



SANTA CRUZ COUNTY
Civil Grand Jury

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Housing Our Workers

Essential Workers Need Affordable Housing!

Summary

The cost of housing has risen dramatically, especially in the past five years, not just in Santa Cruz County but all over the state of California. There were some clear issues, the 2008 recession, the COVID crisis, the rise of Airbnb, but the biggest reason is that municipalities stopped building new housing. The numbers of unhoused people increased, and employers found it harder and harder to find and keep employees. The reason that prospective employees most often gave for not coming to work here was the scarcity and cost of housing. Over the past several years, California has enacted several laws to encourage, and even require, all municipalities to build more housing, especially more affordable housing for essential workers..

The four cities, Capitola, Santa Cruz, Scotts Valley and Watsonville, as well as the County of Santa Cruz, have all begun identifying suitable properties and have begun making zoning changes to build more housing. The five municipalities (the county and the four cities) are at various stages in this process and now face even higher affordable housing goals in the Sixth Cycle Housing Element, which is due to the State at the end of December.

The Santa Cruz County Civil Grand Jury's overall findings and recommendations encompass the following:

- How well each of the five municipalities have met current housing goals
- How well the public understands the need for more workforce housing
- How well each municipality is positioned to meet future housing goals
- How each municipality can use housing laws, grants and partnerships to make housing more affordable

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Background

Over the past few years we have heard a lot about essential workers, those who keep our community running. We depend on these workers to educate our children, take care of our medical and dental needs, keep our communities safe, maintain our food supply, provide public transportation, and keep our streets clean. These workers are being squeezed out of the housing and rental markets in Santa Cruz County. Almost daily there are news reports of teacher and bus driver shortages, police departments that can't find enough qualified officers, stores and restaurants that have to reduce hours because they can't find enough workers.

The Santa Cruz area was recently designated the second most expensive place to live in the country with the average home price of \$1.5 million and the average rent for an apartment at over \$3,000/month.^{[1][2]} Watsonville is somewhat less expensive at an \$800,000 average price for a home and an average rent of \$2,000.^{[1][2]} These prices are beyond the reach of many of our essential middle income workers. In order to buy the average home in the Santa Cruz area, a worker with \$50,000 down payment would have to make \$400,000/year and the monthly payments would be \$8,830/month.^[2] In Watsonville, a worker would need to make \$200,000/year to afford to buy the average house with monthly payments of \$4,345.^[2]

Although salaries have gone up in many areas, the average annual teacher salary is only about \$70,000.^[3] The average full time firefighter makes less than \$60,000 and a school custodian makes about \$50,000.^[3] The average registered nurse makes \$100,000.^[4] According to the Transparent California website, the average Santa Cruz Metro driver makes about \$68,000 in salary and another \$60,000 in overtime, still not enough to buy the average house in Watsonville! In a recent survey from the California Association of Realtors, just one in five residents in the Bay Area can afford to buy a home at current prices.^[5]

While our communities have programs to help low income residents, (individuals who make less than \$35,000/year), there is little to help essential middle income workers who can't afford the rent or housing prices, yet have jobs in our community.

The report calculates a "housing wage" for Santa Cruz County of \$60.35 an hour.... At \$3,138 per month for a two-bedroom rental, tenants would need to work four full-time minimum-wage jobs, at \$15 an hour, to afford rent....^{[6][7]}

Figure 1 below shows that in Santa Cruz County many workers are spending nearly 50% of their income on mortgage.

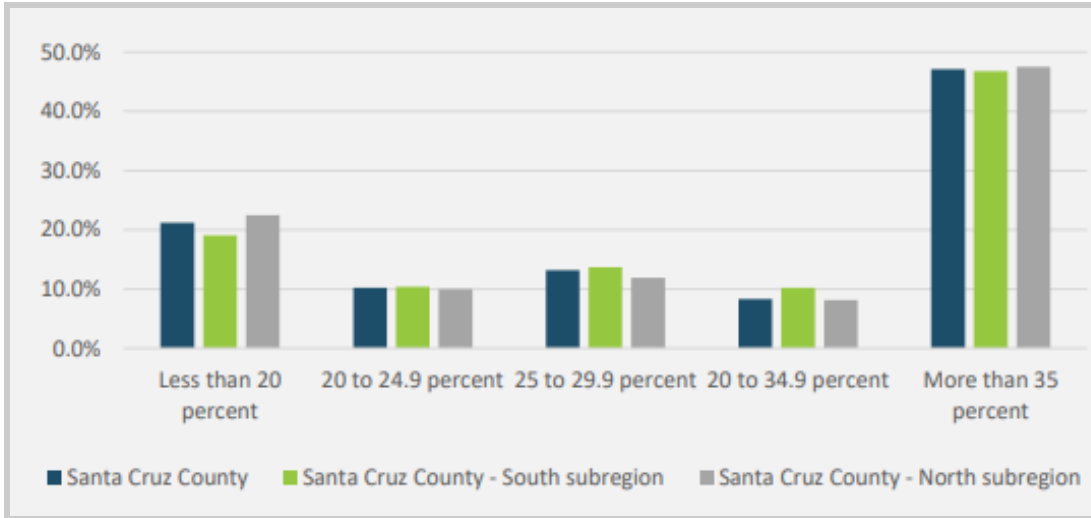


Figure 1. Percentage of income spent on mortgage.^[8]

Many local employers are reporting difficulty attracting and keeping workers.^[9] Cabrillo College reports that 11% of workers commute from outside Santa Cruz County ^[10], and Pajaro Valley Unified School District reports that over the last two and a half years, 9.24% of those resigning from the district left to move out of state and 11.65% of those resigning left to accept jobs with better salary and housing options outside of the County.^[11] Salary schedules from the City of Santa Cruz show that neither police officers nor firefighters make a salary high enough to comfortably afford housing in this County.^{[12] [13]}

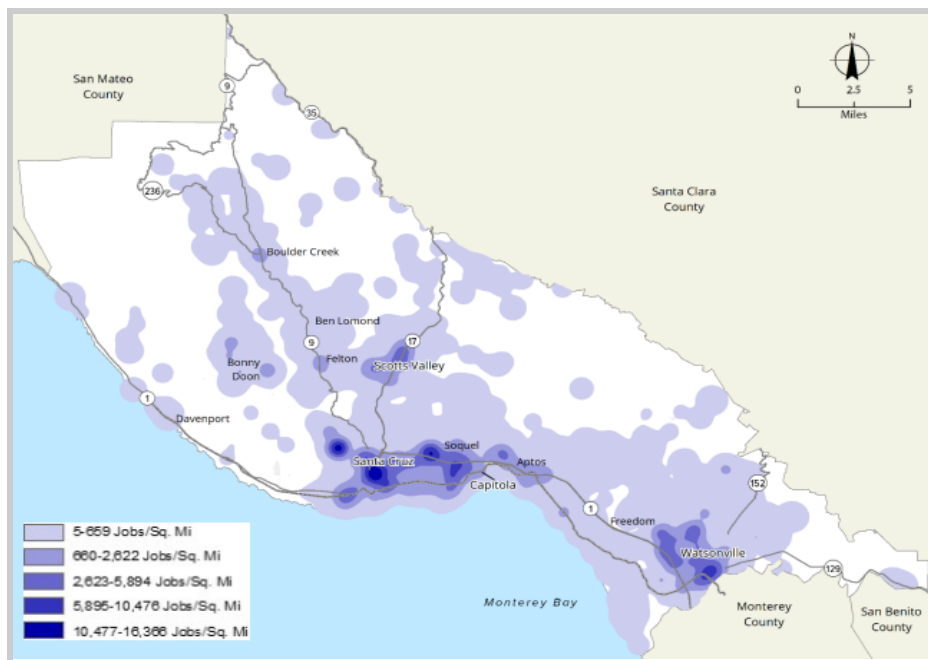


Figure 2. Where people work in Santa Cruz County.^[14]

As Figure 2 above shows, much of our workforce is commuting from south county to jobs primarily located in the central part of the county. Many essential workers make less than the Santa Cruz County housing wage of \$60.35/hour. No wonder Hwy 1 is clogged with traffic driving to and from Watsonville and points south and east of here where it is cheaper to live.^{[15] [16]}

The cost of housing in coastal California has outpaced increases in wages and salaries over the same period of time while the supply of affordable housing has decreased relative to the increasing population. According to the Santa Cruz County Planning Department:

The difficulty is not just the cost of housing, but specifically the cost of housing in relationship to local incomes.^[17]

How did we get in this predicament? There are many reasons for the lack of housing overall in Santa Cruz County. The 2022 state publication, “A Home for Every Californian”^[18] lists several reasons:

- High costs of land, materials and labor
- Insufficient land zoned and available for housing
- Financial support constraints
- Opposition to neighborhood change
- Numerous, varied and opaque regulatory hurdles
- Social pressure to limit population growth
- Lack of federal support and expiring subsidies for affordable homes

In addition, after the growth following the construction of the University of California at Santa Cruz (UCSC) and the fight over preserving the north coast and Lighthouse Field, a no-growth mentality was pervasive in Santa Cruz County.^[19] We just stopped building enough houses. Figure 3 below shows construction of housing peaked in the 1970s and then fell sharply in the next three decades.

