



County of Santa Cruz

PLANNING DEPARTMENT

701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060

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ALVIN D. JAMES, DIRECTOR

May 10, 2001

AGENDA: May 22, 2001

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, California 95060

RE: IMPACTS OF PROPOSED "FAIR SHARE" HOUSING NEEDS ALLOCATION

Members of the Board:

On April 17, your Board adopted a Resolution No. 126-2001 opposing Senate Bill 910. This Senate Bill would impose severe financial penalties on communities which do not have Housing Elements certified by the State Department of Housing and Community Development (HCD). These penalties include reduction in highway maintenance and road repair funds as well as the possibility of court imposed fines of up to \$1,000 per unit for jurisdictions whose Housing Elements do not meet the HCD-established "fair share" housing needs allocation. In addition to adoption of the Resolution opposing Senate Bill 910, your Board directed staff to prepare a report on the effects that the proposed "fair share" housing needs allocation would have on the number of new units that would have to be produced and its effect on the County Growth Management System.

Housing Element Status

As mandated by State law, the Housing Element update process has begun for the cities and counties which are members of the Association of Monterey Bay Area Governments (AMBAG). The following chart indicates the timelines involved with the development of the next County Housing Element.

Steps in Housing Element Update Process

Mandated Completion Date

State HCD allocates 2000-2007 housing needs for Santa Cruz and Monterey Counties to AMBAG

June 30, 2000

AMBAG allocates housing needs for 2000-2007
to Santa Cruz County and other local jurisdictions
within its region

June 30, 2001

Santa Cruz County adopts a revised housing element
that incorporates the housing needs allocated by AMBAG

June 30, 2002

HCD has not met its statutory deadline to allocate county housing needs by June 30, 2000. AMBAG has only received two preliminary estimates of the local housing needs from HCD. As can be seen in the table below, the preliminary estimates for Santa Cruz County are significantly higher **than** the housing needs adopted in 1990.

COUNTY-WIDE HOUSING NEEDS ALLOCATIONS

<u>Income Category</u>	<u>Preliminary 2000 HCD</u> <u>Allocation</u>		<u>1990 AMBAG</u> <u>Allocation</u>
	Alt. A	Alt. B	
Very Low Income (<50%)	6,597	5,546	4,369
Lower Income (50% - 80%)	3,694	3,106	2,557
Moderate Income (80% to 120%)	5,013	4,215	3,329
Above Moderate Income (120%+)	<u>11,082</u>	<u>9,317</u>	<u>7,424</u>
Total Housing Needs	26,386	22,183	17,679

AMBAG has formally objected to these high estimates and has requested that HCD reduce the allocation to a level that is consistent with AMBAG's population projections for the area. AMBAG has convened a Technical Advisory Committee to work with AMBAG staff to prepare for the allocation process. Your Board appointed Supervisor Beautz to this Committee at your September 12, 2000 meeting, with Supervisor Campos appointed as an alternate member. Following numerous meetings and a water resources survey, the TAC determined and the AMBAG Board of Directors agreed that 5,385 units is a locally acceptable "fair share" number for Santa Cruz County. HCD's preliminary numbers were 4 to 5 times higher. A similar number was generated for Monterey County. These alternative numbers were submitted to HCD in April. HCD has not yet responded to AMBAG's submittal.

Once AMBAG receives the official housing needs allocations by county from HCD, AMBAG staff, working with the TAC, will allocate the housing needs to individual cities and counties in the region. Local jurisdictions will have an opportunity to review their allocation of the region's housing needs and methodology for the allocation before AMBAG's Board adopts the allocation. As noted above, state law mandates that the regional allocation of housing needs be completed by June 30, 2001, however, there is legislation pending (Senate Bill 932) which would grant a 6 month extension for the completion of the

process. This bill has been approved by the Senate and is pending in the Assembly.

Effects of HCD's Proposed Fair Share Numbers

If HCD's proposed "fair share" numbers are not modified as requested by AMBAG, the County of Santa Cruz will be allocated a portion of the total number of residential units (26,386 or 22,183). This allocation, as discussed above, will be the subject of public review and the final allocation is unknown at this time. However, based solely on the distribution of the total population (2000 Census) between the cities (47%) and the County (53%), the County's share could range from 11,757 to 13,985 units.

