

MEMORANDUM

To: Jonathan DiSalvo, Project Planner

From: Suzanne Isé, Principal Planner, Housing Division

Date: April 2, 2020

Re: Proposed Rezoning of Soquel Avenue Site from Regional Housing Need (“R”) Combining District

BACKGROUND

Property Details:

APN: 029-021-47 **Area:** 5 acres

Address: 5940 Soquel Ave., Santa Cruz, CA 95062

Zoning: RM-2-R, Residential Multi-Family, 2,000 SF minimum site area/unit) with R-Combining overlay

General Plan: R-UH, Residential Urban High

Density: 20 units/acre **Capacity:** 100 dwelling units (base)

Owner: PAZ LLC (A. Nigh-Protiva)

Current use: 110 Vacant Commercial Land

Housing Element 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. [Emphasis added]*

In 2019, the Planning Department received a land use application proposing development of a medical office building and parking garage on the Soquel Avenue site. This development proposal would require a rezoning and general plan amendment to allow the proposed commercial use. The application is currently undergoing environmental review (CEQA) and development review. As part of this review, staff has analyzed whether the proposed project could be approved while still complying with HE Policy 1.2, above.

The intent of Policy 1.2 is to ensure that the planned housing capacity on the R-combining sites is not lost or reduced due by rezoning and/or development with other uses or at lower densities, unless appropriate substitute site(s) are available to accommodate those units foregone on the original R site(s). This policy ensures that the County will continue to have adequate sites available to meet its RHNA allocation as set forth in its Housing Element, similar to the “no net loss” policy language in California Government Code Section 65863.

To meet this goal, it is not the intent that the alternate sites be literally rezoned and/or developed with a mixed-use project *exactly concurrently* with any County action on the R-site(s). The substitute or alternate sites must be identified, rezoned and/or developed with mixed-use housing projects no later than when discretionary action is taken on the R-combining site(s). The word

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“concurrently” essentially represents the last possible time a substitute site could be identified. It is the County’s responsibility to manage its zoning and land use policies and actions to ensure compliance with state law, including maintaining an adequate sites inventory to meet its RHNA objectives, and HE Policy 1.2 is intended to ensure ongoing compliance with that RHNA responsibility. Policy 1.2 expressed an intention of “no net loss” by ensuring either the acreage of land remains within the R-Combining district, or the same number of rental units are developed within mixed-use projects prior to, or concurrently with, any action to remove lands from the R-Combining district and/or to approve other uses on those sites.

ANALYSIS

Status of R-Combining and Mixed Use Approvals since January 1, 2014. At the time it was rezoned into the R-Combining District, staff estimated that the Soquel Avenue site had capacity for 100 units (20 units/acre times 5 acres). This site was included with several other remaining R-Combining sites that were included in the County’s 2015 Housing Element to demonstrate that the County had sufficient sites zoned and available to meet its Regional Housing Need (see line 3: Urban sites, 20 u/ac, in Figure 4.7.1 on Page 4).

As explained above, Policy 1.2 allows RM-2-R sites to be rezoned for uses other than housing at 20 units/acre only if another property is rezoned to RM-2-R, or a mixed-use project(s) that would supply the same number of rental units is approved by the County concurrently with (or prior to) the rezoning action. In 2019, the County approved three mixed-use projects that in total exceed the 100-unit capacity on the Soquel Avenue site that were counted toward the County’s RHNA. These projects were approved within the same planning area as the Soquel Avenue site (Live Oak), as shown below.

Rental Dwelling Units Approved in Mixed-use Projects, 2014-2019

Applic- ation #	Address (all in Zip Code 95062)	Market- Rate Units	Low- Income Units	Total Units	Approved Mixed-use Project	Zoning & Gen Plan Designation
181170	2606 Paul Minnie Ave., Santa Cruz	13	2 VLI	15	15 rental units and office building, density bonus	PA, C-O
181263	3911 Portola Dr., Santa Cruz	29	4 VLI	33	33 rental units with 5 ground floor retail spaces, density bonus, in coastal zone	C2, C-C
181579	1412-1514 Capitola Rd., Santa Cruz	0	57 VLI & Low	57	2 new health clinics, 57 affordable apartments, PUD, tentative map, and rezone of 2.36 acres to R-Combining District	C1, C-N (with 2.36 ac. R-Combining)
141133	1135 17 th Ave., Santa Cruz	13	0	13	Project with ground floor commercial and 13 rental apartments	C1, C-N
Total		55	63	118		

These projects amount to a total of 118 rental units, including 6 very low-income units within the first two projects, and 57 very low and low-income units within the third project, which is a 100%

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affordable rental project for which low income housing tax credits and other public sector financing will be sought. All of the above projects are mixed-use projects on commercial sites that provide new rental dwelling units, consistent with HE Policy 1.2. For this reason, these projects can be considered to satisfy the requirement for approval concurrent or prior to (but within the January 2, 2014 through December 31, 2023 RHNA period) consideration of approval of the proposed rezoning of the Soquel Avenue site, in compliance with HE Policy 1.2.

