



County of Santa Cruz

DEPARTMENT OF COMMUNITY DEVELOPMENT AND INFRASTRUCTURE

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Agenda Date: October 25, 2023

Planning Commission
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Subject: PUBLIC HEARING AND RECOMMENDATION ON THE PROPOSED FINAL DRAFT 2023 HOUSING ELEMENT

Recommended Action(s):

1. Hold a public hearing on the proposed final draft 2023 Housing Element;
2. Receive and consider public comment; and
3. Adopt the Resolution (Exhibit A) recommending that the Board of Supervisors adopt the Addendum to the Sustainability Update Environmental Impact Report adopt the Proposed 2023 Santa Cruz County Housing Element with proposed amendments, and direct that the Housing Element be forwarded to the Department of Housing and Community Development for certification.

Executive Summary

The County is required to update its General Plan Housing Element every eight years. The 6th Cycle Housing Element update is due to the State Department of Housing and Community Development (HCD) by December 31, 2023. The County Community Development & Infrastructure (CDI) Department has prepared an update that includes data collection and analysis, analysis of housing needs, housing inventory update, accommodating the Regional Housing Needs Allocation (RHNA), and community outreach to meet State requirements.

Background

The County last updated its Housing Element in 2015, with HCD certification occurring in April 2016.¹ As required by California Government Code sections 65580-65589.11, Housing Elements are subject to a variety of requirements, including the assessment of housing needs, accommodating special needs populations, addressing housing affordability, and identifying constraints and barriers to housing, as well as facilitating robust community engagement in the update process.

Board of Supervisors actions - Staff presented its work program to the Board of Supervisors on October 25, 2022, and again on January 31, 2023, the Board approved the work program with additional direction. The Board met again on September 12, 2023, where the Board expressed support for the Housing Element, and instructed Staff and the Planning Commission to consider

¹ [2015 Santa Cruz County Housing Element \(santacruzcountyplanning.com\)](https://www.santacruzcountyplanning.com)

including open space for the future development of the PAR 3 site at 2600 Mar Vista Drive for open space and senior housing.

Planning Commission actions - Staff presented the Housing Element work program to the Planning Commission on November 9, 2022, and an updated study session on June 14, 2023. At the meeting the Planning Commission discussed achieving all the targets from the Sustainability Policy and Regulatory Update (Sustainability Update), replacement of demolished units in kind, increasing the inclusionary housing percentage, tenant protections, and programs and policies. Lastly, the Planning Commission completed a final study session on the Housing Element on September 27, 2023.

Other Public Meetings – Staff presented the Housing Element Update to the Housing Advisory Commission (HAC) on March 1, 2022; November 2, 2022; May 3, 2023; and September 6, 2023. A final public hearing with the HAC is scheduled for November 1, 2023. See also the Public Engagement section on the next page.

HCD submittals

On June 12, 2023, the County staff circulated a public review copy of the Housing Element for a 30-day public review ending July 11, 2023. Several comments were received from the public during this review period that promulgated responses by CDI staff, with some of the comments resulting in changes to the Draft Housing Element. On July 24, 2023, CDI staff submitted the Draft Housing Element to HCD to start a 90-day HCD review that concludes on Monday, October 23, 2023. Staff will provide any final HCD comments that are received to the Planning Commission at the October 25, 2023 meeting.

Analysis

Planning Commission Discussion Items

At the September 27, 2023, study session, the Planning Commission discussed several topics, as follows:

- **Form-based Codes.** Could form-based zoning be used as a means to get more affordability? With the Sustainability Update close to going into effect, Staff recommends waiting to see its effectiveness, reserving the concept of form-based zoning for future Housing Element cycles if we need it.
- **Inclusionary Chapter 17.10** of the County Code requires that, for housing developments of more than four units, 15% of the units be restricted for occupancy by income-qualified households. Could a 20% Inclusionary housing requirement be included without a nexus study? Staff does not recommend going from 15% to 20% without the proposed program to perform the nexus study to consider the correct percentage that will not negatively affect housing construction in the county.
- **Educational Housing.** Could the inventory include sites at Cabrillo College and look at student housing, partnerships programs? While the County of Santa Cruz is not the permitting authority for Cabrillo College and HCD's guidance is that educational campus housing cannot be counted because it is temporary (institutional) in nature. However, there is a policy in the draft Housing Element that advocates for coordination and support for educational institutions working to provide housing.

