

***REPORT ON***  
***YEAR 2026 GROWTH GOAL***  
***for***  
***SANTA CRUZ COUNTY'S UNINCORPORATED AREA***

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## **I. INTRODUCTION**

In 1978, Santa Cruz County voters adopted the growth management referendum known as Measure J. This legislation requires the County to establish an annual population growth goal of an amount that represents Santa Cruz County's fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of "allocations" of market-rate residential building permits that can be issued in the unincorporated area for the coming year. The process is defined in Santa Cruz County Code (SCCC) Chapter 17.01 (Growth Management), Chapter 17.04 (Annual Population Growth Goal for Santa Cruz County), and Chapter 12.02 (Residential Permit Allocation System). In December 2024, the Board of Supervisors adopted a 2025 growth goal of 0.75%. This report provides information for consideration by the County Planning Commission and Board of Supervisors to determine the annual growth goal for the calendar year 2026.

The County of Santa Cruz Planning Division of the Community Development & Infrastructure Department (CDI) recommends the annual growth goal based on several factors, including analysis of population growth trends, resource constraints, and the status of residential building permit allocations for the current year. These factors are examined under the following sections of this report:

- Section II Population Trends: discusses the latest population estimates and population data projections.
- Section III Residential Building Permit Trends and Allocations: presents information on issued residential building permits and the status of the current year's Measure J allocations.
- Section IV Housing Needs: examines the Association of Monterey Bay Area Government's (AMBAG's) regional housing needs planning process, the status of the County's General Plan Housing Element, the continued need for affordable housing in the County, and the Accessory Dwelling Unit (ADU) Annual Report.
- Section V Potential Growth Impacts: details countywide resource constraints and public service issues.
- Section VI Growth Goal Recommendation: presents this year's recommended growth rate and building permit allocation distribution.
- Section VII Conclusion: summarizes the findings from Sections II through VI.
- Section VIII References: lists the sources referenced in this report.

## **II. POPULATION TRENDS**

### **Population Estimates**

The State of California Department of Finance (DOF) publishes annual population estimates for counties across the state in May of each year. Table 1 shows the DOF population estimates for Santa Cruz County in 2024 and provisional estimates for 2025. These population estimates indicate a countywide population of 263,710 (128,136 in the unincorporated area) as of January 1, 2025 (DOF, 2025). Table 1 also includes the

estimated annual population growth rates for 2023 and 2024 in each of the Santa Cruz County jurisdictions, as well as California as a whole.

**TABLE 1: SANTA CRUZ COUNTY POPULATION AND GROWTH RATE ESTIMATES**

Area	1/1/2023 Population Estimate <sup>(1)</sup>	1/1/2024 Population Estimate <sup>(2)</sup>	1/1/2025 Population Estimate <sup>(3)</sup>	2023 Population Growth Rate <sup>(2)</sup>	2024 Population Growth Rate
City of Capitola	9,698	9,704	9,670	0.06%	-0.35%
City of Santa Cruz	63,071	62,861	62,972	-0.33%	0.18%
City of Scotts Valley	11,906	11,836	11,831	-0.59%	-0.04%
City of Watsonville	50,845	50,860	51,101	0.03%	0.47%
<b>Unincorporated Area</b>	<b>128,730</b>	<b>128,193</b>	<b>128,136</b>	<b>-0.42%</b>	<b>-0.04%</b>
County Total	264,250	263,454	263,710	-0.30%	0.10%
State of California	39,228,444	39,420,663	39,529,101	0.49%	0.28%

Source: California Department of Finance Demographic Research Unit, Report E-5: Population and Housing Estimates for Cities, Counties, and the State, January 2021-2025, with 2020 Benchmark (Released: May 1, 2025)

<sup>(1)</sup> 2020 Census Population Data Benchmark.

<sup>(2)</sup> Population estimates for previous years are updated based on the latest DOF E-5 data and may differ from last year's report.

<sup>(3)</sup> 2024 data is provisional.

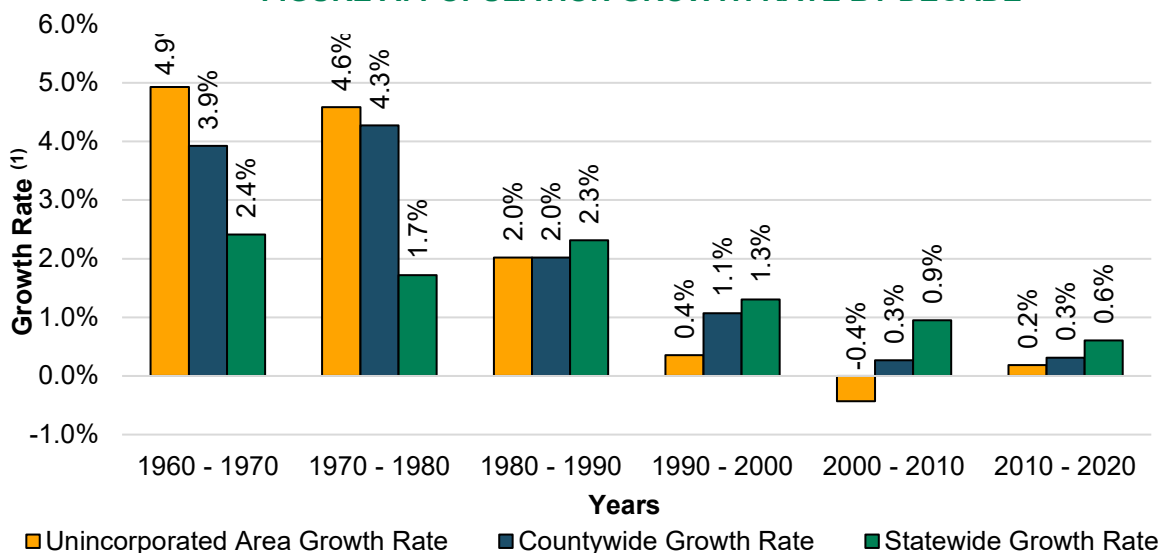
According to DOF estimates, population for Santa Cruz County's unincorporated area declined by a modest rate of -0.04% in 2024, an increase from the previous year's estimated -0.42% growth rate. Population growth rates have also increased for the county overall from a -0.30% growth rate in 2023 up to 0.10% in 2024. Neighboring counties experienced similar moderate growth rates in 2024, including: 0.51% for Monterey, 0.46% for San Benito, and 0.04% for Santa Clara. By comparison, the State of California grew at a rate of 0.28% in 2024, which is down from 0.49% growth the previous year.

DOF population estimates for cities and unincorporated counties are calculated using the Housing Unit Method (HUM). This means that changes in housing unit data, including new construction, annexations, and demolitions, reported by local jurisdictions play a significant role in determining annual population estimates. In their May 1, 2025 press release, the DOF reported that 2024 marks the second consecutive year of population growth in California since the COVID-19 pandemic, reflecting a combination of several factors, including: more data sources to better estimate California's share of legal immigration to the U.S., higher K-8 enrollment and increase in the 65-and-older population compared to last year, a natural increase from the net result of births minus deaths, and revisions to the 2023 state population estimates that increased from a 0.2% to 0.49% growth rate. The DOF also notes that these estimates are based on information as of January 1, 2025 and do not reflect any impact from the Los Angeles County wildfires that occurred later that month.

While population has steadily grown in the state of California and county as a whole since the mid-20th century, population growth in the unincorporated area has had a slightly different trajectory. As shown in Figure A, the unincorporated area's population grew rapidly in the 1960s and 1970s, surpassing growth rates in the state and county overall. However, growth rates have declined in the decades since Measure J was first adopted

in 1979, and the population decreased in our area between the 2000 and 2010 Census years. Despite showing some growth in the 2020 Census, population in the unincorporated area remains below 2010 levels.

**FIGURE A: POPULATION GROWTH RATE BY DECADE**



(1) Average annual growth rate; Source: U.S. Census

## Population Projections

In June of 2022, the Association of Monterey Bay Area Governments (AMBAG) adopted its 2022 Regional Growth Forecast for all jurisdictions in the three-county AMBAG region to cover the period 2015 through 2045. Table 2 presents the 2022 AMBAG projections for all Santa Cruz County jurisdictions. At the tri-county level, the AMBAG population forecast is based on employment and demographic population change models, taking into account historical trends. AMBAG disaggregated the County population projections to the local jurisdictions based on historic population trends, adjusting for anticipated housing developments and special population areas like UC Santa Cruz. The AMBAG forecasts are utilized in regional and County planning efforts, such as the Metropolitan Transportation Plan/Sustainable Community Strategy (MTP/SCS), the regional Air Quality Management Plan, and transportation plans. The 2022 AMBAG forecast projects that the unincorporated area will grow by approximately 963 people between the years 2015 and 2045 to a total population of 135,953 (Source: AMBAG 2045 MTP/SCS, June 15, 2022).



**TABLE 2: SANTA CRUZ COUNTY POPULATION FORECAST**  
2022 AMBAG Adopted Forecast <sup>(1)</sup>

Area	2015	2020	2025 Forecast	2030 Forecast	2035 Forecast	2040 Forecast	2045 Forecast	Numeric Change 2015-45	% Change 2015-45
City of Capitola	10,224	10,108	10,485	10,794	10,957	11,049	11,126	902	9%
City of Santa Cruz	64,223	64,424	68,845	72,218	75,257	78,828	79,534	15,311	24%
City of Scotts Valley	11,946	11,693	11,718	11,837	11,867	11,868	12,010	64	1%
City of Watsonville	52,410	51,515	52,918	54,270	55,138	55,786	56,344	3,934	8%
<b>Unincorporated Area</b>	<b>134,990</b>	<b>133,493</b>	<b>134,675</b>	<b>135,027</b>	<b>135,304</b>	<b>135,625</b>	<b>135,953</b>	<b>963</b>	<b>1%</b>
<b>County Total</b>	<b>273,793</b>	<b>271,233</b>	<b>278,641</b>	<b>284,146</b>	<b>288,523</b>	<b>293,156</b>	<b>294,967</b>	<b>21,174</b>	<b>8%</b>

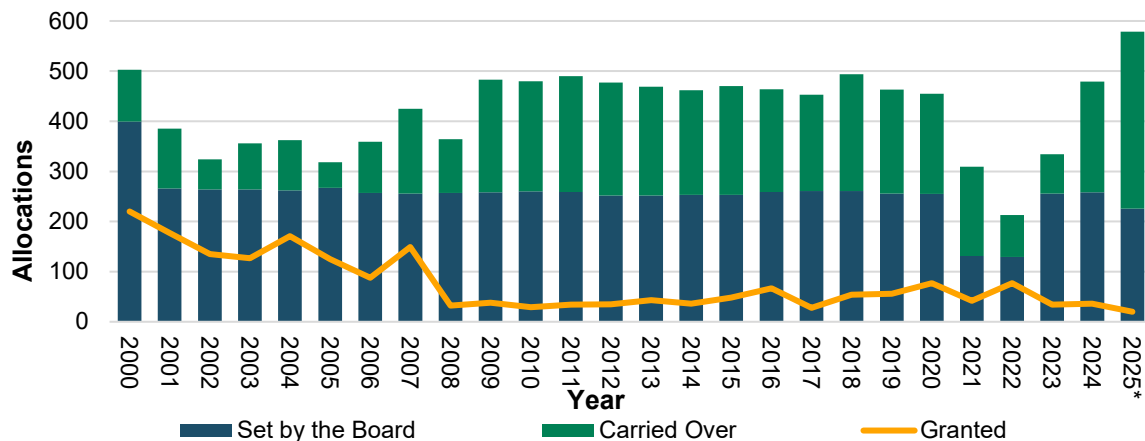
<sup>(1)</sup> 2015 - 2020 data from DOF. Forecast years were prepared by AMBAG and the Population Reference Bureau (PRB).

