

## ATTACHMENT II



**County of Santa Cruz Board of Supervisors**  
**Agenda Item Submittal**

**From:** Planning: Housing  
 (831) 454-2580

**Meeting Date:** June 12, 2018

**Recommended Action(s):**

It is recommended that the Board of Supervisors direct staff to prepare and process proposed amendments to the County Code and fee schedules that would support creation of affordable housing, including a public hearing before the Planning Commission and returning to the Board of Supervisors for a public hearing to consider:

- a) Amendment of the Density Bonus Program (SCCC Section 17.12 ) to include an Enhanced Density Bonus program that would allow up to 50% bonus units with additional affordability requirements;
- b) Amendments to Chapter 13.10 Zoning Ordinance related to development of farmworker / agricultural employee housing;
- c) Modification of fee structures to charge by square foot rather than by unit or by bedroom;
- d) Modification of mixed use regulations to allow greater percentage of project square footage to be residential for affordable housing (currently 67% only for 100% affordable projects; 50% for all other mixed use projects);
- e) Modification of Process to allow for Initiation of new R-Combining District Property Rezoning proposals; and
- f) Creation of a Permanent Supportive Housing zoning overlay district, e.g. "Permanent Room Housing (PRH)" Combining District

**Executive Summary**

The County's Housing Advisory Commission (HAC) recently hosted a public forum to discuss the housing crisis and identify near-term regulatory amendments that could be pursued with the objective of supporting creation of affordable housing. The County and HAC have received input from several community organizations, and a number of code amendments that specifically target creation of affordable housing have been identified. With additional housing staff resources becoming available in the coming few weeks, the County Planning Department is able to prepare and process the code amendments and schedule them for a public hearing before the Planning Commission. The Planning Commission's recommendation on the amendments would then be considered by the Board of Supervisors, anticipated to occur in Fall 2018.

**Background**

On March 20, 2018, in conjunction with approving the latest amendments to Chapter 17.10, the Board of Supervisors directed staff to discuss the housing crisis with the HAC and hold a public discussion to identify steps that can be taken in the near term to modify regulations to support creation of affordable housing, with an emphasis on considering an enhanced density bonus program and structuring county fees based on square footage rather than unit or bedroom count.

The major item that is already on the Planning Department's work plan for FY 18/19 is the Sustainability and Regulatory Update to the General Plan/Local Coastal Program and the County Code. That effort has been on pause for quite some time as other work efforts took precedence and as staffing recruitments to fill vacant positions were carried out. Three new planners are starting work this spring and two new vacancies will hopefully be filled within the next 2-3 months. Additionally, an additional staff person has recently been added to the Housing Section and that position will be starting work within the next few weeks.

Certain housing-related items, such as revisions to the RM Multifamily Residential zoning district, must remain with the large Sustainability/Code Modernization package, in order to comply with the California Environmental Quality Act and not "segment" a project. However, certain other changes to regulations, which would have the specific project objective of supporting creation of affordable housing (rather than modernization and amendments of zoning districts), can be pursued now.

### Analysis

At its March 20<sup>th</sup> meeting the Board of Supervisors called out two specific near term strategies --an enhanced density bonus program and structuring county fees based on square footage rather than unit or bedroom count. A review of recent housing activities was included in the discussion with the HAC (see Attachment 1), along with thoughts on these strategies along with four other potential actions. These activities represent a near term affordable housing work program. Policies and ordinance amendments will be developed and reviewed by the Planning Commission, the Housing Advisory Commission and will return to the Board of Supervisors for approval. The following activities have been identified:

- A. Enhanced Density Bonus program (e.g. rather than up to 35% allow for up to 50% bonus);
- B. Amendments related to farmworker/agricultural employee housing and other efforts to further farmworker housing;
- C. Modified process for initiation of new R-Combining District (RM-2-R) Property Rezoning;
- D. Creation of a Permanent Supportive Housing zoning overlay district, e.g. "Permanent Room Housing (PRH)" Combining District
- E. Modify fee structures to charge by square foot rather than by unit or by bedroom;
- F. Modify mixed use regulations to allow greater percentage of project square footage to be residential for affordable housing (currently 67% only for 100% affordable projects; 50% for all other mixed-use projects)

Some additional discussion of the above ideas is provided below.

- A. Enhanced Density Bonus - The County Code was updated in 2015 to comply with State Density Bonus Law to allow up to 35% density bonus, this provision has been increasingly considered by developers and projects are being submitted that invoke it. It has been suggested that the County consider enhancing its density bonus to allow for up to 50% additional units to apply to all types of housing projects, in exchange for affordability restrictions.
- B. Agricultural Employee Housing - The County has participated actively in the recent Farmworker Housing Study of the Salinas and Pajaro Valleys. The study

includes recommendations for regulatory reform and site identification that have potential for creating farmworker housing. A Working Group is forming as a result of the study that will include City of Watsonville and County staff as well as farmers and landowners interested in developing housing for agricultural workers. The study identifies a need to produce 5,300 units of permanent, affordable farmworker housing units over the next five years to stabilize the agriculture workforce in the region, of which 1,325 should be in the Pajaro Valley.

