COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

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KATHLEEN MOLLOY PREVISICH, PLANNING DIRECTOR

April 1, 2015

AGENDA DATE: April 8, 2015
Agenda Item #: 7
Time: after 9:00 a.m.

Planning Commission
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: STUDY SESSION ON THE COUNTY HOUSING ELEMENT UPDATE

Commissioners:

The adopted County of Santa Cruz General Plan contains the seven "elements", or chapters, that are required by State law: Land Use, Circulation, Housing, Conservation, Open Space, Public Safety and Noise; as well as two additional elements that are not mandated: Parks, Recreation and Public Facilities, and Community Design. Of those, only the Housing Element is required by State law to be updated on an established time line. The other elements must continue to adequately reflect community conditions, goals and policies, and the entire General Plan must remain internally consistent as amendments occur, but there is no mandated timeline for updates to the elements or for any comprehensive General Plan update.

The schedule for producing Housing Element updates has periodically been adjusted by the State over the years, but has now settled into an eight-year update cycle which is designed to coincide with the Association of Monterey Bay Government's (AMBAG's) preparation of the Metropolitan Transportation Plan (MTP) and regional Sustainable Communities Strategy (SCS). The County's current Housing Element was completed in 2009 and approved by the Department of Housing and Community Development (HCD) in May of 2010.

The purpose of this letter is to outline a proposed timeline for completing the Housing Element update and to provide background on the requirements of the process. The update must be completed and submitted to HCD for certification by December 31, 2015. Although the Element will establish policies for 2016 through 2023, it will address the Regional Housing Needs Allocation (RHNA) for the 10-year period from January 1, 2014 through December 31, 2023.

Required Content of Housing Element

State law requires Housing Elements to include the following components:

- An assessment of housing needs, and an inventory of resources and constraints relevant to ability to meet those needs;

- A statement of the community's goals, quantified objectives, and policies relevant to the maintenance, improvement and development of housing;

- An identification of methods to meet the need for emergency shelters; and

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- A program that sets forth a schedule of actions that the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the Housing Element, such as:
  - o assistance in developing adequate housing that meets the needs of extremely low, very low, low- and moderate-income households;
  - o addressing governmental constraints to housing maintenance, improvement and development;
  - o conserving and improving the condition of existing affordable housing stock; and
  - o promoting housing opportunities for all persons.

An important factor that will be addressed throughout the Housing Element is demonstrating the ability to accommodate the County's Regional Housing Needs Allocation (RHNA). State law establishes a process wherein AMBAG prepares a Regional Housing Needs Allocation Plan covering all jurisdictions in the region ("Regional Housing Needs Allocation Plan: 2014-2023", AMBAG, adopted June 2014) for approval by HCD. The Plan specifies the number of housing units in each income category (very low, low, moderate and above moderate) that the County must plan to accommodate in the unincorporated area. A portion of the very low allocation must address extremely low income households. The County's overall RHNA number for the coming planning period is 1,314 units, which is slightly larger than the 1,289 goal for the current Housing Element cycle. The Housing Element must demonstrate that adequate sites are available to meet the RHNA for each income level, as follows:

HOUSEHOLD INCOME	NUMBER OF UNITS
Very Low Income	317
Low Income	207
Moderate Income	239
Above Moderate Income	551

NOTE: The above RHNA numbers reflect an average annual production of 131 housing units per year over the 10-year timeframe. The regional Sustainable Community Strategy (SCS) adopted by AMBAG in June 2014 forecasts a need to produce an average of 215 housing units per year over the 25-year timeframe of the SCS. These rates are within range of the overall average production in the County since the adoption of Measure J growth management provisions in 1979.

Preparing the Housing Element

With this update cycle HCD has instituted a streamlined process that may be used for preparation, review and approval of Housing Elements. HCD will focus only on the portions of the Housing Element and accompanying analyses that are different from the previous version. Staff will therefore focus on updating supporting data as necessary using the 2010 decennial census, updating the inventory of existing housing supply, updating inventory of sites available to meet identified goals, identifying affordable units at risk of being lost, and reporting on changes in the overall housing situation that have occurred since 2010. A key effort will be reviewing the policies and programs in the Housing Element for status, gaps, and continuing relevance, and preparing a revised "Objectives, Goals, Policies and Programs" section, once again focusing on changes that have occurred since certification of the last Element in 2010.

