



WHERE THE FUTURE IS BUILT

Infill Housing in Small Town Settings

A ULI TECHNICAL ASSISTANCE PANEL

For the cities of Marysville and Yuba City, California

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Background

Opportunities & Challenges

Yuba City and Marysville leadership have each identified potentially catalytic development sites in their respective downtowns. Potential development opportunities include affordable housing, medical office, and commercial uses. There is funding available to close the gap on the economic viability of these uses, and there are willing partners for medical care and supportive wrap-around services. While there may be significant housing competition in the surrounding region, little exists within walking distance of either downtown. Urban infill housing is difficult, however, and challenges include infrastructure issues, a weak market, neighborhood integration, and questions around project profitability.

Market Context

The residential context for both Marysville and Yuba City is one of limited residential growth. Yuba City has grown slowly while Marysville actually lost households during the pandemic. Yuba City has land for additional growth while Marysville is land-constrained. Residential vacancy rates (rental and ownership) are quite low, which creates upward pressure on pricing, as does the significant in-commuter population. Overall, however, prices remain low in comparison to the region. The lack of residential amenities in both cities and limited housing inventory are likely diverting potential residents to other localities. Those who do live in Yuba City and Marysville have fewer options and power to influence the market. Underserved markets in both cities include workforce, senior, and veterans housing.

A scan of the area's workforce points to employees commuting long distances from surrounding cities and particular challenges around housing for employees of the medical center and its supporting businesses. A more robust market study, possibly funded by SACOG's Green Means Go program, is needed to assess housing demand and identify workforce households' (particularly commuters') preferences. The study should predominately focus on employers and employees of the medical systems, Caltrans, and Beale Air Force Base, and include detailed questions on existing and desired residential amenities.

Yuba City

Specific Opportunities

The Yuba City study site at Almond Street is owned by the hospital system. As such, the proposed land use should align with the hospital system's priorities and could support Yuba City's goal of creating additional housing. The hospital's recent release of Project Hope will dictate use at this site and may include short-term post-hospitalization housing and residential care, short-term sobering and medical recuperative care, crisis stabilization and in-patient behavior health, and other complementary uses. In addition to the housing for patients needing active on-site care, complementary short-term and longer-term rental housing could be considered for medical staff, patients needing additional care but no longer requiring hospitalization, and families of patients receiving care nearby.

The city-owned property further south on Plumas Street, when combined with other proximate parcels, could catalyze additional affordable/workforce housing in downtown and close to Sutter Hospital. There may be some environmental constraints in this area that will require further consideration.

Potential Funding Sources

While market-rate development may face considerable financial constraints, subsidies and other incentives are available to help produce financially feasible projects. For affordable multifamily housing, the cadre of traditional affordable housing finance

tools should be pursued. For market-rate townhomes, subsidies will likely be required and could include: SACOG's Green Mean Go program to fund infrastructure; city waivers or reductions of development impact fees; or a below market-rate land sale or long-term ground lease. Similarly, the hospital system could write down the cost of the land to provide housing or use a deed restriction to ensure the long-term affordability of housing on the land.

Development Considerations

As it relates to market-rate multifamily or townhome development, the following will need to be addressed to help potential developers mitigate the risk associated with development in a somewhat weak market. The city can help reduce risk by addressing entitlement issues through updates to the general plan and zoning and creating development standards to allow development by right, which can also reduce risk. The infrastructure updates associated with Project Hope can also be leveraged for residential development (e.g., road abandonment, sewer abandonment/connections, storm drain improvements, and utility relocations). The city can help reduce development costs by limiting or eliminating permit conditions (e.g., off-site improvements such as roadwork, ROW, landscaping, parks; storm drain upgrades; utility relocation; and CFD annexation). There may also be an opportunity to facilitate financing of infrastructure and fees via the SCIP and BOLD programs. Lastly, there are other sites the city may wish to consider, which may have fewer challenges.



Marysville

Specific Opportunities

Marysville has a unique opportunity to leverage Washington Square, the historic crossroads of the community, as a catalyst for broader neighborhood revitalization. By bringing additional housing to the area and catering to a mix of incomes, the city's customer base is expanded and there is greater community vibrancy. The housing can also begin to address unmet housing needs, particularly for lower-income residents (including income-restricted units), veterans (given the Air Force base proximity), and the missing middle – those seeking smaller, more cost-efficient housing options. Market-rate housing will likely require subsidy and city assistance, which could include using local ownership of land to facilitate the desired development, leveraging income-restricted housing for needed infrastructure improvements, and pursuing low-income veterans housing as it is more likely to garner community support.

