



# COUNTY OF SANTA CRUZ

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## PLANNING DEPARTMENT

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**KATHY MOLLOY, PLANNING DIRECTOR**

September 24, 2018

**AGENDA DATE: October 24, 2018**

Agenda Item #9

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

### **SUBJECT: PUBLIC HEARING TO ESTABLISH THE YEAR 2019 GROWTH GOAL**

#### **Recommended Action(s):**

- 1) Conduct a public hearing to establish the Year 2019 Growth Goal;
- 2) Adopt the attached Resolution (Exhibit A) recommending a Year 2019 Growth Goal of 0.5% for the unincorporated portion of the County; and
- 3) Recommend the filing of the CEQA Notice of Exemption (Exhibit C) with the Clerk of the Board.

#### **Executive Summary**

The Santa Cruz County Code requires the Board of Supervisors to establish an annual growth goal each year for the upcoming year. An annual Growth Goal Report is prepared for initial consideration by the Board in September and subsequent referral to the Planning Commission. The report includes information on population trends and potential impacts of growth on resources, services and housing. Following recommendation by the Planning Commission, the matter is returned to the Board for final action.

The Year 2019 Growth Goal Report recommends a 0.5% population growth rate for 2019, which translates to 256 residential building permit allocations. Including unused allocations from 2018, projected to total 208, an estimated total of 464 allocations would be available in 2019. Also included with this memorandum is a status report on the 2018 residential building permit allocations.

#### **Background**

Santa Cruz County Code (SCCC) sections 12.02, 17.01, and 17.04 set out a growth management system that implements Measure J, the Growth Management Initiative that was approved by County voters in 1978. The growth management system requires the Board of Supervisors to establish an annual population growth goal of an amount that represents Santa Cruz County's fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of "allocations" to be granted to residential building permits in the unincorporated area for the coming year. The SCCC also requires an annual report which examines population trends, the potential impact of growth on resources, services, and housing, and other factors used in establishing the

annual growth goal and other growth management policies. The Year 2019 Growth Goal Report is included as Exhibit B.

## **Analysis**

### **Population Trends**

The State Department of Finance (DOF) estimates that during 2017 the County's unincorporated population increased at an annual rate of 0.07%. This rate is down from 0.29% in 2016 and continues the trend of decreasing population growth rates in recent years. By comparison, the County as a whole grew at an annual rate of 0.13% in 2017, similarly down from the previous year's rate of 0.28%. The state grew at 0.78% in 2017, compared to 0.82% in 2016.

Overall population growth in the state is lower due to a combination of factors including increased migration to other states and reduced birth rate. The decrease in population growth in the unincorporated County is consistent with the state-wide trend, though the unincorporated area growth rate of 0.07% in 2017 was substantially lower than the state rate of 0.78%, and also much lower than the growth rate of 0.5% that has been adopted by the Board every year since 2001.

### **Potential Impacts from Population Growth**

The growth management system was instituted to address resource and public services impacts of growth in the County. The most significant impact on resources continues to be the potential and actual water supply shortfall. As discussed in Section IV of the attached report, water agencies countywide are addressing this concern, including the water districts and groundwater agencies for the Santa Margarita, Mid-County and Pajaro Valley groundwater basins. Urban service impacts of existing and new development are also being addressed by a number of County initiatives to plan, finance, and construct capital improvements.

### **Affordable Housing Goals**

SCCC section 17.01.030 includes the policy that at least 15% of new housing units that are constructed each year be affordable to moderate income and below moderate income households. Over the 39 years since the implementation of Measure J, 20.7% of new residential development in the unincorporated area has been constructed as affordable housing, including accessory dwelling units (ADUs). In 2017, 26.9% of all new units were affordable, when accessory dwelling units (ADUs) are included. Affordable housing production in the first seven months of 2018 has represented 20.2% of the total units approved through August 1.

In order to support affordable housing goals, the County continues to exempt affordable housing units, including ADUs, from the need to obtain permit allocations under the County's growth management regulations. The development of affordable units would, therefore, not be affected by the adopted growth goal.

### **Growth Rate**

This year's data shows an increase in demand for residential building permit allocations over 2017. However, the increase is modest, and the projected number of unused

allocations from 2018 that will carry over to 2019 indicate that an increase in the County's building permit allocation is not warranted at this time. Factors other than growth management have continued to limit the demand for residential building permits in recent years.

Accordingly, the Year 2019 Growth Goal Report recommends that the population growth rate be set again at 0.5% for calendar year 2019. This growth rate translates to an allocation of 256 market rate residential building permits for the year. Even though a higher growth goal would be consistent with Measure J and County Code, 256 allocations is expected to be sufficient to address demand. Further, the projected 208 unused allocations that carry over from 2018 are available to address any unforeseen increase in demand in 2019.

#### Summary of Recent Allocations

Since 2004, the number of available allocations derived from the 0.5% growth rate has been more than sufficient to accommodate the demand for residential building permits. For the year 2017, the 0.5% growth rate translated to a maximum number of 453 allocations to be granted for residential building permits (including 192 carryover allocations from 2016). With only 28 allocations granted in 2017, the 453 available were more than sufficient to meet the demand for residential building permits in the unincorporated area.

#### Status of the 2018 Residential Building Permit Allocations

Since the 2008-10 recession period, building permit allocations have continued to lag behind the levels seen in previous decades. The following table shows the number of allocations granted in 2018 as of August 1:

	Urban	Rural
Allocations set by Board	175*	86*
Allocations Granted	17	14
<b>Remaining Allocations Available</b>	<b>158*</b>	<b>72*</b>

\*Does not include 157 urban and 76 rural carryover units from 2017

Due to the continued low demand so far this year, sufficient allocations are available to meet building permit needs in both urban and rural categories. Nevertheless, Planning Staff will continue to monitor the allocations in both categories and will update these figures for the Board's December 11, 2018 meeting.

#### Proposed 2019 Market Rate Residential Building Permit Allocations

Each year the Growth Goal Report recommends a maximum number of allocations based on the coming year's projected demand for new housing units. As shown in the Year 2019 Growth Goal Report (see Table 13 of Exhibit B), this demand is determined using DOF household population estimates and the recommended 0.5% per year population growth goal. Similar to past years, the proposed allocations for 2019 are distributed in both the urban and rural areas as follows:

Area	Allocations	Carryover	Total 2019 Allocations
Urban	172	146*	318*
Rural	84	62*	146*
Total	256	208*	464*

\*Projected based on continuation of rate through August 1, 2018

Planning Staff will return to the Board on December 11, 2018 with the recommendation of the Planning Commission and a resolution for final action by the Board to establish the 2019 growth goal for the unincorporated area of Santa Cruz County.

## ENVIRONMENTAL REVIEW

The establishment of the Year 2019 Growth Goal is exempt from the California Environmental Quality Act (CEQA) under CEQA §15308 "Actions by Regulatory Agencies for Protection of the Environment," and §15061(b)(3) "where it can be seen with certainty that there is no possibility the activity may have a significant effect on the environment." A Notice of Exemption has been prepared for your consideration and recommendation (Exhibit C).