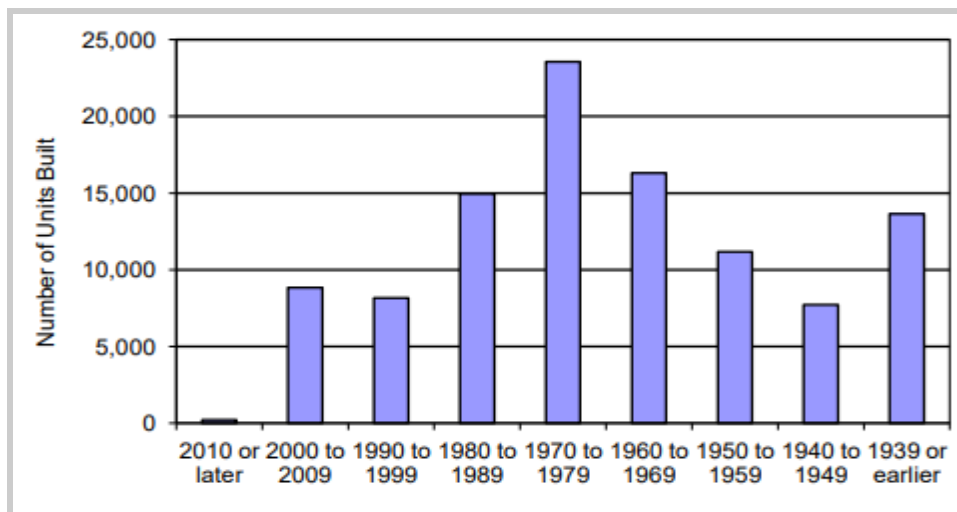


Figure 3. Housing construction in Santa Cruz County by decade built.^[20]

The population of UCSC and Santa Cruz County in general continued to grow despite the slow pace of housing construction. The cost of housing continued to rise making it difficult first for low income workers and, eventually, for middle income workers to afford to live in Santa Cruz County municipalities.^[8]

What can be done to address housing availability and cost in Santa Cruz County municipalities?

Scope and Methodology

In this investigation the Santa Cruz County Civil Grand Jury examined key elements in providing affordable housing for middle class workers in Santa Cruz County, those that earn more than \$35,000/year but less than \$100,000/year. It focused on answering the following questions:

- What affordable housing options are available in Santa Cruz County to support middle class workers?
- Are employers offering housing support to their employees?
- What can local city and county planning departments do to provide more housing for these workers.?
- What changes are needed in the planning and permit process to make it easier to build more workforce housing in our cities and unincorporated areas?
- How can local jurisdictions leverage recent State of California bills and initiatives to encourage more housing here?
- How can local agencies work together to help support housing for local workers?
- What changes are needed to plan for the future housing needs of our workforce?
- What is UCSC doing to help house its students, faculty and staff?

During this investigation the Jury interviewed county planners from each of the four cities, Capitola, Santa Cruz, Scotts Valley and Watsonville, and the County of Santa Cruz. It also interviewed community members who were housing advocates as well as those who were housing skeptics. It collected information from Civil Grand Jury investigations in Santa Clara County, Marin County and Santa Barbara County. It asked some employers for information regarding employee hiring and retention. It examined the new state housing laws and the 2015 Housing Elements for each of the 5 municipalities in the county. Members attended municipal planning meetings and community meetings regarding proposed housing developments and read numerous articles regarding housing from a variety of local news sources.

Investigation

Examination and Summary of New California Housing Laws

The Santa Cruz County Civil Grand Jury began its investigation by examining the new California housing laws that have been passed during the last few years in an effort to galvanize cities and counties into building more housing. California passed a series of laws to boost housing production beginning in 2017 in an effort to:

- Streamline the building of new homes
- Break down barriers to build more affordable housing
- Address systematic bias by elevating fair housing principles
- Hold governments more accountable to approve housing construction

The more well-known laws include:

- Senate Bill 9 (SB9) signed in 2022 which allows ministerial approval to convert homes into duplexes and split lots to allow up to 4 units on a lot.
- SB10 which allows “up to 10 dwelling units on any parcel within a transit-rich area or an urban infill site.”
- SB290 which ‘grants bonuses, concessions, waivers and parking reductions to projects with qualifying affordable housing.’^[21] Usually market rate allows for only 20% affordable units. A builder can qualify for more than 20% affordable units (density bonus) by meeting some of the criteria for SB290.
- Nonprofit Housing Organizations can qualify for increased density bonuses when purchasing a property under SB728.^[21]
- Other laws that make it easier to construct Accessory Dwelling Units (ADUs).

The laws that much of the public has already heard about are the laws that permit zoning changes to allow up to 10 units per residential lot (SB10) and the laws that permit cities to ease the process for building ADUs.^[22] The streamlined process for building ADUs has been popular, and many cities, particularly Capitola with less buildable land, have encouraged the construction of ADUs.^[23] The City has even provided building code approved plans for construction.^[24] While the Capitola guidelines state that ADUs cannot be used as vacation rentals, it is unknown whether or not those guidelines are enforced.^[24]

One of the most important laws that was passed was SB330 in 2019, later extended by SB8, that limits the ability of local municipalities to prolong the housing application process through repeated hearings and shifting requirements. Many people may have seen the term “objective standards.” SB35 passed in 2017 and clarified by AB1174 in 2021, allows for streamlined approval of a housing project that meets a set of objective standards for zoning, subdivision and design review.^[21]

See [Appendix B](#) for more detailed information about relevant Housing Laws

Housing Elements, AMI and RHNA ... What Does That Mean?

Not only have there been dozens of new state laws designed to increase housing production, but California has also required that every municipality (cities and counties) meet specific housing goals.^[25] Every eight years since 1969, California has required cities and counties to submit detailed Housing Element plans that show how they would accommodate the building of a number of homes across a range of affordability levels. For years, most communities, including many of those in Santa Cruz County have paid very little attention to the Housing Element.^{[26] [27]}

That all changed with the passage of the new housing laws. Beginning with the 2015-2022 Housing Element, municipalities were required to build a specific amount of housing for each income level calculated as a percentage of the Area Median Income (AMI). Figure 4 below shows the calculated income level for each category in Santa Cruz County.

SANTA CRUZ COUNTY INCOME LIMITS FOR STATE PROGRAMS					
Effective Date:		April 26, 2021			
Area Median:		\$111,900			
Number of Persons in Family	Extremely Low 30% of Median	Very Low 50% of Median	Low 80% of Median	100% of Median	120% of Median (Moderate)
1	29200	48650	78050	78350	94000
2	33400	55600	89200	89500	107450
3	37550	62550	100350	100700	120850
4	41700	69500	111500	111900	134300
5	45050	75100	120450	120850	145050
6	48400	80650	129350	129800	155800
7	51750	86200	138300	138750	166550
8	55050	91750	147200	147700	177300
9	58400	97300	156100	156650	188050
10	61700	102850	165050	165600	198800
11	65050	108450	173950	174550	209550
12	68400	114000	182900	183500	220300

Figure 4. Calculated income category levels for 2021 in Santa Cruz County.^[28]

Based upon this chart from 2021, a family of four would be considered moderate income if they earned \$134,300/year, median income if they earned \$111,900/year, low income if they earned \$111,500/year, very low income if they earned \$69,500/year and extremely low income if they earned \$41,700/year.

The Regional Housing Needs Assessment (RHNA) is determined by the California Department of Housing and Community Development (HCD) for each major metropolitan area based upon the AMI for the area and the projections for population growth and additional housing that would be needed over each 8 year period. Santa

Cruz County is part of the Association of Monterey Bay Area Governments (AMBAG). Our area is in the final year of the 5th Housing Element Cycle, and area municipalities are beginning to work on the 6th Housing Element Cycle due December 31, 2023.

So...how are we doing? The Jury's interviews with the different planning directors and housing advocates in our community show some clear signs of progress, and a lot of room for improvement. In the 5th Housing Element Cycle, AMBAG cities in Santa Cruz and Monterey Counties were expected to permit roughly 10,430 housing units from January 2014 to December 2023. The snapshot from September 3, 2021 below shows the progress of Santa Cruz, Watsonville, unincorporated Santa Cruz County, Capitola and Scotts Valley towards that goal.^[29]

See [Appendix A](#) for more information on 5th Housing Cycle progress

As of last year, only the City of Santa Cruz^[30] is on track to meet the RHNA goals for housing during the 5th Housing Element Cycle, and the City of Watsonville^[31] will come close.^{[32][33]} Scotts Valley and Capitola made almost no attempt to build housing for low income or extremely low income workers. Santa Cruz County has approved zoning changes to support construction of mixed use projects along Portola Drive.^[34]

Last spring, the state of California set the housing goals for each region. AMBAG, our region, set the 6th Housing Element construction goals for each local municipality. Those goals have **quadrupled** from the previous 5th Cycle goals, which most municipalities did not meet as of May, 2022.^[35]

The draft goals for housing development from Dec. 31, 2023 to Dec. 15, 2031 are outlined below by jurisdiction followed by their progress towards the 5th Element goals as reported in May, 2022.^[35]

City of Capitola

- 1,336 new homes are targeted to be built by 2031. More than half of the new homes would be required to be affordable for people with “low” or “very low” incomes. Income limits are set by the state. The new housing construction goal is more than nine times Capitola's current goal.
- The current goal—which the City has not met—calls for Capitola to permit 143 new homes between Dec. 31, 2015 and Dec. 31, 2023. The City has permitted 53 homes in that period. Planners have issued one of 34 required permits for “very low income” units and zero of 23 required permits for “low income” units.