Potential Funding Sources

Both market-rate and affordable housing pursuits at this site will likely require financial subsidies or other incentives to produce financially feasible projects. Potential funding sources for the multi-family housing could include traditional affordable housing finance and funding from the Veterans Housing



and Homelessness Prevention Program (VHHP) for veterans housing specifically. For the market-rate townhouse projects, SACOG's Green Means Go Program could help fund infrastructure improvements across the site, the city could write down land costs or reduce development impact fees to lower development costs, and/or the city could provide the land at below market rate land sale or through a long-term ground lease, which could also help reduce developer costs.

Development Considerations

This site is unique in that it could be incorporated into the Green Zone Specific Plan, which would allow the city to entitle the land in a way that provides by-right

development down to the project level. This action would eliminate the risk and expense associated with conditional use permits and may be of interest to a developer. Beyond that, much of the development considerations for Yuba City also apply here, including updates to the general plan zoning, the creation of development standards, and the reduction or elimination of permits for off-site improvements, utility relocation (i.e., undergrounding electrical), and CFD annexation. Infrastructure updates and fees could be financed by SCIP/BOLD, should the city pursue enrollment in those programs, and improvements made at adjacent projects could be leveraged for development at this site (e.g., utility connections/relocations, streetscapes improvements, and storm drain improvements).

Development Strategy

Affordable Housing Financing

Developers looking at these sites will likely pursue traditional affordable housing finance tools such as Low-income Housing Tax Credits (LIHTC 9% and 4%), the Infill Infrastructure Grant (IIG) program, Community Development Block Grants (CDBG), vouchers (e.g., VASH/PBV/Shared Housing), land carryback loans, deferred impact fees, and city housing development loans. For the Marysville site, there may be park grants available (e.g., leverage Caltrans opportunities), while Yuba City is encouraged to lean into the possibilities that may be available at the Project Hope site given the commitment by Fremont to manage the

supportive services typically required of affordable housing developments.

Catalytic Infrastructure

When considering both affordable and market-rate housing, there may be opportunities to leverage infrastructure improvements for the affordable housing site to the benefit of nearby or adjacent market-rate housing. An affordable housing project has access to funding that a market-rate development would not, yet a proximate market-rate project could benefit regardless. Improvements could include Complete Streets and road calming measures, pedestrian improvements (street

lights, protected crossings, sidewalks), bike routes, transit improvements, improved public parks and amenities, and utility upgrades. Similarly, there may be park fees or conditions on another project to enhance surrounding areas that could be used on the study site.

Project Site Facts	Marysville
	All sites within a 2023 Qualified Census Tract (no DDA)
	West Parcel: TCAC Moderate Resource Area. East Parcels: TCAC High Resource Area
	Yuba City
TCAC Low Resource Area	
2023 Qualified Census Tract (no DDA)	
HUD Opportunity Zone 06101050202	



Roadmap to Development

The following recommendations will assist both cities in the pursuit of development at their respective sites and should be pursued concurrently if possible.

- Identify developers by placing the land for sale or issuing a request for proposal (RFP). In some cases, developers prefer to enter into an exclusive negotiation agreement rather than respond to an RFP where there are often perceptions of an inside track. Both cities should be sure to closely follow the requirements of the Land Surplus Act.
- Form a public-private partnership with a partner that is committed to the community and able to help close potential funding gaps.
- Enter into a contract to gain site control.
- Invest in pre-development work (design, site work) and address entitlements and uses to permit by-right development to make the site shovel-ready. This shovel-ready status will bolster grant pursuits.
- Memorialize local commitments through development agreements to make a strong case in funding pursuits.
- Identify and pursue grant and tax credit applications with local partners. While there is significant funding available during this cycle, there is also strong competition.
- Facilitate efficient issuance of building permits. Many funding sources come with a short 180-day timeline once projects receive funding, so building departments will need to be ready to move quickly.

The Will to Move Forward

Both Yuba City and Marysville can and should each find a path forward to execute the development projects contemplated in this study to revitalize key portions of the respective city's inner core. The work should be considered holistically as these sites do not stand alone – each is subject to the related and surrounding improvements in infrastructure, civic amenities, and marketing and branding. Political support is similarly critical and impactful. Yuba City and Marysville leadership should collaborate with one another and with regional employers, helping to ensure that development pursuits will meet the housing needs of the region's workforce. Collaborate, plan, and act now as federal and state funding opportunities favor action today in order to capture available funding.

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