Changes to State and County Laws in Recent Years. Since the February 2016 date that the County adopted its Housing Element, there have been many housing-related changes in State law, and many corresponding changes to County regulations. These changes have had the effect of generating more interest in rezoning of additional properties to the R-Combining District, as well as more proposals for mixed-use projects. Therefore, the projections of the Housing Element can now actually be considered to somewhat underestimate the potential for housing development at 20 units per acre or more, and of mixed-use projects.

In 2018, the County amended its codes related to the R-combining zone district, and adopted "enhanced" density bonus provisions. These amendments allow new properties to be added to the R-combining zone, which was not possible under the prior code. Use of the new enhanced density bonus provisions now allow projects of up to 27 units per acre (or 30 for non-profit projects) in mixed-use or Urban High residential zones, even without the R-combining zone. With the R-combining zone projects can use the density bonus to get up to 30 units per acre. These two changes expand the County's capacity in its available sites beyond the projections provided in the 2015 Housing Element, making it easier for the County to meet its RHNA.

The County has seen a significant increase in interest from property owners and the development community in the density bonus program, with a number of additional applications in the pipeline. In summary, the Planning Department currently expects to exceed the projected number of units in mixed-use sites and possibly in the R-combining sites, from the projections shown on Housing Element Figure 4.7.1 below. Furthermore, a number of other state laws have been enacted in the past several years which further facilitate and streamline housing development (SB 35, SB 330, AB 1763, etc.), making it even more likely that the County will meet or exceed its RHNA projections for development at 20+ units per acre and within mixed-use projects, for the current RHNA cycle, even under a scenario where the Soquel Avenue site is rezoned out of the RM-2-R/R-Combining zone.

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Additional Background:

1. Related Content in 2015-2023 Housing Element

From pp. 4-108 through 4-110:

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 Sites	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)

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The following text is an excerpt from the 2015-2023 Housing Element, with "strikeout-underline" used to show how the text could be updated to represent existing 2020 conditions. It is not actually necessary to amend the Housing Element to update the analysis, but tracking actions and updating projections is considered a good administrative practice, and the information may be useful for decision-making.

EXCERPTS FROM 2015 HOUSING ELEMENT, PAGES 4-109 AND 4-110

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, and the regulations initially limited use of the R-Combining District to only those five sites (only recently changing to allow rezoning proposals for other properties). Of the original five ~~ese~~ sites, two have been developed (Aptos Blue and Schapiro Knolls, with 40 and 88 units respectively) and part of another site (Atkinson) has been developed with 26 units (Pippin). The remaining portion of the Atkinson site (Pippin II) has an approved PUD for 174 units, has an allocation of local funding, and is applying for additional funding from other sources for an initial project of 80 units, leaving a remainder of 94 units available within the approved PUD. A total of 202 units can be accommodated on remaining 23 sites (Soquel Avenue and Erlach) which have not yet entered the predevelopment or design phase~~that have not yet obtained design permits.~~ The actual income levels of the occupied developments are 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 – 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. Under recent amendments to Density Bonus regulations, these percentage limits and other development standards or requirements can be exceeded through requests for waivers and concessions. These changes have greatly increased the feasibility of and developer interest in mixed-use projects. 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 ~~15-20-30~~ residential units per year as part of mixed-use projects, projected at ~~150~~200 residential units during the remainder of the planning period (see Figure 4.7.1). The projection for ~~estimate of 150~~200 ~~potential~~ units on mixed-use sites 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 about 133~~400~~ units, would be affordable to moderate-income residents, with the balance for above moderate-income households.

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2. Current Status of Original R-Combining Sites, as Reported in 2019 Annual Progress Report (APR) on Implementation of the General Plan Housing Element

Sites in R-Combining Zone District

Site Name	APNs	Street Address	Supervisor District	Acreage within R Combining District*	Unit Yield	Units Built	
Soquel Avenue (formerly Nigh)	029-021-47	5940 Soquel Ave., Santa Cruz, 95062	1	5.0	100	--	
Erlach	037-101-02 037-061-66 037-061-04	3250-3420 Cunnison Lane, Soquel, 95073	1	5.1	102	--	
Aptos Blue (formerly Miller)	039-471-09	3200 Aptos Rancho Rd., Aptos, 95003	2	2.0	40	40	
Schapiro Knolls (formerly Minto)	051-511-35	33 Minto Road, Watsonville, 95076	4	4.4	88	88	
Atkinson Lane (Pippin)	Pippin Orchard Apartments	048-211-25	56 Atkinson Lane, Watsonville, 95076	4	1.3	26	26
	Lamb (Pippin II)*	048-221-09 019-236-01	78 Atkinson Lane, Watsonville, 95076	4	8.7	174	--
TOTAL				26.5	530	154	

** The Pippin II project was recently acquired by MidPen Housing with acquisition loan from the County, and a project including some portion of the 174 entitled units is currently in the design and financing/predevelopment stage. The remainder of the 174 entitled units will be pursued as a later phase of development.*