City of Watsonville

- 2,053 new homes are targeted by the end of 2031, including 469 affordable units for people with “low” or “very low” incomes. That's nearly three times Watsonville's current goal, which the City has not met.
- Since Dec. 31, 2015, Watsonville has issued 302 of 700 permits required by the end of 2023. To meet the current goal, the City must permit 148 “very low income” units, 100 “low income” units, 113 “moderate income” units and 37 market-rate units by the end of 2023.

City of Scotts Valley

- 1,220 new homes are targeted by the end of 2031, including 649 affordable homes for people with “low” or “very low” incomes. That goal is nearly nine times Scotts Valley’s current goal, which the City has not met. Since Dec. 31, 2015, Scotts Valley has issued 18 of 82 permits for “moderate,” “low” and “very low income” units required by the end of 2023. The City has exceeded the state’s goal for market-rate unit development.

City of Santa Cruz

- 3,736 new homes are targeted by 2031, including about 1,400 affordable homes for people with “low” or “very low” incomes. That goal is five times Santa Cruz’s current goal.
- The City must still permit 123 of 180 required permits for “very low income” affordable units by Dec. 31, 2023 to meet its current RHNA goals. Santa Cruz has exceeded state development goals for market-rate and affordable units for other income categories.

Unincorporated areas of Santa Cruz County

- 4,634 new homes are targeted by 2031, including 1,492 affordable units for people with “very low” incomes. unincorporated Santa Cruz County includes the San Lorenzo Valley, the North Coast, Live Oak, Aptos, La Selva Beach, Freedom and other areas. That goal is about three times the area’s current goal, which has not been met.
- The County of Santa Cruz must issue 335 permits for “very low” and “low income” units and 267 permits for market-rate units by the end of 2023 to meet the state’s goal.

The Santa Cruz County Civil Grand Jury’s research has found that all Santa Cruz County municipalities are aware of the new state housing laws as well as the new RHNA housing allocations, although there is some disagreement about feasibility. It found much agreement with the need to construct more housing as well as the desire to do so within the existing urban areas rather than expanding into existing green spaces. Urban areas are closer to jobs and transportation hubs and less costly to maintain roads and utilities compared to areas like the Santa Cruz Mountains.^[27]

Most county municipalities have already identified properties along transportation and urban corridors and made the necessary zoning and building code changes to build more housing. Figure 5 below is hard to read, but it shows the areas in pink that the County of Santa Cruz has designated for more housing. Note that the County is only proposing housing (pink areas) in the center of the County, the area where many jobs are located.

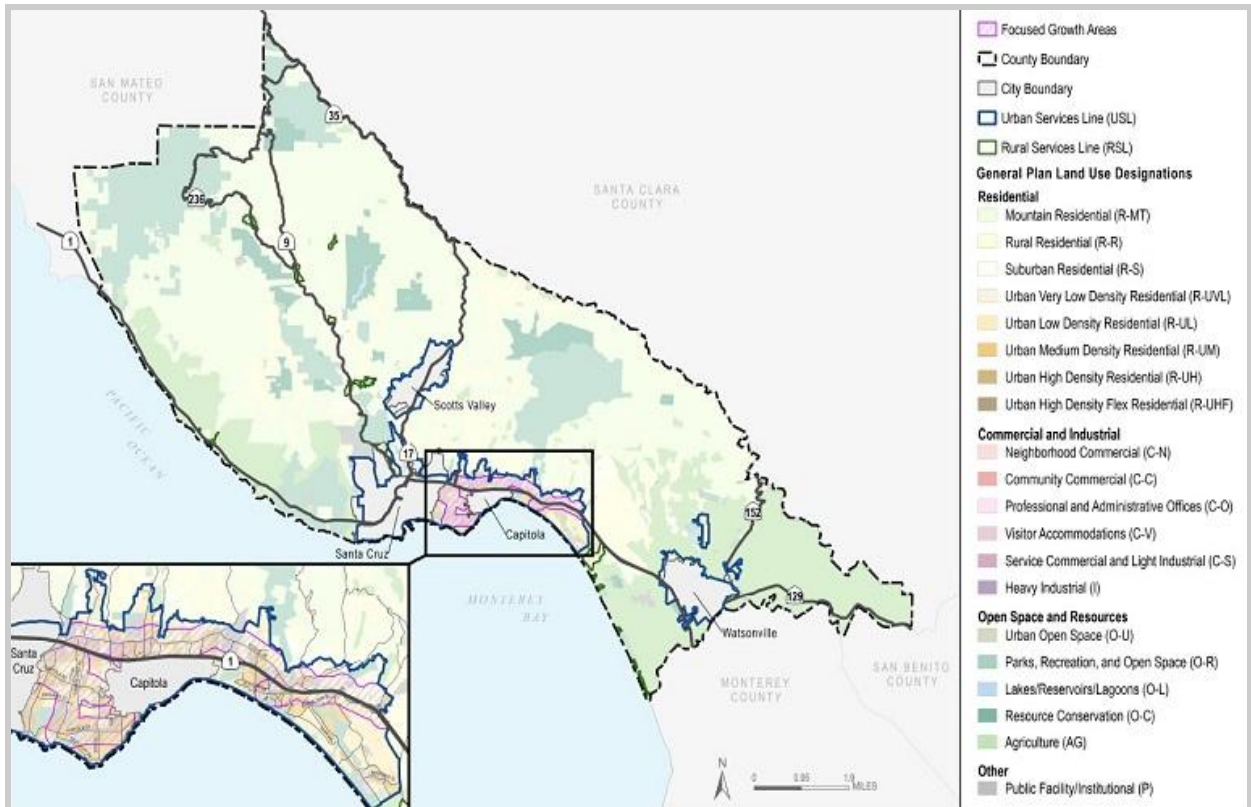


Figure 5. Santa Cruz County Focused Growth Areas 2020 – 2040.^[36]

How is Santa Cruz County Reacting to the New Laws?

Nearly 8 years have passed since our local municipalities submitted their 5th Housing Element Cycles, and as we approach the submission of the 6th Housing Element Cycle, housing costs continue to rise steeply, pricing even more middle income workers out of the housing market.

School districts are actively looking for ways to house workers. By using district owned land, districts can reduce the cost of rent for their teachers and classified workers. Los Gatos Union School district has recently completed a housing complex.^[37] Live Oak School District has proposed construction of teacher housing,^[38] and the Santa Cruz City School District has successfully passed a bond measure to construct housing on one of its properties.^[39] Figure 6 below is an artist’s rendering of what the Santa Cruz City Schools housing might look like.



Figure 6. Renderings of 80 units of workforce housing for Santa Cruz City Schools, located on a parcel of land owned by the district off of Swift Street on the Westside, near the old Natural Bridges Elementary School campus. (via Santa Cruz City Schools^[39])

Pajaro Valley Unified School District is looking at a similar bond measure in south county to finance employee housing.^[11] Peace United Church on the westside of Santa Cruz is proposing a 40 unit housing project on their land.^[40]

County municipalities are responding as well:

- Santa Cruz County has rezoned part of Portola Drive near 41st Avenue for mixed use housing that combines ground floor businesses with apartments above.
- There is more housing construction in Aptos Village.^[36]
- Watsonville has continued to build housing in recent years, pursuing joint housing projects with the county planners and non-profits. The City has a rehabilitation program for existing houses.^[32]
- Capitola has eased requirements for ADUs.^[41]
- Scotts Valley just approved a mixed use housing development.^[42]
- The City of Santa Cruz has taken a lead in housing production within the City's urban core, beginning the construction of multi-story apartment complexes.^[43]
- Santa Cruz City has passed a measure to construct a mixed use project that includes a new library, low income housing, a day care center and parking.^[44]