Stephanie Hansen  
Principal Planner

Paia Levine  
Assistant Planning Director

## Exhibits:

- A) Planning Commission Resolution
- B) Report on the Year 2019 Growth Goal
- C) CEQA Notice of Exemption

BEFORE THE PLANNING COMMISSION  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. \_\_\_\_\_

On the motion of Commissioner  
duly seconded by Commissioner  
the following is adopted:

**PLANNING COMMISSION RESOLUTION RECOMMENDING  
ANNUAL POPULATION GROWTH GOAL FOR THE YEAR 2019**

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WHEREAS, the County's Growth Management System, which implements provisions of Measure J approved by the voters of Santa Cruz County in 1978, requires the County to set an annual growth goal for the upcoming year; and

WHEREAS, as part of that process, staff prepares a Growth Goal Report for consideration by the Planning Commission and the Board of Supervisors; and

WHEREAS, the County's Growth Management System is inclusionary of the needs of, and provides housing opportunities for, low and moderate income persons; and

WHEREAS, the County of Santa Cruz has exempted building permits for housing units that are affordable to average (moderate) or below average (lower) income households as defined in Chapter 17.10 of the County Code from the requirement to obtain a residential building permit allocation; and

WHEREAS, in most years the County of Santa Cruz has a carryover of unused market rate building permit allocations from the prior year that can be made available for use in the current year if needed; and

WHEREAS, rapid population growth could cause extremely serious adverse environmental and economic effects, some of which are specified below:

1. The County possesses significant agricultural lands, including prime agricultural lands, and agricultural lands which, while not defined as "prime," are economically productive or potentially economically productive. Such agricultural lands are a local, state, and national resource, which should be preserved.
2. Rapid population growth could also threaten the timber harvesting and mineral industries, which are significant factors in the County's economy.

**EXHIBIT A**

3. The County has other important natural resources, including wildlife, anadromous fish, and unique plant communities, which should be preserved; these would also be endangered by rapid growth and inappropriate development.
4. Coastal lagoons and marine habitats, which should be preserved for their economic and biologic value, could be degraded and destroyed by rapid population growth and inappropriate development.
5. Rapid population growth could degrade Santa Cruz County's air and water quality and thereby threaten the health and well-being of present and future residents.
6. The scenic and aesthetic qualities of Santa Cruz County could be destroyed by inappropriately placed development.
7. The "safe yield" capacity of natural surface and groundwater sources is being exceeded in many areas of the County, causing water supply and water quality problems, which will be irreversible or extremely expensive to correct and which may threaten future agricultural water supply and, consequently, Santa Cruz County's commercial agriculture; and

WHEREAS, population growth and development has expanded the demand for government-provided services beyond the ability of the public to pay for and provide such services. Specifically, in many parts of the County the public is challenged to pay for, provide, or adequately maintain the following services required by new development:

1. An adequate number of elementary and secondary school classrooms and teachers;
2. Adequate law enforcement and fire protection;
3. Adequate roads, sewers, and water; and

WHEREAS, school overcrowding, traffic congestion, higher crime rates, and increasingly inadequate water supplies, roads, and sewage facilities will be the result of rapid population growth and development. These problems are greatly aggravated when new development takes place in rural areas rather than in areas where urban services can be provided at less cost to taxpayers; and

WHEREAS, adoption of a 0.5 percent growth rate for 2019 and a continuing exemption of affordable units from the need for permit allocations should accommodate the recent rate of housing development and should not restrict the production of housing in the County; and

WHEREAS, in compliance with the California Environmental Quality Act (CEQA)

**EXHIBIT A**

and State and County Environmental Review Guidelines, adoption of the 2019 growth goal has been found to be categorically exempt and a Notice of Exemption has been prepared; and

WHEREAS, the adopted County General Plan can accommodate the Association of Monterey Bay Area Governments projected population growth for the unincorporated area through 2040.

NOW, THEREFORE, BE IT RESOLVED that the Santa Cruz County Planning Commission recommends to the Board of Supervisors that:

1. A population growth goal of 0.5% be established for 2019; and
2. Market rate building permit allocations be distributed, as shown in Exhibit A, with 67% of the 2019 growth in the urban portion of the unincorporated County, and 33% in the rural portion; and
3. The unused 2018 market rate permit allocations be carried over to 2019.

PASSED AND ADOPTED by the Planning Commission of the County of Santa Cruz, State of California, this 24th day of October 2018, by the following vote:

AYES: COMMISSIONERS  
NOES: COMMISSIONERS  
ABSENT: COMMISSIONERS  
ABSTAIN: COMMISSIONERS

ATTEST: \_\_\_\_\_  
Secretary

\_\_\_\_\_  
Chairperson

APPROVED AS TO FORM: \_\_\_\_\_  
County Counsel

Attachment A-1: Recommended 2019 Building Permit Allocation Distribution

## Attachment A-1

### RECOMMENDED 2019 BUILDING PERMIT ALLOCATION DISTRIBUTION (Market Rate Units Only)

Area	Allocations	Carryover	Total 2019 Allocations
Urban	172	146*	318*
Rural	84	62*	146*
Total	256	208*	464*

\*Projected based on continuation of rate through August 1, 2018

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**EXHIBIT B**

***REPORT ON***  
***YEAR 2019 GROWTH GOAL***  
***for***  
***SANTA CRUZ COUNTY'S UNINCORPORATED AREA***

***Prepared by:***  
**County of Santa Cruz Planning Department**

**September 24, 2018**

## *YEAR 2019 GROWTH GOAL REPORT*

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## I. INTRODUCTION

In 1978, Santa Cruz County voters adopted the Growth Management Initiative known as Measure J. This initiative requires the County to establish an annual population growth goal of an amount that represents Santa Cruz County's fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of "allocations" of market rate residential building permits that can be issued in the unincorporated area for the coming year. This process is defined in Santa Cruz County Code (SCCC) Chapter 17.01, Growth Management, Chapter 17.04, Annual Population Growth Goal for Santa Cruz County, and Chapter 12.02, Residential Permit Allocation System. This report provides information for consideration by the County Planning Commission and Board of Supervisors in determining the annual growth goal for calendar year 2019.

Factors used to establish the annual growth goal include analysis of population growth trends, resource constraints, and the status of residential building permit allocations for the current year. These topics are examined in Section II, population growth trends and projections in the County and incorporated cities; Section III, information on residential building permits that have been allocated, issued, and carried over since the adoption of Measure J, and status of residential building permit allocations for 2018; Section IV, resource constraint and public service issues; Section V, the Association of Monterey Bay Area Government's (AMBAG's) regional housing needs planning process, the status of the Housing Element of the County's General Plan, the continued need for affordable housing in the County, and the Accessory Dwelling Unit (ADU) Annual Report; Section VI, the 2019 Growth Goal recommendation; Section VII, summary of findings from Sections II through VI; and Section VIII, list of sources referenced in this report.

## II. POPULATION TRENDS

### Population Estimates

The most recent official estimates of population size in Santa Cruz County and the incorporated cities within the County were published by the State of California Department of Finance (DOF) in May of 2018. Table 1 shows the DOF population estimates for 2017 and provisional estimates for 2018. These population estimates, which the DOF prepares annually, indicate a countywide population of 276,864 (134,218 in unincorporated area) as of January 1, 2018 (Source: DOF 2018 E-5 Report - City/County Population and Housing Estimates, 1-1-2018). Table 1 also includes the annual population growth rates during 2016 and 2017 in each of the Santa Cruz County jurisdictions, as well as California as a whole.

The County Board of Supervisors adopted a population growth rate of 0.5% for the unincorporated area for 2017. According to the DOF statistics, the unincorporated area grew at a rate of 0.07% in 2017, with an estimated increase of 97 people. The cities of Scotts Valley, Capitola and Watsonville each saw marginal decreases in population in 2017, while the City of Santa Cruz grew at a rate of 0.43%. The overall countywide growth rate, including incorporated cities, was 0.13%. In comparison, neighboring counties grew as follows: Monterey County: 0.26%, San Benito County: 0.37%, and Santa Clara County: 0.99%. The State of California as a whole grew at a rate of 0.78% in 2017.