Indications at this time are that the County will be able to demonstrate adequate inventory of sites and housing to meet the RHNA through existing policies and programs, updating policies and programs to encourage second units (ADUs), and developing new programs to encourage more affordable types of housing, such as residences in mixed use buildings. There is also property available that is currently zoned for 20 units per acre that has not yet been developed with housing,

for which the County will receive "credit". Significant new programs, such as re-zoning programs that were necessary in the past, are not expected to be part of this update cycle.

Proposed Schedule

A draft Housing Element must be submitted to HCD in September of 2015 in order to accommodate HCD's 60 day review and comment period on the draft, with the final Element to be submitted to HCD for certification no later than December 31, 2015. To meet these dates we expect to adhere closely to the following timeline:

January 2015:	Kick off staff presentation to the Housing Advisory Commission (completed)
March 2015:	Three initial public workshops, hosted by the Housing Advisory Commission (completed)
April – August 2015:	Staff work period. Special outreach to stakeholders as needed.
August, 2015:	Draft of updated Housing Element considered by the Housing Advisory Commission, Planning Commission and Board of Supervisors. Begin CEQA review.
September, 2015:	Draft of updated Housing Element submitted to HCD for 60 day review.
November, 2015:	Receive and incorporate feedback from HCD, bring final draft to Housing Advisory Commission, and to Planning Commission at a public hearing, for recommendations
December, 2015:	Board public hearing(s) to consider the final updated Housing Element and to adopt the Housing Element and authorize submission to HCD for certification.

Conclusion/Recommendation

The process and timeline outlined in this letter address both the need to prepare the Housing Element update in a timely manner and the requirements to meet the County's fair share of housing availability. Staff has reviewed the schedule and approach with the Housing Advisory Commission.

It is therefore RECOMMENDED that your Commission accept and file this report.

Sincerely,

Kathy M. Previsich
Planning Director

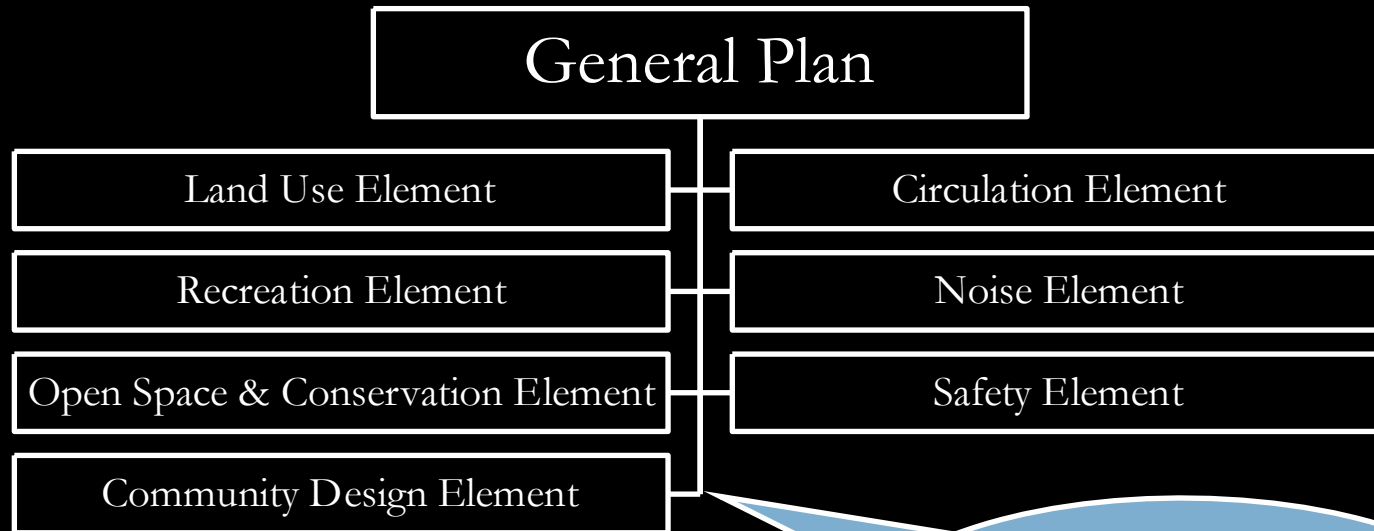# Santa Cruz County Housing Element
Public Meeting & Workshop

Prepared by the Santa Cruz County Planning Department

March 2015

County of Santa Cruz Housing Element Presentation

- What is the Housing Element?

