



Moving the Needles:

A Case Study about City of Needles' Housing Goals

In April 2023, City of Needles, a small desert community by the Colorado river, received the Pro-Housing Designation from the California Housing and Community Development Department (HCD). Needles, located near the borders of Arizona and Nevada with a population of approximately 5200 residents, is one of the few jurisdictions in an isolated and under-served area of California to join other 21 pro-housing designated communities. The designation gives these communities access to funding incentives and other resources to build more housing for its residents.

The pro-housing designation has represented a milestone in Needle's trajectory to achieve its housing goals. This trajectory started in 2017 when Patrick Martinez, who was recently selected as the City Manager, joined the city staff as the Development Director. One of his first tasks was to make the city compliant with the Housing Element Law since City of Needle's Housing Element was last implemented in 2005. His first obstacle to moving forward with a comprehensive update was the lack of funding, a similar challenge that many other California small communities like Needles faced, after all, a Housing Element update is an expensive lengthy process and involves the need to hire consulting firms. The city neither had the budget nor was eligible to apply for grants that provided the funding and technical assistance for this purpose, such as the SB 2 Planning Grants.

Facing those challenges, Patrick Martinez contacted HCD to inform them that they had an interest in becoming compliant. Through HCD's technical assistance team, Needles was able to move forward with the update process and, as a result, the city gained compliance for the Housing Element Fifth Cycle in 2019. From 2020 onwards, using funds from the Local Early Action Planning (LEAP) grant and from the regional agency (SBCTA), the city started the 6th cycle housing element process and passed a new development code.

The city has used the update process period to pass housing policies and land use regulations that promote the production of more housing and the rehabilitation of its old stock. To accommodate more housing, Needles has also been improving its infrastructure through the city's growing revenue in taxes from the cannabis industry and tourism.

The dedication of City of Needles's staff to put housing policies in place and do everything in their power to achieve the city's housing goals is a remarkable example for other communities in California. However, the city now faces the obstacles of increasing the production of housing in its jurisdiction. The remote location, high rate of poverty compared to surrounding areas, and low median area income of \$50,000 make attracting developers difficult for this small town. Additionally, Needles is truly a rural jurisdiction – over 200 miles from the county seat, San Bernardino, and over 250 miles from Los Angeles. Needles is closer in proximity to Las Vegas (110 miles), highlighting Needles' isolation from other localities in California.

Like many other small rural jurisdictions in California, Needles faces similar challenges for accessing funds from the State of California to invest in infrastructure and housing. The city has a small staff and low capacity to apply and compete for State programs. Needles doesn't have a dedicated staff member, like a grant manager or a housing planner, who can continuously look for grant opportunities and prepare an application. The City of Needles also doesn't qualify for certain programs' rural set-asides due to its location in San Bernardino County, classified by the State as an urban county. When funding programs use the rural definition based off counties, the city will need to compete with urban jurisdictions that are, in most cases, better equipped to compete for HCD's programs and grants. This is the case, for example, of the Permanent Local Housing Allocation (PHLA), which Needles would need to apply under the competitive category.

In 2022, Needles started receiving technical assistance through the [BOOST program](#) to increase capacity building and be more competitive to apply for State and Federal programs. One of the best characteristics of BOOST is the flexibility of this program to allow each jurisdiction to meet its own needs. Needles received support for writing grants for planning, transportation, and housing projects.

California Coalition for Rural Housing (CCRH), part of the BOOST technical assistance team, provided technical assistance in housing in 2022 and part of 2023. The team connected the city with programs and grants that match the needs and capacity of the city. In January 2023, the city was awarded HUD Distressed Cities Program, which will provide technical assistance for the city housing programs and its housing authority. Needles has recently absorbed its housing authority and owns and operates 52 units of public housing.

While progress is being made, Needles needs to build more affordable housing for its extremely-low-income and low-income population due to the continuous pressure on the housing market from the growing cannabis industry and the construction of vacation homes by the Colorado river. To make affordable housing a reality, the city will need to attract nonprofit developers and access funding from federal and state housing and community development programs. The current barriers to access State funding, such as the urban classification of San Bernardino County and high-capacity application processes, only make the production of housing lengthier and more challenging. Additionally, as a local jurisdiction, the city is reliant on outside developers to construct housing and can only do so much to attract development through local land use measures and developer incentives.

The story of Needles is an example of how a small city can become pro-housing despite many obstacles. However, it is also a lesson for the state to make changes in its housing programs to better support small and rural communities to build housing faster and easier. Flexible grants like BOOST and specific set-asides like the ones in Homekey have proven to be effective in helping these communities access funding. The State of California and its Housing and Community Development Department have the power to direct the funds to these small and rural communities through changes in its programs' guidelines and better support them to achieve its housing goals.

[Click here](#) to learn more about City of Needles