



# County of Santa Cruz

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## PLANNING DEPARTMENT

701 OCEAN STREET, 4<sup>TH</sup> FLOOR, SANTA CRUZ, CA 95060  
(831)454-2580 FAX: (831)454-2131 TDD: (831)454-2123

ALVIN D. JAMES, DIRECTOR

April 11, 2002

Agenda: April 16, 2002

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

### **RE: AFFORDABLE HOUSING ORDINANCE AMENDMENTS**

Members of the Board:

On April 9, 2002, your Board considered and adopted in concept a number of amendments to Chapter 17.10, the Affordable Housing Ordinance (Attachment 3). Staff, with the assistance of County Counsel, has prepared the attached ordinance (Attachment 1) for your review. This ordinance incorporates all of the amendments approved by your Board. Staff has also revised the Affordable Housing Guidelines to implement the revisions to the ordinance (Attachment 2).


Because many of the changes are substantially different from the version of the ordinance reviewed on April 9, 2002, County Counsel recommends that your Board consider this review of the ordinance as the first reading and that you open the matter for public testimony before taking any action. The second reading would then be scheduled for April 23, 2002. The Affordable Housing Guidelines may be adopted in final form today.

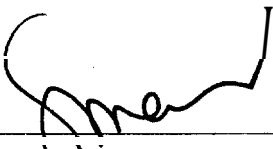
It is, therefore, **RECOMMENDED** that your Board:

1. Approve in concept the proposed ordinance amendments to Chapter 17.10 (Attachment 1); and
2. Direct the Clerk of the Board to place this item on your April 23, 2002 agenda for final adoption; and

3. Approve the revised Affordable Housing Guidelines to implement the ordinance amendments (Attachment 2)

Sincerely,

  
Alvin D. James  
Planning Director



RECOMMENDED: \_\_\_\_\_  
Susan A. Mauriello  
County Administrative Officer

- Attachments:
- 1. Ordinance Amending Chapter 17.10- Affordable Housing
  - 2. Revised Affordable Housing Guidelines
  - 3. Letter of Alvin D. James, Planning Director, dated March 30, 2002, with attachments (item no. 91, April 9, 2002 Board agenda- on file with the Clerk of the Board)

ORDINANCE NO. \_\_\_\_\_

**ORDINANCE AMENDING CHAPTER 17.10  
OF THE SANTA CRUZ COUNTY CODE  
RELATING TO AFFORDABLE HOUSING**

The Board of Supervisors of the County of Santa Cruz ordains as follows:

**SECTION I**

Section 17.10.020 of the Santa Cruz County Code is hereby amended to read as follows:

**17.10.020 Definitions.**

For the purpose of this chapter, the following words and phrases shall be defined as set forth in this section.

- (a) Administering Agency: The Redevelopment Agency of the County of Santa Cruz, the Santa Cruz County Planning Department or any other agency as determined by the Board of Supervisors, which is involved in the administration of the County's Affordable Housing Program.
- (b) Affordable Housing: Housing which is affordable to average or below average income households, as required, regulated and allowed by this Chapter. Affordable housing units are the same as inclusionary units for the purposes of this Ordinance.
- (c) Applicant: Any person, firm, partnership, association, joint venture, corporation, entity, or combination of entities seeking County permits and approval.
- (d) Assisted Housing: Any project receiving all or a portion of its development funding from any local, State or Federal governmental or non-profit funding source which meets the criteria for affordable housing specified in the Income, Asset and Unit Price Affordable Housing Guidelines.
- (e) At One Location: All adjacent land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by other lands owned or controlled by the applicant.
- (f) Average (Moderate) Income Households: Households with incomes between 80 and 120 percent of the median household income for the Santa Cruz Primary Metropolitan Statistical Area (PMSA), as determined periodically by the U.S. Department of Housing and Urban Development (HUD). The definition for average income households for the purposes of this ordinance corresponds to the definition of moderate income households for State and Federally assisted housing programs.
- (g) Below Average (Lower) Income Households: Households with annual incomes less than 80 percent of median household income for the Santa Cruz PMSA. The definition for below average income households for the purposes of this ordinance corresponds to the definition of low income households used for State and Federally assisted housing programs.

(h) Congregate Senior Housing: Senior housing with individual living units which provides residents with central management, a minimum of two meals per day in a central dining facility, and transportation services. Congregate housing also provides recreational and social activities and facilities. Maid and linen service, sundries, beautician, banking and other similar services may also be made available where they are appurtenant to the congregate use on the site. Another term used for congregate housing is Life Care Facility, which is a congregate development as described above in conjunction with a nursing and medical facility.

(i) Dwelling Unit: A dwelling designed for occupancy by one family or household.

(j) Eligible Purchaser: A household which is qualified by the administering agency, according to procedures established by the County, as meeting the requirements of this chapter for the purchase of affordable units; or a public body providing affordable housing; or an investor-owner as defined in Subsection (r) of this Section.

(k) Eligible Renter: A household qualified by the administering agency, according to procedures established by the County, as meeting the requirements of this Chapter for the rental of affordable units.

(l) Final Inspection: Inspection performed by the administering agency to verify completion of the housing project per approved plans and to allow occupancy of housing units.

(m) Housing Costs: The monthly mortgage, principal and interest, property taxes, association fees, and required homeowner's insurance for ownership units, and the monthly rent for rental units.

(n) HUD: The U.S. Department of Housing and Urban Development.

(o) Inclusionary Housing Units: Housing units which are affordable to average or below average income households as required, regulated, and allowed by this Chapter. Inclusionary housing units are the same as affordable housing units for the purposes of this Chapter.

(p) Investor-Owner: An individual, partnership or corporation which develops or purchases affordable housing units for rental to below average income households.

(q) Market Rate Unit: A dwelling unit which is not subject to the rental, sale or resale regulations of this Chapter.

(r) Median Income: The median income for the Santa Cruz PMSA, unless otherwise stipulated, as periodically determined by HUD. The current County median income figure is contained in the County's Income, Asset and Unit Price Guidelines.

(s) New Dwelling Unit: A dwelling unit that is newly constructed on a site, including replacement dwellings.

(st) Owner-Builder: An individual or household who proposes to build a unit, with or without the assistance of a contractor, for his/her primary place of residence.

(tu) Project: A residential development or land subdivision proposal for which County permits and approvals are sought.

(uv) Resale Controls: Legal restrictions by which the price of affordable units will be controlled by this chapter for a specified period of time.

(vw) Section 8: The major federal housing program in which eligible very low income and low income households receive financial assistance to rent housing units.

(wx) Very Low Income Households: Households with annual incomes less than 50 percent of median household income for the Santa Cruz PMSA. The definition of very low income households is used for State and Federally assisted programs and is included in the below average income household category for purposes of this ordinance. (Ord. 3002, 10/28/80; 3329, 11/23/82; 3502, 3/6/84; 3802, 12/16/86; 3881, 12/15/87; 4081, 10/16/90; 4425, 8/13/96)

## SECTION II

Section 17.10.030 of the Santa Cruz County Code is hereby amended to read as follows:

### **17.10.030 Inclusionary housing requirements for residential development projects.**

(a) Projects Subject to Inclusionary Housing Requirements. The following residential development projects consisting of the construction of new dwelling units and/or the creation of new parcels intended for permanent residential occupancy shall be subject to the inclusionary housing requirements of this Chapter:

1. Residential Project At One Location. An application for a residential development at one location, whether to be constructed at one time or in phases, shall be subject to the requirements of this Chapter if it will result in the creation of:

- (i) five (5) or more new dwelling units; or
- (ii) parcels providing building sites for a total of five (5) or more new dwelling units; or
- (iii) a combination of new dwelling units and parcels together providing for a total of five (5) or more new dwelling units.

For purposes of this paragraph, “one location” shall include all adjacent parcels of land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicant.

2. Concurrent Adjacent Residential Projects. Applications for concurrent adjacent residential developments which together will result in the creation of five (5) or more new dwelling units, parcels providing building sites for a total of five (5) or more new dwelling units, or a combination of new dwelling units and parcels together providing for a total of five (5) or more new dwelling units, developed by applicants on adjacent properties either at one time or in phases shall be subject to the requirements of this Chapter. For purposes of this paragraph: “adjacent properties” shall include all adjacent parcels of land owned or controlled by the applicants, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicants; and “concurrent” applications shall include all applications which have been submitted and are concurrently being processed for action by the County. If the property ownership and application for one project contain no parties in whole or part, or their spouses, who are also a party to the property ownership and application of the concurrent adjacent development, the concurrent applications may be granted an exception to the affordable housing requirements imposed by this Chapter upon a showing satisfactory to the decision-making body that neither project receives direct financial benefit by virtue of the concurrent adjacent development.

