

## **MEMORANDUM**

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Date: February 23, 2017  
To: Carlos Landaverry and Housing Advisory Commissioners  
From: Julie Conway, Housing Manager  
Re: Density Bonus Program

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The County's Density Bonus Program (SCCC§17.12) is one of a number of tools that produce deed restricted affordable housing. The Density Bonus Program has been around since 2006 but has received increasing attention since the State made it a by-right program in 2014. The incentive program has produced 7 units to date with a number of developers currently exploring utilizing the Bonus. Density Bonus units will not, by themselves, address the County's housing deficit, but they are part of an incremental approach to providing additional homes to relieve the County's overall housing deficit. In order to be effective however, the County must ensure that the additional entitled units are providing housing for the intended population at an affordable housing cost.

### **SUMMARY**

To be eligible for a density bonus or other incentive under the Density Bonus Program, an applicant must propose a project with at least 5% very low income, 10% low or moderate income (ownership), or a senior housing development, and must replace any affordable rental units that have existed on the site in the past five years. Based on the percentage of units provided at each income level a project can get 5-35% density bonus in the project. In addition, the project can qualify for 1-3 incentives or concessions that can reduce setbacks, increased height, increase number of stories, etc. A reduction in parking is also allowed and any parking reduction will not count as one of the concessions requested. The units in the project that are identified as very low, low or moderate will be affordable units in perpetuity. The County has not yet provided for management and administration of these affordable units. (§17.12 and the Density Bonus Guidelines are attached for further information.)

### **PROGRAM OPERATIONS**

As stated above, Santa Cruz County Code provides for a structure for the entitlement and development of density bonus units but it doesn't provide for program operations, much as 17.10 provides for basic rules of the Measure J Program and relies on the Affordable Housing Guidelines for implementation. In 2014 when the Affordable Housing Program was updated it included an update to SCCC§17.12 to bring it into compliance with State law. Density Bonus Guidelines were adopted by the Board at that time, but these Guidelines clarify the application of the code for development purposes but do not address the operation, monitoring and enforcement of the program. In order to have an effective program it is necessary to develop a program to manage units that will be added to the affordable housing stock once they are built.

Staff is proposing to develop an efficient implementation structure that will ensure the Density Bonus units are rented to qualifying households at an affordable rent, as the program requires. To do so, the Density Bonus Program can build on existing SCC Code language and the existing practices of the Planning Department for restricting use of the units, qualification of resident (owners or renters) and annual monitoring.

1. Update §17.12

It is recommended that Density Bonus Code be updated to refer to certain sections of 17.10 that define Planning Department authority to administer the program, ensure qualification of tenants and affordability of rents, and establish penalties for failing to use units for an affordable housing purpose. Staff will work with County Counsel to propose modifications to the Code and also review the Affordable Housing Participation Agreement security the performance of the unit for affordable housing purpose that complies with the Conditions of Approval.

2. Revise the Affordable Housing Guidelines

The current Affordable Housing Guidelines address the administration of the Measure J Program. Program administration questions are better addressed through Guidelines as they are relatively easier to modify from one year to the next as program needs evolve. Staff proposes that the Affordable Housing Guidelines remain the administrative document of the affordable housing program with sections that would specifically address the Measure J Program and another to address the Density Bonus Program units.

The Planning Department has a long history as Administering Agency of the Measure J Program including reviewing plans with inclusionary units, ensuring projects participate in the program by entering into and recording Affordable Housing Participation Agreements with developers, overseeing sales, refinances and rentals of Measure J units and monitoring for compliance with the program on an ongoing basis. Density Bonus units are expected to provide additional needed affordable units that will be an asset for the community. In order to benefit from the units, however, similar administrative measures are necessary. Staff proposes to develop the Density Bonus Program and return to your Commission with a proposed program for discussion and recommendation to the Board of Supervisors.

Attachment 1: SCCC §17.12

Attachment 2: Density Bonus Guidelines