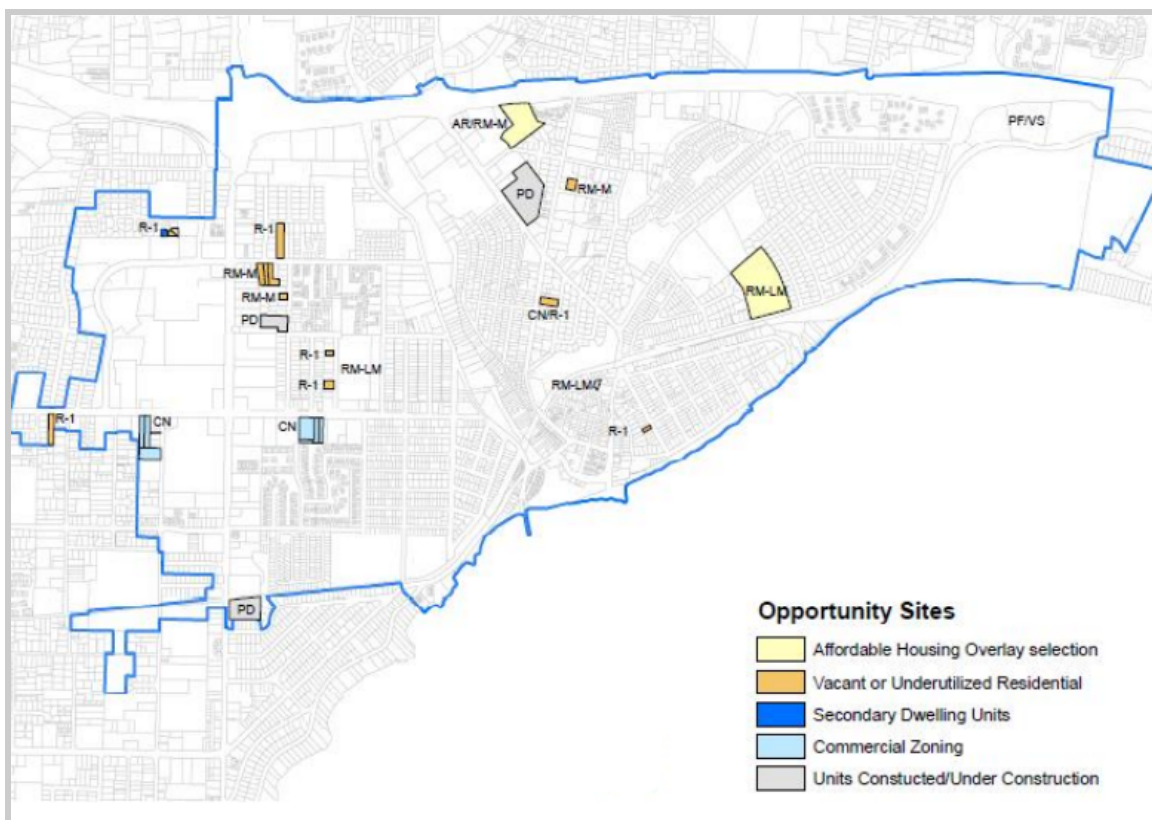


Figure 7. City of Capitola showing areas identified as buildable parcels.^[45]

Capitola claims to be mostly built out, although it has identified some areas in which to build housing, as shown in Figure 7 above. The small City has chosen instead to focus on ADUs as additional housing.^[41] Capitola has not added low income housing.^[29] Scotts Valley has also added very little low income housing. A proposed rule by the U.S. Department of Housing and Urban Development (HUD) called Affirmatively Furthering Fair Housing (AFFH)^[46] may make it mandatory under the Fair Housing Act of 1968^[47] to “proactively take meaningful actions to overcome patterns of segregation, promote fair housing choice, eliminate disparities in opportunities, and foster inclusive communities free from discrimination.”^[46] Scotts Valley and Capitola need to do their part to add more low income housing in our County.

The areas that the City of Santa Cruz has designated for multi-use zoning, including multi-story housing, are shown in Figure 8 below. The letters, colors and legend indicate the location and size of each identified parcel. There is a redesign of the bus station in the works that includes multi story housing, and a possible collaboration with the Santa Cruz Warriors to construct a permanent arena and housing in the south end of the urban area.^{[48] [49]}

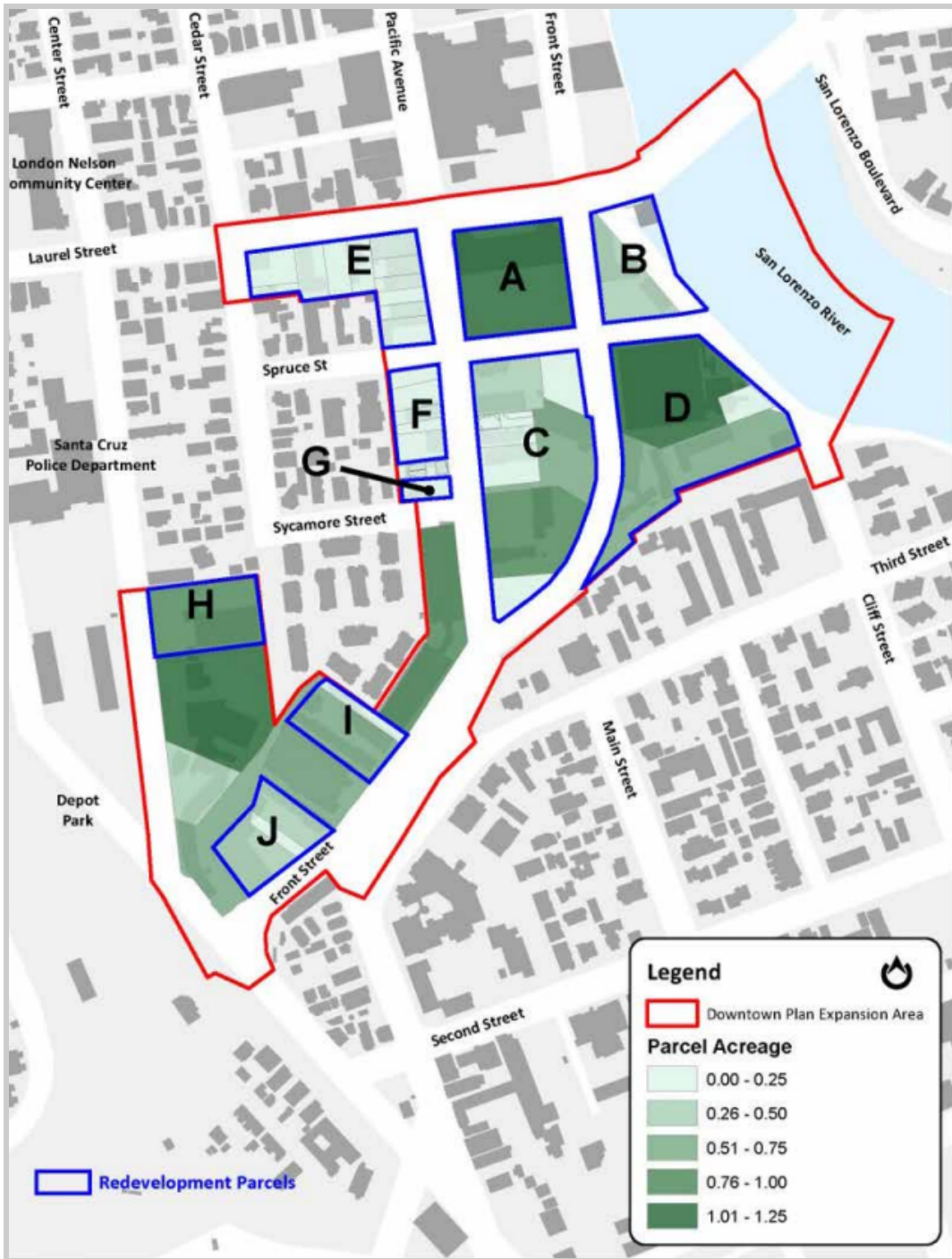


Figure 8. Areas that the City of Santa Cruz has designated for multi-use zoning, including multi-story housing.^[49]

Housing Laws: Opposition and Support

NIMBY and CEQA in Santa Cruz

Santa Cruz has had a no-growth mindset for over 40 years.^[19] That mindset, “Not in My Back Yard,” often referred to as NIMBY, still exists, and it is hard for members of the community to envision housing as anything other than neighborhoods of single family homes. Many homeowners rely on rising property values to build wealth, and resist new developments which might impact them. Changing zoning to allow duplexes and apartments within a single family home neighborhood is a rude awakening, but so is the construction of high rise apartments in downtown Santa Cruz. Removing existing buildings will displace tenants for years while new housing is built.^[50] Citizens and local organizations in Santa Cruz have tried to use elements of the California Environmental Quality Act (CEQA) to fight housing developments. The most recent example is a lawsuit filed against UCSC by a group called Habitat and Watershed Caretakers to try to stop the construction of additional student housing on campus. A judge recently ruled in favor of the university, but the lawsuits have held up the construction approval process for two years.^{[51] [52]}

California Cities Ignore RHNA Allocations at Their Own Peril

For California communities that have ignored the need to build more housing for years, the newest RHNA allocations have come as a shock. Some have ignored the mandate or continued to place roadblocks in the way of builders.

- The town of Woodside tried to have their entire town designated as a mountain lion habitat to avoid building duplexes (SB9) prompting a swift response from California Attorney General Rob Bonta.^[53]
- The City of Orinda tried to designate unbuildable slivers of land as the sites for affordable housing.^[54]
- Santa Monica, which approved the construction of only 1,600 homes in the last eight years, is the first City to be subjected to “builders remedy” based on a 1990 law called the Housing Accountabilities Act (HAA).