3. Sequential Adjacent Residential Projects. Applications by the same owner or applicant for sequential adjacent residential developments which together will result in the creation of five (5) or more new dwelling units, parcels providing building sites for a total of five (5) or more new dwelling units, or a combination of new dwelling units and parcels together providing for a total of five (5) or more new dwelling units, developed on the same or adjacent properties either at one

time or in phases shall be subject to the requirements of this Chapter. For purposes of this paragraph: "same owner or applicant" shall include any person who participates in the development as a full or partial owner or applicant, or a spouse of such person; "adjacent properties" shall include all adjacent parcels of land owned or controlled by the owner and/or applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the owner and/or applicant; and "sequential" projects shall include all projects for which applications have been submitted to the County within a period of ten (10) years.

(b) Inclusionary Housing Requirement. The affordable housing obligation for any project identified in Subsection (a) shall be calculated by multiplying the number of new dwelling units or new residential building sites by the affordable housing percentage for the type of project, as specified below. Projects which generate an affordable housing obligation of less than a whole unit or a fractional amount more than a whole unit(s) shall contribute funds equivalent to the fractional amount above or below a whole unit to the Measure J Trust Fund, as specified in Section 17.10.034(b). The project developer may elect to construct additional affordable unit(s) instead of paying the fractional fee. Those projects which generate an affordable housing obligation equivalent to a whole unit or units of affordable housing ~~Those residential development projects identified in Subsection (a) shall provide the following minimum number of construct the affordable dwelling unit(s) constructed~~ within the project pursuant to the requirements of Section 17.10.032, or alternately, shall meet the affordable housing requirement through the options provided in Subsection (c) below:

1. Standard Development. Standard development projects shall include the construction of affordable dwelling units equivalent in number to a minimum of fifteen percent (15%) of the total number of new dwelling units and new undeveloped residential building sites in the project;

2. Bonus Density Development. ~~Eligible d~~Development projects qualifying for bonus zoning density pursuant to Section 13.10.391 shall ~~include the designate construction of the affordable dwelling units, including those required for the bonus density, equivalent in number to no less than twenty-five (25%) of the total number of all new dwelling units and new undeveloped residential building sites in the project;~~ specified in Section 13.10.391(b).

3. Priority Processing Development. Development projects qualifying for priority processing ~~pursuant to~~ shall meet the requirements of County Code Sections 17.10.040 (standard priority processing) or 13.10.393(b) (bonus density priority processing) shall include by the construction of affordable dwelling units equivalent in number to a minimum of twenty-five percent (25%) or thirty-five percent (35%), respectively, of the total number of new dwelling units and new undeveloped residential building sites in the project; or County Code Section 13.10.393(b) (bonus density priority processing) shall include the construction of affordable dwelling units equivalent in number to a minimum of thirty-five percent (35%) of the total number of new dwelling units and new undeveloped residential building sites in the project before the density bonus is applied.

4. Congregate Senior Housing Development. Congregate Senior Housing development projects developed pursuant to County Code Section 13.10.324 shall ~~include the construction of~~ designate affordable congregate care units equivalent in number to a minimum of thirty five percent (35%) of the total number of congregate care units in the project.

Where an applicant proposes to satisfy the affordable housing requirement through participation with a non-profit housing developer for the construction of affordable residential units on a different site, the affordable unit requirement shall be based on the total number of new dwelling units and new undeveloped residential building sites included at both sites. ~~In determining the number of affordable units required for a project, any decimal fraction less than or equal to 0.50 shall be disregarded, and any decimal fraction greater than 0.50 shall be construed as requiring one affordable unit.~~

(c) Alternative Options to Satisfy Inclusionary Housing Requirement. As an alternative to the construction of each affordable dwelling unit within a project as required pursuant to Subsection (b), the affordable housing requirements of this Chapter may be satisfied by one or a combination of the following options:

1. Payment of an in-lieu fee pursuant to Section 17.10.034 in place of constructing a required affordable dwelling unit; or
2. Participation in the Existing Unit Conversion Program pursuant to Section 17.10.037; or
- ~~23. Financial contribution to a non-profit sponsored affordable housing project pursuant to Section 17.10.036 in place of constructing a required affordable dwelling unit on-site; or .~~
- ~~3. Dedication of a residential parcel for the construction of an affordable dwelling unit for rent or sale pursuant to Section 17.10.038 in place of constructing a required affordable unit.~~

Use of these alternative options requires approval by the Approving Body at the time of the development approval.

(d) Unit Affordability Requirements

1. Term of Restrictions. Affordable ownership and rental units shall be subject to the requirements of this Chapter for the life of the unit.
2. Sales Price. The maximum allowable sales price for all affordable housing units created pursuant to the requirements of this Section shall be limited to be affordable to moderate income households, unless otherwise required to be affordable to lower income or very low income households in order for the project to qualify for bonus zoning density pursuant to Section 13.10.391 and/or public funding programs. The County shall establish maximum allowable affordable unit sales prices pursuant to the pricing guidelines in the Affordable Housing Guidelines adopted by the Board of Supervisors.
3. Rental Price. The maximum allowable rental price for all affordable housing units created pursuant to the requirements of this Section shall be limited to be affordable to lower income households unless otherwise required to be affordable to very low income households in order for the project to qualify for bonus zoning density pursuant to Section 13.10.391 and/or public funding programs. The County shall establish maximum allowable affordable unit rental prices pursuant to the pricing guidelines in the Affordable Housing Guidelines adopted by the Board of Supervisors.

**4. Unit Occupancy.** The income and assets of owner-occupant households shall not exceed the limits for a moderate income household, and for tenant households shall not exceed the limits for a lower income household, unless more stringent limits are required in order for the project to qualify for bonus zoning density pursuant to Section 13.10.091 and/or public funding programs. The County shall establish maximum allowable household income and asset levels in the Affordable Housing Guidelines adopted by the Board of Supervisors. Sales and rental contracts for affordable units shall not be enforceable, and sale and occupancy of units shall not be allowed until the purchasing and/or occupying household is certified by the County as meeting the established income and asset limits.

(e) Development Permit and Tentative Map Procedures.

1. Development Application. All appropriate maps and other materials submitted with an application for approval of a Residential Development Permit and/or Tentative Map for a project subject to the affordable housing requirements of this chapter shall explicitly identify those residential units and/or residential parcels within the project sufficient to satisfy the project's affordable housing requirements, and shall also indicate the affordable housing options(s) pursuant to Subsections (b) and (c) that the developer will utilize to fulfill the requirements of this Chapter. The identification of affordable units and/or parcels within the project shall be provided to ensure compliance with the requirement of this Chapter regardless of which of the affordable housing options ~~the applicant selects to satisfy the requirements of this Chapter~~ is approved by the Approving Body.

2. Development Conditions. The conditions of approval of a Residential Development Permit and/or Tentative Map shall indicate how the development will meet the inclusionary housing requirements of this Chapter. Those projects which will include construction of affordable units on site shall identify residential units and/or residential parcels within the project adequate to satisfy the project's affordable housing requirements. Such identification of affordable units shall be provided to ensure compliance with the requirement of this Chapter. ~~regardless of which of the affordable housing options provided in Subsections (b) and (c) that the applicant intends to eventually pursue.~~

(f) Participation Agreement Procedures. Prior to the recording of the Final Subdivision Map or the issuance of any Building Permits for residential units within the project, whichever event occurs first, an Affordable Housing Program Participation Agreement shall be signed by the Planning Director, or his or her designee, on behalf of the County and by the owners of the property having authorization to encumber the property and by any existing holders of trust deeds on the property. The Participation Agreement shall be binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the Official Records of Santa Cruz County. The Participation Agreement shall include, at the minimum, the following provisions:

1. Binding of the Project Site. The Participation Agreement shall contain the affordable housing requirements established for the project pursuant to this Chapter and shall encumber the entire property on which the project is to be developed with the obligation to fulfill such affordable housing requirements.



2. Lien on Designated Parcels. The Participation Agreement shall create an enforceable lien on each of the affordable parcels designated in the conditions of project approval, or alternately on every parcel in a project where the in-lieu fee option is chosen, to allow for collection of an in-lieu fee pursuant to Section 17.10.034 regardless of the option selected to satisfy the affordable housing requirement for the project. This lien is intended to allow for collection of such in-lieu fee(s) if needed to enforce compliance with the requirements of this Chapter and shall be released by the County upon fulfillment of the affordable housing obligations pursuant to this Chapter.

