
2015 Santa Cruz County Housing Element

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**Proposed Draft for consideration
by:**

**Santa Cruz County Board of
Supervisors**

TABLE OF CONTENTS

4.1: INTRODUCTION	4-1
PURPOSE OF A HOUSING ELEMENT	4-1
CHANGES IN CIRCUMSTANCES AND AREAS OF CONCERN SINCE THE LAST HOUSING ELEMENT WAS CERTIFIED IN 2010.....	4-2
MAKING THE CONNECTION: INTEGRATING SOLUTIONS TO THE HOUSING CRISIS WITH ENVIRONMENTAL SUSTAINABILITY, CLIMATE ACTION, AND ECONOMIC VITALITY.....	4-3
THE VARIABLE NATURE OF THE LANDSCAPE IN UNINCORPORATED SANTA CRUZ COUNTY	4-5
PUBLIC PARTICIPATION	4-5
ORGANIZATION OF THE HOUSING ELEMENT	4-6
APPENDICES FOR THIS SECTION	4-6
4.2: COMMUNITY PROFILE	4-9
OVERVIEW AND SUMMARY	4-9
POPULATION TRENDS.....	4-11
RACIAL/ETHNIC COMPOSITION OF SANTA CRUZ COUNTY AND THE STATE OF CALIFORNIA	4-11
AGE DISTRIBUTION.....	4-13
NUMBER AND SIZE OF HOUSEHOLDS	4-14
HOUSEHOLD COMPOSITION	4-14
HOUSING STOCK.....	4-15
AGE AND CONDITION OF HOUSING STOCK	4-16
NUMBER OF ROOMS PER UNIT	4-17
OVERCROWDING.....	4-18
VACANCY RATES IN SANTA CRUZ COUNTY	4-18
INCOME AND EMPLOYMENT CHARACTERISTICS	4-19
EDUCATION	4-21
OVERPAYMENT	4-22
CONCLUSION	4-24
APPENDICES FOR THIS SECTION	4-24
4.3: HOUSING NEEDS.....	4-25
PLANNING INITIATIVES AFFECTING HOUSING POLICY UPDATES	4-26
WHAT DO WE MEAN BY AFFORDABLE HOUSING?	4-29
MEETING THE NEEDS OF PEOPLE IN ALL INCOME CATEGORIES	4-31
REGIONAL HOUSING NEEDS ALLOCATION (RHNA).....	4-33
RELATIONSHIP TO HISTORICAL HOUSING PRODUCTION	4-34
HOUSING NEEDS OF THE GENERAL POPULATION	4-35
HOUSING NEEDS OF SPECIAL POPULATION GROUPS.....	4-37
ASSISTED HOUSING AT-RISK OF CONVERSION TO MARKET RATE	4-57
CONCLUSION	4-61
APPENDICES FOR THIS SECTION	4-61
4.4: HOUSING CONSTRAINTS	4-63
NATURAL ENVIRONMENT	4-63
OUTSIDE GROWTH AND ECONOMIC PRESSURES	4-64
COASTAL ZONE.....	4-64
PHYSICAL CONSTRAINTS	4-65
COUNTY REGULATORY ENVIRONMENT	4-66
INFRASTRUCTURE CONSTRAINTS	4-70
LOCAL LAND USE REGULATIONS.....	4-77

EFFORTS TO REMOVE CONSTRAINTS	4-82
NON-GOVERNMENTAL CONSTRAINTS	4-88
CONCLUSION	4-91
APPENDICES FOR THIS SECTION	4-92
4.5: OPPORTUNITIES FOR ENERGY CONSERVATION.....	4-93
LAND USE PATTERN, AVAILABILITY OF TRANSPORTATION CHOICES AND STYLE OF RESIDENTIAL DEVELOPMENT ARE CLOSELY RELATED TO ENERGY CONSERVATION	4-93
ONGOING SUSTAINABLE LAND USE AND DEVELOPMENT STRATEGIES.....	4-95
ENERGY CONSERVATION IN RESIDENTIAL BUILDINGS	4-95
SUMMARY OF OPPORTUNITIES FOR ENERGY CONSERVATION	4-96
APPENDICES FOR THIS SECTION	4-96
4.6: HOUSING SITES INVENTORY	4-97
EXISTING HOUSING CAPACITY	4-98
SUMMARY OF HOUSING SITE INVENTORY.....	4-104
APPENDICES FOR THIS SECTION	4-104
4.7: QUANTIFIED HOUSING OBJECTIVES, GOALS, POLICIES, AND PROGRAMS.....	4-107
REGIONAL HOUSING NEEDS ALLOCATION (RHNA).....	4-107
LOCAL HOUSING OBJECTIVES FOR LOCAL PROGRAMS	4-111
GOALS, POLICIES, AND PROGRAMS.....	4-113
GOAL 1: ENSURE LAND IS AVAILABLE TO ACCOMMODATE AN INCREASED RANGE OF HOUSING CHOICES, PARTICULARLY FOR MULTI-FAMILY UNITS AND SMALLER-SIZED UNITS	4-113
GOAL 2: ENCOURAGE AND ASSIST IN THE DEVELOPMENT OF HOUSING	4-115
GOAL 3: REMOVE UNNECESSARY GOVERNMENTAL CONSTRAINTS TO HOUSING.....	4-118
GOAL 4: PRESERVE AND IMPROVE EXISTING HOUSING STOCK, AND PRESERVE AND EXPAND THE AVAILABILITY OF EXISTING AFFORDABLE HOUSING	4-121
GOAL 5: PROMOTE HOUSING EQUAL OPPORTUNITY AND PRODUCTION OF SPECIAL NEEDS HOUSING UNITS	4-124
GOAL 6: PROMOTE ENERGY EFFICIENCY IN EXISTING AND NEW RESIDENTIAL STRUCTURES	4-128
APPENDICES FOR THIS SECTION	4-129
4.8: CONCLUSION.....	4-131
APPENDICES FOR THIS SECTION	4-131

LIST OF FIGURES

Figure 4.2.1: 10-Year Population Growth Rates in Santa Cruz County vs. State.....	4-11
Figure 4.2.2: County and State Population by Race 1990, 2000, and 2013.....	4-12
Figure 4.2.3: Comparison of Hispanic/Latino Ethnicity by County and State Population.....	4-12
Figure 4.2.4: Age Distribution of County and State in 1990 through 2010 as a Percentage of the Population.....	4-13
Figure 4.2.5 Estimated Number and Size of Households for Santa Cruz County and the State of California	4-14
Figure 4.2.6: Household Sizes in County, 2000 & 2010	4-14
Figure 4.2.7: Household Composition by Type in Santa Cruz County	4-15

Figure 4.2.8: Housing Units by Number in Structure	4-16
Figure 4.2.9: Housing Units by Decade Built	4-17
Figure 4.2.10: Rooms per Housing Unit	4-17
Figure 4.2.11: Overcrowded Housing Units in Santa Cruz County	4-18
Figure 4.2.12: Total Vacant Units and Vacancy Rate in Unincorporated Santa Cruz County in 2010.....	4-19
Figure 4.2.13: Type of Vacant Units in Santa Cruz County	4-19
Figure 4.2.14: 1990, 2000, and 2010 Household Income	4-20
Figure 4.2.15: Earnings by Employment Category	4-21
Figure 4.2.16: California and Santa Cruz County Educational Attainment in 2000 and 2010 of Persons more than 25 Years Old	4-22
Figure 4.2.17: Percentage of Households Paying Over 30% of Income on Housing in 2010.	4-23
Figure 4.2.18: Housing Tenure in 2010	4-23
Figure 4.2.19: Housing Tenure by Age of Homeowner in Santa Cruz County, 2000	4-24
Figure 4.3.2: 2015 Median Income Adjusted for Household Size	4-29
Figure 4.3.3: Affordable Housing Price Estimate for Home Purchase.....	4-30
Figure 4.3.4: Affordable Housing Price Estimate for Rental Units.....	4-30
Figure 4.3.5: Regional Housing Needs Allocation Plan: 2014-2023.....	4-34
Figure 4.3.6: Comparison of Fair Market Rents by Number of Bedrooms.....	4-36
Figure 4.3.7: Section 8 Housing Waiting List.....	4-37
Figure 4.3.8: Subsidized Senior Rental Projects	4-40
Figure 4.3.9: Subsidized Senior Homeownership Projects	4-40
Figure 4.3.10: Subsidized Congregate Care Projects.....	4-41
Figure 4.3.11: Ratio of Disabled Population by Age Group	4-47
Figure 4.3.12: U.S Poverty Rates by Household Type	4-52
Figure 4.3.13: Households in Santa Cruz County with 5 or more Individuals and Units with 5 or more Rooms	4-53
Figure 4.3.14: Percentage of Individuals in Santa Cruz County Living in Overcrowded vs. Non- overcrowded Households.....	4-54
Figure 4.3.15: Survey of Large Rental Units Available in Santa Cruz County in May 2015....	4-54
Figure 4.3.16: Public Farmworker Housing Projects.....	4-55
Figure 4.3.17: At Risk Units by Jurisdiction	4-58
Figure 4.3.18: At-Risk Units in Unincorporated Area	4-59
Figure 4.6.1: Potential Capacity Under Existing County General Plan/LCP.....	4-99
Figure 4.6.2: Accessory Dwelling Unit Capacity	4-102

LIST OF APPENDICES

- 4.1-1 2010 Housing Element Status
- 4.1-2 Public Participation Details
- 4.1-3 Building Permits Issued within the Coastal Zone, 2008-2014
- 4.3-1 County/Redevelopment Agency Projects and Programs
- 4.3-2 Affordable Housing Impact Fee Expenditure Plan Principles
- 4.3-3 Housing for the Elderly in Santa Cruz County
- 4.3-4 Private Farmworker Housing
- 4.4-1 Residential, Public Facility, and Commercial Zone Districts
- 4.4-2 Residential Site and Structural Dimensions Charts
- 4.4-3 How To Obtain A Building Permit Brochure
- 4.4-4 Typical Building Permit Fees
- 4.4-5 Map of Urban Services Line and Coastal Zone
- 4.4-6 Measure J Building Permit Allocations and Number of Permits Issued, 1979 – 2015
- 4.6-1 Table V - Vacant Single-Family Sites
Table U - Underutilized Single-Family Sites
- 4.6-2 Table V - Vacant Multi-Family Sites Less than 14.5 Units per Acre
Table U - Underutilized Multi-Family Sites Less than 14.5 Units per Acre
- 4.6-3 Table V - Vacant Multi-Family Sites 14.5 – 17.5 Units per Acre
Table U - Underutilized Multi-Family Sites 14.5 – 17.5 Units per Acre
- 4.6-4 Vacant Sites with a Minimum Density of 20 Units per Acre
- 4.6-5 Summary of Rural Vacant Land Development Potential
- 4.6-6 Table V - Vacant Commercial Mixed Use Sites
Table U - Underutilized Commercial Mixed Use Sites
- 4.6-7 Accessory Dwelling Unit Potential

4.1: INTRODUCTION

Housing elements are documents that report on existing conditions about housing in a community, and establish the community's priorities with regard to addressing housing issues. The Housing Element lays the foundation for the policies, programs and projects that will be the focus of housing efforts over the course of the Housing Element cycle, which for this update is 2016 – 2023. (Note that while this Housing Element update cycle covers 2016 through 2023, the evaluation of available housing sites covers the period 2014 through 2023. See Section 4.6 for discussion of the inventory of available housing sites). Housing issues are a significant challenge for Santa Cruz County residents and businesses, and a wide spectrum of community organizations and members were invited to be involved with the preparation of this document and the important policy and programs that flow from it.

This Section introduces the Housing Element, its purpose, its relevance and the organization of the document.

PURPOSE OF A HOUSING ELEMENT

The Housing Element is one of seven required elements of the County's General Plan, the document that guides land use planning and development activities in the unincorporated area. However, it is the only General Plan element that requires regular updates (currently every eight years) and review and certification by a State agency. State law regarding housing elements states that local and state governments have a responsibility to facilitate housing development and to make "adequate provision for the housing needs of all economic segments of the community", while considering "economic, environmental, and fiscal factors and community goals set forth in the general plan." It further requires the Housing Element to be consistent and compatible with other General Plan Elements. Additionally, Housing Elements must provide clear policy for making decisions pertaining to zoning, subdivision approval, housing allocations, and capital improvements. State law mandates the contents of the housing element, including:

- An assessment of housing needs and an inventory of resources and constraints relevant to meeting those needs;
- A statement of the community's goals, quantified objectives, and policies relevant to the maintenance, improvement and development of housing; and
- A program that sets forth a multi-year schedule of actions that the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the Housing Element.

An important component of the Housing Element is documenting that an adequate number of sites are available to accommodate development of a variety of housing types for all income levels, particularly focusing on the needs of low- and moderate-income households. As well, the document must address governmental constraints to housing maintenance, improvement, and development. Additionally, it must address

conserving and improving the condition of the existing affordable housing stock, and promoting housing opportunities for all persons.

Policies and programs contained in the Housing Element are the County's action plan to achieve the required State of California goal of "attaining decent housing and a suitable living environment for every California family", as well as a plan for addressing unique local housing goals that reflect the particular concerns of the community. A report on the status of the prior housing element's programs is included as Appendix 4.1-1. Finally, as required by law, the Housing Element contains documentation of affordable housing in the coastal zone, found in Appendix 4.1-3.

The County's General Plan serves as the legal framework or "constitution" for development in the unincorporated area of Santa Cruz County. As such, it describes policies upon which all future permitting decisions will be based. All development-related decisions in unincorporated areas must be consistent with the General Plan. If a development proposal is not consistent with the plan, it must be revised or the General Plan itself must be amended.

Additionally, State law requires a community's General Plan to be internally consistent. This means that the Housing Element must function as an integral part of the overall General Plan, and be consistent with each other element of the General Plan. This document has been reviewed and found consistent with the Land Use, Circulation, Conservation and Open Space, Public Safety and Noise, Parks, Recreation and Public Facilities, and Community Design elements.

CHANGES IN CIRCUMSTANCES AND AREAS OF CONCERN SINCE THE LAST HOUSING ELEMENT WAS CERTIFIED IN 2010

In 2010 the economy was continuing the downturn that began in 2008 when housing values, which had been increasing rapidly, abruptly collapsed. The collapse in home values, lending and construction markets and the overall economy affected housing stability. Many homeowners found themselves with mortgages that exceeded property value and were struggling to keep their homes. The median price of single family homes declined substantially from the high in 2007 until prices began to recover and reverse direction in 2011. Banks were constrained by much tighter lending guidelines, making it challenging for qualified buyers to purchase homes despite the lower prices. The already constrained rental market felt the pressure of limited access to homeownership by newly formed households and households who lost homes to foreclosure and other economic challenges.

In 2015, at the time of writing this new Housing Element, the economy is improved but not entirely recovered, especially when measured by number of housing starts and rate of unemployment. The number of foreclosures has substantially decreased and lending has become less restrictive. Concerns at this time are: the escalating cost of rental housing; the shortage of rental housing stock; the lack of diversity in the housing stock overall, due to a market that tends to direct development to large single family homes targeting only the highest income households; and locating new development where it

will contribute to the overall environmental, social, and financial sustainability of the community¹. The difficulty is not just the cost of housing, but specifically the cost of housing in relationship to local incomes. The gap between the median home price and the median wage, which decreased substantially for a short period between late 2010 and mid 2012, reversed that brief decline and is once again widening². Lastly, these concerns are in addition to the ongoing concern about the exceptional difficulty that special populations³ have locating and affording adequate housing in the County.

Redevelopment, a major source of funding for affordable housing, was discontinued state wide by legislation passed in 2011. The Redevelopment Agency (RDA) of the County of Santa Cruz was generating about 8 million dollars each year for affordable housing programs and housing projects at the time it was dissolved. The County was able to commit remaining redevelopment funds for housing projects and activities prior to dissolution of the agency, and is continuing efforts to replace as much of the lost support as possible with funding from other sources⁴. However, local resources are projected to be well below the prior \$8 million level generated through the RDA.

MAKING THE CONNECTION: INTEGRATING SOLUTIONS TO THE HOUSING CRISIS WITH ENVIRONMENTAL SUSTAINABILITY, CLIMATE ACTION, AND ECONOMIC VITALITY

Another significant difference from the last Housing Element is that the County now has the benefit of several documents and technical studies that demonstrate and explain the connections between the local economy, land use patterns and regulations, transportation choices, and the availability of housing. These include:

- “Economic Development Vision and Strategy”, County of Santa Cruz and BAE Urban Economics, (2014)
- “Economic Vitality Study”, County of Santa Cruz and BAE Urban Economics, (2014)
- “Sustainable Santa Cruz County Plan”, County of Santa Cruz (2014)
- “Update of Affordable Housing Regulations” and Nexus Study, County of Santa Cruz and Keyser Marston Associates (2014)
- “Economic Trends Report”, BAE Urban Economics (2013)

¹ Local guiding principles of sustainability are articulated in “Sustainable Santa Cruz County”, County of Santa Cruz Planning Department, 2014, pages 2-4 through 2-6, available at <http://sustainablesantacruzcounty.org/>.

² Santa Cruz County Planning Department,

³ Special populations are defined in Government Code as elderly, persons with disabilities, including a developmental disability, large families, farmworkers, families with female heads of households, and families and persons in need of emergency shelter.

⁴ See Section 4.3 for more information on funding efforts.

- “Climate Action Strategy”, County of Santa Cruz (2013)
- “Existing Conditions Report, Sustainable Santa Cruz County”, County of Santa Cruz with PlaceWorks, BAE Urban Economics, and Fehr and Peers Transportation Consultants (2012).

HOUSING AND THE SUSTAINABLE SANTA CRUZ COUNTY PLAN

In 2014, following a robust community process, the Board of Supervisors adopted the Sustainable Santa Cruz County Plan, which evaluates land use and transportation planning through the lens of reducing greenhouse gas emissions (available at <http://sustainablesantacruzcounty.org>). The Plan identifies a more diverse housing supply as one of the chief elements of sustainability, and includes specific recommendations for land use regulations that encourage mixed use in commercial areas and at activity nodes, infill and redevelopment of existing property, including adding apartments and townhomes to commercial areas, and compact residential development that can serve seniors, small households and students in appropriate locations. The “Guiding Principles” of the Plan, which were developed by the community and the Board, include expanding housing options and creating compact, focused development.

Recognizing that greater land use diversity and residential density will support transportation alternatives and walkable communities, the Plan includes a section on Housing Choice with illustrations of housing types that can provide alternatives to the single family home on a large lot, which is the predominant and most expensive form of housing in the County. Recommendations include new working to create General Plan designations and zonings such as Residential Flex zoning, which is a designation that would allow the number of units in a given development to be controlled by the site standards rather than a maximum unit per acre standard. This would accommodate a greater intensity of smaller residences using a flexible approach, especially along and near transportation corridors, and would create opportunities for infill in suitable locations. The Plan includes other recommended next steps, such as revising floor area ratios, parking requirements, and building forms to encourage apartments and townhomes and small lot single family residences. See also Section 4.5 of this document, Opportunities for Energy Conservation, for more discussion of the Sustainable Santa Cruz County Plan.

HOUSING AND RECENT ECONOMIC VITALITY STUDIES

An Economic Vitality Study and an economic trends report recently identified availability of workforce housing as key to the economic success of the County. Recommendations included incentivizing second units and small rental units, and considering high density overlay zoning as a tool to encourage small units.

These sustainability and economic studies show that programs and projects that address the housing crisis are also likely to increase environmental, social and financial sustainability, increase housing and transportation choices, reduce greenhouse gas emissions and benefit the local economy. For example, during the process that

developed Santa Cruz County’s “Economic Vitality Study” in 2014 and the public process for updating the Housing Element in 2015 the business community made it clear that the availability of adequate workforce housing for employees is a concern for employers. By creating smaller housing units to accommodate singles, seniors, couples, and smaller households, more local workers will be able to find market-rate or income-restricted affordable housing that suits their needs, and employers will be able to attract talented employees that currently struggle to find housing. By locating new housing in close proximity to jobs, transportation options, and personal services, local workers and residents may have shorter commutes; spend less time driving; and strengthen demand for active forms of transportation. Focusing new housing and jobs in the developed portions of the County creates reinvestment in existing neighborhoods and commercial areas, and increased vitality in the local economy.

THE VARIABLE NATURE OF THE ENVIRONMENTAL SETTING IN UNINCORPORATED SANTA CRUZ COUNTY

Santa Cruz County has a remarkably diverse physical landscape that includes mountains, river valleys, and coastal plain, which strongly influences the land use pattern. Topography, geologic hazards, and other physical constraints are determinants for road access, building intensity, and location of economic activity. As a result of this diversity in physical setting and identified development constraints, the various communities in the unincorporated area are quite different from one another. For example, some mountainous areas, such as the San Lorenzo Valley, have extensive septic and road access constraints not found elsewhere in the County. It is important that land use policies and programs as given in Section 4.7 be developed and applied with these distinctions in mind, consistent with existing environmental regulations and with the understanding that the rural density matrix will continue to govern land use and land division regulations in rural areas outside of the urban and rural services lines.

PUBLIC PARTICIPATION

Given the importance of the Housing Element in addressing the housing needs of the local community, a key component to developing an effective housing element is public participation. Not only were the public involved in developing the initial goals that guide the document preparation, but public meetings with County commissions and the Board of Supervisors were conducted to review the draft document.

Appendix 4.1-2 provides more details on the public participation process, which includes:

- A list of the commissions, committees and non-profit organizations contacted about the Housing Element preparation process and public workshops, and about the Housing Element adoption and implementation processes. These organizations represent the variety of interested stakeholders in housing issues—from extremely low-income households to real estate professionals.
- Three public workshops, conducted in conjunction with the County’s Housing Advisory Commission, were held before development of this document to

solicit initial public ideas and concerns. Those workshops took place in the south, central and north county areas during evening hours. Appendix 4.1-3 provides a summary of the input received at those workshops. Spanish translation was available. The Housing Advisory Commission, Planning Commission, and Board of Supervisors also conduct public meetings prior to taking action on the Draft Housing Element.

- Formal public hearings were held by the Housing Advisory Commission and the Planning Commission to make recommendations on the proposed final 2016 Housing Element and for the Board of Supervisors to consider adoption of the final proposed Housing Element.

ORGANIZATION OF THE HOUSING ELEMENT

This document, which is included in the County General Plan as Chapter 4, is organized into nine sections, as follows:

- Section 4.1 – Introduction.
- Section 4.2 – Community Profile -- provides background on population, employment, and housing trends in Santa Cruz County.
- Section 4.3 – Housing Needs -- presents the County's housing needs, both as defined by the State and from the local perspective. This section also explores the housing needs of special needs populations and the importance of protecting existing affordable housing resources.
- Section 4.4 – Housing Constraints -- describes the governmental and non-governmental constraints to affordable housing and outside factors that impact the Santa Cruz housing market.
- Section 4.5 – Opportunities for Energy Conservation -- addresses integrating energy-efficiency, climate change and sustainability concerns into the land use planning and housing development process.
- Section 4.6 – Housing Sites Inventory -- presents a detailed inventory of potential housing development that is possible on available sites under the current General Plan, zoning and other policies and regulations.
- Section 4.7 – Quantified Housing Objectives, Goals, Policies & Programs -- establishes quantified housing objectives (to meet both State and locally-identified needs), housing goals, and policies and programs to address the needs identified in the earlier sections of the Housing Element.
- Section 4.8 – Conclusion
- Appendices – Background, supplemental and technical materials.

APPENDICES FOR THIS SECTION

- 4.1-1 2010 Housing Element Status
- 4.1-2 Public Participation Details

4.1-3 Building Permits Issued within the Coastal Zone, 2008-2014

4.2: COMMUNITY PROFILE

State law requires the Housing Element to provide a comprehensive analysis of issues that impact housing and housing affordability in the unincorporated area of Santa Cruz County. This Section of the County's Housing Element presents and analyzes some of the basic characteristics of households in the County as a whole and the unincorporated area in particular, including the number of households, household income and size, employment, and population trends. It also analyzes information relating to the quality, availability and cost of a variety of housing types in the County, including the costs to rent or purchase, the availability of different types of housing units and the age of the housing stock. By analyzing household characteristics and trends in relation to the quality and availability of housing, it is possible to more precisely understand the greatest needs in the community related to housing, and to anticipate future needs⁵.

In order to provide the widest exploration of these issues, this Section relies on data from a number of sources. Much of the data comes from the most recent American Community Surveys, conducted between 2006 and 2012, and the 2010 decennial Census. As a result, some data trends may not reflect current recent market circumstances in 2015. Every effort was made to collect data that was as accurate and up-to-date as possible.

OVERVIEW AND SUMMARY

The data provided in this Section includes numerous charts and tables displaying a range of data - including population changes, ethnicity breakdowns, age distributions, etc. A brief overview follows.

Santa Cruz County's population has grown at a modest rate over the years, a rate that has steadily decreased over time. In terms of ethnicity, the community is mostly Non-Hispanic White, but the Hispanic/Latino population has become a significant and growing segment of the population. In spite of that, the community remains less ethnically diverse than the State as a whole. The over-40 segment of the population has grown at the fastest rate, reflecting the aging of the baby boomer population. The Association of Monterey Bay Area Governments (AMBAG) projects that the County will continue to age in the coming decades.

Around 75% of the households in the County are comprised of families, mostly of 2-4 persons. Homeowners tend to be older and Non-Hispanic White, while renters are often younger and more ethnically diverse.

Over 70% of the housing stock is comprised of single-family homes, a trend that has not changed much over the past 20 years. However over 60% of the housing units within the unincorporated County were built 40 or more years ago, suggesting that much of the

⁵ Note: Data used in this section is the entire Santa Cruz County population, including the four cities of Capitola, Santa Cruz, Scotts Valley and Watsonville, unless otherwise noted.

housing stock either has been substantially remodeled or is in need of rehabilitation. As one would expect, most residential units are 3-bedrooms or smaller, meeting the demand of the 2-4 person households cited above. Due to high housing costs many units are overcrowded (defined by the census as more than one person per room). Over the past two decades, there has been a renewed trend toward second homes in the County, which has resulted in fewer units being available for local households. Vacancy rates for rental housing units (i.e., not including vacation homes) are very low and inventory of housing for sale is also extremely low.

The income of households in the County have changed over time, with the percentage of lower income households dropping and the percentage of higher income households increasing. In fact, the greatest percentage growth in the 2000-2010 decade was for households with incomes over \$150,000. Those with lower and higher incomes tend to be concentrated in particular areas of the County, with lower income households concentrated in the Live Oak and South County areas, and higher income households concentrated in the Aptos/Corralitos and Scotts Valley areas. Finally, because of the nature of the economy in Santa Cruz County, which depends greatly on tourism and agriculture, the vast majority of local jobs pay at levels that do not adequately cover typical housing costs. Wages are significantly lower than in surrounding communities. For example, the median income in Santa Cruz County in 2014 was about \$65,000, compared to about \$91,000 in adjacent Santa Clara County.⁶

Over recent decades, education attainment in the community has been mixed. In 2010 almost 70% of the adult population had achieved some amount of college, indicating a supply of well-educated residents ready to enter the workforce. However, there is a strong difference in educational attainment between the southern part of the county around the City of Watsonville, and the rest of the area. Overall 38% of County residents hold a four year degree or higher, yet that that percentage is only 13% in South County, and 44% of South County residents did not graduate from High School⁷.

There has been a growing gap between housing prices and what people working in local jobs can afford over the years. There was short respite between late 2008 and 2012 when homes lost value in the economic downturn and housing prices decreased.⁸ However, since mid-2012 housing prices have increased quickly and the affordability gap returned. In January 2015 the median Santa Cruz County home price was \$665,000, and the maximum price affordable to a household earning the median income was \$514,000, a difference of \$151,000. A down payment of approximately \$133,000 would also be necessary to purchase that home. See also sections in this Chapter titled “Income Characteristics” and “Housing Costs”.

⁶ 2012-2014 ACS, US Census Bureau

⁷ “Santa Cruz County Economic Vitality Strategy Phase 1 Economic Trends Report, BAE Urban Economics, September, 2013.

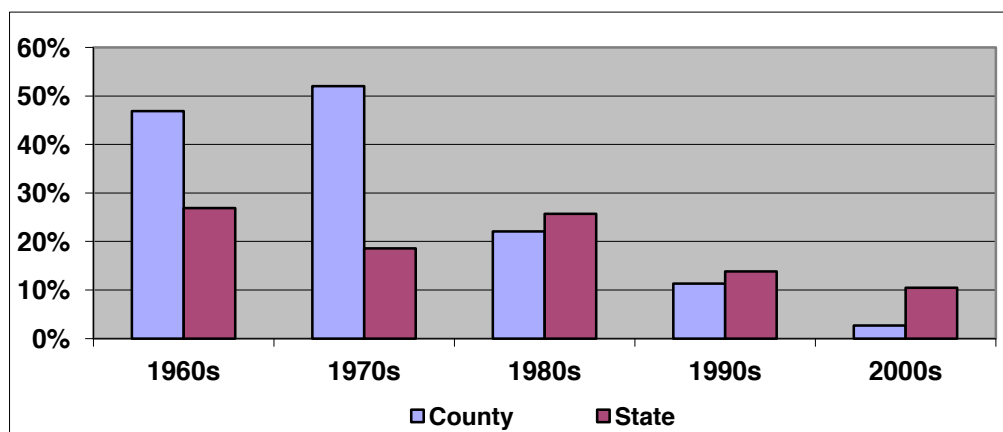
⁸ Santa Cruz County Median Home Sale Price, Real Options Realty, 2008-2012.

In summary, the combination of the County's economy, demographics and housing stock present many challenges for local residents. The rest of this Section provides a more detailed discussion of these issues that shape our local housing market

POPULATION TRENDS

The population of Santa Cruz County, including its four cities, grew by over 11 percent between 2000 and 2010, also expressed as an annual average growth rate of .27%. Notably, the population in the unincorporated area during that time *decreased*, with an average annual population change of -.42%⁹. The Association of Monterey Bay Area Governments (AMBAG) projects that the County's rate of growth will be 11.17%, or .42% annual growth rate, between 2010 and 2035, representing an increase of 14,488 persons who will need to be housed in the unincorporated County during that time¹⁰.

Figure 4.2.1: 10-Year Population Growth Rates in Santa Cruz County vs. State



Source: US Census Bureau

RACIAL/ETHNIC COMPOSITION OF SANTA CRUZ COUNTY AND THE STATE OF CALIFORNIA

Compared to 1990, in 2000 there were fewer self-identified White residents in the County and more residents who did not identify with any of the described racial categories, but instead identified themselves as “other”, mostly because the Hispanic/Latino category is considered by the Census to be an ethnicity, not a race, and most Latinos therefore identified themselves as “other” in the race category.

As shown in Figure 4.2.2, the 2000 Census reported that Santa Cruz County residents were predominately White (75%), with small percentages of the population identified as

⁹ “Report on Year 2015 Growth Goal for the Unincorporated Area”, Population Growth Rate by Decade Comparisons, County of Santa Cruz, November, 2014.

¹⁰ 2014 Regional Growth Forecast, Technical Documentation, AMBAG, June, 2014.

from other racial groups. In 2013 that number was 87.9%. The Figure also shows the changes between 1990 and 2000 in racial identification for the County and State.

Figure 4.2.2: County and State Population by Race 1990, 2000, and 2013						
	1990		2000		2013	
Race	Santa Cruz	California	Santa Cruz	California	Santa Cruz	California
White	83.9%	69.0%	75.0%	59.5%	87.9%	73.5%
Black	1.1%	7.4%	1.0%	6.7%	1.4%	6.6%
American Indian and Alaska Native	0.8%	0.8%	1.0%	1.0%	1.8%	1.7%
Asian	3.7%	9.6%	3.4%	10.9%	4.8%	14.1%
Native Hawaiian and Pacific Islander	Included as part of Asian Race		0.1%	0.3%	0.2%	0.5%
Other	10.4%	13.2%	15.0%	16.8%	Not included in Census	
Two or more races	Not included in Census		4.4%	4.7%	4.0%	3.7%
Total	100%	100%	100%	100%	100%	100%
Source: US Census Bureau						

As Figure 4.2.3 indicates, compared to the racial makeup of California as a whole, Santa Cruz County has significantly more self-identified “White” residents (nearly 15% more than the State), and a smaller proportion of people in the Black/African American, Asian or “other race” categories.

Figure 4.2.3: Comparison of Hispanic/Latino Ethnicity by County and State Population						
	1990		2000		2013	
	Santa Cruz County	California	Santa Cruz County	California	Santa Cruz County	California
Hispanic/Latino (of any race)	20.4%	25.8%	26.8%	32.4%	32.9%	38.4%
Not Hispanic/Latino (of any race)	79.6%	74.2%	73.2%	67.6%	67.1%	61.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Source: US Census Bureau						

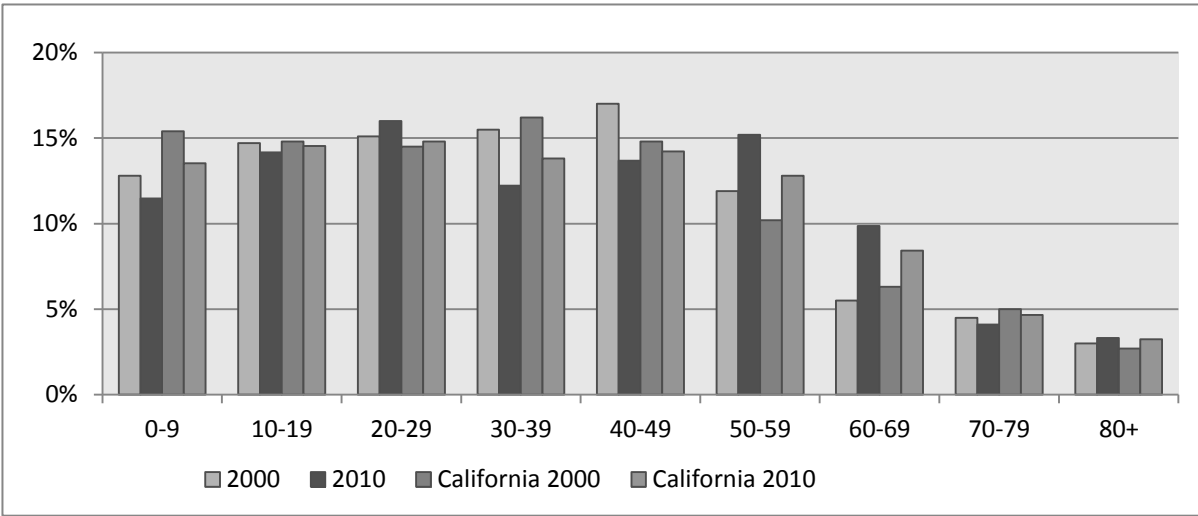
It should be noted that the US Census Bureau considers “Hispanic/Latino” to be an ethnicity, not a race. This is because persons of Hispanic/Latino ethnicity can be of any race. Figure 4.2.3 shows that approximately 33% of Santa Cruz County residents

classified themselves as Hispanic/Latino in 2013, compared to only 27% in 2000 and 20.4% in 1990. However, the County's Hispanic/Latino percentage remains lower than the statewide percentage of 38.4%. Similar to the State, the overall percentage of Hispanic/Latinos grew in Santa Cruz County during the past two decades.