- Par 3. Staff explained the Board's direction for open space on the Par 3 site. The Planning Commission considered the mechanisms for such a requirement, including a Specific Plan requirement.
- Inventory Calculation. The Planning Commission requested alternate calculations of the inventory, since Staff followed the HCD guidance and used a conservative approach of minimum density for a portion of the inventory. Staff will provide this during the public hearing presentation.

Changes Made to the Housing Element Since the Planning Commission's Study Session

Since the Planning Commission's last review, Staff has amended the draft Housing Element to reflect preliminary comments received from HCD, as shown in the underline/strikethrough text in Exhibit B and the Appendices in Exhibit C and D. Some of these changes include (no substantive changes were made to Sections 1, 3 and 5):

Section 2 -

- Updated Quantified Objectives to include the extremely low-income category and updated information on the very-low-income category.
- Added a new Program H-1M that supports the County's efforts in increasing the number of accessory dwelling units (ADUs).

Section 4 -

- Revised Table 4.4-3 – *Housing Capacity for the Planning Period*.
- Added a discussion of the commercial/retail market demand that includes new commercial floor area permitted during 2018 to 2023.
- Added discussion to Pending Projects.
- Added new discussion about building permits issued for ADUs during 2014 to 2022 and their affordability.
- Added additional discussion about farmworker housing.
- Added new discussion regarding Permanent Room Occupancy (also known as Single-Room Occupancy or "SRO").

Housing Sites Inventory – One parcel was removed from the rezoning list and placed on the pending projects list; two new pending projects were added based on recent development activity; one parcel was added to the inventory based on the Sustainability Update rezones; and two parcels were removed from the inventory based on development completed in the 5th Cycle. In addition, an inventory of emergency shelter beds was added based on HCD's requirements.

Appendices – In response to HCD's preliminary comments, staff and our consultant, Root Policy, made extensive changes to Appendix HE-A of the Housing Element. The following are highlights only:

- A review/summary of actual results of the previous element's goals, objectives, policies, and programs.
- Expanded discussion of lower-income households overpaying by tenure,
- Expanded analysis of the existing housing conditions,
- Additional discussion on the subject of special need populations to include persons with disabilities, persons with developmental disabilities, elderly, large households, farmworkers (seasonal and permanent), female headed households, and homeless.

- The sites inventory has been updated to reflect HCD comments.

Public Engagement

In early 2023, County staff issued a Request for Proposals and selected two consultants to assist with development of the Draft Housing Element. EMC Planning Group provided technical support and CivicMakers assisted with the robust public engagement process. The EMC Planning Group team included two subconsultants: (1) Root Policy, who assisted in developing the Fair Housing Analysis, (2) and More Sky Less Ceiling, who assisted with the public-facing interactive housing tool called “Balancing Act,” which is an interactive program allowing community members to identify preferences in housing types and locations.

A robust and intensive public participation process started in early 2023 with the County and its consultant, CivicMakers, developing two focus groups that would provide input into the Draft Housing Element. The two focus groups included a Stakeholder Group and a Community Panel with each having approximately 20 participants.

The Stakeholders Group included those with an interest in housing development in the county, such as local developers, affordable housing developers, community groups serving under-represented community members, environmental and transportation organizations, housing advocates, and others.

The Community Panel included resident’s representative cross-section of county residents (based on gender, housing status, race, income, language spoken, disability, etc.), and those community members most affected by housing instability and/or unaffordability.

Each group had four separate meetings between April 11th and May 4th, followed by a combined meeting on May 11, 2023, that closed out the focus group meetings. During this final meeting, the two focus groups met and participated in a map exercise with assigned housing density values to show affordable housing preferences and locations, as well as an accompanying exercise related to Housing Element policies and programs. The full results of the Stakeholder Group and Community Panel meetings are included in Appendix HE-C of the Draft Housing Element document (see Exhibit C).