**Note:** The 2026 Regional Growth Forecast is scheduled to be formally adopted as an appendix of the 2050 MTP/SCS in June 2026. A link to the final draft is available on the AMBAG website: <https://ambag.org/plans/regional-growth-forecast>.

### III. RESIDENTIAL BUILDING PERMIT TRENDS AND ALLOCATIONS

Under the County's Growth Management System, Measure J allocations are granted when building permit applications for new single-family or multifamily residences, mobile homes, or other dwelling units are submitted to the Planning Division of the Community Development and Infrastructure Department (CDI) for review. Planning staff tracks the number of allocations granted every year. Replacement units, including housing units impacted by the CZU August Lightning Complex Fires and other natural disasters, accessory dwelling units (ADUs), and affordable units (since 1992) are exempted from the allocation system and are not included in this data. Figure B below shows building permit allocation trends since 2000. Table 3 provides a more in-depth look at residential building permit allocations going back to 1979, when Measure J was first implemented.

**FIGURE B: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 2000**



\*Projected annual total of granted allocations if the rate through July 1 continues through the end of the year.

**TABLE 3: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 1979**

YEAR	ALLOCATIONS CARRIED OVER <sup>(1)</sup>	ALLOCATIONS SET BY THE BOARD	ALLOCATIONS SET BY THE BOARD (Not Including Exempted Permits) <sup>(2)</sup>	ALLOCATIONS GRANTED <sup>(1)(3)</sup>
1979	0	930	--	741
1980	189	1055	--	972
1981	272	937	--	934
1982	275	968	--	738
1983	505	972	--	619
1984	858	991	--	609
1985	1240	757	--	710
1986	1287	768	--	595
1987	1460	468	--	606 <sup>(4)</sup>
1988	1322	489	--	670 <sup>(4)</sup>
1989	1141	489 + 1384 <sup>(5)</sup>	--	420
1990	2594	487	--	267
1991	2814	495	--	173
1992	268	509	433	158
1993	275	512	435	109
1994	326	525	446	168
1995	278	528	449	131
1996	318	530	450	138
1997	312	531	451	197
1998	254	526	447	275
1999	172	396	337	216 <sup>(6)</sup>
2000	104	399	339	220
2001	119	266	227	177 <sup>(7)</sup>
2002	60	264	227	135
2003	92	264	227	127
2004	100	262	222	171
2005	51	267	227	125
2006	102	257	--	88
2007	169	256	--	149
2008	107	257	--	32
2009	225	258	--	38
2010	220	260	--	29
2011	231	259	--	34
2012	225	252	--	35
2013	217	252	--	43
2014	209	253	--	36
2015	217	470 <sup>(8)</sup>	--	48
2016	205	464	--	67
2017	192	453	--	28
2018	233	494	--	54
2019	207	463	--	56
2020	200	455	--	77 <sup>(9)</sup>
2021	178	309	--	47
2022	83	213	--	77
2023	78	334	--	34
2024	221	479	--	36
2025	353	579	--	10 <sup>(10)</sup> /20 <sup>(11)</sup>

<sup>(1)</sup> Totals are updated after year-end to reflect final allocation data and may differ from those recorded in previous years' final reports.

<sup>(2)</sup> Before 1992, the allocation system included both market rate and affordable units. Beginning in 1992, affordable units were exempted from the allocation system, and in 2005, the allocation formula was updated to reflect that policy change and include only market-rate units.

<sup>(3)</sup> Allocations granted to market rate units only (affordable units, ADUs, and replacement units are exempted from the allocation system).

<sup>(4)</sup> More building permits were issued than allocated that year due to the issuance of permits from the carryover reservoir.

<sup>(5)</sup> A special allocation of 1,384 additional affordable permits was approved to allow attainment of the regional housing goal for the 1980-90 decade.

<sup>(6)</sup> 208 from the 1999 allocation and eight (rural) from the 1998 carryover.

<sup>(7)</sup> Including 10 carryover allocations authorized by the Board of Supervisors in June 2001.

<sup>(8)</sup> Starting in 2015, allocations set by the Board include carryover allocations from the previous year.

<sup>(9)</sup> Including 45 Permanent Room Housing (PRH) units: 22 urban and 23 rural units.

<sup>(10)</sup> As of July 1, 2025

<sup>(11)</sup> Projected annual total if the current rate continues through the end of the year.

## Summary of Recent Allocations and Status of the 2025 Allocation System

In the decade after Measure J was first implemented, demand for residential building permits was at its peak with an average of over 680 allocations granted each year. Over the past 35 years, however, demand for building permit allocations has been significantly lower and has not gone above 100 allocations granted in a single year since the 2008-10 recession. Despite a small spike in 2022 when 77 allocations were granted, allocations have remained relatively low in recent years, with just 36 allocations granted last year, and only 10 granted this year as of July 1. If the rate of the first six months continues, 20 allocations are projected to be granted in 2025.

TABLE 4: UNUSED ALLOCATIONS CARRIED OVER			
Year	Urban	Rural	Total
2004	51	0	51
2005	88	14	102
2006	116	53	169
2007	76	31	107
2008	159	66	225
2009	160	60	220
2010	164	67	231
2011	153	72	225
2012	152	65	217
2013	139	70	209
2014	155	62	217
2015	142	63	205
2016	129	63	192
2017	157	76	233
2018	146	61	207
2019	132	68	200
2020	147	31	178
2021	70	14	84
2022	58	20	78
2023	179	43	222
2024	178	43	221

Since 1979, the total number of available allocations has generally been sufficient to accommodate the demand for market-rate residential building permits, resulting in a surplus of allocations to carry over to the following year. Only twice since that time has the number of allocations granted exceeded those set by the Board: in 1987 and 1988. In those years, the carryover was able to accommodate demand for building permit allocations. Notably, in the following year a special addition of over 1,300 allocations was set by the Board to ensure the County could attain regional housing goals. However, demand for allocations began to decline during that time and the large carryover of allocations available was not utilized. Carryover totals presented in Table 4 show that the demand for market rate building permits has not come near the maximum allocated since 2004, when there were no rural allocations left to carry over for the following year. In addition to tracking annual Measure J allocations, staff also tracks future demand for

residential building permit allocations that will result from approved and pending housing projects. While staff can estimate the demand for allocations that will come from the creation of new lots and upcoming projects, timing of actual unit construction is more difficult to estimate since it may be influenced by a number of factors.

Estimates of future demand for allocations are calculated in Tables 5 through 7, which track the status of approved and pending projects as of July 1, 2025. Below, Table 5 lists the major projects (five or more lots/units) that were approved in recent years and the status of their Measure J allocations. Table 5 indicates a future demand for 71 allocations.

<b>TABLE 5: 2025 ALLOCATION STATUS OF APPROVED URBAN PROJECTS (5 OR MORE LOTS/UNITS) AS OF JULY 1, 2025</b>				
<b>Project Name</b>	<b>Total Market Rate Units</b>	<b>Previous Unit Allocations</b>	<b>2025 Unit Allocation</b>	<b>Units to be Allocated</b>
Aptos Village	<b>59</b>	54	0	5
Forest and Meadows	<b>50</b>	49	0	1
Lakeview Estates	<b>6</b>	0	0	6
2740 Mattison Lane+	<b>10</b>	0	0	10
Santa Cruz Gardens #8	<b>12</b>	11	0	1
Seascape Uplands	<b>107</b>	102	0	5
Tan Heights/Seacrest	<b>30</b>	29	0	1
Woods Cove/Graham Hill Estates	<b>60</b>	57	0	3
1960 Maciel Ave*	<b>18</b>	0	0	18
2450 Mattison Lane*+	<b>21</b>	0	0	21
<b>TOTAL</b>	<b>373</b>	<b>302</b>	<b>0</b>	<b>71</b>
*Indicates density bonus used; +Indicates a new project added to this year's report				

Table 6 shows the status of pending major projects currently in the development review process and indicates a potential future demand of 501 allocations.

<b>TABLE 6: 2025 PENDING MAJOR PROJECTS (5 OR MORE LOTS/UNITS) AS OF JULY 1, 2025</b>	
<b>Project Name</b>	<b>Market Rate Units to be Allocated</b>
3500 Paul Sweet Rd.*^+	100
Graham Hill Rd.*^+	123
841 Capitola Rd.^+	53
5940 Soquel Ave.	85
3911 Portola Dr.*	44
1231-1255 7th Ave*	25
141-145 Calabasas	16
2100 Chanticleer^+	6
21245 East Cliff Dr.	6
2021 Chanticleer*	27
3800 Portola Dr (Lumberyard)*	16
<b>TOTAL</b>	<b>501</b>
* Indicates density bonus used; ^ Indicates SB330 applications; + Indicates Builder's Remedy applications	

Table 7 shows the status of approved and pending minor land division applications (two to four lots) and indicates a potential future demand of 17 allocations. When combined, Tables 5 through 7 estimate a potential future demand for 589 allocations associated with both approved and pending housing projects in unincorporated Santa Cruz County.

<b>TABLE 7: 2025 APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 LOTS) AS OF JULY 1, 2025</b>		
<b>Project Location</b>	<b>Approved Number of Lots*</b>	<b>Pending Number of Lots*</b>
<b>Urban</b>	12	5
<b>Rural</b>	0	0
<b>TOTAL</b>	<b>12</b>	<b>5</b>
* The number indicated counts the subject lot(s) being subdivided, which may already contain existing residences. Therefore, the number shown is a maximum and does not necessarily directly translate into the number of new residential building permits that will eventually be needed for buildout of these minor land divisions.		

Table 8 summarizes the status of the Measure J residential allocations for 2025. As of July 1, only 10 allocations have been granted so far this year, less than half the number of allocations granted at the same time last year.