- Recap since last Housing Element

- Housing challenges in Santa Cruz County

- Proposed goals for Housing Element update
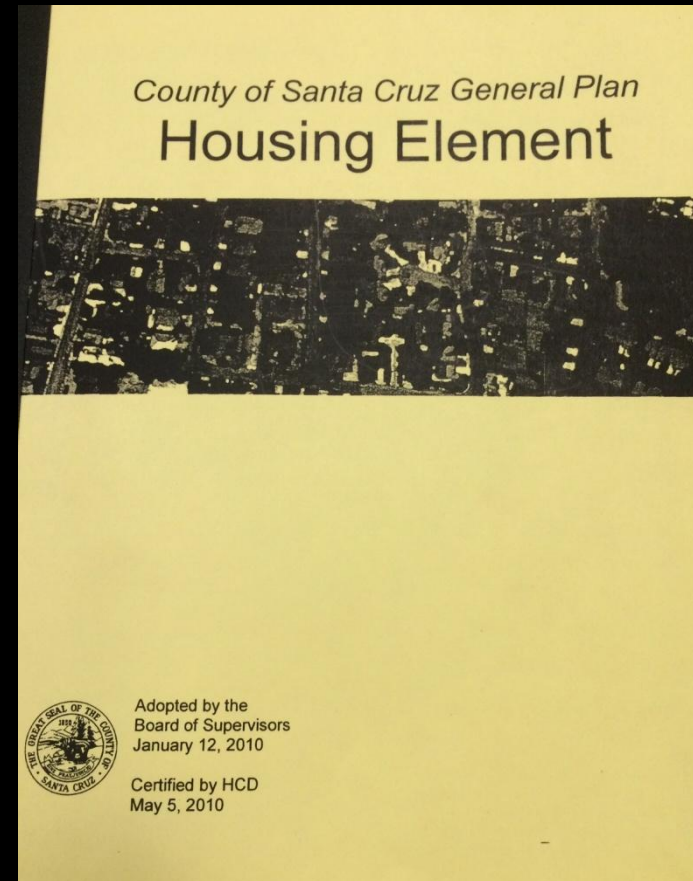
- Public process timeline

- Discussion

What is the Housing Element?

General Plan

Land Use Element | Circulation Element

Recreation Element | Noise Element

Open Space & Conservation Element | Safety Element

Community Design Element

Housing Element

What is the Housing Element?

- Guides Housing Policies & Programs

- Update required every 7 years

- Update focuses on changes since last element was approved

County of Santa Cruz General Plan
Housing Element

Adopted by the
Board of Supervisors
January 12, 2010

Certified by HCD
May 5, 2010

Changes since 2009

- Lost RDA funding - $8 Million/year
- Fewer foreclosures, economy recovering
- Home sales and rental prices largely recovered, but wages not keeping pace

Achievements

- Housing in process or completed: Schapiro Knolls, Aptos Blue, Pippin Apartments, St. Stephens, Canterbury townhomes, Lotus Apartments, Los Esteros.

- New Affordable Housing regulations: more types of development contribute to affordable housing fee, and disincentives for rental housing and multi-family removed.