Santa Monica failed to adopt a Housing Element and under the HAA residential zoning was suspended, freeing builders to design any housing project they wanted without needing City approval. Within one week developers officially filed plans for 4,797 homes.^[55] The same thing could happen in Palo Alto.^[56] Several Bay Area cities did not file their 6th Housing Element Cycles and RHNA allocation plans by the January 31, 2023 deadline,^[57] and three pro-housing groups have already filed lawsuits against eleven cities for failing to take significant steps to prepare for more housing.^[58]

Support for Housing Laws and YIMBY in Santa Cruz

There is no question that the new RHNA housing allocations for the 6th Housing Element Cycle are daunting. As Figure 9 below shows, the amount of housing that Santa Cruz municipalities will need to construct in the next 6-7 years is much higher than in the previous cycle.

Region	Income Group Totals				RHNA
	Very Low	Low	Mod.	Above Mod.	Total
Santa Cruz County	7,868	5,146	6,167	14,093	33,274
Capitola	430	282	169	455	1,336
Santa Cruz	859	562	709	1,606	3,736
Scotts Valley	392	257	154	417	1,220
Watsonville	283	186	521	1,063	2,053
Unincorporated Santa Cruz	1,492	976	586	1,580	4,634

Figure 9. Number of housing units for each income group needed to be built by each Santa Cruz municipality, extracted from the tables in the AMBAG RHNA Plan.^[59]

It is especially difficult to construct Low Income and Extremely Low Income housing in this community due to the price of land and cost of construction. Builders claim that it is not financially profitable to include more than 20% affordable units in normal market-rate construction^[60], and the majority of middle class workers cannot afford market rate housing. The housing market is actually upside down...only about 20% of the population can afford market rate housing, and 80% of the population needs more affordable units.^[2] All cities and the County of Santa Cruz need to find ways to increase the number of affordable housing units in new construction.

The University of California at Santa Cruz (UCSC) is a large contributor to the need for more affordable housing.^[61] The university is already a large contributor to the scarcity and cost of housing, as it only houses about 9,300 students or 50% of the student population, and the campus is expected to grow to a total of 28,000 students in coming years.^[62] The local preference guidelines considered by many Santa Cruz County cities, would also benefit UCSC students who would be competing with the local workforce for less expensive housing. Cabrillo College and UCSC have embarked on their first ever collaboration to construct student housing on the Cabrillo campus.^[63] They are applying jointly for a California grant to cover the cost.^{[64] [65]} More collaborations between the university and local agencies would be beneficial in constructing housing that will benefit all.

The cities of Santa Cruz and Watsonville have taken steps to build higher density, more affordable housing in their downtown areas.^[66] Pro-housing groups such as Housing Santa Cruz County, and Yes In My Backyard (YIMBY) have organized in Santa Cruz County municipalities to advocate and provide more vocal support for affordable housing^[67]. Opposition to housing growth still exists, but reactions to housing proposals are more constructive.^[68] Public comments to projects show an understanding of the need for more housing, especially low income housing, in our community.^{[69] [70]} There is support for mixed use housing along urban corridors, and while residents are

somewhat daunted by multi-story buildings above 4 stories, there is acknowledgement that urban downtown areas are a better place to build than expanding into the coastal zone, hillsides or green spaces.^{[27] [71]} including the Santa Cruz mountains. Santa Cruz municipalities recognized this during the 5th Housing Element as their maps show, making zoning changes and identifying housing sites only in the urban areas.^{[29] [36] [49] [72]}



Figure 10. BDE Architecture’s revised rendering of the proposed five-story 351-unit housing complex on the 900 block of Ocean Street.^[73]

As Figure 10 shows, the proposed 351-unit apartment building for the 900 block of Ocean Street is large and multi-story. It is also a good illustration of the public perception and concerns about the size of housing needed to meet the demand in Santa Cruz. It is huge, beginning next to Marianne’s Ice Cream and continuing all the way to Togo’s. Public comments at a recent meeting included concerns about the height and size, a desire for the architecture to fit into the small town look of Santa Cruz and relief that a much nicer looking building would replace the vacant lots and dilapidated houses that make up that block.^[74] The public offered constructive criticism instead of automatic opposition. More multi-unit projects are moving through the planning process in Santa Cruz.

Conclusion

There is no doubt that the small, charming coastal City of Santa Cruz and the surrounding county municipalities are going to have to change. We can no longer ignore the fact that our highways and city streets have become gridlocked; rents and housing prices are beyond the reach of most; and many businesses are unable to find and keep the employees that they need. School enrollment is dropping as families move away to

find more affordable places to live, and businesses are moving to other locations. Perhaps the state laws and high housing goals are unattainable, but living in an area that only the wealthiest can afford is untenable without access to the businesses and services that all communities expect. It is too early to tell if it is possible to build all of the housing that the state demands, but it is undeniable that more housing, especially more affordable housing, needs to be built for the essential workers in Santa Cruz County. If that affordable housing is built near jobs and along transportation corridors, it will also alleviate traffic gridlock.

Findings

- F1.** While all city and county planning departments have demonstrated a good understanding of the new State housing laws and the need to facilitate more housing, the failure to do so in a timely manner has served to further decrease the availability of housing and further increase the need and cost of more housing.
- F2.** With the planned growth of UCSC to 28,000 students, the potential demand for off campus housing for students, faculty and staff has the potential to make the affordable housing problem even worse.
- F3.** The County of Santa Cruz has identified several sites for higher density housing, identified sites along transportation corridors for housing and changed zoning laws to allow more mixed use developments, however in the past several years, few low income homes have been built or approved.
- F4.** Capitola has made little progress towards achieving housing goals, particularly for low income housing. Although the City identified sites for mixed use developments, they have made little progress towards developing those sites.
- F5.** Capitola has focused primarily on streamlining the construction of ADUs as a means to increase housing. However, there is little evidence that ADUs are prioritized for rental to local workers, and there is little chance that ADUs alone can meet the housing needs for the 6th Cycle Housing Element.
- F6.** Capitola and the County of Santa Cruz need to work together to facilitate significant housing in the mid-county area where a large percentage of jobs are located.
- F7.** The City of Capitola has made little progress towards facilitating the development of the Capitola Mall as a mixed use project which could accommodate both business and housing.
- F8.** The City of Capitola claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.
- F9.** The City of Scotts Valley has facilitated the building of market rate housing in recent years, but has made little effort to develop housing for low income workers.

- F10.** The City of Scotts Valley has made little progress towards developing the Town Square project which could accommodate both business and housing.
- F11.** The City of Scotts Valley claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.
- F12.** While all local municipalities have voiced support for prioritizing housing for local workers, only some of them have clear local preference guidelines that give some priority to local workers. Without clear guidelines and incentives, new housing is more likely to be purchased by those who do not live and work here.
- F13.** All municipalities are trying to identify and facilitate the building of housing projects, but most of that is done independently of the other municipalities or with outside partners. Since workforce housing and transportation gridlock is a county-wide problem, all county municipalities need to work more closely together and with property owners to develop housing solutions.

Recommendations

City of Capitola:

- R1.** By the end of 2023 the City of Capitola should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for **all** income levels, especially low income housing. (F4 – F6, F8)
- R2.** By the end of 2023 the City of Capitola should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F4, F6 – F8)
- R3.** By the end of 2023, the City of Capitola should demonstrate a plan to work with the County of Santa Cruz as well as other for profit and non-profit agencies to develop housing close to transportation corridors along Hwy 1 and 41st Avenue. (F6, F7, F13)
- R4.** By the end of 2023 the City of Capitola should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of ADUs as well as low income housing. (F12)
- R5.** By the end of 2023 the City of Capitola should demonstrate that they have reestablished regular meetings of a workgroup or entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

City of Scotts Valley:

- R6.** By the end of 2023 the City of Scotts Valley should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for **all** income levels, especially low income housing. (F9)

- R7.** By the end of 2023, the City of Scotts Valley should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F10)
- R8.** By the end of 2023, the City of Scotts Valley should demonstrate a plan to work with other county municipalities as well as other for profit and non-profit agencies to develop low income housing for workers in the City. (F9 – F11)
- R9.** By the end of 2023 the City of Scotts Valley should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)
- R10.** By the end of 2023 the City of Scotts Valley should demonstrate that they have reestablished regular meetings of a workgroup or other entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

County of Santa Cruz:

- R11.** By the end of 2023 the County of Santa Cruz should demonstrate progress towards identifying sites and planning for increased housing along the transportation corridors in mid-county. (F6)
- R12.** By the end of 2023 the County of Santa Cruz should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)
- R13.** By the end of 2023, the County of Santa Cruz should demonstrate a plan to work with other county municipalities as well as other for profit and non-profit agencies to develop low income housing for workers in the county, (particularly on properties such as the old drive-in theater acreage which is adjacent to transportation corridors. (F3, F6)
- R14.** By the end of 2023, the County of Santa Cruz should demonstrate progress in working collaboratively with UCSC to develop housing sites that are affordable for UCSC students and essential workers. (F2)
- R15.** By the end of 2023 the County of Santa Cruz should demonstrate that they have reestablished regular meetings of a workgroup or other entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

City of Santa Cruz

- R16.** By the end of 2023 the City of Santa Cruz should demonstrate that they have reestablished regular meetings of a workgroup or other entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)
- R17.** By the end of 2023, the City of Santa Cruz should develop clear, measureable guidelines to ensure that preference is given to local workers in the construction of low income housing. (F12)

R18. By the end of 2023, the City of Santa Cruz should demonstrate progress in working collaboratively with UCSC to develop housing sites that are affordable for UCSC students and essential workers. (F2)

City of Watsonville:

R19. By the end of 2023 the City of Watsonville should demonstrate that they have reestablished regular meetings of a workgroup or other entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

R20. By the end of 2023, the City of Watsonville should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)

Commendations

C1. By acquiring and using City owned property, and seeking State grants and other outside funding, Santa Cruz is developing projects that are more affordable for tenants. With projects already underway and in the pipeline, Santa Cruz is on track to meet its 5th Cycle Housing goals, though the 6th cycle will present a larger challenge.

