sum of the economic activity within a defined geographic region resulting from an initial change (positive or negative) in the economy. This initial change spurs a series of subsequent economic activities (the re-spending of dollars) as a result of interconnected economic relationships.

Economic Impact is reported in terms of:

- Output: Output represents the value of industry production. In the Bureau of Economic Analysis' Regional Input-Output Modeling System (RIMS II) these are annual production estimates for the year of the data set and are in producer prices, which is analogous to measures such as the Gross Domestic Product.
- Jobs: In RIMS II a job is equivalent to the average monthly jobs in the corresponding industry. Thus, 1 job lasting 12 months, 2 jobs lasting 6 months each and 3 jobs lasting 4 months are all equivalent. A job could be either full-time or part-time, but not full-time equivalent. The one-time construction impact is inclusive of an estimate for all jobs over the development period.
- Earnings: All forms of employment income including employee compensation.

Economic impact is composed of the following components:

- Direct Impact: Direct Impact is the initial change in the economy (i.e. Output, Jobs, and Earnings).
- Indirect and Induced Impact, commonly referred to as the "multiplier effect":
  - Indirect Impact: Additional Output, Employment, and Earnings generated as a result of the purchases of the industries that supply goods and services to the development under consideration.
  - Induced Impact: Additional Output, Employment, and Earnings generated by re-spending of Earnings for household purchases.
- Total Impact: The cumulative impact of the above components.

Economic Multipliers

Economic multipliers measure the re-spending of dollars in an economy and are used to calculate the Total Impact. Economic multipliers are developed using an accounting framework called Input-Output (I-O) tables, which are tables that provide information on all production activities and transactions between producers and consumers in an economy.

This analysis uses RIMS II to derive multipliers, key economic data, and total economic impact. RIMS II is an economic impact assessment system that assembles economic accounts using I-O tables and social accounting formats to derive multipliers. The RIMS II system is widely used throughout the public and private sectors to estimate the economic impact of changes in a regional economy.

Key Assumptions

The following are key assumptions:

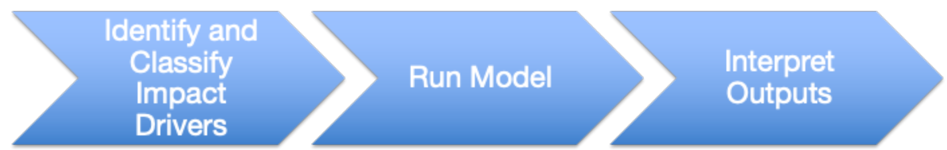
1. The timing of the envisioned development is evaluated as of full build-out, based on the first full year of operations as assumed stabilized year.
2. All monetary totals are presented in non-inflated 2023 dollars.
3. The analysis evaluates the gross economic impact of the Initiative from the perspective of the County. However, as it relates to construction impacts, by definition these impacts occur at the location of the development that would be the City.
4. Spending expected to flow outside the County is excluded from the analysis.
5. Many of the totals in the analysis are rounded or presented in millions of dollars and thus totals may not add due to rounding.

Methodology

The analysis quantifies: (1) The one-time construction impact generated by the construction of affordable housing on City-owned parking lots; and (2) the ongoing annual economic impact generated as a result of the stabilized operations of the commercial development associated with Option 2.

In summary, the following describes the process of running these estimates through RIMS II in order to understand the multiplier effects of this new spending in the County.

Economic Impact Modeling Process Overview



- Organize the construction costs and operation (retail) related revenues.
- Identify appropriate RIMS II sector codes for different types of expenditures.
- Apply adjustments for potential spending outside the County.

- Enter data by RIMS II sector code to calculate the impacts to the County.
- Use RIMS II model to estimate economic impacts.

- Interpret RIMS II results in terms of Total Impacts.
- These impacts are measured in the County based on the estimated changes to Output, Earnings, and Jobs.