- Key County policy initiatives completed – Economic Vitality Strategy, Sustainable Santa Cruz County, Climate Action Strategy

Making Connections:
Economic Vitality Strategy

- Workforce housing is identified as key to economic success for the County. Recommendations include:
  - Review Affordable Housing guidelines
  - Program for Successor Agency Housing Reuse Funds (post-RDA)
  - Partner with Housing Authority and non-profit housing developers.
  - Consider high-density overlay zoning for small units
  - Incentivize second units and small rental units

Making Connections:
Sustainable Santa Cruz County and Climate Action Strategy

- These plans suggest tools to support and encourage infill development

- Recommend compact housing choices

- Prioritize neighborhood integrity and the environment

- Recognize the connection between housing choices, employment options, commutes, and the natural environment – Environment, Equity, and Economy

What is the Housing Element?
Regional Housing Need Allocation

RHNA for 2016 - 2023:

Extremely Low (10%)	131
Very Low (14%)	186
Low (16%)	207
Moderate (18%)	239
Above Moderate (42%)	551
TOTAL	1,314

Income Categories

Income limits, 4 person household

Extremely Low (30% AMI)	$30,250
Very Low (50% AMI)	$50,400
Low (80% AMI)	$80,650
Median (100%)	$87,000
Moderate (120% AMI)	$104,400