In general, the priorities for the Stakeholder Group and Community Panel were to:

- Aggressively increase densities;
- Prioritize density bonus construction to support larger families;
- Fast track discretionary approvals;
- Reduce permit fees;
- Connect homeowners with support for constructing accessory dwelling units (ADUs);
- Use underutilized land for new housing developments, including new housing along the Rail-Trail;
- Support 100% affordable housing developments;
- Provide more support for transient residents;
- Encourage full use of available fiscal incentives/funding; and
- Increase education and awareness by providing one-stop-shop for information on affordable housing.

County staff also sought input from the public. Three public meetings were set up to solicit County residents' input on May 15 (in-person at Aptos Village Park), May 31 (virtual) and June 28 (in-person at Watsonville Civic Center). The results of these three community meetings are also included in Appendix HE-C of the Draft Housing Element and reflect similar priority themes as the Stakeholder Group and Community Panel groups. See Exhibit E for public comments.

As part of the public outreach for this project, an interactive housing plan tool was embedded in the County's 2023 Housing Element update website. This interactive tool challenges the public to create a positive housing outcome for meeting the County's RHNA. The user is led through a series of questions related to type, density and location of housing and must make choices for various planning areas within the Urban Service and Rural Service Lines. Data is collected on user choices to help inform changes to the Housing Element and the Housing Inventory. The interactive tool is reported to have been used by 88 people. Furthermore, of those who participated in the interactive tool, the Live Oak, Santa Cruz and Aptos participants represented about 55 of the 88 people who participated. Of those who participated, 64% own a house or condo with 19% being renters of an entire house, condo or apartment (as compared to renting a room in a house, condo or apartment at five percent). The largest age group to participate were the 35- to 44-year-olds at 36%. The next largest age group to participate were the 45- to 54-year-olds at 19%. In addition, participants are favorable to high-density housing – e.g., less in the Scott's Valley area zip code (5,479 residential units) and more favorable (6,081 units) in the Santa Cruz zip code (95060). The 5,479 and 6,081 are well above the RHNA of 4,634 units and the RHNA plus buffer amount of 5,098 units, indicating some tolerance for higher density housing.

County Staff has created a website that includes the Interactive Housing Tool, in addition to project updates and public engagement, which can be accessed here:

<https://www.sccoplanning.com/PlanningHome/Housing/2023HousingElement.aspx>.

Additional comments have been received through the public comment portal on the website. See Exhibit E for public comments. Additional outreach was also conducted through press releases, email blasts, and social media posts.

Structure of the 6th Cycle 2023 Housing Element

The 2023 6th Cycle Housing Element represents Chapter 4 of the Santa Cruz County General Plan. The Housing Element contains the topical areas that meet HCD requirement as outlined in the following chapters, including six appendices:

Section 1 - Introduction

Section 2 - Goals, Policies, and Implementation Programs

Section 3 – Overview of Housing Needs and Constraints

Section 4 - Vacant and Available Sites

Section 5 - Energy Conservation

The appendices support the Housing Element with maps, site inventory, review of the previous housing element, a fair housing report, and the results of the robust public engagement process.

Affirmatively Furthering Fair Housing (AFFH) and Fair Housing Analysis

Since the update of the last Housing Element, state law has evolved with new requirements, particularly related to affordable housing and disadvantaged communities. Housing Elements must engage in efforts related to "Affirmatively Furthering Fair Housing" (AFFH), which is defined as "taking meaningful actions, in addition to combating discrimination, that overcome patterns of

segregation and fosters inclusive communities free from barriers that restrict access to opportunity.” To address this, Housing Element requirements now include an Assessment of Fair Housing practices, which incorporates an analysis of the relationship between available sites and areas of high or low resources, and concrete actions in the form of programs to affirmatively further fair housing. If necessary, potential rezonings in higher resourced unincorporated areas to accommodate higher density is key to meeting AFFH requirements.

High resource attributes include:

- Proximity to transit;
- Access to high performing schools and jobs;
- Access to amenities, such as parks and services;
- Access to health care facilities and grocery stores;
- Proximity to available infrastructure and utilities;
- Sites that do not require environmental mitigation; and
- The presence of development streamlining processes, environmental exemptions, and other development incentives.

The Housing Needs Assessment and Fair Housing Assessment, including an expanded AFFH analysis, develops context for the County’s goals, policies, and programs for the Draft Housing Element and can be found in Appendix HE-A (Fair Housing Report) to the Draft Housing Element (see Exhibit C).