TABLE 1: POPULATION AND GROWTH RATES OF COUNTY JURISDICTIONS				
Area	1/1/2017 Population Estimate <sup>(1)</sup>	1/1/2018 Population Estimate <sup>(2)</sup>	2016 Population Growth Rate <sup>(1)</sup>	2017 Population Growth Rate
City of Capitola	10,570	10,563	0.35%	-0.07%
City of Santa Cruz	66,170	66,454	0.52%	0.43%
City of Scotts Valley	12,196	12,195	0.01%	-0.01%
City of Watsonville	53,447	53,434	0.00%	-0.02%
<b>Unincorporated Area</b>	<b>134,121</b>	<b>134,218</b>	<b>0.29%</b>	<b>0.07%</b>
County Total	276,504	276,864	0.28%	0.13%
State of California	39,500,973	39,809,693	0.82%	0.78%

Source: DOF E-5 2018 City/County Population and Housing Estimates (5-18); with revised E-5 2018 estimates

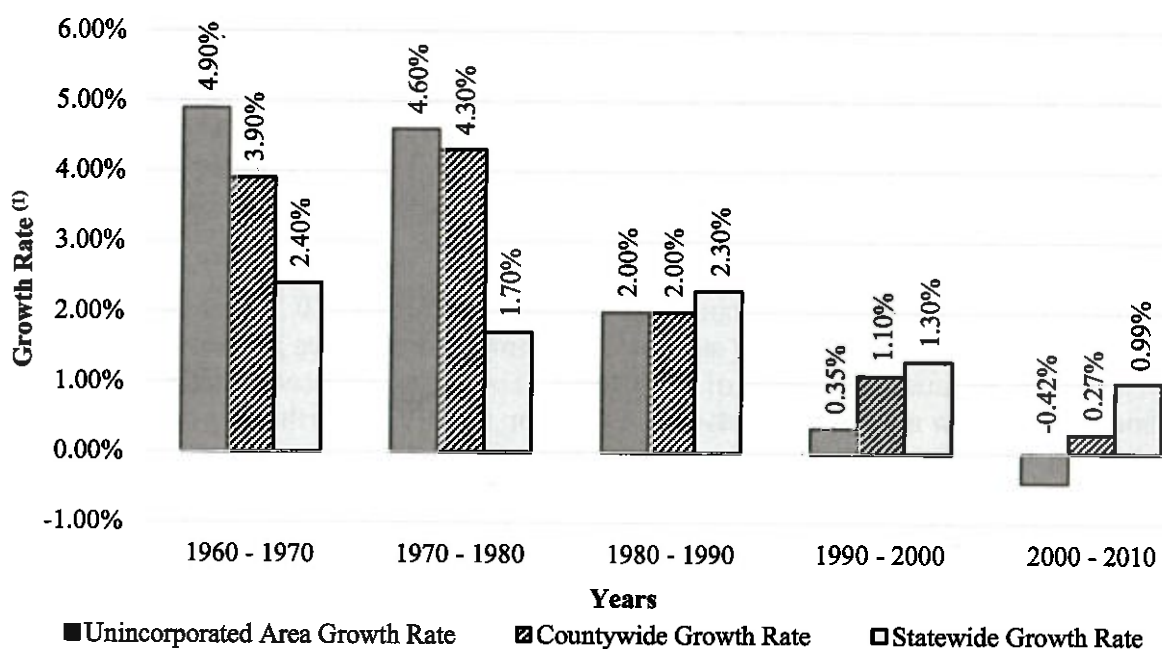
<sup>(1)</sup> Population estimates for previous years are updated to match current data in the DOF E-5 tables and may differ from those recorded in last year's report.

<sup>(2)</sup> 2018 data is provisional

The estimated 2017 population growth rate of 0.07% for the unincorporated area is less than the 0.5% growth rate set for that year and considerably lower than the statewide population growth rate of 0.78%. The data show that the County is receiving a low percentage of the overall state population growth. As a result, the building permit allocation derived from the 0.5% growth rate was more than sufficient to accommodate the demand for residential building permits to construct market rate units in 2017.

As can be seen in Figure 1, the County's growth rate over the past two decades for which we have complete census data has been below the average growth rate of 2.0% that was experienced during the decade of the 1980s. It should also be noted that the slower County growth rates of recent years represent a significant drop from the 1960s and 1970s, when the County grew much faster than the state.

FIGURE 1: POPULATION GROWTH RATE BY DECADE



<sup>(1)</sup> Average annual growth rate; Source: 1960, 1970, 1980, 1990, 2000, and 2010 U.S. Census

## Population Projections

In June of this year, AMBAG adopted its 2018 Regional Growth Forecast for all jurisdictions in the three-county AMBAG region to cover the time period 2015 through 2040. Table 2 presents the 2018 AMBAG projections for all Santa Cruz County jurisdictions. At the tri-county level, the AMBAG population forecast is based on employment and demographic population change models, taking into account historic trends. At the sub-county level, AMBAG disaggregated the County population projections to the local jurisdictions based on historic population trends, adjusting for anticipated housing developments and special population areas like the University of California, Santa Cruz. The AMBAG forecasts are utilized in regional and County planning efforts, such as the Metropolitan Transportation Plan/Sustainable Community Strategy (MTP/SCS), the regional Air Quality Management Plan, and transportation plans.

<b>Area</b>	<b>2015<sup>(1)</sup></b>	<b>2020 Forecast</b>	<b>2025 Forecast</b>	<b>2030 Forecast</b>	<b>2035 Forecast</b>	<b>2040 Forecast</b>	<b>Annual Average Rate</b>	<b>% Change 2015-40</b>
City of Capitola	10,087	10,194	10,312	10,451	10,622	10,809	0.29%	7.16%
City of Santa Cruz	63,830	63,381	72,091	75,571	79,027	82,266	1.16%	28.88%
City of Scotts Valley	12,073	12,145	12,214	12,282	12,348	12,418	0.11%	2.86%
City of Watsonville	52,562	53,536	55,187	56,829	58,332	59,743	0.55%	13.66%
<b>Unincorporated Area</b>	<b>135,042</b>	<b>136,891</b>	<b>137,896</b>	<b>139,105</b>	<b>140,356</b>	<b>141,645</b>	<b>0.20%</b>	<b>4.89%</b>
<b>County Total</b>	<b>273,594</b>	<b>281,147</b>	<b>287,700</b>	<b>294,238</b>	<b>300,685</b>	<b>306,881</b>	<b>0.49%</b>	<b>12.17%</b>

<sup>(1)</sup> 2015 data from U.S. Census Bureau and DOF

The 2018 AMBAG forecast projects that the unincorporated area will grow by approximately 6,603 people between the years 2015 and 2040 to a total population of 141,645 (Source: AMBAG 2040 MTP/SCS, Appendix A – 2018 Regional Growth Forecast, 6-13-18). This represents an annual average growth rate of 0.20%. This growth rate tracks with data from the DOF (Table 1), which indicates the average growth rate in the unincorporated area in 2016 and 2017 was 0.18%. Similar to the DOF rates, AMBAG projections remain well below the 0.5% annual growth rate adopted by the County in recent years.

## III. BUILDING PERMIT ALLOCATIONS

Under the County's Growth Management System, allocations are granted when building permit applications for new single family or multiple-family residences, mobile homes, or other dwelling units are submitted to the Planning Department for review. County Planning Staff tracks the number of allocations granted every year. Replacement units, affordable units (since 1992), and ADUs are exempted from the allocation system and are not included in these figures. Table 3 shows building permit allocation totals from 1979, when Measure J was first implemented, to August 1, 2018.