AGE DISTRIBUTION

Figure 4.2.4 depicts the age distribution in Santa Cruz County in 1990 through 2010 compared to the State of California. The population in the County between ages 60 and 69 dropped slightly between 1990 and 2000, but then jumped 80% in the following decade. The number of residents aged 50-59 increased 84% between 1990 and 2000, and then by another 27% from 2000-2010. The 40-49 age group also experienced a substantial increase (up 27%) between 1990 and 2000, but then dropped by nearly 20% from 2000-2010. This trend is most likely explained by the increasing age of the large “baby boomer” population, and the comparatively small population in the age cohort just younger than them, but may also reflect better job and housing opportunities elsewhere.

Figure 4.2.4: Age Distribution of County and State in 1990 through 2010 as a Percentage of the Population



Source: US Census Bureau

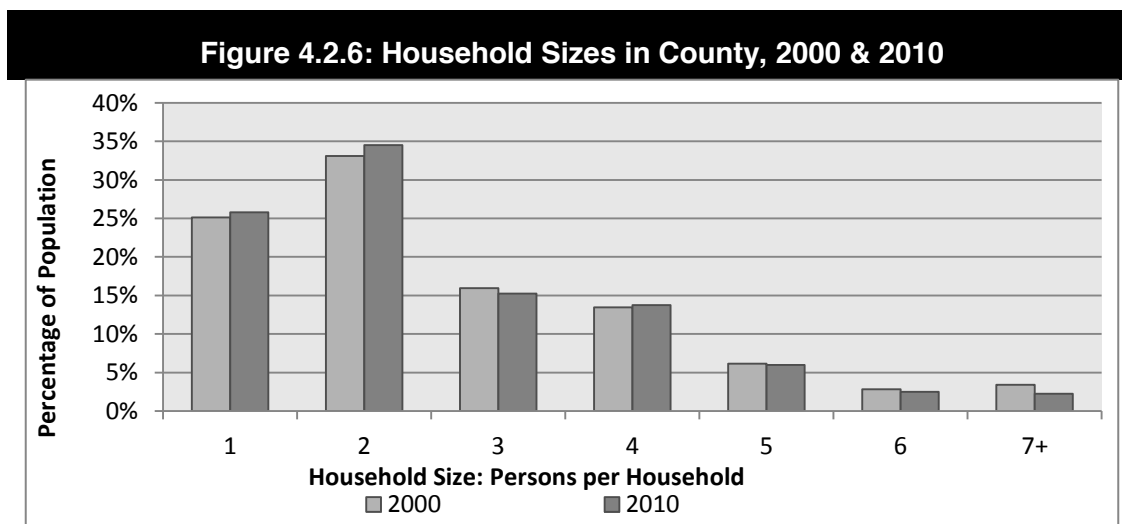
Conversely, Santa Cruz County's population experienced a relative decrease in the proportion of individuals in the 20-29 and 30-39 age groups during the 1990's, which continued for the 30-39 cohort in the following decade, but reversed slightly for the 20-something population. This decrease in career-age population, which is mirrored by a similar drop in the percentage of children under age 10, shows the drop in the population of young families. This trend exists statewide as well as in Santa Cruz County.

NUMBER AND SIZE OF HOUSEHOLDS

The number of households (i.e., occupied housing units) in Santa Cruz County increased by 3.5% between 2000 and 2010 (Figure 4.2.5), which may reflect sale of vacation homes during the Great Recession. One would expect average household size to increase substantially in high cost housing markets as more people crowd into smaller housing units in order to share the high costs. However, in Santa Cruz County, the household size fell between 2000 and 2010 despite the statewide increase, which may reflect fewer family households.

Figure 4.2.5 Estimated Number and Size of Households for Santa Cruz County and the State of California						
	County (2000)	County (2010)	% Growth	California (2000)	California (2010)	% Growth
Households	91,139	94,355	3.5%	11,502,870	12,542,460	9.0%
Persons per Household	2.71	2.51	-7.4%	2.87	3.09	7.6%
Source: US Census Bureau						

In both 2000 and 2010, most households in the County contained two or three members. The proportion of 1- and 2-person households increased slightly from 2000 to 2010, while the relative proportion of large households declined (Figure 4.2.6)



Source: US Census Bureau

HOUSEHOLD COMPOSITION

Figure 4.2.7 illustrates changes in household composition between the 2000 Census and 2010 Census. Consistent with nation-wide trends, the Baby Boomer generation is aging as shown by the increase in proportion of elderly households: 19.9% to 23.1%. Concurrently, Families with Children declined from 31.9% to 27.9% of all households.

People living alone and Non-Family households both increased slightly over the study period.

Figure 4.2.7: Household Composition by Type in Santa Cruz County						
			2000		2010	
Households			Number of Households	% of Total	Number of Households	% of Total
Family households			57,132	62.7%	57,770	61.2%
Non-family households			34,007	37.3%	36,585	38.8%
Elderly (65 +) Households			18,173	19.9%	21,833	23.1%
People Living Alone			22,905	25.1%	24,926	26.4%
Families With Children			29,111	31.9%	26,342	27.9%

Source: US Census Bureau

HOUSING STOCK

According to the US Census Bureau, in 2010 the majority of housing units in Santa Cruz County were single-family homes (64.8% of the housing stock in 2010) (Figure 4.2.8). Overall, there was very little change in the proportion of multi-family and other types of homes between 2000 and 2010. However, according to the Census Bureau, there was a decrease in the number of mobile/manufactured homes within Santa Cruz County between 2000 and 2010.

Figure 4.2.8: Housing Units by Number in Structure

	2000		2010	
Units in Structure	# of Units	%	# of Units	%
1-Unit, Detached	62,706	63.4%	67,809	64.80%
1-Unit. Attached*	8,750	8.8%	8,853	8.50%
2 Units	3,181	3.2%	3,094	3.00%
3 or 4 Units	5,187	5.2%	6,058	5.80%
5 to 9 Units	3,622	3.7%	3,710	3.50%
10 to 19 Units	2,560	2.6%	2,705	2.60%
20 or More Units	5,604	5.7%	5,749	5.50%
Mobile Home	6,916	7.0%	6,427	6.10%
Boat, RV, Van, etc.	347	0.4%	208	0.20%
Total	98,873	100%	104,613	100%

Source: US Census Bureau, Census 2000 and 2010

* 1-unit attached include zero lot-line unit, attached garage units, etc.

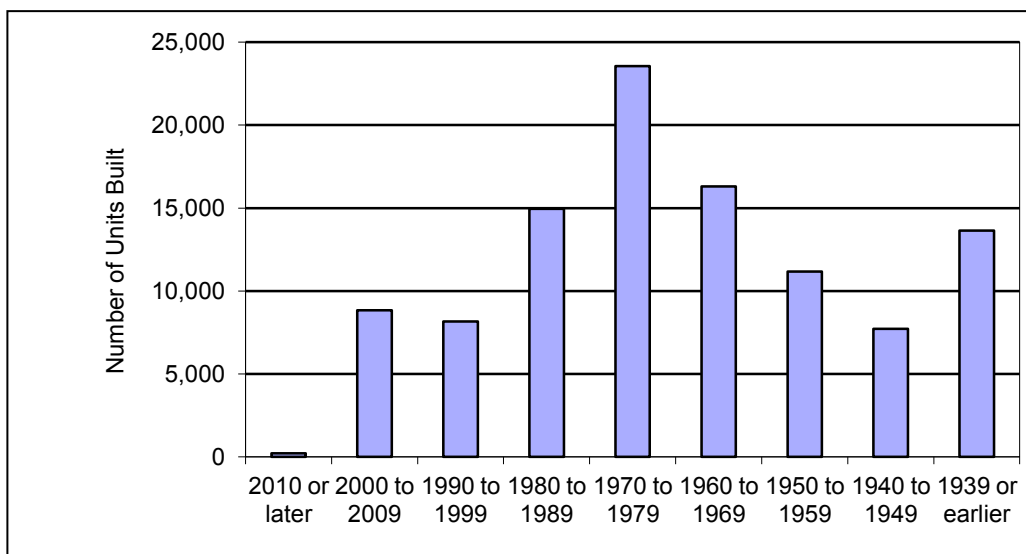
AGE AND CONDITION OF HOUSING STOCK

The age and condition of the housing stock is an additional factor in housing adequacy and availability in many communities. Although age does not always correlate with substandard housing conditions, neighborhoods with a prevalence of homes more than 40 years old are more likely than newer neighborhoods to have a concentration of housing problems related to deferred maintenance, inadequate landscaping, outdated utilities or interior amenities. Therefore, it is useful to look at the age of the housing stock to determine where inadequacies may lie, or why certain units remain vacant.

Figure 4.2.9 shows that more housing units in the County were built between 1970-1979 than during any other decade. However, the data indicates that over 50% of the housing stock in Santa Cruz County was built prior to 1970. Given the age of the housing stock, it is likely that many units in Santa Cruz County have been upgraded or are in need of rehabilitation. Permit records, Building and Code Enforcement records indicate that substantial work is taking place on these older structures. In particular, neighborhoods in the Live Oak Planning Area and the San Lorenzo Valley Planning Area are in need of rehabilitation and updating, particularly in structures built before 1960. While many of these structures are now receiving the care and maintenance they require, these two planning areas have additional needs for rehabilitation. According to field staff in the Building and Code Enforcement sections, in most cases, full-scale replacement of housing units has not been necessary, and the majority of the County's housing stock will continue to be viable, with maintenance and renovation, for the duration of the planning period. The County continues to work on simplifying the renovation and maintenance permitting process for existing housing, and has recently modified

regulations to make it much easier to maintain dwellings that are non-conforming, an effort to ensure this work is encouraged.

Figure 4.2.9: Housing Units by Decade Built

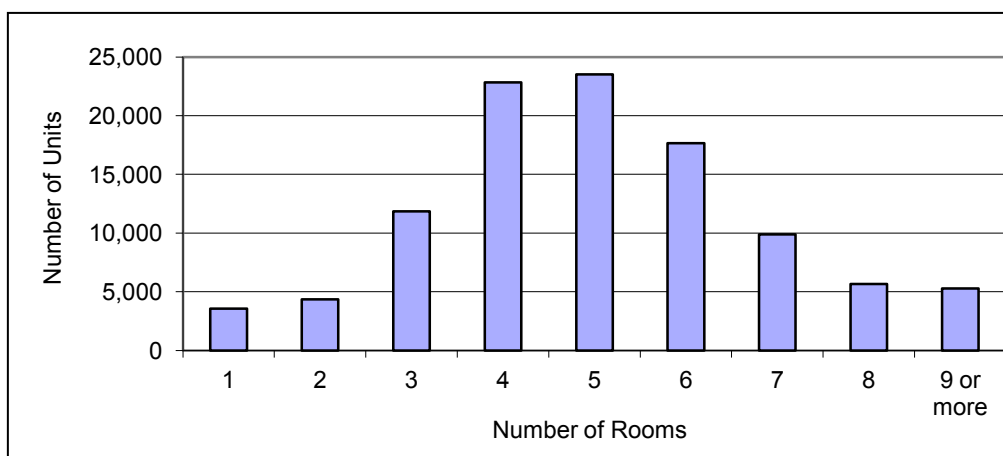


Source: 2013 ACS

NUMBER OF ROOMS PER UNIT

The US Census Bureau defines “room” as including living rooms, dining rooms, kitchens, bedrooms, finished recreation rooms, enclosed porches suitable for year-round use, and lodger’s rooms. Nearly 60% of the housing units in the County have between 4 and 6 rooms as shown in Figure 4.2.10.

Figure 4.2.10: Rooms per Housing Unit



Source: 2010 Census

From this data it can be inferred that most of the housing units within the County have 2 or 3 bedrooms. The trend in California, as in the nation, has been a shrinking average family size. However, housing stock with few rooms make it difficult for larger families to find adequate housing. In addition, larger units tend to be built for ownership by wealthier households. See Section 4.3 for analysis of issues regarding size of homes in the housing stock and the affordability issues that result.

OVERCROWDING

The US Census Bureau defines overcrowding as more than one person per room, and extreme overcrowding as more than 1.5 persons per room. Overcrowding typically results when either the cost of larger units available for sale or rent is more than the families can afford, or unrelated individuals (such as students or low-wage single adult workers) share dwelling units due to high housing costs.

Overcrowding can result in deterioration of the quality of life within a community. Figure 4.2.11 summarizes the overcrowding status in the County as a whole, where over 6% of the County's occupied housing units were overcrowded, and 2.2% are extremely overcrowded according to the 2013 American Community Survey. With a very low rental vacancy rate and an above average cost of living, it is likely that a significant number of households in Santa Cruz County suffer from overcrowded conditions.

Figure 4.2.11: Overcrowded Housing Units in Santa Cruz County		
Total overcrowded	1.01 or more	5,513
Total severely overcrowded	1.5 or more	2,027
Source: ACS 2013		

VACANCY RATES IN SANTA CRUZ COUNTY

Vacancy rates are the most straightforward indicator of existing housing need. Vacancy rates of at least 5% for rental housing and 2% for for-sale housing are considered necessary to facilitate reasonable mobility within the community. When vacancy rates fall below these levels, residents typically have a difficult time finding appropriate units and competition for available units can drive up housing prices. The combined rental and for-sale vacancy rate, excluding units that were for seasonal or occasional use, was 4.5% in unincorporated Santa Cruz County in 2010. As 2010 was within the recessionary period, this statistic is outdated and does not represent 2015 conditions. All current information points to a much lower vacancy rate at this time.

This 2010 rate is below the optimum threshold, and the current rate is likely to be well below the threshold, indicating that there is a need for additional new rental and for sale housing units (see Figure 4.2.12). The low vacancy rate suggests a strong effect on rents in the five years since the 2010 census was completed (see section 4.3 for further information regarding local rents).

Figure 4.2.12: Total Vacant Units and Vacancy Rate in Unincorporated Santa Cruz County in 2010		
	Number of Units	Percent of Total Units
All Vacant Housing Units	6,809	12.0%
Vacant Housing Units held for Seasonal or Occasional Use	4,244	7.5%
Vacant housing units, excluding units for seasonal or occasional use	2,565	4.5%
Source: US Census Bureau – for unincorporated area only		

Figure 4.2.13 shows the types of vacant units Countywide. Given the County's environment and proximity to urban areas with higher incomes, it is not surprising that the number of seasonal and vacation homes has increased over the years. In response to this trend, the County enacted a vacation rental ordinance in 2011 that places limits on the number and concentration of vacation rental homes permitted in the coastal neighborhoods of Live Oak and Seacliff/Aptos. This ordinance may be one factor behind the relative decline in the percentage of vacant housing units held for recreational use, but sale of seasonally used second homes during the Great Recession is likely the largest factor.

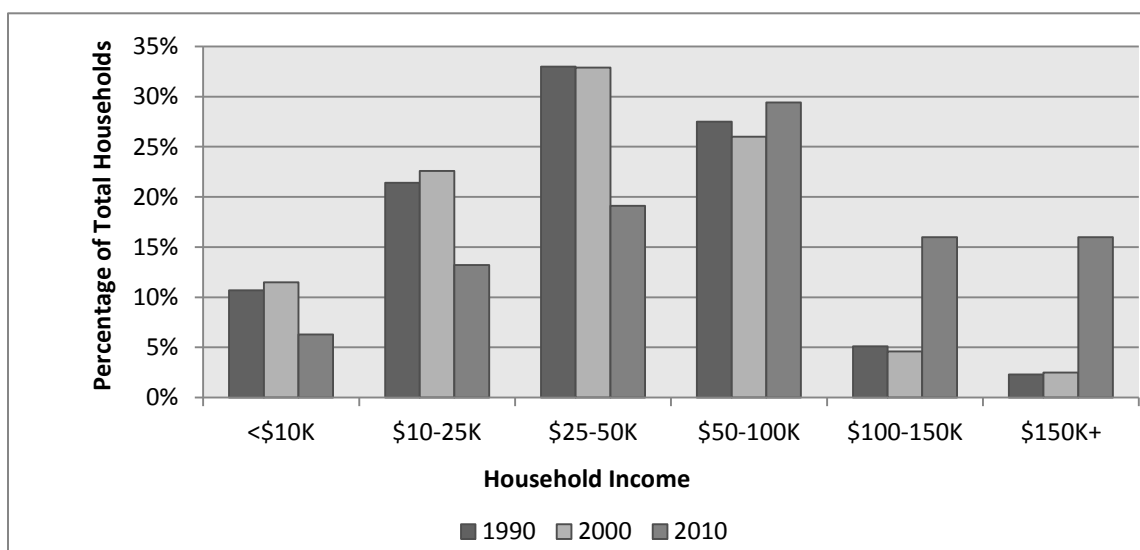
Figure 4.2.13: Type of Vacant Units in Santa Cruz County				
Unit	Number of Vacant Units in Santa Cruz County		Percent of Vacant Units in Santa Cruz County	
	2000	2010	2000	2010
For Rent	934	1,446	12.0%	14.2%
For Sale Only	424	864	5.5%	8.5%
Rented Or Sold, Not Occupied	474	429	6.1%	4.2%
For Seasonal, Recreational or Occasional Use	5,051	5,609	65.4%	55.4%
For Migrant Workers	24	No Data	0.31%	No Data
Other Vacant	827	1,773	10.7%	17.5%
Total	7,734	10,121	100%	100%
Source: US Census Bureau – for entire County				

INCOME AND EMPLOYMENT CHARACTERISTICS

Household income distribution in Santa Cruz County has changed in significant ways as illustrated in Figure 4.2.14. The percentage of households with incomes below \$50,000 per year dropped off steeply, while those with incomes between \$50-100,000 increased. Consistent with the nationwide trend of resources becoming increasingly concentrated in the upper income categories, as well as with inflation, the number of households with incomes over \$100,000 nearly tripled.

This trend suggests that Santa Cruz has been attracting residents with incomes high enough to afford homes or rent in Santa Cruz while many, including the elderly and younger residents (and many entry-level workers), are increasingly unable to afford the relatively high housing costs in the County, and may be deciding to leave the area. This is consistent with both the population trends and the trends in household size. Some of these high income households are locating in Santa Cruz because, while the cost of homes in Santa Cruz is high and increasing, the price of homes in nearby communities in Santa Clara County is even higher.

Figure 4.2.14: 1990, 2000, and 2010 Household Income
(Note: Not Adjusted for Inflation)



Source: US Census Bureau

The Existing Conditions Report of the Sustainable Santa Cruz County Plan (SSCC), completed in 2013, looked at income differences within various areas of the County. According to this data, the Aptos/Corralitos area and Scotts Valley have the greatest concentrations of higher income households, while Live Oak and Watsonville have the greatest concentrations of lower income households.

In evaluating household income levels, five standard income level categories are defined for the Housing Element, based on what percentage a household earns of the County median income for that household size. Santa Cruz County has a very wide range in income distribution due to a large agricultural sector with many workers who earn very low wages, and a wide range of highly paid technical and management workers. These five income categories are expressed as a percentage of the County median income and are adjusted for household size. See Chapter 4.3, tables 4.3-1 through 4.3-3 for a full and detailed discussion of income categories and current County income thresholds.

There were approximately 128,000 County residents in the civilian labor force in 2013. Figure 4.2.15 lists some of the median annual earnings of various professions in Santa

Cruz County, taken from the 2013 American Community Survey. Taken together, tables 4.2.14 and 4.2.15 indicate that many local households have more than one wage earner, or are earning income outside the county. None of the median wages for the listed professions would be sufficient to purchase a median-priced home in the County based on a single income, and several would be insufficient to pay rent. Section 4.3 contains greater detail on local wages and local rents.

Figure 4.2.15: Earnings by Employment Category	
Employment Category	Median earnings
Civilian employed population 16 years and over	\$32,330
Management, business, and financial occupations:	\$67,309
Computer, engineering, and science occupations:	\$74,585
Life, physical, and social science occupations	\$51,576
Education, legal, community service, arts, and media occupations:	\$38,750
Healthcare practitioner and technical occupations:	\$67,545
Protective service (law enforcement, first responders) occupations:	\$65,000
Food preparation and serving related occupations	\$14,965
Building and grounds cleaning and maintenance occupations	\$19,639
Personal care and service occupations	\$13,958
Sales and office occupations:	\$28,054
Natural resources, construction, and maintenance occupations (incl. Ag work):	\$25,325
Production, transportation, and material moving occupations:	\$28,168
Source: ACS 2009-2013 Table S2401	

EDUCATION

Figure 4.2.16 illustrates the educational attainment levels of Santa Cruz County residents in 2000 and 2010. The table shows that in 2000 and 2010 over 66% of the adult residents of Santa Cruz County attained additional education after high school, and less than 17% of adults had not completed high school. The general trend of Santa Cruz County residents tending to have a higher education level than residents of the State as a whole continued through the decade. This indicates that there is a large base of educated people to fill job vacancies in the County.

However, education attainment in the community is not geographically uniform. There is a strong difference in educational attainment between the southern part of the county around the City of Watsonville, and the rest of the area. Overall 38% of County residents hold a four year degree or higher, yet that that percentage is only 13% in South County, and 44% of South County residents did not graduate from High School¹¹. This indicates not only an obvious inequity but a growing rank of undereducated workers in a time when low-skilled jobs are leaving the community.

Figure 4.2.16: California and Santa Cruz County Educational Attainment in 2000 and 2010 of Persons more than 25 Years Old

Educational Level	% of California State Population (2000)	% of Santa Cruz County Population (2000)	% of California State Population (2010)	% of Santa Cruz County Population (2010)
Less than 9 th Grade	11.5%	9.7%	10.20%	9.10%
9 th to 12 th Grade- No Diploma	11.7%	7.1%	8.50%	6.00%
High School Graduate (or GED)	20.1%	16.6%	20.70%	15.60%
Some College- No Degree	22.9%	25.1%	22.10%	23.50%
Associate Degree	7.1%	7.3%	7.80%	8.80%
Bachelor's Degree	17.1%	21.7%	19.40%	22.80%
Graduate or Professional Degree	9.5%	12.5%	11.20%	14.30%
Total	100%	100%	100%	100%
Source: US Census Bureau				

OVERPAYMENT

When rental rates and home ownership costs are high, many people are required to spend more of their income on housing related costs, which reduces the amount of money available for other living costs and saving for future needs. The US Department of Housing and Urban Development (HUD) defines households that pay more than 30% of their gross monthly income for housing costs, rent or mortgage and additional housing costs, as overpaying for housing. Overpayment can result in a reduction in the overall quality of life for members of the affected household, and reduced community spending power. Figure 4.2.26 reflects the distribution of persons in Santa Cruz who were overpaying for housing in 2010, by income bracket.

Figure 4.2.17 shows that a high percentage of households exceed the 30% threshold and overpay for housing, nearly 44% of homeowners and 53% of renters.

¹¹ "Santa Cruz County Economic Vitality Strategy Phase 1 Economic Trends Report, BAE Urban Economics, September, 2013.

Figure 4.2.17: Percentage of Households Paying Over 30% of Income on Housing in 2010

Total Households Characteristics	Number	Percent of Total Households
Total occupied units (households)	93,805	100%
Total Renter households	37,925	40%
Total Owner households	55,880	60%
Total lower income (0-80% of HAMFI) households	44,735	47.7%
Lower income renters (0-80%)	26,585	28.3%
Lower income renter HH paying over 50%	9,960	10.6%
Lower income owner HH paying over 50%	7,150	7.6%
Extremely Low Income (0-30%)	9,480	10.1%
ELI Renter HH paying over 50%	6,850	7.3%
ELI Owner HH paying over 50%	2,630	2.8%
Income between 30%-50%	4,745	5.0%
Income between 50% -80%	2,885	3.0%
Lower income households paying more than 30%	29,080	31.0%
Lower income renter HH	18,275	19.5%
Lower income owner HH	10,805	11.5%
Extremely Low Income (0-30%)	11,910	12.7%
Income between 30%-50%	8,710	
Income between 50% -80%	8,460	
Total Households Overpaying	44,605	47.5%
Total Renter Households Overpaying	20,095	52.9% of Renters
Total Owner Households Overpaying	24,510	43.8% of Owners

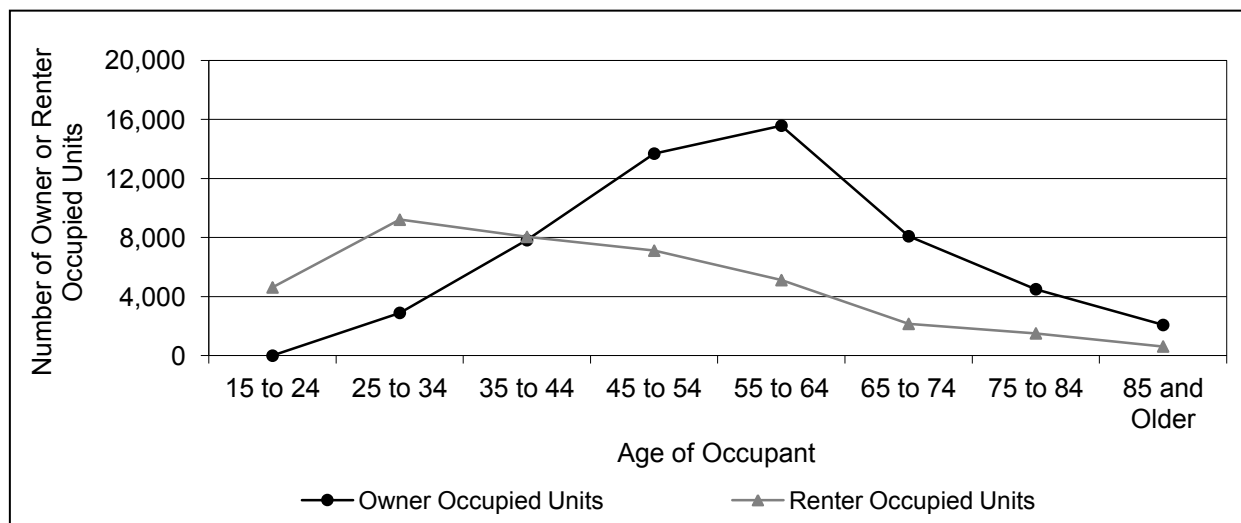
Housing tenure is a way of describing how housing units are being utilized. Figure 4.2.18 illustrates the number of housing units occupied by renters vs. owners (tenure) in 2010, in both the unincorporated area and the County as a whole. It indicates that the unincorporated area had a higher home ownership rate than the County as a whole in 2010.

Figure 4.2.18: Housing Tenure in 2010

	Owner	Renter	Total
Housing Units - Countywide	54,229 (57.5%)	40,126 (42.5%)	94,355 (100%)
Housing Units – Unincorporated Area	33,497(66.8%)	16,621(33.2%)	50,118 (100%)
Source: 2010 Decennial Census			

Overall, 57% of all Santa Cruz County residents owned their home in 2010, up slightly over the 55% in 2000, and an even higher percentage of unincorporated County residents owned their homes. Figure 4.2.19 below shows tenure by age of householder in the County, and reveals, not surprisingly, that adults aged 45 and over tended more to own their own housing units rather than rent, while younger adults mostly rented their homes.

Figure 4.2.19: Housing Tenure by Age of Homeowner in Santa Cruz County, 2000



Source: US Census Bureau

CONCLUSION

This Section of the Housing Element has presented a broad picture of households in the community, and relates this information to existing housing conditions and the social and economic context of the County. The next Section (4.3) addresses housing needs of the general population and special population groups in the County, and also identifies existing affordable housing units that are vulnerable to losing resale/rent restrictions in the community. Based on this background information, other remaining sections will include policies and programs to address these needs.

APPENDICES FOR THIS SECTION

- No Appendices for this section

4.3: HOUSING NEEDS

Housing in Santa Cruz is an issue that is challenging for people across all socio-economic sectors and one that is increasingly discussed in newspapers, coffee shops and boardrooms across the community. The problems created by the cost of housing are well known—the very visible homeless population; the challenges of schools meeting the needs of children living in unstable, overpriced or substandard conditions; and the difficulty of hospitals recruiting health care professionals or local government attracting and retaining law enforcement officers. It is safe to say that the high cost of housing in the County poses social, economic and sustainability challenges.

The charge to be met by the County in its Housing Element is to address housing needs across the economic spectrum with planning and zoning policies, including through targeting diminishing resources to programs that best address the housing needs of the community. This includes planning housing for households with incomes adequate to give them choice in the housing market, as well as planning to meet the housing needs of the community's diverse workforce, many of whom have difficulty finding and keeping housing that is affordable, and providing housing opportunities for the most challenged in the community.

The Housing Element is required to set forth a “*schedule of actions for the planning period*” for addressing housing needs within the unincorporated area, and this section will lay the groundwork for those actions by defining the housing needs of the population divided by income groups, and exploring the unique housing needs of special targeted populations.

The income groups used in this section to discuss housing needs are based on the median income. Across the country, Area Median Income (AMI) is established each year by the US Department of Housing and Urban Development (HUD). Median Income is adjusted for family size and is used as a standard for comparing housing cost and affordability in different communities.

As was discussed in previous sections of the Housing Element, housing issues are typically discussed in the context of five income categories:

- **Extremely Low-Income Households**, those earning less than 30% of the County median income;
- **Very Low-Income Households**, (those earning between 30% and 50% of the County median;
- **Low-Income Households**, those earning between 50% and 80% of the County median;
- **Moderate-Income Households**, those earning between 80% and 120% of the County median; and

- **Above Moderate-Income Households**, those earning over 120% of the County median.

For context, in 2015 AMI for a family of four is \$87,000.¹²

In addition to housing availability by income group, Housing Elements also are required to address the unique housing challenges for certain groups, including people who are homeless, disabled, or elderly, and who live in female headed households, large families and farmworker households.

PLANNING INITIATIVES AFFECTING HOUSING POLICY UPDATES

Santa Cruz County is consistently ranked as one of the “least affordable” places to live in the Country¹³. This ignominious ranking, which relates County incomes to housing costs, illustrates the importance of cohesive and creative policy strategies to address a complex housing market. In an environment of high housing costs and limited land availability, the overall policy framework must encourage the development and redevelopment of available land in a manner that is efficient and that results in a mix of housing products and additional units being created. The County of Santa Cruz has undertaken a number of broad policy initiatives since the last Housing Element was completed, and these inform updates to housing policy. These include:

(1) The Sustainable Santa Cruz County (SSCC) Plan, a planning study exploring tools the County can use to help create more sustainable and vibrant neighborhoods that meet the needs of workers, residents, the natural environment, and future generations. The Plan focuses on land use policies that would increase the variety of housing options, promote active transportation choices, and facilitate the creation of quality jobs for local residents.

(2) The Economic Vitality Strategy (EVS) acknowledges that economic vitality depends on a healthy housing market, including viable programs and regulatory approaches that support creation and availability of affordable, workforce and market rate housing that is “affordable by design”.

(3) The Affordable Housing Program Update of the 35 year old inclusionary housing ordinance broadens the responsibility for addressing the need for affordable housing to all new development, including non-residential spaces. The update will be discussed further below.

AFFORDABLE HOUSING RESOURCES

Redevelopment Low and Moderate Income Housing Fund. Any discussion of policy changes affecting affordable housing in California must acknowledge the profound impact of the elimination of redevelopment agencies. In 2011 the State of California passed legislation that eliminated redevelopment agencies in some 400

¹²Housing and Community Development, May 2015

¹³ National Low Income Housing Coalition “Out of Reach 2015”; July 2015

jurisdictions across the State. Redevelopment provided a vital source of locally controlled affordable housing funds that could target projects and programs from the very lowest income households to those of moderate income. The County of Santa Cruz Redevelopment Agency (RDA) had a very active housing program that utilized redevelopment funds on a range of projects and activities, creating over 1,000 affordable housing units through its investments in new construction projects and assisting hundreds of households through its programs.

Low and Moderate Income Housing Asset Fund. As a follow up to the elimination of redevelopment, in 2013 the California legislature passed SB 341, which directs jurisdictions with former redevelopment agencies to establish a Low and Moderate Income Housing Asset Fund (Housing Asset Fund). As redevelopment loans are repaid, funds are deposited into the Housing Asset Fund to be spent for the development of housing affordable to and occupied by households earning 80% of AMI with at least eighty percent of the funds to be spent for the development of rental housing for households earning sixty percent of AMI or below. In addition, a limited amount of the Housing Asset Fund may be spent on administrative costs and on homeless prevention and rapid rehousing programs.

The redevelopment funded loans due to the County over a 25 year period are projected to generate funds that will be used on at least one affordable rental project during the Housing Element period. See Appendix 4.3-1 for a list of affordable housing projects funded with former redevelopment funds.