C2. The City of Watsonville has continued to build housing during the years when other municipalities were not. They have collaborated well with non-profits and Santa Cruz County to build housing at all affordability levels.

C3. All county municipalities have made a concerted effort to identify housing sites in the urban corridors in order to preserve the local coastal zones, mountains and green spaces in the rest of the County.

C4. County school districts, Peace United Church, Cabrillo College and UCSC are working collaboratively to design and build affordable housing for teachers, staff and students.

Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Board of Supervisors	F1, F3, F6, F12, F13	R11 – R15	90 Days August 31, 2023
Capitola City Council	F1, F4 – F8, F12, F13	R1 – R5	90 Days August 31, 2023
Santa Cruz City Council	F1, F2, F12, F13	R16 – R18	90 Days August 31, 2023
Scotts Valley City Council	F1, F9 – F13	R6 – R10	90 Days August 31, 2023
Watsonville City Council	F1, F12, F13	R19, R20	90 Days August 31, 2023

Invited Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Assistant Director, Santa Cruz County Community Development	F1, F3, F6, F12, F13	R11 – R15	90 Days August 31, 2023
Director, Capitola Community Development	F1, F4 – F8, F12, F13	R1 – R5	90 Days August 31, 2023
Director, Santa Cruz Community Development	F1, F2, F12, F13	R16 – R18	90 Days August 31, 2023
Director, Santa Cruz Economic Development	F13	R17	90 Days August 31, 2023
Director, Scotts Valley Community Development	F1, F9 – F13	R6 – R10	90 Days August 31, 2023
Director, Watsonville Community Development	F1, F12, F13	R19, R20	90 Days August 31, 2023

Definitions

Accessory Dwelling Unit: Accessory dwelling units (ADUs) are also known as “in-laws” or “granny-flats.” The legislature greatly expanded homeowners' ability to add ADUs in a series of laws from 2016-2019, and now 1 in 5 new homes built in California are ADUs.

Affordable Housing: When used by city staff and consultants, the term “affordable

housing" refers to housing that is available at rents and prices below the market rate, usually defined relative to the income level of residents. This form of housing typically receives some form of government subsidy to keep rents low and residents must qualify to rent or buy the units based on their household income.

Affirmatively Furthering Fair Housing (AFFH): State and local governments must not only outlaw housing discrimination, they must also proactively work to eliminate discriminatory practices and reduce segregation. All Housing Element revisions adopted after 1/1/21 must include an AFFH analysis: addressing significant disparities in housing needs and in access to opportunity, including more investments in higher income areas.

Affordability density bonus: A density bonus provides an increase in allowed dwelling units per acre (DU/A), Floor Area Ratio (FAR) or height which generally means that more housing units can be built on any given site. Typically programs allow increases of **between 10 percent and 20 percent over baseline permitted density** in exchange for the provision of affordable housing.

AMBAG: As the Council of Governments for Santa Cruz County and Monterey County, AMBAG holds responsibility for regional housing needs allocation (RHNA) for our region.

Area Median Income(AMI): A value determined on an annual basis by the US Department of Housing and Urban Development that represents the household income for the median household in a specified region.

Builders Remedy: The builder's remedy requires cities without a compliant housing plan to approve any housing project that meets affordability requirements of reserving 20% of homes for low-income households or 100% for moderate-income households. Specifically, if a California city does not have a "substantially compliant" housing element, the California Housing Accountability Act indicates that the jurisdiction cannot use its zoning or general plan standards to disapprove any housing project that meets the affordability requirements.

CEQA: California Environmental Quality Act (CEQA), intended to preserve the environment, has been blamed for worsening the state's housing crisis. The lengthy and costly environmental review process required under CEQA, even for housing that complies with local General Plans and zoning codes and the hundreds of applicable environmental, health, safety, and labor laws and regulations, can derail projects. Even after new housing is finally approved, any party can file a CEQA lawsuit seeking to block the housing for "environmental" reasons, resulting in costly, multi-year delays. Recent State legislation seeks to exempt certain affordable housing projects from CEQA review.

Density Bonus: For more than forty years, California's Density Bonus Law has been a mechanism to encourage developers to incorporate affordable units within a residential project in exchange for density bonuses and relief from other base development standards (e.g. setback rules, parking spaces). Under the Density Bonus Law, developers are entitled to a density bonus corresponding to specified percentages of units set aside for very low income, low-income, or

moderate-income households.

General Plan: A General Plan is a broad, long-range policy document that guides future development, transportation, and conservation. It is a comprehensive collection of goals and policies related to a multitude of aspects of community life. In California, cities and counties are required by State law to have a General Plan. It is the local government's long-term blueprint for future development. Pursuant to State law, the General Plan must accommodate the required amount of projected population growth the State of California estimates for each city.

Essential Workers: Those workers who are necessary to ensure continuity of functions critical to public health, safety and well being as well as economic security.

Fair Housing Act: Part of the Civil Rights Act of 1968, it guarantees the right to housing and prohibits discrimination in housing.

HCD: California Department of Housing and Community Development (HCD) that develops housing policy and building codes and administers community development programs.

Housing Element: A Housing Element is a local plan, adopted by a city, town or county that includes the goals, policies and programs that direct decision-making around housing. Local jurisdictions look at housing trends, zoning and market constraints, and evaluate various approaches to meeting housing needs across income levels. Every eight years, every city and county must update their Housing Element and have it certified by the California Department of Housing and Community Development. All jurisdictions in Santa Cruz County must update their Housing Element for the 2023-2031 planning period.

HUD: U.S. Department of Housing and Urban Development

Income Limits: are one of the determining factors in determining eligibility for housing assistance. Definitions are set for Very Low, Low, and Moderate income and are determined by the gross household income and household size.

Inclusionary Zoning (IZ): also known as inclusionary housing, is a policy that requires a share of new housing development to be affordable to low- or moderate-income households. By including affordable housing in a market-rate housing development, inclusionary housing policies promote mixed-income development projects.

Local Preference: The right or opportunity to select a person from an identified target group that is considered more desirable than another in a constituency, city, urban area or county.

Market-rate housing: Residential units that are rented and sold at market rates, not subjected to sales or rental restrictions, and not typically benefiting from any public subsidy intended to change rental rates or sale prices.

Ministerial approval: A streamlined permit process for development approval involving little or no personal judgment by the public official. As opposed to "Discretionary review process" that allows for public hearings which brings a lot of

uncertainty and months or years long approval process, Ministerial approval is as short as 90 days.

Municipalities: Municipalities is used in this document to refer to the 4 cities, Capitola, Santa Cruz, Scotts Valley and Watsonville and the County of Santa Cruz together. Santa Cruz County is unique in that a large proportion of the population (above 40%) lives in unincorporated areas under Santa Cruz County jurisdiction.

NIMBY: Not in My Backyard, a term for people who have a no-growth mindset regarding high density housing in their neighborhoods.

Objective Standards: State law defines objective standards as those that “involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant and public official prior to submittal.” The State of California has adopted legislation requiring cities to approve certain housing proposals through ministerial processes based on objective standards. The result of these laws is to encourage localities to create quicker, more accessible pathways for housing to be built.

Regional Housing Needs Analysis (RHNA): Housing-element law requires a quantification of each jurisdiction’s share of the regional housing need as established in the RHNA-Plan prepared by the jurisdiction’s council of governments. The RHNA is a minimum projection of additional housing units needed to accommodate projected household growth of all income levels by the end of the housing-element’s statutory planning period. Each locality’s RHNA allotment must be segmented into four income categories.

Workforce housing: also known as middle-income or moderate-income housing, is housing for residents typically earning less than 120 percent of the area’s median income. This category often includes first responders, teachers, and government employees, as well as healthcare, construction, and retail workers.

YIMBY: Yes in My Backyard, a term for housing advocates who seek to increase the supply of housing, particularly infill and multifamily affordable housing developments.

Zoning: Zoning is the system of rules that local jurisdictions use to determine how land is used within their boundaries. Land use policy establishes the basic type and intensity of uses permitted under a city’s General Plan for each land use category, such as maximum density for residential development and maximum intensity for commercial or industrial uses. Effective land use policy uses zoning to adapt to changing environmental, social and economic conditions.

