



# County of Santa Cruz

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## DEPARTMENT OF COMMUNITY DEVELOPMENT AND INFRASTRUCTURE

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**Agenda Date: September 27, 2023**

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

### **Subject: 6TH CYCLE HOUSING ELEMENT UPDATE STUDY SESSION**

#### **Recommended Action(s):**

Consider Staff's update on the proposed 6<sup>th</sup> Cycle Housing Element Program; no action is required.

#### **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.<sup>1</sup> 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 it 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 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 Update, replacement of demolished units in kind, increasing the inclusionary housing percentage, tenant protections, and programs and policies.

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<sup>1</sup> [2015 Santa Cruz County Housing Element \(santacruzcountyplanning.com\)](http://santacruzcountyplanning.com)

The final version of the Housing Element will be presented to the Planning Commission for final review and recommendation to the Board on October 25, 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 meeting with the HAC is scheduled for November 1, 2023.

### ***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.

### **Analysis**

#### ***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 residents 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 C of the Draft Housing Element document and are attached to this report.

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 C and reflect similar priority themes as the Stakeholder Group and Community Panel groups.

As part of the public outreach for this project, an interactive housing plan tool that was imbedded 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.

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: [2023 Housing Element \(sccoplanning.com\)](https://sccoplanning.com). Additional comments have been received through the public comment portal on the website. Additional outreach was conducted through press releases, email blasts, and social media posts.

### ***Structure of the 6<sup>th</sup> Cycle 2023 Housing Element***

The 2023 6<sup>th</sup> 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
- 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 A (Fair Housing Report)to the Draft Housing Element.

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***

The Draft Housing Element includes some significant new policies and programs from the 5<sup>th</sup> 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:

| <b>Income Level</b>      | <b>5<sup>th</sup> Cycle RHNA Units</b> | <b>6<sup>th</sup> Cycle RHNA Units</b> | <b>Percent Increase</b> |
|--------------------------|--|--|-------------------------|
| <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%                    |
| <b><i>Total RHNA</i></b> | <b><i>1,314</i></b>                    | <b><i>4,634</i></b>                    | <b><i>353%</i></b>      |

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.

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 can be included as Appendices E and 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 4,146 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.

***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.

Rezonings are divided between 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.

The proposed rezones at 2600 Mar Vista Drive (APNs 039-201-36 and -37) would reclassify approximately 13.5 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 is working on considerations for how to address these issues and requests that the Planning Commission provide any feedback they may have at this time.

**California Environmental Quality Act**

To address environmental review under the California Environmental Quality Act (CEQA), the County has engaged the services of Dudek, who is preparing an Addendum to the Environmental Impact Report (EIR) completed for the Sustainability Policy and Regulatory Update. This work is underway and is expected to be completed in late September. Impacts are expected to be similar to those analyzed in the Sustainability Update EIR.

**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 ends on September 20, 2023, and no responses have been 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); subsequent reviews by the County’s Housing Advisory Commission, Planning Commission and Board of Supervisors; adoption by the Board of Supervisors (November); and final review and acceptance by HCD (60 days) (January 2024). Here are the anticipated dates:

|                      |   |
|----------------------|---|
| Sept. 6              | Housing Advisory Commission                                 |
| Sept. 12             | Board of Supervisors Study Session                          |
| Sept. 27             | Planning Commission Study Session                           |
| October 23           | End HCD Review  |
| <b>October 25</b>    | <b>Planning Commission Recommendation (Public Hearing)</b>  |
| November 1           | Housing Advisory Commission Recommendation (Public Hearing) |
| <b>November 14</b>   | <b>Board of Supervisors Public Hearing - Adoption</b>       |
| November 15          | Submit HE to HCD for 60-day review                          |
| <b>Jan. 15, 2024</b> | <b>HCD Certification</b>                                    |

Submitted by:

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**Exhibits**

- A - Santa Cruz County 2023 Housing Element
- B - Appendix HE-A- Fair Housing Report
- C - Appendix HE-B Review of Previous Housing Elements Programs
- D - Appendix HE-C Public Engagement Results
- E - Appendix HE-D Housing Constraints
- F - Appendix HE-E-Site Inventory Tables
- G - Appendix HE-F Housing Inventory Maps