Measure J. In 1978 voters of Santa Cruz County passed “Measure J” - an initiative that, among other goals, requires that 15% of new residential construction in the unincorporated County be affordable to “average income” residents. For many years, implementation of Measure J focused on residential projects of 5 or more units, requiring that 15% of the homes in these projects be sold at a rate affordable to moderate income households. This approach created over 550 deed-restricted units, of which 455 are still available under the program. Nonetheless, over time there has been a significant gap between housing affordability, and market prices and the proportion of the overall housing stock priced at “affordable” levels is not adequate to meet local needs. The affordability mandate of Measure J has been met in large part through investments of the former RDA in affordable rental projects undertaken by nonprofit housing development corporations. While the Measure J program had a provision for including affordable units in rental projects, it did not generate affordable rental units and the provision was eliminated in February of 2015 in response to a *Palmer/Sixth Street v. city of Los Angeles*. The County’s dearth of rental housing projects is consistent with nationwide trends affected by years of land use, lending and housing policies that have supported homeownership over rental workforce housing projects.

In 2014 the County undertook a major update of the Affordable Housing Program that implements Measure J. This update included a nexus study and feasibility analysis intended to inform the update of the Housing Program, protect its legal standing, and ensure usefulness in supporting the creation of affordable housing in the County. The revised program establishes an Affordable Housing Impact Fee (AHIF) that takes an

“everyone pays” approach. In other words, the nexus study demonstrated that *all* new development creates the need for affordable housing and therefore should participate in a solution by contributing resources used to develop new affordable housing. That said, the feasibility study was intended to demonstrate that any new fee would be set at a level that would ensure that it would not act as a constraint to new development, and that it would maximize the efficient use of limited available land by incentivizing the development of smaller homes.

Figure 4.3.1: AFFORDABLE HOUSING IMPACT FEE (2015 Level)	
Non-residential Projects	
All new commercial square footage is subject to a \$2 per square foot affordable housing impact fee.	
Residential Projects	
Rental Housing Projects:	Rental housing projects are subject to an affordable housing impact fee of \$2 per habitable square foot
Residential projects of 1 to 4 units are subject to a fee based on size	Up to 2,000 square feet = \$2 PSF 2,001-2,500 square feet= \$3 PSF 2,501-3,000 = \$5 PSF 3,001-4,000 = \$10 PSF 4,001 and up = \$15 PSF
Residential projects with 5 or more for-sale units	Developers can meet the affordable housing obligation either through payment of an AHIF of \$15 per habitable square foot for all units in the project, or provide 15% of the units as on-site deed-restricted units

Affordable Housing Impact Fee Fund

The Affordable Housing Impact Fee Fund (AHIF) is intended to be a local source of funds to be available to leverage state and federal resources to create affordable rental housing. The Board of Supervisors adopted guiding principles (Attachment 4.3-2) that direct funds to workforce housing, defined as households earning between 30 and 60 % AMI, but also to analyze feasibility of setting aside units in projects for ELI Households.

Grant Funded Programs

The Planning Department competes for funding from the State and other sources to support affordable housing and community development efforts. With this funding the County has maintained a number of programs formerly funded by redevelopment. These include:

- First Time Homebuyer programs funded by State HOME and CalHome¹⁴ Programs¹⁵
- Manufactured Home Replacement funded by CalHome
- Tenant Based Rental Assistance provides short term rental assistance and rental security deposit assistance.

WHAT DO WE MEAN BY AFFORDABLE HOUSING?

For the Housing Element “affordable housing” means housing with monthly costs that do not exceed 30 percent of a household’s gross monthly income. For home-ownership housing, this 30 percent proportion includes mortgage payments, property taxes, insurance, and homeowner’s association dues, if applicable. For rental units, the affordable price includes both rent and utility costs.

Ability to Pay by Income Category

In order to discuss affordability by income categories, the Area Median Income (AMI) standard is used. AMI, as adjusted for household size, provides a means of defining affordability of housing and comparing the affordability of housing across communities. A family of four is considered typical and median income means that of the households of four people in Santa Cruz County, half have incomes over the median income and half have incomes below the median.

Figure 4.3.2 shows the 2015 Santa Cruz median income adjusted for household size; it is the basis of the discussion of housing affordability that will follow:

Figure 4.3.2: 2015 Median Income Adjusted for Household Size								
Number of people in household	1	2	3	4	5	6	7	8
Median Annual Income	60,900	69,600	78,300	87,000	93,950	100,900	107,900	114,850
Source: California Department of Housing and Community Development (HCD), May 2015								

Ownership Cost Relative to Income

As stated at the start of this section, a “Moderate Income Household” is one with a total household income that is between 80% and 120% of the County median, meaning a household of four in the moderate-income range will have an income from \$87,000 to \$104,400. The following table illustrates affordable homeownership for a four-person household using underwriting standards that are typical as of July of 2015. The calculations assume a 20% down payment, a mortgage with an interest rate of 4.0% and a payment period of 30 years with total housing costs reflecting customary lending

¹⁴ CalHome is a State program funded by Housing Bond proceeds.

¹⁵ The County is a State applicant for federal HOME funds

practices, i.e. 30% of gross monthly income (includes mortgage payments, taxes, insurance and \$200/mo. HOA costs). Using these assumptions a Moderate Income Household would be able to afford to purchase a home priced between \$447,396-\$544,206, assuming that they have the required 20% down payment of between \$89,479 and \$108,841 Figure 4.3.3 illustrates the affordability of for sale housing in each income category assuming the underwriting standards explained above. Note that 58% of all housing in the County is ownership housing¹⁶.

Figure 4.3.3: Affordable Housing Price Estimate for Home Purchase Assumes four person household		
Income Category	Household Income Range	Affordable Sale Price Range
Moderate (81% to 120% of Median)	\$80,651-\$104,400	\$412,071-\$544,206
Low (51% to 80% of Median)	\$50,401-\$80,650	\$ 243,766-\$412,066
Very Low (0% to 50% of Median)	\$50,400 or less	\$243,761 or less
Extremely Low (<30% of Median)	\$30,250 or less	\$131,650 or less
Source: Planning Department		

Cost of Rental Housing Relative to Income

The affordable price for rental units assumes that a household pays 30% of total household income for rent including utilities. The range of affordable monthly rent for a moderate-income household of four, then, is between \$2,016 and \$2,610 as illustrated in the Figure 4.3.4.

Figure 4.3.4: Affordable Housing Price Estimate for Rental Units			
Income Category	Household Income Range	Affordable Rent Range	Midpoint of Affordable Rent Range
Moderate (81% to 120% of Median)	\$80,651-\$104,400	\$2,016-\$2,610	\$2,313
Low (51% to 80% of Median)	\$50,401-\$80,650	\$1,260-2,016	1,638
Very Low (30% to 50% of Median)	\$30,251-50,400	\$756-\$1,260	1,008
Extremely Low (<30% of Median)	\$30,250 or less	\$756 or less	N/A
Source: Planning Department			

¹⁶ American Community Survey 2007-2011 5 Year Estimates

Data on the cost of rental housing is not as easily available or as precise as information on homes for sale. However, the University of California at Santa Cruz (UCSC) Community Rentals Office keeps statistics on the average cost of different types of units that are available to staff and students. This information distinguishes units by number of bedrooms and by type of unit. The average rental cost of a 2 bedroom house from April 2014 to March 2015 in the UCSC survey was \$2,211¹⁷. That amount is 2.5% higher than the survey the previous year, and 25% higher than in 2009/10, the start of the 2010 Housing Element cycle¹⁸.

Not unexpectedly, “Low”, “Very Low” and “Extremely low” income households have particular difficulty locating affordable rental housing absent affordability restrictions or subsidies, and even moderate income families struggle to locate rental units they can afford. As a result, many Santa Cruz County residents are paying more than 30 percent of gross income for housing costs. The 2014 Community Assessment Project finds that about 56% of households in Santa Cruz County paid more than 30% of their incomes for housing and 84.5% of Latino households reported housing costs in excess of 30% of income.¹⁹

According to the National Low Income Housing Coalition, a renter earning minimum wage of \$9 an hour is required to work 150 hours per week in order to afford a 2 bedroom unit²⁰, and 66% of renters in Santa Cruz County are unable to afford a 2 bedroom unit²¹. The wage required to afford rent for a 2 bedroom unit is \$33.77 per hour²².

MEETING THE NEEDS OF PEOPLE IN ALL INCOME CATEGORIES

Meeting the housing needs of Very Low Income (VLI) and Extremely Low-Income (ELI) households is particularly challenging and the County recognizes that people and families with very low and extremely low incomes have a range of housing needs, some of which include the need for supportive services linked with permanent housing. In addition to committing County funds to affordable rental developments and encouraging the development of smaller units County strategies include the following:

1. Target limited local housing resources to develop rental housing affordable to ELI households through partnerships with affordable housing developers to leverage State and federal funds. Recent County funded projects targeting ELI units include Schapiro Knolls, Aptos Blue, Lotus Apartments and currently in development, St. Stephens Senior Apartments and Pippin Apartments. The latter includes Project

¹⁷ <http://housing.ucsc.edu/cro/costs.html>

¹⁸ http://housing.ucsc.edu/cro/pdf/5_yrcomp.pdf

¹⁹ 2014 Community Assessment Project; United Way of Santa Cruz County

²⁰ National Low Income Housing Coalition “Out of Reach 2015”; July 2015

²¹ National Low Income Housing Coalition “Out of Reach 2014”;

²² National Low Income Housing Coalition “Out of Reach 2015”; July 2015

Based Section 8 subsidy through a partnership with the Housing Authority of the County of Santa Cruz.

2. Require developers applying for County funding through the Affordable Housing Impact Fee Fund to consider setting aside units for ELI households. .See Appendix 4.3-2, “County Affordable Housing Impact Fee Expenditure Plan Principles”
3. Encourage the creation of units affordable to ELI households in the private sector, through reduction of regulatory barriers to second units County wide, and consideration of future second units on new lots created by land division, consistent with sewage disposal or septic regulations.
4. Housing and services for people who are homeless are coordinated through the HUD mandated Continuum of Care process, locally called the Housing Action Partnership (HAP). The HAP is led by the County’s Human Services Department. The HAP coordinates HUD funded resources through the McKinney-Vento Homeless Assistance Act designed to help communities address homelessness.
5. Explore a discretionary permit process that facilitates construction and rehabilitation of Agricultural Employee Housing projects that are larger than the types that qualify for “use by-right” processing.
6. To meet the needs of low and moderate income households, focus on producing a wider variety of types of housing to increase the diversity of homes available for sale and rent. Additional smaller units would serve seniors, students, and other one and two person households. Increasing units in the lower cost categories could also free inventory in the larger single family dwelling category as smaller households have the opportunity to downsize to smaller units. Strategies include:
 - a. Promoting development that is consistent with the principles of the Sustainable Santa Cruz County Plan²³, including focusing on urban infill development, redevelopment of existing commercial sites with mixed use, and development near transportation corridors;
 - b. Exploring zoning tools such as mixed use and flexible residential districts, and residential overlays that have density and site standards that encourage smaller units. Where appropriate, do not specify a density limit (such as for mixed use project on commercial sites) so that the number of units allowed is based on site standards rather than net developable area; and
 - c. Promoting mixed use development, including by allowing consideration of projects with a residential component of more than 50% on commercial or office sites, considering reduced or shared parking requirements, and other updated site standards for mixed use projects.
7. Promote efficient use of the limited amount of land in RM districts by ensuring that design and site standards for RM encourage multi-family attached housing, and by

²³ <http://sustainablesantacruzcounty.org/>

requiring that developments be attached housing projects unless unusual site conditions exist.

8. Explore opportunities for rezoning appropriate urban sites to RM and increasing densities on current RM sites to densities more appropriate for attached housing.

REGIONAL HOUSING NEEDS ALLOCATION (RHNA)

State law requires that the Housing Element include “*documentation of projections and a quantification of the locality’s existing and projected housing needs for all income levels...[including] the locality’s share of the regional housing need.*” The California Department of Housing and Community Development (HCD) creates estimates for the overall housing unit demand for the two-county Monterey Bay region (i.e., Monterey and Santa Cruz Counties). This is known as the “Regional Housing Needs Determination” and is expressed as the number of housing units that should be planned for over specified period to accommodate the needs of households in each income category. The Association of Monterey Bay Area Government (AMBAG) then distributes that regional number to each of the local jurisdictions (i.e., cities and counties) in the region. This is the “Regional Housing Needs Allocation” (RHNA), in which each city and county is assigned its “fair-share” of HCD’s projected overall housing need, broken down by the number of units needed in each of the four²⁴ income categories, so that lower income households will be proportionately and fairly distributed throughout the region.

Figure 4.3.5 shows the AMBAG adopted RHNA estimates for housing demand in each jurisdiction within Santa Cruz County, and for the entire Monterey Bay region. AMBAG has projected a need for 1,314 total new housing units in the unincorporated area of the County during the 10 year RHNA planning period between January 1, 2014 and December 31, 2023. AMBAG’s determination included the distribution of housing units by income category as established by HCD’s regional allocation.

²⁴ By State law, the “Very Low Income” figure has subsequently been split by the County into Very Low and Extremely Low income categories, resulting in five income categories.

Figure 4.3.5: Regional Housing Needs Allocation Plan: 2014-2023

Geography	Total Allocation	Very Low (24.1%)	Low (15.7%)	Moderate (18.2%)	Above Moderate (42.0%)
AMBAG Region	10,430	2,515	1,640	1,900	4,375
Monterey County	7,386	1,781	1,160	1,346	3,099
Santa Cruz County	3,044	734	480	554	1,276
Capitola	143	34	23	26	60
Santa Cruz	747	180	118	136	313
Scotts Valley	140	34	22	26	58
Watsonville	700	169	110	127	294
Balance of County	1,314	317	207	239	551

Source: Final Regional Housing Needs Allocation Plan 2014-2035, AMBAG, 2014

RELATIONSHIP TO HISTORICAL HOUSING PRODUCTION

The Regional Housing Needs Allocation (RHNA) is required to be used as the basis for the Housing Element in each local jurisdiction's General Plan, thereby ensuring that cities and counties have established planning and zoning policies that *allow* for the development of an adequate number of housing units that would be available across income categories. But the State cannot require that the RHNA units actually be *built*, as actual housing production is a function of the market, the economy and many other factors.

While the current AMBAG RHNA projects that 1,314 new housing units will be needed during the 2014-23 Housing Element planning period (i.e., an average of 131 units per year over the 10-year planning period), the production of such units will occur as private parties assemble the land and financing necessary to build them and only if the market will support that production.

To put the RHNA number into perspective, between 2008 and 2014 a total of 234 permits for residential units that were market rate were issued, an average of 34 per year. In 2008 there were 32 market rate building permit applications, an historic low²⁵. That is not surprising given the economic conditions at the time, which included increasing foreclosures and difficulty obtaining financing. However, while the economy has partially recovered, the number of foreclosures has dropped significantly, and terms of lending have become somewhat less restrictive, the number of market rate building permit applications continues to be extremely low. Building permit applications appear to be a lagging indicator in Santa Cruz, and at this time it is not known when building permit application rates will recover. It remains to be seen how economic forces will affect the actual production of housing units over the course of the planning period.

²⁵ "Report on Year 2015 Growth Goal for Santa Cruz County's Unincorporated Area", Santa Cruz Planning Department, November 1, 2014.

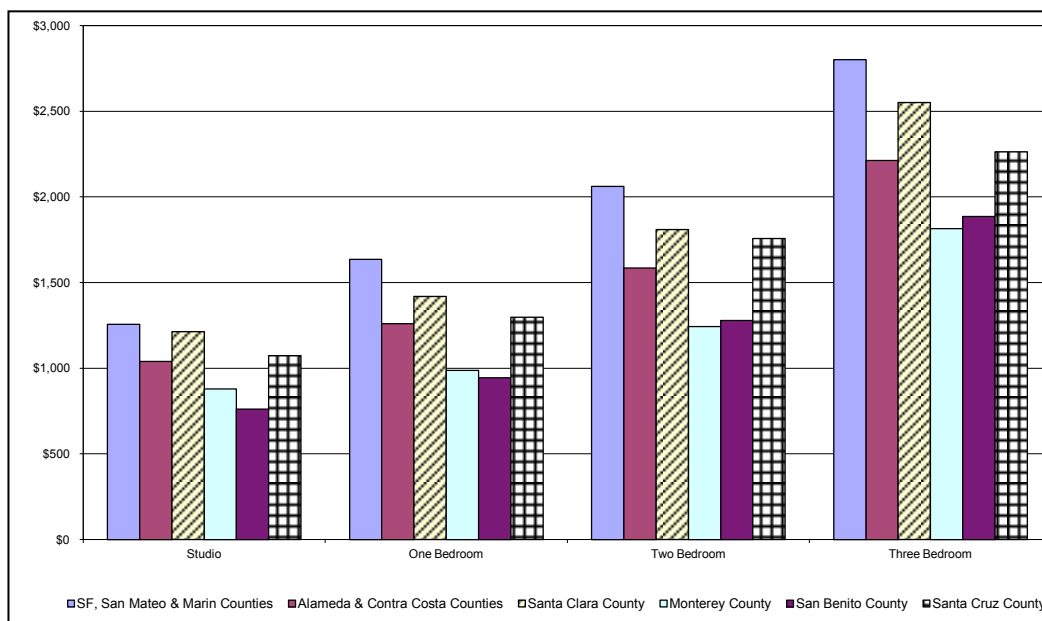
HOUSING NEEDS OF THE GENERAL POPULATION

For the purposes of the Housing Element law, the income group that is at or above 120% of median income (i.e., the “above-moderate” income category) is assumed to have the resources to address its housing needs. While it is clear that these households are often challenged by the housing market in Santa Cruz County, the legal limits of funding for affordable housing generally do not provide assistance to households whose incomes are above 120% of median. The Housing Element is, however, required to consider the specific housing needs of people with physical and developmental disabilities and who are elderly, regardless of income. Otherwise, it is assumed that the housing needs of the above-moderate income category are being addressed through the general protections of planning and zoning policies that are in place to direct development in ways that enhance quality of life for the community, protect the environment and secure health and safety.

Housing affordability varies across the County, and the location, type, quality, and size of housing units can have an effect on the price of housing. These factors are in play to create some housing units that are relatively affordable compared to others. Mobile/manufactured home parks, for instance, have been an important source of relatively affordable housing for many years, with 67 parks in the unincorporated area containing 4,249 units. The County has a mobile/manufactured home rent control ordinance that applies to non-owner occupied parks within the unincorporated area that protects the affordability of space rents. Many (but not all) owner-occupied parks have affordability restrictions in place. Even so, the steep increase in housing prices of the past decade has rendered many of these units unaffordable to many in the community, bringing into focus the need to secure the affordability of a portion of the housing stock. Besides affordability, the pressures on the County’s housing market have resulted in housing quality that is substandard and overcrowded in too many cases.

Housing costs of available rentals are out of reach for many county residents. Compared to rents in neighboring counties and the nearby San Francisco Bay Area, rents in Santa Cruz County are relatively high with only the San Francisco/San Mateo/Marin County and Santa Clara area comparable or higher (see Figure 4.3.6 below).

Figure 4.3.6: Comparison of Fair Market Rents by Number of Bedrooms



Source: HUD 2015

According to the National Low Income Housing Coalition, a household of wage earners would need to earn \$33.77 per hour in order to rent a two-bedroom apartment in Santa Cruz County.²⁶

Further, the primary vehicle for housing subsidy in Santa Cruz County is the Housing Choice Voucher program (sometimes called Section 8 Vouchers) administered by the Housing Authority of Santa Cruz County in which residents pay 30% of their income for rent and the balance is paid by a federal subsidy. According to the Housing Authority, there are 4,823 Santa Cruz County households on the Section 8 waiting list as of May 2015, a decline from the number reported in the 2009 Housing Element because the waiting list has been closed for several years. The supply of publicly subsidized housing is not available in sufficient quantity to meet demand. This situation is documented in Figure 4.3.7. The Housing Authority no longer tracks household size because the amount of time spent on the waiting list often results in a household size changing multiple times before a voucher is available. The Housing Authority currently administers 4,411 vouchers, and 354 new families received vouchers in 2014. The increase in families receiving vouchers is due to a restoration of funding that had been cut in previous years during the federal sequestration.

²⁶ National Low Income Housing Coalition "Out of Reach 2015"; July 2015

Figure 4.3.7: Section 8 Housing Waiting List (as of May 2015)	
West Santa Cruz /North Coast/Bonny Doon/UCSC	814
San Lorenzo Valley/Scotts Valley	399
Upper Branciforte/Dominican area/Summit	95
Eastside Santa Cruz/Live Oak	826
Aptos/Soquel	401
Watsonville/South County	2288
TOTAL	4,823
Source: Housing Authority	

Because the market does not produce enough housing of adequate quality that is affordable to the range of income groups living in the community, the County has created housing programs and projects to address that need. As mentioned above, Measure J requires that housing developments of 5 or more units set aside 15% of the units as affordable housing, meaning they will be price-restricted and sold to qualifying households at an affordable price. The units are ‘deed restricted’ to ensure they will remain affordable into the future. In 2015, the Board of Supervisors allowed for an option to pay an Affordable Housing Impact Fee (AHIF) of \$15 per square foot for all units in the project with the funds to primarily be used to create affordable rental workforce housing units. To date, over 550 units have been created under Measure J in the unincorporated area of the County; deed restrictions remain in place for 455 of those units.

HOUSING NEEDS OF SPECIAL POPULATION GROUPS

In addition to overall housing needs, the County must plan for housing that meets the special housing needs of certain groups, such as seniors, persons with disabilities, large families, farmworkers, female heads of households, and people who are homeless. These needs can be accommodated through a range of housing options, including independent living, supportive housing, group housing, transitional housing, Single-

Room Occupancy (SRO) accommodations, and homeless shelters. However, many of these options are dependent on funding from State and Federal sources. Clearly, housing strategies should ensure that an appropriate proportion of the market rate and affordable new units constructed in the County are suitable for, and targeted, to special needs populations. Similarly, there should be strategies to encourage more existing units to be converted to serve these populations. The population groups that warrant particular attention because the existing housing market has not adequately met their needs include:

- Seniors;
- People who are homeless;
- People with disabilities;
- Large households (5+ people);
- Female headed households; and
- Farm worker households

Seniors

For purposes of this discussion, “senior” indicates a person 65 years or older, unless otherwise noted. There were approximately 29,158 persons 65 years or older in Santa Cruz County (2010 US Census). These seniors represented approximately 11.2% of the total County population in 2010. This number is expected to increase due to the aging of baby boomers. There were 35,935 persons between the ages of 50 and 64 (2010 US Census) that will increase the number of seniors over the next 10 years. In the unincorporated area of the County only there were 16,632 persons over the age of 60 according to 2012 American Community Survey.

Housing Needs of Seniors

Senior households vary across the socio-economic spectrum and their housing needs reflect this:

- Seniors retiring without substantial assets or retirement funds need rental housing that they can afford within their community, and with nearby access to services and transportation;
- Senior homeowners can have difficulty in finding suitable homes when downsizing to a smaller house;
- As people live longer there is a need to provide a spectrum of housing types for seniors that include services for the “active” as well as the “frail” older person.
- Very low-income seniors in need of nursing care need facilities that accept MediCal and Medicare.

See Appendix 4.3-3 for a list of Housing for the Elderly in Santa Cruz County.

Existing Residential Opportunities for Seniors

- **Rental Housing**

- Market Rate Rentals: The University of California Community Rentals Office keeps statistics on housing cost for Santa Cruz County. For the period April 1, 2014 through March 31, 2015 the office reports average rent for an apartment or condo \$1,315 and for a 1 bedroom house or duplex \$1,567. Average rent for a studio apartment is reported at \$1,003.
- Subsidized Rentals: There are two primary types of subsidized rental housing for seniors; tenant based subsidy and project based subsidy. An example of the first is the Housing Choice Voucher program (sometimes called Section 8 Vouchers) administered by the Housing Authority of Santa Cruz County in which residents pay 30% of their income for rent and the balance is paid by a federal subsidy. As mentioned above, these vouchers are limited and have a significant waiting list. To qualify for this assistance, the maximum annual income in 2015 for a one-person household is \$55,250 and for two persons is \$63,150. In addition to Housing Choice Vouchers, there are housing developments for seniors that are subsidized through Federal, State and/or local financing programs and provide affordable rents to qualifying households. Figure 4.3.7 lists subsidized rental developments for seniors that are located in the unincorporated areas of the County. Managers of all these housing developments report 100% occupancy and waiting lists of 1-2 years.
- Second / Accessory Dwelling Units: Second units, or ADUs, are another housing option available to seniors. These units are separate dwelling units within an existing single-family property that are designed for one or two person households. They are limited to 640 square feet in the urban area and 1,200 square feet in the rural area.
- Shared Housing: Another option available to seniors is shared housing, in which senior households are matched with other senior or non-senior households to share a dwelling unit. For example, a single senior who lives in a two-bedroom house could rent out one of his/her bedrooms to another single senior household. The County of Santa Cruz contributes funding assistance to Senior Network Services to provide a shared housing counseling program that matches compatible households.

Figure 4.3.8: Subsidized Senior Rental Projects		
Elizabeth Oaks	1460 Jose Avenue, Live Oak	48 One Bedrooms
Pajaro Vista*	1955 Pajaro Lane, Watsonville	106 One Bedrooms
Paloma Del Mar*	2030 Pajaro Lane, Freedom	103 One Bedrooms 26 Two Bedrooms
Seaside Apartments	30 th Avenue, Live Oak	16 One Bedrooms
Via Pacifica	1860 Via Pacifica, Aptos	20 Studios 60 One Bedrooms
Volunteers of America	1635 Tremont Street, Live Oak	19 Studios 55 One Bedrooms
Woodland Heights	3050 Dover Drive, Live Oak	12 Studios 56 One Bedrooms
TOTAL		51 Studio Units 444 One Bedroom Units 26 Two Bedroom Units 521TOTAL UNITS
Source: Planning Department		
* Subsequently annexed into the City of Watsonville.		

Owner Occupied Housing for Seniors

- Single Family Dwellings: 2010 US Census data indicate that 78.5% of the County's seniors owned their own home compared to 53.5% for County residents aged 25-64 as a whole. It is assumed that many of these households purchased their homes years ago, and have since built up equity that could potentially be used for future living expenses.
- Affordable Home Ownership: There are two ownership housing developments targeted to seniors that are deed restricted for permanent affordability under the Measure J program.

Figure 4.3.9: Subsidized Senior Homeownership Projects		
Casa La Familia	2296 7 th Avenue, Live Oak	23 One Bedrooms
Vista Prieta	Vista Prieta Court, Live Oak	38 One Bedrooms 14 Two Bedrooms
TOTAL		61 One Bedroom Units 14 Two Bedroom Units 75 TOTAL UNITS
Source: Planning Department		

- Mobile/manufactured Homes: Mobile/manufactured homes are an important housing resource for seniors. According to the County of Santa Cruz Planning Department, there are 4,249 such homes in the

unincorporated County. The majority of these are located in mobile/manufactured home parks. There are 15 mobile/manufactured home parks that are restricted to occupancy by seniors age 55 years and older, totaling 1,217 units. Rules or regulations restricting the age of park residents must comply with the provisions of the federal Fair Housing Amendments Act of 1988 and implementing regulations. To ensure their continued use as mobile/manufactured home parks, the County adopted Chapter 13.30 of the County Code (Mobile Home Park Conversions) and Section 13.10.455 (Mobile Home Park Combining District). The first restricts mobile/manufactured home park owners from converting parks to other uses. The second requires that a rezoning be a part of any mobile/manufactured home park conversion. Further, the County has had in place for decades a Mobile Home Rent Stabilization Ordinance, which regulates rent increases. One area of concern with these homes is to ensure that they are maintained and repaired when necessary.

- **Supportive Housing for Seniors**
 - Congregate and Independent Living Facilities: In addition to traditional rental units, there are also congregate living and independent living facilities in Santa Cruz County. These facilities typically are “apartment-like,” in that each household has a single living unit with kitchen and bathroom facilities but there is also a common dining facility with at least one meal provided per day. In addition, there may be other amenities offered that include transportation for shopping and cultural events, crafts and entertainment facilities, and meeting rooms. There are currently 5 congregate and independent living facilities located throughout Santa Cruz County and its four cities. These facilities are comprised of a total 588 units. Dominican Oaks is the only congregate care facility that provides “affordable inclusionary units” based on rates established by the County of Santa Cruz as 30% of monthly income, and is also the only facility located in the unincorporated area of the County. Dominican Oaks provides a total of 156 congregate care living units, 52 of which are affordable.

Figure 4.3.10: Subsidized Congregate Care Projects		
Dominican Oaks	3400 Paul Sweet Road	44 One Bedrooms 7 Two Bedrooms
Source: Planning Department		

- Residential Care for the Elderly: There are also residential care options available in Santa Cruz County. The term residential care refers to a system of custodial care that can be provided in a single-family residence, a retirement residence or in any appropriate care facility including a nursing home. The three main types of residential care facilities are:

Residential Care Facilities, Assisted Living Facilities, and Skilled Nursing Facilities.

Residential Care Facilities: Residential care facilities differ from other facilities in that they offer non-medical custodial care and are usually group living quarters with staff supervised meals, housekeeping and personal care.

Assisted Living: Assisted Living facilities have comprehensive programs designed specifically for the elderly who cannot live on their own. Sometimes these facilities are conversions of retirement residences or small apartments into care centers. In some retirement residences a separate section will be dedicated to Assisted Living residents, but in other residences there is no segregation of those who need care and those who don't. Assisted Living Facilities differ from Residential Care Facilities because they are generally laid out apartment style with special amenities such as walk in showers, wide doors for wheelchair access, emergency call pull cords and are generally larger facilities.

Skilled Nursing Facilities: Skilled Nursing Facilities are medical facilities and are allowed to provide services that cannot be provided in assisted living or residential care facilities. Typically these services involve managing complex and potentially serious medical problems such as infections, wound care, IV therapy, and coma care. They offer both short and long term care options for those with serious problems and disabilities such quadriplegics and others who are bedridden and require nursing care. Skilled nursing facilities differ from traditional residential care facilities because the cost of rent depends on the patient's Medicare and Medicaid supplements.

People Who Are Homeless

Homelessness has become an increasingly distressing problem for communities across the US, and Santa Cruz County is no exception. Much has been learned about the issues that lead to homelessness and how they differ for the various types of homeless persons. For example, youth aging out of the foster care system without the support in place to safely enter adulthood, children and families who are homeless due to loss of a job or a rental home, and people with profound challenges who have been homeless repeatedly and/or over a period of years, are among the types of people who are homeless in Santa Cruz County, each having their own set of challenges and needs.

In the spring of 2015 the County of Santa Cruz and each of the four cities within its boundaries adopted *ALL IN—Toward a Home for Every County Resident*. *All In* is the community's strategic plan to address homelessness. It establishes eight strategic priorities across systems and specific homeless populations that endeavor to reduce and eventually end homelessness in Santa Cruz County:

1. Transforming the Crisis Response System
 - Coordinated entry system implemented to improve access to housing and services for all populations.
 - Increased prevention and diversion resources to reduce the number of households falling into homelessness.
 - Interim housing returned to it's original emergency purpose.
2. Increasing Access to Permanent Housing
 - Sufficient permanent affordable housing developed & maintained for all who are homeless or at risk.
3. Integrating Systems and Community Support
 - People experiencing homelessness receive the mainstream services needed and become and remain stably housed.
 - Protocols are in place to prevent institutional discharge of persons directly to the streets.
 - Community perception of safety is improved.
4. Ending Chronic and Other Adult Homelessness
 - End chronic homelessness by 2020, while reducing homelessness among seniors and other adults.
5. Ending Family Homelessness
 - Family homelessness is ended by 2020.
 - Fewer at risk families fall into homelessness.
6. Addressing Needs in South County
 - Ensure that the benefits of a comprehensive, culturally competent homeless assistance system fully extend to traditionally underserved communities in the Pajaro Valley.
7. Initiating a Response to Youth and Young Adult Homelessness
 - Initiate a comprehensive, developmentally appropriate system of services for unaccompanied youth and young adults, ages 14-24, including youth formerly in foster care.
8. Ending Veteran Homelessness
 - Veteran homelessness is ended by 2016.
 - All veterans have stable housing and uniquely tailored supportive services enabling them to stay housed.

The 2015 Santa Cruz County Homeless Survey and Census²⁷ identified an overall homeless population in Santa Cruz County of 1,964 people, a number that excludes 152 homeless individuals who were housed in jails, hospitals or rehabilitation facilities as they do not meet HUD's homeless definition for the point-in-time count. This number represents a reduction of 44% from the 2013 Homeless Census and Survey.

Of the identified homeless population, 1,354 were unsheltered, on the streets of Santa Cruz County. The HUD definition of an unsheltered homeless person is someone who is either living on the streets, or in a vehicle, encampment, abandoned building, garage, or any other place not normally used or meant for human habitation. In addition to those

²⁷ 2015 Santa Cruz County Homeless Census and Survey; Applied Survey Research, 2015.
http://www.co.santa-cruz.ca.us/Portals/2/County/Planning/housing/Homeless_Census_&_Survey.pdf

unsheltered, 610 sheltered homeless people were counted in emergency shelters, transitional housing facilities, and short term medically related voucher programs²⁸.

The following is a profile of homeless people in Santa Cruz County:

- 56% of survey respondents had been homeless for a year or more.
- 24% of the overall homeless population were families with children in 2015.
- Whites/Caucasians comprised 57% of survey respondents, Hispanics/ Latinos comprised another 37%, Blacks/African Americans comprised 5%, and 28% identified as multi-racial.
- 51% of all respondents were between 31-50 years old.
- 69% of homeless respondents were male, 30% were female, and less than 1% identified as “other”.
- A majority (84%) of respondents were living in Santa Cruz County when they most recently become homeless.

