

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
OFFICE OF HOUSING POLICY DEVELOPMENT**

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September 8, 2009

Mr. Tom Burns
Planning Director
Santa Cruz County
701 Ocean Street 4th Floor
Santa Cruz, CA 95060

Dear Mr. Burns:

RE: Review of the County of Santa Cruz County's Draft Housing Element

Thank you for submitting Santa Cruz County's draft housing element received for review on July 10, 2009. The Department is required to review draft housing elements and report the findings to the locality pursuant to Government Code Section 65585(b). A telephone conversation on August 26, 2009 with you and Ms. Sarah Neuse, County Planner, facilitated the review.

The element includes a thorough analysis of special needs populations, including identification of service providers and appropriate housing types to address the identified needs for each group. In addition, the element includes several programs to identify sites for higher density residential development, require minimum densities and encourage mixed-use infill development particularly within the County's PA, C-1 and C-2 zones. The Department commends the County for the inclusion of these policies and programs which are critical in the successful implementation of the County's regional blueprint efforts and addressing climate change objectives while supporting housing development affordable to low- and moderate-income households and workers.

While the draft element addresses many statutory requirements, revisions will be necessary to comply with State housing element law (Article 10.6 of the Government Code). In particular, the element must include a complete analysis of potential governmental constraints. The enclosed Appendix describes these and other revisions needed to comply with State housing element law.

The Department is committed to assist Santa Cruz County in addressing all statutory requirements of housing element law. If you have any questions or need additional technical assistance, please contact Jennifer Seeger, of our staff, at (916) 322-4263.

Sincerely,

A handwritten signature in cursive script that reads "Cathy E. Creswell".

Cathy E. Creswell
Deputy Director

Enclosure

APPENDIX

SANTA CRUZ COUNTY

The following changes would bring Santa Cruz County's housing element into compliance with Article 10.6 of the Government Code. Accompanying each recommended change, we cite the supporting section of the Government Code.

Housing element technical assistance information is available on the Department's website at www.hcd.ca.gov/hpd. Refer to the Division of Housing Policy Development and the section pertaining to State Housing Planning. Among other resources, the Housing Element section contains the Department's latest technical assistance tool *Building Blocks for Effective Housing Elements (Building Blocks)* available at www.hcd.ca.gov/hpd/housing_element2/index.php, the Government Code addressing State housing element law and other resources.

A. Review and Revision

Review the previous element to evaluate the appropriateness, effectiveness, and progress in implementation, and reflect the results of this review in the revised element (Section 65568 (a) and (b)).

The element does not include a complete evaluation of the previous housing element goals, policies, and programs. A thorough program-by-program review is necessary to evaluate the County's performance in addressing housing goals. As part of this analysis, the element should: 1) describe the actual results of the prior element's programs, 2) compare those results to the objectives projected or planned, and 3) based on an evaluation of any differences between what was planned versus achieved, provide a description of how the objectives and programs of the updated element incorporate changes resulting from the evaluation.

Examples of revisions necessary include, but are not limited to, the following:

Program 1.8: What were the results of the County's efforts to provide incentives to non-profit housing developers?

Program 1.14: How many second units were built or applied for in the previous planning period?

Program 3.5: Did the County amend regulations as proposed? Were any hotels/motels converted to permanent occupancy?

Programs 4.1 and 4.2: The element indicates no action was taken to establish a Housing Trust Fund or Land Bank. Will the County continue these actions into the next planning period? If so, how will the County modify program goals to ensure implementation?

Program 5.13: Did the County adopt a reasonable accommodation ordinance?

For additional information to assist in addressing this statutory requirement, please refer to the Department's *Building Blocks* website at http://www.hcd.ca.gov/hpd/housing_element2/GS_reviewandrevise.php.