<b>TABLE 8: 2025 MEASURE J RESIDENTIAL ALLOCATION STATUS AS OF JULY 1, 2025</b>			
	<b>URBAN</b>	<b>RURAL</b>	<b>TOTAL</b>
<b>Allocations Set by Board of Supervisors*</b>	280 + 167* = 447	93 + 39* = 132	373 + 206* = 579
<b>Allocations Granted</b>	4	6	10
<b>Remaining Allocations Available**</b>	<b>276 + 167* = 443</b>	<b>87 + 39* = 126</b>	<b>363 + 206* = 569</b>
*Includes carryover allocations from previous year.			
**When allocations granted as of July 1 are subtracted from allocations set for this year.			

This year's allocation rate is down from recent years but continues the trend of relatively low building permit activity for market-rate, non-replacement housing units, compared to previous decades. As shown on Table 3, demand for market-rate residential building permits in unincorporated Santa Cruz County dropped significantly a decade after Measure J was first implemented, and demand declined again following the 2008-10 recession. As Figure C illustrates on page 14, these market-rate housing development trends reflect not only local land use and housing policies, but also broader market, social and economic trends outside of the County's control. This year's slowdown of development in the unincorporated area may reflect current economic conditions, including high interest rates and significant escalation of development costs, including labor, materials, and land. With only 10 allocations granted out of the 579 allocations available for 2025, 569 allocations remain available for this year. Staff anticipates that this will provide ample market-rate residential building permit allocations for the remainder of 2025.

## IV. HOUSING NEEDS

### 6th Cycle Regional Housing Needs Allocation

Under California law, each jurisdiction's housing element must ensure adequate land is zoned and available to accommodate the jurisdiction's share of the projected regional housing need, or Regional Housing Needs Allocation (RHNA). The California Department of Housing and Community Development (HCD) uses demographic, housing, and growth projection estimates from the California Department of Finance (DOF) to develop a statewide RHNA and distributes it proportionally to the various regional Councils of Government (COGs) in California. The regional RHNA includes an overall housing need number, as well as the percentage of units required in different income categories. For the Monterey Bay Area, AMBAG is the COG. AMBAG then allocates the RHNA to the cities and counties within its region. This RHNA allocation includes the number of net new housing units that should be issued building permits, based on projected housing needs during the eight-year period covered by that housing element.

In November 2022, AMBAG adopted the Monterey Bay area's RHNA Plan for the 2023-2031 planning period, known as the 6th cycle. The 6th Cycle RHNA allocated 4,634 new housing units to the unincorporated area of Santa Cruz County, as shown in Table 9. Changes in state law led to a considerably higher 6th Cycle RHNA requirement for many areas of the state compared to previous cycles.

TABLE 9: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA	
Income	2023-2031 RHNA
Very Low Income (<50% of County Median Income)	1,492 units
Low Income (51-80% of County Median Income)	976 units
Moderate Income (81-120% of County Median Income)	586 units
Above Moderate Income (121% +)	1,580 units
<b>TOTAL</b>	<b>4,634 units</b>

The County's RHNA requirement has played a significant role in how the County establishes its growth goal in recent years, and regional housing needs have played a factor in the County's Measure J allocations in the past as well. As noted above and in Table 3, the Board provided a special additional allocation in 1989 to allow attainment of the regional housing goal for the 1980-90 decade. The additional 1,384 allocations specifically targeted affordable units, before they were exempted outright from the Measure J allocation process. Those were provided on top of the usual growth goal allocation. Instead of providing a special allocation, staff ensure that the annual growth goal can accommodate the housing units necessary to meet RHNA goals.

### County Housing Policy Updates

The Santa Cruz County Board of Supervisors (Board) adopted the 6th Cycle Housing Element, covering the years 2023-2031, on November 14, 2023. It was certified by HCD in April 2024. The 2023 Housing Element incorporates the new RHNA requirement and

updated objectives for each of the goals to respond to current housing needs in Santa Cruz County. Policies and programs were also modified as needed to respond to current housing element law, and existing and anticipated residential development conditions.

The updated Housing Element has many new policies and programs that support more robust housing development to meet current housing needs in the county. Between late 2024 and early 2025, 70 parcels were rezoned to allow for greater unit capacity in the County's housing inventory, to meet program H-1B of the Housing Element, and to address the RHNA requirement.

Other recent policy projects that impact housing development opportunities in the county include the "Sustainability Policy and Regulatory Update" (2022); the Public Facility, School Employee, and Farmworker Housing Ordinance (2018); the Permanent Room Housing Ordinance (2020); the Tiny Homes on Wheels Ordinance (2022); the Ministerial Combining District Ordinance (2024); the SB 9 Ordinance (2025); the recently adopted Short-Term Rental Ordinance (2025); as well as many updates to the ADU Ordinance (the last in 2025).

### **Recent State Housing Laws**

California has seen a significant volume of new housing bills emerge from Sacramento in recent years. This section highlights key changes to state housing laws that impact housing policy in Santa Cruz County.

#### **Streamlined Ministerial Approval Process (SMAP)**

In 2017, Governor Brown signed into law SB 35 to address the State of California's housing shortage, which was further updated with SB 423 (2023). This state law provides a streamlined ministerial approval process for eligible multifamily projects in cities and counties that have not built their share of housing to accommodate the region's population growth. HCD determined that not enough housing has been built in unincorporated Santa Cruz County to meet our share of regional housing needs due to insufficient RHNA progress made in the 5th cycle on above-moderate income units. Therefore, multifamily projects in Santa Cruz County may be eligible for SB 35/SMAP streamlining provisions and are required by state law to meet the lowest threshold of 15% affordable units.

#### **Housing Crisis Act of 2019**

In October 2019, Governor Newsom signed into law SB 330: the Housing Crisis Act of 2019 to support the production and preservation of housing and help address the statewide housing shortfall. Originally adopted as a temporary bill set to end in 2025, further updates were made with the passage of SB 8 (2021) and AB 130 (2025), ultimately making several aspects of the bill permanent.

The Housing Crisis Act of 2019 protects existing housing and restricts local government actions that may reduce the availability of housing. A key provision of this law prevents jurisdictions from limiting the number of housing permits or population within "affected county areas." Affected county areas are defined as Census Designated Places (CDPs)

that lie wholly within Census-defined urbanized areas. In Santa Cruz County, based on the most recent HCD determination, this includes the following CDPs: Live Oak, Pasatiempo, Paradise Park, and Soquel. A map of these areas is included on the County's web mapping application, GISWeb, under the heading for "Jurisdictional, Elections, Census" layers.

In accordance with this state law, Santa Cruz County will continue to not enforce the Measure J growth goal limit on residential permit allocations within these affected county areas. Other aspects of Measure J unrelated to limiting residential building permit allocations will not be impacted by this bill, and staff will continue to track Measure J allocations and subsequent building permit issuance in these areas for reporting purposes.

### **Other Recent State Housing Laws**

Other significant housing laws have been passed in recent years to address the state's housing crisis. Many of these bills support "missing middle" housing, or housing types such as duplexes, quadplexes, and townhouses that add housing diversity while blending into existing single-family areas. This includes SB 9, which allows ministerial urban lot splits and two-unit developments on single family lots; SB 10, which allows jurisdictions to easily upzone parcels to allow up to 10 multifamily units; and SB 684 (more recently amended by SB 1123), allowing ministerial subdivisions for 10 or fewer homes for sale. Other new state laws expand housing opportunities by allowing housing development on non-residential parcels, including AB 2011 and SB 6, which both allow residential development on commercial sites, and SB 4, which provides opportunities for affordable housing on higher education or religious institutional properties. Most of these bills also streamline housing development by making certain types of development ministerial or allowed "by-right" as long as they are consistent with objective development standards, thereby bypassing the CEQA review process. This year, two budget trailer bills (AB 130 and SB 131) were adopted on June 30, 2025, enacting some of the most significant reforms to the CEQA in recent history, particularly for certain urban infill housing development projects, along with a broad range of additional changes to land use and housing law.

### **CZU Lightning Complex Fires**

The CZU August Lightning Complex Fires that began in August 2020 resulted in an unprecedented level of destroyed and damaged structures within unincorporated Santa Cruz County. The total number of approximately 697 residential units have been destroyed or damaged by the fires. All residential units impacted by the CZU August Lightning Complex Fires continue to be exempt from the Measure J residential permit allocation system to ensure that the County's growth management measures do not unnecessarily burden County residents who were impacted by this disaster. However, similar to other housing units exempted from the Measure J allocation system, replacement dwellings built to replace those lost in the CZU fire are not reported in the total number of new units issued building permits shown in Table 10.

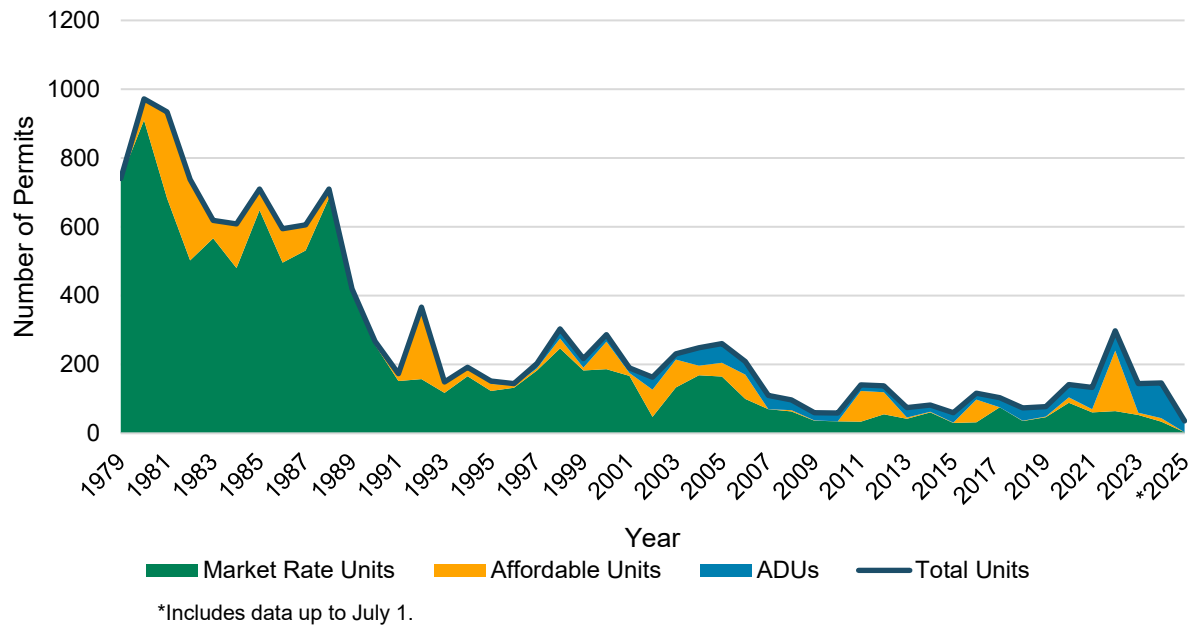


## **Affordable Housing**

Chapter 17.01, the Growth Management provisions of the County Code, requires that “at least 15% of those housing units newly constructed for sale or rental each year shall be capable of purchase or rental by persons with average or below average incomes.” Chapter 17.10 of the County Code, “Affordable Housing Requirements” contains the County’s inclusionary requirements. It implements the 15% affordable requirement in the Growth Management chapter by establishing standard requirements and procedures for new for-sale residential projects of seven or more net new homes to meet the 15% affordable housing goal. It also requires developers of new rental projects to either pay an affordable housing impact fee (AHIF) or provide affordable rental units as an alternative to the fee. The AHIF funds are used primarily to subsidize development of affordable multi-family rental projects, with a small portion of the funds used for some special purpose housing programs, such as the ADU Incentives Program, and Measure J program administration. Chapter 17.12 includes the County’s residential density bonus program, which also helps generate affordable units toward the 15% affordability goal.

