

**REDEVELOPMENT AGENCY**

GOVERNMENTAL CENTER  
TOM BURNS  
AGENCY ADMINISTRATOR

**COUNTY OF SANTA CRUZ**

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May 26, 1998

Agenda: June 2, 1998

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA. 95060

**CREATION OF TRANSFER OF HOUSING CREDITS**

Dear Members of the Board:

Some time ago, the County revised its affordable housing ordinance to provide an option for market rate housing developers with an inclusionary affordable housing obligation to meet that requirement through assisting affordable housing in some other fashion in lieu of meeting their on-site obligation. The current ordinance provides two options for such financial "buy out" — payment of an in-lieu housing fee (currently only available for lot subdividers) or purchase of a transfer of credit. Last fall, your Board conceptually approved a number of changes to these policies to reflect current housing financing and marketing realities. A draft ordinance is under preparation by the Planning Department for your Board's consideration on June 9 to formally consider these changes.

Creation of Transfers of Credit have taken a number of forms over the years. In many instances, they were created at the request of an affordable housing developer as a means of expanding potential financing for their project. In another instance, the Board created credits for the Housing Authority for the purpose of creating "seed money" for future affordable housing initiatives. Such an approach recognized the realities of the housing finance market, where financing must be identified early in the development process. A number of the changes to the current policy which the Board will consider next month address these finance timing issues. In the meantime, pursuant to the RDA Transfer of Credit Program approved by your Board, which allows credits to be created in connection with RDA assisted projects, we are proposing that your Board approve the creation of nine credits associated with recently completed Agency-assisted housing projects. Sale of those credits by the Agency would be used as a means to provide financing to assist a number of pending and future affordable housing efforts.

Additionally, approval of these credits will provide adequate credits to address the current market demand. If approved, Agency staff will be recommending sales of these new credits along with eight others owned by the Agency to the Standard Pacific (previously

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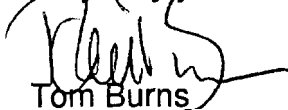
Cowell) and Rio Highlands Projects. Additionally, as part of this item, staff is recommending that the remaining four credits from the Paloma Del Mar Project be sold to the Tan Project. Given the unique timing of these projects, It is our recommendation that these credits be available for purchase for a 60 day period.

Based upon the Redevelopment Agency's past performance in leveraging local funding for additional federal, state or private financial resources, creation of these credits will meet the County's affordable policy objectives for expanding affordable housing opportunities in the unincorporated area. Clearly, the proceeds from the credit sales, based upon past performance, will help create far more affordable housing opportunities than the 21 inclusionary units that otherwise would have been provided by these projects.

It is therefore RECOMMENDED that your Board, as the Board of Supervisors, take the following actions:

1. Approve the creation of nine affordable housing credits for the Redevelopment Agency connected with the recently-completed Merrill Road and Casa Linda affordable housing projects; and
2. Authorize the Redevelopment Agency Administrator, as the administrator for the County for the Paloma Del Mar Credits, to sell the remaining four credits for \$100,000 each as described in this letter.

Very truly yours,



Tom Burns  
 Redevelopment Agency Administrator

RECOMMENDED:



Susan A. Mauriello  
 County Administrative Officer

cc. RDA  
 Planning Department