B. Housing Needs, Resources, and Constraints

1. *Include an analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected needs for all income levels, including extremely low-income households (Section 65583(a)(1)).*

The element must include a quantification of existing extremely low-income (ELI) households by tenure. For your information, CHAS data indicates there were 2,038 renter and 1,625 owner households earning less than 30 percent of area median income (AMI) living in unincorporated Santa Cruz County at the time of the 2000 Census. This information should be incorporated into the element.

2. *Include an analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition (Section 65583(a)(2)).*

Overcrowding: The element should include information and analysis on overcrowded households by tenure within the unincorporated area of the County. For your information, according to Census 2000 figures, Santa Cruz County has 2,089 renter (13 percent) and 1,678 owner households (5 percent) living in overcrowded conditions. This information should be incorporated into the element.

Housing Stock Characteristics: The element uses Census data for the age of the housing stock (Figure 4.2.9) and states "neighborhoods with a prevalence of homes more than 40 years old are more to have a concentration of housing problems related to deferred maintenance." This information, however, should be supplemented by local estimates of the number of units in need of rehabilitation and replacement. The County could use information from a recent windshield survey or sampling, estimates from the local building department, knowledgeable builders/developers in the community or redevelopment agency. Additional information is available on the *Building Blocks* website at http://www.hcd.ca.gov/hpd/housing_element2/EHN_HousingStockChar.php.

3. *Include an inventory of land suitable for residential development, including vacant sites and sites having the potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites (Section 65583(a)(3)). The inventory of land suitable for residential development shall be used to identify sites that can be developed for housing within the planning period (Section 65583.2).*

Suitability and Availability of Infrastructure: The element should identify whether infrastructure is available or planned to accommodate the regional housing need – particularly to the recently rezoned Atkinson site which is identified as critical to accommodate its need for lower-income households.

Sites with Zoning for a Variety of Housing Types:

- **Emergency Shelters:** Chapter 633, Statutes of 2007 (SB 2), requires the identification of a zone where emergency shelters are permitted with sufficient capacity to accommodate at least one year-round emergency shelter without a conditional use permit (CUP) or other discretionary action. While the element includes Policy 5.4 to allow emergency shelters as a permitted use in the PF zone, it must demonstrate sufficient capacity within the zone to accommodate the need for

emergency shelters. The element should also describe the characteristics and suitability of the zone for emergency shelters. See the Department's SB 2 technical assistance memo at http://www.hcd.ca.gov/hpd/sb2_memo050708.pdf.

- **Transitional and Supportive Housing:** The element did not address this statutory requirement. Pursuant to SB 2, transitional and supportive housing must be permitted as a residential use and only subject to those restrictions that apply to other residential uses of the same type in the same zone (e.g., multifamily housing, group homes, etc.) without undue special regulatory requirements. The element should demonstrate consistency with the requirements of SB 2 or include programs as appropriate.
 - **Single Room Occupancy (SRO) Units:** The element's review and revise (Appendix, page 4-13) includes Program 2.2 to provide incentives for SROs but indicates no action was taken. The element should describe if and where SROs are explicitly allowed in the zoning code and describe typical permit processing procedures for the use and how the County encourages and facilitates SRO development.
4. *Analyze potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the types of housing identified in paragraph (1) of subdivision (c), and for persons with disabilities as identified in the analysis pursuant to paragraph (7), including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures. The analysis shall also demonstrate local efforts to remove governmental constraints that hinder the locality from meeting its share of the regional housing need in accordance with Section 65584 and from meeting the need for housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters identified pursuant to paragraph (7) (Section 65583(a)(5)).*

Land-Use Controls: The Appendix (pages 4-44 and 4-45) provides information on development standards for single- and multi-family zones. No information, however, is provided on allowable densities within each of these zones. In addition, as identified in the County's site inventory, the element should include development standards for residential and mixed-use development, including maximum allowable densities, within the PA, C-1 and C-2 zones.