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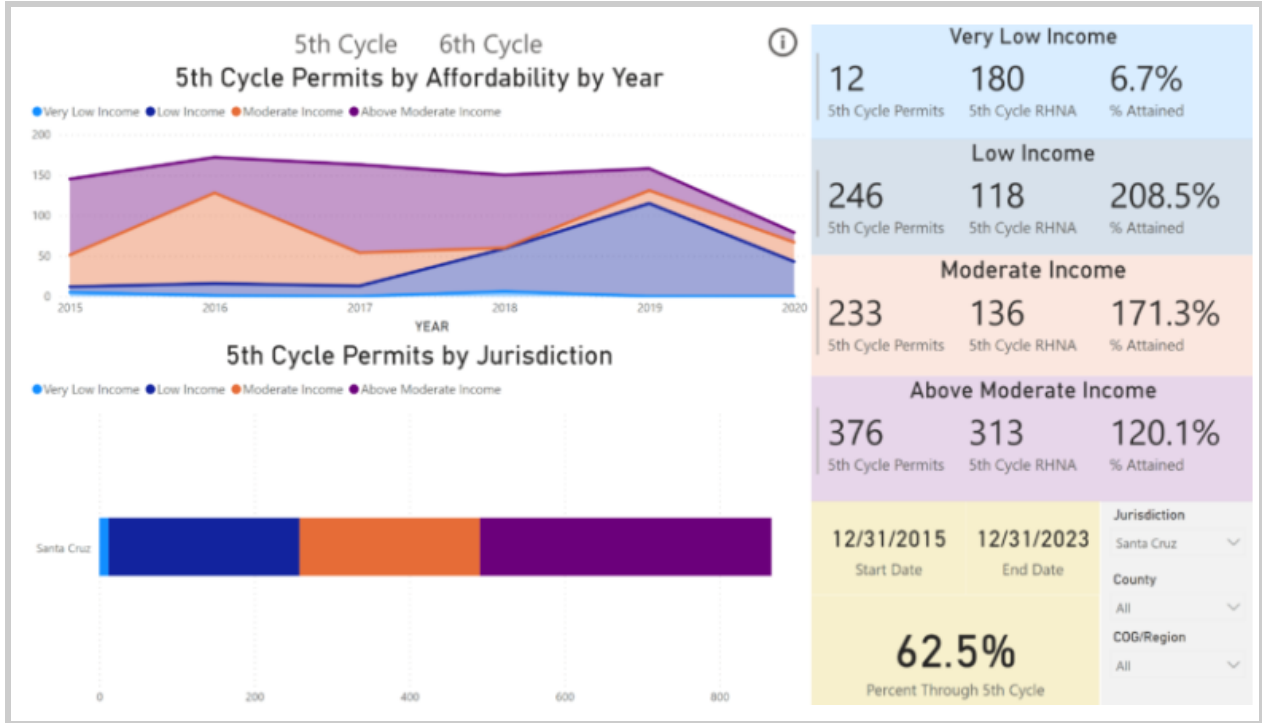
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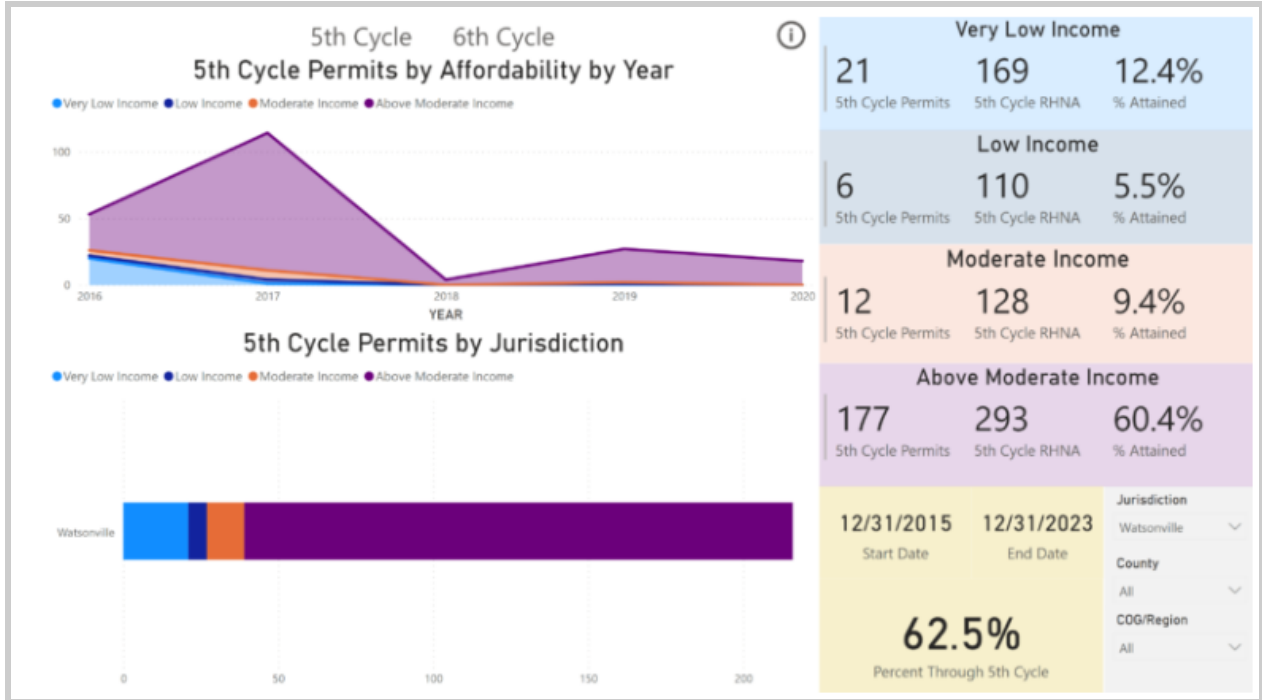
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Appendix A – Progress on 5th Housing Cycle^[29]