**TABLE 3: RESIDENTIAL BUILDING PERMIT ALLOCATIONS SINCE 1979**

YEAR	ALLOCATIONS CARRIED OVER <sup>(1)</sup>	ALLOCATIONS SET BY THE BOARD	SET BY THE BOARD (NOT INCLUDING EXEMPTED PERMITS) <sup>(2)</sup>	ALLOCATIONS GRANTED <sup>(1)(3)</sup>
1979	0	930	--	741
1980	189	1055	--	972
1981	272	937	--	934
1982	275	968	--	738
1983	505	972	--	619
1984	858	991	--	609
1985	1240	757	--	710
1986	1287	768	--	595
1987	1460	468	--	606 <sup>(4)</sup>
1988	1322	489	--	670 <sup>(4)</sup>
1989	1141	489 + 1384 <sup>(5)</sup>	--	420
1990	2594	487	--	267
1991	2814	495	--	173
1992	268	509	433	158
1993	275	512	435	109
1994	326	525	446	168
1995	278	528	449	131
1996	318	530	450	138
1997	312	531	451	197
1998	254	526	447	275
1999	172	396	337	216 <sup>(6)</sup>
2000	104	399	339	220
2001	119	266	227	177 <sup>(7)</sup>
2002	60	264	227	135
2003	92	264	227	127
2004	100	262	222	171
2005	51	267	227	125
2006	102	257	--	88
2007	169	256	--	149
2008	107	257	--	32
2009	225	258	--	38
2010	220	260	--	29
2011	231	259	--	34
2012	225	252	--	35
2013	217	252	--	43
2014	209	253	--	36
2015	217	470 <sup>(8)</sup>	--	48
2016	205	464 <sup>(8)</sup>	--	67
2017	192	453 <sup>(8)</sup>	--	28
2018	233	494 <sup>(8)</sup>	--	31 <sup>(9)/53 <sup>(10)</sup></sup>

<sup>(1)</sup> Totals are updated after year-end to reflect final allocation data and may differ from those recorded in previous years' final reports.

<sup>(2)</sup> Prior to 1992, the residential building permit allocation system included both market rate and affordable units; beginning in 1992, building permits for affordable units were exempted from the allocation system; and in 2005, the total allocation formula was updated to reflect that policy change and include only market rate units in the allocations set by the Board each year.

<sup>(3)</sup> Allocations granted to market rate units only (affordable units, ADUs, and replacement units are exempted from the allocation system).

<sup>(4)</sup> More building permits were issued than allocated that year due to issuance of permits from the carryover reservoir.

<sup>(5)</sup> A special allocation of 1,384 additional affordable permits was approved to allow attainment of the regional housing goal for the 1980-90 decade.

<sup>(6)</sup> 208 from the 1999 allocation and eight (rural) from the 1998 carryover.

<sup>(7)</sup> Including 10 carryover allocations authorized by the Board of Supervisors in June 2001.

<sup>(8)</sup> Including carryover allocations from the previous year.

<sup>(9)</sup> As of August 1, 2018.

<sup>(10)</sup> Projected annual total if rate through August 1, 2018 continues through end of year.

### Summary of Recent Allocations and Status of the 2018 Allocation System

Over the past decade, the number of allocations granted has been markedly lower than in previous years, beginning with the 2008-10 recession. The period between 2011 and 2016 saw a slight upward trend that steadily increased until 2017 when only 28 market rate allocations were granted out of the 261 allocations available. This year, if the rate of the first seven months continues, approximately 53 allocations will be granted.

TABLE 4: UNUSED ALLOCATIONS CARRIED OVER			
Year	Urban	Rural	Total
2000	108	11	119
2001	60	0	60
2002	82	10	92
2003	77	23	100
2004	51	0	51
2005	88	14	102
2006	116	53	169
2007	76	31	107
2008	159	66	225
2009	160	60	220
2010	164	67	231
2011	153	72	225
2012	152	65	217
2013	139	70	209
2014	155	62	217
2015	142	63	205
2016	129	63	192
2017	157	76	233

The total number of available allocations derived from the 0.5% growth rate each year since 2001 has been sufficient to accommodate the demand for market rate residential building permits and result in a surplus of allocations to carry over to subsequent years. Carryover totals since 1992, when affordable units were exempted from the allocation, show that the demand for market rate building permits has not come near to meeting the total number of available allocations since 2004. Table 4 provides a summary of unused allocations carried over each year since 2000.

In addition to tracking the allocations granted for market rate permit applications, staff also tracks the future demand for allocations that will result from approved and pending minor land divisions (two to four lots), subdivisions (five or more lots), and larger multi-unit residential projects that have been approved and will require allocations. While staff can estimate the demand for allocations that will come from the creation of new lots, predicting the timing of the demand is more difficult since there are many factors that influence the pace of residential construction. Tables 5 through 7 show the allocation status of approved and pending projects as of August 1, 2018.

Table 5 shows the status of approved subdivisions and their allocation status. This table indicates a future demand of 83 allocations within the Urban Services Line. Table 6 shows the status of pending subdivisions currently in the development review process and indicates a potential future demand of eight allocations within the Urban Services Line. Table 7 shows the status of approved

and pending rural minor land division applications and indicates a potential future demand of two allocations.

Multi-unit residential developments, such as mixed-use projects and apartment complexes, are a vital component of the County's housing stock. Historically, these projects were not identified in this section because they do not involve land divisions. This year, staff will begin tracking multi-unit residential development projects within the unincorporated area to provide a more comprehensive account of recent allocations.

<b>TABLE 5: 2018 ALLOCATION STATUS OF APPROVED SUBDIVISIONS (5 OR MORE LOTS) AS OF AUGUST 1, 2018</b>				
<b>Project Name</b>	<b>Total Market Rate Units in Project</b>	<b>Units from Previous Allocations</b>	<b>Units from 2018 Allocation</b>	<b>Remaining Units to be Allocated</b>
Aptos Village	59	23	0	36
Avila Estates	6	5	0	1
Forest and Meadows	50	49	0	1
The Roadhouse	9	0	0	9
Santa Cruz Gardens #8	12	11	0	1
Santa Cruz Gardens #12	9	0	0	9
Seascape Uplands	107	100	0	7
Seaview Terrace	9	3	0	6
Tan Heights/Seacrest	30	29	0	1
The Lumber Yard	8	0	0	8
Woods Cove/Graham Hill	60	56	0	4
<b>TOTAL</b>	<b>359</b>	<b>276</b>	<b>0</b>	<b>83</b>

<b>TABLE 6: 2018 PENDING SUBDIVISIONS (5 OR MORE LOTS/UNITS) AS OF AUGUST 1, 2018</b>	
<b>Project Name</b>	<b>Market Rate Units Remaining to be Allocated</b>
Lakeview Estates	8
<b>TOTAL</b>	<b>8</b>

<b>TABLE 7: 2018 APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 LOTS) AS OF AUGUST 1, 2018</b>		
<b>Project Name</b>	<b>Approved Number of Lots <sup>(1)</sup></b>	<b>Pending Number of Lots <sup>(1)</sup></b>
Urban	0	2
Rural	0	0
<b>TOTAL</b>	<b>0</b>	<b>2</b>
<sup>(1)</sup> The number indicated counts the subject lot(s) being subdivided, which may or may not already contain existing residences. Therefore, the number shown is a maximum and does not necessarily directly translate into the number of new residential building permits that will eventually be needed for buildout of these minor land divisions.		

Table 8 summarizes the status of residential building permit allocation system for 2018. As of August 1, a total of 31 allocations have been granted. This level of building permit activity is greater than last year, when the County had granted 22 allocations as of August 1, 2017, but is lower compared to previous years, particularly before the 2008-10 recession. This represents a continuing trend of low building permit activity over the past few years.

<b>TABLE 8: 2018 BUILDING PERMIT ALLOCATION STATUS AS OF AUGUST 1, 2018</b>			
	<b>Urban</b>	<b>Rural</b>	<b>Total</b>
Allocations Set by Board of Supervisors	175+157 <sup>(1)</sup> = 332	86+76 <sup>(1)</sup> = 162	261+233 <sup>(1)</sup> = 494
Allocations Granted	17	14	31
<b>Remaining Allocations Available</b>	<b>158+157 = 315</b>	<b>72+76 = 148</b>	<b>230+233 = 463</b>
<sup>(1)</sup> Carryover from 2017.			