In the near term, updates to the Agricultural Zoning Districts and ag employee housing provisions have been part of the Code Modernization / Sustainability General Plan Update project for which an Environmental Impact Report will be prepared. Rather than wait for the comprehensive Code Modernization effort, staff believes that since the farmworker/ag employee housing code amendments would relate to the specific stated objective of supporting affordable housing, that the amendments could be processed as part of a "near term" package of code changes. The proposed updates to the Agricultural Zoning Districts and ag employee housing provisions were initially reviewed by the Board of Supervisors on May 19, 2015.

C. Modified Process for Initiation of new R-Combining District (RM-2-R) Property Rezoning -The R-Combining District establishes a "by right" density of 20 units per acre, and in 2008/2009 the Board of Supervisors rezoned five sites in order to comply with a Settlement Agreement and enable the Housing Element to be certified by the State (an additional site located in the coastal zone was initially proposed for rezoning, but withdrawn due to Coastal Commission staff concerns about policy consistency). The initial approach to the R-Combining sites was that only the Board could initiate the R-Combining rezonings and only those five sites were eligible. At this time, only the "Erlach/Cunnison Lane", the "Protiva/Soquel Ave frontage road" and the unbuilt portion of the "Atkinson" site remain undeveloped.

The 2015 Housing Element contains Policy 1.2, which states that: "Property zoned RM-2-R (Multi-family residential, 20 DU/acre, also known as the R-Combining District) shall only be rezoned if substitute property is concurrently rezoned from lower density to at least 20 DU/acre, or a mixed-use project that would supply the same number of rental dwelling units is concurrently approved." The 2015 Housing Element, therefore, added the flexibility that other sites that the original five could be considered for rezoning to R-Combining. Also in 2015, the zoning ordinance was amended such that Section 13.10.476 no longer restricts that zoning to the original five parcels. It no longer states that only the Board can initiate those rezoning proposals, although it does provide that "The Regional Housing Need R Combining District shall only be applied to those parcels designated by the Board of Supervisors", and Section 13.10.477(A) Site Selection Criteria states: "For sites to be designated under the Regional Housing Need R Combining District, the site must be approved by the Board of Supervisors based on the County's housing needs."

It would be helpful to adopt a code amendment to clarify and streamline the process through which new or substitute R-Combining sites could be proposed

and studied. Section 13.10.215(B) of the zoning ordinance addresses the ways that amendments can be initiated ("initiated" means proposed for study, processing and future action after environmental review and public hearings etc.):

*(B) Amendment Initiation. Amendment to the zoning plan or map may be initiated by a resolution of intention adopted by the Board of Supervisors upon its own motion or upon the recommendation of the Planning Commission, or an application by a property owner or other interested party having the owner's authorization.*

Due to the high profile and high-risk nature of these types of rezoning applications, it would greatly assist property owners/applicants to be able to have either the Planning Commission or the Board of Supervisors either initiate or "concur with initiation" of a new or substitute R-Combining site. This would allow for some level of public awareness of a possible application, and some acknowledgement by the County that a site is appropriate for study and processing. No decisions would be made at the time of "initiating", other than to trigger the filing and processing of an application for compliance review, environmental review, public hearings and future action.

D. Permanent Supportive Housing - There is an existing Program 4.5 in the current Housing Element that states: "Explore regulatory options for recognizing and legalizing hotels/motels that have over time been converted to permanent occupancy". These types of properties, when not used for visitor accommodations due to their outdated and small configurations, have essentially turned into Single Room Occupancy (SRO) properties with non-transient tenants. These types of properties can serve an important role in supplying units that can be used for permanent supporting housing and meet other housing needs for small units. However, properties used in this manner in the unincorporated area are currently an illegal non-conforming use. A similar circumstance occurs when nursing or congregate care homes cease operating, as occurred recently with the Cresthaven property on 17<sup>th</sup> Avenue. Creating a regulatory pathway for these types of properties to be used as permanent supportive and/or affordable housing would offer the potential to provide much-needed housing in these configurations.