Using these numbers as a starting point, the County would be required to prepare a Housing Element, and any required General Plan and/or ordinance amendments necessary, to provide for the construction of 1680 to 1998 residential units a year over the 7 year period of the Housing Element. This represents an increase in the County's housing stock of 22.8 to 27.1% over the 7 year period', and is roughly equivalent to a 3.2 to 3.7% growth rate per year. In comparison, AMBAG's 1997 population projections for Santa Cruz County indicate a 9.3% increase over the ten year period from 2000 to 2010, equal to an annual countv-wide growth rate less than 1%. The AMBAG projections are consistent with the allowable **build-**out under the 1994 General Plan and are consistent with the growth goals adopted by your Board in recent years pursuant to Measure J, the voter approved initiative which requires the County to establish an annual growth rate that represents the County's fair share of state-wide growth.

How could the County accommodate the number of residential units proposed under HCD's "fair share" allocation? What changes to the General Plan and/or Growth Management System would be required? These are questions that cannot be answered with any certainty absent specific numbers, however, given the magnitude of the proposed numbers, changes to the General Plan, County ordinances and Board direction would be required if the County wished to have its Housing Element certified by HCD. These changes could include any or all of the following:

changing the annual Growth Goal to reflect the County's required annual housing goal (depending on the growth in the cities, this figure could be roughly 3.7%, or about 1976 residential units, which would be a 7+ fold increase over the 0.5% growth goal for 2001)

revising the land use plan to substantially increase densities in both the urban and

¹ Source: Report on Year 2001 Growth Goals for Santa Cruz County Unincorporated Area, Santa Cruz County Planning Department, September 2000.

rural areas of the County (this will potentially allow more units to be built)

changing development standards to allow taller, more dense housing in the urban areas

examining the possibility of expanding the Urban Services Limit Line (this would designate more land as urban with higher residential densities and require the extension of services to new areas)

allowing encroachment into agricultural land for residential development

The issues involved with these actions include the availability of services (roads, schools, fire protection, etc.) and the availability of resource-limited services (water, energy, etc.). As your Board is well aware, many of the largest municipal water suppliers are desperately seeking ways to provide adequate water to their existing customers and the growth planned under the current General Plan. Obtaining sufficient water to serve the HCD proposed residential numbers will be an immense challenge.

In addition to the resource and service constraints, the proposed HCD numbers would result in significant conflicts with the County's voter-mandated Growth Management System. This system, enacted a Chapter 17.01 of the County Code, includes the basic policies that guide land use in the County. These policies are as follows:

17.0 1.030 Policies.

The findings made in this Chapter identify environmental, economic, and housing problems caused by or associated with the rapid population growth and development of Santa Cruz County. It is hereby determined that in order to minimize or eliminate such problems, and to assure the public health, safety, and welfare, the following policies shall guide the future growth and development of Santa Cruz County.

(a) Preserve Agricultural Lands. It shall be the policy of Santa Cruz County that prime agricultural lands and lands which are economically productive when used for agriculture shall be preserved for agricultural use.

(b) Distinguish "Urban" and "Rural" Areas. It shall be the policy of Santa Cruz County to preserve a distinction between areas in the County which are "urban," and areas which are "rural." Divisions of land in rural areas shall be discouraged, and new residential developments shall be encouraged to locate in urban areas.

(c) Urban Area Protection. It shall be the policy of Santa Cruz County to insure that new development in the unincorporated "urban" areas does not proceed without the provision of adequate services which will enhance the quality of life for current and future residents of these urban areas; the County Capital Improvement Plan shall reflect this commitment.

(d) Annual Population Growth Limit. It shall be the policy of Santa Cruz County to set an annual population growth for this County which shall limit growth to that amount which represents Santa Cruz County's fair share of each year's statewide population

(e) Housing for Persons with Average Incomes. It shall be the policy of Santa Cruz County that at least 15 percent of those housing units newly constructed for sale or rental each year shall be capable of purchase or rental by persons with average or below average incomes.

(f) Resource Protection. It shall be the policy of Santa Cruz County to prevent the division or other development of lands which contain timber resources, mineral resources, and wildlife habitat or other natural resources, except when any such development is conditioned so as to prevent the loss of or damage to such resources. (Ord. 2561.1, 7/5/78)

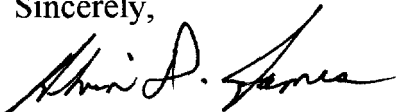
Specifically, it is likely that the changes necessary to comply with HCD's "fair share" numbers would conflict with the protection of agricultural land, the protection of resources and the orderly development within the urban services line commensurate with the provision of adequate services. These basic conflict with the over-riding land use policies of the County, embodied in the Growth Management System would be difficult to overcome.