3. Selection of Affordable Housing Option. The Participation Agreement shall designate the option ~~selected~~ approved by the applicant Approving Body for satisfying the affordable housing requirements of this Chapter. ~~Where allowed by specific reference elsewhere in this Chapter,~~ ~~the project developer may subsequently change the designated option for satisfying the project's affordable housing obligations with the written approval of the Planning Director through an amendment approved by the Approving Body upon a written finding that all applicable requirements for the option selected shall be met. In approving an amendment, making his or her this finding, the Director the Approving Body may impose reasonable conditions upon the applicant to ensure compliance with the provisions of this Chapter. In the event of such an amendment, a new Participation Agreement shall be executed and recorded in accordance with the requirements of this section to reflect the new option selected.~~

4. Project Covenants, Conditions and Restrictions. The Participation Agreement shall include a provision prohibiting any amendments to a project's Covenants, Conditions and Restrictions that would increase the proportion of the homeowners association assessment payable by any affordable housing unit, and shall create a right of judicial enforcement of this requirement by the County and/or the owner of any affected affordable unit exclusively in favor of the owner of each affordable unit in the development.

5. Enforcement. The Participation Agreement shall include a provision providing for the payment by the owner to the County of a reasonable rental value of an affordable unit from the date of any unauthorized occupation, and for the recovery by the County of reasonable attorney fees and costs required to pursue legal action to enforce the Agreement. (Ord. 4509, 8/25/98)

**SECTION III**

Section 17.10.031 of the Santa Cruz County Code is hereby added:

**17.10.031 Inclusionary housing in-lieu fee for small residential projects**

This section is intended to provide a mechanism for small residential projects to contribute toward the development of affordable housing through payment of an in-lieu fee:

- (a) Projects Subject to the Inclusionary Housing In-lieu Fee for Small Residential Projects. The following residential development projects consisting of the construction of new dwelling units and/or the creation of new parcels intended for permanent residential

occupancy shall be subject to the inclusionary housing in-lieu fee for small projects as set forth in this Section:

1. Residential Project At One Location. An application for a residential development at one location, whether to be constructed at one time or in phases, shall be subject to Inclusionary Housing In-lieu Fee for Small Residential Projects imposed by this Section if it will result in the creation of
  - (i) three (3) or four (4) new dwelling units; or
  - (ii) parcels providing building sites for a total of three(3) or four (4) new dwelling units; or
  - (iii) a combination of new dwelling units and parcels together providing for a total of three (3) or four (4) or more new dwelling units.

For purposes of this paragraph, “one location” shall include all adjacent parcels of land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicant.

2. Concurrent Adjacent Residential Projects. Applications for concurrent adjacent residential developments which together will result in the creation of three (3) or four (4) new dwelling units, parcels providing building sites for a total of three (3) or four (4) new dwelling units, or a combination of new dwelling units and parcels together providing for a total of three (3) or four (4) new dwelling units, developed by applicants on adjacent properties either at one time or in phases shall be subject to the requirements of this Section. For purposes of this paragraph: “adjacent properties” shall include all adjacent parcels of land owned or controlled by the applicants, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicants; and “concurrent” applications shall include all applications which have been submitted and are concurrently being processed for action by the County. If the property ownership and application for one project contain no parties in whole or part, or their spouses, who are also a party to the property ownership and application of the concurrent adjacent development, the concurrent applications may be granted an exception to the Inclusionary Housing In-lieu Fee for Small Residential Projects imposed by this Section upon a showing satisfactory to the decision-making body that neither project receives direct financial benefit by virtue of the concurrent adjacent development.
3. Sequential Adjacent Residential Projects. Applications by the same owner or applicant for sequential adjacent residential developments which together will result in the creation of three (3) or four (4) new dwelling units, parcels providing building sites for a total of three (3) or four (4) new dwelling units, or a combination of new dwelling units and parcels together providing for a total of three (3) or four (4) new dwelling units, developed on the same or adjacent properties either at one time or in phases shall be subject to the Inclusionary Housing In-lieu Fee for Small Residential Projects imposed by

this Section. For purposes of this paragraph: “same owner or applicant” shall include any person who participates in the development as a full or partial owner or applicant, or a spouse of such person; “adjacent properties” shall include all adjacent parcels of land owned or controlled by the owner and/or applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the owner and/or applicant; and “sequential” projects shall include all projects for which applications have been submitted to the County within a period of ten (10) years.

(b) Payment of Inclusionary Housing In-lieu fee for Small Residential Projects. Those projects identified in subsection (a) of this Section and not identified in subsection (a) of Section 17.10.030 shall pay the Inclusionary Housing In-lieu Fee for Small Residential Projects to the County for each new unit or new parcel in the project. Payment of this fee shall be a condition of project approval for the land division and associated development permits and also a condition of building permit issuance.

1. Exemptions. For a project of three or four new units, two of the new units shall be exempt from this fee requirement.

(c) Lien on Designated Parcels. Prior to the recording of the Final Parcel Map creating the new parcels, an Agreement creating an enforceable lien in the applicable fee amount on the third and/or fourth parcels in the project shall be executed and recorded in the Official Records of Santa Cruz County. This Agreement shall be signed by the owners of the property and any existing holders of trust deeds on the property, and by the Planning Director or his/her designee on behalf of the County, and shall be binding on all heirs, assigns and successors in interest of the property owner. The Agreement shall require the following Provisions:

1. Payment of the Inclusionary Housing In-lieu Fee for Small Residential Projects for each parcel prior to issuance of a building permit or transfer of ownership, whichever occurs first.
2. Payment of the fee at the rate in effect at time of payment as shown in the then current Affordable Housing Guidelines and/or Unified Fee Schedule.
3. The County shall record a release of this lien for each subject parcel upon receipt of fee payment for the respective parcel.

Alternatively, the project developer may opt to pay this fee for the subject parcel(s) prior to recordation of the final parcel map rather than record the Agreement specified above.

(d) Fee Rate. The Inclusionary Housing In-lieu Fee for Small Residential Projects shall be that amount set forth in the Affordable Housing Guidelines that is in effect on the date of the fee payment. The fee may be adjusted as deemed necessary by the Board of Supervisors as described in subsection (e) below.

(e) Adjustment of In-Lieu Fee for Small Residential Projects. The Inclusionary Housing In-lieu Fee for Small Residential Projects shall be shown in the Affordable Housing Guidelines and

shall be a part of the County's Unified Fee Schedule. At the time of the biannual review of the Unified Fee Schedule, the rate for the Inclusionary Housing In-lieu Fee for Small Residential Projects may be reviewed and may be adjusted at that time.

(f) Measure J Trust Fund. All Inclusionary Housing In-lieu Fees for Small Residential Projects and accrued interest received pursuant to this Section shall be deposited into a trust fund known as the Measure J Trust Fund, maintained by the County. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units in the County.

#### SECTION IV

Section 17.10.032 of the Santa Cruz County Code is hereby amended to read as follows:

##### **17.10.032 Development of on-site affordable dwelling units.**

(a) Affordable Unit Standards. Affordable dwelling units may be constructed within a residential project with reduced size and interior amenities compared to the market rate units provided that the affordable units comply with all development standards enumerated in the Affordable Housing Guidelines as well as the following development standards:

1. Unit location. The affordable dwelling units shall be distributed throughout the development project. This distribution requirement may only be waived by the decision-making body upon a finding that such distribution is infeasible for one or more of the following reasons:

- (i) Significant topographic or other constraints exist rendering such distribution infeasible;
- (ii) Substantially improved site design will result from such waiver;
- (iii) Substantially improved building design and an approved unit amenity level will result from such waiver; or
- (iv) Significant economic hardship that does not apply to other projects in the County will result from such distribution.

2. Parcel Size. The parcels on which the affordable units are located shall be no smaller than the smallest parcel on which market rate units in the project are to be located.

3. Bedroom Count. The average bedroom count in the affordable units shall not be less than the average bedroom count in the market rate units in the project.

4. Exterior Design. The exterior design of the affordable units shall be consistent with the market rate units in the development based on exterior design details, materials and number of stories, with no significant identifiable differences between the units visible from the street. In addition, the size of affordable units shall be reasonably consistent with the rest of the project, with an affordable unit size not less than 75% of the average size of market rate units, unless a smaller unit size is allowed by the decision-making body at the time of project approval and with the written findings that a smaller size will provide adequate and decent affordable housing, the affordable units will provide housing units compatible with the remainder of the development,

and that a larger unit size would impose a financial hardship on the project developer. In no case shall an affordable unit size be less than the minimum specified by the Affordable Housing Guidelines.