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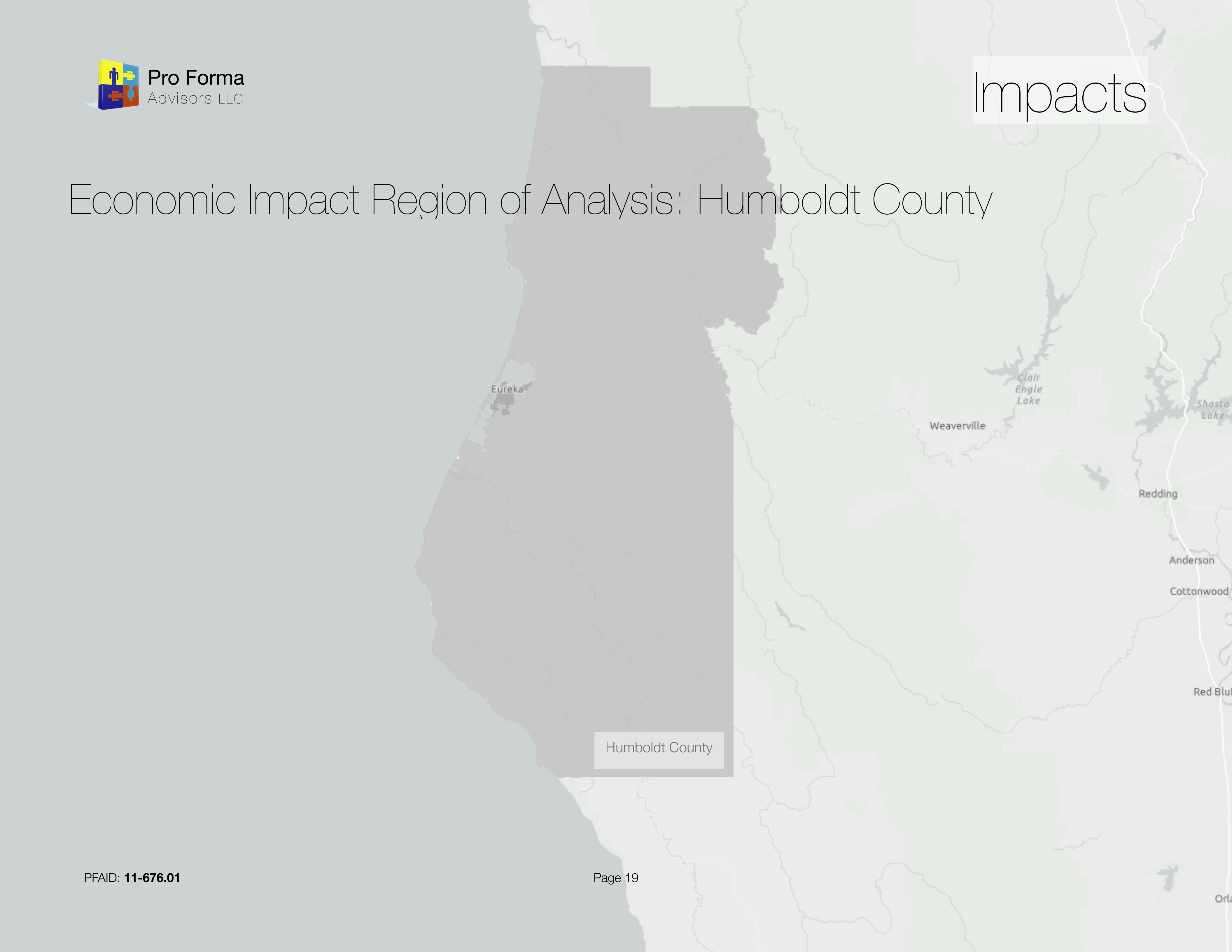
Economic Impact Region of Analysis: Humboldt County



Construction Economic Impact (Options 1 and 2)

Development Budget

Construction impacts measure the one-time impact to the County resulting from construction activity. As previously noted, given that the only difference between Option 1 and 2 is space available for retail development, no cost adjustments have been made to the ROM development estimate.

The total direct investment of the hypothetical development Option 1 or 2 will be approximately $20 million per City-owned parking lot (**Table 14**). However, for the economic impact analysis, total development costs were adjusted to discount potential leakage. Cost items omitted from the analysis include City permits/fees, which will benefit the City but have no additional impact in the regional economy. In total it is estimated that the direct spending will total $18.8 million. Given that by definition construction impacts occur within the location of the development, these impacts will directly benefit the City.