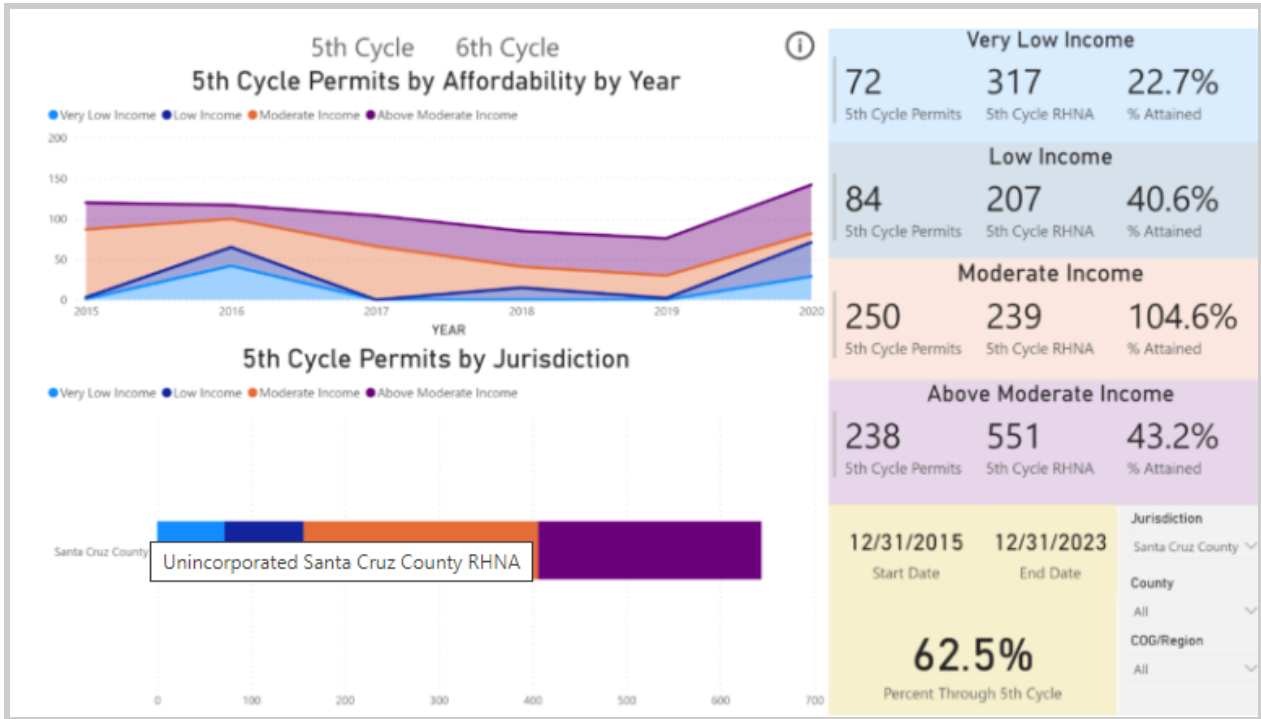
City of Santa Cruz



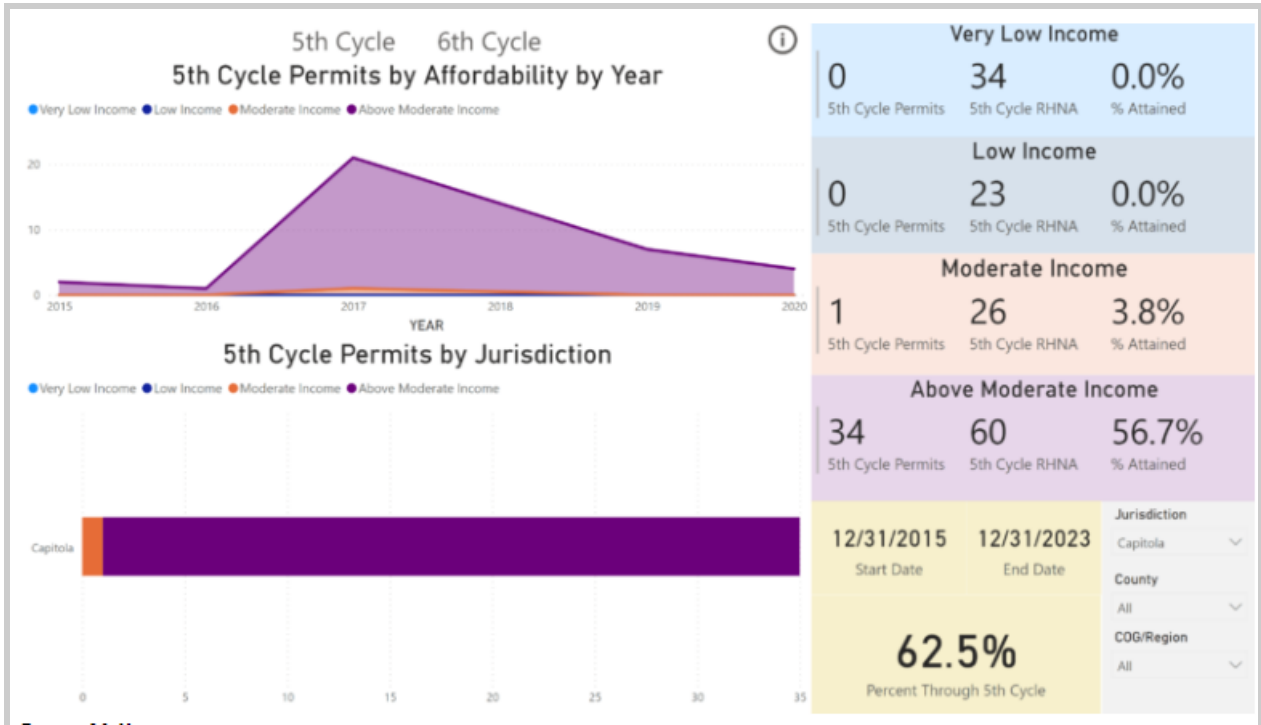
City of Watsonville



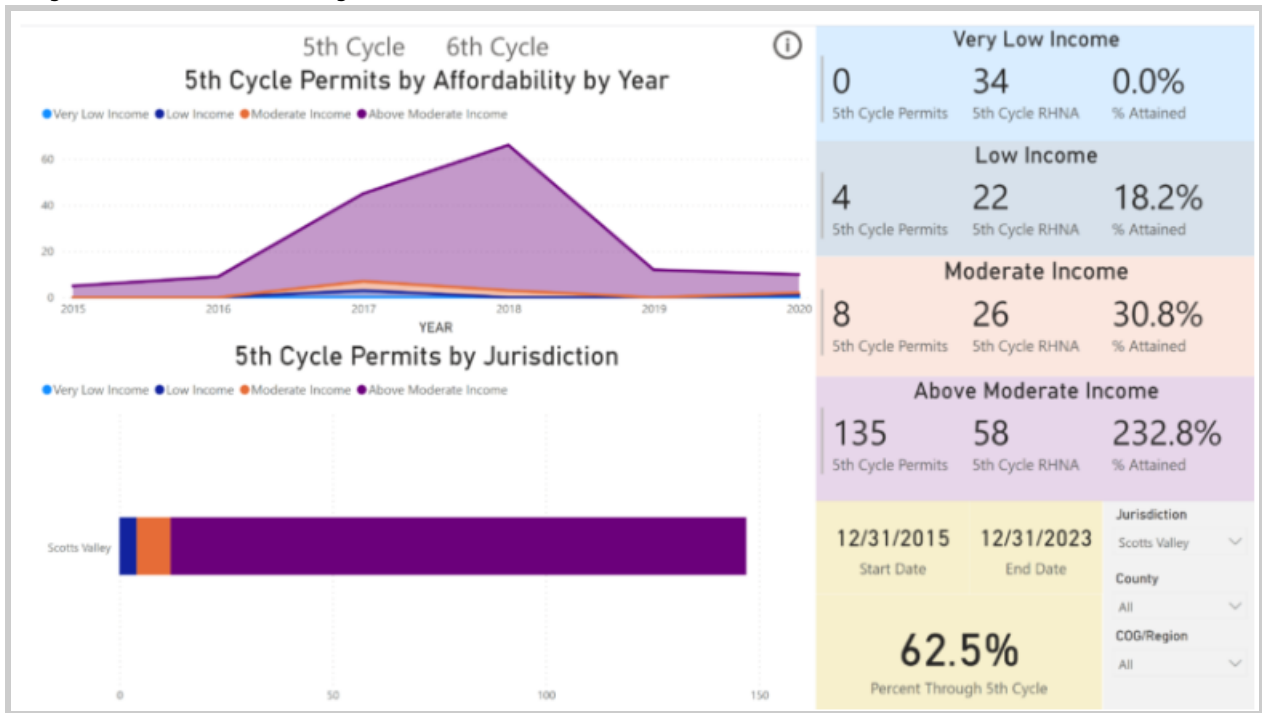
Unincorporated Santa Cruz County



City of Capitola



City of Scotts Valley



Appendix B – Summary of State Housing Laws

The descriptions given below paraphrase the legal definitions found on the California Legislative Information website.^[75] Search for Prop 13 under the “California Law” tab and the rest under the “Bill Information” tab.

Law	Description
PROP 13 (1978)	Under Proposition 13, property tax assessments can increase by no more than 2% each year, and property tax rates are limited to 1% of the assessed value (plus additional voter-approved taxes). After Proposition 13, all California properties—even vacant ones—are taxed based on the original purchase price, not their current value.
SB 35 (2017)	In 2017, Governor Brown signed into law Senate Bill (SB) 35 as part of a package of bills created to address California's housing shortage. This law provides a streamlined review process for eligible multifamily projects in cities and counties that have not built their share of housing to accommodate the region's population growth.
AB 1771 (2018)	AB 1771 revises statutory objectives of RHNA plan to include an AFFH requirement, to address disparities in housing needs and access to opportunity. Also requires improved regional jobs-housing relationship, and allocates lower proportion of housing need to jurisdictions already disproportionately high in any income category.
SB 330 (2019)	SB 330 allows accessory dwelling units and further accelerates the permitting process. Only five public hearings may be called for a housing project. Cities cannot raise fees or change permit requirements if the applicant has submitted all necessary documents. Building standards cannot be changed after submittal, nor can projects be downzoned.
SB 8 (2021)	SB 8 is a follow-up SB 330, which extended the streamlined review process. SB 330 was set to expire in 2025. SB 8 now extends that sunset to 2030. SB 8 also clarifies language in SB 330 to further streamline the creation of housing and protect low-income tenants against displacement.
SB 10 (2021)	SB 10 allows cities to rezone a parcel for smaller developments of up to 10 units and streamline government permitting in urban infill or areas near transit. By enabling cities to increase the density of these lots up to 10 units without triggering an environmental review, this bill makes it easier to build housing.
AB 215 (2021)	AB 215 requires the state to check in with cities and come up with a game plan if they are not on track to meet their RHNA numbers.

Law	Description
AB 2345 (2021)	Amends the Density Bonus Law to expand and enhance development incentives for projects with affordable and senior housing components. Under the Density Bonus Law, developers are entitled to a density bonus corresponding to specified percentages of units set aside for very low income, low-income, or moderate-income households. AB 2345 amends the Density Bonus Law to increase the maximum density bonus from thirty-five percent (35%) to fifty percent (50%).
SB 6 (2022)	SB 6 allows housing to be built in underutilized commercial sites currently zoned for retail, office, and parking uses. SB 6 gives local governments the option for an expedited development process to avoid the property remaining vacant.
SB 9 (9/2022)	SB 9 allows lot splits and/or the development of duplexes on single-family-zoned parcels to be approved ministerially (i.e., without discretionary approval or hearings) if certain requirements are met. Consequently, such projects bypass the California Environmental Quality Act (CEQA) process. Theoretically, this allows for up to four residences where there was historically only one (if an applicant receives ministerial approval for both a lot split and the development of duplexes on each parcel).
AB 2011 (2022)	This legislation allows for ministerial, by-right approval for affordable housing to be built in infill areas currently zoned for office, retail, and parking uses. Also allows such approvals for mixed-income housing along commercial corridors, as long as the projects meet specified affordability, labor, and environmental criteria.