Tables 5 through 7 indicate a combined total demand of 93 allocations associated with approved and pending land divisions. As of August, 1 of this year, only 31 allocations have been granted out of the 494 allocations available for 2018 (Table 8). Due to the continued low demand, and the remaining 463 allocations available, it is anticipated that there will be ample building permit allocations available in all categories for the remainder of 2018.

#### **IV. POTENTIAL GROWTH IMPACTS**

The Growth Management System was instituted to address resource and public services impacts of growth in the County. The following discussion highlights recent impact issues and steps being taken to ensure adequate resource protection and to ensure that proposed growth can be accommodated with adequate urban services.

##### **Resource Protection**

The County General Plan and County Code include numerous measures to mitigate impacts on natural resources from increased development. These policies and ordinances address watershed protection, protection of biotic resources, protection of agricultural lands, erosion control, stormwater runoff quality and quantity management, and maintenance of groundwater recharge. The most pressing resource impacted by growth in the County is currently water supply, including timing and availability of new supplies.

##### **Water Supply Constraints:**

All County water agencies are experiencing a lack of sustainable water supply due to groundwater overdraft and diminished availability of streamflow. Because of this, coordinated water resource management has been of primary concern to the County and to the various water agencies. As required by state law, each of the County's water agencies serving more than 3,000 connections must update their Urban Water Management Plans every five years, with the most recent updates completed in 2016.

All the main aquifers in this County, the primary sources of the County's potable water, are in some degree of overdraft. Overdraft is manifested in several ways including 1) declining groundwater levels, 2) degradation of water quality, 3) diminished stream base flow, and/or 4) seawater intrusion. Surface water supplies, which are the primary source of supply for the northern

third of the County, are inadequate during drought periods and will be further diminished as a result of the need to increase stream baseflows to restore habitat for endangered salmonid populations. In addition to overdraft, the use of water resources is further constrained by various water quality issues.

County staff are working with the water agencies on various integrated regional water management programs to provide for sustainable water supply and protection of the environment. Effective water conservation programs have reduced overall water demand in the past 15 years, despite continuing growth. In August 2014, the Board of Supervisors and other agencies adopted the Santa Cruz Integrated Regional Water Management Plan Update 2014, which identifies various strategies and projects to address the current water resource challenges of the region. Other efforts underway or under consideration are stormwater management, groundwater recharge enhancement, increased wastewater reuse, and transfer of water among agencies to provide for more efficient and reliable use. The County is also working closely with the water agencies to implement the Sustainable Groundwater Management Act (SGMA) of 2014.

*City of Santa Cruz and Live Oak:* The City of Santa Cruz and surrounding unincorporated urban areas are supplied by the City of Santa Cruz Water Department (SCWD), primarily utilizing surface water from the San Lorenzo River and north coast watersheds. During normal years there is adequate supply, but during a severe drought only about 60% of current demand can be met.

In 2014, the City of Santa Cruz formed the Water Supply Advisory Committee to evaluate the City's water supply needs and to develop recommendations for projects to address those needs. The Committee determined that the City had a worst year supply deficiency of 1.2 billion gallons (3,680 af), or 35% to 45% of their typical annual use. A recommended water supply strategy to fill this gap was developed and adopted by the City Council. The City is now actively evaluating the feasibility and pursuing several projects that would provide adequate water supplies to meet all dry year demand. In 2014 and 2015, the third and fourth years of drought, the City of Santa Cruz instituted rationing under a Stage 3 water shortage and achieved a 27% decrease in demand, while maintaining Loch Lomond reservoir at 58% to 75% capacity. However, due to adequate winter rains, healthy reservoir storage, and conservation efforts, the City did not impose water restrictions during the summers of 2016 and 2017 but did adopt Stage 1 Water Shortage measures in 2018.

*Santa Margarita Basin:* Overdraft in the Santa Margarita Basin underlying parts of San Lorenzo Valley and Scotts Valley has been manifested by a significant decline in groundwater levels and decline in stream base flow over the past 40 years. Cooperative efforts by County staff, consultants, and the Scotts Valley Water District (SVWD) over the past several years have led to a better understanding of the water resources in the Santa Margarita Basin. In March of 2015, an updated groundwater model of the Santa Margarita Basin was completed, which gave a more accurate picture of the basin water budget and the amount of sustainable supply available. Recent reductions in pumping have resulted in stabilized groundwater levels, but those levels are 250 feet lower than they were in 1980. In 2017, the two water districts and the County adopted a Joint Powers Agreement to form the Santa Margarita Groundwater Agency, which will develop a plan restore and manage the basin pursuant to the Sustainable Groundwater Management Act. That plan is required to be completed by 2020.

The overdraft of this basin is being addressed in several ways. SVWD has been working to expand the number of users that use reclaimed wastewater for irrigation. Beginning production in 2002, it

is currently the only tertiary treated wastewater facility in the northern portion of the County. The use of treated wastewater for irrigation and landscaping offsets an equivalent amount of potable water pumping and therefore is a valuable component in the water portfolio.

County staff has used grant funding to conduct feasibility studies of the conjunctive use of surface and groundwater to increase groundwater storage in the basin. Recommendations for various conjunctive use efforts could generate 1,500 acre-feet or more of water supplies in an average year. However, implementation of such efforts is likely to take five to 10 years. The District is also pursuing efforts to recharge the basin with purified recycled water, and the City of Santa Cruz is actively pursuing a project to restore the storage in the basin using treated San Lorenzo River water.

SVWD and the County have also implemented projects to restore groundwater recharge lost as a result of paving over the groundwater recharge areas. Three projects have been completed to capture and infiltrate stormwater from streets, roofs and parking lots.

SVWD has significantly stepped up their water conservation efforts. Conservation measures that could significantly cut down on water consumption in this region include replacing 1) old water using appliances such as clothes and dish washers, 2) water fixtures such as old toilets and shower heads, and 3) high water use landscaping.

Water quality in the Santa Margarita Basin has been impacted by various contaminant sources including gas stations, dry cleaners, and septic systems. The occurrence of these contaminants in the groundwater supply puts some constraints on both the use of the impacted water as well as efforts to enhance groundwater storage. Most of the contaminated sites have been successfully remediated.

*Mid-County Basin:* In the mid-County area overdraft is manifested by groundwater levels below protective levels necessary to prevent seawater intrusion, indications of seawater intrusion into parts of the aquifer systems, and the probable decline in stream base flows. Water is extracted from the mid-County area aquifers by SCWD, the Soquel Creek Water District (SqCWD), Central Water District (CWD), small public water systems (serving between five and 199 water connections), and individual users. Only the smaller CWD, located in the recharge area of one of these aquifers, appears to have sustainable groundwater supplies for its current customer base. SqCWD has estimated that it needs to reduce demand and/or develop a supplemental supply that will allow it to reduce groundwater pumping by 35% (1,500 acre-feet/year) over the next 20 years.

SqCWD developed its own Community Water Plan and has been actively evaluating supplemental supply and demand reduction options. SqCWD has been implementing conservation programs that hold users to water budgets with the goal of reducing demand by approximately 25%. SqCWD has also instituted a “zero-impact” demand offset program for all new hook-ups. This program now requires new customers to fund water saving retrofits to existing customers to offset 200% of the new demand caused by their development. SqCWD declared a groundwater emergency and has at times considered implementing a moratorium on new connections.

In 2016, SqCWD, CWD, County, and City of Santa Cruz adopted a Joint Powers Agreement to form the Santa Cruz Mid-County Groundwater Agency for management of the Mid-County Basin under SGMA. Pursuant to SGMA, a Groundwater Sustainability Plan will be developed by January

2020, which will require management actions by all users of the basin to reduce pumping, develop supplemental supplies, and take management actions to achieve groundwater sustainability by 2040. The County and water agencies have conducted a series of workshops to engage small public water systems and private well owners that also extract water from the basin.