Homelessness has been described as a “lagging indicator” of recession.²⁹ It takes time for people to lose their housing after a recession starts, employment income is lost, and the rental housing market becomes impacted by former homeowners, who have been foreclosed or have otherwise lost their housing. Likewise, after the recession ends it takes time for people to get jobs and save enough money to move back into their own housing. For these reasons, increases in Santa Cruz County homelessness didn’t become apparent until a while after the 2008 beginning of the recession, and decreases in homeless are just now becoming apparent. For more information review the 2015 Santa Cruz County Homeless Survey and Census conducted by Applied Survey Research (ASR).

In Santa Cruz County, the recovery from homelessness is made considerably more difficult by the large gap between the incomes earned by persons on the lower end of the economic spectrum on the one hand, and extreme high cost and lack of availability of rental housing on the other.

HUD pays particular attention to the population of people who are chronically homeless, and a profile of this population was obtained from the data gathered from the homeless survey. The reason for the focus on chronic homelessness, is that this sub-population has complex service needs that are met inadequately through the very expensive use of emergency services such as hospital emergency rooms, law enforcement interaction and homeless services. Failure to adequately address the needs of this population has a community wide impact by over-burdening social service systems. HUD defines a

²⁸ The number of sheltered homeless people counted is considerably less than the total number of available shelter beds in the County. The survey is a snap shot of one day of the homeless population and may not reflect the fluctuating year round need for shelter in the County.

²⁹ See National Alliance to End Homelessness, The State of Homelessness in America 2014 (<http://www.endhomelessness.org/library/entry/the-state-of-homelessness-2014>).

chronically homeless person as *an unaccompanied individual with a disabling condition who has been continually homeless for one year or more; or has experienced four or more episodes of homelessness within the past 3 years.*

In Santa Cruz County approximately 26% of the population were chronically homeless. In recent years, providers have placed a much greater emphasis on (1) identifying and prioritizing (for housing and services) the most long term homeless, high barrier, medically vulnerable persons, and (2) increasing the supply of permanent supportive housing (PSH) for this group, including increasing the use of Housing Choice vouchers. For instance, the number of PSH beds targeted or set aside for persons experiencing long-term, chronic homelessness has increased from only 61 beds in 2007 to 416 in 2015. Meanwhile, the 180 Initiative helped more than 200 persons experiencing long-term, chronic homelessness to find and move into stable permanent housing (often their first housing in many years). Housing First has been adopted by most providers Santa Cruz County that serve this group.

Existing Housing Opportunities for People who are Homeless

There are four types of assistance that target people who are homeless:

- Emergency Housing includes short-term shelter or a voucher payment designed to provide immediate shelter and is intended for people experiencing homelessness for the first time or facing a short term crisis such as domestic violence or medical crisis

The County has approximately 322 emergency shelter beds available between April 16 and November 14 each year, and an additional 100 beds available between November 15 and April 15 when the temporary winter shelters open. The shelter facilities serving people who are homeless in Santa Cruz County are located in the cities of Watsonville and Santa Cruz. Some shelters serve special groups such as families, youth or adults with psychiatric disabilities, while others serve the general homeless population (and may set aside beds for particular subpopulations.) In addition, there are limited motel vouchers available through the Community Action Board or the Homeless Person's Health Project.

- Transitional Housing is intended to assist people to achieve stability and may be in the form of housing subsidy in the rental market or housing in transitional facilities. Transitional housing programs include supportive services such as job training and placement services, substance abuse treatment, mental health services and/or independent living skills training and counseling, in addition to the shelter provided.

Countywide, there are approximately 279 transitional housing beds available. These include both facilities such as Page Smith Community House and scattered site subsidies such as those provided by Families in Transition. Many of the transitional housing programs serve targeted populations such as people with mental illness, substance abuse or histories of domestic violence.

- *Permanent Supportive Housing* is intended for people with on-going complex service needs and may be in the form of subsidies or affordable rental projects that include relationships with supportive services providers.

Housing that includes supportive services can greatly enhance the probability that a person with a history of homelessness and complex service needs will succeed in housing. Since 2001 housing and service providers in Santa Cruz County have been focusing on developing projects and programs using a “housing first” approach, with the goal of immediately housing people who are homeless and providing supportive services in place to help them stay in housing. Local examples include MATCH (Meaningful Answers to Chronic Homelessness), which provides scattered site permanent housing subsidy to people who have been chronically homeless and serial inebriates, and Nuevo Sol, an affordable housing project that targets people who have been homeless and have psychiatric disabilities and the 180/180 Initiative.

- *Homeless Prevention and Rapid Rehousing* is targeted assistance intended to prevent or shorten episodes of homelessness. Specific interventions are targeted to individual needs and might include, for example, short term rental assistance, funds for rental or utility deposits, housing counseling, assistance with housing search.

Homelessness prevention and rapid rehousing funding is a cost effective strategy because it targets the specific level of assistance that individuals and families need to avoid or shorten homelessness. Increasingly, State and federal resources direct funding to programs that can effectively implement this strategy.

- *Recuperative Care* is an innovative strategy that provides safe shelter with medical support for homeless persons being discharged from in-patient hospital stays. It enables hospitals to discharge homeless patients who have medical conditions that require follow-up but who are otherwise ready to release to a safe place.

The Homeless Services Center, located in the City of Santa Cruz, opened the Recuperative Care Center in 2013. Medical support is provided by the County’s Homeless Person’s Health Project. Each of the hospitals in the County provides funding for the program along with the Central Coast Alliance for Health.

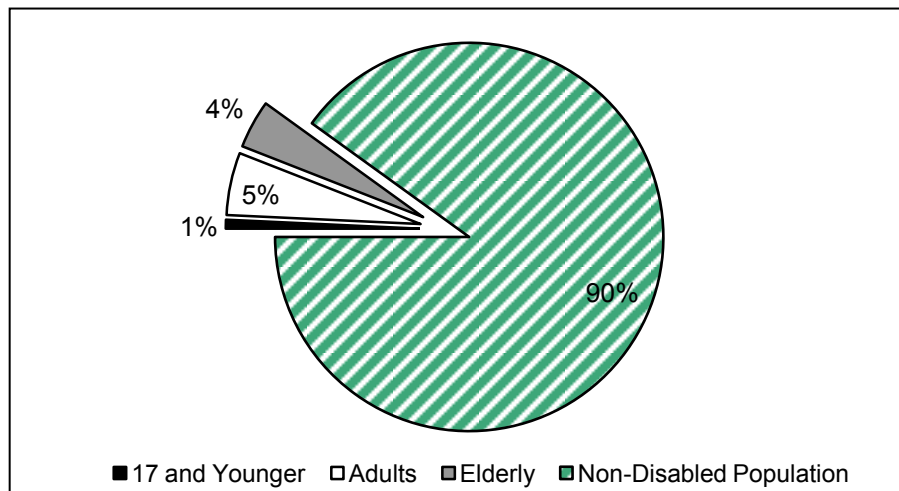
People with Physical, Mental and/or Developmental Disabilities

The Americans with Disabilities Act of 1990 describes a disability as a condition that limits a person’s ability to function in major life activities, which includes communication, walking and self-care, and which is likely to continue indefinitely, resulting in the need for supportive services. General categories include cognitive, hearing, mental health, other health disabilities, physical disabilities, speech and visual disabilities. Most, but not all, people with one or more of these disabilities are challenged by the cost of

housing and are competing against the large pool of very low-income people for a limited number of affordable housing opportunities. For the majority of people with disabilities, affordable rental housing is the best housing option. Because they generally enter the housing market with fewer resources and more obstacles, their risk for becoming homeless is greater than for those without disabilities. Of the people experiencing homelessness in Santa Cruz County, 74% report one or more disabilities.³⁰

According to the Social Security Administration, the maximum monthly payment one would receive from SSI would be \$1145 for someone living in a board and care facility; \$889.40 if an individual is disabled and living independently³¹. Disability insurance is not an adequate source of income in Santa Cruz County for renters. In addition, if a person earns more than \$500 a month, he/she generally cannot receive SSD. This restriction can make it difficult for a person who has a disability to afford housing in Santa Cruz because an individual with income from disability insurance plus a monthly salary of less than \$500 would spend more than 63% of their household income for a studio apartment at fair market rent.

Figure 4.3.11: Ratio of Disabled Population by Age Group



Note: Non-Institutionalized Civilian Population Only

Source: US Census Bureau, 2009-2013 5-Year American Community Survey

³⁰ 2014 Homeless Census and Survey, ASR 2015

³¹ Social Security Administration, January 2015

Housing Needs of Persons with Disabilities:

The housing needs of persons with disabilities have not changed much from the 2009 *Report on Services to County Residents with Disabilities*, prepared by the County Commission on Disabilities while the Commission has not updated the Report, there is still a huge need to increase the supply of affordable, disabled person-accessible housing.³² The need is only exacerbated by the high rental and sales prices. Many county residents with significant disabilities are challenged in meeting their basic needs for safety, security, health, mobility, and social interaction and self-expression. Significant disabilities may reduce self-sufficiency in personal care and management of life activities. Housing that includes supportive services/features can be greatly beneficial to this population.

Housing Needs of People with Physical Disabilities: Whether a person with a physical disability has a limited income or not, he or she is likely to require accessible housing in order to live independently, either adapted physical environments or assistance within their homes. Depending on their condition activities such as walking, climbing stairs, dressing, bathing, learning, or remembering may be difficult. Persons with physical disabilities require accessible housing with special design features, for example: the height of cabinets, the positioning of electrical outlets, the layout of fixtures and appliances, and the provision of wide interior spaces for wheelchair circulation. Few housing units are designed with these features. Disabilities can also impede a person from leaving home alone or from working. The Americans with Disabilities Act along with changes in building codes have vastly improved the ability of people with disabilities to live independently through requirements for accessibility for public facilities, transportation and new housing. Affordable housing providers have been required to build both accessible units and units that can easily be adapted to be accessible. Increasingly, they are maintaining separate waiting lists for the accessible units to ensure that the units that are built to be accessible are housing people who need the adaptations.

Housing Needs of People with Psychiatric Disabilities: In 1999 the Supreme Court in *Olmstead v. L.C.* ruled that unjustified segregation of individuals with disabilities in institutions is a form of segregation. This is interpreted to mean that people have a right to live in the least restrictive environment possible, making community integration the law of the land. The County has a system of care of people with psychiatric disabilities that includes emergency shelter, crisis residential facilities, peer run respite, board and care facilities as well as permanent affordable housing with supportive services. The majority of people with disabilities rent housing in the community. People with psychiatric disabilities are overwhelmingly extremely low income and live on SSI income. The primary housing need is affordable rental housing, either in housing developments targeting people with disabilities, in shared housing or scattered throughout the community.

³² County of Santa Cruz Commission on Disabilities; Report on Services to County Residents with Disabilities, April 14, 2009

Housing Needs of People with Developmental Disabilities: People with developmental disabilities are served under California's Lanterman Act by a network of Regional Centers who coordinate and fund services which guarantee the individual's "integration into the mainstream life of the community". Santa Cruz County is served by the San Andreas Regional Center (SARC) which maintains an office in Watsonville to serve Santa Cruz County residents. Developmental disabilities must occur before the age of 18 and include the following conditions:

1. Intellectual Disability (once called "mental retardation")
2. Autism (a condition which primarily affects social interaction and communication).
3. Cerebral Palsy (a condition which primarily affects motor function)
4. Epilepsy (a condition which causes seizures)
5. Down's Syndrome (a genetic disorder which primarily affects intellectual ability).
6. Other developmental disabilities that affect at least three basic daily living activities.

Within these categories, people with developmental disabilities demonstrate a diverse range of abilities. For example, among the people with developmental disabilities in Santa Cruz County:

- 33% have no intellectual disability and 44% have either a "mild" or "moderate" intellectual disability.
- 76% are able to walk without any kind of support, such as a cane, a walker or a wheelchair.
- 76% are unaffected by "severe behaviors".³³

According to the California Department of Developmental Services, Santa Cruz County is home to 1,216 people with developmental disabilities ages of three and up, as well as an estimated 50 between the ages of birth and two.³⁴ 832 people with developmental disabilities of the people with developmental disabilities in Santa Cruz County are age 18 or older, 56% are identified as white, and 36% are identified as Hispanic.

69.5% of the active caseload (845 people) currently live at home with a parent or guardian. 10.6% (129 people) live in community care facilities. 18.75% (228) live independently in their own housing. Three people live in Intermediate Care Facilities and five people live in skilled nursing facilities. Six people have other living arrangements.

While the Lanterman Act entitles people to services supporting the "least restrictive environment", this entitlement does not extend to the cost of housing. Because people with developmental disabilities often are unable to work (more than 85% of the state's population with developmental disabilities are unemployed), they depend on SSI, SSDI or Social Security as their primary

³³ California Dept of Developmental Services June 2015;

³⁴ <http://www.dds.ca.gov/FactsStats/QuarterlyReports.cfm>

income source. The typical SSI check of \$889/month is less than Santa Cruz County's fair market rent for a one-bedroom apartment.

Services are coordinated for each individual by a Service Coordinator who utilizes a number of community services including, in Santa Cruz County, Housing Choices Coalition which assists referred individuals apply for affordable housing. In Fiscal Year 2014-2015, SARC made 180 referrals to Housing Choices Coalition for people with developmental disabilities in Santa Cruz County in immediate need of affordable housing. There are at least three distinct affordable housing needs among people with developmental disabilities in Santa Cruz County.³⁵

- **Studio housing:** Adults with developmental disabilities frequently remain in the family home far longer than the age at which they are ready to move out on their own, and that is solely because of the lack of affordable housing. Affordable studio units would meet the needs of the many single adults with developmental disabilities who are unable to live independently in the community solely because of the lack of affordable housing.
- **Senior housing:** Due to advances in medical and other services, people with developmental disabilities are living far longer than in past decades. As they age, they are now outliving the ability of aging parents and family members to maintain them in the family home. Santa Cruz County has an active caseload of 163 people with developmental disabilities who are age 52 and older.³⁶
- **Family housing:** A high percentage of people with developmental disabilities live with their families well after their 18th birthday. The families can receive supportive services from San Andreas Regional Center to help them achieve this goal, but without access to affordable housing, the stability of the entire family is threatened by the commitment to maintain the person with developmental disabilities in the family home when it reduces the family's earning potential and household income.

The high cost of housing is also causing a decline in residential care facilities (AKA "group homes"), which once served as a valuable housing safety net for people with developmental disabilities. As the supply of group homes decrease, the number of emergency housing referrals is increasing, creating a serious risk of homelessness.

A promising model to create housing for people with developmental disabilities is "set-aside" units. Under this model, a developer commits a certain number of rental units in the affordable housing property for rent to people with developmental disabilities. The first units in Santa Cruz County are currently under development through a partnership with MidPen Housing, Housing

³⁵ Housing Choices Coalition, 2015

³⁶ <http://www.dds.ca.gov/FactsStats/QuarterlyReports.cfm>

Choices Coalition, San Andreas Regional Center and the Housing Authority of the County of Santa Cruz.

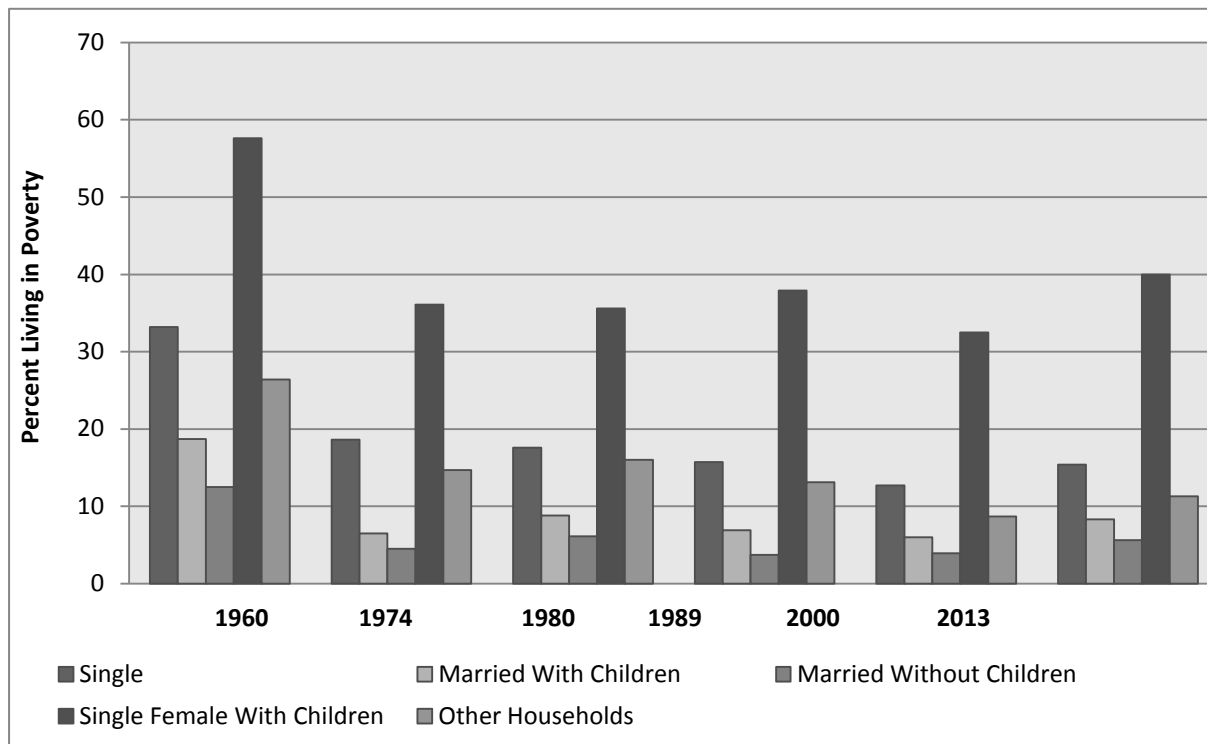
With a willing developer, this model can be applied to help meet the most pressing housing needs of people with developmental disabilities in Santa Cruz County, including the need for family housing, studio housing, and senior housing.

Female-Headed Households

Female-headed households are comprised of a female household head with children living in the home. The ACS 2007-2012 showed 6,630 female headed households with children under age 18 in Santa Cruz County. In 1990, nationally there were 8.55million children living with a single parent, usually a female parent; by 2010, that figure had increased to 11.8 million children living in single parent households of which 8.34 million children lived in female headed households.³⁷ Reduced household income levels and poverty rates are particularly significant for this type of household. Figure 4.3.14 illustrates the high incidence of poverty among households headed by a single female parent compared to other types of households.

³⁷ Source: "The State of the Nation's Housing," by the Joint Center for Housing Studies at Harvard University, 2000;US Census 2010

Figure 4.3.12: U.S Poverty Rates by Household Type



Sources: "The State of the Nations Housing 2000"; Joint Center for Housing Studies at Harvard University; 2010 US Census Bureau Historical Poverty Tables; 2009-2013 American Community Survey 5-Year Estimate

As Figure 4.3.12 indicates, since 1960, single parent households with children have consistently had the highest poverty rates of all households (with household heads under 65 years). The Figure also illustrates that female-headed households have had a higher percentage of improvement than any other category.

In California, 19.3% of all families are single parent households, with the majority of those households being female headed, according to the 2010 Census. The ACS 2007-2012 also indicates that in Santa Cruz County there were 4,954 female-headed households in the unincorporated areas (9.2% of all households).

Housing Need of Female Headed Households:

Affordable Housing: Single parent households in Santa Cruz County had lower median incomes than married couple households in 2010. With average incomes of \$43,229, single parents cannot afford the current fair market rates and average home prices in this County. Single parents have a critical need for units that are affordable to low- and very low-income households.

Adequately Sized Housing: An additional need of female-headed households is appropriately sized housing. Due to high housing costs, female-headed households

often live in units that are too small for the number of children in their households (i.e. studios or 1 bedroom units), resulting in overcrowding. Therefore, there is a need for multiple bedroom units affordable to single parent households.

Proximity to Child Care and Other Services: On-site child care, proximity to schools, on-site laundry, tot-lots, safe nighttime conditions, and proximity to shopping and public transportation are needed.

Large Households (5+ persons per household)

The US Census defines large households as households with 5 or more persons. Since large housing units are rarely affordable, and rental units containing more than 3 bedrooms are not common, adequate sized housing is difficult to obtain for most low and moderate-income large households. The American Community Survey 2007-2011 determined there were 5,072 ownership households and 4,913 renter households with 5 or more persons in Santa Cruz County.

The US Census Bureau defines a 'room' as any room in the structure except hallways or bathrooms. Therefore, units with 5 or more rooms were estimated to have 3 or more bedrooms in order to compare data to actual rental/housing market. Households with 5 or more individuals comprised 10.7% of the households in Santa Cruz County, while housing units with 5 or more rooms comprised 55.3% of Santa Cruz County's housing stock (see Figure 4.3.15). This would seem to indicate that there is a good match, with an abundance of large 3+ bedroom units for the relatively small number of large households.

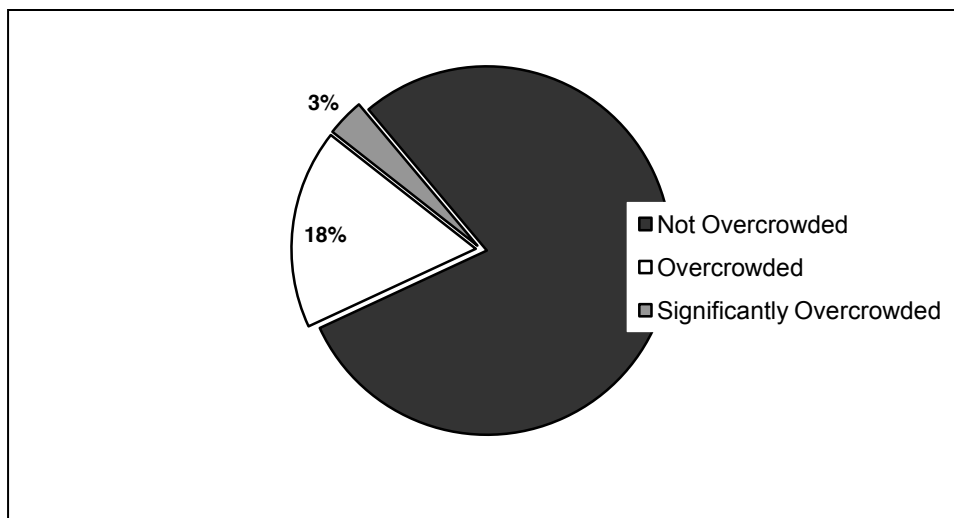
Figure 4.3.13: Households in Santa Cruz County with 5 or more Individuals and Units with 5 or more Rooms

	1990		2000		2015	
Households	Number of people	Percent	Number of People	Percent	Number of People	Percent
Family	8,906	10.70%	10,638	11.67%	9,635	10.8%
Non-family	523	< 0.01%	647	<0.01%	465	<0.01%
Total Households with 5 or more individuals	9,429	11.28%	11,285	12.38%	10,100	10.8%
Units with 5 or more rooms	51,097	55.60%	54,757	55.30%	61,987	59.2%

Source: US Census Bureau, ACS 2007-2011, ACS 2009-2013 Countywide numbers, not unincorporated only.

However, the problem is that many large households cannot afford to pay for the larger units that would most adequately accommodate them. Anecdotal evidence suggests that most of the very large houses (i.e., 4 or more bedrooms) in Santa Cruz County are occupied by smaller, relatively wealthy households. What most large households, which tend to have less disposable income, need is a greater availability of affordable 3+ bedroom housing units.

Figure 4.3.14: Percentage of Individuals in Santa Cruz County Living in Overcrowded vs. Non-overcrowded Households



Source: ACS 2008-2012

Availability of Large Units

A significant portion of new single-family homes built in the County in recent years have consisted of homes of three or more bedrooms. The problem then appears to be not one of supply, but of affordability. Large households have trouble obtaining large rental housing units. Most rental units containing 3 or more bedrooms are financially out of reach for large households because of the high rents in Santa Cruz County. A survey of vacant units in the Craigslist.com on May 14 2015 indicated that the average monthly rent for a three-bedroom unit was \$3,067 (see Figure 4.3.17). In addition to the high cost of housing, rental units that have more than 3-bedrooms are in short supply. The Craigslist survey indicated that although rental units containing three-bedrooms were abundant, units containing 4 or more bedrooms were rare and very expensive. Units are approximately \$1,000-\$1,400 more per month than they were six years ago.

Figure 4.3.15: Survey of Large Rental Units Available in Santa Cruz County in May 2015

Number of Bedrooms	Average Cost of the Rental Unit	Number of Available Units
3	\$ 3,067	52
4	\$ 3,925	21
5	\$ 5,119	5
6	\$ 5,033	3

Source: Craigslist May 14, 2015

Farmworker Households

Farmworkers in Santa Cruz County play a vital role in the County's economy and also contribute to the nation's health by putting fruits and vegetables on the tables of US households. According to the 2012 USDA AgCensus, Santa Cruz County had a market value of crop sales of \$548,415,000 and a workforce of 16,705 farmworkers.³⁸

Farmworkers have special housing needs because safe, and sanitary housing affordable to farmworkers is scarce. Farmworkers have lower annual earnings than any other occupational category. According to Employment Development Department the estimated average hourly earnings for the Central Coast Region, which includes Alameda, Contra Costa, Monterey, San Benito, San Francisco, San Mateo, Santa Clara and Santa Cruz, was \$14.17 in March 2014 for Crop Production, with berries at \$12.01 average.³⁹ According to the Center for Farmworker Families "In spite of inflation, the annual salaries of farmworkers have remained stagnant for over fifteen years at between \$12,000 and \$17,000". That means the annual median incomes of farmworkers are about 5 times lower than the California self-sufficiency standard of \$77,954 for a household with 2 adults and 2 children, while the average size of farmworker households is larger than that.⁴⁰

Housing for farmworkers is scarce in Santa Cruz County. Figure 4.3.16 lists the publicly financed housing project dedicated to farmworkers in Santa Cruz County.

Figure 4.3.16: Public Farmworker Housing Projects		
Publicly Funded Farmworker Housing in Santa Cruz County		
Name	Type	Number of Units
Jardines del Valle (formally Murphy's crossing)	Permanent	18 (including 1 manager's unit)
Tierra Alta (USDA)	Permanent	17
Villa del Paraiso	Permanent	51
San Andreas	Permanent	43
Sub-Total Permanent Farmworker Housing		129 Units
Buena Vista (State)	Seasonal (May-Oct)	106
TOTAL		235
Source: The Housing Authority of the County of Santa Cruz and the Planning Department of the County of Santa Cruz		

³⁸ USDA AgCensus 2012

³⁹ California Employment Development Department, Detailed Agricultural Employment and Earnings Data Tables, Central Coast Region, 2014

⁴⁰ Insight Center for Community Economic Development, Self Sufficiency Standard for California, 2014

In addition, there are 20 privately owned properties that include farm labor housing remaining in Santa Cruz County. These 20 properties house a total of 445 persons; a complete list can be found in Appendix 4.3-4.

Housing Needs of Farmworker Households

A significant recent development for housing hired farm workers in California is the increase in their reliance on unsubsidized, private-market, off farm housing, which is a shift in the responsibility and cost for housing to the workers themselves. Farmers have curtailed their on-farm housing, with only 3.6% of farm employers surveyed in the 2012 annual survey of wages and benefits indicating they provide onsite housing for seasonal employees⁴¹. This is consistent with the decline of registered farm labor camps with the state. There has not been a recent survey done on labor camps but the number has decreased from a high of an estimated 5,000 camps at the end of the Bracero Program to fewer than 1,000 remaining by 2000 (Villarejo et al. 2009). In addition there has only been a marginal increase in the number of subsidized farm labor housing units developed by government agencies or non-profit groups. The Office of Migrant Services, lists 24 Housing Centers throughout the State that provide 1883 housing units.⁴²

The duration of season farm employment has become longer, which encourages many workers to settle. Changes to agriculture that require more hand labor is needed for the hand-transplant of “starter plugs”, in addition berry production as harvested acreage has increased from 11,786 acres in 1974 to 40,471 acres in 2007 statewide. According to the 2013 Santa Cruz County Crop Report, berries (which include strawberries, raspberries, blackberries, misc. berries) account for 6,831 acres of crop with a value of \$390,086,000⁴³. More hand labor is needed every month, strawberries are now produced at least ten months of the year or longer. This results in a need for more year round housing for farm workers.

Farmworker households are often large and therefore they have the same needs as those listed above for large households. Farmworkers are likely to be found living in overcrowded houses/apartments with 5 or more individuals. Farmworkers represent a distinct population of large families with the average family size of a farmworker household being 4.33⁴⁴ persons far greater than the average 2.6⁴⁵ persons per household for Santa Cruz County. As for other types of Large Households, affordable housing units with 3 or more bedrooms are needed for farmworkers in Santa Cruz County. Farmworker families and non-family households often double up in rooms to

⁴¹ California's Hired Farm Workers Move to the Cities: The Outsourcing of Responsibility for Farm Labor Housing, Don Villarejo, Ph.D, January 24, 2014

⁴² California Office of Migrant Services, July 2015

⁴³ Office of the Agricultural Commissioner, Santa Cruz County Crop Report, 2013

⁴⁴ The seven communities in which the CAWHS was conducted were Arbuckle, Calistoga, Cutler, Firebaugh, Gonzales, Mecca and Vista

⁴⁵ 2010 Census

reduce the percentage of their income that goes to rent and other housing related costs. Based on the current affordable housing deficit for large households and the overcrowding that is associated with inadequate housing size, housing for large families and non-families is needed in Santa Cruz County in many areas. As with other types of large households, farmworker households need affordable, adequately sized housing. A big factor in budgeting of foreign-born farm workers are remittances sent back to their home country to support their family members. The amount of these remittances are frequently the largest or second largest expenditures from the workers after tax earnings, which ultimately is a trade off in their housing budget. (Villarejo et al. 2009)

ASSISTED HOUSING AT-RISK OF CONVERSION TO MARKET RATE

While most of this chapter of the Housing Element focuses on defining housing needs, it is also important to protect existing affordable housing resources. State law requires an analysis of existing assisted housing developments that are eligible to change from low-income housing uses during the next 10 years due to the termination of subsidy contracts, mortgage prepayment, or expiration of restrictions on use. The analysis must include a listing of each development by project name and address, the type of governmental assistance received, the earliest possible date of change from low-income use, and the total number of elderly and non-elderly units that could be lost from the locality's low-income housing stock in each year during the 10 year period. In addition, the analysis must:

- Estimate the total cost of producing new rental housing that is comparable in size and rent levels, to replace the units that could change from low-income use, and an estimated cost of preserving the assisted housing developments. This cost analysis for replacement housing may be done aggregately for each five-year period and does not have to contain a project-by-project cost estimate;
- Identify public and private nonprofit corporations known to the local government which have legal and managerial capacity to acquire and manage these housing developments; and
- Identify and consider the use of all federal, state, and local financing and subsidy programs which can be used to preserve for lower income households the assisted housing developments, including federal Community Development Block Grant Program funds, tax increment funds received by a redevelopment agency of the community, and administrative fees received a housing authority operating with the community. In considering the use of these financing and subsidy programs, the analysis shall identify the amounts of funds under each available program which have not been legally obligated for other purposes and which could be available for use in preserving assisted housing developments.

All Housing Elements must include information about the number of existing subsidized housing units that are “at risk” of conversion to other non-low income housing uses (such as market-rate housing). This requirement is in response to concerns that many

affordable housing units across the country were going to have affordability restrictions lifted because their government financing was due to expire or could be pre-paid. When the financing is pre-paid or expires, the restrictions that make the rents affordable also go away and the units can be converted to market-rate housing or other uses. The analysis of “at-risk” units is required to identify and describe the potentially “at-risk” projects, analyze the cost of preserving them as affordable housing, describe available resources which can be used for preservation, and set quantified objectives for preservation of affordable “at-risk” units.

Given the substantial need for additional affordable housing units in Santa Cruz County, as projected by AMBAG in the RHNA and documented in the needs section of this Housing Element, the County cannot afford to lose any existing affordable housing. It is much more cost-effective to preserve the existing affordable housing stock than to replace it with newly constructed units.

Over the years, both for-profit and non-profit housing developers have constructed apartments affordable to low and very low-income households with the financial assistance of the federal government. In exchange for this financial assistance, the developers/owners were required to rent the units at affordable rates for fixed periods of time (generally 20 years). When these 20-year contracts expire, the owner has the option to extend their affordable housing commitment in exchange for ongoing financial assistance from the original funding source or to “opt-out” of the assistance contract and raise rents as much as the market will bear. Figure 4.3.19 provides an overview of the “at-risk” units under these programs in the County by jurisdiction. Figure 4.3.20 provides a detailed listing of all affected projects. These units are “at risk” because the affordability restrictions are going to expire within this Housing Element's planning period of 2015-2023.

Figure 4.3.17: At Risk Units by Jurisdiction		
Jurisdiction	Number of Projects	Number of Affected Units
City of Santa Cruz	2	221
City of Watsonville	2	111
City of Capitola	1	25
Unincorporated County	4	184
Total	9	542
Source: Planning Department		

One can see that there are a significant number of units potentially at risk of conversion throughout the cities and the unincorporated area. Fortunately, over the years few projects have opted-out.

Three of the projects (including 184 units) in the unincorporated area are truly “at risk” due to being owned by for-profit entities. Casa Linda in the unincorporated area is

owned by a non-profit entity which is obligated under its non-profit charter to continue to operate housing for lower income households.

Figure 4.3.18: At-Risk Units in Unincorporated Area		
Project Name	Number of Affected Units	Status
Casa Linda	20	12/31/2015
Villa Pacifica Gardens	80	3/31/2018
Seaside Apartments – Live Oak	84	HUD contract expires 11/30/17
Total units	184	
Source: HCD Data Package: California Housing Partnership Corporation		

Each of these properties has restrictions that expire during the Housing Element's planning period.