Housing Challenges
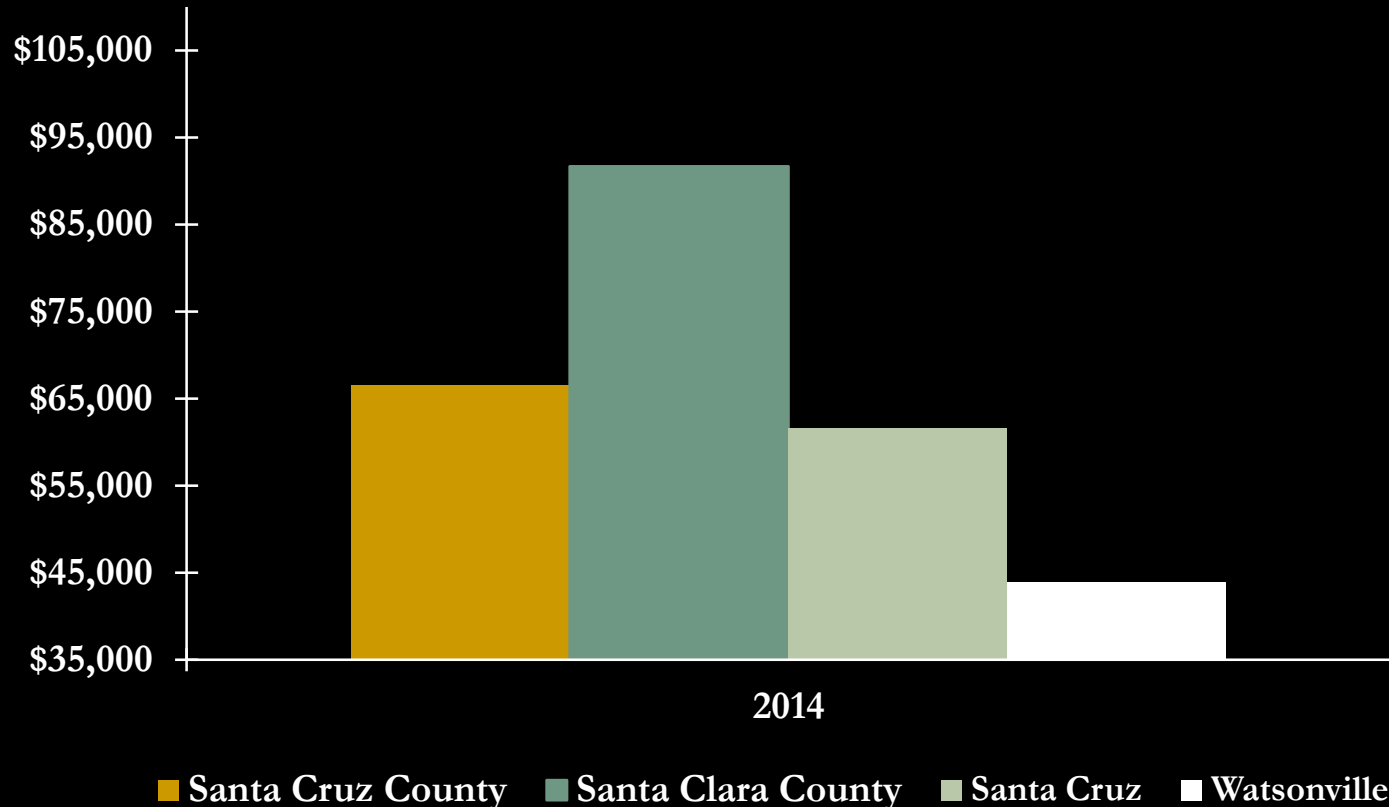# Housing Rented vs. Owned
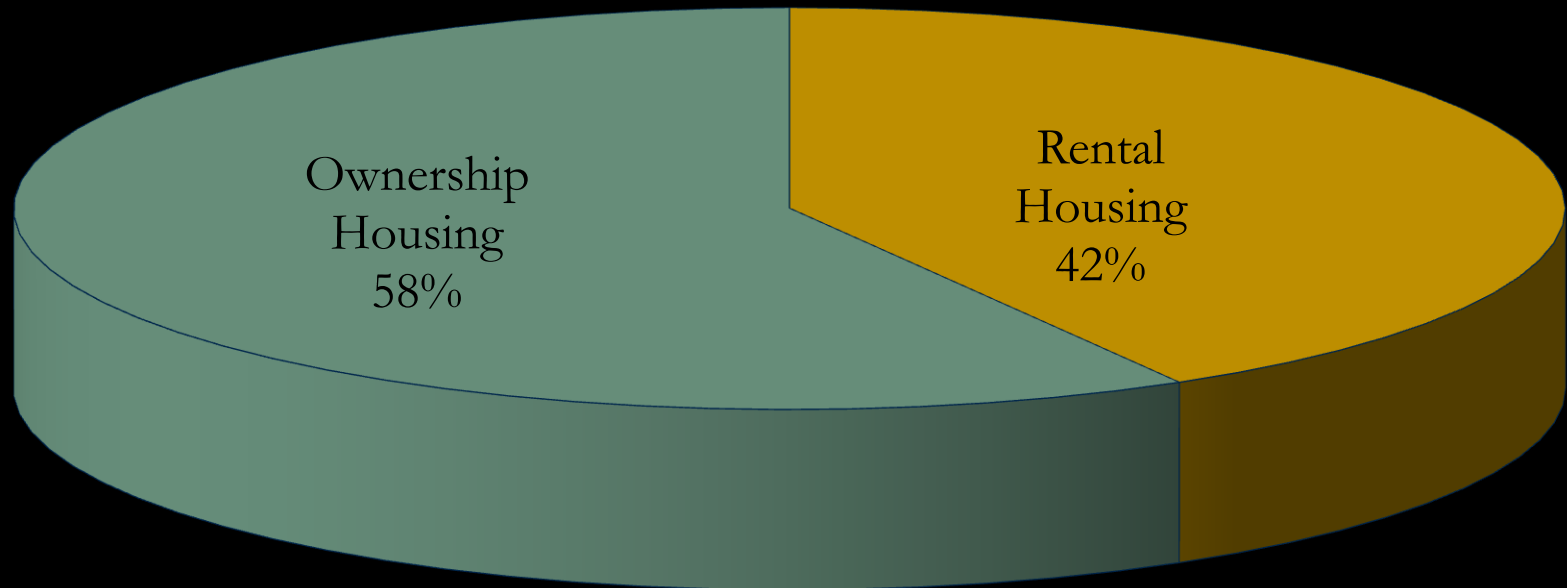
Housing Challenges