Water conservation measures have been effective, and all the water agencies reported significant reductions in water usage in 2014 and 2015 with the implementation of extensive voluntary and mandatory restrictions by all agencies, including the County. Water use is down approximately 27%. With the passing of the drought, there has been a 5% increase in water use, but demand has remained much lower than before the drought. Groundwater levels in much of the mid-County area have come up as a result of the reduced pumping.

Groundwater quality impacts from contaminants have been minimal in the mid-County area. There are several gas station leaks in this region but none of the leaks has impacted major water supply wells. Groundwater from wells in the Aromas aquifer has been found to contain naturally occurring hexavalent chromium, a suspected carcinogen, sometimes in excess of drinking water standards. SqCWD has addressed this issue by blending the affected water to bring it within drinking water standards. The state lowered the chromium standard, making continued use of this source potentially much more expensive due to treatment costs. However, the new standard was thrown out by the courts and the state is re-evaluating the standard.

*Pajaro Valley Basin:* Overdraft in the south County aquifers is manifested by depressed water levels, seawater intrusion, and reduced stream baseflows. Water levels are below sea level under more than 60% of the basin, elevated chloride levels have been detected in wells near the Pajaro River greater than two miles inland from the coast, and segments of Corralitos Creek are drying up earlier in the summer than in previous years. Eighty-five percent of the water use in the Pajaro Valley is by agriculture.

Water quality in the south County area suffers from seawater intrusion and areas of nitrate contamination from agricultural practices, animal facilities and septic systems. The Pajaro Valley Water Management Agency (PVWMA) operates a project at Harkins Slough that provides groundwater storage and recovery in the shallow aquifer in that area. PVWMA and the City of Watsonville completed construction of an advanced tertiary treatment facility that has been providing recycled water for irrigation in coastal areas since spring of 2009. PVWMA completed its Basin Management Plan update in 2014. The plan provides for reducing overall groundwater use by about 12,000 acre-feet through conservation, increased recycled water use, and implementation of several local projects to optimize existing resources and provide increased supply. The community is actively engaged in supporting these efforts.

The City of Watsonville provides municipal supply for the city and residential areas outside the city limits. The City has increased their water conservation programs and charges an impact fee for all new development to support those programs. The City also obtained a grant to upgrade treatment facilities to increase winter use of surface water from Corralitos Creek. The City's objective is to meet future development demands without increasing groundwater use. The City would also be significantly impacted by a reduced standard for hexavalent chromium and would be required to expend considerable funds to provide treatment to reduce the naturally occurring compound that occurs in many of its wells.

**Integrated Regional Water Management (IRWM):** County staff are actively engaged in the IRWM programs for both Santa Cruz County and the Pajaro Watershed. Grant funds were secured for both those efforts to update the regional water management plans to address needs for improved water supply, water quality protection, flood management and habitat restoration. The plans also address impacts of climate change and promote closer coordination of land use and water management planning. The updated Santa Cruz IRWM Plan was approved by the Board of Supervisors on August 14, 2014.

County staff will continue to monitor and provide input to these various water supply enhancement efforts being carried out throughout the County and will keep the Board of Supervisors updated regarding their status. County staff continues to implement the water efficient landscape ordinance, water conservation ordinance, and well ordinance, and will be working with the small public water systems under County purview to implement water efficiency measures. On August 4, 2015, the Board of Supervisors approved a new ordinance requiring monthly reporting of the volume of water use for all small public water systems under County jurisdiction and requiring the installation of water meters on individual connections within these public systems.

## **Urban Services**

The County continues to pursue a number of activities to improve its ability to provide services throughout the urbanized portions of the unincorporated area:

- Yearly adoption of the Capital Improvement Program, which identifies scheduled public service improvements (such as road, roadside, drainage, and park improvements) and provides a basis for development of the necessary financing programs.
- Village plans and the associated street plan lines and route design concepts for arterial and collector streets in the urban areas, particularly in the Aptos, Live Oak, Soquel, and San Lorenzo Valley planning areas, require an on-going effort to provide needed information for roadway design, capital improvement programming and the review and conditioning of new projects.
- County staff will be updating the Circulation and Land Use Elements of the General Plan with new policies and programs that enhance multi-modal transportation infrastructure in order to implement the Sustainable Santa Cruz County Plan and address the County's current transportation challenges.

There has been a significant investment in new and expanded urban services infrastructure in the unincorporated area over the last 20 years, particularly through the former County Redevelopment Agency. In addition, the various County sanitation districts have made numerous sewer-related improvements over the years. However, fully addressing the County's remaining urban service needs will require additional construction of infrastructure capital improvement projects throughout the urban area over an extended period of time. There are also ongoing challenges maintaining existing roadway and bridge infrastructure, especially in light of the 2017 winter storms that resulted in extensive damage to over 200 locations along County roadways and the potential loss of Senate Bill (SB) 1 funds due to Proposition 6, which will be on the November 2018 ballot. The infusion of local Measure D funds will continue to help the County make progress on improving its pavement condition on publicly maintained roads.

The Santa Cruz County Regional Transportation Commission is also continuing its program for

improvements to State Highway 1. The next phase of these improvements includes construction of northbound and southbound auxiliary lanes between Soquel Drive and 41<sup>st</sup> Avenue and a bike/pedestrian overcrossing at Chanticleer Avenue. Design for this work is underway and construction for this phase is expected to occur within the next three years.

## V. HOUSING NEEDS

### Regional Housing Needs Allocation Plan

Under state law, all cities and counties are required to adopt a housing element as part of their local general plan. Each housing element must ensure land is zoned and available to accommodate its share of the projected housing need by income category of the population that is anticipated to live in the community during the housing element's time horizon.

The Regional Housing Needs Assessment (RHNA) is developed by AMBAG and is the result of a two-step process. The California Department of Housing and Community Development (HCD) first estimates the need for additional housing in each region based on population projections produced by the DOF. The local Council of Governments, which in our area is AMBAG, then allocates HCD's housing needs to the individual cities and counties within its region based on various criteria in the form of a RHNA Plan. Housing needs are divided into four income categories, as shown below in Table 9.

AMBAG's current RHNA Plan for the Monterey Bay region was adopted in June 2014. It allocates a construction goal of 1,314 housing units to the unincorporated area of the County for the 10-year planning period starting January 1, 2014 and ending December 31, 2023, distributed as shown in Table 9 below.

<b>TABLE 9: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA</b>	
<b>Income Category</b>	<b>2014 – 2023 RHNA</b>
Very Low Income (< 50% of County median)	317 units
Lower Income (50%-80% of County median)	207 units
Moderate Income (80%-120% of County median)	239 units
Above-Moderate Income (>120% of County median)	551 units
<b>Total Housing Needs</b>	<b>1,314 units</b>

In February 2016, the County Board of Supervisors adopted the 2015 Housing Element and the document was certified as complete by HCD in April 2016. The Housing Element describes the manner in which the RHNA can be met under the General Plan.

### Affordable Housing

Chapter 17.01, the Growth Management provisions of the County Code, requires that "at least 15 percent of those housing units newly constructed for sale or rental each year shall be capable of purchase or rental by persons with average or below average incomes." Table 10 shows the number and percentage of affordable housing units issued building permits in the unincorporated area since 1979 when Measure J was implemented.