HUD Process for Addressing Expiring Restrictions

Under the terms of their contracts with HUD, the owners of these projects have the option to extend their contracts for five-year periods providing Congress has appropriated sufficient funding for HUD to enter into contracts with all interested property owners. If an owner is interested in extending the agreement they typically submit a rent survey for HUD's review at least 120 days before the contract's expiration date. Subsequently, HUD conducts its own local rent survey and then the two parties negotiate the rent levels for the term of the five year contract extension. Under recent federal law, HUD has greater latitude in negotiating the future rent levels, but they are still limited in setting the maximum rent levels. It is typical for these negotiations to continue until the termination date of the contract before agreement is reached.

In the event that negotiations are not initiated by the owner or are unsuccessful, HUD instructs the Housing Authority to issue Section 8 vouchers to the tenants of the property which they can continue to use on the site or shift to rental unit at another location. The units themselves become market rate apartments. Without the protection of HUD's regulatory requirement, such a conversion may, over time, lead to any or all of the following: higher rent levels, more frequent unit turnover, a lower level of on-site management oversight, and a lower level of on-site maintenance. Higher rent levels can also result in unit overcrowding and a series of related issues, such as excessive demand for limited on-site parking facilities.

According to HUD, the final decision by the property owner of whether to extend the contract is generally a business decision based on which path leads to higher sustained revenues. HUD's role is simply to facilitate the termination or extension of the contract.

State Law Requirements for Projects Considering Opting-Out of Restrictions

State law requires the owners of federally assisted affordable housing projects to provide a Notice of Intent to opt out of the restrictions, at twelve and six-month intervals, prior to terminating rent subsidies or restrictions. These notices must be sent to all affected tenants, the Chairperson of the local government (the Board of Supervisors), the local Housing Authority and the State Department of Housing and Community Development.

Furthermore, the law requires owners to provide notice of the opportunity to purchase the project to HCD approved “qualified entities,” which includes non-profit and for-profit organizations that agree to maintain the long-term affordability of the projects. Qualified entities have 180 days to submit offers to purchase. Owners are not, however, required to negotiate with interested entities if they do not desire to sell their rental properties.

Although State law provides notice to tenants and local governments of impending contract cancellations, and connects willing sellers with appropriate affordable housing operators, it does not generally restrict or dictate the owner's final decision regarding preservation of affordability of their properties.

Local Options Available to Addressing Projects Opting-out of Restrictions

Some local jurisdictions have adopted regulations in an attempt to intervene in the “opting-out” process. Staff has conducted an initial review of some of these approaches has found that most programs operate similarly to the State's approach, focusing on requiring the owner to provide a more formal notification process for local agencies and potential purchasers of the project. In some parts of the country, however, more aggressive efforts have been taken to protect the long-term affordability of these units, including use of eminent domain, use of focused rent control, or requiring lease extensions for existing tenants. There are substantial questions regarding the legality of these more extreme efforts.

There are appropriate roles that local governments can play in addressing such conversions. California law provides authority for agencies to preserve the availability to lower income households of affordable housing units in housing developments which are assisted or subsidized by public entities and which are threatened with imminent conversion to market rates, but available funding to do so is very limited. In cases where the owner is intending to opt-out and is interested in selling the project, local governments can partner with non-profit or for-profit housing entities in the purchase of the project, in order to provide long term affordability. Clearly, the number one priority should be to encourage the owner to extend the contract with HUD.

Cost Analysis of Preserving “At-Risk” Projects

Given the housing market in Santa Cruz County, and the recent increases in rental rates, conversion to market rate is likely to be an attractive option for owners of the expiring properties not owned by non-profit agencies. The loss of these units to the affordable housing supply in the unincorporated County could be significant.

While the cost of preserving affordable units is less than the cost of replacement, with the loss of redevelopment it will become more challenging. Preservation of at risk units can be accomplished in several ways, including acquisition of the property by qualified non-profit housing corporations, local housing authorities, or other organizations that are committed to providing long term affordable housing.

Units with Local Restrictions

Between 1980 and 1989 it was the policy of Santa Cruz County to provide 30-year restrictions on the affordable units. However, as housing prices continued to escalate, the affordable units came to be seen as an important public resource that should be protected into the future. For this reason, the County's Inclusionary Ordinance (Santa Cruz County Code Section 17.10) was amended to restrict units in perpetuity. Ninety-eight units in the County's Measure J inventory had expiring restrictions of which 55 remain. When possible, the County makes an effort to extend those restrictions.

CONCLUSION

This Section has provided an evaluation of housing needs in unincorporated Santa Cruz County. Included has been a discussion of housing needs for all income levels in Santa Cruz County, an evaluation of housing for the general population as well as populations in the County with special housing needs, and an analysis of existing affordable units that are at-risk of conversion to market rate units. The issues and needs identified this Section will be addressed in subsequent sections of the Housing Element, providing the foundation for goals, objectives and housing policies and programs presented in Section 4.7.

APPENDICES FOR THIS SECTION

- 4.3-1 County/Redevelopment Agency Projects and Programs
- 4.3-2 Affordable Housing Impact Fee Expenditure Plan Principles
- 4.3-3 Housing for the Elderly in Santa Cruz County
- 4.3-4 Private Farmworker Housing

4.4: HOUSING CONSTRAINTS

Sections 4.2 and 4.3 of the Housing Element have described the demographics of the community and the range of housing needs for various sectors of the local population. Another key aspect of the local housing market is the influence of governmental and non-governmental constraints to housing development, which will be identified and addressed in this section.

According to California Housing Element Law, this section should include “(a)n analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels... The analysis shall also demonstrate local efforts to remove governmental constraints...” Furthermore, state law recognizes that many of the pressures on housing production lie outside the influence of government, and requires that this section also include “(a)n analysis of potential and actual nongovernmental constraints... including the availability of financing, the price of land, and the cost of construction.” In this section, we will examine the County’s natural physical characteristics that dictate the location of urban-style development, the land use policies and site standards that guide new construction, and consider other outside influences on our housing market.

NATURAL ENVIRONMENT

Santa Cruz County is situated along the California coastline between the San Francisco Bay Area and the Central Coast. The Pacific Ocean and Monterey Bay to the west and south, the mountains inland, and the prime agricultural lands along both the northern and southern coasts of the county all limit the style and amount of building that can take place in these areas. At the same time, these natural features create a spectacular environment that attracts both visitors and new residents every year. The natural landscape is what sets Santa Cruz apart from the surrounding counties. Preserving this natural environment requires specific accommodations to ensure building is done in a safe, responsible and environmentally respectful manner.

The California Coastal Zone affects nearly one third of the land in the urbanized area of the unincorporated County, which means that there are special restrictions, regulations, and processing procedures required for development within that area as dictated by the Coastal Act and the California Coastal Commission. Steep hillsides in the mountainous areas of the County mean that extensive review and engineering is required in order to ensure that slopes remain stable, buildings are safe, and water quality is not impacted by increased erosion. The farmland in Santa Cruz is among the best in the world, and the agriculture industry is a primary economic sector for the County. Preserving this industry in the face of population growth requires that soils best suited to commercial agriculture remain active in crop production and agricultural land use rather than converting to other non-agricultural land uses. Considering the defining features of the Santa Cruz County landscape, the most appropriate location for more intense urban development and human activity are those areas without prime agricultural soils, that are generally flat to gently sloping along the coastline and extending inland 1 to 4 miles.

OUTSIDE GROWTH AND ECONOMIC PRESSURES

Population growth and the cost of housing in Santa Cruz County are subject to several outside influences, the most significant being the heavily weighted jobs to housing ratio of neighboring Santa Clara County, the wage imbalance with adjacent Santa Clara County, and the growth of the University of California, Santa Cruz (UCSC). In addition, the natural environment is an attraction for buyers of second homes, above-moderate income retirees, and above-moderate income households.

Historically, Santa Cruz has provided housing base for major job centers located in Silicon Valley. This relationship has been one of the major drivers of housing demand, especially for single family dwellings in the above moderate household income category. Further, jobs in Santa Clara County are significantly higher paying than jobs in Santa Cruz, at approximately \$92,000 median income in 2014 versus \$66,000 median income in Santa Cruz, and homes in Santa Cruz are less expensive than in Silicon Valley, factors that contribute to upward price pressure on for-sale homes and rental markets in Santa Cruz.

The University of California, Santa Cruz (UCSC), continues to increase both the student body and required faculty and support staff. While UCSC has increased on-campus housing, large numbers of students and staff continue to be accommodated by the surrounding community, both in the City of Santa Cruz and the unincorporated County. Over time, the growth of UCSC will continue to provide pressure on the County's rental housing stock, as well as on moderately priced for-sale housing for families as new faculty and staff positions are created to accommodate the growth of the student body.

Santa Cruz has long been a vacation destination and continues to provide many visitor-serving land uses including recreation opportunities and accommodations in hotels, bed and breakfast establishments, and private dwellings used as vacation rentals or second homes. As visitor-serving uses continue to expand, the County faces increased pressure to provide accommodation options for tourists, and also must address the needs of the local labor force working in the lower-paying hospitality industry. As households with discretionary income drive up demand and prices for single-family homes in the above-moderate income category, the ability of local families to secure and maintain affordable housing becomes more challenging.

Lastly, two of the four highest employment sectors in Santa Cruz County are hospitality and agriculture, both of which are associated with low wage jobs. As long as wages in those sectors remain low, the gap between the median wage and the cost of the median home or rental unit will persist.

COASTAL ZONE

Because land most suitable to development lies primarily along the coastal terrace between the agricultural land in the north and south County, a significant portion of the urban area lies within the jurisdiction of the California Coastal Commission. Approximately one third of the urban land area in the unincorporated County is inside

the Coastal Zone, and subject to the development requirements, restrictions and processing procedures associated with certified Local Coastal Programs and Coastal Development Permits, which will be discussed in greater detail later in this section in the context of the local land use regulatory structure. All development standards applicable in the Coastal Zone must be mutually agreed upon by the County and the California Coastal Commission, must be consistent with the Coastal Act, and must be consistent with the Local Coastal Program, adding significant complexity to the process of coastal development.

PHYSICAL CONSTRAINTS

Many physical constraints to development exist in the rural areas of Santa Cruz County. Steep slopes, landslide hazards, fault zones and extensive sensitive habitats make the inland areas of the County ill-suited to large-scale development and the provision of urban-level services such as sewer, public water, and urban fire protection very challenging. The rural areas of the San Lorenzo Valley, Boulder Creek, Bonny Doon and the Soquel and Aptos hills consist primarily of low density residential development and forests, some of which are commercial timberland. Due to the presence of these constraints and others, the rural areas often have poor road access and are difficult to serve with emergency services including ambulances and fire protection.

These constraints have led to larger lot sizes in order to accommodate the septic leach fields required by the Environmental Health Services Department and the on-site water requirements of the various fire districts. Fire districts often require that a landowner provide enough water on site to fight a house- or wildfire, up to 20,000 gallons in some locations, in order to ensure that these neighborhoods can be protected during the fires that periodically spread across the hillsides. Similarly, the Environmental Health Services Department has determined minimum lot sizes required for new development, based on the requirements of a safe and effective septic system and protection of the County's waterways and watersheds. The lack of urban level services in the mountain communities imposes tangible limits on the population that can be accommodated there, and housing densities at which that population can live.

In addition to these physical constraints, rural areas of the County also are characterized by a high level of residential units, especially accessory dwelling units, that have been constructed without permits, than are found in the more open and accessible urban areas. These units are difficult to account for in assessments and projections of the capacity of transportation and other infrastructure in the rural area. This unquantified additional burden on infrastructure should be considered when policies that increase housing supply are contemplated for portions of the rural area that have this characteristic, such as the San Lorenzo Valley outside of the Rural Services Line.

The juxtaposition of mountains and ocean has also created a number of unique microclimates in Santa Cruz, and the biodiversity that follows has led to the high concentration of federal and state-recognized rare and endangered plant and animal species found in the County. These species require special consideration during the

development review process and their presence has mandated that new development occur with the least impact possible. The Zayante Sandhills is one such unique habitat, and the County has recently entered into an agreement with a private Conservation Bank that will ensure that this unique habitat is preserved and managed in a responsible manner while still providing opportunities for landowners to responsibly develop their properties at appropriate densities.

In addition to special habitats, the microclimates also create distinct agricultural regions. Along the north coast, the farmland is influenced by high winds and coastal fog, making it a prime location for vegetables and row crops. Throughout the southern third of the County the flats spread further inland and experience greater heat and drier summer months. These areas have historically been used to grow fruit including apples, pears, and more recently berries. Along the hillsides of Mid and South County, olive groves and vineyards take advantage of the good drainage and sun exposure, and are expanding among the rural residential developments and timber production land. Commercial agriculture is a key contributor to the local economy, providing both employment and the multiplying effect of goods brought to market locally. The agricultural soils of the Pajaro Valley are a national and global resource. For these reasons, lands suited to farming must be maintained for agricultural use over other land uses.

While limited residential development is appropriate in the rural areas, the physical features of the countryside have led to a logical concentration of development in the currently urbanized areas in the center of the County. The urban areas are located away from significant farmland, slopes, floodplains, and fault lines as much as possible, and provide a full level of urban services such as public water, sanitation, and police and fire protection. The infrastructure constraints section, below, will address these issues in greater detail.

COUNTY REGULATORY ENVIRONMENT

The Santa Cruz County General Plan is built around a core belief that the rural areas of the County are appropriate for lower density development, while the urban areas are locations where more intense land uses are appropriate and should be encouraged. Now commonly known as “smart growth,” or “sustainable development,” the concept of concentrating development in a core, delineated area in order to protect fragile and valuable rural and agricultural landscapes was enacted in Santa Cruz County by a 1978 voter initiative known as Measure J. The primary components of Measure J were:

- The preservation of Commercial Agricultural land through strict limitations on changes in use from agricultural to other land uses;
- A clear distinction between urban and rural areas through the creation of an Urban Services Line and a limitation on land divisions in rural areas;
- The creation of affordable housing through an affordable housing requirement applicable to new residential development.

By recognizing the resource constraints facing development in the County and targeting specific areas delineated by an Urban Services Line (USL) as appropriate for more intensive uses, the voters put Santa Cruz at the forefront of a movement that has only become more popular over time.

Agricultural Land Protection for Agricultural Uses

Measure J, and the implementing ordinances that followed its approval, identified prime and non-prime agricultural land throughout the unincorporated areas of the County. A series of General Plan policies and ordinances were enacted to aggressively protect agricultural lands for agricultural uses, including limiting the size of new agricultural parcels and requiring that extensive findings be made before land zoned for commercial agriculture can be rezoned for any other land use. Agricultural buffer requirements and recorded agricultural conflict acknowledgments were required to address the conflict between new residential uses and adjacent existing agricultural operations, further protecting agricultural uses from conflicts with new development. In addition, a right-to-farm ordinance was adopted to strengthen the voter's directive that preservation of agricultural land for agricultural use and production is important for Santa Cruz County.

Urban/Rural Distinction

Urban Services Line

The creation of the USL is perhaps the most significant effect of Measure J. The USL creates a boundary on the expansion of intense land uses such as dense residential development and large commercial development, creates neighborhoods that can be served efficiently by public services including transportation, fire and police protection, pedestrian improvements, and other urban amenities, while simultaneously protecting the natural resources found in the rural areas from overdevelopment. The primary distinction between urban and rural areas is the nature and density of development that is permitted based on the availability of existing infrastructure to support it.

The concept of an urban/rural boundary for development processing purposes was later expanded to the Rural Services Line (RSL). The RSL identifies areas such as the towns of Felton, Ben Lomond, Boulder Creek, Davenport, and La Selva, where existing development is at urban densities. Even though these areas may not have a full level of urban services, they constitute established locations appropriate for denser development—sometimes utilizing package treatment facilities for sanitation, such as at the Brookdale Lodge -- and a concentration of commercial services to serve their populations that would not otherwise be permitted outside the USL.

Rural Land Divisions

Measure J placed limitations on the number of parcels that could be created through land divisions in the rural area, and specified that the number of new lots would be based on a percentage of the Rural Building Permit Allocation, which is discussed below. The tool developed by the County to implement this requirement is known as the Rural Matrix, which takes the place of a specific density attached to rural zone districts.

The Rural Matrix takes into account factors such as water availability, septic requirements, fire department response time, slope and soils stability, site access, groundwater quality, timber resources, biotic resources, and fire hazards to document empirical data that leads to the determination of appropriate densities in the area. Prior to the voter approval of Measure J, rural land divisions took place to a much greater degree, and in locations that were not suitable to the dense style of development for which they were approved, as evidenced by existing problems with road access, sanitation, and drinking water services in these rural neighborhoods.

Affordable Housing

One of the sections of the Measure J initiative that has also been successful is the provision for affordable housing. By requiring affordable housing within new housing developments through an inclusionary program, Santa Cruz County was one of the pioneers in the nation in recognizing that growth management is only sustainable for a community when affordable housing is part of the package.

The Measure J requirements state that 15% of housing units built must be made available to households of moderate-, low-, or very low-income. For the most part, these Inclusionary Housing units are indistinguishable from the surrounding homes and fully integrated into the project.

Under Measure J, ownership projects with five or more units are subject to the Inclusionary Housing Program to provide on-site affordable units. Over the past few years, the Board of Supervisors has eliminated the on-site inclusionary requirement for rental units and substituted an impact fee. The County has also created more flexibility and options for developers to fulfill affordable housing requirements. The current methods available to developers of housing projects with 5 or more units include:

- On Site Inclusionary Housing - This option requires that 15% of the ownership units built in projects with 5 or more units be sold to moderate- or low-income households.
- Impact fee payment – For at least the next two years, developers can be relieved from building an on-site inclusionary unit by paying an impact fee, which was set at \$15 per square foot of all units in the project in 2015, with the amount to be annually adjusted based on cost increases.
- Existing unit conversion program - Developers can acquire existing housing in the community at the rate of two homes for each one-unit obligation. In other words, a developer with a one-unit obligation could fulfill their requirement by acquiring a duplex and reselling each unit to an income-qualified purchaser. The developer could then convert their one on-site inclusionary unit to an additional market rate unit.
- Partnership with affordable housing developer - This approach allows for-profit developers to partner with developers of affordable housing projects. These projects may either contain more than the required number of affordable units or units at a greater level of affordability.

The pricing formula is included in the County's Affordable Housing Guidelines and requires that units are priced at a level that is *affordable to households earning 100% of the County median income*, as adjusted by household size and number of bedrooms, and assuming a household spends no more than 30% of their income on housing. For example, a three bedroom home is priced at a level affordable to a household with an income at 100% of the County median income for a family of four, which is \$514,000 in 2015.

County's Affordable Housing requirements have been in place for about 35 years and land values have adjusted to reflect this requirement and, as a result, the program has not constrained development in the community. Each of the cities in the County also has affordable housing programs. All the housing units that are created through the County's affordable housing program are encumbered with affordability requirements in perpetuity, ensuring that the County will continue to build a solid base of housing for future generations. Since the inception of Measure J, 550 inclusionary affordable units have been constructed; deed restrictions remain in place for 455 of those units.

Building Permit Allocation

The final piece of Measure J was a building permit allocation system, governed by an annual growth goal adopted by the Board of Supervisors each year. This system generated controversy in the past due to the impression that it creates an artificial limit on housing construction. In fact, permit demand has exceeded permit availability only in 2 out of 37 years (1978 and 1979, the first years of the program). Additionally, the Board of Supervisors has the discretion to carry over any unused permits from one year to the next, meaning building permits have always been easily available. As illustrated by the table in Appendix 4.4-6, the available building permits has exceeded demand in all but 2 of the last 37 years, 1978 and 1979, and in those years the Board of Supervisors authorized the use of permits that had been carried over from prior years in order to meet the demand. Today, the allocation of building permits applies only to market-rate housing, and affordable housing is not subject to the allocation. Allocations are granted upon request from developers, and no additional requirements or process applies.

For 2015, the Board of Supervisors adopted a growth goal of 0.5% and allocated 253 building permits. The building permits are broken down into both urban (67%) and rural (33%) allocations: 169 Urban, and 84 Rural. By allowing more growth in the urban as opposed to the rural areas, Measure J promotes urban-centered growth, discourages sprawl, preserves agricultural and open space lands, and supports the creation of affordable housing.

Overall, the growth management system initiated by Measure J has created a relatively compact urban area while maintaining the rural landscape for both agriculture and resource protection values. The addition of inclusionary housing to the equation created a system that has worked well for over three decades. The principles of Measure J, including limiting urban expansion, protecting valuable rural and agricultural resources, and concentrating development in existing urban areas, are the backbone of a planning process that limits greenhouse gas emissions and minimizes environmental impacts. By

concentrating the bulk of development in a defined area, the County ensures that urban amenities like grocery stores and restaurants are accessible, and walkable neighborhoods are possible, while still being close to protected open space and recreational areas.

INFRASTRUCTURE CONSTRAINTS

The infrastructure provided to development in the unincorporated County has been designed to reinforce the principles of urban-centered development. To that end, public water and wastewater agencies are limited in extending services beyond the USL. With some limited exceptions, addressed below, rural development relies on well water and septic systems, and is essentially self-sufficient in terms of these utilities. Road maintenance resource limitations and highway capacity are further limiting factors for both urban and rural development.

Water

Santa Cruz County is fortunate to have several local sources of water generating supplies for residential, commercial, and agricultural uses in the County. With the exception of 200-300 parcels in the Summit area that are served by the San Jose Water Company, Santa Cruz County is served exclusively by local water sources. This situation is unusual in California – most communities rely to some extent on imported water to support their populations. Reliance on local water sources has several advantages, the first being direct control over the use of the water supply. For example, through land use choices the County is able to support groundwater recharge – the General Plan designates certain areas as primary groundwater recharge areas—which places additional restrictions on development in these areas, primarily as they relate to lot size, in order to ensure that the groundwater aquifers are maintained. The disadvantages of relying on local water sources are enumerated later in this section.

Water supplies in Santa Cruz County are provided by a variety of water purveyors: municipal water systems, County water districts, private water companies, mutual water companies, and individual well-water systems. Within the Urban Services Line (USL), water is primarily supplied by three agencies: The Live Oak and Carbonera planning areas are supplied by the City of Santa Cruz Water District, the Soquel and Aptos planning areas are supplied by the Soquel Creek Water District and the Central Water District, and the Pajaro Valley planning area is supplied by the Watsonville Water Department. Agricultural water use is a significant portion of water demand, especially in the southern portion of the County, and is usually provided by independent groundwater pumping. The Pajaro Valley Water Management Agency (PVWMA) was created by State legislation and approved by voters in 1984 to manage water resources within the Pajaro Valley Basin. The PVWMA collects pumping fees from all pumpers to fund supplemental water supply projects and delivers a blend of recycled water and supplemental water to growers in the coastal area that is subject to seawater intrusion.

The drought from 2012-2015 has further emphasized the continued deficiencies in County water supplies and has focused public attention on the ongoing efforts to

increase water supply and improving water management. Water supply planning and integrated regional water management have been of primary concern to the County and to the various water agencies. As required by state law, each of the County's water districts/departments serving urban areas must update their Urban Water Management Plans every five years, with the next updates due in 2015. These updates demonstrate how the agency intends to meet projected increases in water demand based on population projections for their service area. Also required by the State, the Santa Cruz Integrated Regional Water Management Plan was updated in 2014.

Lastly, the County of Santa Cruz is actively engaged with other agencies to implement the Sustainable Groundwater Management Act of 2014. The County is a signatory to a Joint Powers Agreement (JPA), which will provide the basis for a Groundwater Sustainability Agency for the Soquel-Aptos Groundwater Basin. The County is also working with Scotts Valley and San Lorenzo Valley Water Districts to establish a JPA for management of the Scotts Valley/Santa Margarita Basin. The County also continues close alliance with the Pajaro Valley Groundwater Management Agency to support management of the Pajaro Valley Groundwater Basin. Groundwater Sustainability Agencies to manage groundwater basins are required to be organized by 2017 and implementing Groundwater Sustainability Plans are required by 2022.

All groundwater aquifers in the County, the primary source of residential and agricultural water supply for the southern two-thirds of the County, are in some degree of overdraft. Overdraft is manifested in several ways including declining groundwater levels, degradation of water quality, diminished stream base flow, and/or seawater intrusion. Surface water supplies, which are the primary source of supply for the northern third of the County, are inadequate during drought periods, and will be further diminished as result of regulatory directives and the need to increase stream baseflows to restore endangered salmonid populations. Among the County's many other actions that conserve water supplies, the Planning Department is currently preparing an Environmental Impact Report to evaluate proposed General Plan policies and zoning code amendments that are intended to better support development of multi-family residences, townhomes, apartments, and small residences in compact developments over the long term (such policies and zoning amendments are not relied upon, however, for the County to be able to accommodate its RHNA of 1,314 units over the 10-year planning period of this Housing Element). These types of development use significantly less water than standard single family dwellings and, along with requiring proof of water supply prior to issuing entitlements, are the chief means by which a land use agency can positively influence water use. Furthermore, newly constructed buildings meeting the current building code and conservation standards use far less water than older structures built to out-of-date standards.

It is important to note that the assumption that additional housing equates to greater water use is not necessarily correct. For example, in the area served by the Santa Cruz City Water Department water usage is at the same level it was in 1977, despite a

doubling of the population in that time.⁴⁶ See also discussions of the Sustainable Santa Cruz County plan, Section 4.1.

Santa Cruz and Live Oak: The City of Santa Cruz Water Department provides drinking water to the City of Santa Cruz and surrounding unincorporated urban areas, primarily utilizing surface water from the San Lorenzo River and its tributaries and north coast watersheds. During normal years there is adequate supply, but during a severe drought only about 55% of current demand can be met. The City completed an Integrated Water Plan and spent many years pursuing a desalinization project that would meet current and projected demand (in conjunction with long term water conservation and 15% use curtailment during severe drought periods). This project was put on hold due to significant public concern over cost and impact of the project. The City is now actively engaged in an expanded water supply planning process, utilizing a Water Supply Advisory Committee and technical consulting team. This process is resulting in substantial revisions of projected demand and consideration of various water supply options necessary to meet projected demand through at least 2030. This planning effort was completed in 2015 and a multi-faceted strategy has been identified that has community support.

Santa Margarita Basin: The Santa Margarita groundwater basin provides water supply to Scotts Valley and parts of the San Lorenzo Valley. The basin has experienced significant overdraft, particularly in the Scotts Valley area, as indicated by a significant decline in groundwater levels, and decline in stream base flow from 1980 to 2010 in 2015, an updated groundwater model of the Santa Margarita Basin has been completed, which give a more accurate picture of the basin's capacity and sustainable yield.

The overdraft of this basin is being addressed in several ways. The SVWD is steadily expanding the list of subscribers to switch to reclaimed wastewater. Beginning production in 2002, it is currently one of two tertiary treated wastewater facilities in the county. The use of treated wastewater, used for irrigation and landscaping, offsets an equivalent amount of potable water pumping and therefore is a valuable component in a water portfolio. As a result of recycled water use, water conservation, and discontinued operation of sand quarries, groundwater pumpage has recently declined and further groundwater decline has stopped. Efforts are now underway to seek additional water sources to promote recovery of the groundwater levels. Funding through the integrated regional water management program was used to complete two phases of a feasibility study of the conjunctive use of surface and groundwater to increase groundwater storage in the basin. It is hoped that the conjunctive use project can generate a thousand acre-feet or more of water supplies in an average year, increasing the reliability and efficiency of the water supply for existing customers. However, completion of a conjunctive use project is likely to take 5-10 years once it is initiated. Further work

⁴⁶ "Santa Cruz Water Customers' 2015 Demand Lowers To 1977 Levels" [Santa Cruz Sentinel](#), January 11, 2016.

is underway to evaluate the feasibility of additional recharge with advanced purified wastewater.

Water quality in the Santa Margarita Basin has been impacted by various contaminant sources including gas stations, industrial sites and dry cleaners. The occurrence of these contaminants in the groundwater supply has constrained both the use of the impacted water as well as efforts to enhance groundwater storage. These constraints have diminished as clean-up of two of the largest sites has been completed.

Mid-County: In the mid-county area, overdraft is manifested by groundwater levels below sea level, the first signs of seawater intrusion into parts of the aquifer systems and the probable decline in stream base flows. Water is extracted from the mid-county aquifers by the City of Santa Cruz Water Department (SCWD), the Soquel Creek Water District (SqCWD), Central Water District (CWD), small water systems and individual users. Only the smaller CWD, located in the recharge area of one of these aquifers, appears to have sustainable groundwater supplies for its current customer base. Groundwater quality impacts from contaminants have been minimal in the mid-county area. There are several gas station leaks in this region but none of the leaks has impacted major water supply wells.

SqCWD was participating with the City of Santa Cruz in the joint development and operation of the desalinization plant, but is now actively evaluating other supplemental supply options. In the meantime, SqCWD has instituted a water demand offset program for all new water connections. This program requires new customers to minimize new water use and fund provide water saving retrofits for existing customers that more than offset the demand caused by new development. With these and other water conservation measures in place future water demand is expected to remain flat through 2030, even with the projected increase in new connections. Water conservation measures have been effective and all the major water agencies have reported declining usage since 2004. During the recent drought, all agencies have successfully achieved further reductions of over 20% from usage in 2013.

South County: Overdraft in the south county aquifers is manifested by depressed water levels, seawater intrusion, and reduced stream flows. Water levels are below sea level in more than 78% of the basin and elevated chloride levels have been detected in wells near the Pajaro River, more than two miles from the coast. Segments of Corralitos Creek have been dry earlier in the summer than in previous years.

The PVWMA completed a project at Harkins Slough that provides ground water storage and recovery in the shallow aquifer in that area. PVWMA and the City of Watsonville operate an advanced tertiary treatment facility that provides recycled water for agricultural irrigation on coastal farms, significantly reducing groundwater pumping in the coastal areas. PVWMA also recently completed the update of their Basin Management Plan, which calls for a combination of conservation and supplemental supply to reduce pumpage by the 12,000 af/yr needed to stop further seawater intrusion. In 2015 PVWMA will complete the process of raising the pumpage rates necessary to fund implementation of the BMP.

The County requires, as specified in its General Plan policies, a firm commitment of water availability in order to approve new development, and to date all major water suppliers continue to provide such commitments for new development under the County General Plan, usually with offsets or other water demand mitigation measures. The major water purveyors in the County (City of Santa Cruz Water Department, Soquel Creek Water District, Scotts Valley Water District, San Lorenzo Water District, City of Watsonville Water Department) have developed no new potable water supplies in over 20 years, and have instead relied on offset programs, relocation of pumping stations, conservation of existing resources, and wastewater reuse to continue to meet the demands of a growing population. These efforts have had some success, but development of supplemental supply is still needed to meet current and future demand and to provide additional resiliency with the projected impacts of climate change.

Transportation

Transportation constraints to development result from issues with road capacity, particularly along the primary north-south linkage of Highway 1. On local streets in the urban areas, major transportation corridors are lined with existing businesses and homes, leaving little room for road widening. In the rural areas, steep slopes and streams greatly constrain the location and width of roadways. Public roads in the rural area require nearly constant maintenance due to the slope, soil, and landslide hazards, making any expansion of the existing network exceedingly costly and potentially environmentally disruptive. Road maintenance in the rural area can be disproportionately expensive in light of the low population density served by rural roads.

The County continues to work with California Department of Transportation (CalTrans) and the Santa Cruz County Regional Transportation Commission (SCCRTC) on the planned improvements to Highway 1 through the County. As the major north-south connection in the County, Highway 1 is an important feature of the County's transportation system and experiences major delays during peak travel times in both the morning and evening on weekdays and on summer weekends. The highway is lined by development along the urban area frontage, and in certain places crosses wetlands and riparian areas that are subject to special protections under both State and local regulations. The opportunities for expanding the highway are limited, and the SCCRTC has worked with CalTrans over the years to identify those improvements.

A ballot measure to fund the widening of the highway (in addition to several alternative transportation projects) though a sales-tax increase was defeated at the polls in November 2004. While other proposals to increase capacity have been discussed by Caltrans and the SCCRTC, and improvements to sections of Highway One are implemented as resources allow, it remains unclear as to when identified improvements to each segment will occur. As of 2015, auxiliary lanes have been added to Soquel Drive, and the next segment to be improved would be from Soquel Drive to 41st Avenue/Bay Avenue.

The completed improvements at the Highway 17 interchange have generally improved travel times for this road section. CalTrans has also completed additional improvements

to Highway 17, and will continue to make improvements to the county's highways contingent on obtaining a secure source of funding. The phasing of these improvements has targeted the most congested sections of roadway first in an effort to improve the overall level of service provided.

The SCCRTC is also considering other transportation alternatives as part of its long-range transportation plan for the County. In May, 2015 the SCCRTC completed a draft feasibility study of passenger service on the rail line that runs south from the town of Davenport to the City of Watsonville⁴⁷, which is currently used for transporting freight. The study found that passenger service is feasible and two possible implementation scenarios were recommended for further study. The rail corridor is also used for seasonal tourist excursions, and is being developed with a bicycle and pedestrian trail facility as funding allows.

Transportation issues and road congestion pose legitimate limitations on development, and, along with the USL, lead to the conclusion that major development in the County should take place in existing urban neighborhoods. The Sustainable Santa Cruz County Plan⁴⁸ identified areas that would be suitable locations for residential, mixed use, and commercial development that are on or in proximity to transportation corridors. Efforts to implement the Sustainable Santa Cruz are expected to begin in 2016, with development of proposed policy and regulatory amendments that would be the subject of an Environmental Impact Report (EIR). The EIR must be completed before the draft amendments could be considered by the Planning Commission, Board of Supervisors (and California Coastal Commission for many of the proposals).