Type of Housing Available
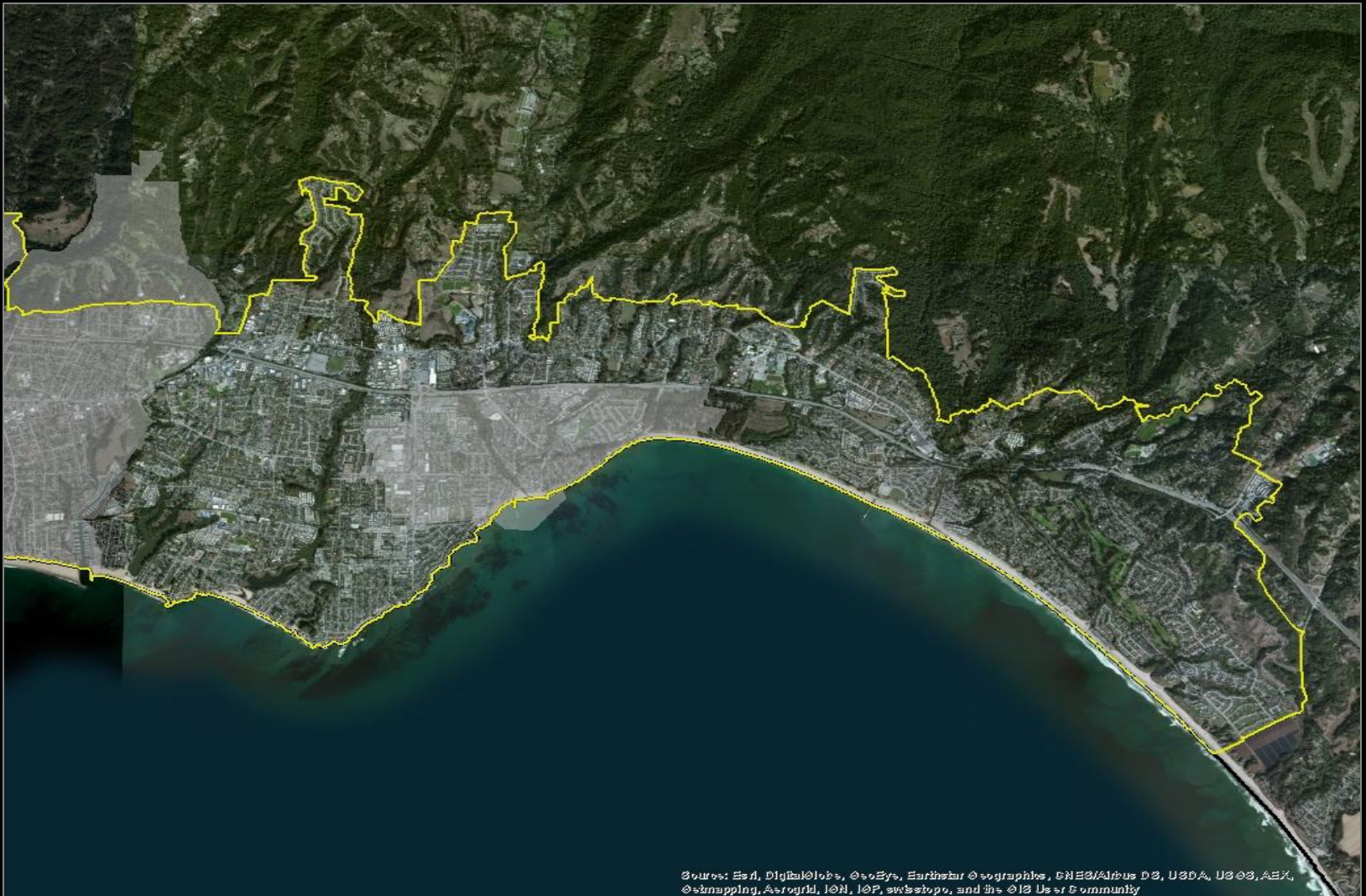
104,476 housing units in Santa Cruz County
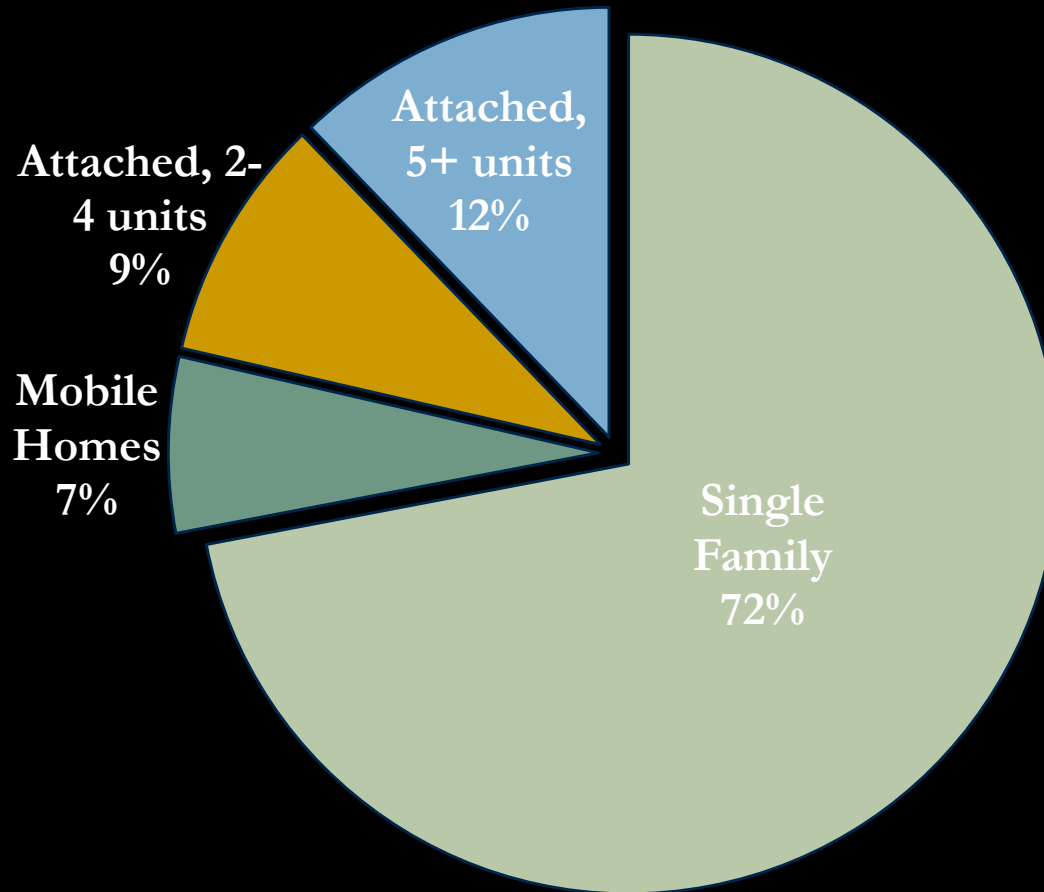
Pie chart: Type of Housing Available
- Attached, 5+ units 12%
- Attached, 2-4 units 9%
- Mobile Homes 7%
- Single Family 72%