(b) Timing of Completion. Affordable units shall be made available for occupancy either prior to or concurrently with the date that the market rate units in a project are made available for occupancy, and in the same ratio as the affordable unit requirement which is applicable to the project. For example, for a project with a twenty-five percent (25%) affordable housing requirement, at least one affordable unit shall receive final Building Permit inspection clearances concurrently with or prior to the final clearance of every third market rate unit constructed in the project until all of the affordable housing units required in the project have been constructed. For a project with a fifteen (15%) affordable housing requirement, at least one affordable unit shall receive final Building Permit inspection clearances concurrently with or prior to the final clearance of every sixth market rate unit constructed in the project until all of the affordable housing units required in the project have been constructed. In no case shall the last market rate unit in the project receive final Building Permit inspection clearances until the last affordable unit in the project has received final Building Permit clearance.

(c) Recording of Declaration of Restrictions. Prior to the issuance of a Building Permit for an affordable dwelling unit, the property owner having authority to encumber the property and any existing holders of trust deeds on the property shall sign an Affordable Housing Program Declaration of Restrictions which subjects the affordable unit to the requirements of this Chapter and the County's Affordable Housing Guidelines, both as amended from time to time, including the specific ownership and occupancy restrictions established for the units pursuant to Section 17.10.030(d). The Declaration of Restrictions shall be permanently binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the Official Records of Santa Cruz County. (Ord. 4509, 8/25/98)

## SECTION V

Section 17.10.034 of the Santa Cruz County Code is hereby amended to read as follows:

### **17.10.034 Affordable housing in-lieu fee**

(a) Fee Authorization. An in-lieu fee may be paid for each affordable unit required pursuant to Section 17.10.030(b) in place of constructing the affordable housing within the project. If the in-lieu fee option is designated in the recorded Participation Agreement for the project, the Participation Agreement shall create a lien on each dwelling unit or parcel in that portion of the development generating the affordable housing requirement in order to provide for payment of the in-lieu fee pursuant to this Section. ~~If the in-lieu fee option is not designated in the Participation Agreement, the project developer may subsequently exercise this option by submitting a request to the Planning Director prior to issuance of Building Permits for any portion of the project for which the affordable housing obligation will be met through payment of the in-lieu fee. The Planning Director may then approve this option pursuant to Section 17.10.030(f)(4) and upon liens being recorded on each unit to provide for payment of the in-lieu fee pursuant to this section.~~

(b) In-Lieu Calculation. The fee is keyed to the average price of the ultimate market rate units or lots developed, and is structured to provide developers with an alternative way to meet their affordable housing obligation. The amount of an affordable housing in-lieu fee shall be determined based on the following ~~Table of In-Lieu Fees~~ average sales price of the market rate dwelling units and/or parcels in a project sold to bona fide purchasers for value; according to the then current Affordable Housing Fee Schedule, shown in Section 13 of the Affordable Housing Guidelines and/or in the County's Unified Fee Schedule in effect at the time of fee payment., and the

Average Home Price		Average Lot Price		In-Lieu Fee
From	To Less Than	From	To Less Than	
	\$420,000		\$168,000	\$160,000
\$420,000	\$440,000	\$168,000	\$176,000	\$168,000
\$440,000	\$460,000	\$176,000	\$184,000	\$176,000
\$460,000	\$480,000	\$184,000	\$192,000	\$184,000
\$480,000	\$500,000	\$192,000	\$200,000	\$192,000
\$500,000	\$520,000	\$200,000	\$208,000	\$200,000
\$520,000	\$540,000	\$208,000	\$216,000	\$208,000
\$540,000	\$560,000	\$216,000	\$224,000	\$216,000
\$560,000	\$580,000	\$224,000	\$232,000	\$224,000
\$580,000	\$600,000	\$232,000	\$240,000	\$230,400
\$600,000	\$640,000	\$240,000	\$256,000	\$236,800
\$640,000	\$680,000	\$256,000	\$272,000	\$246,400
\$680,000	\$720,000	\$272,000	\$288,000	\$256,000
\$720,000	\$760,000	\$288,000	\$304,000	\$264,000
\$760,000	\$800,000	\$304,000	\$320,000	\$270,400
\$800,000	\$880,000	\$320,000	\$352,000	\$276,800
\$880,000	\$960,000	\$352,000	\$384,000	\$286,400
\$960,000	\$1,040,000	\$384,000	\$416,000	\$296,000
\$1,040,000	\$1,120,000	\$416,000	\$448,000	\$304,000
\$1,120,000	\$1,200,000	\$448,000	\$480,000	\$312,000
\$1,200,000	\$1,320,000	\$480,000	\$528,000	\$318,400
\$1,320,000	\$1,440,000	\$528,000	\$576,000	\$324,800
\$1,440,000	\$1,600,000	\$576,000	\$640,000	\$331,200
\$1,600,000	\$1,800,000	\$640,000	\$720,000	\$339,200
\$1,800,000	\$2,000,000	\$720,000	\$800,000	\$345,600
\$2,000,000		\$800,000		\$352,000

(c) Fee Payment Process. A proportionate part of the in-lieu fee shall be paid out of the sales escrow for the sale to a bona fide purchaser for value of each dwelling unit or parcel in the project for which the fee requirement was established. For example, for a five unit project with a fifteen (15) percent affordable housing requirement resulting in an obligation to provide one

affordable unit, a partial in-lieu fee shall be paid out of the sales escrow for each of the units sold in the amount of one-fifth of the in-lieu fee based on the sales price of each unit. All in-lieu fee payments shall be non-refundable once they have been received by the County.

(d) Release of Project Encumbrances. Concurrent with the partial payment of an in-lieu fee from the sale of each unit in a project, the County shall record a release of the affordable housing encumbrances imposed on that unit through the recorded Participation Agreement.

(e) ~~In-Lieu Fee~~ Measure J Trust Fund. All affordable housing in-lieu fees and accrued interest received pursuant to this Chapter shall be deposited into a separate trust fund, known as the Measure J Trust Fund, maintained by the County. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units in the County.

(f) Annual Adjustment of In-Lieu Fee. The In-Lieu Fee is determined by the Affordable Housing Fee Schedule, which shall be a part of the County's Unified Fee Schedule. At the time of the biannual review of the Affordable Housing Guidelines, Unified Fee Schedule, the in-lieu fee rates shall be reviewed. The review shall utilize the latest real estate data regarding the sales prices of lots and homes in Santa Cruz County and the current affordable unit prices. If determined to be necessary by the Board of Supervisors, the Table of In-Lieu Affordable Housing Fees Schedule shall be adjusted at that time and updated in the new Unified Fee Schedule, amended by ordinance.

(Ord. 4509, 8/25/98)

### SECTION VI

Section 17.10.037 of the Santa Cruz County Code is hereby added:

#### **17.10.037 Existing Unit Conversion Program and Measure J Trust Fund.**

(a) Existing Unit Conversion Program. As an alternative to constructing an affordable unit pursuant to Section 17.10.032, a developer of a project with an obligation for a whole unit or units of affordable housing may participate in the Existing Unit Conversion Program. This program allows developers to satisfy their inclusionary housing requirement through the purchase and sale of existing housing units as affordable units pursuant to the following requirements and the applicable sections of the Affordable Housing Guidelines:

(1) The use of this option shall be approved by the Approving Body as a part of the original development permit.

(2) Developers shall convert at least two existing units for each inclusionary unit that would otherwise be required to be built.

(3) The units shall be located in the same Planning Area as the market rate development.

(4) Recording of Declaration of Restrictions. The execution and recording of the standard Affordable Housing Declaration of Restrictions shall be required of the purchasing household as a condition of sale. The purchasers of the converted units having authority to encumber the property and any existing holders of trust deeds on the property shall sign an Affordable Housing

Program Declaration of Restrictions which subjects the affordable unit to the requirements of this Chapter and the County's Affordable Housing Guidelines, both as amended from time to time, including the specific ownership and occupancy restrictions established for the units pursuant to Section 17.10.030(d). The Declaration of Restrictions shall be permanently binding on all heirs, assigns and successors in interest of the property owner, and shall be recorded in the Official Records of Santa Cruz County.

(5) Timing of Completion. Converted units shall be made available for occupancy either prior to or concurrently with the date that the market rate units in a project are made available for occupancy, and in the same ratio as the affordable unit requirement which is applicable to the project. For example, for a project with a fifteen percent (15%) affordable housing requirement, at least two converted units shall be transferred to eligible purchasers concurrently with or prior to the final clearance of every sixth market rate unit constructed in the project until all of the converted units required by the project have been sold. For a project with twenty percent (20%) affordable housing requirement, at least two converted units shall be transferred to eligible purchasers concurrently with or prior to the final clearance of every fourth market rate unit constructed in the project until all of the converted units required by the project have been constructed. In no case shall the last market rate unit in the project receive final Building Permit inspection clearances until the last converted unit in the project has been sold to an eligible purchaser.