TABLE 10: AFFORDABLE HOUSING PRODUCTION					
Year	Total Units Issued Building Permits <sup>(1)</sup>	Affordable Units Issued Building Permits	ADUs Issued Building Permits	% Affordable (Including ADUs) <sup>(3)</sup>	% Affordable (Not Including ADUs)
1979	741	0	--	--	--
1980	972	62	--	6.4	6.4
1981	934	251	--	26.9	26.9
1982	738	235	--	31.8	31.8
1983	619	52	--	8.4	8.4
1984	609	129	--	21.2	21.2
1985	710	61	--	8.6	8.6
1986	595	98	1	16.6	16.5
1987	606	75	0	12.4	12.4
1988	710	23	3	3.7	3.2
1989	420	14	0	3.3	3.3
1990	267	9	1	3.7	3.4
1991	173	20	1	12.1	11.6
1992	367	209	0	56.9	56.9
1993	149	30	1	20.8	20.1
1994	192	24	2	13.5	12.5
1995	152	21	8	19.1	13.8
1996	145	7	6	9.0	4.8
1997	203	6	14	9.9	3.0
1998	304	29	28	18.8	9.5
1999	217	8	26	15.7	3.7
2000	287	80	21	35.2	27.9
2001	190	8	15	12.1	4.2
2002	163	79	36	70.6	48.5
2003	231	81	17	42.4	35.1
2004	249	28	52	32.1	11.2
2005	261	40	56	36.8	15.3
2006	209	71	38	52.2	34.0
2007	110	0	40	36.4	0
2008	97	3	30	34.0	3.1
2009	60	1	22	38.3	1.7
2010	59	0	24	40.7	0
2011	141	89	18	75.9	63.1
2012	138	64	19	60.1	46.4
2013	75	4	29	44.0	5.3
2014	82	2	19	25.6	2.4
2015	60	1	29	50.0	1.7
2016	117	66	19	72.6	56.4
2017	104	0	28	26.9	0
2018 <sup>(2)</sup>	124	2	23	20.2	1.6
<b>Total</b>	<b>12,580</b>	<b>1,982</b>	<b>626</b>	<b>20.7</b>	<b>15.8</b>
Note: Data shown only includes the unincorporated area of Santa Cruz County					
<sup>(1)</sup> Number of market rate units, affordable/inclusionary units, and ADUs issued building permits (not including replacement units)					
<sup>(2)</sup> As of August 1, 2018					
<sup>(3)</sup> Affordable units plus ADUs as % of total number of new units (not including replacement units)					

In the nearly 39 years since Measure J was first implemented, from 1979 through August 1, 2018, 20.7% of new housing constructed in the unincorporated portion of the County, including ADUs, has been affordable to households of moderate income or below (those making 120% or less of the County median income). In 2008 and 2009, the affordability restriction on ADUs was lifted outside the Coastal Zone portion of the unincorporated County, and in the Coastal Zone respectively. New and existing ADUs are no longer required to be rented at restricted rent levels. Nonetheless, ADU rents are anticipated to remain at the low end of the market by design due to their smaller size. If ADUs are not counted, 15.8% of the new housing constructed in the unincorporated portion of the County since 1979 has been affordable to households of moderate income or below.

The County completed a review of its Affordable Housing Policies and Guidelines in 2014, and as a result of that study, the Board of Supervisors directed staff to create an Affordable Housing Impact Fee (AHIF) program, which went into effect in August of 2015. The AHIF is applied to all new construction (all new structures and non-residential additions) and is calculated on a per-square foot basis. Currently, residential projects of at least seven units may meet their affordability obligation through payment of the appropriate fee or by constructing 15% of the units as on-site deed-restricted affordable units.

In order to facilitate the attainment of affordable housing goals, the County continues to exempt affordable housing units (including ADUs) from the need to obtain permit allocations under the County's growth management regulations. The development of affordable units would, therefore, not be affected by the adopted growth goal.

### **Accessory Dwelling Unit Annual Report**

As a condition of the Coastal Commission's certification of the amendments to the County's Second Unit, now ADU, ordinance in 2009 (SCCC section 13.10.681), the County is required to prepare an annual report evaluating the cumulative impacts associated with ADUs in each planning area, particularly within the Coastal Zone. This analysis has traditionally been included as part of the annual Growth Report and is intended to provide a brief assessment of the cumulative impact of ADUs on traffic, water, public views, and environmentally sensitive areas.

In 1997, the Board of Supervisors adopted revisions to the ADU ordinance that included increased unit size limits in the rural areas. In 2004, the Board adopted amendments to the ordinance to implement Assembly Bill (AB) 1866, eliminating the need for discretionary permits for ADUs in most cases. In April 2008, the affordability restriction was lifted in the non-Coastal Zone portion of the unincorporated County, and in September 2009 the Coastal Commission approved it inside the Coastal Zone, meaning that new and existing ADUs in that area are no longer required to be rented at restricted rent levels.

In 2016 and 2017, several state laws governing ADUs (SB 1069, AB 2299, AB 2406, SB 229, and AB 494) resulted in the need for the County to further update local regulations in 2017 and again in 2018, removing all discretionary requirements for ADUs, permitting reduced setbacks in certain cases, easing parking requirements, removing the requirement for fire sprinklers for many cases, requiring that ADUs be permitted on any residential parcel regardless of parcel size, disallowing special district fees for ADUs, requiring expedited permitting, and reducing nearly all barriers and fees for ADUs created by converting part of an existing home or accessory structure.

In 2016-2017, the County also undertook an extensive study to understand the function of ADUs in the local housing market and to identify remaining barriers that discourage new ADUs. The study provided recommendations for ordinance amendments, which were incorporated into the 2017 and 2018 County Code updates. The County has also launched the *ADU Forgivable Loan Program*, the *My House My Home* partnership with Habitat for Humanity and has implemented reduced fees for ADU permits as well as applicant permit processing assistance. Staff has also prepared easy-to-use guides for property owners (ADU Basics, ADU Design Guide, and ADU Cost Financing Guide), and these and other key resources are available on the County's user-friendly ADU website.

These changes are expected to make ADUs more feasible and appealing to County homeowners, and County staff are already seeing an uptick in ADU applications. As Table 11 indicates, after a decrease in permit applications following the 2008-10 recession, application rates for ADUs generally increased at a slow rate, however, 30 permit applications have already been filed this year as of August, which is more than the total number of 2017 permit applications. Through August 2018 23 permits have been issued.

**TABLE 11: TOTAL ADU ISSUED BUILDING PERMITS  
BY PLANNING AREA SINCE 2000**

	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18 <sup>(1)</sup>	TOTAL
Aptos	0	2	2	2	6	5	2	2	2	1	1	2	2	2	1	1	0	1	2	36
Aptos Hills	4	2	7	1	4	6	5	5	5	1	6	2	4	8	1	4	2	6	5	78
Bonny Doon	2	5	2	1	3	7	2	4	1	2	3	1	2	1	0	2	0	1	2	41
Carbonera	2	2	1	3	6	5	4	3	5	1	2	6	3	2	1	6	0	4	3	59
Eureka Canyon	2	0	5	0	3	2	2	4	4	1	1	2	1	2	2	2	1	0	1	35
La Selva	1	0	0	0	0	0	1	0	0	1	0	0	0	1	0	0	0	0	0	4
Live Oak	3	0	2	1	4	4	5	5	2	1	2	2	0	5	6	6	7	10	2	67
North Coast	0	0	0	0	0	2	0	0	1	0	0	1	0	1	0	0	0	0	0	5
Pajaro Valley	2	0	4	0	3	7	2	3	0	3	3	0	1	1	2	1	2	0	3	37
Salsipuedes	0	0	0	0	0	0	1	0	2	0	0	0	1	1	2	0	0	2	1	10
San Andres	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
San Lorenzo Valley	0	1	4	3	7	5	4	6	3	4	1	1	0	0	1	2	4	1	1	48
Skyline	2	2	3	0	2	3	3	2	0	1	0	0	1	0	0	0	1	2	0	22
Soquel	2	0	3	2	3	2	2	3	0	1	0	1	2	4	2	1	1	0	1	30
Summit	1	1	2	4	10	8	5	3	5	5	5	0	2	1	1	4	1	1	2	61
<b>TOTAL</b>	<b>21</b>	<b>15</b>	<b>36</b>	<b>17</b>	<b>52</b>	<b>56</b>	<b>38</b>	<b>40</b>	<b>30</b>	<b>22</b>	<b>24</b>	<b>18</b>	<b>19</b>	<b>29</b>	<b>19</b>	<b>29</b>	<b>19</b>	<b>28</b>	<b>23</b>	<b>535</b>

<sup>(1)</sup> As of August 1, 2018

ADUs in the Coastal Zone:

The data indicate that ADUs have been built primarily in rural, non-coastal areas. The recently revised regulations could contribute to increased production overall and within the Coastal Zone, particularly the removal of a minimum parcel size for an ADU permit and the reduction in required parking in certain cases. The upcoming years of ADU permits will indicate what type of latent demand exists for ADUs inside the Coastal Zone and might show a change in development trends.