Figure C shows that the County far exceeded the goal of 15% affordable units during the 5th RHNA cycle, when 57% of all units permitted were in the affordable income levels (very low to moderate). Additionally, Figure C provides some insight into housing development trends in unincorporated Santa Cruz County, and the impact of affordable housing on overall building permit activity. Several of the affordable units shown in Figure C were part of publicly subsidized developments sponsored by the County’s former Redevelopment Agency, or the Housing Authority. While these are not called out separately, generally whenever the percentage of affordable units permitted in a given year is greater than 15%, this most likely reflects permits issued that year for one or more of these larger subsidized affordable projects (sometimes referred to as 100% affordable projects). In some cases, after the 1989 earthquake, several affordable housing projects were built with Federal Emergency Management Agency and Red Cross disaster relief funds. Figure C shows that since the slowdown of the 2008-10 recession, significant spikes in housing permit activity have occurred primarily as a result of these subsidized affordable housing projects, while market-rate permit activity has remained consistently low. ADU permits, also exempt from the allocation system, have also increased significantly in recent years, as shown in blue in Figure C.

**FIGURE C: HOUSING UNITS ISSUED PERMITS SINCE 1979**



The County completed a review and nexus study of its Affordable Housing Policies and Guidelines in 2014, and as a result of that study, the Board of Supervisors directed staff to create an Affordable Housing Impact Fee (AHIF) program, which went into effect in August of 2015. The AHIF is applied to most types of new construction (except for public facilities such as schools and hospitals, and parking structures), including new commercial, industrial, and agricultural structures and additions, market-rate rental housing, new homes, and residential additions and/or replacements greater than 500 square feet) and is calculated on a per-square foot basis.

Residential subdivision or condominium projects of seven or more new units or lots must include 15% of the units as deed-restricted affordable units. As an alternative, developers of such projects may seek Board approval to pay the AHIF or pursue one of the other alternatives to providing on-site units set forth in Chapter 17.10. In late 2018, the Board adopted Ordinance 5286 amending Chapters 13.01, 13.10, 17.10 and 17.12 to better facilitate development of affordable housing through a number of programs, as part of the policy update known as the “Near Term Housing Amendments.” These amendments included changes to existing programs, including a new discretionary approval requirement for applicants who want to utilize the AHIF program, and a new enhanced density bonus process that expanded existing density bonus regulations.

In late 2019, the Board adopted and obtained Coastal Commission approval of several ordinances and General Plan/LCP amendments to update County policies related to development of workforce rental housing for farmworkers, school employees, and others on properties in agricultural and public facility zones. These actions implemented several objectives in the 2015 Housing Element and in the County’s Operational Plan.

Planning staff in Policy and Housing are currently working with a research firm on an updated nexus study to analyze whether any changes to the 15% inclusionary rate and/or the AHIF fee rates might be warranted and/or feasible, given current development conditions. This policy project implements two programs in the current Housing Element, and is expected to be completed in 2026.

Table 10 details affordable housing production since Measure J was first implemented. Since 1979, 16.5% of new housing units constructed in the unincorporated portion of the county have been affordable to lower- and moderate-income households (household incomes of 120% or less of the County's Area Median Income or "AMI"). When including ADUs, which are smaller units considered more affordable by design, 24.3% of the new housing built in the unincorporated have been affordable (or, in the case of ADUs, at least lower-cost than typical primary dwelling units).

To achieve its affordable housing goals, the County continues to exempt affordable housing units (including ADUs) from the County's growth management regulations. The development of affordable units is, therefore, not limited by the adopted Growth Goal.

### **Current Pipeline of Subsidized Affordable Projects**

Seven subsidized, 100% affordable, lower-income housing developments are currently in the County's pipeline of active housing projects, as shown in Table 11. Staff is aware of additional affordable housing project sites undergoing due diligence by some applicants, but those are not included, as no concrete project information has been shared with the County yet. Among the active projects on Table 11, most are currently either in construction, or expected to begin construction within several months. All but one of these projects are using ministerial review options for permitting, available either through various state laws or County Code. Two of these projects are still in the predevelopment stage, and have not yet filed any preliminary or other formal development application with the County yet, but they have received either acquisition financing from the County (578 Green Valley Rd), or the prospective applicant has asked the County to complete a NEPA federal environmental review (2021 Chanticleer), which has been completed.

Three of these projects are "Homekey" projects. Homekey is a State program launched in 2021 to rapidly develop affordable housing for extremely low income (ELI) households that are homeless or at risk of homelessness. The Homekey program started initially as a proposal ("Project Roomkey") to convert underutilized hotels/motels or other vacant non-residential or quasi-residential buildings into multi-family rental housing for those without adequate housing. Since then, the program has expanded, now known as Homekey, to allow various means of development, including new construction, modular or site-built, acquisition/rehabilitation of existing structures, and/or conversion of hotels, motels, or other types of non-residential structures to rental housing. The conversion project option is similar in physical form to the County's Permanent Room Housing

**TABLE 10: ISSUED BUILDING PERMITS FOR HOUSING UNITS**

Year	Total Units <sup>(1)</sup>	Market Rate Units	Affordable Units	ADUs	% Affordable (Including ADUs) <sup>(2)</sup>	% Affordable (Not Including ADUs)
1979	741	741	-	-	0.0%	0.0%
1980	972	910	62	-	6.4%	6.4%
1981	934	683	251	-	26.9%	26.9%
1982	738	503	235	-	31.8%	31.8%
1983	619	567	52	-	8.4%	8.4%
1984	609	480	129	-	21.2%	21.2%
1985	710	649	61	-	8.6%	8.6%
1986	595	496	98	1	16.6%	16.5%
1987	606	531	75	-	12.4%	12.4%
1988	710	684	23	3	3.7%	3.2%
1989	420	406	14	-	3.3%	3.3%
1990	267	257	9	1	3.7%	3.4%
1991	173	152	20	1	12.1%	11.6%
1992	367	158	209	-	56.9%	56.9%
1993	149	118	30	1	20.8%	20.1%
1994	192	166	24	2	13.5%	12.5%
1995	152	123	21	8	19.1%	13.8%
1996	145	132	7	6	9.0%	4.8%
1997	203	183	6	14	9.9%	3.0%
1998	304	247	29	28	18.8%	9.5%
1999	217	183	8	26	15.7%	3.7%
2000	287	186	80	21	35.2%	27.9%
2001	190	167	8	15	12.1%	4.2%
2002	163	48	79	36	70.6%	48.5%
2003	231	133	81	17	42.4%	35.1%
2004	249	169	28	52	32.1%	11.2%
2005	261	165	40	56	36.8%	15.3%
2006	209	100	71	38	52.2%	34.0%
2007	110	70	-	40	36.4%	0.0%
2008	97	64	3	30	34.0%	3.1%
2009	60	37	1	22	38.3%	1.7%
2010	59	35	-	24	40.7%	0.0%
2011	141	34	89	18	75.9%	63.1%
2012	138	55	64	19	60.1%	46.4%
2013	75	42	4	29	44.0%	5.3%
2014	82	61	2	19	25.6%	2.4%
2015	121	67	25	29	44.6%	20.7%
2016	117	32	66	19	72.6%	56.4%
2017	104	76	-	28	26.9%	0.0%
2018	85	36	12	37	57.6%	14.1%
2019	76	44	3	29	42.1%	3.9%
2020	142	89	16	37	37.3%	11.3%
2021	100	26	4	70	74.0%	4.0%
2022	298	65	175	58	78.2%	58.7%
2023	145	52	8	85	64.1%	5.5%
2024	146	34	10	102	76.7%	6.8%
*2025	36	3	-	33	0.0%	0.0%
<b>Total</b>	<b>13,545</b>	<b>10,259</b>	<b>2,232</b>	<b>1,054</b>	<b>24.3%</b>	<b>16.5%</b>

<sup>(1)</sup> Total number of market rate units, affordable/inclusionary units, and ADUs issued building permits (does not include replacement units).

<sup>(2)</sup> Includes affordable units plus ADUs as a percent of total number of new units.

<sup>(3)</sup> As of July 1, 2025.

concept, but without requiring rezoning to Permanent Room Housing (PRH), or discretionary review. Two of the County's Homekey projects (Veteran's Village and Freedom House) are conversions of existing non-residential structures, while the third (Park Haven Plaza) is new construction.

**Table 11: 100% Affordable Projects Pipeline**

Project Name & App. No.	Location	Project Type	Density Bonus?	Total Units	Income Levels <sup>(1)</sup>	Density Bonus Units	Subsidy Type(s)	Status as of 7/1/25	Ministerial Review?
Park Haven Plaza 221009*	2838 Park Ave., Soquel	Rental	Yes	36	ELI	16	Homekey, County Loan	Construct-ion	Homekey
Freedom House 221371	2716 Freedom Blvd, Watsonville	Transit-ional	No	11		N/A			
Veterans Village 221136	8705 Hwy 9, Ben Lomond	Rental		21					
Anton Solana 241320	Soquel Dr/ Thurber Ln (APN 025-351-19)	Rental / Mixed Use	Yes	183	Lower	0	County Loan, TBD	Develop-ment Review	No
41st & Soquel 241279*	2755 41st Ave, Soquel	Rental		256		134	Tax credits	DRG & NEPA Complete	AB 2011
TBD Pending*	2021 Chanticleer, Santa Cruz			54		9	TBD	NEPA Complete, Predev	Min Comb District
Pending*	578 Green Valley Rd, Watsonville			TBD		60	0	County Loans, TBD	
Total Units				621		159			

(1) Extremely Low Income (ELI); Very Low Income (VLI), Lower: Mix of units from ELI to Low Income

\* No formal planning applications filed yet, however County has completed NEPA review and/or provided project financing. Unit count is estimate only at this stage.