Some of the highlights of the Fair Housing Report are:

- *Housing Type and Tenure* - More than eight in 10 housing units in unincorporated Santa Cruz County are single family homes. In the unincorporated areas—81% of housing units in unincorporated areas are single-unit, followed by two or more units (12%) and mobile homes (7%).
- *Age of Housing* – nearly 60% of the housing inventory in unincorporated Santa Cruz County was constructed between 1940 and 1980.
- *Housing Costs* - Unincorporated areas have a slightly higher share of owner-occupied units priced above \$1 million compared to the county as a whole—34% of homes in unincorporated Santa Cruz County are valued above this price compared to 31% countywide. Conversely, there are nearly 50% less homes valued below \$500,000 in unincorporated Santa Cruz County, suggesting that first-time homebuyers and low- and moderate-income households face greater challenges breaking into the homeownership market.
- *Vacancy and New Development* - The number of vacant units for rent or for sale has dropped considerably since 2010. In 2010, 18% of the county’s units were available to rent; this dropped to 8% in 2015 and 11% by 2021. The relatively high rate for rental vacancies in a high-cost market is indicative of a rental market accommodating college students and/or a softening market due to overbuilding of luxury units. Vacant units available to buy dropped from 9% to 5%, suggesting a continually tight market for homeownership. Overall, in 2021, 79% of vacant units (7,633 units) are in seasonal or recreational or other use. This compares to 63% (6,458 units) in 2010 and 77% (7,933 units) in 2015.
- *Displacement* – Displacement can occur for a number of reasons, such as rent increases, gentrification, natural disasters (e.g., fires or flooding), complications with landlords, and

loss of income or employment. Owner households generally experience a greater amount of housing stability, whereas renter households are more mobile (i.e., move more frequently). While both owner and renter households moved at the same rate between 2015-2018, renters have moved at a much higher rate since 2019.

- *Disadvantaged Communities* - The southern portion of Santa Cruz County has the highest concentration of disadvantaged communities, which are the lowest resource areas in the county. Also, continued development of more affordable housing in this area of the county contributes to the concentration of poverty and lower opportunity.

Policy and Program Changes

Section 4.2 of the Draft Housing Element includes some significant new policies and programs from the 5th Cycle to be consistent with current codes and special needs. Below is a summary of some of the biggest policy and program changes from the last cycle:

Policies

- H-1.3: Minimum density policy to ensure new developments achieve intended densities.
- H-1.6: Priority Processing for housing projects
- H-1.7: Pro-Housing Community designation by HCD
- H-1.9: Site Consolidation Bonus to encourage the assembly of larger sites that can support affordable units.
- H-3.10 Housing on Publicly Owned Properties
- H-4.6: Encourage rental homes for large families.
- H-4.10: Proactive Marketing of Accessible Homes
- H-5.2: Electrification of new housing units

Programs

- H-1C: By-right Overlay Zone to encourage development of sites in previous inventories.
- H-1D: Density Bonus for extremely low-income units and units for special needs families
- H-1F: Review development standards for possible changes, including studying potential areas for 4-6 stories.
- H-1G: Land division process update
- H-1H: Senate Bill (SB) 9 Ordinance
- H-1J: SB 10 Rezones
- H-1K: Priority permit processing for projects with lower income units
- H-2H: Proactive enforcement of vacation rental codes
- H-2I: Legal aid and Counseling Support
- H-5: All electric new housing
- H-3D: State limits on renter application fees
- H-3G: Barriers to housing in the Coastal Zone
- H-3H: Inclusionary Housing Nexus Study
- H-4C: Review codes for group homes, transitional and permanent housing
- H-4D: Supply and awareness of accessible housing for people with disabilities
- H-4F: Senior housing

Regional Housing Needs Assessment and Housing Sites Inventory

Central to the Housing Element update is accommodation of the 6th Cycle RHNA, which has been established by HCD and distributed to the jurisdictions in our region by the Association of Monterey Bay Area Governments (AMBAG). The 6th Cycle RHNA Plan assigns the number of housing units that each jurisdiction must plan for in the cycle, which spans the years 2023 to 2031.