14. Development Budget (ROM)

Source: Pro Forma Advisors

	ROM Estimate	County Spending Estimate	Adjusted County Spending
Hard Costs	$16.0	100%	$16.0
Soft Costs			
Architectural/Engineering/Consulting	$1.5	75%	$1.1
Permits/Fees	$0.2	0%	$0.0
Other	$0.3	75%	$0.2
Contingency	$0.4	75%	$0.3
Developer Fee	$1.6	75%	$1.2
Total	$20.0	94%	$18.8

RIMS II Conversion

The table below summarizes the estimate for the Job creation and associated Earnings associated with the development. Construction Earnings and Jobs are determined based on the regionally-occurring construction costs. Labor costs are estimated using the RIMS II I-O model. These estimates are used as inputs for the RIMS II I-O model for the construction related spending as noted in **Table 15**.

15. Construction Economic Multipliers

RIMS II ID	Description	Spending	Output	Earnings	Jobs per Million
7	Construction	$16.0	1.50	0.54	8.86
50	Professional, Scientific, and Technical Services	$2.8	1.49	0.68	8.57

Source: Pro Forma Advisors, BEA

Total One-Time Development Impact

Using the multipliers above, gross output (**Table 16**) is expected to increase by $28.3 million ($16.0 million x 1.50 and $2.8 x1.49). This estimate includes the $18.8 million increase in construction costs. The earnings portion of the value added by the hypothetical development is $10.6 million ($16.0 million x 0.54 and $2.8 million x 0.86). Jobs, which include full-time and part-time employment, is expected to increase by 166 jobs due to the development (16.0 x 8.86 and 2.8 x 8.57).

16. One-Time Construction Impacts (Dollars in Millions)

	Hard Costs	Soft Costs	Total
Output	$24.1	$4.2	$28.3
Earnings	$8.7	$1.9	$10.6
Jobs	142	24	166
Average Wage	$61,000	$79,000	$64,000

Source: Pro Forma Advisors, BEA

Operation Economic Impact (Option 2)

Retail Performance Assumptions[7]

Ongoing impacts measure the annual economic impact generated as a result of the commercial operation of a mixed-use development (Option 2). Direct Output, Earnings, and Jobs generated by Option 2 are determined based on the following assumptions:

- Gross rent of retail at $1.10 per square foot.
- The assumed sales level of the hypothetical ground floor retail is assumed to represent 10 percent of the store's sales. For most retail-oriented uses, rent cannot exceed 8-12 percent of sales or the location becomes too expensive to efficiently operate.

Based on these assumptions, it is assumed that the retail could conservatively generate sales of $132 per square foot or generate average sales of $264,000 on an annual basis. The economic impact is estimated based on the retail margin

[7] One or more jobs will be created through management and retail related activities associated with both Option 1 and Option 2, respectively. However, for simplicity sake, those impacts have not been quantified in this analysis.

because none of the goods purchased is expected to be produced, wholesaled, or transported by businesses in the County. As such, a simplifying assumption is that the retail margin is 40 percent of the total sales. Given the vast number of unknowns for the retail development, a general retail multiplier has been used based on the potential revenues of $106,000 after the adjustment for retail margins.

17. Retail Economic Multipliers

RIMS II ID	Description	Spending	Output	Earnings	Jobs per Million
31	Other Retail	$106,000	1.37	0.45	12.89

Source: Pro Forma Advisors, BEA

Total Ongoing Impact of Operations

Using the multipliers above, gross output (**Table 18**) is expected to increase by $145,000 ($106,000 x 1.37). This estimate includes the $106,000 increase in local retail margins. The earnings portion of the value added by the hypothetical retail component of the development is $47,000 ($106,000 x 0.45). Jobs, which again include full-time and part-time employment, are expected to increase by just over 1 job (0.106 x 12.89).

18. Operational Impacts

Source: Pro Forma Advisors, BEA

	2,000 SF Retail
Output	$145,000
Earnings	$47,000
Jobs	1
Average Earnings	$35,000

Impact on Downtown and Initiative Sites

The following extrapolates the maximum impact of the lost development under both development scenarios. The total available parking space is divided by the prototypical lot size (13,200) to estimate the impacts of 6 (80,400 divided by 13,200 = 6) and 20 (268,922 divided by 13,200 = 20) potential development sites.