**TABLE 12: MAJOR UNSUBSIDIZED PROJECTS ACTIVE IN 2024/25**

Project Name & App. No.	Location	Project Type	Density Bonus?	Total Units	Afford-able Units	Income Level <sup>(1)</sup>	DB Units	Status as of 07/01/25	Streamlining Type
TBD 171265	432 Capitola Rd. Ext., Santa Cruz	Rental	Yes	7	2	Low	2	Construct-ion	N/A
Aptos Village Ph 2 101027	Aptos Village Way, Aptos	Sale	No	29	5	Mod	N/A	Construct-ion, Sales Phase	
TBD 211213	Lorraine Ln, Soquel	Sale	Yes	6	1	Mod	1	Building Plan Check	
Begonia Cottages 231069	1960 Maciel Ave, Santa Cruz	Sale	Yes	21	3	Mod	4	Entitled	
Locatelli Tract 221077	2450 Mattison Ln, Santa Cruz	Sale	Yes	25	4	Mod	1		
TBD 241488 (PUD 07-0414)	5940 Soquel Ave, Santa Cruz	Sale	No	100	15	Mod	N/A	Entitled, Design Review	R-Comb PUD
The Haven 241369	Graham Hill Rd. (Locke-wood to Rolling Woods)	Sale	No	157	11	ELI*	N/A	Develop-ment Review	Builders' Remedy, SB330
TBD 241360	3500 Paul Sweet Rd, Santa Cruz	Rental	Yes	105	6	ELI**	26		
TBD 241371	841 Capitola Rd, Santa Cruz	Rental	Yes	57	4	ELI, VLI***	17		
First Wave Apts 241385	2100 Chanticleer, Santa Cruz	Rental	No	8	2	Low	N/A		
Pleasure Point Plaza 241420	3911 Portola Dr., Santa Cruz	Rental/ Mixed Use	Yes	50	6	VLI	0		N/A
TBD 241300	21245 E. Cliff Dr, Santa Cruz	Rental/ MU	No	6	0	N/A	N/A		
The Lumberyard 251035	3800 Portola Dr., Santa Cruz	For Sale	Yes	18	2	Low	4		
2091 17th Ave. PA251016	2091 17th Ave., Santa Cruz	For Sale	Yes	52	11	Low	0	Pre-develop-ment	SB330
Brommer St Mixed-Use PA251026	1600 Brommer St., Santa Cruz	For Sale	Yes	57	6	VLI	19		
Total Units				698	78		74	Affordable Units % of Total	11%
								Bonus Units % of Total	11%

<sup>(1)</sup> Extremely Low Income (ELI); Very Low Income (VLI), Moderate Income (Mod)

\* Initial application proposed 34 Low income units, however recent application proposed 11 ELI units instead.

\*\* The number of bonus units is 26 due to Builder's Remedy 2.0, which increased the base density on this site to 79 units.

\*\*\* Application proposes 3 ELI and 1 VLI units. Base density increased to 40 units per Builder's Remedy 2.0.

Tables 11 and 12 represent all housing development projects with five or more new units currently in progress. Subsidized, 100% affordable projects are shown in Table 11 and unsubsidized or market-rate projects are included in Table 12. The tables identify which projects are pursuing the density bonus and any other streamlining options.

Tables 11 and 12 show the total number of units in the County's major housing projects pipeline. Currently, 53% of all units shown on both of those tables are affordable, continuing the prior trend of a large portion of all permit applications being for affordable units.

### **Accessory Dwelling Unit Annual Report**

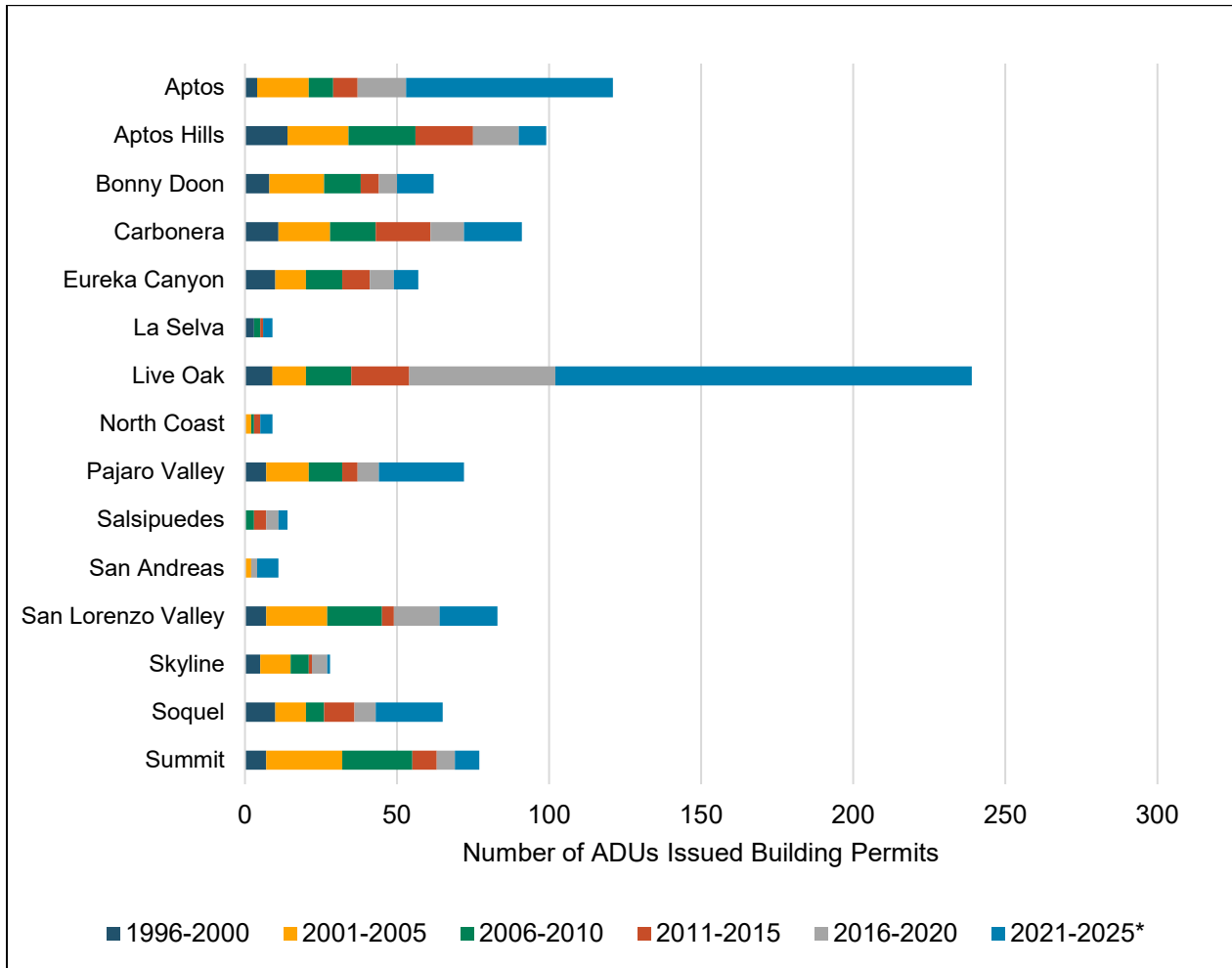
The County is required to prepare an annual report evaluating the cumulative impacts associated with Accessory Dwelling Units (ADUs) in each planning area (SCCC 13.10.681[L]). The annual analysis includes the number of ADUs constructed and impacts on traffic, water supply, public views, and environmentally sensitive habitat areas.

The County first adopted a "second unit" (ADU) ordinance in 1983 and subsequently revised this code section several times over the past four decades, most recently this year with ordinance updates currently in progress. Revisions to the ordinance were made to ensure compliance with newly enacted state law, lift affordability and occupancy restrictions, and remove barriers that discouraged development of new ADUs. Key updates to comply with recent state law changes include: allowing ADUs anywhere single- or multifamily residential land use is allowed; shortening the ADU building permit review period to 60 days; establishing regulations for Junior ADUs; and easing development standards, such as unit size, setbacks, and parking.

Major barriers to building an ADU in Santa Cruz County include project costs, such as design, permitting, and construction costs, as well as property owner unfamiliarity with the process. Over the years, the County has developed various programs to address these barriers, including some prior loan programs which have been replaced with other approaches, reduced ADU permit fees, and a fee waiver program for small ADUs, beyond what is required by state law. Staff has also prepared a suite of resources on the County's ADU website. The County is currently operating a technical assistance program (the ADU Incentives Program, administered by Hello Housing) to aid property owners with all aspects of ADU development. At this time, several ADUs have already been completed through that program, and a number of additional ADUs are in various stages of development. Several ADUs have been constructed as a part of this program.

In order to further reduce barriers to ADU production, the CDI department partnered with a design consultant to create three pre-approved sets of ADU architectural plans that are available to applicants on the County's ADU website free of charge (<https://cdi.santacruzcountycalifornia.gov/Planning/Housing/ADU.aspx>). There are three sizes, each with three design options. Also, designers and pre-fabrication manufacturers have the option to obtain pre-approval for ADU designs that they intend to use for multiple projects.

**FIGURE D: ADUs PERMITTED BY PLANNING AREA (1996-2025)**



Updates to the County’s ADU ordinance and incentive programs are intended to make ADUs more feasible and appealing for County homeowners, and Figure D indicates that permitting of ADUs has steadily increased in recent years. ADU activity has particularly surged since 2021 and in the areas of Live Oak and Aptos. Last year, 102 ADU permits were issued, the highest number of ADUs permitted in the past 30 years and nearly 70% of the total housing issued permits that year. As of July 1, 2025, 33 ADUs have been permitted in the County so far, nearly 92% of the total units permitted so far this year. If the current rate continues, approximately 66 ADUs will be permitted by the end of 2025. In fact, over the past decade and particularly in the last five years, ADUs have increasingly made up a larger portion of the building permit activity, as shown in Figure C. Although down from last year, ADU permits are still significantly higher than previous decades, and continue to make up the bulk of housing construction in the unincorporated area.

Given that ADUs are, by definition, associated with existing single-family or multifamily residential development, they represent a key infill development strategy that addresses the need for additional housing while minimizing the impacts of housing development in



new areas, particularly environmentally sensitive habitat areas. Infill development in general minimizes impacts on traffic, water supply, and public views by steering new development to existing urbanized areas with the availability of transit and proximity to existing services that potentially lessens the need for additional vehicle miles traveled. Denser, infill development patterns have been shown to use less water compared to expanding urban areas and impacts on public views are minimized or eliminated when new housing is located within existing developed areas.

