



may result in lower sales prices. State housing law provides that local building departments can authorize the use of materials and construction methods if the proposed design is found to be satisfactory and the materials or methods are at least equivalent to that prescribed by the applicable building codes. The County of Riverside has adopted the latest version of the Uniform Building, Plumbing, Mechanical and Electrical Codes and has made no modifications to the Code which would add to the cost of housing.

In addition, pre-fabricated, factory-built housing may provide lower priced products by reducing labor and material costs. As the number of units built at once increases, savings in construction costs over the entire development are generally realized as a result of an economy of scale, particularly when combined with density bonus provisions. The County may also implement a variety of programs to write down land costs or provide other incentives such as waivers in development standards or processing fees in order to increase affordability.

Cost and Availability of Financing

Interest rates are determined by national policies and economic conditions, and there is little that local governments can do to affect these rates. Jurisdictions can, however, offer interest rate write-downs to extend home purchase opportunities to lower income households. In addition, government-insured loan programs may be available to reduce mortgage down-payment requirements.

First-time home buyers are the group most impacted by financing requirements. Current mortgage interest rates for new home purchases range from 6.5% to 8% for a fixed-rate 30-year loan. Lower initial rates are available with Graduated Payment Mortgages (GPMs), Adjustable Rate Mortgages (ARMs), and Buy-Down Mortgages. Variable interest rate mortgages on affordable homes may increase to the point where the interest rate exceeds the cost of living adjustments, which is a constraint on the affordability. Although rates are currently low, they can change significantly and substantially impact the affordability of the housing stock.

Interest rates at the present time are not a constraint to affordable housing. Financing for both construction and long-term mortgages is generally available in Riverside County subject to normal underwriting standards. A more critical impediment to home ownership involves both the affordability of the housing stock and the ability of potential buyers to fulfill down payment requirements. Conventional home loans typically require 5% to 20% of the sales price as a down payment, which is the largest constraint to first time home buyers. This indicates a need for flexible loan programs and a method to bridge the gap between the down payment and a potential home owner's available funds. The availability of financing for developers under current economic conditions may also pose a constraint on development outside of the County's control.

NIMBYism

Public opposition can be a powerful obstacle to the development of low-cost housing or housing for persons with special needs. The "Not In My Back Yard" (NIMBY) syndrome occurs when existing residents feel threatened by new development that is perceived to adversely affect their neighborhood property values or security. One strategy for overcoming NIMBYism is for County staff



and project proponents to work with community leaders to improve the level of mutual understanding and attempt to address legitimate concerns during the planning stages of new projects.

Local Efforts to Remove Housing Constraints

It is clear that fees charged as part of the development process add to the ultimate cost of housing, and are typically passed on to the homeowner through the purchase price or rent charged. Although the County does not waive Planning and Building fees, these up front fees may be subsidized wholly or in part by the County through its various financial resources for projects which propose affordable housing components. In addition, publicly subsidized projects constructed as housing for lower income households are specifically exempted from Development Mitigation Fees in Ordinance No. 659. As well, mobile homes not on permanent foundations and units approved through the second unit permit processes are also exempt. The exemption for second units specifically references their role in providing relatively affordable housing for low and moderate income households without public subsidy. Construction of residential units in RSA No. 54, which includes the Palo Verde Valley (generally an area of lower incomes and slower growth rates) is also exempt from Ordinance No. 659 fees. Therefore, although considered a significant contributing factor to the affordability of housing, the fees charged by the County to bring a project through the development process from application to occupancy are not considered an unreasonable constraint to housing.

The County's development approval process is designed to accommodate, not hinder, development. While the past recession reduced the overall number of projects submitted to the County for review, reductions in County agencies involved in the development review process were also experienced concurrently. In order to address the issue of processing of projects in this context, the County approved a fast track/priority processing system for qualified affordable housing projects. This processing system is administered by the EDA and the Planning Department.

One problem area in the priority processing of affordable housing projects had been experienced at the permit processing/building inspection stage, which follows project approval but occurs prior to final occupancy. During this time period many conditions of approval must be met, paperwork processed, and representatives from a number of County agencies involved. Past experience indicates that this is where a project is most vulnerable to delays on both the part of the County staff and the developer, or the developer's representative. The fast track processing system has been improved between 1995 and 2000 to address the issues experienced, and the delays in procedure have been improved significantly and/or mitigated completely.

The EDA provides staff that serve as liaisons between developers of affordable housing and the county agencies involved in the development review process. This has been a successful service that is provided on a case by case basis. The liaison service helps facilitate the development review process by increasing communication between the developer and various County departments, as well as improving the resolution of issues that might arise during the approval, permit and inspection phases of a project. As supported by responsive processing times, and the relative facility of permit procedure, the County's processing and permitting procedures are not felt to constrain the development of housing.