(b) Measure J Trust Fund. A trust fund shall be established and shall be known as the Measure J Trust Fund. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units, or for other activities which increase the affordable housing stock in the County. All fractional amounts of the affordable housing obligation and accrued interest received pursuant to this Chapter shall be deposited into a trust fund known as the Measure J Trust Fund, to be maintained by the County. The amount of the contribution to this fund from applicable development shall be the fractional amount of the inclusionary housing unit obligation as determined by Section 17.10.030(b) and shall be based on the Affordable Unit Fee Schedule, as adopted and amended by the Board of Supervisors as part of the Unified Fee Schedule.

(1) Fee Payment Process. A proportionate part of the fractional unit fee shall be paid out of the sales escrow for the sale to a bona fide purchaser for value of each market rate dwelling unit or parcel in the project for which the fee requirement was established. For example, for a five unit project with a fifteen percent affordable housing requirement resulting in an obligation to provide 0.75 affordable units, a partial fee shall be paid out of the sales escrow for each of the units sold in the amount of one-fifth of the fractional fee based on the applicable fee rate shown in Section 13 of the then current Affordable Housing Guidelines. All fractional fee payments shall be non-refundable once they have been received by the County.

(2) Release of Project Encumbrances. Concurrent with the partial payment of a fractional fee from the sale of each unit in a project, the County shall record a release of the affordable housing encumbrances imposed on that unit through the recorded Participation Agreement.

(3) Annual Adjustment of Fee Schedule. At the time of the annual update of the income and rent indices in the Affordable Housing Guidelines, the Affordable Unit Fractional Fee Schedule shall be reviewed and may be adjusted by the administering agency.



SECTION VII

Section 17.10.038 of the Santa Cruz County Code is hereby deleted:

17.10.038 Dedication of residential parcels.

~~(a) Dedication of Affordable Parcels. A legal, developable parcel within a project may be dedicated to the County for the subsequent on-site construction of affordable housing for each affordable unit required pursuant to Section 17.10.030 in place of other options for satisfying the affordable housing requirement of this Chapter. If this option is designated in the project's recorded Participation Agreement, the parcels shall be irrevocably offered for dedication to the County with the recording of the Subdivision Final Map. If this option is not selected in the recorded Participation Agreement, the dedication of parcels may be subsequently approved by the Planning Director pursuant to Section 17.10.030(f)(4) at the request of the developer and with the concurrent dedication of the subject parcels to the County and bonding for improvement and maintenance pursuant to paragraph (c) below. At any time prior to the County's acceptance of the dedicated affordable parcel(s), the developer may substitute the payment of an affordable housing in-lieu fee for one or more of the dedicated parcels upon the full payment of the applicable in-lieu fee pursuant to Section 17.10.034. If the County accepts the in-lieu fee in place of accepting the parcel dedication, the County shall release the offer of dedication.~~

~~(b) Affordable Parcel Standards. The location and size of parcels to be dedicated for affordable housing purposes shall meet the standards specified in Subsection 17.10.032(a)(1) and (2) above.~~

~~(c) Affordable Parcel Improvement. Parcels dedicated for affordable housing purposes shall be provided with full off-site and frontage improvement, utility connections, and site grading and drainage improvements adequate to accommodate the future construction of affordable housing on the site. The project developer shall protect and maintain the dedicated parcel and associated improvements in a safe and usable condition until the property is accepted by the County. The project developer shall provide bonding adequate to guarantee the improvement and maintenance of the dedicated parcels until accepted by the County, or alternatively to guarantee payment of applicable affordable housing in-lieu fees pursuant to Section 17.10.034 if the County determines that the parcels are not suitably improved and maintained for use as affordable housing sites. The project developer shall also agree to defend, indemnify and hold the County harmless from claims of liability to third parties until the dedicated parcel is accepted by the County.~~

(Ord. 4509, 8/25/98)

**SECTION VIII**

The amendments to Chapter 17.10 of the Santa Cruz County Code made effective by this ordinance shall not be applicable to any application for a residential development or land subdivision deemed complete on or before the effective date of this ordinance, and said application shall instead be subject to the provisions of Chapter 17.10 in effect on April 9, 2002.

**SECTION XI**

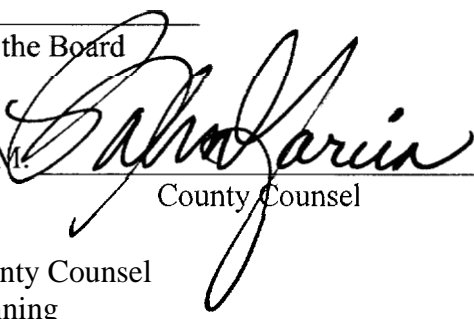
This ordinance shall take effect on the 31<sup>st</sup> day after the date of final passage.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2002, by the Board of Supervisors of the County of Santa Cruz by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

\_\_\_\_\_  
Chairperson of the Board of Supervisors

ATTESTED: \_\_\_\_\_  
Clerk of the Board

APPROVED AS TO FORM:   
\_\_\_\_\_  
County Counsel

DISTRIBUTION: County Counsel  
Planning  
CAO

# SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

2002 Edition

These Santa Cruz County Affordable Housing Guidelines are adopted by Resolution of the Santa Cruz County Board of Supervisors pursuant to County Code Chapter 17.10, Affordable Housing Requirements. These Guidelines constitute and were formerly entitled the Santa Cruz County Affordable Housing Program Income, Asset and Unit Price Guidelines from their inception as referenced in the Santa Cruz County Code, including but not limited to Chapter 17.10 and in all documents executed pursuant thereto. These Guidelines are annually revised, updated and adopted by the County to accomplish the objectives of the County's Affordable Housing Program, and establish regulations in addition to all other applicable State and County laws and regulations governing the sale or rental of residential properties. These Guidelines provide supplemental regulations and administrative guidelines for the County's Affordable Housing Program and implement the intent and specific provisions of Chapter 17.10 by providing income and asset limits for participating households, sales and rental prices for affordable units, and development and marketing standards for affordable units. Second units authorized and occupied pursuant to County Code Section 13.10.681 are also subject to portions of these Guidelines.

## 1. HOUSEHOLD INCOME LIMITS

To establish the eligibility of individuals participating in the County's Affordable Housing Program, limits are set on the amount of income households occupying the units can earn. These limits are based on median household income estimates for Santa Cruz County established by the Federal Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD). The estimated area median income for Santa Cruz County in 2002 is \$69,000 (based on a four-person household).

Four household income categories are established for the administration of affordable housing programs. "Very low income" households are defined as those with incomes equal to or less than 50% of median household income. "Lower income" households are defined as those with incomes greater than 50% and up to 80% of median household income. The upper income limit for low income households is adjusted by HUD in high-cost and high-income areas such as Santa Cruz County, so that it may not equal exactly 80% of median income every year. "Median income" households are defined as those with incomes equal to 100% of median household income. "Moderate income" households are defined as those with incomes greater than 80% and up to 120% of median household income. HUD and HCD establish household income ranges by household size for each of these four income categories, pursuant to Title 25, §6932 of the California Code of Regulations.

Table One defines the maximum annual household income limits for each income category, by household size, for Santa Cruz County affordable housing programs. The applicable income limits for larger household sizes may be obtained from the County Planning Department.

**Table One — Maximum Annual Household Income Limits for 2002**  
(Based on Santa Cruz County 2002 Area Median Income (AMI) for Household Size)

Income Category (Percent of AMI)	Number of Persons in Household							
	1	2	3	4	5	6	7	8
Very Low (50%)	\$24,150	\$27,600	\$31,050	\$34,500	\$37,250	\$40,000	\$42,800	\$45,550
Lower (80%)	\$38,350	\$43,850	\$49,300	\$54,800	\$59,200	\$63,550	\$67,950	\$72,350
Median (100%)	\$48,300	\$55,200	\$62,100	\$69,000	\$74,500	\$80,050	\$85,550	\$91,100
Moderate (120%)	\$57,950	\$66,250	\$74,500	\$82,800	\$89,400	\$96,050	\$102,650	\$109,300

Household size is defined to include all occupants of the affordable unit consisting of the principal occupant(s)

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appearing on the property lease or title, foster children, and other persons related by blood, marriage, operation of law, or other stable family relationship who reside in the unit.