19. Total Potential Economic Impacts

Source: Pro Forma Advisors, BEA

	Housing Element Identified (6 Lots)	Initiative Identified (20 Lots)
One-Time Construction		
Output	$169.8	$566.0
Earnings	$63.6	$212.0
Jobs (Rounded)	1,000	3,320
Average Earnings	$64,000	$64,000

Note: While the initiative has identified 21 lots, the illustrative lot size equates to 20 lots given some parcels with smaller footprints than modeled.

Sales Revenue Impact

Methodology

Pro Forma Advisors has produced a high-level estimate for likely retail sales in the City that will be generated on an annual basis by new residents.

Sales Tax

Once again, to provide an estimate of potential retail sales impact of Options 1 and 2, we have used simplifying assumptions regarding the spending potential of new residents. According to the US Census' "QuickFacts"[8] the 2017 total retail sales for the County was $2.06 billion, which represents a total retail sale per capita of $15,035. Converted to 2023 dollars, using the Bureau of Labor Statistics consumer price index inflation calculator, that would be approximately $18,900 per capita with a County per capita income of approximately $36,300.

As shown in **Table 20**, after adjusting for the assumed people per household in Options 1 and 2 (2.05)[9], it is assumed that the adjusted affordable housing per capita retail spending would be 78 percent of the County average.[10] As such the 40 units with 82 people located in the downtown would create $1.2 million in additional retail spending. Additional sales revenues in Option 2 have not been modeled given that the number of mixed-use developments is more difficult to quantify, even on a high level.

20. Average Retail Expenditures per Hypothetical Development

Humboldt County	
Total Retail Sales in Humboldt County (1,000 $2017)	$2,055,468
Total Retail Sales per Capita ($2017)	$15,035
Total Retail Sales per Capita ($2023)	$18,944
Per Capita Income ($2021)	$31,044
Per Capita Income ($2023)	$36,321
Project Option 1 & 2	
Household Income ($2023)	$58,200
Per Capita Income ($2023)	$28,390
Option 1 & 2 Per Capita Income / County Per Capita Income	78%
Adjusted Retail Sales per Capita (County x 78%)	$14,807
People per Affordable Housing Development	82
Total Retail Spending	$1,214,203
Average Total Retail Spending (Rounded)	**$1,200,000**

Source: BLS, US Census; Pro Forma Advisors

[8] QuickFacts is an application that provides tables, maps, and charts of frequently requested statistics from many Census Bureau censuses, surveys, and programs.

[9] Given the unknown number of people per unit, it should be noted that even if a higher average household size was used, it would subsequently create more population at lower per capita spending but yield the same total spending estimate.

[10] This reflects the pro rata difference in assumed per capita income based on median income for Options 1 and 2.

Fiscal Impact on Downtown and Initiative Sites

The following extrapolates the retail sales lost in the County under both development scenarios. Once again, the retail spending has been multiplied by 6 and 20 to represent the potential cumulative loss of the development opportunity.

21.Total Potential Loss of Retail Sales Source: Pro Forma Advisor, US Census

	Housing Element Identified (6 Lots)	Initiative Identified (20 Lots)
On-Going Annual Retail Sales		
Total	$7.2	$24.0

Note: While the initiative has identified 21 lots, the illustrative lot size equates to 20 lots given some parcels with smaller footprints than modeled.

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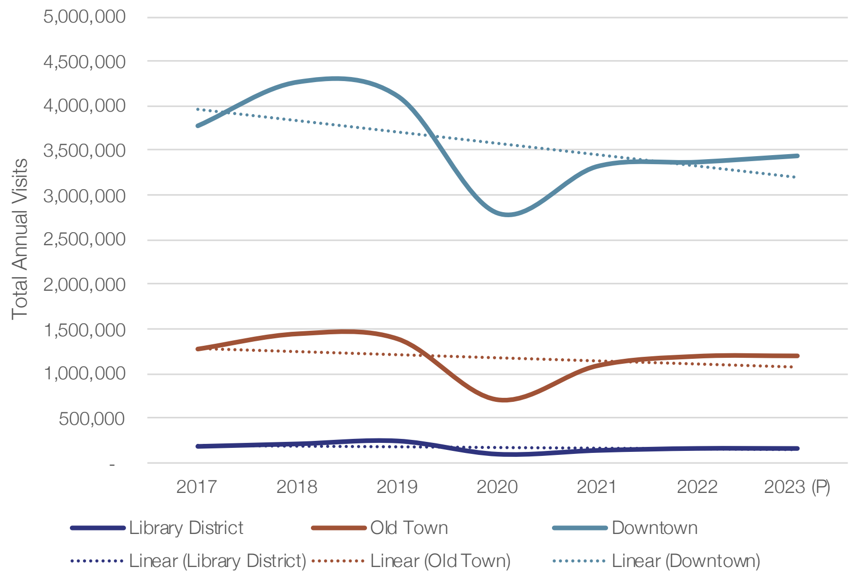
Appendix