ADUs must comply with existing standards that evaluate all new residential construction for adequate water supply, sanitation, and environmental resources and constraints as part of the permit process. While the permit process for ADUs is ministerial and exempt from public hearings and the California Environment Quality Act (CEQA), applications are reviewed under existing standards to ensure adequate services and infrastructure and protection of the environment, similar to a building permit application for any other residential project. Therefore, it is reasonable to conclude that impacts on traffic, water supply, public views, and environmentally sensitive habitat areas as a result of ADU construction is less than significant. This conclusion is supported by the Environmental Impact Report (EIR) for the Sustainability Update, which was also relied upon for the Housing Element Update. Both of those Updates and the EIR assumed future buildout of residential units in the County to meet the County's Regional Housing Needs Allocation, or RHNA, which includes future increases in ADU construction. Below, in Section V of this report, some of these potential growth impacts are analyzed further in aggregate.

## **V. POTENTIAL GROWTH IMPACTS**

The following discussion highlights recent resource impact issues and steps being taken to ensure adequate resource protection and to ensure that proposed growth can be accommodated with adequate urban services.

### **Resource Protection**

The County General Plan and County Code include numerous policies and measures to protect natural resources and to mitigate impacts from increased development. These policies and ordinances address watershed protection, protection of biotic resources, protection of agricultural lands, erosion control, stormwater runoff quality and quantity management, and maintenance of groundwater recharge.

#### **Water Supply Constraints:**

All county water purveyors are continuing to pursue solutions to challenges for sustainable water supply due to groundwater overdraft, lack of storage, seawater intrusion, and/or diminished availability of streamflow from persistent drought conditions.

All the main aquifers in this county, which provide around 75% of the County's potable water and irrigation water, are in some degree of overdraft. Overdraft is manifested in several ways including 1) declining groundwater levels, 2) degradation of water quality, 3) diminished stream base flow, and/or 4) seawater intrusion. Surface water supplies, which are the primary source of potable supply for the northern third of the county, are

inadequate during drought periods and will be further diminished because of the need to increase stream baseflows to restore habitat for endangered salmonid populations. The latest climate change projections for the region indicate that in the future, there will be longer drought periods and shorter rainy seasons, which will lead to a further reduction in surface flow and groundwater recharge. This will be exacerbated by increased evapotranspiration due to warmer weather. The impact of increased development is being explored by the water agencies to ensure that the water supply projects in development will be sufficient for the planned population growth.

In response to these challenges, coordinated water resource management has been of primary concern to the County and to the various water agencies. As required by state law, each of the county's water agencies serving more than 3,000 connections must update their Urban Water Management Plans (UWMP) every five years. The most recent update was due in 2021 and includes the addition of a Water Shortage Contingency Plan to help agencies prepare for drought. The agencies are currently developing their next UWMPs which will be due in 2026. These upcoming UWMPs will incorporate the increased development expected in response to Regional Housing Needs Allocation numbers passed down by the State. Smaller systems must develop an Emergency Response Plan that incorporates drought planning elements. The County has adopted the Drought Response and Outreach Plan which identifies activities to build resilience amongst domestic well owners and small water systems.

County staff are working with the water agencies on various regional programs to provide for sustainable water supply and protection of the environment. Effective water conservation programs by the water agencies have reduced overall water demand in the past 20 years, despite ongoing population growth. Supplemental supply efforts underway include groundwater recharge enhancement, increased wastewater reuse, and transfer of water among agencies to provide for more efficient and reliable use. The County is also working closely with the groundwater agencies to implement the Sustainable Groundwater Management Act (SGMA) of 2014, which requires all high- and medium-priority groundwater basins in California to develop groundwater sustainability plans (GSPs) that achieve sustainability within 20 years of implementation. Under Senate Bill (SB) 552, the County is leading an effort to plan for and provide drought assistance to private wells and state small water systems. County staff also represent local government on the California Drought Response Interagency Partnership Collaborative that makes recommendations to the legislature on drought-related topics.

County staff are actively engaged in the Integrated Regional Water Management (IRWM) programs for both Santa Cruz County and the Pajaro watershed which includes: annual sampling of juvenile salmonids and stream habitats in key watersheds; implementation of the Stream Wood Program; and fish passage and habitat restoration projects throughout the County. The Water Quality program continues to sample the beaches and creeks weekly to monitor water quality. and is expanding its capabilities to implement microbial source tracking to identify the cause of water quality impairments and detect Harmful Algal Blooms.

The following sections describe the localized water supply efforts broken out by geographic area:

*City of Santa Cruz and Live Oak:* The City of Santa Cruz and surrounding unincorporated urban areas, as well as the University of California – Santa Cruz, are supplied by the City of Santa Cruz Water Department (SCWD), primarily utilizing surface water from the San Lorenzo River, Loch Lomond, and north coast watersheds. During normal years, there is adequate supply, but during successive drought years, water use reductions have been required.

In 2014, the SCWD formed the Water Supply Advisory Committee (WSAC) to evaluate their water supply needs and to develop recommendations for projects to address those needs. Staff turned the recommendations from the WSAC into a Water Supply Augmentation Implementation Plan which includes the evaluation and pursuit of multiple projects to meet those needs. The SCWD is pursuing changes to their existing water rights which will allow for flexibility in how the water system is operated, making it feasible to pursue all of their water management goals. The water rights petition is anticipated to be approved in late 2025.

The SCWD is now actively evaluating the feasibility and pursuing several projects with a goal to provide adequate water supplies to meet dry year demand without curtailments. The SCWD has been testing the ability of the Santa Cruz Mid-County Groundwater Basin to store excess winter surface water underground through a process known as Aquifer Storage and Recovery (ASR). In 2022, water that was injected into the Basin in the winter was recovered during the dry season and distributed to customers as part of a pilot study. Subsequent pilot projects have continued to be promising. Other strategies include water transfers to districts that rely heavily on groundwater, ASR in the Santa Margarita Groundwater Basin, and the use of wastewater recycling. The SCWD is currently exploring whether expanding the use of the PureWater Soquel water recycling plant may provide sufficient additional drought resilience. Desalination, while not a priority, is still a possibility for future investigation.

To support the ability to implement both emergency and routine water transfers, the SCWD and the Scotts Valley Water District (SVWD) sought and received a \$9.6 million grant to install an intertie. This intertie represents the last in a series needed to connect all the water utilities from the upper reaches of the San Lorenzo Valley Water District to the Central Water District.

*San Lorenzo Valley and Santa Margarita Groundwater Basin:* Water supply in the San Lorenzo Valley is provided through a combination of surface water intakes and groundwater wells that extract from the Santa Margarita Groundwater Basin. Private wells and the Scotts Valley Water District (SVWD) rely entirely on the Basin. The San Lorenzo Valley Water District (SLVWD) uses both groundwater from the Basin and surface water from tributaries to the San Lorenzo River. The breakdown varies by year but is roughly 50% from each source.

Overdraft in the Santa Margarita Basin underlying parts of San Lorenzo Valley and Scotts Valley has been manifested by a significant decline in groundwater levels and a reduction in stream base flow over the past 40 years. Cooperative efforts by County staff, consultants, SLVWD, and the SVWD over the past several years have led to a better understanding of the water resources in the Santa Margarita Basin. Recent reductions in pumping due to successful water conservation programs have resulted in stabilized groundwater levels, which, despite showing some increase starting in 2019, are still 250 feet lower than they were in 1980 in some parts of the Basin.

In 2017, the two water districts and the County adopted a Joint Powers Agreement to form the Santa Margarita Groundwater Agency (SMGWA) which is tasked with implementing the Groundwater Sustainability Plan (GSP) to manage the basin under the SGMA. The City of Santa Cruz, Mount Hermon Association, City of Scotts Valley, and representatives of private well owners also have a seat on the Board that governs SMGWA. The GSP was approved by the Department of Water Resources in 2023.

The overdraft of this basin is currently being addressed in several ways. SVWD built a non-potable wastewater recycling plant in 2002 and has been working to expand the number of users of that reclaimed wastewater for irrigation. The use of treated wastewater for irrigation and landscaping offsets an equivalent amount of potable water pumping and therefore is a valuable component in the water supply portfolio. SLVWD is in the process of developing an Environmental Impact Report to pursue changes to their ability to use their surface water sources conjunctively. They are also pursuing a feasibility study to investigate how best to access an allotment of 313 acre-feet of water per year from Loch Lomond.

Water quality in the Santa Margarita Basin has been impacted by various contaminant sources including gas stations, dry cleaners, and septic systems. The occurrence of these contaminants in the groundwater supply puts some constraints on both the use of the impacted water as well as efforts to enhance groundwater storage. Most of the contaminated sites have been successfully remediated. The GSP outlines a framework to evaluate additional projects and management actions to improve the sustainability and resiliency of the Basin.

*Santa Cruz Mid-County Basin:* In the Mid-County area, overdraft is manifested by groundwater levels below protective elevations necessary to prevent seawater intrusion, indications of seawater intrusion into parts of the aquifer systems, and the probable decline in stream base flows. Water is extracted from the Mid-County area aquifers by SCWD, the Soquel Creek Water District (SqCWD), Central Water District (CWD), small public water systems (serving between five and 199 water connections), 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. Successful water conservation measures have improved groundwater elevations along the coast in recent years, despite instances of drought conditions.

In 2016, the SqCWD, CWD, County, and City of Santa Cruz adopted a Joint Powers Agreement to form the Santa Cruz Mid-County Groundwater Agency (MGA) for management of the Mid-County Basin under SGMA. Pursuant to SGMA, a GSP was submitted to the State Department of Water Resources in January 2020, which outlines how the basin will reach sustainability by 2040. The GSP was approved in June 2021 and updated in 2024. The agency expects to reach sustainability through ongoing water conservation and implementation of several projects by the partner agencies. There is no current plan to curtail pumping in the basin. The County and water agencies have done numerous outreach activities to engage small public water systems and private well owners that also extract water from the basin.

The primary project in the GSP is the Pure Water Soquel Project by Soquel Creek Water District. This project will capture approximately 25% of the existing treated wastewater that is being discharged out into the Monterey Bay National Marine Sanctuary and recycle it for beneficial reuse, providing 1,500 acre-feet of water per year. The project includes a tertiary treatment facility at the Santa Cruz Wastewater Treatment Facility, an advanced water purification center in Live Oak, over 8 miles of pipelines, and three seawater intrusion prevention injection wells. The purified water will replenish the groundwater basin, raise groundwater levels to create a seawater intrusion barrier, and protect further seawater contamination from occurring. Construction of the project commenced in July 2020 with the injection wells and May 2021 with the pipelines; the project will be operational by Fall 2025.

The MGA is wrapping up a grant to support groundwater management planning in the Basin including modeling, the results of which will provide support to both the Pure Water Soquel and SCWD ASR projects.