At the time a household first occupies an affordable unit, the household's income shall not exceed the following annual income limits:

**(a) Rental Units:**

1. The annual income of a household renting an affordable unit, other than those designated for "very low income," shall not exceed the maximum limit for "lower income" households;
2. The annual income of a household renting an affordable unit designated for "very low income" shall not exceed the maximum limit for "very low income" households.

**(b) Owner-Occupied Units:**

1. The annual income of a household purchasing a designated "moderate income" affordable unit for owner-occupancy shall not exceed the maximum limit for "moderate income" households;
2. The annual income of a household purchasing a designated "lower income" affordable unit for owner-occupancy shall not exceed the maximum limit for "lower income" households;
3. The annual income of a household purchasing a designated "very low income" affordable unit for owner-occupancy shall not exceed the maximum limit for "very low income" households;

Occupying households shall be certified as meeting the above income limitations by the administering agency prior to a tenant occupying an affordable rental unit or prior to a purchaser taking title to an affordable unit intended to be owner-occupied. Purchasers of affordable units to be utilized as investor-owned affordable rental units are not subject to income limitations.

Where affordable housing units are developed with State or federal housing program assistance, the income limitations of the State or federal housing program shall supersede the income limitations of these Guidelines where they are more stringent.

**2. HOUSEHOLD INCOME DEFINITION**

For households renting an affordable unit, household income is defined as monetary benefits before deductions or exemptions which are anticipated to be received during the 12 months following occupancy of the unit by the occupying household. For households purchasing an affordable unit for owner-occupancy, household income is defined as monetary benefits before deductions or exemptions which are anticipated to be received during the 12 months following occupancy of the unit by the occupying household as well as by all persons who share in the ownership of the unit. Occupying household is defined to include all occupants of the affordable unit consisting of the principal occupant(s) appearing on the property lease or title, foster children, and other persons related by blood, marriage, operation of law, or other stable family relationship who reside in the unit.

**income includes, but is not limited to:**

- (a) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;
- (b) the net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);
- (c) interest and dividends (including income from assets excluded below);

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- (d) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including any lump sum payment for the delayed start of a periodic payment;
- (e) payments in lieu of earnings, such as unemployment and disability compensation and severance pay;
- (f) the maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities;
- (g) periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- (h) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and
- (i) any earned income tax credit to the extent that it exceeds income tax liability;

**The following are specifically excluded from the definition of income:**

- (a) casual, sporadic or irregular gifts;
- (b) amounts which are specifically for or in reimbursement of medical expenses;
- (c) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal losses;
- (d) amounts of educational scholarships paid directly to students or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships or payments to veterans not used for the above purposes are to be included in income;
- (e) special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (f) relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
- (g) foster child care payments;
- (h) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977;
- (i) payments to volunteers under the Domestic Volunteer Service Act of 1973;
- (j) payments received under the Alaska Native Claims Settlement Act;
- (k) income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes;
- (l) payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- (m) payments received from the Job Training Partnership Act;
- (n) income derived from the disposition of funds of the Grand River band of Ottawa Indians; and

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- (o) the first \$2,000.00 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims.

**3. HOUSEHOLD ASSET LIMITS AND FIRST TIME HOME BUYER ELIGIBILITY**

~~At the time a household first occupies an affordable unit, the household renting the affordable unit or purchasing an affordable unit intended for owner-occupancy shall not exceed the following asset limits:~~

- (a) The total assets of the household renting the affordable unit or purchasing an affordable unit intended for owner-occupancy must be less than the maximum allowable annual income for that household; or
- (b) If household assets of the household renting the affordable unit or purchasing an affordable unit intended for owner-occupancy exceed the maximum allowable annual household income, eight and one-half percent of the total assets of the household (or the actual income from these assets if this is a greater amount) shall be included in the household's annual income, and this combined amount must be less than the maximum allowable annual income for that household.

For households consisting of at least one senior citizen 62 years of age or older, the first \$60,000 of assets shall be excluded from calculation under steps (a) and/or (b) above.

- (c) Households purchasing owner-occupant units must be certified by the administering agency as a first time home buyer, in accordance with the definition of a first time homebuyer used by the Redevelopment Agency for the "Redevelopment Agency First Time Home Buyer Program," as described below:

"Eligible buyers cannot have owned residential property within the last three years (with exceptions for displaced homemakers, recently divorced individuals and owners of manufactured homes in mobile home parks)."

Occupying households shall be certified as meeting the above asset limitations by the administering agency prior to a tenant occupying an affordable rental unit or prior to a purchaser taking title to an affordable unit intended to be owner-occupied. Purchasers of affordable units to be utilized as investor-owned affordable rental units are not subject to asset limitations.

Where affordable housing units are developed with State or federal housing program assistance, the asset limitations of the State or federal housing program shall supersede the asset limitations of these Guidelines where they are more stringent.

**4. ASSET DEFINITION****Assets are defined as:**

- (a) Cash savings, including but not limited to bank accounts, credit union accounts, certificates of deposit, and money market funds;
- (b) Marketable securities, stocks, bonds and other forms of capital investment;
- (c) Inheritance and lump sum insurance payments, already received;
- (d) Settlements for personal or property damage already received;
- (e) Equity in real estate, except as stated below;
- (f) Other personal property which is readily convertible into cash;

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The following are not considered assets:

- (a) Ordinary household effects including furniture, fixtures, and personal property;
- (b) Automobiles used for personal use;
- (c) Equity in the parcel or lot on which an owner-builder unit is to be built;
- (d) Cash, securities, stocks, bonds and other forms of capital held in a tax deferred retirement plan recognized by the Federal Internal Revenue Service.

5. RENTAL PRICES

The maximum allowable rental prices for most affordable units (Measure J Rental Units and other affordable rental units) shall be set at a level affordable to lower and very low income households as provided in Table Two. Except as otherwise provided in this section, the maximum allowable rental price for an affordable unit shall be determined based on 1) a housing allowance of 30% of gross income for a household size of one person more than the number of bedroom in the affordable unit, and 2) a household income of 60% of median, except for those units which are designated for "very low income" occupancy in which case a household income of 50% of median shall be used.

The maximum allowable rental price for Second Unit rentals (those units built under Section 13.10.631 of the County Code) is the higher of either the "Lower Income Rental Unit" amount or the "Section 8 Fair Market Rent" amount. The current Section 8 rent limit is shown in the far right column of Table Two, however this limit is adjusted annually by HUD and may be changed after the publication of these guidelines. The most current Fair Market Rent limits are always listed at the Santa Cruz County Housing Authority website ([www.hacosantacruz.org](http://www.hacosantacruz.org)).

Table Two — Maximum Allowable Monthly Rental Prices

Unit Size	Lower Income Rental Units	Very Low Income Rental Units	Section 8 Fair Market Rent (Second Units only)
Studio	\$725	\$604	\$739
1 Bedroom	\$828	\$690	\$880
2 Bedroom	\$932	\$776	\$1,175
3 Bedroom	\$1,035	\$863	\$1,634
4 Bedroom	\$1,118	\$931	\$1,914

Where affordable housing units are developed with State or federal housing program assistance, the rental price requirements of the State or federal housing program shall supersede the price limitations of these Guidelines where they are more stringent.

All maximum allowable rental prices include payment for all utilities by the landlord. If tenants pay for one or more utility services, the maximum allowable rental price shall be reduced by an amount equal to the utility allowances established for the HUD Section 8 Rental Assistance Program.

The maximum allowable rental prices for affordable units and maximum income limits shall be revised annually by the Planning Department following the annual publication of HUD/HCD area median income estimates. For rental units initially occupied before August 26, 1986, rent prices shall not be increased by more than 10 percent annually.

For affordable units in congregate senior housing projects providing services beyond basic shelter, the Board of

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Supervisors shall, at the time of project approval, provide for payments beyond the allowable rental levels to account for the additional cost of providing such additional services. Unless the Board of Supervisors decides otherwise with respect to a particular congregate senior project, charges allowed for congregate care services in addition to the basic rent charge may not exceed the limits provided in Table Three, which are based on 35% of total household income for a single person, or 45% of total household income for a couple, at an income level of 60% of median.

**Table Three — Maximum Congregate Care Service Charges**

Household Size	Maximum Monthly Service Charge
1	\$845
2	\$1,242

**6. UNIT STANDARDS**

Standard quality units must be finished to allow occupancy and shall have:

(a) The minimum sizes as specified by Table Four:

**Table Four — Minimum Affordable Unit Size**

Number of Bedrooms	Senior Congregate Units	All Other Units
Studio	400 square feet	400 square feet
1	550 square feet	550 square feet
2	700 square feet	850 square feet
3	Not Applicable	1050 square feet
4	Not Applicable	1250 square feet

(b) Complete interior and exterior painting or other finished wall coverings, with five-eighths inch minimum exterior siding.