1. Annual Visitation (2017 - 2023)

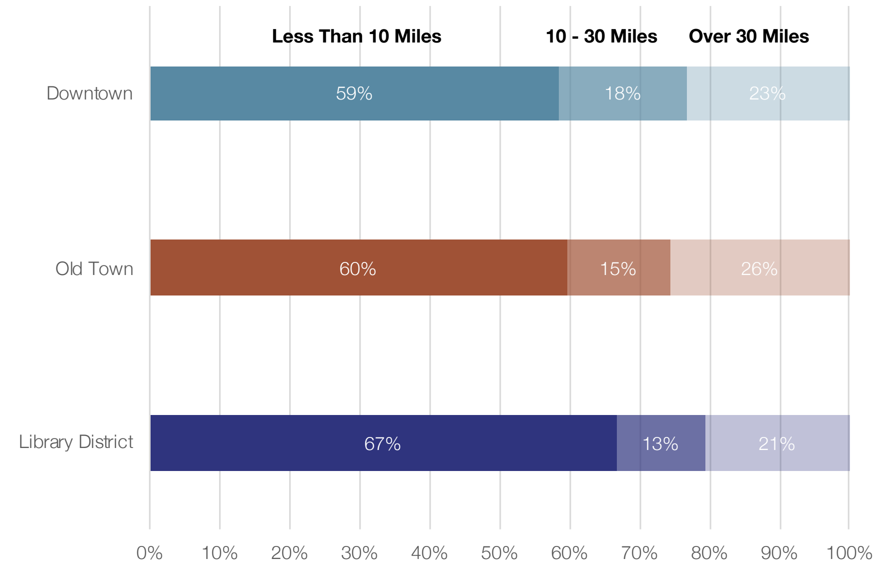
Source: Placer.ai



Note: 2023 is projected based on year-over-year change as of September 30, 2023. Since 2017 the total annual attendance in the downtown area has trended down in all downtown districts.

2. Travel Distance to District (10/01/2022 - 09/20/2023)

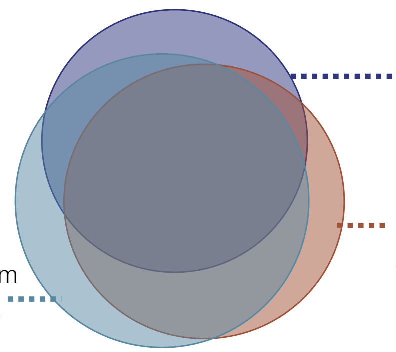
Source: Placer.ai



Note: The majority of those traveling to the downtown market are from less than a 10-mile drive (radius from center of district area). Over 30 miles includes tourists visiting the downtown districts.

3. Market Overlap (10/01/22 - 09/20/2023)

Source: Placer.ai



Library District
Total Trade Area **17.4** sqm
Overlapping Area **83.2%**

Downtown
Total Trade Area **22.2** sqm
Overlapping Area **84.7%**

Old Town
Total Trade Area **19.9** sqm
Overlapping Area **88.0%**

Areas Overlap	Trade Area Size Traffic Volume 70% (square miles)	Population
Library District	17.4	64,649
Old Town	19.9	73,179
Downtown	22.2	76,284
Old Town and Library District	12.8	57,737
Downtown and Library District	14.1	58,203
Downtown and Old Town	17.2	66,928
All Districts	12.5	53,993

Note: All three district areas have a similar trade area that largely overlaps with each other. The available resident population is also relatively small with the largest trade area population being the Downtown district with just over 76,000 people. Given the size of the downtown and market overlap it appears that the parking is relatively substitutable and could accommodate multiple downtown districts.