

Revised



# County of Santa Cruz

## COUNTY ADMINISTRATIVE OFFICE

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SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

February 11, 2000

AGENDA: February 15, 2000

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

### MOU - Pajaro Lane Affordable Housing Project

Dear Members of the Board:

As your Board will recall, the City of Watsonville is in the process of annexing land under County jurisdiction in the Freedom/Carey area by the City of Watsonville. While the annexation is proceeding and scheduled for a LAFCO hearing on March 1, 2000, there is an affordable housing site located within the annexation area that County staff believes is a one of the prime County sites available for a RDA sponsored affordable housing project. The property is located on Airport Blvd. at Pajaro Lane (APN 048-041-46) and contains approximately 350,000 square feet of developable land. The property is zoned RM-4 and the General Plan designation is Urban-Medium. If annexation of this property goes forward, we have been advised by Counsel that the project would not be eligible for RDA Housing Funds.

In considering the County Year 2000 Legislative Program, Supervisors Campos and Wormoudt suggested several options designed to facilitate a RDA sponsored affordable housing project at this location. We believe that we have identified an approach that will enable a proposed affordable housing development to move forward.

This week, this key parcel was secured by South County Housing, Inc, a well established non-profit housing developer. Watsonville city staff, South County Housing Inc. and County staff all believe that the site would be an appropriate location for an affordable housing project that includes a mix of housing types (rental and ownership) that are affordable to a broad spectrum of the community. Based on the County's past experience with affordable housing projects of this magnitude, this project will require a significant local funding contribution. However, if the project site remains part of the annexation area, the City of Watsonville does not have the financial ability to provide funding assistance to the project and the affordability goals would be

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diminished. Removing the property from the annexation area would enable the RDA to provide funding assistance to the project.

Prior to considering removal of the property from the annexation area however, the City and County staff as well as South County Housing believe it is necessary for all parties to establish a general understanding of the components of a County-sponsored affordable housing project as well as funding commitments from the Redevelopment Agency Board of Directors. To this end, County staff has worked with Watsonville City staff and South County Housing to develop the attached MOU for the project. A companion letter on today's agenda from the RDA Administrator includes a project map identifying the subject property as well as a recommendation that the RDA Board of Directors make a financial commitment to the project of up to \$2.765 million.

The key features of the MOU are as follows:

- the project would be a 100% affordable project;
- the units will be affordable to a wide range of income eligible households
- the project would include both rental and ownership units;
- the City of Watsonville City staff will provide input on design and other issues;
- the project will receive fast track permit processing from the County Planning Department;
- an outside funding commitment of up to \$2.765 million in financial support from the Redevelopment Agency; and
- a commitment from South County Housing to pursue outside funding sources in an effort to reduce the Agency's funding commitment to the project.

Based your Board adopting this MOU, the Watsonville city staff has indicated that it will recommend that the City Council proceed with requesting the subject property be deleted from the annexation area, enabling RDA Housing Funds to provide financial assistance to the project. It is worth noting that the project site may be included in a future annexation, though the phasing of the annexation would be timed to enable RDA funds to be utilized by the project in accordance with Redevelopment law. The MOU will not take effect unless this occurs.

**Conclusion and Recommendations**

The property on Airport Blvd. and Pajaro Lane has long been considered an ideal site for an affordable housing project. The project site has an appropriate zoning and General Plan designation to accommodate both multi family and single family housing. A well established affordable housing developer, South County Housing Inc. has obtained site control and intends to develop an affordable housing project that serves the needs of Pajaro Valley residents.

Clearly, while the proposed MOU cannot possibly anticipate every issue that will arise, staff believes that the MOU provides a general approach to the project, clarifies project goals and facilitates the pre-development phase of the project. As the project will go through the County land use review process, both the Planning Commission and the Board of Supervisors will have an opportunity to review the project.

The project, as envisioned in the MOU, is consistent with the goals set forth in the County's Legislative Program. The proposed MOU contains all the elements of a balanced affordable housing project - a 100% permanently affordable project, containing both rental and ownership housing, and affordable to households with a wide range of income levels and will be available to a broad segment of the community, including farm workers. Adopting the proposed MOU represents an important collaborative effort between the County and the City of Watsonville to address the broader community's need for more affordable housing opportunities for families - regardless of whether they reside in the City or the unincorporated County.

It is therefore RECOMMENDED that your Board approve the attached MOU and authorize the CAO to sign the MOU on behalf of the County.

Very truly yours,



Susan A. Mauriello  
County Administrative Officer

SM:ES

cc: Carlos Palacios, Watsonville City Manager  
Watsonville City Council members  
RDA Administrator  
Dennis Lawlor, Executive Director, South County Housing

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Attachment 1

**Memorandum of Understanding between the  
City of Watsonville, County of Santa Cruz,  
Santa Cruz County Redevelopment Agency and South County Housing Inc.  
for the Pajaro Lane Affordable Housing Project**

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This Memorandum of Understanding ("MOU") is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2000, by and between the City of Watsonville, (the "City"), the County of Santa Cruz (the "County"), the Santa Cruz County Redevelopment Agency (the "RDA"), and South County Housing, Inc. (the "Developer").