The 6th Cycle RHNA for unincorporated Santa Cruz County is approximately three and one-half times as large as the 5th Cycle RHNA:

Income Level	5th Cycle RHNA Units	6th Cycle RHNA Units	Percent Increase
<i>Very Low</i>	317	1,492	471%
<i>Low</i>	207	976	471%
<i>Moderate</i>	240	586	244%
<i>Above Moderate</i>	550	1,580	287%
<i>Total RHNA</i>	<i>1,314</i>	<i>4,634</i>	<i>353%</i>

The basic premise of the Housing Sites Inventory is to identify adequate sites for housing, including rental housing, factory-built housing, mobile homes, and emergency shelters, and is required to make adequate provision for the existing and projected needs of all economic segments of the community. Staff used the inventory of properties from the 5th Cycle Housing Element and identified those properties that were vacant in the 4th and 5th Cycles, and which were underutilized in the 5th Cycle. Vacant sites that were identified in two or more previous planning cycles and underutilized sites identified in a previous planning period can't be used for the 6th Cycle RHNA unless the sites will be rezoned within three years, OR zoning allows by-right development for 20% low-income affordable projects. See Exhibit D for the Housing Sites Inventory.

As required by state law (Government Code Sections 65583 and 65583.2), the Housing Element provides a parcel-specific inventory of suitable and appropriately zoned sites for the provision of housing and specifies for each site the number of units that can realistically be accommodated and whether the site is adequate to accommodate lower-income housing, moderate-income housing, or above moderate-income housing. The Housing Site Inventory and Maps (Inventory), which are included as Appendices HE-E and HE-F of the Housing Element, include pending projects, opportunity sites, and vacant and underutilized sites including residential sites, as well as commercial and public facility sites where housing is allowed. A program is established that commits the County to an annual review of progress towards RHNA, and to update programs and incentives as necessary to ensure the RHNA can be met during the planning period.

In addition to assessing the inventory of vacant and available sites, Staff has identified other categories of sites that can realistically be developed with housing during the planning period. The County actively supports ADU production. Some development on residential sites in rural areas is also projected to continue based on historical rates. Additionally, the County anticipates the development of farmworker housing during the planning period, following recent county code amendments and programs supporting farmworker housing. The County also supports housing development under SB 9, which allows additional residential units and lot splits on qualifying residential parcels and will be preparing an ordinance to further promote SB9. In addition, conservative projections are made for some growth outside the Urban Services Line (USL).

Based on HCD guidance, the County's 6th Cycle RHNA allocation of 4,634 units was augmented by a 10% buffer (i.e., 464 units) for a total of 5,098 units. The total number of units that can be developed on existing sites in the unincorporated county is approximately 4,167 units. Therefore, it is necessary to rezone some sites to increase the inventory by approximately 1,000 units. The sites will be spread throughout the urban areas within the USL. Proposed numbers and rezones are

subject to change with the public review process and HCD's review. See Exhibit D for the Housing Sites Inventory and maps.

Rezone Amendments –Necessary Rezones to Meet the RHNA/Inventory Requirements

After the Housing Element is certified by HCD, there will be a set of General Plan and Zoning Map amendments prescribed via Housing Element Programs H-1B, H-1E and H-1J. These programs will allow residential units and/or increased densities on select properties.

The Housing Element focuses on high-density developments in areas served by the county's major transportation corridors, where transit services exist or are planned, and where the Rail-Trail will be located. AFFH will be enhanced through the application of the newly created Residential Flex (RF) zoning in higher resource areas identified on the state's Tax Credit Allocation Committee (TCAC) maps. The distribution of affordable housing is predicated on access to public transit, the Rail-Trail, shopping/services/jobs, open space/parks, and proximity to schools. Rezone properties are spread throughout the USL.

Rezoning are divided into two types—SB 10 rezones to allow up to 10 units on parcels and rezones along transportation corridors to high-density, particularly implementing the new Residential Flex (RF) zoning established by the Sustainability Update. The SB 10 rezones help the county to implement the much needed “missing middle” housing into existing neighborhoods, while the high-density rezones help with multi-family housing, providing affordable units, and meeting AFFH goals. Both types also support reductions in vehicle miles traveled and the goals of the 2022 Climate Action and Adaption Plan. See Table 7 in Exhibit D for a list of rezoning properties and detailed maps showing the parcels proposed for rezoning.