The element must also demonstrate the cumulative impacts of development standards on the ability to achieve maximum densities. The element should also specifically analyze the 2-space multifamily parking requirement for one-bedroom units for its potential impact on the cost and supply of housing and discuss parking reductions available through the approval of a Parking Accommodation Plan.

Fees and Exaction: While the Appendix (pages 4-48 and 4-49) provides information on typical planning and impact fees for single- and multi-family development, it should also describe and analyze total effect or proportion of these fees and exactions on development costs.

Local Processing and Permit Procedures: The element indicates total typical processing time of approximately 18 months. The element, however, should discuss processing procedures and time for typical single- and multi-family projects, including

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type of permit, level of review, and any discretionary approval procedures or design review requirements. Specifically, the element indicates multifamily residential projects of 20 units or more require a public hearing and approval of the Board of Supervisors. This processing requirement must be further analyzed as a potential constraint and should identify any typical findings of approval and the potential impact on approval certainty, timing, and cost.

In addition, the element indicates policies to expedite the review of affordable housing projects are in place to fast track the discretionary application of affordable developments. The element should describe this process, how often it is used and any requirements for eligibility. The County could also provide additional information on its regulatory reform efforts (page 4-84) to simplify the discretionary approval process and reduce costs.

Measure J: The element must provide additional information on the implementation of Measure J to determine the County's ability to meet its RHNA for the current planning period. For example, the element indicates the Board of Supervisors adopted growth goals of 0.5 percent and allocated 258 building permits for 2009 – 67 percent of which are targeted toward urban areas of the unincorporated County. It is unclear, however, how many permits will be available over the entire planning period and whether sufficient permits can be allocated to accommodate the County's need for all income levels. The element must also include a thorough description of how permits are allocated, including timing of allocation (i.e., whether permits are allocated upon request, annually, etc.). In addition, while the element indicates affordable housing is exempt from the allocation process, it should still include more detailed information on any point system allocated to residential projects competing for an allocation including a comprehensive listing of point categories and analyze the process for impacts on cost and approval certainty – particularly for multifamily developments.

Inclusionary Housing: The draft element indicates Measure J requirements state that for housing developments of 7 units or greater, 15 percent of housing units must be made available to household of moderate-, low-, or very low-income. The element should be expanded to analyze this requirement as a potential governmental constraint; in particular it should include a more specific description and analysis of the program's implementation framework, including levels of mandated affordability, options for compliance and a description of the types of incentives the County offers to encourage and facilitate compliance with inclusionary requirements. This is particularly important given current market conditions and the cumulative impact of local regulations.

Constraints on Housing for Persons with Disabilities: The element must include a complete analysis of potential constraints on the development, maintenance, and improvement of housing for persons with disabilities. The analysis should address zoning, development standards, building codes, and approval procedures for the development of housing for persons with disabilities. Examples of standards and requirements that should be analyzed include: (1) any definitions of family in the zoning code; (2) spacing or concentration requirements; (3) where and how group homes for 6 or fewer and 7 or more are permitted; and 4) whether the County has an adopted reasonable accommodation policy or procedure for providing exception in zoning and land-use and if so, include a description of the process. Refer to the Department's memo and the *Building Blocks*' sample analysis at http://www.hcd.ca.gov/hpd/housing_element2/CON_disabilities.php.

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Codes and Enforcement: The element does not address this statutory requirement. Specifically, the element must describe the County's building and zoning code enforcement processes and procedures and analyze their impact on the maintenance and preservation of affordable housing.

5. *Analyze any special housing needs, such as those of families and person in need of emergency shelter (Section 65583(a)(7)).*

The element generally discusses the 2009 Santa Cruz County Homeless Survey and Census (page 4-46) which identified an overall homeless population of 2,265 persons; 1,536 of which are considered unsheltered. The element, however, should discuss the number of homeless individuals and families within the unincorporated County. In addition, while the element includes a listing of service providers and shelters (Appendix 4.3.4, page 4-37), it is unclear which of these facilities are located within the unincorporated County.