In conclusion, the quality of life in Santa Cruz, and the health, safety and welfare of current and future residents would be adversely affected by the actions necessary to comply with the seemingly arbitrary "fair share" numbers generated by HCD. The best that the County can hope for in this Housing Element cycle is the establishment of a reasonable set of "fair share" numbers by HCD, hopefully close to the allocation numbers recommended by AMBAG. Otherwise, it appears that it will be difficult to craft a Housing Element that meets the requirements of State law and the reviewers at HCD (which are not necessarily congruent) without significant detriment to the County.

It is RECOMMENDED that your Board:

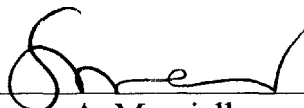
1. Accept and file this report, and
2. Reaffirm the County's support of the Association of Monterey Bay Area Governments' efforts to negotiate a reasonable "fair share" needs allocation with the State Department of Housing and Community Development.

Sincerely,



Alvin D. James
Planning Director

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer

Attachments 1. Minute Order, item no. 88.1, April 17, 2001

cc: CAO
County Counsel
Assembly Speaker Pro Tem Fred Keeley
Senator Bruce McPherson
Assembly Member Simon Salinas
Association of Monterey Bay Area Governments

COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA



AT THE BOARD OF SUPERVISORS MEETING

-- On the Date of April 17, 2001

REGULAR AGENDA Item No. 088.1

(ADOPTED RESOLUTION NO. 124-2001 supporting Assembly Bill 930 regarding increasing the maximum purchase price guidelines for the Calhome Program; adopted RESOLUTION NO. 125-2001 supporting Senate Bill 459 relating to Affordable Housing costs, adopted RESOLUTION NO. 126-2001 opposing Senate Bill 910 relating to punitive measures regarding the Housing Element; with an additional direction that the County Administrative Officer report back in one month with an update to the Board on the current situation in terms of the numbers of housing units AMBAG is being asked to deal with and what that would mean for Santa Cruz County in terms of the number of new units that would need to be produced, terms of percentage in growth, and what that would do to our current growth management plans...

Upon the motion of Supervisor Wormhoudt, duly seconded by Supervisor Beautz, the Board, by unanimous vote, adopted Resolution No. 124-2001 supporting Assembly Bill 930 regarding increasing the maximum purchase price guidelines for the Calhome Program; adopted Resolution No. 125-2001 supporting Senate Bill 459 relating to Affordable Housing costs, adopted Resolution No. 126-2001 opposing Senate Bill 910 relating to punitive measures regarding the Housing Element; with an additional direction that the County Administrative Officer report back in one month with an update to the Board on the current situation in terms of the numbers of housing units AMBAG is being asked to deal with and what that would mean for Santa Cruz County in terms of the number of new units that would need to be produced, terms of percentage in growth, and what that would do to our current growth management plans

cc:

CAO

County Counsel

Assembly Speaker Pro Tern Fred Keeley

Senator Bruce McPherson

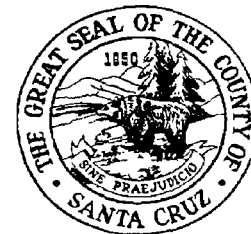
Assembly Member Simon Salinas

Santa Cruz County Assessor Bob Petersen

State of California, County of Santa Cruz-ss.

I, Susan A. Mauriello, Ex-officio Clerk of the Board of Supervisors of the County of Santa Cruz, State of California, do hereby certify that the foregoing is a true and correct copy of the order made and entered in the minutes of said Board of Supervisors. In witness thereof I have hereunto set my hand and affixed the seal of said Board of Supervisors.

COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA



AT THE BOARD OF SUPERVISORS MEETING

On the Date of April 17, 2001

REGULAR AGENDA Item No. 088.1

California State Association of Counties (CSAC)

Alvin James, Planning Director

Tom Burns, RDA Administrator

State of California, County of Santa Cruz-ss.

I, Susan A. Mauriello, Ex-officio Clerk of the Board of Supervisors of the County of Santa Cruz, State of California, do hereby certify that the foregoing is a true and correct copy of the order made and entered in the minutes of said Board of Supervisors. In witness thereof I have hereunto set my hand and affixed the seal of said Board of Supervisors.

Page 2 of 2

by _____, Deputy Clerk, ON April 23, 2001.