A method of accommodating such properties in a legal manner could be to create a Permanent Room Housing (PRH) Combining District. Through such a tool, older converted hotel/motel or nursing/congregate care properties could apply to be rezoned to the PRH Combining District and obtain a Development Permit to become legal or shift to a permanent housing use. The PRH would be applied to single properties on a case-by-case basis. The City of Santa Cruz has such a zoning tool, and a good example of the type of project that it can be used for is Nuevo Sol, a permanent supportive housing project that substantially rehabilitated an old 12-unit motel property into 12 units. As most of these properties are located on commercial parcels, the PRH combining district approach would be necessary because the properties would not be a "mixed use" development but would usually be entirely residential.

E. Modify fee structures to charge by square foot rather than by unit or by bedroom-

- The County undertook a process of analyzing fees as they apply to ADU's and in many cases revised the fee schedule to take different approaches, including applying certain fees per square foot. The Board of Supervisors has asked the Planning Department to do a similar review of fees for other housing types.

- F. Modify mixed use regulations to allow greater percentage of project square footage to be residential for affordable housing (currently 67% only for 100% affordable projects; 50% for all other mixed-use projects)- Currently, the General Plan requires that mixed use projects devote the same square footage to residential and commercial uses. 100% affordable projects can include 67% for housing. Considering the current need for housing and the attractiveness of residential projects for lenders, staff recommends considering increasing the ratio of housing to commercial space.

**Submitted by:**

Kathleen Molloy, Planning Director

**Recommended by:**

Carlos J. Palacios, County Administrative Officer

**Attachments:**

- a Attachment 1\_ Housing Activities



### Summary of Housing Activities 2007-2018

The past ten years have seen significant accomplishments related to affordable housing activities by the County of Santa Cruz, with key activities and projects summarized below:

2007/2009	R-Combining District Created and Sites Rezoned to 20 unit/acre "by right" density	
2008/2009	Reconstruction of Pleasant Acres Mobile Home Park and Pacific Family Mobile Home Park	
2010	Housing Element Certified by State	
2011/2012	RDA Dissolution Process; over \$40 Million of Housing Funds committed to projects and activities and successfully retained all RDA affordable housing monies locally	
2011 to now	Affordable Housing Projects Assisted / Completed (311 units):	
	Minto/Schapiro Knolls	88 rental units
	Aptos Blue	40 rental units
	Canterbury	19 owner units
	Atkinson/Pippin	26 rental units (and +20 in Watsonville)
	Rodriguez/Habitat	7 owner units
	St. Stephens	40 rental units (seniors)
	Lotus Apartments	12 rental units (supportive housing)
	Harper St/Habitat	12 owner units ( <i>Proposed</i> )
	17 <sup>th</sup> /Capitola Rd/MidPen	66 rental units ( <i>Proposed</i> )
2010 to now	Over \$14 Million in Grants obtained from State and administered for affordable housing assistance activities, including for off-site infrastructure, first-time homebuyer loans, tenant-based rental assistance, housing rehabilitation and manufactured home replacement; as well as for public facilities such as Dientes facility expansion, Davenport water and water treatment projects, infrastructure improvements in support of affordable housing at Minto and Green Valley Roads; and for public services to low income families and seniors (e.g. Second Harvest food bank, Dientes dental services, and also homeless case management).	
2009 to now	Homeless Action Partnership support which included increasing Annual Pro rata Need amount from \$1.66 Million to \$2.66 Million, implementing Emergency Solutions Grants of about \$1 Million per year and successfully competing for the the \$2.3 Million Youth Homeless Demonstration Project. In addition, oversaw the <i>All-In</i> Strategic Plan and initiated the <i>All-In</i> Landlord Partnership.	
2011 to now	RDA funding for housing activities including homeless prevention activities, affordable housing preservation, Homebuyer Education, predevelopment loans for projects proposed for Harper Street and 17 <sup>th</sup> and Capitola Road, studies in support of affordable housing including housing program analysis, farmworker housing, the County ADU program, and a contribution to the Monterey Bay Housing Trust.	

## Attachment 1

2011-2013	Vacation Rental regulations established and further amendments, to cap overall percentages of units by "designated areas" and by block that can be used as VRs
2015	Amendments to County Code Chapter 17.10 Affordable Housing Requirements, including updating Density Bonus regulations, and establishing Affordable Housing Impact Fee (AHIF) based on "all new development pays" - including non-residential development and all new housing units
2015-2016	Housing Element Update Certified by State
2017-2018	Farmworker housing policy analysis, housing needs study and initiation of workgroup to create additional housing opportunities for farm workers
201-2018	Substantial Regulatory Amendments, in two phases, for Accessory Dwelling Units. Also established ADU Forgivable Loan Program, and completed guidance tools for the public: "ADU Basics", "ADU Design Guide", "ADU Cost and Financing Guide", and interactive tools such as a construction cost estimator and a fee estimator.
2018	Minor amendments to Chapter 17.10 Affordable Housing Regulations and update of AHIF fee rates, including expansion to residential additions of more than 500 sf.