Sanitation

A number of special districts are responsible for providing sanitary sewer services in the County and for maintaining and operating local wastewater collection systems. Wastewater in the urban portions of the County is conveyed to a wastewater treatment plant in the City of Watsonville, or the City of Santa Cruz. Neither the County Sanitation District nor the Freedom Sanitation District operate a wastewater treatment plant, rather, both share treatment capacity in the other plants through Joint Powers Agreements.

The City of Watsonville Wastewater treatment Plant has a total capacity of 12.1 million gallons per day (Mgd). This treatment capacity is shared among the Freedom County Sanitation District, Salsipuedes Sanitation District, Pajaro County Sanitation District (in Monterey County), and the City of Watsonville. The Watsonville Plant provides advanced secondary treatment and some tertiary treatment as well. Through the Freedom, Salsipuedes, and Pajaro County Sanitation Districts, the County has wastewater treatment entitlement to 2.56 Mgd at the City of Watsonville Treatment

⁴⁷ "Passenger Rail Feasibility Study, Draft Report", SCCRTC, May, 2015

⁴⁸ "Sustainable Santa Cruz County", Santa Cruz County, 2014 available at www.sustainablesantacruzcounty.org.

Plant, of which it currently uses 2 Mgd. Sufficient capacity exists to meet the future growth of the County General Plan.

The City of Santa Cruz Wastewater Treatment Plant provides full secondary treatment and has a total capacity of 17 Mgd. The total treatment capacity at the Santa Cruz Wastewater Treatment Plant is shared between the Santa Cruz County Sanitation District and the City of Santa Cruz.

Through the Santa Cruz County Sanitation District, the County has an entitlement to 8 Mgd of the City of Santa Cruz treatment plant's capacity. The County currently uses almost 5 Mgd from its allocation, and the remaining capacity is designated for future development in the unincorporated area. The increase in population projected in the County General Plan could be served by the remaining capacity of the Santa Cruz Wastewater Treatment Plant. General Plan policies require that a written commitment be received from the service district guaranteeing that the required level of service is available prior to issuance of building permits. The Sanitation District is implementing a plan for the replacement of older sewer lines to reduce stormwater inflow, eliminate constrictions and improve service.

In the rural areas of the County, wastewater disposal is through septic systems or community wastewater disposal systems, also called package treatment plants. The County has implemented the Regional Water Quality Control Board requirements by the adoption of a Wastewater Disposal ordinance. As mentioned earlier, this ordinance establishes specific minimum parcel sizes for the installation of residential septic systems. These minimum parcel sizes are based on the technical limitations of the soils and include factors related to the site characteristics such as slope, high groundwater and the proximity to water wells. In certain areas of the County, such as the San Lorenzo River Watershed and the water supply watersheds of the North Coast and Bonny Doon Planning Areas, new development is constrained to a one-acre density. In the water supply watersheds of the North Coast and Bonny Doon Planning Areas, development is limited to 2½ acres/unit within one mile of a water system intake. In other rural areas, development may occur on smaller properties if all technical requirements for the installation of the septic system can be met.

Summary of Infrastructure Constraints

In summary, Santa Cruz County faces several significant infrastructure limitations that may soon pose genuine constraints to residential expansion. Land use planning in the County is limited by the infrastructure and public facilities that are managed by various other public agencies that are beyond the authority of the County government to address, e.g. water districts, fire districts and sanitation districts not controlled by the County. The County is working with the many responsible agencies to improve infrastructure to serve existing and future residents. Santa Cruz citizens are well informed on these issues and at times object to proposed development on the basis of many of the issues addressed in this section. Trepidation over the future of the County and the quality of life for all residents, both existing and future, commonly bring

concerned citizens into the development review process. The issues raised by these citizens are important and create an added challenge for potential developers.

LOCAL LAND USE REGULATIONS

Unlike most counties in California where urban development occurs within incorporated city boundaries, the unincorporated area of Santa Cruz County has a disproportionate share of the County's urban development and, therefore, must regulate a wide variety of development ranging from high density residential housing to timber production and agricultural lands.

Zoning standards

Zoning districts in Santa Cruz County are consistent with General Plan policy, and with Local Coastal Program policies as is required by State law. The zoning district provisions govern the type, density, mix, and other site related restrictions that apply to development. The zoning ordinance contains a number of features intended to promote affordable housing including density bonuses, accessory dwelling units, density minimums, and other features such as flexible application of height and parking standards for affordable housing projects.

The basic uses allowed in the County's residential zoning districts are described below. Site standards and other requirements for the residential districts are further illustrated in Appendix 4.4-1 and 4.4-2. Development standards, such as building height, parking requirements, lot coverage and setbacks, are typical of those applied in other suburban California jurisdictions. In Santa Cruz County, mixed use projects are currently subject to the site and development standards of the commercial zone districts, at the highest density of the RM zone district (one unit per 2,500 square feet of site area). In mixed use developments, currently up to 50% of the total building square footage may be residential if the units are being sold or rented at market rate, or up to 67% if the units are affordable housing units made available to households of moderate or low income. These current density and square footage maximums are being studied for amendments to further support mixed use development in appropriate commercial areas, which are usually found along transportation and transit corridors.

In the urban areas, residential districts permit single-family housing, attached housing, accessory dwelling units, dwelling groups, community care facilities, day care facilities and transitional housing. Urban residential districts also permit housing projects utilizing the State Density Bonus law. The basic use allowed in each of these districts is residential; the basic difference among the zones is the allowed density and type of housing (i.e. attached or detached). Development proposals within the USL are normally required to meet the minimum density designated in the County's General Plan. The urban residential zone districts are:

- R-1 (single family residential)
- RB (single family residential, oceanfront)

- RM (multi family residential)

In the Rural Area, residential districts permit single-family housing, dwelling groups, accessory dwelling units, and day care facilities, at densities consistent with the carrying capacity of the land and infrastructure limitations. The rural residential zone districts are:

- RA (single family residential and agriculture)
- RR (single family residential)
- R-1 (single family residential for existing developed neighborhoods)

A detailed description of the purpose of each zone district can be found in Appendix 4.4-1.

The Special Use (SU) and Agriculture (A) zoning districts, two primarily rural districts that cover wide areas of the County, also allow single family dwellings, dwelling groups and second units.

The height limit in the residential zone districts is 28 feet (with the exception of the RB district which has a height limit of 25 feet and 17 feet), but taller structures can be permitted through several discretionary permit avenues ranging from an administrative design review, administrative minor exception and administrative approval based on additional setbacks, through a public hearing for a Variance approval. Lot coverage in most urban residential zones ranges from 10% on acreage lots to 40% on lots less than 16,000 square feet in size with exceptions allowed for additional lot coverage in some circumstances. Setbacks vary among zone districts from 5 to 40 feet. The Site and Structural Dimensions Charts can be found in Appendix 4.4-2.

Parking

Parking standards are based on bedroom counts, and are similar to other suburban jurisdictions. Multifamily development must provide sufficient guest parking in addition to the required parking based on the bedroom count in the project. Developers may reduce the parking requirement through the approval of a Parking Accommodation Plan, however, as the County considers new strategies to encourage development of more, smaller units within a development, rather than fewer larger units, the parking requirements may need to be amended to support feasible small unit projects. The current residential parking standards can be found in Appendix 4.4-2.

Any project can be considered for a reduction in the required parking on the basis of an approved Parking Accommodation Plan that may include transit passes, carpool programs, documentation of reduced need, and other demand reduction measures. For mixed use projects, because it is assumed that prime times for commercial use and residential use do not typically overlap, the County's Parking Ordinance includes a provision that parking can be shared between these two uses. Projects for the elderly are routinely granted a reduced parking requirement equivalent to about 1 space per

unit. The County will be evaluating whether it would be of benefit to create a new parking requirement specifically for senior and small unit developments.

Open Space

The basic open space requirement for all multi-family development is either 200 sq. ft./unit of private or 300 sf/unit of group open space. Most multi-family developments use a combination of the two to meet the requirements. These standards are similar to those required in other jurisdictions. As the County considers implementation strategies consistent with the principles of the Sustainable Santa Cruz County plan, it will look at these open space requirements to ensure that they are not constraining the type of development that is desired along transportation corridors.

Housing for People with Disabilities

The County has worked hard over the years to eliminate constraints on housing for people with mental, physical, and developmental disabilities. The County Code contains no definition of “family”, requires no special spacing requirements between homes or facilities serving the disabled population, permits group homes for 6 or fewer individuals as residential uses, and allows homes for 7 or more disabled individuals with a conditional use permit approved by the Zoning Administrator. A reasonable accommodation ordinance provides relief from zoning and land use policies that could hinder the ability of a disabled person to live comfortably in their home. Reasonable accommodation does not require discretionary review, however the following findings must be made:

- That the person be found to be disabled, as defined by the Federal Fair Housing Act or the California Fair Employment and Housing Act;
- That the requested accommodation be necessary to allow a disabled individual to occupy the property in question;
- That the requested accommodation will not impose an undue burden on the County;
- That the accommodation will not require fundamental alteration of building and zoning laws; and
- That the requested accommodation will not deprive adjacent properties of light, air and open space consistent with the Zoning Ordinance.

Reasonable accommodations approved in the County have included reduced setbacks for accessibility ramps, increased height and reduced setback provisions for elevators, and other accommodations.

Permit Processing

The average time for processing a discretionary permit, including CEQA review, for a Minor Land Division (creation of 4 or fewer lots) or a subdivision (creation of more than

4 lots) varies considerably due to project complexity, Planning Department staffing levels and, most importantly, the promptness of information submittal on the part of the applicant. The average processing time for subdivision applications processed between 2011 and mid-2015 was 12 months. All subdivisions of more than 19 lots must be approved through public hearings before both the Planning Commission and the Board of Supervisors. All Minor Land Divisions and subdivisions of 19 lots or fewer must be approved through public hearings before the Planning Commission.

The processing time for development projects on existing lots of record depends on site constraints, engineering requirements, neighborhood involvement, and promptness of applicant submittals. A single family home on an existing lot in a residential zone district outside the Coastal Zone is allowed by-right, and building permits for these homes can be processed in several weeks. Single Family Dwellings in the Coastal Zone may require a discretionary Coastal Development Permit prior to building permit processing, depending on the project location. The time for Coastal Permit issuance is 6 months, again factoring in the promptness of the applicant in submitting required information. Multi-Family Residential Development, for either rental or ownership housing, must be approved through public hearings by the Zoning Administrator for projects of 2–4 units, the Planning Commission for projects 5-19 units or the Board of Supervisors if the project is 20 or more units. Development entitlements are approved simultaneously with tentative maps as applicable. Typical timelines for approval of these types of projects range from 14 to 18 months, again, recognizing that much of this time is spent awaiting responses and information from developers.

The County Planning Department provides priority processing for all residential projects with a minimum of 25% of the units as affordable housing. These projects, which tend to be multi-family affordable housing developments, can be processed in as little as 6 months and rarely require more than 12 months between the time of application and the time of final approval by the hearing body. Again, the wide range in processing time is due to differing response times from different applicants.

Design Review

The design review criteria are set forth in Chapter 13.11 of the County Code. Design review is conducted at the initial stages of application review. Projects that do not include construction of the dwellings as part of the application are not required to submit architectural plans, only the guidelines that will govern the future construction.

Design review is required for residential construction projects of 3 or more units, and for single-family dwellings that exceed 5,000 square feet in size. Design review is typically performed at the staff level—rather than by a design review committee or board—as part of evaluation of the overall project. Because design review is integrated into the overall review process it adds little additional time or complexity to the processing of development applications.

The purpose of design review is to ensure that projects enhance the quality and functionality of County communities. The design standards in Chapter 13.11 address

site and building design, access, circulation, parking and landscaping. Criteria are described in sufficient detail to give developers the ability to prepare compliant projects that are easily approved. A series of design brochures is available at the zoning counter and on the Planning Department's website to provide guidance to designers and property owners about the design review process.

Planners are readily available to discuss the design criteria and assist developers. Prospective applicants receive free counter consultations and may apply for pre-submittal assessments including Project Review Consultation, Predevelopment Site Review and technical assessments processed by planning staff. The inter-departmental Development Review Group is a pre-submittal (or post-submittal) review available for large, complex projects. Building plan checkers offer free appointments to discuss accessibility requirements and other building code mandates.

In general, the permitting process has been facilitated by the development of an online Geographic Information System that enables staff and the public to obtain parcel information more readily. Written requirements for all building and discretionary permit applications are now available at the planning counter and on the County website; the presence of which has improved quality of applications and improved plan check efficiency. Additionally, permit status is also available online to members of the public. The County's public notification and hearing standards exceed those required under state law. Development projects regularly attract significant attention from neighbors, and projects that go to public hearing often generate a large amount of interest from nearby residents.

Building Permit Process

Building code requirements related to engineering standards, energy conservation, parking, materials, seismic safety, and sanitation add to the cost of housing production in Santa Cruz County, however such costs must be considered in the context of the public health and safety objectives they address. These codes do not appear to be a significant constraint, and are similar, where not identical, to codes throughout the State.

Building permits for single family dwellings and accessory dwelling units, once any discretionary permit has been obtained, are usually processed in about six weeks. Accessory dwelling units are processed as ministerial permits and, consistent with State law, do not require a public hearing, even within the Coastal Zone. The Department's brochure explaining How to Obtain a Building Permit is included in Appendix 4.4-3.

Fees

The County and other local agencies impose development impact fees to fund infrastructure improvements including schools, child care, parks, affordable housing, traffic and roadside improvements. Each of these fees is directly linked to the provision of services and facilities necessary to support residential development as well as affordable workforce housing. (An Affordable Housing Impact Fee was adopted in 2015

that applies to all new residential units and all new non-residential space). The County also charges fees for zoning and building plan checks, building permits, sewer and some water connections, driveway encroachments, and drainage reviews. Many of the reviews are in place to comply with State law. Other public agencies charge fees for water connection, sewer connection, fire review and schools. Fees vary by location in the unincorporated areas of the County.

Typical building permit and impact fees for urban and rural single-family dwellings and a typical Urban Multi-family project in Santa Cruz County are shown in Appendix 4.4-4. Typical fees for a multi-family unit are lower than for a single family unit, whether rural or urban.

Historic Resources

The County's Historic Resources Ordinance requires that exterior development on parcels where a designated historic structure exists be evaluated by the Historic Resources Commission. There are 330 structures in the County designated as historic resources. It is conceivable that design constraints related to a historic structure could impact a proposed housing project or prevent demolition of a structure to allow higher residential density development; however, there have been no known instances of this to date. Additionally, historic structures are subject to the Historic Building Code.

Coastal Permits

As shown in Appendix 4.4-5, the Coastal Zone encompasses a large land area in Santa Cruz County. One third of the urban land is located within the Coastal Zone and subject to the requirements of the Local Coastal Program Land Use Plan, as approved by the California Coastal Commission. In certain circumstances, such as when a General Plan/LCP amendment is part of a project application, final approval of a development rests with the Coastal Commission and not with the County. Generally, however, single-family homes on appropriately zoned residential lots are not subject to Coastal Commission approval, and the County serves as the state-designated authority in issuing a Coastal Development Permit. All houses in the rural areas of the Coastal Zone and some in the urban areas require approval of a Coastal Permit. The added permitting required to build on land in the Coastal Zone can add both time and expense to any development project near the Coast, especially when a public hearing is required. In 2014 the County updated Chapter 13.20 of the County Code, which governs administration of coastal permits, to implement the portion of the Coastal Act that allows minor coastal permits, which allow certain development applications to be processed without a public hearing.

EFFORTS TO REMOVE CONSTRAINTS

Administrative Practice Guidelines

County staff actively pursues opportunities to clarify, simplify and improve the predictability of development review. For the past several years, the Planning

Department has addressed code interpretation questions through a process known as the Policy Forum. The Policy Forum allows staff to raise issues and ask for clarifications of the County Code. A focused conversation then occurs to clarify the intent of the policy language in question, and to provide all staff with a written administrative practice guideline on proper administration of that language. By ensuring that all staff use the same interpretation of the County's regulations the Department improves the consistency of development review for developers and property owners. Completed "Administrative Practice Guidelines" are published on the Planning Department website. When a Policy Forum discussion identifies a need for a change to the County Code, staff brings the issue to the attention of the Board of Supervisors for their discussion and direction.

Examples of administrative practice guidelines issued or modified over the past few years include:

- A new "What Counts" guidelines was issued in 2011 to guide what types of square footage to include when calculating Floor Area Ratio (FAR) in the zoning districts with an FAR standard, and when calculating habitable square footage, and floor area, when those terms apply. The County Zoning Code includes an FAR standard for those zoning districts that have a minimum lot size standard of less than 16,000 square feet. Zoning districts with a minimum lot size of 16,000 square feet or greater are NOT subject to an FAR standard, and therefore the "FAR Calculation" does not apply.
- "Level One Change of Use" procedures have been streamlined; further improvements are being evaluated for inclusion in the set of code amendments involving updates of the use charts, development standards and Chapter 18.10 permit process provisions.
- New "Attics" document outlining what level of improvements may be made to an attic and what level will cause the attic to no longer be considered an attic.
- There is no longer any policy or requirement to have a height survey be prepared if your home is within two feet of the height limit; such surveys would only required in unusual circumstances such as difficult topography.
- There is no longer any policy or requirement to submit house designs when applying for a lot split, parcel map or tentative map.
- As an alternative to having a variety of technical reports prepared to prove that each of the two lots involved with a lot line adjustment are developable; a Lot Line Adjustment may be processed with a deed restriction recorded for any lot that is in question, so that the technical reports would be prepared to demonstrate that the lot meets standards such as access, septic suitability and geologic suitability only at the time development may be proposed in the future.

Code Modernization

In addition to needed code amendments that are identified through the Policy Forum process, over the past several years the County has also adopted many amendments to the County Code in order to clarify, modernize and simplify the discretionary approval process and reduce costs for applicants, particularly small-scale home builders and homeowners.

The following code modernizations have been completed, which pertain to development standards and permit processes applicable to residential and mixed use projects:

- New Nonconforming Uses and Structures Ordinance and related changes to remove the “altered wall” approach from the County Code. New ordinance based on new General Plan policies that are more accommodating of work on and improvements to existing legally nonconforming structures and structures occupied by nonconforming uses.
- Changed parking requirement for general retail, professional office and medical office uses to modern industry standards (went from one space per 200 sq.ft. to one parking space per 300 sq. ft. for retail/office and changed medical office calculation method).
- Expanded opportunity for greater reductions in parking requirements through use of shared parking and Transportation Demand Management strategies.
- Created opportunity to intensify uses or change parking lots at existing sites and NOT need to increase parking supply, if the increased parking requirement or change in parking supply is 2 spaces or less, or less than 10%. This facilitates changes of commercial uses as well as retrofits of existing parking lots to accommodate ADA accessible parking spaces.
- Expanded height exception provisions to allow commercial structures to request up to five-foot increase in height limit, with a discretionary development permit. Also, height exceptions are allowed without any zoning permit to screen parapets and mechanical equipment.
- Minor Exceptions provisions added to code so that minor deviations from development standards (such as setbacks, height and lot coverage) can be considered by planning staff administratively rather than at a public hearings, as “minor variances”. Within nearly all zoning districts (but not within Planned Unit Developments (PUDs -- which have specifically tailored standards), the following may be considered without a public hearing:
 - Up to a 5% increase in allowed height. For example, the usual 28-foot single- family residential height limit may (if administrative permit is approved), be increased by 16.8 inches, for a limit of almost 29-1/2 feet. The usual 35-foot commercial height limit may (if approved), be increased by 1-3/4 feet through this mechanism, to 36.75 feet.

- Up to a 15% reduction in front, side and rear setback requirements. For example, if a Minor Exception is approved a 5-foot side setback may be reduced by 9 inches to 4 feet, 3 inches, or a 20-foot front setback may be reduced to 17 feet.
- Up to a 15% reduction in the 10-foot separation between structures requirement, which could allow for an 8-1/2 foot separation to be approved.
- Up to a 7.5% increase in Floor Area Ratio (FAR) on smaller lots of 4,000 square feet or less, such that the usual 50% FAR standard may increase to 57.5%.
- Up to a 15% increase in total lot coverage (ground floor site coverage), which results in the following possible lot coverage standards:

For lots with a usual 40% maximum lot coverage – up to 6% additional (46%) through the Minor Exception process.

For lots with a usual 20% maximum lot coverage – up to 3% additional (23%) through the Minor Exception process.

For lots with a usual 10% maximum lot coverage – up to 1.5% additional (11.5%) through the Minor Exception process.

- Modified setback standards to provide greater flexibility to placing garages at rear of properties.
- Provided an exception to reduce certain setbacks to protect environmental resources.
- Modified permit processing requirements to allow greater use of administrative approvals with public notice but not public hearings, which allows buildings of 5,000 square feet or less to be processed administratively, rather than the former 2,000 square foot limitation for administrative permits.
- Increased opportunities for public appeals of administrative decisions, to allow for local consideration by Zoning Administrator, Planning Commission and/or Board of Supervisors rather than the court system.
- New Water Efficient Landscaping Ordinance (WELO) more tailored to conditions within the unincorporated area, to replace the State standards that had been in effect.
- New fence ordinance that updated standards more consistent with current practices observed throughout the County. New, simplified, and low-cost “Over Height Fence Certification” permit established as a mechanism to obtain approval for increased heights in acceptable locations.
- New Vacation Rental ordinance that allows single-family units to operate as vacation rental units, within established parameters, with a low-cost

vacation rental permit. In the coastal Live Oak/Harbor designated area (the “LODA”) and the Seacliff/Aptos designated area (the “SADA”) there are limitations on concentration of vacation rentals within any given block, and within each of those designated areas as a whole.

- Modification of Large Dwelling Unit design permit requirements, to require discretionary permit for homes 5,000 square feet or larger, rather than the existing threshold of 7,000 square feet or larger.
- Amendments to Chapter 13.20, the Coastal Permit Regulations: Comprehensive update to present regulations more clearly. Includes refinements (retractions) to the boundaries of “highly scenic areas” and “special communities” to better reflect existing conditions and simplify permit requirements for some property owners. Also, a Coastal Permit can now be processed administratively for certain types of projects, meaning a less expensive and quicker process with no required public hearing.
- Modernization of select development standards related to hotels to reflect current industry standards.
- Provision of a sign exceptions process to allow greater flexibility for certain types of signage on buildings.
- A comprehensive re-structuring and modernization of the County Codes relating to development (“Volume II”) is a major priority of the Department. This effort involves a modernization of the “use charts” of each existing zoning district, as well as certain updates to applicable development standards. Also, amendments to Chapter 18, dealing with the permit processes, have been drafted. It shifts from a “Level 1 through Level 7” permit nomenclature to a more standard approach that descriptively names the types of discretionary permit processes, and what types of entitlements/permits (e.g. “conditional use permits”, “rezoning”) go with what type of review and decision-making process. Drafts of each part of the Code Modernization will be completed by the end of December 2015 at which time an Environmental Impact Report will be prepared. Time needed to complete the EIR and public hearings by the Planning Commission, Board of Supervisors and Coastal Commission mean that this comprehensive amendment of Volume II is not likely to be adopted and in effect until the end of 2016 at the earliest, and likely sometime during 2017. The Board of Supervisors has directed that these proposed amendments be considered along with other proposed amendments that flow from the 2014 Sustainable Santa Cruz County Plan, which was adopted as a planning and feasibility study. The package of proposed amendments, the “Sustainability Policy and Regulatory Updates” will be subject to an EIR and public hearings which are expected to take about two years to complete. The County’s ability to accommodate its RHNA of 1,314 units by the year 2023 does not rely upon adoption of those updates.
- Updates to the geologic hazard, floodplain, grading and erosion control ordinances along with the General Plan Safety Element have been

completed and will be going through the public hearing process in 2016 for adoption by the Board of Supervisors and California Coastal Commission. Updates of the Noise Element and noise ordinance are also included in this package, as well as General Plan policies related to Airport Safety regulations (to comply with Airport Land Use Planning Handbook).

- New code provisions regulating temporary uses and structures, and amendments to accessory uses/structures and home occupation regulations, are being prepared and evaluated by the above-referenced EIR.

Other Streamlining or Practice Changes:

- The County completed a comprehensive “re-codification” of the entire County Code, which incorporates all ordinance amendments and is presented in a more readable format. This is providing greater certainty for anyone using the Code; that the most current regulations are available at the public zoning counter and on the website. The re-codification was effective in early February 2013.
- Modified “milestone” approach for building permits to offer greater flexibility and more realistic timeframes for inspection of framing, electrical, mechanical etc.
- A new “CUREC” cost recovery fee has been adopted by the Board of Supervisors, which is an acronym for “Construction Unpermitted – Recover Enforcement Costs”. The fee doubles the usual amount of building plan check, processing and inspection fees. Building Inspectors or other staff out in the field who notice unpermitted construction (no permit has been applied for or issued but construction activity is occurring), will post a “Stop Work” notice and will not wait for a citizen complaint. This practice is reducing the level of unpermitted construction, as owners and contractors realize that there will be a consequence of taking the risk, even though neighbors do not complain.
- An expanded “Over The Counter” (OTC) process is available for obtaining building permits, with the service available during all hours the public counter is open (Monday through Thursday until 3:00 PM but closed for lunch between 12 noon and 1 PM). Some building permits will indeed be processed on the same day, while others may take a few days, depending on the application.
- A “plan sheet template” has been prepared and is available for applicant use, in order to assist non-professionals with preparing simple plans for submittal to the County.
- A “Legalization Assistance Permit Program” (LAPP) has been implemented, which offers technical assistance and other incentives to assist property owners with legalization of existing unpermitted improvements.

NON-GOVERNMENTAL CONSTRAINTS

Housing development in Santa Cruz, as in other coastal communities, is highly influenced by the cost of land and construction. As these costs have risen over time, housing prices have risen accordingly. The economic downturn temporarily reduced land costs, but the cost of labor and materials remained relatively steady. Discussion of costs and financing follow.

Land and Construction Costs

The cost of land varies considerably between jurisdictions. Market factors, especially the desirability of the location and level of existing improvements such as access, play an important role in setting property values. Many infill lots are larger than the zoning minimum size lot but too small to subdivide. Some of these can be targeted for development with Accessory Dwelling Units (ADUs).

Labor costs in Santa Cruz County, as in many places in the San Francisco Bay Area, are higher than other areas due to the cost of living. The hourly wage of the construction workers, subcontractors, and general contractors in Santa Cruz will likely be higher than the hourly wages of similar workers in other parts of the state that have a lower overall cost of living.

The scarcity of easily developed land, combined with the steady demand, suggests that housing construction costs are likely to remain high in the future. The County will likely continue to follow this trend that is occurring throughout the Bay Area and in neighboring Silicon Valley.

Financing

Financing for new housing construction can be a significant cost, and has become more difficult to obtain after the Great Recession. Even in strong markets and for market-rate housing, private lenders frequently require pre-leasing or pre-sales for housing development loans as an assurance of revenue. In addition, housing developers are frequently required to provide higher levels of equity contributions to reduce the lenders' risk. Many potential developers are unable to meet this requirement. As housing and rental costs have gone up so significantly in the past year or two the level of risk is somewhat less, but lenders remain cautious. In addition, many developers are continuing to postpone the recording of subdivision maps after entitlement, which delays the arrival of new lots into the market.

Development Financing

When compared to market rate developers, the developers of affordable housing face additional financing constraints. Opportunities for financing through traditional private sector sources are limited, as private lenders and investors typically seek financial returns that cannot be realized by affordable housing. Because the costs to produce affordable housing typically exceed the returns that will be achieved through sale or

rental of the units, gap financing must be secured. While a variety of local, State, and Federal programs are available to address gap financing needs (e.g., CDBG, HOME, RDA Successor Agency Housing Asset Fund, Affordable Housing Impact Fees, tax credits, etc.), the local programs have limited funds, and the State and Federal sources are typically highly competitive. The State notes that the high levels of risk associated with land development make it difficult for land developers to find investors and financing. Potential land investors typically require large premiums over and above other types of real estate investments. Lenders who make land development loans impose lower loan-to-value ratios, charge higher rates, and/or require the loan to be a recourse loan.

Although the County seeks all available sources of financing for housing, over the past ten years the amount of available funding has either been reduced or remained stagnant, even though the cost of developing housing has increased. As a result, it is not uncommon to find new affordable housing developments with numerous sources of financing in order to make the project financially feasible. This financing structure adds to the overall costs of development, as it can take a significant amount of time to receive funding approval from so many sources.

Home Purchase Financing

The collapse of the global credit markets during 2008 and the subsequent Great Recession had a major impact on the ability of local households to qualify for home loans under the stricter credit approval guidelines that continue to be in place. Where down payment requirements were extremely low not too long ago, now potential homebuyers must have the ability to make a minimum 20% down payment, which represents a major hurdle for moderate or lower-income households. This lending requirement is not unique to Santa Cruz, but does have a significant effect on the local housing market due to the generally high home prices. Tighter lending restrictions have also affected the purchasing power of households that a few years ago would have been able to qualify for many of the sub-prime loan programs. Mortgage interest rates also clearly have an influence on homebuyers, especially at the lower incomes.

The availability of financing can sometimes constrain the development or conservation of housing. According to the Statewide Housing Plan, land developers purchase raw land, entitle and subdivide it, and sometimes, depending on the developer and market, install on-site services (e.g., streets, sewers, drainage) and pay for off-site improvements. These activities are generally carried out several years ahead of unit construction. The long lead times and high costs associated with these activities create a considerable risk for the developer—one few are willing to take in uncertain housing markets. The County has undertaken many initiatives to increase certainty and reduce developer risk related to new housing projects, which is beginning to have an effect now that the economy and housing market have improved.

Down payment/Move-in Costs

High up-front costs affect the ability of lower income households to secure housing. Most market rate homes in Santa Cruz County have become affordable only to households in the higher income brackets with more accumulated wealth. Moderate-, lower-, very low-, and extremely low-income households are generally unable to save money at a significant rate and often do not benefit from inherited wealth or other gifts from family members. Low accumulated wealth combined with high market rates and high up-front costs make it difficult for lower income groups to procure housing, either as homeowners or renters.

The ability to accumulate enough funds for a down payment remains a significant obstacle to many potential homebuyers. Lower-income homebuyers may have a difficult time transitioning from the rental housing market to homeownership because of the difficulty accumulating the required down payment, while concurrently paying high rents. In the same way, lower income households may not be able to find appropriate rental housing because they struggle to accrue the required security deposits as well as first and last month's rent. Without significant savings for a down payment, moderate- and low-income households may never have the means to enter the home ownership market without the assistance of County housing programs.

Santa Cruz County continues to rank as one of the 10 least-affordable places to rent housing. A major factor affecting is the perpetually low vacancy rate for rentals. A five percent rental vacancy rate is considered necessary to permit ordinary rental mobility. With less than five percent vacancy rates, tenants have difficulty locating appropriate units and the strong market pressure has inflated rents beyond the reach of County residents with extremely low, very low, low, and moderate incomes. See also Sections 4.2 and 4.3 for a discussion of factors affecting rents and renters.

Foreclosures

Foreclosures on home mortgages dominated the housing market between about 2008 and 2011/12, but are now a much lower component of housing sales.

Some low- and moderate-income buyers have utilized the County's First Time Homebuyer Program to purchase foreclosed homes. In the past, these homes were priced at a level making it difficult for these households to purchase them, but by utilizing the First Time Homebuyer Program, not only can these households purchase a new home, but the County can increase its stock of permanently affordable housing.

The County also continues to operate a Preservation of Affordable Housing Program, whereby the County purchases deed-restricted affordable housing units in order to preserve the deed-restriction which would otherwise be lost through the foreclosure. The County then re-sells the affordable unit to an income-qualified buyer.

Loss of Redevelopment

The loss of Redevelopment in California has further constrained availability of local affordable housing monies. As housing supply becomes more and more strained, housing costs for both purchase and rent have been increasing rapidly over the past couple of years. The high potential revenue is generating interest from developers in generating rental and mixed use developments, and the County continues to seek ways to encourage this type of development in appropriate areas such as along transportation areas and in certain commercial areas.

CONCLUSION

The landscape and location of Santa Cruz is unique and desirable, and as such it creates certain difficulties for development in the County. The mountainous areas are a landscape of steep slopes, riparian areas, and landslide and fault zone hazards. The agricultural lands to the north and south are a precious resource, and they provide the basis for one of the County's most important economic generators and so must be preserved for farming. These constraints dictate that most development be focused in the urban area in the center of the County, more or less along the coast. This area is within the Urban Services Line, enjoys the greatest level of urban services and is able to support the most intense land uses and residential densities. The fact that about one-third of this urban area is located in the Coastal Zone can pose an additional challenge to housing development due to state-approved Local Coastal Program policies and the requirements for Coastal Development Permits.

The infrastructure capacity of the county's urban service providers is finite, and in some cases reaching capacity. Water supplies are affected both in quantity and quality and all County aquifers are in overdraft conditions. The capacity of Highway 1 is currently limited to two lanes in each direction through most of the County, with addition of auxiliary lanes proceeding segment by segment as funds allow. The future growth of the County's urban areas will depend on the cooperation of all the responsible agencies to develop joint solutions to common problems.

The land use system in Santa Cruz County has successfully directed development into the urban area, but it is a system that has resulted in a housing stock that is 72% single family dwellings on moderate and large size lots⁴⁹, and there is room for improvement. Ongoing efforts to streamline and simplify the development approval process continue to be a priority for the Board of Supervisors. There is adequate land under the current General Plan and current zoning to accommodate housing needs, as documented in Section 4.2 the housing inventory. However, to realize that potential, assistance in the form of continued encouragement for accessory dwelling units, multi-family housing, mixed use, and other categories of infill housing will be necessary.