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. Groundwater from wells in the Aromas aquifer has been found to contain naturally occurring hexavalent chromium, a carcinogen, sometimes in excess of drinking water standards. SqCWD has addressed this issue by blending the affected water to bring it within drinking water standards. The state has recently approved a lower chromium standard, making continued use of this source potentially much more expensive due to treatment costs. This is going to have the greatest impact on small public water systems, which will be impacted by the standards but do not have a large rate-base to pay for treatment.

**Pajaro Valley Basin:** Overdraft in the south County aquifers is manifested by depressed water levels, and seawater intrusion. Water levels are below sea level under more than 60% of the basin, elevated chloride levels have been detected in wells near the Pajaro River more than two miles inland from the coast, and segments of Corralitos Creek are drying up earlier in the summer than in previous years. Eighty-five percent of the water use in the Pajaro Valley is by the agricultural industry.

The Pajaro Valley Water Management Agency (PV Water) and the City of Watsonville (CoW) completed construction of an advanced tertiary treatment facility that has been providing recycled water for irrigation in coastal areas since spring of 2009. PV Water operates a project at Harkins Slough that provides groundwater storage and recovery in the shallow aquifer in that area.

The Basin Management Plan was approved by the Department of Water Resources in 2019 as an alternate to a GSP and was subsequently updated in 2021. The plan provides for reducing overall groundwater use by about 12,000 acre-feet through conservation, increased recycled water use, and implementation of several local projects to optimize existing resources and provide increased supply.

Several of the projects outlined in the Plan have undergone environmental review under the CEQA. Construction is progressing on the College Lake Integrated Resources Management Project. The project will develop facilities to use the lake water as an alternative to groundwater for agricultural irrigation. The proposed project would increase the storage capacity of the lake to approximately 1,700 acre-feet. On average, the Project will supply approximately 1,800 to 2,300 acre-feet per year of water to growers in the Pajaro Valley. The community is actively engaged in supporting these efforts. In addition to College Lake, the Watsonville Slough System Managed Aquifer Recharge and Recovery Project is moving forward as well.

The CoW provides municipal supply for the city and residential areas outside the city limits. The CoW has increased their water conservation programs and charges an impact fee for all new development to support those programs. The CoW also obtained a grant to upgrade treatment facilities to increase winter use of surface water from Corralitos Creek. The City's objective is to meet future development demands without increasing groundwater use.

Water quality in the South County area suffers from seawater intrusion and areas of nitrate contamination likely resulting from agricultural practices, animal facilities, some areas of per- and polyfluoroalkyl substances (PFAS) contamination, as well as naturally occurring hexavalent chromium over the MCL.

County staff will continue to monitor and provide input to these various water supply and watershed enhancement efforts being carried out throughout the County and will keep the Board of Supervisors updated regarding their status when appropriate, including the annual Water Status Reports. County staff also continues to implement and enforce the water efficient landscape ordinance, water conservation ordinance, and well ordinance, and implement new State requirements including SB 552.

## **Urban Services**

The County continues to pursue a number of activities to improve its ability to provide services throughout the urbanized portions of the unincorporated area:

- Yearly adoption of the Capital Improvement Program, which identifies scheduled public service improvements (such as road, roadside, drainage, and park improvements) and provides a basis for development of the necessary financing programs.
- Street plan lines and route design concepts for arterial and collector streets in the urban areas, particularly in the Aptos, Live Oak, Soquel, and San Lorenzo Valley planning areas, which require an on-going effort to provide needed information for roadway design, capital improvement programming, and the review and conditioning of new projects.

### Sanitation

In addition, the various County sanitation districts have made numerous sewer-related improvements over the years, including the projects described below:

- The Davenport County Sanitation District has secured a \$3.4-million grant from the Department of Water Resources to construct two new water tanks capable of storing 700,000 gallons of potable water. These tanks will provide backup water storage for approximately nine additional days for the community to use when their water source is unavailable (due to turbidity, low flows, or infrastructure damage). This water can also be used for fire protection. Construction is expected to be completed by the end of 2025.
- Additionally, the Davenport County Sanitation District has secured a \$457,000 grant from the Integrated Regional Water Management Foundation to rehabilitate and repurpose a 135,000-gallon water tank to be used for raw water storage. This tank will provide a backup water supply when source water is unavailable. This project was completed in early 2025.
- In 2019, the Santa Cruz County Sanitation District (SCCD) completed a study regarding sewer line infiltration and inflow (I&I). The SCCD has also video inspected over 90% of its sewer collection mains to identify deficiencies. The SCCD uses the I&I study and ongoing video assessments to address areas where sewer lines are deteriorating and where stormwater and groundwater may be entering through cracks in the sewer lines. Having stormwater and groundwater in the sewer lines reduces the capacity of the lines which can hinder development. Recently completed projects to rehabilitate sewer mains with these issues include the 2019 Soquel Village Rehabilitation, Capitola Jewel Box Sewer Replacement, Capitola Avenue Sewer Rehabilitation, East Santa Cruz Harbor Sewer Rehabilitation, Rio Del Mar Sewer Rehabilitation, Cliff Drive Area Sewer Rehabilitation, 41st Avenue and Soquel Drive Sewer Rehabilitation, Cabrillo Park Sewer Replacement Phase 1, the 2021 Sewer Pipe Rehabilitation, Rio Sands Sewer Rehabilitation, Rodriguez Street Sewer Rehabilitation, East Cliff Drive Sewer Rehabilitation, Valencia Creek Sewer Rehabilitation, the North Avenue Sewer Rehabilitation, the 2022 Sewer Pipe Rehabilitation, West Seacliff Sewer Rehabilitation, Arana Trunkline Replacement, and the 2023 Pipe Repair. Beyond improving capacity, addressing I&I and deteriorated sewer pipes as it reduces the

amount of energy required to pump and treat wastewater, improves the environment in areas where wastewater may be leaking out of pipes and reduces the risks of sanitary sewer overflows.

- SCCD has completed the Soquel Pump Station Force Main Replacement project which replaced a 40+ year-old sewer force main under Soquel Creek and upgraded the pump station. This project helps improve the water quality at Capitola Beach and increases the operational reliability of the pump station.
- The SCCD has completed two projects and is finalizing one more; together these will upgrade the trunk line and pump station. The Lower Rodeo Sewer Replacement project was completed in 2024 and the Upper Rodeo Sewer Rehabilitation project was completed in 2025. The pump station upgrade is scheduled to be completed by the end of 2025. Since these projects will be completed before any large developments will be constructed, SCCD has lifted the moratorium.
- The Freedom County Sanitation District (FCSD) completed the Freedom Sewer Rehabilitation Phase 1 project which rehabilitated manholes and nearly 14,000 linear feet of sewer mains in the neighborhoods north of the Watsonville Airport, and at the northern end of Green Valley Drive with the help of a near \$9-million grant from the United States Department of Agriculture. FCSD also secured a \$6-million grant from the State Water Resources Control Agency for the second phase of rehabilitation work which has rehabilitated sewers in additional neighborhoods east of Green Valley Drive. The rehabilitation reduced I&I, which is significant in this area, and increases capacity in the sewer lines. This second phase of the Freedom Sewer Rehabilitation project was completed in 2024.
- Outside the Urban Services Line, but within the Rural Services Line, CDI completed sewer improvements in County Service Area (CSA) 2, Place De Mer. The CSA's septic system was failing, and an advance treatment septic system was required by the State Water Resources Control Board. The new system has been installed and will protect ground water quality in this coastal community.
- Outside the Urban Services Line, but within the Rural Services Area, CDI worked with a contractor to finalize reconstruction of the Boulder Creek wastewater treatment plant in County Service Area 7, which was damaged during the 2020 CZU Fire. Required improvements included repair or replacement of destroyed PG&E transformers, electrical power poles, electrical control panels, motor control center, blowers, generators, office building, piping, valves, and equipment to remotely monitor the wastewater system. The County has secured a \$405,312 grant from the Integrated Water Management Foundation to help fund a project to increase the capacity of the wastewater treatment plant's equalization tank by 120%. The tank is failing and replacing it with a larger tank will improve operations and reduce the need for hauling during storm events. The new tank is expected to be operational by the end of 2026.
- Beyond implementation of projects, the SCCSD is undertaking planning studies to prepare for future growth within its boundaries. These efforts include additional



sewer flow monitoring with modeling incorporating the new allowable housing densities from the County's updated Housing Element. Identified capacity improvement projects are incorporated in the SCCD's 5-year Capital Improvement Program.

### Transportation

There has been a significant investment in new and expanded urban services infrastructure in the unincorporated area over the last 20 years, particularly through the former County Redevelopment Agency. However, fully addressing the County's remaining urban service needs will require additional construction of infrastructure capital improvement projects throughout the urban area over an extended period of time.

There are also ongoing challenges to maintaining existing roadway and bridge infrastructure, resulting from the 2017, 2019, 2022, and 2023-24 winter storms which collectively resulted in extensive damage to over 400 locations along County roadways and subsequent delays in receiving disaster relief funding from the Federal Emergency Management Agency. Infusion of local Measure D funds will continue to help the County make progress on its pavement program on publicly maintained roads.

Traffic congestion is a significant concern facing residents throughout the County. A number of planning efforts focused on improving the County's transportation infrastructure are currently underway. In 2018, the Santa Cruz County Board of Supervisors (Board) accepted the Portola Drive Streetscape Concepts, as a component of the Pleasure Point Commercial Corridor Vision and Guiding Design Principles. The Streetscape Concepts propose potential near-term and long-term improvements to a portion of the Portola Drive public right-of-way that is intended to benefit all users in the Pleasure Point Commercial Corridor, including pedestrians and bicyclists, local business owners, and residents. As a planning level document, the Streetscape Concepts would need to undergo design and engineering. The plan has been analyzed in the Environmental Impact Report (EIR) for the Sustainability Policy and Regulatory Update (Sustainability Update).

The Sustainability Update, which was certified by the California Coastal Commission on March 15, 2024, include a new Access + Mobility Element as well as a modernized code that includes a new Parking and Circulation Chapter in the SCCC. The new Access + Mobility Element includes policies and programs that enhance multi-modal transportation infrastructure in order to implement the Sustainable Santa Cruz County Plan and address the County's current transportation challenges, as well as a list of transportation projects that can be incorporated into upcoming Capital Improvement Programs.

The County adopted an Active Transportation Plan in 2022 that replaces the 2011 Bicycle Plan and provides a roadmap for future improvements for walking and bicycling in unincorporated Santa Cruz County. It includes a robust list of infrastructure and program recommendations to improve safety and encourage walking and bicycling. The County previously adopted a Safe Routes to Schools Plan in 2020 which covers 17 County schools, and its recommended projects are included in the Active Transportation Plan.