Housing Challenges
Limited Urban Land

Housing Challenges
Natural Resource Constraints

Housing Challenges
Influences on Affordability

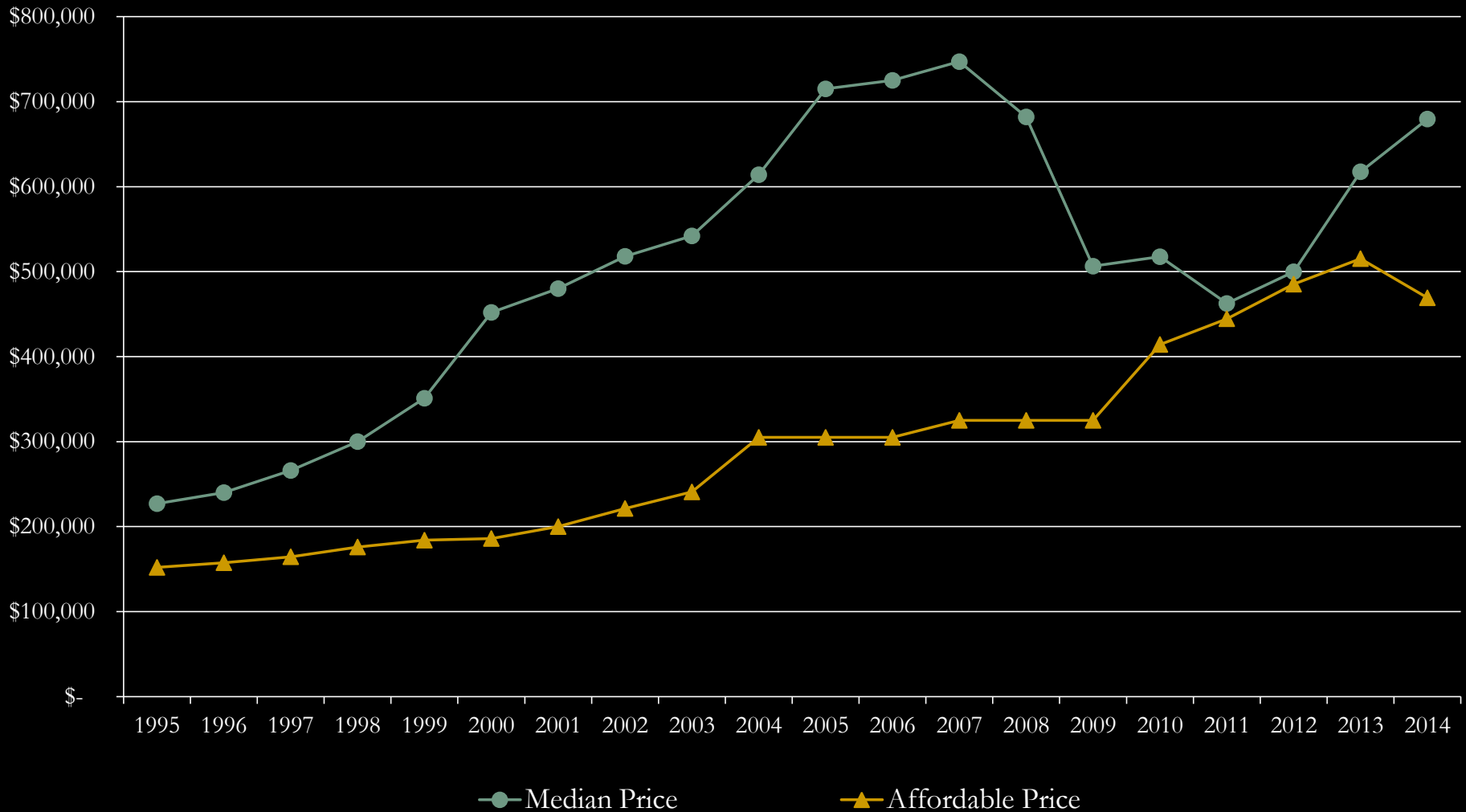Financing Requirements

Desirable Setting

Jobs : Housing Imbalance

Macro Economy

Natural Resources

Constrained Geography/ Limited Land

Housing Mix

Housing Challenges
Affordability Gap

- Maximum Home purchase price for Santa Cruz County household earning median income:

  $514,000

- Median Santa Cruz County Home Price (Jan 2015):

  $665,000

- Affordability Gap:

  $151,000

Down Payment Required in Today's Market: **$133,000**

Housing Challenges
Affordability Gap

LARGE FAMILIES

SENIORS

Challenges Extreme for Special Populations

DISABLED

HOMELESS

FARMWORKERS

Highlights: Current Programs

- Measure J
  - Construction of new units, maintaining affordability of existing units
- Mobile Home Assistance
- 1st time Home Buyer
- Homeless Services

County Initiatives
Inventory of Affordable Units

Total Affordable Units in Santa Cruz County: 2,189

Rental: 1,421

Ownership: 768

Seniors: 359

Farm Worker: 203

Homeless & Disabled: 100

Large Families: 197

General: 1,525

Proposed Goals for Housing Element Update

1. Ensure land is available to accommodate an increased range of housing choices.

2. Encourage and assist in the development of housing.

3. Remove unnecessary governmental constraints.

4. Preserve and improve existing housing units and expand affordability within the existing housing stock.

5. Promote equal opportunity and production of special needs housing units.

6. Promote energy efficiency in existing and new residential structures.

Possible New Policies/Programs

- Focus on widening the variety of housing options, especially smaller units and rental housing.
    - Serve the 3 S's: Seniors, Singles, Students
    - Promote Second Units
- Create new zoning districts to promote "affordability by design", such as Mixed Use zoning or overlay
- Incentivize new rental projects
- Continue permit process streamlining efforts.

Tools to Foster Greater Diversity in Housing Options

▪ New zonings and zoning overlays to promote mixed use, smaller single family lots, multi family and smaller units

▪Review site standards and parking requirements

▪ Review standards for accessory dwelling units ("second units")

Next Steps

- Community input

- Draft Housing Element update to HAC, PC, Board of Supervisors   (August)

- Draft to State Housing and Community Development Dept.   (September-October)

- Environmental Review   (September-October)

- Final to Board and HCD (December 2015)