⁴⁹ State of California Department of Finance, E-5 Population and Housing, 2011 – 2014, May, 2014

APPENDICES FOR THIS SECTION

- 4.4-1 Residential Zone District Purposes
- 4.4-2 Residential Site and Structural Dimensions Charts
- 4.4-3 How To Obtain A Building Permit Brochure
- 4.4-4 Typical Building Permit Fees
- 4.4-5 Map of Urban Services Line and Coastal Zone
- 4.4-6 Measure J Building Permit Allocations and Number of Permits Issued, 1979 – 2015

4.5: OPPORTUNITIES FOR ENERGY CONSERVATION

Santa Cruz County has been working for decades to promote energy conservation at both the community level and the level of individual structures. The creation of an urban services line, the adoption of local building standards that encourage energy efficient construction and the development of alternative sources of energy for residences, a Green Building program, and many other projects have been part of this effort over the years. More recently the County completed the Sustainable Santa Cruz County Plan⁵⁰, which lays out recommendations for increased efficiency in the land use pattern and increased transportation choices, both of which increase opportunities to reduce energy use. The County also adopted a Climate Action Strategy in 2013⁵¹ that identifies specific strategies to reduce green house gas emissions in general and energy consumption in particular. This section of the Housing Element provides information on the newer programs that promote energy conservation and outlines long-standing County policies that continue to be implemented.

LAND USE PATTERN, AVAILABILITY OF TRANSPORTATION CHOICES AND STYLE OF RESIDENTIAL DEVELOPMENT ARE CLOSELY RELATED TO ENERGY CONSERVATION

To the extent that creation of new housing occurs in compact-style, infill developments in the urban area, energy conservation and reduced green house gas emissions, which are a proxy for non-renewable energy use, is built into the benefits of creating that housing. To the extent that the County provides opportunity for compact development and mixed use, and residences close to job centers, those housing policies and actions are also energy conservation policies and actions. Retrofit of existing structures is also a piece of the puzzle, in that older structures were built to lower standards and therefore residents of older dwellings use more energy and are disproportionately affected by high utility costs.

The Sustainable Santa Cruz County Plan, 2014

County applied for and was awarded a grant by the California Strategic Growth Council to prepare the Sustainable Santa Cruz County (SSCC) Plan, a planning study that first identified the community's vision of sustainability through a community process, and then identified land use and other tools that could be applied in the urban unincorporated area to promote sustainability. The Plan identified the need to increase the range of available housing products, including more small units and units close to activity and job centers.

⁵⁰ "Sustainable Santa Cruz County Plan", Santa Cruz County, 2014, available at www.sustainablesantacruzcounty.org

⁵¹ Climate Action Strategy, County of Santa Cruz, 2013, available at: <http://www.sccoplanning.com/PlanningHome/SustainabilityPlanning/ClimateActionStrategy.aspx>

The recommendations of the plan included new zoning districts and/or overlays for mixed-use development, residential development in appropriate locations where the number of units is determined by site standards rather than by a fixed density standard, live/work, and new employment districts. The plan also suggested road standards that could accommodate active transportation options, improve safety for pedestrians and cyclists, and improve commute predictability.

All of these tools promote energy efficiency. The SSCC was approved as a planning and feasibility study by the County Board of Supervisors in October of 2014, and the process of implementation will begin in 2016, with drafting of proposed policies and regulations that will be analyzed by an Environmental Impact Report prior to formal Public hearings to consider the proposals.

Climate Action Strategy, 2013

In 2013 the Board approved the County of Santa Cruz Climate Action Strategy (CAS), which includes greenhouse gas emissions inventories, sets greenhouse gas emissions reduction targets, and outlines strategies and implementing actions to achieve the targets. The CAS is focused on reducing the emission of greenhouse gases, which is dependent on increasing energy efficiency and use of renewable energy.

Sample CAS Strategies and Actions that the County is implementing or is in the process of implementing include:

- Participating in the Joint Powers Authorities that make two Property Assisted Clean Energy (PACE) programs, CaliforniaFirst and California HERO, available in Santa Cruz. Santa Cruz was a Phase 1 community when CaliforniaFirst was initially formed;
- Initiating the Monterey Bay Clean Energy consortium that is evaluating Community Choice Aggregation (CCA) in the Monterey Bay area, and winning grant funding for a technical feasibility study of CCA. CCA has the potential to vastly increase residential production and use of renewable energy. The study is underway as of June, 2015;
- Considering updating the building code to address pre-wiring to accommodate photovoltaics and electric vehicle charging in residences, and potentially cool roof technology.

The Planning Department prepares annual reports on implementation of the CAS. The most recent report is available online.⁵²

⁵² www.sccoplanning.com/PlanningHome/SustainabilityPlanning/ClimateActionStrategy.aspx

Ongoing Sustainable Land Use and Development Strategies

By maintaining the urban services line, which was initially adopted in 1978, the County has maintained a distinction between urban and rural areas, directing most residential development to urban areas and discouraging rural land divisions. From an energy conservation standpoint, this strategy reduces vehicle miles traveled and helps support development of an efficient public transit system.

In 2008 and 2009 the County rezoned over 26 acres of land for housing at a density of 20 units per acre, to allow for the development of 530 affordable housing units. Located throughout the County near public transit and urban services, these high density sites provide an opportunity for the development of affordable housing that is efficient on multiple levels: residents will use less energy in their compact homes, and will need to travel fewer miles in their daily lives. Thus far, 154 units have been constructed or permitted, in three projects.

ENERGY CONSERVATION IN RESIDENTIAL BUILDINGS

Incorporating energy efficient design and the use of alternative energy sources in residential and commercial structures can significantly reduce energy usage in a community. The County participates in two programs, CaliforniaFirst and California HERO, which help property owners to finance renewable energy, energy and water efficiency improvements, clean biomass heating systems, and electric vehicle charging infrastructure on their property. Property owners who wish to participate in the program agree to repay the amount borrowed through the voluntary contractual assessment together with their property taxes. These programs are referred to as Property Assessed Clean Energy, or PACE programs.

The County also has several programs to improve the energy efficiency of older homes. For mobile/manufactured homes, the County has a program to rehabilitate or even replace existing units with new manufactured homes. In addition to improving the quality of life for lower-income residents, the program also improves the energy efficiency of older mobile/manufactured homes, or replaces the older homes with newer homes that are much more energy efficient.

The County has adopted CALGreen, California's green building code. CALGreen includes both mandatory and voluntary measures involving planning and design, energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality in residential and non-residential construction. CALGreen is updated on a three-year cycle allow for gradual evolution of the standards toward the goal of "net zero energy" buildings by the year 2020. In other words, the code would require a new home constructed in 2020 to offset annual energy consumption with an equal amount of on-site energy generation.

SUMMARY OF OPPORTUNITIES FOR ENERGY CONSERVATION

Santa Cruz County has historically placed a priority on “smart growth” by focusing growth in urban areas, promoting energy efficient designs and assisting rehabilitation of older less efficient residences. The County continues to move toward greater residential energy conservation at the community level by looking at the land use pattern (and related transportation issues) as laid out in the Sustainable Santa Cruz County plan, by implementing the Climate Action Strategy, and by actively pursuing the highest priority energy strategy in the CAS, which is evaluating the feasibility of a Community Choice Aggregation model for providing energy to the community.

Specific programs to reduce residential energy usage are also discussed in Section 4.7, Housing Objectives, Goals, Programs and Policies.

APPENDICES FOR THIS SECTION

- No Appendices for this section.

4.6: HOUSING SITES INVENTORY

State housing law requires California communities to show how they can meet their assigned Regional Needs Housing Allocation (RHNA) during the housing element period, which for this Element is 2016 through 2023. The RHNA is assigned to the community through a process in which the State assigns a regional goal to AMBAG, our regional planning organization. AMBAG then apportions the number of units among the cities and the unincorporated area in Monterey and Santa Cruz Counties, and specifies the number of units that are required for each jurisdiction in each income category⁵³. This process is discussed in more detail in Section 4.7.

The first step in conducting an analysis of whether the County has adequate land available to meet the RHNA is developing an inventory of land suitable for residential development. The inventory includes vacant sites and developed but underutilized sites that have potential for additional development. This Section inventories all those available sites within the unincorporated area of Santa Cruz County, and determines the number of housing units that could reasonably be developed under the current General Plan and zoning ordinance land use regulations. (The second portion of the analysis, which focuses on infrastructure and other constraints to potential housing development, is provided in Section 4.4).

The inventory, which appears in detail in the Appendices for this section, provides important information for long-range planning by identifying the vacant and underutilized land. It points to the properties where there is opportunity under existing General Plan and zoning designations and standards, to develop housing of the type that can meet the needs documented in Section 4.3 and throughout this document. The programs that would assist in realizing the full potential of these properties, both within and beyond this Housing Element 2014-2023 planning period, are discussed in Section 4.7.

The inventory demonstrates that for this Housing Element cycle the County has adequate space in which to accommodate our RHNA allocation. It is important to note that the inventory documents property on which units that would meet the RHNA could be constructed; it does not address market and other conditions that determine whether the units will actually be built and in what time frame they may be built. As noted, discussion of the policies, programs and projects that can contribute to the potential housing being realized is found in Section 4.7.

DEVELOPING THE INVENTORY

Consistent with the previous Housing Element, the inventory relies upon a detailed survey of the dwelling unit potential under existing land use regulations for vacant land and underutilized land (parcels with existing units, but with potential for additional units) within the County's designated Urban Services Line. The survey was originally conducted in 2008 and has been updated to account for the limited development activity

⁵³ See Final Regional Housing Needs Allocation Plan 2014-2023, AMBAG, adopted June, 2014.

that has taken place since the inventory was prepared. Also included is an estimate of the development potential for housing units on vacant rural properties.

In addition to traditional single family and multi-family housing, the inventory evaluates the potential for residential units created as part of mixed-use developments, and the potential for accessory dwelling units.

The level of affordability of each potential unit is estimated, based on the type of development, size of the unit, recent experience with similar projects, and rural or urban location. A detailed discussion of how the County will meet the RHNA requirement for each income level is included in Section 4.7.

EXISTING HOUSING CAPACITY

The analysis of housing unit potential, summarized in Figure 4.6.1., indicates that there are a substantial number of units and a variety of housing types that could be built in the unincorporated area of the County under current General Plan and Local Coastal Program policies and zoning. The analysis is based on a site-specific analysis of the housing capacity of each vacant and underutilized urban parcel in the unincorporated area of the County, and an estimate of available land in rural areas.

The total build-out capacity under the existing General Plan for all types of housing is 17,271 units, based upon parcel-specific GIS data and an update of prior inventories using building permit data. This includes a capacity of over 2,300 housing units in urban areas and 2,715 in rural areas on vacant and underutilized residential sites. Additional housing can be developed in the urban and rural areas of the County as accessory dwelling units (7,838 units), housing for agricultural employees in agricultural areas (2,423 units), and as mixed-use projects in commercial areas (1,916 units).

Figure 4.6.1: Potential Capacity Under Existing County General Plan/LCP

Type of Development	Existing Capacity at the beginning of the Planning Period*
Urban Housing:	
< 14.5 units/acre	1,779
14.5-17.5 units/acre	224
20 units/acre	376
Subtotal:	2,379 units
Rural Housing	2,715 units
Mixed Use on Existing Commercial Sites:	
Vacant sites	155
Underutilized sites	1,761
Subtotal:	1,916 units
Accessory Dwelling Units	7,838 units
Agricultural Employee Housing	2,423 units
TOTAL New Units	17,271 units
* Capacity estimates are based on a combination of parcel-specific GIS analysis and an update of prior inventories using building permit data.	

Urban Sites – Single Family and Multi-Family Less Than 14.5 Units per Acre

This analysis focuses on potential sites inside the Urban Services Line zoned for single-family development or low-density Multi-Family Development. For these development types, it is anticipated that developers will meet their 15% affordable housing obligation by contributing impact fees to the County's affordable housing impact fee fund rather than by pursuing the option to build the affordable units. (Note that the policy of allowing developers to pay the impact fee rather than building units will be revisited and possibly revised by decision makers in 2017, and therefore this is a conservative assumption). The remaining units will be available as market-rate housing. The total number of units, without any density bonus, is 1,779 within urban single-family residential areas.

These parcels are located in areas where public water and sewer service are available. These locations have generally flat topography, although some parcels are adjacent to riparian corridors. Access, geologic instability and flood plain issues do not constrain development. Non-developable land, including rights-of-way and riparian corridors, has been factored into the analysis of the potential development of these parcels (see Appendices 4.6-1 and 4.6-2).

Urban Sites – Multi-Family 14.5 to 17.4 Units per Acre

Pursuant to State law, densities of 20 units per acre are presumed to accommodate low, very low and extremely low-income households. Given that legislative requirement, it is reasonable to assume that development densities of approximately 15 units per acre would be affordable to moderate income households.

There are 29 vacant sites and 48 underutilized sites in the Urban Services Line zoned RM-3.5 through RM-2.5 (Multi-Family Residential, 3,500 through 2,500 square feet of developable land per unit) as listed in Appendix 4.6-3. The sites listed in the inventory allow for the development of at least 1 residential unit on the vacant properties, and 2 additional units on each underutilized property, for a total of 224 additional units, not considering any density bonus within urban multi-family zoning.

Urban Sites – Multi-Family 20 Units per Acre

Created in June of 2007, the Regional Housing Need Combining District (or “R-Combining District”) was established to address the need for a zoning category to accommodate lower income housing needs at the state-established default density of 20 units per acre. This combining district was applied to 5 sites located throughout the urban portion of the County, resulting in rezoning a total of 26.5 acres of land with a capacity of 530 housing units into the high density district. These sites are located within the Urban Services Line and are served by urban level sewer, water, and drainage infrastructure by their respective sanitation, drainage, and water agencies. Two of the sites have been fully developed, and one is currently planned for partial development. The remaining sites with a combined capacity of 376 units are available for future development. Development of these sites is “by-right” – meaning that the use and density are not subject to discretionary review or permit, and the only discretionary permit that may be required is for design review. See appendix 4.6-4.

Rural Sites

The total residential build-out capacity of the General Plan Land Use Plan for the rural residential areas of the County (areas outside the Urban Services Line) is estimated at 2,715 housing units. The analysis is based on the potential development that could occur on all existing rural residential properties greater than 1 acre in size. The analysis does not include additional development capacity of smaller existing rural parcels or of additional parcels that could be created through minor land divisions. The basis for this analysis is the analysis for the previous Housing Element, adjusted for the rural housing development that occurred during the previous planning period (see Appendix 4.6-5).

Because full urban services are not available for development on rural parcels that are not within the Rural Services Line, development of affordable housing is not generally expected in the rural areas. Therefore, the 2,715 units are expected to be affordable to households with above moderate incomes.

Commercial Mixed Use

There are more than 250 suitably zoned and sized sites in the County with the potential for commercial/residential mixed-use development. Mixed-use development is allowed in PA (Professional and Administrative Office), C-1 (Neighborhood Commercial) and C-2 (Community Commercial) zones. In these zones, the current zoning code allows residential uses in 50% of the square footage of the structure(s), or in 67% of the structure if the units are deed restricted as 100% affordable. Including both vacant and

underutilized sites, there is the potential for a total of 1,916 housing units in conjunction with the development or redevelopment of commercial properties, or more if some of the sites are developed under the more generous standards for deed-restricted affordable housing.

Appendix 4.6-6 Table V lists vacant properties that could support both commercial and residential development. The group of vacant parcels that are most likely to develop mixed-use projects could create as many as 155 residential units, based on assumptions for building floor area ratio, unit size, and ratio of residential to commercial square footage.

In addition to vacant parcels, underutilized commercial sites also hold potential for mixed-use development, particularly those sites that are significantly under-developed and/or contain older commercial development that is likely to be replaced with updated commercial and residential space. Appendix 4.6-6 Table U contains an inventory of developed commercial properties with the greatest potential for mixed-use developments drawn from two pools of data: the first, included in the prior housing element, consists of developed commercial properties greater than 20,000 square feet in size with assessed improvement valuations of \$200,000 or less (indicating structures likely to need improvements in the near future); the second is based on the sites that were identified as opportunity sites in the Sustainable Santa Cruz County (SSCC) Plan⁵⁴. The SSCC identified these properties based on zoning in the C-1, C-2, or PA zone districts, a low ratio of improvement value to land value (according to assessor's records) and proximity to major transportation corridors. On these underutilized or older commercial sites, potential future mixed-use projects could create as many as 1,761 residential units, under existing County Codes which allow for mixed-use development on non-residential sites.

Residential units in future mixed-use development projects should be available to households at varying income levels due to the smaller size of units and densities. However, based on the likely locations of these projects and experience with current projects under development, it is anticipated that mixed use residential units under current General Plan and zoning policies and standards will generally be affordable to moderate and above moderate income households. In the future, as new policies and tools are adopted to implement the SSCC, then unit sizes may decrease and the numbers of units per site would be expected to increase, which would make some portion of those mixed use developments more affordable to lower income households.

Accessory Dwelling Units

The County has aggressively pursued accessory dwelling units (ADUs) as a strategy to provide affordable housing in the community. To this end, ADUs are currently allowed in rural residential areas on lots greater than 1 acre, in all urban residential zone districts,

⁵⁴ "Sustainable Santa Cruz County", County of Santa Cruz Planning Department, 2014, available at <http://sustainablesantacruzcounty.org/>.

and on agricultural parcels outside the Coastal Zone. In conformance with AB 1866, the County requires only a building permit for ADU construction. Current efforts which may result in lowered costs and fees, could further support ADU construction, and are described in the programs in Section 4.7.

A calculation of possible ADU capacity has been developed (see Appendix 4.6-7). The estimated capacity for new ADUs in the unincorporated area of the County under existing zoning regulations is 7,838 units. This number includes 3,001 units in the urban area and 4,837 units in the rural area.

The 4,837 units in the rural area represent 75% of the total number of properties meeting the minimum requirement of one acre in a residential General Plan land use designation. The 25% reduction accounts for those properties that may be located within floodplains, near geologic hazards or have septic system constraints that would preclude development of an ADU.

The number of potential ADUs in the urban area (3,001 units) is a conservative estimate that includes only parcels that are greater than 6,000 square feet, meet the minimum lot size for the zone district, and are zoned R-1 (single family residential). Although existing County ordinances allow ADUs on all urban properties that meet the minimum parcel size in any residential zone district, it is estimated that resource or other site constraints will limit the development potential of residential lots as illustrated in Figure 4.6.2:

Figure 4.6.2: Accessory Dwelling Unit Capacity	
Parcel size (square feet)	Percentage of parcels able to accommodate an ADU
6,000 – 8,999	30%
9,000 – 9,999	50%
10,000 – 14,999	70%
15,000 or larger	90%

Due to their smaller size and configuration, ADUs should be affordable to moderate, low, and very-low income households, as well as to those with above moderate incomes. Many households maintain ADUs for use by family members with lower incomes, such as older adult relatives (ADUs have traditionally been known as “granny units”).

Because ADUs increase the availability of rental housing, and the production and retention of rental housing is a priority for the County, policies and programs for further encouragement of ADUs are an important component of the housing policy agenda over the planning period for this Housing Element. See also Section 4.7.

Housing for Agricultural Employees

State Law, under the Employee Housing Act, requires the County to allow for the “use-by-right” development of up to 12 agricultural employee housing units, or 36 employee

beds in dorm-style housing, on agricultural properties as an agricultural use. Discretionary Site development permits are still required. Development of Agricultural Employee housing seems most likely on larger agricultural parcels operating for commercial production. For the purposes of the inventory analysis, only properties larger than 20 acres in size were counted, even though smaller parcels have the same development potential. Within the unincorporated areas of the County, there are approximately 404 properties of 20 acres or more in size zoned for agricultural use (CA, A, or AP properties). Conservatively, it is estimated that half of these properties, or 202 parcels, could be developed with housing for agricultural employees. It is likely that units would be available for extremely low, very low, and lower income households, given the income levels of the population the units serve.

The County is currently considering adding a process for allowing agricultural employee housing projects of more than 12 units/36 beds through a discretionary use approval, also as an agricultural use. This proposal is part of the Sustainability Policy and Regulatory Updates that will be analyzed by and Environmental Impact Report. While meeting the County's RHNA for the 2014-2023 planning period does not rely on this regulatory change, if approved that regulatory change could support production of this type of housing. See also Section 4.7.

Emergency Shelters

As discussed in Section 4.3: People Who Are Homeless, Santa Cruz County has a large homeless population. The County has approximately 322 emergency shelter beds available between April 16 and November 14 each year, and an additional 100 beds available between November 15 and April 15 when the temporary winter shelters open. These shelters are located within the cities of Watsonville and Santa Cruz.

Emergency shelters are a discretionary use (requiring a Use Permit approval) in several zone districts and are a principally permitted use in the County's PF (Public Facilities) zone district.

Transitional and Supportive Housing

Countywide, there are approximately 279 transitional housing beds available. Many of the transitional housing programs serve targeted populations such as people with mental illness, substance abuse or histories of domestic violence. In accordance with State law, the County Code allows group homes, including those providing supportive services and transitional housing, in all residential zones as "Residential Care Homes". There are no geographical spacing or siting requirements for residential care homes serving six or fewer residents, and they are subject to the same site standards and processing procedures as other residential uses in these districts. For residential care homes with seven or more residents, a conditional use permit, including a public hearing before the Zoning Administrator, is required. Family Day Care Homes may also provide for the care of disabled persons for periods of less than 24 hours. These are permitted in all residential zone districts pursuant to California Health and Safety Code Section 1597.30 et seq.

Single Room Occupancy (SRO) Units

SRO units are currently an allowed principal use in the RM (Multi-Family Residential) zone district. They are allowed as ancillary to commercial uses (up to 50% of the floor area for market rate, or up to 67% of the floor area for 100% affordable units) in the PA (Professional and Administrative Office), C-1 (Neighborhood Commercial) and C-2 (Community Commercial) zone districts. These requirements are identical to the requirements for other types of multi-family housing units. In addition, SRO units are an appropriate form of housing to be included in mixed use developments.

The County encourages SRO units by providing priority processing for projects containing a minimum of 25% affordable units, the possibility of reduced parking requirements based on an approved Alternate Transportation and Parking Program, and the use of density bonuses, incentives and concessions for qualifying projects.

Further, as described in Section 4.7, the County will soon begin considering General Plan and County Code changes based on the recommendations of the Sustainable Santa Cruz County Plan. This will include exploring zoning tools such as mixed use and residential overlays that have density and site standards that encourage smaller units, or which calculate the number of possible units based on site standards such as parking, building height, floor area ratio, and setbacks. These tools would allow developers to maximize the development potential of appropriate sites and provide smaller-size housing options for County residents seeking housing that is affordable by design.

SUMMARY OF HOUSING SITE INVENTORY

This Section has presented the housing capacity inventory, which quantifies the capacity for new housing in the unincorporated areas of the County under the existing General Plan/LCP and current zoning designations, and has characterized the potential units by the income category of household for which they are expected to be affordable. The inventory shows capacity for a large number of housing units of varying types, affordable to households of varying income levels, to support the housing needs of the community in the current Housing Element planning period and into the future.

The following section, Section 4.7, analyzes sites from the inventory and identifies those that can reasonably be expected to develop in the current planning period, and therefore can contribute to meeting the County's RHNA and the community's housing goals. It also lays out a framework for programs and policies that would facilitate the development of housing that is affordable to households of various income levels and that meets the housing needs of our diverse community.

APPENDICES FOR THIS SECTION

- 4.6-1 Table V - Vacant Single-Family Sites
Table U - Underutilized Single-Family Sites
- 4.6-2 Table V - Vacant Multi-Family Sites Less than 14.5 Units per Acre
Table U - Underutilized Multi-Family Sites Less than 14.5 Units per Acre

- 4.6-3 Table V - Vacant Multi-Family Sites 14.5 – 17.5 Units per Acre
Table U - Underutilized Multi-Family Sites 14.5 – 17.5 Units per Acre
- 4.6-4 Vacant Sites with a Minimum Density of 20 Units per Acre
- 4.6-5 Summary of Rural Vacant Land Development Potential
- 4.6-6 Table V - Vacant Commercial Mixed Use Sites
Table U - Underutilized Commercial Mixed Use Sites
- 4.6-7 Accessory Dwelling Unit Potential

4.7: QUANTIFIED HOUSING OBJECTIVES, GOALS, POLICIES, AND PROGRAMS

State law requires that housing elements contain quantified objectives of how the community plans on accommodating the housing units required by the Regional Housing Needs Allocation (RHNA). More importantly, a housing element should go beyond broad numeric goals to focus more closely on unique local housing needs. Therefore, the first portion of this Section, “Quantified Objectives, Regional Housing Needs”, presents the quantified objectives related to meeting the County’s RHNA. The second portion, “Quantified Objectives, Local Housing Needs”, suggests local objectives to address local housing needs — objectives that aren’t generally recognized numerically in the RHNA process. As a result, the Housing Element sets forth goals and objectives that go considerably beyond what is required by State law.

In order to develop a path for meeting these objectives, this Section establishes goals, policies, and programs that become part of the General Plan. The policies serve to guide land use decisions and are addressed in “findings” made for individual land use decisions. The programs include a range of activities that, taken together, will enable the County to achieve the quantified objectives identified herein and address anticipated housing challenges during the planning period for this Housing Element.

REGIONAL HOUSING NEEDS ALLOCATION (RHNA)

According to the State Department of Housing and Community Development (HCD), the entity responsible for certifying that housing elements are in compliance with State law, the quantified objectives for the various programs described in a housing element should equal or surpass the housing needs as defined through AMBAG’s Regional Housing Needs Assessment process and the County’s RHNA. This section describes the RHNA requirements and sets realistic numeric objectives for those requirements.

Affordable Housing Objectives

Figure 4.7.1 lays out quantified objectives for affordable housing production to address the RHNA requirements. It was prepared through a conservative assessment of housing capacity under existing zonings and existing/proposed housing policies and programs, as well as of expected availability of local, state and federal resources and anticipated partnerships with non-profit housing organizations. This figure illustrates that the County can accommodate the RHNA quantified objectives within the context of existing zoning, policies, and programs for all income categories for the planning period from 2014 through 2023. To facilitate understanding these numbers in the context of potential housing capacity, a column has been included in Figure 4.7.1 to recognize the capacity for housing units under existing zoning, as described in Section 4.6 of this document.

Figure 4.7.1: Summary of Housing Objectives to Address Regional Housing Needs, by Affordability Level, for RHNA Planning Period 2014-2023

Permits Issued							
	Land Use Capacity	2014 Total Units	Distribution of Units by Income Category				
			Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate
Market Rate units - permits issued		132					132
Accessory Dwelling Units (ADUs)–permits issued		37		3	5	10	19
Corte Cabrillo		4				4	
Los Esteros (Habitat for Humanity)		7			7		
Aptos Blue		40	13	26		1	
Lotus Apartments		12		6	6		
St Stephens Apartments		40			40		
Pippin Apartments		26	5	13	7	1	
Aptos Village		69				10	59
SUBTOTAL		367	18	48	65	26	210
Available sites for planning period							
	Land Use Capacity	Total Units Forecast	Distribution of Units by Income Category				
			Extremely Low Income	Very Low Income	Low Income	Moderate Income	Above Moderate
1. Urban sites < 14.5 u/acre	1,779	350					350
2. Urban sites 14.5-17.4 acres	224	100				50	50
3. Urban sites (20 u/acre)	376	376	125	126	125		
4. Rural Units	2,715	135					135
5. Mixed Use , Vacant Sites	155	50				35	15
6. Mixed Use - Underutilized Site	1,761	100				65	35
7. ADUs - urban	3,000	140		9	18	43	70
8. ADUs - rural	4,751	140		9	18	43	70
9. Agricultural Employee Housing	2,423	75	50	25			
SUBTOTAL		1,466	175	169	161	236	725
TOTAL POTENTIAL UNITS	17,271	1,833	193	217	226	262	935
UNITS REQUIRED BY RHNA	N/A	1,314	159	158	207	240	550
(OVER)/UNDER GOAL	N/A	(519)	(34)	(59)	(19)	(22)	(385)

A review of Figure 4.7.1 indicates that capacity exists within the County's zoning and other land use regulations to accommodate far more units than is required to meet the RHNA goals for the 2014-23 planning period. In addition to total potential units, assumptions were made with regard to the level of affordability that could be realized for the various land use capacities. Those are discussed below.

- **Available Sites – Urban Less Than 14.5 units/acre.** Projected development on these sites was assumed to be primarily affordable to above-market households. The number of units that could be constructed was based on permits being issued consistent with a projected 0.5% growth rate (growth has not exceeded 0.5% for many years, and has been below that which the County's growth management system would have allowed). Based on historic distributions, those projected units were spread among urban and rural sites. Finally, it was assumed that 15% of projects of seven or more units would be priced at levels affordable for moderate income households, and that projects of 5 or 6 units would be contributing financially to the County's affordable housing impact fee (AHIF) fund. This pattern is supported by historic construction figures, and in fact is relatively conservative, given that some 100% affordable projects have been built at these densities over the years. In fact, an affordable 19-unit 100%- moderate income, for-sale project was completed in 2013 in the Seacliff/Aptos area.
- **Available Sites – Urban 14.5-17.4 units/acre.** As discussed in Section 4.6, given that State law presumes that sites with densities of 20 units per acre are affordable for lower income households, it is reasonable to assume that units in this density range just below that density would be affordable to moderate income households. Nonetheless, the Housing Element conservatively assumes that only 50% of such units at this urban density would be affordable to moderate income households, with the balance priced for above moderate-income households.
- **Available Sites – Urban 20 units/acre.** Created in June of 2007, the Regional Housing Need Combining District was adopted in conjunction with a prior Housing Element as the tool for Santa Cruz County to meet its goal of providing land for housing at a density of 20 units per acre. This combining district was applied to 5 sites located throughout the urban areas of the County, which resulted in a total capacity of 530 housing units. Of those sites, two have been developed and part of another site has been approved, has an allocation of local funding, and is applying for additional funding from other sources. A total of 376 units can be accommodated on remaining sites that have not yet obtained design permits. The actual income levels of the occupied developments is reflected in the chart above, and it is assumed that within the remaining sites 50% of the units would be available for housing affordable to low-income households, with the balance split between the very low and extremely low income categories.
- **Available Sites – Rural Areas.** The total residential build-out capacity of the General Plan Land Use Plan for the rural areas of the County (outside the Urban

Services Line) was estimated at 2,715 housing units in Section 4.6. The projected units for the planning period are consistent with historic building permit allocations for the rural areas. Because there are not full urban services available for development on these parcels, development of affordable housing is not generally expected in the rural areas. Additionally, the lack of services, amenities and conveniences often desired by residents in affordable housing are scarce in the rural area. As such, all units are conservatively assumed to be above moderate income pricing.

- **Available Sites – Commercial Mixed Use Projects.** As is discussed in Section 4.6, mixed-use development is allowed in PA (Professional and Administrative Office), C-1 (Neighborhood Commercial) and C-2 (Community Commercial) zones. In these zones, residential use is allowed in 50% of the square footage of the structure(s), or in up to 67% of the structure if the units are deed restricted as 100% affordable. There are more than 275 suitably zoned sites in the County with the potential for mixed-use development, including both vacant and underutilized properties. Based upon recent indications from the development community, it is safe to anticipate the development of 15-20 residential units per year as part of mixed-use projects, projected at 150 residential units during the remainder of the planning period (see Figure 4.7.1). The estimate of 150 potential units is well below the potential overall capacity in the County for 1,916 residential units in mixed-use projects. Of the units projected as part of mixed-use development projects during the planning period, it is presumed that 2/3 or 100 units, would be affordable to moderate-income residents, with the balance for above moderate-income households.
- **Available Sites – Accessory Dwelling Units (ADUs).** The County has aggressively pursued accessory dwelling units (ADUs) as a strategy to provide affordable housing in the community. To this end, ADUs are allowed in rural residential areas on lots greater than 1 acre, in all urban residential zone districts, and on agricultural parcels outside the Coastal Zone. In conformance with AB 1866, the County requires only a building permit for ADU construction. Additionally, in 2008 the County removed rent and occupancy restrictions on ADUs. It is anticipated that, now that the Great Recession is easing and the housing and financial markets have improved, these changes will increase the rate of ADU construction in the planning period to reflect pre-2008 levels, and at least a 10% increase in the rate of development of ADUs is expected during the remainder of the planning period (2016-2023). Given the average of 36 ADU permits that were issued each year in 2007 and 2008, prior to the recession, it is assumed that an average of 35 ADU permits issued annually in 2016 through June of 2023, distributed equally between urban and rural areas. The first nine months of 2015 yielded 23 new ADUs and the pace of ADU construction is expected to increase, therefore matching the production of 2007 and 2008 is a modest and achievable goal given the current state of the financial markets and demand for housing, especially rental housing, and is supported by the most recent building permit data. Due to their smaller size and configuration, ADUs should be affordable to all income levels. Therefore, ADUs are divided among

from the very low to above moderate income levels. Figure 4.7.1 reflects this distribution.

- **Agricultural Employee Housing.** Based on recent applications and landowner inquiries, is projected that, through the efforts of the proposed programs in this Section, such as County staff acting as convener for stakeholders involved with creating ag employee housing projects, at least 75 agricultural employee housing units will be created in the planning period. It is assumed that these will address housing needs for extremely low and very low-income farmworker households. The County is aware of interest from various property owners in building new or expanding existing farmworker housing developments. Based on a recently approved 6-unit project and the current interest expressed in a 36-unit project, (including substantial rehabilitation of 18 existing units and construction of 18 new units on multiple parcels) the County projection of 75 units over a 9-year period is justified.

LOCAL HOUSING OBJECTIVES FOR LOCAL PROGRAMS

The RHNA primarily focuses on making land available at appropriate densities and with appropriate development standards so that land may be developed to accommodate a variety of housing types. Unincorporated Santa Cruz County is overwhelmingly developed with single family dwellings, and a diversity of housing types will be needed to accommodate the projected needs of households of a range of income levels.