WHEREAS, the City and County would like to support the development of a housing project to address the housing needs of Pajaro Valley residents; and

WHEREAS, property located off Airport Blvd. and Pajaro Lane, APN 048-041-46, ( the "Project Site"), is located in the unincorporated County and is included in the Freedom/Carey annexation area, which is scheduled to be annexed by the City of Watsonville; and

WHEREAS, the Project Site is currently zoned RM-4 and has an Urban-Medium General Plan designation, and thus has been designated by the County as an appropriate location for single-family and/or multi-family housing development; and

WHEREAS, the Developer, an established non-profit affordable housing developer, has obtained site control of the Project Site and seeks to develop an affordable mixed income housing project (the "Development"); and

WHEREAS, if the Project Site is annexed into the City of Watsonville, the City has indicated that the site would be an appropriate location to construct a single-family and/or multi-family housing project; and.

WHEREAS, both the City and County would like the Project Site to be developed as a housing project that addresses the needs of the Pajaro Valley for affordable housing; and

WHEREAS, the County, through the use of its Redevelopment Agency Low and Moderate Income Housing Fund (RDA Housing Funds), has the financial ability to provide the Developer with funding assistance that is necessary to meet the project goals (as discussed below); and

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WHEREAS, if the Project Site is included in the Freedom/Carey annexation, the County RDA Housing Funds may not be spent to assist the project; and

WHEREAS, if the Project Site is excluded from the Freedom-Carey Annexation area, RDA Housing Funds can be used to assist the project; and

WHEREAS, following approval of this MOU by the City, County, Developer and RDA, the City agrees to request that the Santa Cruz Local Agency Formation Commission remove the Project Site from the Freedom/Carey Annexation area.

NOW, THEREFORE, the parties agree to the following terms of the MOU:

**I. Development Project Goal:**

1. The Development is to include both rental and for sale attached units, and the unit size shall reflect community needs (including farmworkers), accommodate larger families, and be designed in response to funding requirements.
2. The Development is to include units that are affordable to a wide range of income levels, including very low income (up to 50% of County median), low income (80%), median income (100%) and moderate income (120%). (Exhibit A includes the 1999 County median income figures and indicates the income level of income eligible households.) Such figures shall be those published by the United States Department of Housing and-Urban Development (HUD) which are in effect, from year to year.
3. The project is to include adequate recreational amenities for residents of the Development.
4. There is an identified need for public park facilities to serve the project and adjoining areas. The County and Developer agree to explore the possibility of acquiring property for the purpose of providing public park land dedication and potential expansion of affordable housing. The development or acquisition of land in addition to the Project Site for this purpose will require the City and County to enter into a separate purchase agreement.
5. In accordance with the County's development standards, the Development would balance the following considerations:
  - a) maximum unit count on the site utilizing density bonus provisions;
  - b) the creation of units and site design which provides recreational amenities, open space and an overall quality environment for residents.

**II. City Involvement in County Review**

The County, RDA and Developer will provide the City the opportunity to review and comment on design issues, unit and income mix and other issues of interest to the City and will act in good faith to address any concerns raised by the City.

**III. Priority Process**

Priority Processing: The project will receive fast track permit processing by the County Planning Department.

**IV. Financial Support**

1. The RDA will commit to provide initial funding of approximately \$2.765 million in RDA Housing Funds to the Developer for land purchase and pre-development costs.

2. The Developer agrees to seek outside funding to help leverage RDA Housing Funds.

3. In addition to its land subsidy and pre-development costs for the project, the RDA will consider additional requests, as appropriate, if such requests are determined as necessary to meet project design, unit mix and affordability goals.

**V. Removal of Project Site from Freedom/Carey Annexation**

Following approval of this MOU by the City, County, Developer and RDA, the City agrees to request that the Santa Cruz Local Agency Formation Commission remove the Project Site (APN 048-041-46) from the Freedom/Carey Annexation area.

**SIGNATURES:**

Date: \_\_\_\_\_

**CITY OF WATSONVILLE**

By: \_\_\_\_\_  
Carlos Palacios  
Watsonville City Manager

**COUNTY OF SANTA CRUZ**

By: \_\_\_\_\_  
Susan A. Mauriello  
Santa Cruz County Administrative Officer

**COUNTY OF SANTA CRUZ REDEVELOPMENT AGENCY**

By: \_\_\_\_\_  
Tom Burns  
Redevelopment Agency Administrator

**SOUTH COUNTY HOUSING, INC.**

By: \_\_\_\_\_  
Dennis Lawlor  
Executive Director

Approved as to form:

*Quigley J. Hew*  
Santa Cruz County Counsel

APPROVED AS TO FORM

*ajs*  
WATSONVILLE CITY ATTORNEY

DATED: 7-10-00

Watsonville City Attorney

AI-i-EST:

\_\_\_\_\_  
Clerk of the Board

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**1999 Income Limits for Santa Cruz County**

| Income Category        | Household Size |           |           |           |           |           |
|------------------------|----------------|-----------|-----------|-----------|-----------|-----------|
|                        | 1 Person       | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| <b>Very Low (50%)</b>  | \$21,350       | \$24,400  | \$27,450  | \$30,500  | \$32,950  | \$35,400  |
| <b>Lower (80%)</b>     | \$33,450       | \$38,250  | \$43,000  | \$47,800  | \$51,600  | \$55,450  |
| <b>Median (100%)</b>   | \$42,700       | \$48,800  | \$54,900  | \$61,000  | \$65,900  | \$70,750  |
| <b>Moderate (120%)</b> | \$51,250       | \$58,550  | 65900     | \$73,200  | \$79,050  | \$84,900  |