In August 2022, the Board adopted the goal of Vision Zero to eliminate traffic fatalities and serious injuries on streets within the unincorporated county by 2035. This is done by acknowledging that traffic deaths and severe injuries are preventable and setting the goal of eliminating both in a set time frame, with clear, measurable strategies. To address this complex problem, Vision Zero uses a multidisciplinary Safe System approach as outlined by the Federal Highway Administration. The Board also authorized CDI Division of Public Works to submit a grant application to the Safe Streets and Roads for All (SS4A) grant program for funding to create a comprehensive Safety Action Plan. Subsequently, the County, City of Watsonville and the City of Scotts Valley were awarded a SS4A grant for development of a comprehensive Safety Action Plan with the County as the lead applicant. The Plan is currently under development and is scheduled to be complete in December 2025.

The Coastal Rail Trail is the County's largest active transportation project. When complete, it will provide a continuous 32-mile bicycle and pedestrian trail that runs the length of the County along the Santa Cruz Branch Rail Line (SCBRL). Over 18-miles of trail are advancing through design, preconstruction or construction.

In 2021 the County was successful in procuring \$16.5 million in Solutions for Congested Corridors Program grant funds to construct the Soquel Drive Buffered Bike Lane and Congestion Mitigation Project. Construction of the project is near completion and will provide multi-modal improvements to nearly 5.6 miles of Soquel Avenue and Soquel Drive between La Fonda Avenue and State Park Drive. Significant elements of this project include the installation of over 10 miles of continuous separated or buffered bike lanes, 22 signal detection system upgrades including adaptive traffic management software and transit signal priority, half mile of sidewalk infill, 100 American with Disability Act compliant ramp upgrades, 5.6 miles of pavement resurfacing, and 11 mid-block crosswalk upgrades with flashing beacons.

SCCRTC is continuing its State Highway 1 improvement program:

- The Soquel Drive and 41st Avenue Project includes construction of northbound and southbound auxiliary lanes between Soquel Drive and 41st Avenue, historically the busiest section of Highway 1 in the county, and a bike/pedestrian overcrossing at Chanticleer Avenue. The groundbreaking ceremony was held on April 19, 2023, and construction is expected to be completed in 2024.
- Bay Avenue/Porter Street and Park Avenue Project includes new auxiliary lanes from Park Avenue to State Park Drive, a new bike/pedestrian overcrossing at Mar Vista Drive, replacement of the Capitola Avenue bridge with a wider bridge that meets current standards and improves pedestrian and bicycle facilities. Construction on this project is expected to be completed in 2025.
- Freedom Boulevard and State Park Project includes auxiliary lanes and Bus on Shoulder from State Park to Freedom Boulevard and Coastal Rail Trail

Segment 12 Project, Soquel Drive Multimodal improvements, and Rapid Bus Transit improvements. This project is currently in the preconstruction phase and funding for construction is being sought. As part of this project, the County has completed five miles of buffered bike lanes and is on target to complete its Soquel Drive project by April 2025.

In October 2023, SCCRTC began to develop a Concept Report for the Zero Emission Passenger Rail and Trail Project to develop a project rail and trail build concept that will be advanced into subsequent project tasks. The Project proposes a new high-capacity passenger rail service and stations on approximately 22 miles of the Santa Cruz Branch Rail Line (SCBRL) from the City of Santa Cruz to Pajaro. The project aims to provide passenger rail service to connect the most populated areas of Santa Cruz County to each other and to the greater region as well as to provide integrated intercity travel options for riders on the Central Coast. The Project will additionally provide 12 miles of bicycle and pedestrian trail along the Coastal Rail Trail from Rio Del Mar Boulevard through the community of La Selva Beach and the City of Watsonville, as well as the Capitola Trestle reach.

The County completed the Green Valley Road Multi-Use Trail Improvements project which will establish a two-mile-long multimodal corridor for bicycles, pedestrians, and transit, greatly improving mobility in an underserved community with a very high usage of these alternative modes of transportation. The project is constructing an eight-foot wide bicycle and pedestrian pathway along Green Valley Road between Airport Boulevard and Mesa Verde Drive in unincorporated Watsonville.

To address infrastructure improvement needs, the County has replaced over 1,000 linear feet of culverts under County roadways, prioritizing areas in poor condition and prone to flooding.

The County received a grant along with its partner agencies, the City of Watsonville, and SCCRTC from Caltrans to develop and implement a regional Vehicle Miles Traveled (VMT) mitigation bank. The bank would provide developers a means of mitigating their development with contributions to offsite projects that reduce VMT including active transportation, affordable housing, or transit projects. The grant project is expected to be completed by 2025.

## **VI. GROWTH GOAL RECOMMENDATION**

### **Growth Goal**

In consideration of the information analyzed in the above sections of this report, staff recommends that the calendar year 2026 growth goal be set at a growth rate of 0.5%.

Although estimated population rates for the unincorporated area reflect stagnant to minimal decrease in population growth in recent years, overall population in the county and state of California has increased since the COVID-19 pandemic. Census data indicates that the county's population has in fact grown over the past decade, and AMBAG projections show this steady increase is likely to continue. Various other factors point to a potential increased demand for residential building permits in coming years, including the 6th Cycle RHNA requirement, the housing projects currently in the County's permitting pipeline, recent updates to modernize and streamline County Code regulations and General Plan policies, as well as continued state legislation to facilitate housing production in California. Moreover, Santa Cruz County, like many jurisdictions around the country, continues to face a housing affordability crisis. Therefore, setting a growth rate of 0.5% for the year 2026 would allow the County of Santa Cruz to continue to accommodate its fair share of statewide population growth, and would not overly constrain housing production.

### **Building Permit Allocations**

Each year, the population growth rate established for the coming year is converted into a maximum number of available allocations to be granted to market-rate residential building permits in the unincorporated area for that year. The 2026 growth rate was formulated based on DOF population estimates and the 6th Cycle RHNA for above-moderate income units, which identified a need for 1,580 above-moderate income housing units for the unincorporated county. In 2024, permits for 34 market-rate units (presumed to be affordable to those with above-moderate incomes) were issued, and it is estimated that 20 such permits will be issued in 2025. Therefore, 1,526 market rate units are needed to be permitted by 2031, or an average rate of 254 market-rate units per year, to meet this cycle's RHNA requirement for above-moderate income units.

As noted above, Measure J allocations are only required for market-rate units, as affordable units and ADUs are exempted from the allocation system. Considering the number of housing projects in the pipeline, housing stock shortage and affordability crisis, and the direction of recent state laws, a modest growth rate of 0.5% is recommended. Table 13 shows the methodology by which the recommended 0.5% population growth rate for 2026 is converted into a total of 261 residential building permit allocations.

<b>TABLE 13: BUILDING PERMIT ALLOCATION CALCULATION BASED ON A 0.5% ANNUAL POPULATION GROWTH RATE FOR 2026</b>	
Estimated Total Household Population 1/1/25 <sup>(1)</sup>	125,896
Estimated Group Quarters Population 1/1/25 <sup>(1)</sup>	2,240
Estimated Total Population 1/1/25 <sup>(1)</sup>	128,136
Approved 2025 Growth Goal Rate	0.75%
Projected 1/1/26 Household Population (based on a 0.75% growth rate from 1/1/25)	126,840
Proposed 2026 Growth Goal Rate	0.5%
Projected 1/1/27 Household Population (based on the proposed 0.5% growth rate from projected 1/1/26 population)	127,474
Projected Household Population Increase During 2026	634
Estimated Persons Per Household (1/1/25) <sup>(1)</sup>	2.43
Projected New Housing Units (market rate) needed during 2026	261
(1) Source: DOF E-5 City/County Population and Housing Estimates, 1/1/2025 for unincorporated Santa Cruz County (May 2025)	

### Allocation Carryover

SCCC Chapter 17.04 directs any unused allocations from the previous year to “roll forward” and be made available for the following year in order to remove unnecessary constraints to the development of housing. Pursuant to this policy, the total number of available allocations in 2026 will include the projected carryover allocations from 2025 for a total of 614.

In recent years, allocations have been divided into a 75-25% (urban-rural) ratio to recognize the potential for greater infill development in the urban area. Staff recommends continuing this ratio, as illustrated in Table 14. This division implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

<b>TABLE 14: RECOMMENDED 2026 ALLOCATION DISTRIBUTION</b>			
<b>Area</b>	<b>2026 Market Rate Unit Allocations</b>	<b>2025 Carryover Allocations <sup>(1)</sup></b>	<b>Total 2026 Allocations <sup>(1)</sup></b>
Urban	196	272	468
Rural	65	81	146
<b>Total</b>	<b>261</b>	<b>353</b>	<b>614</b>
Note: Per the Housing Crisis Act of 2019, the Measure J growth management system will not be enforced in affected county areas. (See Housing Crisis Act of 2019 section above for more information.)			
<sup>(1)</sup> Projected year-end allocations available based on continuation of allocation distribution rate for first six months.			

### Rural Land Division Limitations

County Code Chapter 14.04 limits the number of new residential parcels that can be created in the rural portion of the County to 35% of the number of rural residential allocations granted each year. Based on the recommended 65 rural allocations, a limit of

23 new rural residential parcels could be created. No new rural lots were approved in 2024, or as of July 1, 2025. As the number of new rural residential parcels has not exceeded the yearly limitation for more than a decade, no further action is recommended for the control of rural land divisions.

However, this provision will not restrict approval of land divisions applied under Senate Bill 9, a state law that allows ministerial land divisions in Census-designated urbanized areas, in some cases outside the boundaries of the County's local Urban and Rural Services Lines.

## **VII. CONCLUSION**

Since 1979, when Measure J was first implemented, the County has established an annual population growth goal that represents Santa Cruz County's fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of residential building permit allocations for the coming year. Given state requirements to accommodate housing needs in our region and the potential increase in demand for residential building permits that is anticipated over the next year, County Planning staff recommends that the growth rate be set at 0.5% for calendar year 2026.

Under the 0.5% recommended growth rate along with the estimated 353 carryover allocations from 2025, a maximum of 614 residential Measure J allocations could be allotted in the unincorporated area of Santa Cruz County: 468 in the urban area and 146 in the rural area. As stated previously, in accordance with the Housing Crisis Act of 2019 (SB 330), Santa Cruz County will not enforce the Measure J growth goal limit on residential permit allocations within the following CDPs while the statute is in place: Live Oak, Pasatiempo, Paradise Park, and Soquel.

Consistent with the County General Plan, the unused allocations from 2025 will be carried over and added to the 2026 allocation. Based on the number of allocations that have been granted as of July 1 of this year, it is projected that the combined new and carryover allocations will result in 614 total urban and rural market rate allocations, which is expected to be sufficient to accommodate the demand for residential building permits in the coming year.

If it appears that there will be a shortfall of allocations, Planning staff will bring this matter to the Board of Supervisors' attention during the year. At that time, the Board may make numerical adjustments to the growth goal and number of available allocations for residential building permits.