C. Housing Programs

1. *Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities needed to facilitate and encourage the development of a variety of types of housing for all income levels, including rental housing, factory-built housing, mobilehomes, and emergency shelters and transitional housing. Where the inventory of sites, pursuant to paragraph (3) of subdivision (a), does not identify adequate sites to accommodate the need for groups of all household income levels pursuant to Section 65584, the program shall provide for sufficient sites with zoning that permits owner-occupied and rental multifamily residential use by right, including density and development standards that could accommodate and facilitate the feasibility of housing for very low- and low-income households (Section 65583(c)(1)).*

The element should be revised as follows:

Program 3.5: What incentives will the County support and how?

Program 5.3: The program must be revised to indicate a date specific within the first year of the planning period by which the County will allow emergency shelters without a CUP or other discretionary action in the PF zone. The program must also commit to establish development standards will encourage and facilitate the use and only subject shelters to the same development and management standards that apply to other allowed uses within the identified zone

In addition, the element includes Policy 2.2 (page 4-112) to require that development only be approved at or above the minimum density unless special findings are made by the Board of Supervisors. It is unclear, however, if this is an existing policy or whether it is being proposed as an implementation action for the current planning period. Setting minimum densities can be an effective way to ensure efficient use of land and promote sustainability. If the County is considering implementing a minimum density policy, the element could include a specific date for evaluation and recommendation to the Board of Supervisors.

2. *The housing element shall contain programs which "assist in the development of adequate housing to meet the needs of extremely low-, low- and moderate-income households (Section 65583(c)(2)).*

While the element includes some programs to assist in the development of very low-, low-, and moderate-income households, pursuant to Chapter 891, Statutes of 2006 (AB 2634), existing programs should either be expanded or new programs added to specifically assist in the development of a variety of housing types to meet the housing needs of ELI households. To address this requirement, the element could revise programs to prioritize some funding for the development of housing affordable to ELI households, and/or offer financial incentives or regulatory concessions to encourage the development of housing types, such as SRO units, which address the needs of this income group.

In addition, many programs require revision to describe the County's role in implementation and provide specific timelines for completion as appropriate. Programs to be revised include, but are not limited to the following:

Program 2.2: How will the County maximize leveraging of funds?

Program 2.5: When will the County finalize its evaluation and recommend expansion of local funding sources to assist in financing of affordable housing?

Program 3.2: The implementation date for the program is listed as occurring in 2008. Has this action taken place? If so, what specifically will the County do to promote public awareness and encourage the development of second units?

Program 5.2: If the County will be applying for funding, the program should identify which programs, anticipated application dates and responsible parties. A listing of loan and grant programs funded through the passage of Proposition 1C and available on the Department's website at <http://www.hcd.ca.gov/fal/>.

Programs 5.5, 5.7 and 5.8: What specifically will the County do to encourage the development of housing to address the needs of the disabled, seniors and large families?

Program 5.11: How will the County support and encourage developers to pursue funding sources to address the housing needs of farmworkers?

3. *The housing element shall contain programs which "address, and where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing" (Section 65583(c)(3)).*

As noted in Finding B-4, the element requires a complete analysis of potential governmental constraints. Depending upon the results of that analysis, the County may need to revise or add programs and address and remove or mitigate any identified constraints.

Program 6.2: What incentives will the County offer to promote compliance with Green Building requirements?

D. Public Participation

Local governments shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the element shall describe this effort (Section 65583(c)(7)).

While the element includes a general summary of the public participation process and includes a summary of the comments received, it should demonstrate how the County has or will make a diligent effort to achieve the involvement all economic segments of the community through the adoption process. For example, the element should be revised to specifically describe the County's efforts to circulate the housing element among low- and moderate-income households and organizations that represent them and to involve such groups and persons in the development of the element. The element could also describe the level of participation at the public workshops.