



County of Santa Cruz

HOUSING ADVISORY COMMISSION

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TO: HOUSING ADVISORY COMMISSION

FROM: Patrick Heisinger, Housing Project Manager

Subject: Discussion re: Measure J bedroom/household size requirement

As you know, the County of Santa Cruz Planning Department administers the 1978 voter approved Measure J (the Program) Program. This program requires affordable housing to be incorporated into new development projects and today there are more than 500 price restricted homes located throughout the unincorporated County. These units are limited to low and moderate-income eligible purchasers and the Program requires current owners to sell or transfer their home to families/individuals who meet all criteria of the Program.

In addition to the Program's income restrictions, eligible purchasers must meet additional criteria prior to taking ownership of an affordable unit. Currently, the Program has a minimum household size requirement where the household must be of a size equal to the number of bedrooms in the unit. For example, a three-bedroom unit can only be purchased by a household comprised of three or more members.

The Problem

In today's real estate lending market, purchasers are expected to have a downpayment of 10% of the purchase price, high credit scores and substantial assets in order to qualify for a mortgage. These underwriting standards, in combination with the requirements of the Measure J program have made it difficult for current owners to sell their affordable unit due to a limited pool of qualified buyers. In some cases, Measure J owners have actively marketed their unit for 18 months and have failed to identify an eligible purchaser. In staffs discussions with these sellers, the minimum household size requirement referenced above has further reduced the pool of eligible purchasers, compounding an already difficult marketing environment. In light of current market conditions, staff is recommending adjusting this requirement to one less person than the number of bedrooms for two years to increase the pool of eligible purchasers to assist with these transactions.

In conclusion, it should be noted that staff agrees with the goal that household size should correlate to bedroom size. However, we also acknowledge that there is no benefit to having affordable units on the market for months or even years at a time. Lastly, this temporary modification would provide some smaller families with the opportunity to purchase homes more suitable to their needs.

I look forward to discussing this issue with the Commission.