(c) Standard quality finished floor coverings.

(d) Built-in appliances if the kitchen woodwork calls for it.

(e) Washer and dryer hookups or a facility centrally located within the project.

(f) Paved parking area and sidewalk leading from parking to the unit entrance.

(g) Rain gutters and down spouts.

(h) Built in kitchen cabinets.

(i) For units with three or more bedrooms, 1-1/2 bathrooms shall be required.

The Planning Director may allow minor variations from these standards if the unit is otherwise of superior design or amenity level.

The size of the household renting or purchasing an affordable unit shall not exceed that allowed by the State



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Uniform Housing Code, or other applicable State laws based on the unit size and number of bedrooms in the unit.

**7. MAXIMUM SALES PRICE FOR NEW AFFORDABLE UNITS**

Affordable units shall be sold, on their first sale, for a price that is no more than the maximum allowable sales price set according to the formula established in this Section. The maximum allowable sales price shall be determined at the time of filing of the original "Notice of Intent to Sell" for the affordable unit by the developer.

The maximum allowable sales prices for affordable units shall be set at a level affordable to moderate, lower and very low income households based on 1) a housing allowance of 30% of the gross income of a household having one person more than the number of bedrooms in the affordable unit, and 2) a gross household income as indicated below for the designated type of affordable unit.

**Formula to Determine the Maximum Allowable Sales Price of a New Affordable Unit:**

(a) Determine the annual income for a household based on whether the unit is designated for occupancy by a moderate, lower or very low income household:

1. Determine the median household income for a household size of one person larger than the number of bedrooms in the affordable unit from Table One;
2. Multiply the median household income from Table One by:
  - 100% for an affordable unit designated for a moderate income household occupancy; or
  - 70% for an affordable unit designated for a lower income household occupancy; or
  - 50% for an affordable unit designated for a very low income household occupancy.

(b) Determine the monthly household allowance available for a mortgage payment:

1. Multiply annual income from step (a) by 0.30 to obtain an annual housing allowance of 30% of income;
2. Divide the housing allowance by 12 to obtain a monthly housing allowance;
3. Deduct 20% of the monthly housing allowance for the monthly costs of property taxes, insurance and utilities, and deduct 70% of the monthly homeowner's association fees to obtain a net allowance available for mortgage payments.

(c) Determine the maximum mortgage that can be financed:

1. Determine the prevailing interest rate for a 30-year fully amortized fixed-rate home mortgage (rate to be determined by the administering agency);
2. Determine the maximum home mortgage that can be financed at the prevailing interest rate based on a mortgage payment as determined in Step (b).

(d) Determine a maximum allowable unit sales price assuming a mortgage of 90% of sales price by dividing the maximum mortgage amount determined in step (c) by 0.9.

**8. MAXIMUM ALLOWABLE RESALE PRICE OF AFFORDABLE UNITS**

(a) Affordable units shall be sold, at the time of resale, for a price that is no more than the maximum allowable sales price established by either of the following two methods that generates the greater resale price:

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1. The maximum unit price as determined in Section 7 above at the time of receipt by the administering agency of an owner's Notice of Intent to Sell; or
  2. The maximum unit price that represents the sum of the seller's purchase price, plus the seller's non-recurring purchase closing costs, plus the increased value of the unit created by improvements that the seller has made to the unit as determined in Section 9 below.
- (b) Where an owner has made improvements to an existing affordable housing unit which results in an increase in the number of bedrooms, as evidenced by a valid Building Permit issued and receiving final inspection by the County, the maximum allowable resale price of the unit shall be based on a total bedroom count which included the additional bedroom(s) and on the method in Section 8(a) above which produces the higher resale price limit.
- (c) Where the administering agency determines that the owner through neglect, abuse or lack of adequate maintenance has created damage to an affordable unit which jeopardizes the integrity of the unit and/or the viability of maintaining the unit as part of the County's Affordable Housing Program, the agency may require that repairs be made to the unit at the owner's expense and paid for either prior to sale or out of the proceeds of escrow as follows:
1. Upon resale, an inspection of the premises may be made by the administering agency. Damage done to the premises, beyond normal wear and tear, shall be identified by the inspector, and the cost to repair the damage estimated. The owner shall then have the option, exercisable prior to the close of escrow, of either repairing the identified damage or having the cost to repair the damage deducted from the proceeds of the sale and held in escrow to be used to pay for the repairs.
  2. The owner may also be required to obtain and pay for a structural pest control report and to pay for any necessary corrective repairs. The owner shall not be obligated to perform preventative work beyond the repair of damage, but the buyer shall have the option to perform such work at his or her expense.

**9. ADJUSTMENTS TO RESALE PRICE**

The maximum resale price of an affordable unit as determined in Section 8(a)(2) above may include the increase in unit value created by improvements made to the property by the seller based on the following criteria:

- (a) The improvements shall constitute substantial structural or permanent fixed improvements which cannot be removed without substantial damage to the premises or substantial or total loss of value of said improvements.
- (b) The improvements shall not increase the resale price by more than ten percent. No improvements shall be deemed substantial unless the aggregate, actual, initial costs of the improvements to the seller exceed one percent of the purchase price paid by the seller for the premises except as provided below.
- (c) The seller's portion of the cost of improvements to the common areas of a condominium made by a mandatory assessment by the homeowners association shall be considered the same as an improvement made directly by the owner. The one percent minimum expenditure requirement shall not apply to such assessments.
- (d) The replacement of appliances, fixtures and equipment which were originally sold as part of the unit shall be deemed substantial improvements if the replacement is required by the non-operative or deteriorated nature of the original appliance, fixture, or equipment. The replacement must be of comparative value. The one percent minimum expenditure requirement shall not apply to such replacements.
- (e) No adjustment shall be made for the value of any improvements unless the owner shall present to the County valid written documentation of paid receipts from vendors for the cost of said improvements and all necessary

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permits and inspections for the improvements have been obtained.

- (f) The amount by which the sales price shall be adjusted shall be the estimated market value of the improvements when considered as additions or fixtures to the premises (i.e., the amount by which said improvements enhance the market value of the premises) at the time of sale. The administering agency shall have an estimate made by a qualified individual of its choice to establish the market value. A qualified individual shall be one who has, as a minimum, experience in residential construction. The owner may also have an appraisal made by an appraiser, of owner's choice and subject to approval of the administering agency, to establish the market value. If agreement cannot be reached, the average of the two estimates shall be termed the market price.

**10. MARKETING OF AFFORDABLE UNITS LAST SOLD PRIOR TO APRIL 5, 1984**

For affordable units which were last sold on or before April 5, 1984, and which have a recorded Declaration of Restrictions that requires that the unit be sold within a limited period of time after being placed on the market or the affordability restrictions will be released, the owner shall provide a bona fide marketing program when the unit is offered for the sale. A bona fide marketing program shall be defined to be the equivalent of the complete marketing program and full services available through a reputable real estate brokerage firm for comparable residential property, including placement on the Multiple Listing Service. This marketing effort may be provided by the owner, by a real estate brokerage or other representative selected by the owner, or by the administering agency or its designee for the County's Affordable Housing Program. In every case, this marketing program shall be fully specified and documented by the owner, and approved by the administering agency prior to the acceptance of a Notice of Intent to Sell for the unit. As an alternative to providing the above bona fide marketing program, the owner may execute and submit to the administering agency a notarized written waiver of the recorded Declaration of Restrictions' time limit for the sale of the unit.

**11. FEES**

Upon the resale or refinance of an affordable unit, the owner shall be charged a fee by the administrative agency for the preparation of new Declarations of Restrictions and Requests for Notice of Default as may be required, and for the monitoring and processing of the transactions. In addition, the administering agency may charge each prospective purchaser and renter of an affordable unit a fee for the determination of eligibility. For units marketed by the administering agency, a fee as a percent of the unit sales price shall be charged to the seller. Fee amounts for these and other fees necessary to implement the County's Affordable Housing Program shall be established by the County's Unified Fee Schedule, which is adopted by resolution of the Board of Supervisors.

**12. EXISTING UNIT CONVERSION PROGRAM GUIDELINES**

A developer of a new housing development may opt to participate in the Existing Unit Conversion Program in lieu of constructing inclusionary units if the following conditions are met:

- (a) The use of this option is approved by the Approving Body as part of the original development permit.
- (b) Two existing units must be converted to affordable unit status in lieu of constructing each affordable unit required of the project.
- (c) The units to be converted must meet the minimum physical standards for all inclusionary units as described above in Section 6: Unit Standards, as well as the following additional standards for converted units:
1. Bedroom Count. The average bedroom count of the converted units shall not be less than the average bedroom count in the market rate units in the project. Alternatives may be considered on a case by case basis, as outlined in subsection (g) below.