The proposed rezones at 2600 Mar Vista Drive (APNs 039-201-36 and -37) would reclassify approximately 13.7 acres of vacant property zoned and designated for open space/parks. This is a key property in the inventory, proposed for rezoning to Residential Flex (RF), accounting for 430 units. The Board of Supervisors recognized the need for the rezone for additional housing and has asked staff and the Planning Commission to consider options for this property that address the need for senior housing and community open space. Rezoning specifically for senior housing is not an option that will meet the fair housing guidance—namely, such a zone would be discriminatory against housing for families. Staff's initial analysis indicates that two to three acres of either public park or open space in a public access easement is achievable, and staff will present additional information on this concept during the presentation.

California Environmental Quality Act

To address environmental review under the California Environmental Quality Act (CEQA), the County engaged the services of Dudek, who prepared an Addendum to the EIR completed for the Sustainability Policy and Regulatory Update (Exhibit F). The Addendum analyzes each of the environmental resource topics in the CEQA Guidelines Appendix G, and concludes that the Santa Cruz County 2023 Housing Element, as part of the County's General Plan, does not represent a substantive change in the description of the General Plan elements evaluated in the Sustainability Update EIR.

The County's RHNA is 134 housing units more than the 4,500 residential units considered in the Sustainability Update EIR analyses, which is not substantially greater than the amount of potential future housing evaluated in the EIR. Since certification of the Sustainability Update EIR in December 2022, the County estimates that 56 housing units have been constructed, including 27

ADUs, which would result in remaining development potential of 4,444 housing units as analyzed in the Sustainability Update EIR. Thus, the RHNA when considered with housing units developed to date, would be approximately 190 units more than the amount analyzed in the Sustainability Update EIR. This represents approximately four percent of the residential development evaluated in the Sustainability Update EIR, which is not considered substantial. As documented by the review contained in Section 4.3 of the document, none of the conditions described in the State CEQA Guidelines Section 15162 that call for preparation of a subsequent EIR have occurred, and therefore a CEQA Addendum has been prepared.

Mitigation measures were included in the Sustainability Update EIR to mitigate potentially significant impacts related to agricultural resources, biological resources, cultural resources, and transportation, some of which would be required of future residential development as specified in the measures. The Mitigation and Monitoring Report Program specifying the mitigation measures is attached to the Addendum. No new mitigation measures are required with the proposed 2023 Housing Element as the Addendum has not identified any new significant impacts.

Tribal Consultation

Staff initiated the tribal consultation process under SB 18 on June 20, 2023, with mailings to the Amah Mutsun Tribal Band, Amah Tribal Band San Juan Bautista, Costoanan Ohlone Rumsen-Mutsen Tribe, Indian Canyon Mutsen Band of Costanoan, and the Wuksache Indian tribe. The three-month response period ended on September 20, 2023, with no responses received to date.

Schedule

Staff developed a project schedule that provides major milestones, including focus group and community meetings (April through June); release of the Draft Housing Element for the initial public review (June); release of the draft document to HCD to start their 90-day review (July 25 to October 23); and subsequent reviews and public hearings by the HAC and Planning Commission. The recommendations of the HAC and Planning Commission will be presented to the Board of Supervisors for an additional public hearing and adoption (November). Final review and acceptance by HCD (60 days) is anticipated in January 2024. Here are the anticipated dates:

October 23	End HCD Review
October 25	Planning Commission Recommendation (Public Hearing)
November 1	Housing Advisory Commission Recommendation (Public Hearing)
November 14	Board of Supervisors Public Hearing - Adoption
November 15	Submit HE to HCD for 60-day review
Jan. 15, 2024	HCD Certification

Submitted by:

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Policy Section

Exhibits

- A. Resolution
- B. Proposed 2023 Santa Cruz County Housing Element
- C. Housing Element Appendices HE-A through HE-D
 - HE-A: Fair Housing Report
 - HE-B: Review of Previous Housing Element Programs
 - HE-C: Public Engagement Results
 - HE-D: Housing Constraints
- D. Housing Element Appendices HE-E through HE-F
 - HE-E: Housing Sites Inventory
 - HE-F: Housing Inventory and Rezoning Maps
- E. Public Comments
- F. CEQA Addendum