There are also currently underway, and new initiatives that are anticipated over the planning period, that are not reflected in the RHNA numbers. The RHNA objectives therefore are not a direct reflection of the real housing needs of a community or active local measures that can be taken to address our housing challenges. As a result, while not required by Housing Element law, this section attempts to create additional local housing objectives, focused on the need for expanded affordable housing opportunities to serve the general population as well as the special needs populations discussed in Section 4.3. This section recognizes that there are significant housing needs in the community that can best be addressed through activities that State law does not recognize in the RHNA process and objectives.

At the time the last Housing Element was approved the County's Redevelopment Agency had substantial resources that it committed to affordable housing projects and programs. Project funds were used to leverage state and federal resources to build affordable housing. When redevelopment was eliminated in 2011 (see Chapter 4.3 for further information) the County invested remaining redevelopment Low and Moderate Income Housing funds (LMIHF) in seven projects and a variety of programs that are summarized below.

- Projects:
 1. Lotus Apartments is a 12 unit acquisition/substantial rehabilitation project located in Live Oak targeting people with disabilities and former foster youth, completed in 2015;

2. Aptos Blue Apartments, completed in 2014 is a 40 unit new construction rental project located in Aptos targeting families and people with disabilities;
3. Schapiro Knolls is an 88 unit new construction rental project located outside the City of Watsonville, completed in 2013 targeting families, seniors and single adults.
4. Canterbury Park Townhomes is a 19 unit affordable homeownership project located in Aptos completed in 2013 serving families;
5. Los Esteros is a 7 unit homeownership project targeting low income families. Subdivision improvements are complete and the first 2 units went into service in 2015;
6. Saint Stephens Senior Apartments (40 units outside the City of Santa Cruz); and
7. Pippin Apartments (26 units outside the City of Watsonville, project includes 20 units within the City limits that will serve families and people with disabilities.

Programs funded included Homeless Action Partnership activities, Affordable Housing Preservation including preserving affordability of Measure J homes at Swan Lake Gardens, Senior and Disabled Property Tax Postponement Program, Homeless Prevention Programs through community agencies.

Affordable housing resources are expected to be limited for the 2014-23 planning period, compared to the prior period, but the County will utilize local resources as they are available from the Low and Moderate Income Housing Asset Fund, consisting of repayments from redevelopment investments, the Affordable Housing Impact Fee fund, generated through residential and commercial development in the unincorporated area and state and federal grants as they become available. In addition, the Planning Department will work with developers to maximize efficient use of available land and to provide affordable units using the density bonus and planning projects that will be competitive for outside funding sources such as low income housing tax credits and cap and trade proceeds through the Affordable Housing and Sustainable Communities program. Further information regarding the source of funds and their constraints can be found in Chapter 4.3

Local objectives for housing funds can be summarized as follows:

1. **Affordable rental housing.** County funds will prioritize projects serving low and very low income households with an emphasis on workforce housing;
2. **Preserving Affordability Restrictions.** The County continues to provide funding for its Affordable Housing Preservation Program to protect the deed restrictions that ensure affordable units remain in the program.
3. **Housing Assistance Programs.** The County continues to fund housing assistance programs to assist lower income and special needs populations.

4. **Single Family Affordable Units.** The County maintains a portfolio of approximately 900 single family units deed restricted for affordability. The Planning Department oversees transactions for each unit ensuring the homes are purchased by qualifying homeowners at an affordable cost.

GOALS, POLICIES, AND PROGRAMS

In order to meet the objectives contained in Figures 4.7.1 it is necessary to define clear policies to guide land use decisions. This section articulates goals, policies, and programs to guide Santa Cruz County over the course of this Housing Element. For example, support for agricultural employee housing, for additional development of ADUs, efficient utilization of RM property, and for mixed-use projects within appropriate commercial areas can be found in the policies contained in this section.

Additionally, many of the County's objectives will be met through continued actions in current program areas and through development of new programs as feasible to assist affordable housing activities. These ongoing activities are also discussed in detail in this Section.

The policy framework sets forth six primary housing goals, organized around the State's required programs, as follows:

- **Goal 1:** Ensure land is available to accommodate an increased range of housing choices, particularly for multi-family units and smaller-sized units
- **Goal 2:** Encourage and Assist in the Development of Housing
- **Goal 3:** Remove Unnecessary Governmental Constraints to Housing
- **Goal 4:** Preserve and Improve Existing Housing Stock and Expand and Preserve the Continued Availability of the County's Existing Affordable Housing.
- **Goal 5:** Promote Equal Opportunity and Production of Special Needs Housing Units
- **Goal 6:** Promote energy efficiency in existing and new residential structures

GOAL 1: ENSURE LAND IS AVAILABLE TO ACCOMMODATE AN INCREASED RANGE OF HOUSING CHOICES, PARTICULARLY FOR MULTI-FAMILY UNITS AND SMALLER-SIZED UNITS

Earlier sections of the Housing Element have described the inventory of sites that are available to accommodate the identified housing needs for the 2014-23 planning period. There are adequate sites available to meet the County's RHNA. The following policies and programs protect those designated sites and also identify other measures that will increase the feasibility of developing those sites to accommodate the needed housing.

Programs are proposed to expand housing opportunities in both the urban and rural unincorporated areas.

The following policies are intended to implement Goal 1:

- Policy 1.1 Ensure that currently available sites that are able to accommodate a range of housing types continue to be zoned appropriately for housing and mixed use developments, so that opportunity to develop projects and provide affordable housing choices for all income levels is maintained throughout the planning period.
- Policy 1.2 Property zoned RM-2-R (Multi-family residential, 20 DU/acre, also known as the R-Combining District) shall only be rezoned if substitute property is concurrently rezoned from lower density to at least 20 DU/acre, or a mixed-use project that would supply the same number of rental dwelling units is concurrently approved.
- Policy 1.3 Properties that are currently zoned RM multi-family residential, other than the RM-2-R ("R-Combining District) properties which are addressed by Policy 1.2, shall be maintained in RM to encourage construction of attached housing units, unless a mixed-use project that would supply the same number of rental dwelling units is concurrently approved.
- Policy 1.4 Ensure that design and site standards for RM districts support the feasibility of using RM property for development of multi-family, attached housing project types.

The following programs are intended to implement Goal 1 and Policies 1.1 through 1.4:

- Program 1.1 Explore opportunities to rezone appropriate urban sites to RM zoning, and also to increase densities on current RM zoned sites to densities more appropriate for attached housing, including parcels identified as opportunity sites in the Sustainable Santa Cruz County (SSCC) Plan⁵⁵(2014).
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016-2018, in conjunction with SSCC implementation effort
- Program 1.2 Explore options for preserving affordable housing in the rural portions of the County, including the village centers, and for creating accessory dwelling units on existing lots of record that are already developed with single family homes, consistent with sewage disposal regulations.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016

⁵⁵ "Sustainable Santa Cruz County", County of Santa Cruz, 2014 available at www.sustainablesantacruzcounty.org/documents/project-documents/

- Program 1.3 Evaluate floor area ratio, height, stories, parking and density standards in the RM districts to ensure that they appropriately support feasible development of multi-family housing and pursue code updates as needed.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016-2018 in conjunction with Code Modernization and SSCC implementation effort
- Program 1.4 Initiate a General Plan policy amendment to consider modifying the existing density limit, and the existing 50% maximum residential square footage in the C-1, C-2, and PA zoning districts, through the PUD process, to better support the feasibility of mixed-use projects.
 - Responsible Entity: Planning Department, Planning Commission, Board of Supervisors
 - Timeframe: 2016
- Program 1.5:
 - Create General Plan designations and zoning regulations to implement residential flex and workplace flex zonings that encourage and facilitate smaller units and rental units, where the number of units is based upon site standards, and which will facilitate job creation for a variety of enterprises, and perform environmental review in accordance with the California Environmental Quality Act ;
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016-2018
 - Identify suitable sites for newly created designations and zoning districts, and propose appropriate sites for re-designation and rezoning.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2018-2020

GOAL 2: ENCOURAGE AND ASSIST IN THE DEVELOPMENT OF HOUSING

In order to increase the opportunities for housing production, the County must actively promote housing production and, where appropriate, provide financial assistance. Given reduced financial resources due to dissolution of the redevelopment agency, it is projected that most housing production will occur through private sector efforts. In order to encourage sustainable housing projects created with private funds, the County will need to further refine existing zoning standards, or develop new land use tools such as mixed use, live/work, permanent room housing and flexible residential zoning districts and/or overlay districts, as discussed below and in the Sustainable Santa Cruz County plan (2014).

The following policies are intended to implement Goal 2:

- Policy 2.1 In order to maximize housing generation on RM sites, require that developments that are proposed on RM zoned sites be designed and permitted as attached housing projects, unless unusual site conditions are found to exist on the site that render such designs impractical and alternate designs cannot maximize housing production.
- Policy 2.2 Continue to discourage development below the minimum density that is specified for each of the General Plan land use designations, recognizing that in the rural area in some cases it may be undesirable or infeasible to meet the minimum density, and that in the rural area density is determined through the rural matrix process.
- Policy 2.3 Encourage and support housing development proposals that include accessory dwelling units (ADUs) where appropriate. For subdivision of R-1 zoned property where construction of buildings is included in the application, ensure that the site design and design of the buildings does not preclude the future development of an ADU on each lot. Where construction of buildings is not part of the land division application, include design guidelines in the approval of the land division that encourage ADUs to be included when the lots are developed, and that ensure that ADUs are not precluded by the design of the buildings.
- Policy 2.4 Require that developers meet the County's Affordable Housing Program requirements, as provided by Chapter 17.10 of the County Code, which was updated in 2015.
- Policy 2.5 Implement the State's Density Bonus Program for projects providing additional affordable units through compliance with Chapter 17.12 of the County Code, which was updated in 2015.

The following programs are intended to implement Goal 2:

- Program 2.1 Use funds generated by the Affordable Housing Impact Fee (AHIF) to create new deed-restricted, affordable rental opportunities, and to support the administration and maintenance of the County's Measure J portfolio of deed restricted homes. See Appendix 4.3-2: AHIF Expenditure Plan Principles, April 21, 2015.
 - Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: Ongoing
- Program 2.2 Continue to leverage available County affordable housing funds by collaborating with both for-profit and non-profit developers of affordable housing projects to maximize long-term affordability restrictions and to promote the development of a variety of housing types, including those that serve Extremely Low-Income households, which will require additional local subsidies. Local funds and actions include but are not limited to RDA Successor Agency Housing Asset Funds (as former RDA loans are re-paid) and the County Affordable Housing Impact Fee (AHIF) Fund. Funding will

continue to be leveraged from federal, state, and private sources, thereby maximizing the impact of County dollars.

- Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: Ongoing
- Program 2.3 Improve community understanding of the relationship between affordable housing, environmental protection, and the community and economic vitality benefits of compact communities. Develop a community-based outreach program, building on the extensive program associated with the Sustainable Santa Cruz County Plan that was completed in 2014, to be undertaken in conjunction with efforts to implement that SSCC Plan.
 - Responsible Entity: Planning Department
 - Timeframe: 2016-2018 in conjunction with SSCC implementation effort
- Program 2.4 Explore expanding local funding sources to assist in the financing of affordable housing, including transfer taxes, bonds for affordable housing projects and other opportunities.
 - Responsible Entity: County Administrator (CAO), Board of Supervisors, Planning Department
 - Timeframe: 2016-2018
- Program 2.5 Explore the feasibility of fee waiver, reduction, or deferral programs to assist the creation of affordable housing.
 - Responsible Entity: Planning Department, Planning Commission, Board of Supervisors
 - Timeframe: 2016-2023
- Program 2.6 In order to encourage the development of single-room occupancy (or “permanent room housing”) and to enable new units that are 500 square feet of habitable area or smaller to be developed, explore implementation of 1) a flexible residential zone (RF) district, and 2) a mixed use housing approach; for both of which the number of allowable units would be based on site standards rather than on units per acre.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016-2019
- Program 2.7 In order to encourage a wider range of housing types and meet the need for various price points of housing and rents, create opportunities for mixed use through the creation of a mixed-use zone district or overlay zone, as well as the option of PUDs for mixed-use projects in commercial zoning districts.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016-2019

- Program 2.8 Identify opportunities to assemble parcels for multi-family housing projects and consider General Plan and zoning amendments of properties to appropriate densities to facilitate multi-family housing production.
 - Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: 2018-2020
- Program 2.9 Upon issuance of a building permit for an ADU, the County shall provide the property owner with a voluntary survey of rent level (VL, Low, Mod, Above Mod) and type of tenant (family member, tenant, vacant), anticipated for the ADU. The results of this survey will be used for informational monitoring of the ADU program and for targeting of future policies.
 - Responsible Entities: Planning Department
 - Timeframe: Begin in 2016
- Program 2.10 In order to assist private employers, non-profit organizations, and other non-governmental community stakeholders to advance ideas for creating affordable housing opportunities for their members and constituents, on or near the stakeholder's property, provide assistance and opportunities for these stakeholders to discuss proposals with County staff.
 - Responsible Entities: Housing Advisory Commission, Planning Department, Board of Supervisors
 - Timeframe: 2016-2023
- Program 2.11 Collaborate with the County Agriculture Commissioner and other interested parties to promote housing for agricultural employees by convening stakeholders, including property owners, lessee farmers, agricultural employees, agricultural product processors, and affordable housing developers, to discuss strategies for producing this type of housing.
 - Responsible Entities: Board of Supervisors, County Agricultural Commissioner, Housing Advisory Commission
 - Timeframe: 2017-2020

GOAL 3: REMOVE UNNECESSARY GOVERNMENTAL CONSTRAINTS TO HOUSING

Santa Cruz County has integrated sustainable development principles in its land use planning for decades, through protecting agricultural lands and encouraging the majority of development to occur within defined urban service areas. Additionally, a significant portion of the urban area lies within the Coastal Zone, subjecting development to special coastal permit review processes. Because of the fragile environment and heightened level of community participation in the land use review processes, the County has over the years adopted extensive regulations to govern land use permitting

processes. It is valuable to revisit those regulations from time-to-time to ensure that the regulatory system is not creating unintended outcomes with regard to overly cumbersome processes and regulations. Additionally, it is critical to take appropriate actions needed to support the existence of adequate infrastructure to support reasonable housing growth.

The following policies are intended to implement Goal 3:

- Policy 3.1 Maintain current policies that require affordable housing projects to receive priority processing through both the discretionary and building permit processes.
- Policy 3.2 Implement the Measure J growth management building permit allocation system in a manner that always “rolls forward” any unused Measure J building permit allocations, as allowed by the County Code, so that they are made available in the following year along with that year’s new allocation. Allow that “rolled forward” permit allocations would expire at the end of the year.

The following programs are intended to implement Goal 3:

- Program 3.1 Continue to revise procedures and regulations to streamline and clarify building and development permit processes and regulations, including affordable housing and housing that is made affordable by design, and particularly for accessory dwelling units, agricultural employee housing, permanent room or SRO housing, mixed use projects, and other types of housing that increase the diversity of the housing stock, by tiering development process levels and adjusting permitting burdens relative to development impacts.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: Ongoing
- Program 3.2 In order to meet the need for long-term rental housing options, revise land use regulations to encourage accessory dwelling units (ADUs), and tiny ADUs (dwelling units less than 250 square feet) through modifications to existing standards, and promote public awareness of those changes through the zoning counter and public brochures. In no case should the use of an ADU or tiny ADU as a short-term or vacation rental be permitted.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016 - 2018
- Program 3.3 Explore options to reduce the costs of infrastructure requirements for ADUs by working with water and fire agencies.
 - Responsible Entity: Planning Department, Utility & Fire Districts
 - Timeframe: Ongoing

- Program 3.4 Work with local utility districts to ensure compliance with the state law requirement that all public sewer and water providers provide priority to and retain sufficient capacity for affordable housing projects.
 - Responsible Entity: Planning Department, Utility Districts
 - Timeframe: Ongoing
- Program 3.5 Create a Mixed-Use zoning district or overlay-zone as described in the Sustainable Santa Cruz County Plan, which may include an increase in the 50% residential maximum and apply to specific areas in major activity nodes or transportation corridors within the urban area. Also, promote Mixed-use development with additional incentives including expanding the Planned Unit Development (PUD) Ordinance to facilitate such uses, and considering reduced or shared parking requirements, as well as other updated site standards for mixed use projects. Explicitly clarify in the regulations the definition of net developable land and its use in density calculations for PUD and other non-standard residential development.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: 2016-2019
- Program 3.6 Explore modifications to the existing Legalization Assistance Permit Program (“LAPP”), and add incentives to legalize existing unpermitted Accessory Dwelling Units and other existing residential structures.
 - Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: 2016-2017
- Program 3.7 Continue work with AMBAG, RTC, and the County’s cities to update the regional Metropolitan Transportation Plan/ Sustainable Communities Strategy⁵⁶ which will plan for more intensive housing development near existing job centers and near transportation corridors. The final SCS Update will be adopted in June of 2018.
 - Responsible Entity: Board of Supervisors, Planning Commission, Housing Advisory Commission, Planning Department,
 - Timeframe: Ongoing through 2018
- Program 3.8 Collaborate with the County’s cities and other public agencies in resolving regional infrastructure capacity issues including transportation, water supply, and sewage treatment.
 - Responsible Entity: Board of Supervisors
 - Timeframe: Ongoing
- Program 3.9 Complete the nexus study, currently underway, to support implementation of a Countywide transportation impact mitigation fee program.

⁵⁶ “Moving Forward 2035 Monterey Bay”, AMBAG, June 2014

- Responsible Entity: Department of Public Works, Board of Supervisors
- Timeframe: 2016-2018
- Program 3.10 Continue to monitor and report on the development of the “R combining zone” sites with the Annual Growth Goal Report. If the maximum/minimum density becomes a constraint to development of these properties, initiate a program to develop solutions.
 - Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: Ongoing, Annual
- Program 3.11 Evaluate the Land Use Element of the General Plan for the need to include policies that support provision of infrastructure to disadvantaged communities, pursuant to SB 244.
 - Responsible Entity: Planning Department, Department of Public Works
 - Timeframe: 2016-2018

GOAL 4: PRESERVE AND IMPROVE EXISTING HOUSING STOCK, AND PRESERVE AND EXPAND THE AVAILABILITY OF EXISTING AFFORDABLE HOUSING

It is more efficient to preserve and improve existing affordable housing than it is to construct a similar number of new units. Actions to help residents attain and retain affordable housing may include retaining affordability protections for single units and housing complexes, pro-actively preventing loss of Measure J units, and encumbering market rate units with long-term affordability covenants.

Providing funding to assist residents in attaining, retaining and improving their housing is a critical aspect of the County’s housing strategies. As rents and housing prices continue to exceed the reach of many households, it is important for the County to utilize its available housing resources to help residents attain, retain and improve affordable housing. Through a number of programs, the County strives to be able to provide resources to members of the community seeking affordable housing opportunities. This includes retaining affordability protections for single units and housing complexes, and encumbering market rate units with long-term affordability covenants using the Density Bonus Program and other available tools.

The following policy is intended to implement Goal 4:

Policy 4.1 Preserve the continued availability of the affordable housing stock located in the County’s manufactured home parks.

The following programs are intended to implement Goal 4:

- Program 4.1 Preserve the continued availability of the affordable housing located in manufactured home parks, including retaining existing ordinances and regulatory programs regarding manufactured homes, including: mobile/manufactured home rent control, land use restrictions to limit conversion of mobile/manufactured home parks to other uses, and regulations that prevent conversion intended to transfer value from coaches to property.
 - Responsible Entity: Board of Supervisors
 - Timeframe: Ongoing
- Program 4.2 Retain the Condominium Conversion Ordinance (County Code Chapter 14.02) to protect rental housing stock.
 - Responsible Entity: Board of Supervisors
 - Timeframe: Ongoing
- Program 4.3 Continue to implement programs intended to assist low income households to maintain quality units in mobile/manufactured home parks including the County's CalHome funded manufactured home replacement program and the Mobilehome Park Rehabilitation and Purchase Fund.
 - Responsible Entity: Planning Department
 - Timeframe: Ongoing
- Program 4.4 Work with interested parties in the community to maintain a central database that includes an inventory of affordable housing, affordable housing stock characteristics, and unit data for the County's affordable housing units, including inclusionary units and other affordable units built by non-profit and for-profit developers. Make such information available to interested parties who may need it for funding applications and program descriptions or for those seeking affordable housing. Track all demolition permits and include the types of housing stock demolished in the tracking database. Create a database of all rental housing types in the County classified by type, cost category (by \$500 increments), and vacancy rate.
 - Responsible Entity: Planning Department, Homeless Action Partnership Landlord Outreach Workgroup
 - Timeframe: 2016
- Program 4.5 Explore regulatory options for recognizing and legalizing hotels/motels that have over time been converted to permanent occupancy, including through implementation of a flexible residential zone district (RF) and/or overlay district in which the number of units is based on site standards rather than site area, and/or through creation of a Permanent Room Housing (PRH) Combining District that could be used to legalize permanent residential status of existing obsolete hotel/motel properties that are no longer in use as transient lodging or visitor accommodation facilities.
 - Responsible Entity: Board of Supervisors, Planning Department

- Timeframe: 2016-2018
- Program 4.6 Continue to develop strategies to preserve all affordable units with expiring restrictions, including Measure J units and HUD-assisted affordable housing units.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: Ongoing
- Program 4.7 Continue to implement the Affordable Housing Preservation Program to preserve the affordability restrictions of individual affordable units faced with foreclosure by acquiring units prior to the trustee sale or other actions.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: Ongoing
- Program 4.8 Continue the County First Time Homebuyer Loan Program/ Mortgage Assistance Program and Resale Subsidy Program.
 - Responsible Entity: Planning Department,
 - Timeframe: Ongoing
- Program 4.9 Continue to require that tenants' security deposits earn interest that is payable to the tenant on an annual basis or at the time tenancy ceases.
 - Responsible Entity: Board of Supervisors
 - Timeframe: Ongoing
- Program 4.10 Maintain programs to assist lower income residents in securing housing entry costs (rental security deposits) and short term rental assistance when the tenant faces eviction due to lack of rent payment as a result of one-time cash-flow problems using the Low and Moderate Income Housing Asset Fund.
 - Responsible Entity: Board of Supervisors, Planning Department,
 - Timeframe: Ongoing
- Program 4.11 Maintain the existing requirements that owners of units deemed uninhabitable must pay relocation assistance to affected tenants.
 - Responsible Entity: Board of Supervisors
 - Timeframe: Ongoing
- Program 4.12 Maintain the Vacation Rental Ordinance that limits conversion of existing housing units to vacation rentals in order to minimize the impact of such conversions on the stock of housing.
 - Responsible Entity: Planning Department, Board of Supervisors
 - Timeframe: Ongoing

GOAL 5: PROMOTE HOUSING EQUAL OPPORTUNITY AND PRODUCTION OF SPECIAL NEEDS HOUSING UNITS

Addressing the particular housing needs of people with special needs is an important component of the County's housing efforts. Persons served by special needs housing include those who are homeless, elderly, disabled, farmworkers, female headed households, and large households.

The following policies are intended to implement this goal:

- Policy 5.1 Maintain the provisions in County Code (Title 18) which provide for reasonable accommodation for persons with disabilities seeking fair access to housing in the application of the County's zoning regulations.
- Policy 5.2 Continue to implement County Code provisions (currently in Section 13.10.631(c)4), which allow existing substandard farm worker housing to be reconstructed or rebuilt and maintained as affordable units for low and very low income households.
- Policy 5.3 Continue to implement County Code Section 13.10.685 relating to the conversion of Recreational Vehicle (RV) parks to permanent occupancy.
- Policy 5.4 Continue to promote programs and projects that create rental housing using a "Housing First" model.

The following programs are intended to implement Goal 5:

- Program 5.1 Continue to collaborate with organizations pursuing "Housing First" goals for assistance to the homeless population.
 - Responsible Entity: Planning Department, Health Services Agency, Human Services Department.
 - Timeframe: Ongoing
- Program 5.2 Continue to seek all available sources of financing for affordable housing opportunities for special needs households. Specifically target the following sources:
 - Community Development Block Grants
 - Affordable Housing and Sustainable Communities program (AHSC)
 - Joe Serna, Jr. Farmworker Housing Grant Program
 - Mobile/manufactured home Park Resident Ownership Program (MPROP)
 - Multifamily Housing Program (MHP)
 - CalHome Program
 - Home Investment Partnerships Program (HOME)
 - Other emerging financing tools
 - Responsible Entity: Planning Department
 - Timeframe: Ongoing

- Program 5.3 Review policies that affect group homes, transitional housing, and the full range of licensed healthcare programs and facilities in order to:
 - Determine long term sustainability of existing group home facilities for lower income individuals and consider providing incentives needed to sustain existing facilities and develop additional facilities.
 - Ensure that local requirements conform to State law regarding transitional housing and shelters, especially the number of beds triggering a discretionary permit.

Responsible Entity: Planning Department

Timeframe: Ongoing.

- Program 5.4 Continue support of programs including annual jurisdictional funding of the Homeless Action Partnership activities and the Emergency Winter Shelter Program that address the needs of the homeless population, including:
 - Supporting and funding the Emergency Winter Shelter Program which provides shelter to homeless persons during the winter months;
 - Supporting efforts of the Countywide Continuum of Care Coordinating Group to address the housing and service needs of people who are homeless. These include emergency, transitional, permanent housing and rapid re-housing programs, as well as supportive services such as employment support, case management, and treatment for health, substance abuse, and mental illnesses; and
 - Identifying potential sites for and potential financial contributions to the construction of transitional facilities and potentially replacing the National Guard Armory in Santa Cruz County in accordance with the priorities established in *ALL IN* the Santa Cruz County Strategic Plan to Address, Reduce, and Eventually End Homelessness.
 - Responsible Entity: Board of Supervisors, County Administrative Office, Human Services Department, Housing Authority, Planning Department, Health Services Agency.
 - Timeframe: Ongoing, annually
- Program 5.5 Explore options for increasing the supply of permanent, affordable, and accessible housing for people with disabilities, including:
 - Encouraging housing projects sponsored by the County to maintain separate waiting lists for accessible units ensuring they are offered first to people who need units adapted for use by people with physical disabilities;
 - Encouraging housing developers, including developers of affordable housing projects, to build units that meet the needs of physically disabled households; and
 - Encourage developers to partnering with the Housing Action Partnership to explore potential funding to target rental subsidies to extremely low income households.

- Responsible Entity: Health Services Agency, Human Services Department, Planning Department, Commission on Disabilities
 - Timeframe: Ongoing
- Program 5.6 Sustain and expand residential facilities and other affordable housing options available to foster children, youth who are aging-out of the foster care system and other children and youth in need of special services.
 - Responsible Entity: Human Services Department, Housing Authority, Health Services Agency
 - Timeframe: Ongoing
- Program 5.7 Continue to support programs that address the needs of the local elderly populations through:
 - Consider collaborating with a shared housing program for matching seniors for shared housing in Santa Cruz County;
 - Analyzing the zoning code and approving amendments as needed to accommodate all types of senior housing, including but not limited to independent living, assisted living, congregate care, group homes and other senior housing types.
 - Exploring options for retaining existing housing for the elderly in nursing homes and options for expanding the inventory of nursing homes and assisted living;
 - Retaining and maintaining existing senior-only mobile/manufactured home parks in the County and facilitate improvements to ensure retention of senior-only status, and encourage maintenance of existing mobile/manufactured homes consistent with State and federal laws; and
 - Pursue implementation of Program 2.6 in order to encourage development of smaller units suitable for seniors.
 - Encourage developers to offer floor plans that allow seniors to “age in place” in their homes by incorporating universal access features and the opportunity for simplified conversion to universal access. Support policy and building code revisions that encourage universal access and options for aging in place.
 - Responsible Entities: Non Profit Housing Developers, Board of Supervisors, Planning Department
 - Timeframe: Ongoing
- Program 5.8 Support the development of projects and programs that serve the housing needs of people living with mental illness, including:
 - Supporting proposals for a variety of housing opportunities for people with mental illnesses, consistent with the Olmstead Act that requires that people with psychiatric disabilities have the opportunity to live in the least restrictive level of care possible;
 - Continuing to support and facilitate the programs of the Human Services Department and the Health Services Agency to provide additional crisis

treatment facilities, transitional housing, social rehabilitation programs, permanent supportive housing beds, and Skilled Nursing beds for people who are elderly and have a mental illness. This includes support of the CHAMP (Cal-Works Housing Assistance Move-in Program), and the HAP housing programs

- Support policies and programs that increase opportunities for adding housing options for people living with mental illness/including funding opportunities through the HEARTH Act and the Mental Health Services Act Housing Program.
- Pursue a code amendment to clarify that allowable residential use on a Public Facility or church site may include permanent supportive housing.
 - Responsible Entity: County Health Services Agency, Planning Department, Homeless Action Partnership
 - Timeframe: Ongoing
- Program 5.9 Finalize code updates to regulate agricultural employee housing as an agricultural use not subject to density standards, and provide a pathway for discretionary approval of projects that exceed the size granted by-right processing by State law.
 - Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: 2016-2018
- Program 5.10 Encourage developers of affordable housing projects to pursue funding sources that would allow incorporating units that meet the needs of farmworker households. Accomplish this by continuing to provide local matching funds for projects that have HCD funding through the Joe Serna Jr. Farmworker Housing Grant Program.
 - Responsible Entity: Planning Department
 - Timeframe: Ongoing
- Program 5.11 Consider supporting housing rehabilitation or new construction projects for farm worker or agricultural employee housing.
 - Responsible Entity: Planning Department
 - Timeframe: 2016-2023
- Program 5.12 Support services and programs that address the needs of the physically disabled population, regardless of income level:
 - Continue to implement the California Building Code, which incorporates extensive accessibility requirements.
 - Work with the Commission on Disabilities to develop and maintain an inventory of accessible units in the community.
 - Promote visitability of all housing units in the County through public information and education targeting applicants for building permits.

- Work with affordable housing providers to maintain separate waiting lists for accessible units to ensure they are occupied by households with physical disabilities.
 - Responsible Entities: Planning Department, Commission on Disabilities, Homeless Action Partnership
 - Timeframe: Ongoing
- Program 5.13 Prioritize the use of local affordable housing dollars for projects that include housing affordable to ELI households by leveraging multifamily affordable rental funds. Priority populations include farmworkers, elderly, disabled and homeless populations. Funding streams that can be leveraged with County funds include USDA multi family programs, HUD Sections 811 and 202, Low Income Housing Tax Credits and Veterans Housing and Homelessness Prevention Program.
 - Responsible Entity: Planning Department
 - Timeframe: 2016-2023

GOAL 6: PROMOTE ENERGY EFFICIENCY IN EXISTING AND NEW RESIDENTIAL STRUCTURES

The need for energy efficiency has grown over the years as a national priority, particularly as concerns have grown about greenhouse gases and global warming. The County has the opportunity to encourage energy-efficient designs for new homes to accomplish this goal. But equally important, given the large number of older homes in the community, is the need to retrofit existing homes for greater energy efficiency. Besides being an urgent issue from an environmental perspective, energy efficiency is an important economic issue. Lower income residents of older, high-energy consuming residences end up paying a disproportionate amount of their income for utility costs, something that they can ill afford.

The following programs are intended to implement Goal 6:

- Program 6.1: Continue membership in the Joint Power Authorities that make two Property Assessed Clean Energy (PACE) programs, California First and HERO, available in Santa Cruz County.
 - Responsible Entity: Planning Department
 - Timeframe: Ongoing
- Program 6.2: Continue to implement energy efficiency standards in the CalGreen Building Code. .
 - Responsible Entity: Board of Supervisors, Planning Department

- Timeframe: Ongoing
- Program 6.3: Continue to explore strategies for local energy production such as Community Choice Aggregation and implement the conservation strategies in the Climate Action Strategy⁵⁷.
 - Responsible Entity: Board of Supervisors, Planning Department
 - Timeframe: Ongoing
- Program 6.4: Prioritize implementation of an expedited permitting process that encourages and enables solar/photovoltaic facilities for residential and commercial properties.
 - Responsible Entity: Planning Department, Board of Supervisors, Building Official
 - Timeframe: 2016

APPENDICES FOR THIS SECTION

- No Appendix Items

⁵⁷ “Climate Action Strategy”, County of Santa Cruz, 2013, available at: www.sccoplanning.com/Portals/2/County/Planning/Policy

4.8: CONCLUSION

Housing needs in general, and the unique needs of lower income and special needs populations in our community, are complex. This document contributes to the community's overall efforts to address housing issues by providing a snapshot of the housing challenges facing the unincorporated Santa Cruz County community – demographics, housing needs, constraints and opportunities, and by proposing a direction for County land use policies and programs that will contribute to solutions.

Many of the factors that contribute to the large numbers of households unable to afford housing as a reasonable proportion of their incomes are outside the control of County government – the jobs/housing imbalance of Santa Clara County, the growing student and faculty populations at UCSC and Cabrillo College, and the worldwide attraction of the area as a place to settle down. But there are things that can be accomplished at the local level to at least partially address some of the resulting housing challenges.

In past years there has been considerable concern about how the County would meet the State-imposed RHNA objectives for the planning period. Largely because the high density residential properties that were created by the rezoning that was completed in 2009 have not built out, and changes in State law and local land use regulations have also increased the reservoir of sites that can accommodate more affordable types of housing, the RHNA objectives are not the primary focus of this Housing Element. Over the past year or two, community concern has shifted somewhat from a focus on the RHNA number itself, to the effects that a lack of housing supply is having on the economy of the area and community quality of life. Increasingly, the discussion is: "What kind of community are we, do we want to be, and who can or should be able to live here?"

Increasing the range of the type of homes that are available, and integrating housing with environmental sustainability and economic perspectives, are central considerations of this Housing Element. This Housing Element includes a set of local housing activity goals and programs that are intended not only to demonstrate ability to accommodate the RHNA, but also to support development of housing types that accommodate workforce housing needs, and support availability of housing for special needs populations. A healthy and balanced community must strive to achieve a balance of housing options that create housing choices for all residents.

APPENDICES FOR THIS SECTION

- No Appendix Items