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2. Size. The size of converted units shall not be less than 75% of the average size of the market rate units. In no case shall an affordable unit size be less than the minimum specified by the Affordable Housing Guidelines.

The Planning Director may grant exceptions to the standards of subsections (c)1 and 2 where developers propose to provide a greater number of units or enhanced affordability, if it is infeasible to provide comparably sized units. For example, a developer building a project of 4 bedroom homes cannot locate existing 4 bedroom units to convert, so the developer proposes to substitute two 2-bedroom units (or a 3-bedroom unit and a 1-bedroom unit) for each 4-bedroom affordable unit required.

3. Physical Quality

- i. Units must meet current HUD Section 8 rent subsidy Program Housing Quality Standards (HQS) to ensure that the units and their sites are decent, safe and sanitary.
- ii. Units must have been built and permitted under the 1973 or later building and related codes. Or, units must have been substantially — bilitated, as reasonably determined by a County Redevelopment Agency (RDA) rehabilitation specialist, to meet the 1973 or later building and related codes.
- iii. Developer must deliver to the RDA a Wood Destroying Pests and Organisms Inspection Report on the unit with a follow-up SECTION I ITEM inspection and clearance.
- iv. As reasonably determined by the RDA rehabilitation specialist, the following building components must have a useful remaining life, with routine maintenance, of at least 10-years:
  - Roof coverings and roofing accessories, including but not limited to gutters and downspouts, metal flashings, jacks and caps
  - Heating system
  - Exterior doors
  - Windows
  - Floor coverings
  - Kitchen and bathroom counter tops
  - Tub and/or shower enclosures including glass doors
- v. As reasonably determined by a RDA rehabilitation specialist, the following building components must have a useful remaining life, with routine maintenance, of at least 5-years:
  - Exterior painted or stained surfaces
  - Water heaters
  - Built-in kitchen appliances

Developer must deliver to the RDA a housing inspection report, prepared by a certified housing inspector, that details the condition of the all building and site components including but not limited to: the roof and structural components; foundation and exterior paved surfaces, electrical, mechanical, heating/ventilation, and plumbing systems; windows, doors, and chimneys; paint and other moisture sealants; floor coverings; and any existing fencing, porches, railings, etc. This report must identify any hazards, health and safety code violations, or major deferred maintenance issues that may be found, or certify that no such problems were found.

The RDA rehabilitation specialist will evaluate the inspection report, personally inspect the unit and produce and deliver to the developer a list of deficiencies (if any) needing repair, renovation, alteration or reconstruction. After correcting all deficiencies, the developer shall notify the RDA rehabilitation specialist who will do a final inspection and approve the unit for inclusion in County Affordable Housing Program. The developer shall then submit a "Notice of Intent to Sell" to the administering agency for further sale processing.

- (d) The units to be converted must be located within the same Planning Area as the proposed project.

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(e) The units to be purchased must not be subject to any rent limits, resale price restrictions, or other affordable housing restrictions imposed by any government or non-profit agency or land trust at the time of purchase for use under this program. Conversion of multi-family rental property to condominium ownership will not be approved as part of the project.

(f) If the units to be converted are occupied and rented by moderate or lower income households at the time of conversion, the occupying tenants must be given the first right of-refusal to purchase the units if they meet the eligibility requirements under these Guidelines, and can obtain necessary financing within 60 days of being notified of the sale by the owner. If tenants cannot be certified as eligible to purchase or cannot obtain necessary financing, relocation benefits must be provided to the tenants by the developer as a condition of project approval. These relocation benefits shall consist of the immediate payment of three months' fair market value rent for a unit of comparable size, as established by the most current federal Department of Housing and Urban Development schedule of fair market rents, or three months of the tenant's actual rent at the time of relocation, whichever is greater.

(g) Alternative Options

The Approving Body may approve, on a case-by-case basis, the use of any other alternatives to satisfy the requirements of the Existing Unit Conversion program if the alternative proposed is deemed to be a preferable contribution to the affordable housing stock, by providing a greater number of rental units and/or an equal-number of units at a greater level of affordability. These alternatives may include, but are not limited to, a scenario like the following: A developer proposes to purchase a multi-family rental property and donate it to a local non-profit housing provider for rental to very low income households.

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13. AFFORDABLE UNIT FEE SCHEDULE

(a) Fee Schedule for Standard Projects

Inclusionary housing fractional unit fees for standard residential projects (those of 5 or more new units as defined in Section 17.10.030(a) of the County Code) shall be paid at the rates shown in the Affordable Unit Fee Schedule below. This fee schedule shall also be used for payment of fees in lieu of whole units (in addition to any applicable fractional unit requirements) for those standard residential projects that have been permitted to use the in-lieu fee alternative to constructing affordable units on site.

1. Fee Calculation. The affordable unit fee for shall be paid at the rate shown on the Affordable Unit Fee Schedule corresponding to the average sale price of the market rate units in the development, per each whole (1.0) inclusionary unit required.

To determine the total fee due for a given development, multiply the fractional and/or whole inclusionary requirement by the rate in the Schedule below that corresponds to the average sale price of the market rate units in the development. For example:

- 8 unit project constructing affordable unit, with average sale price of \$700,000:  
8 x 15% = 1.2 inclusionary units required  
Provide 1 affordable unit; pay 0.2 times applicable fee rate for \$700,000 homes
- 8 unit project using In-lieu fee alternative, with average sale price of \$800,000:  
8 x 15% = 1.2 inclusionary units require  
Pay 1.2 times applicable fee rate for \$800,000 homes

2. Payment procedure. Fractional unit fees shall be paid to the County in accordance with the procedure described in 17.10.037(b)(1). Whole unit in-lieu fees shall be paid in accordance with County Code 17.10.034(c).

Affordable Unit Fee Schedule

Average Home Price		Average Lot Price		In Lieu Fee
From	To Less Than	From	To Less Than	
	\$420,000		\$168,000	\$160,000
\$420,000	\$440,000	\$168,000	\$176,000	\$168,000
\$440,000	\$460,000	\$176,000	\$184,000	\$176,000
\$460,000	\$480,000	\$184,000	\$192,000	\$184,000
\$480,000	\$500,000	\$192,000	\$200,000	\$192,000
\$500,000	\$520,000	\$200,000	\$208,000	\$200,000
\$520,000	\$540,000	\$208,000	\$216,000	\$208,000
\$540,000	\$560,000	\$216,000	\$224,000	\$216,000
\$560,000	\$580,000	\$224,000	\$232,000	\$224,000
\$580,000	\$600,000	\$232,000	\$240,000	\$230,400
\$600,000	\$640,000	\$240,000	\$256,000	\$236,800
\$640,000	\$680,000	\$256,000	\$272,000	\$246,400
\$680,000	\$720,000	\$272,000	\$288,000	\$256,000
\$720,000	\$760,000	\$288,000	\$304,000	\$264,000
\$760,000	\$800,000	\$304,000	\$320,000	\$270,400
\$800,000	\$880,000	\$320,000	\$352,000	\$276,800
\$880,000	\$960,000	\$352,000	\$384,000	\$286,400
\$960,000	\$1,040,000	\$384,000	\$416,000	\$296,000
\$1,040,000	\$1,120,000	\$416,000	\$448,000	\$304,000
\$1,120,000	\$1,200,000	\$448,000	\$480,000	\$312,000
\$1,200,000	\$1,320,000	\$480,000	\$528,000	\$318,400
\$1,320,000	\$1,440,000	\$528,000	\$576,000	\$324,800
\$1,440,000	\$1,600,000	\$576,000	\$640,000	\$331,200
\$1,600,000	\$1,800,000	\$640,000	\$720,000	\$339,200
\$1,800,000	\$2,000,000	\$720,000	\$800,000	\$345,600
\$2,000,000		\$800,000		\$352,000

This rate shall be reviewed and may be adjusted as necessary during the update of the County's Unified Fee Schedule.

(b) Inclusionary Housing In-lieu Fee for Small Residential Projects

The Inclusionary Housing In-lieu Fee for Small Residential Projects as defined in Section 17.10.031(a) of the County Code shall be paid at a rate of **\$10,000** per new residential unit or parcel that is subject to the requirements of Section 17.10.031. Payment shall be made in accordance with the requirements of Section 17.10.031. This rate shall be reviewed and may be adjusted as necessary during the update of the County's Unified Fee Schedule.