Since 1997, a total of 79 building permits have been issued for ADUs within the Coastal Zone of the unincorporated area. Of these, 14 ADU permits were issued between 1997 and 2004. Table 12 breaks down each year's total since 2005, after implementation of AB 1866 which removed the discretionary permit required for some ADUs. Given the relatively low number of building permits issued for ADUs in the Coastal Zone in over 20 years, it is likely that there has been minimal cumulative impact, if any, upon coastal resources.

<b>TABLE 12: COASTAL ZONE ADU ISSUED BUILDING PERMITS IN UNINCORPORATED COUNTY BY PLANNING AREA SINCE 2005</b>															
	05	06	07	08	09	10	11 <sup>(1)</sup>	12 <sup>(1)</sup>	13	14	15	16	17	18 <sup>(2)</sup>	TOTAL
Aptos	1	0	2	1	0	0	--	--	1	0	0	0	0	1	6
Aptos Hills	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
Bonny Doon	4	4	0	1	1	2	--	--	0	0	1	0	2	2	17
Carbonera	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
Eureka Canyon	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
La Selva	0	0	0	1	1	0	--	--	1	0	0	0	0	0	3
Live Oak	3	2	4	1	0	0	--	--	3	4	3	4	2	0	26
North Coast	2	0	0	1	0	0	--	--	1	0	0	0	0	0	4
Pajaro Valley	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
Salsipuedes	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
San Andres	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
San Lorenzo Valley	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
Skyline	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
Soquel	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
Summit	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>65</b>
<sup>(1)</sup> Data is incomplete for these years															
<sup>(2)</sup> As of August 1, 2018															

## **VI. GROWTH GOAL RECOMMENDATION**

### **Growth Goal**

The Board of Supervisors adopted a 0.5% growth rate for 2018. An annual growth rate of 0.5% was also adopted in each of the years from 2001-2017, and a rate of 0.75% was adopted for 1999 and 2000 during the “dot-com” boom period of the late 1990s.

Table 10 provides insight into the overall building permit activity in the unincorporated area by including data for market rate permits in addition to permits issued for affordable units and ADUs. Building permit activity of all types remained at a fairly high annual rate until late 2006, when there was a slowdown that continued through 2007 and became much slower during the 2008-10 recession and its aftermath. Between 2011 and 2012, and again in 2016, increases in residential building permit activity occurred primarily as a result of permits for affordable units. Market rate permit activity (not including permits for ADUs and affordable units) remained consistently low from 2007 to 2016.

In 2017, 76 market rate permits were issued, which is the highest number of market rate permits issued in the County since 2006. Despite this increase in market rate activity in 2017, the 0.5% growth rate provided an ample number of allocations, resulting in an unused surplus of 233 allocations carried over to 2018. Since 2004, the number of available allocations derived from the 0.5% growth rate has been more than sufficient to accommodate the demand for residential building permits.

As of August 1, 2018, there have been a total of 124 permits issued for new units in 2018 (including 99 market rate units, two affordable/inclusionary units, and 23 ADUs), which is a modest increase in demand for allocations over the previous year. However, the modest amount of the increase, combined with cushion of unused allocations from 2018 that will be carried over to 2019 in compliance with General Plan Policy 3.2 in the Housing Element, indicates that increasing the number of allocations is not warranted at this time. Staff therefore recommends that the population growth rate be set again at 0.5% for calendar year 2019, the same rate that has been adopted every year since 2001.

### **Building Permit Allocations**

Each year, the population growth rate established for the coming year is converted into a maximum number of available allocations to be granted to residential development permits in the unincorporated area for that year. Table 13 shows the methodology by which the recommended 0.5% population growth rate for 2019 would be converted into building permit allocations.

<b>TABLE 13: BUILDING PERMIT ALLOCATION BASED ON A 0.5% ANNUAL POPULATION GROWTH RATE FOR 2019</b>	
Estimated Total Household Population 1/1/18 <sup>(1)</sup>	132,416
Estimated Group Quarters Population 1/1/18 <sup>(1)</sup>	1,802
Estimated Total Population 1/1/18 <sup>(1)</sup>	134,218
Approved Annual Growth Goal in 2018	0.5%
Projected 1/1/19 Household Population (based on a 0.5% growth rate from 1/1/18)	133,078
Projected 1/1/20 Household Population (based on the proposed 0.5% growth rate from projected 1/1/19 population)	133,743
Projected Household Population Increase During 2019	665
Estimated Persons Per Household (1/1/18) <sup>(1)</sup>	2.60
Projected New Housing Units (market rate) needed during 2019	256
<sup>(1)</sup> Source: DOF E-5 Population of California Cities and Counties (5-18) for unincorporated Santa Cruz County Note: Prior to 2008 15% for affordable units was subtracted from the total projected number of units needed to house the planned 0.5% population increase. Affordable units are no longer subject to the allocation, so accounting for them in the calculation is not necessary. In addition, the calculation no longer includes adding 5% to account for vacancy as was done prior to 2005.	

It is recommended that the 2019 permit allocation be divided between urban and rural portions of the unincorporated County on a 67-33% ratio as illustrated in Table 14. This division implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

<b>TABLE 14: RECOMMENDED 2019 BUILDING PERMIT ALLOCATION DISTRIBUTION</b>	
Area	Total Market Rate Units
Urban	172
Rural	84
Total	256

### Allocation Carryover

In the Housing Element of the Santa Cruz County General Plan, Policy 3.2 directs any unused allocations from one year to “roll forward” and be made available for the following year in order to remove unnecessary constraints to the development of housing. Pursuant to this policy, the actual number of available allocations in 2019 will be 256 plus the carryover from 2018, which will not be known until the end of the year but which is projected to be 208.

### Rural Land Divisions

County Code Chapter 14.04 limits the number of new residential parcels that can be created in the rural portion of the County to 35% of the number of rural residential allocations granted each year. Based on the recommended 84 rural allocations, a limit of 29 new rural residential parcels could be created. No new rural lots have been approved in 2018 as of August 1. As the number of new rural residential parcels has not exceeded the yearly limitation for more than a decade, no further action is recommended for the control of rural land divisions.

## VII. CONCLUSION

Since 1979 when Measure J was first implemented, the County has established an annual population growth goal that represents Santa Cruz County's fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of residential building permit allocations to be granted in the unincorporated area for the coming year.

Given the low population growth estimated for the unincorporated area, as well as the continued low demand for residential building permits in recent years, County Planning Staff recommends that the growth rate again be set at 0.5% for 2019. Under this growth rate, a maximum of 256 residential building permits could be allocated: 172 in the urban portion of the unincorporated area and 84 in the rural portion. Consistent with the County General Plan, the unused allocations from 2018 will be carried over and added to the 2019 allocation. Based on the number of allocations that have been granted as of August 1 of this year, it is projected that a total of 208 unused allocations will carry over. The combined new and carryover allocations will amount to 464 allocations, which is expected to be sufficient to accommodate the demand for residential building permits in the coming year.

## VIII. REFERENCES

Association of Monterey Bay Area Governments, *2040 Metropolitan Transportation Plan/Sustainable Communities Strategy, Appendix A: 2018 Regional Growth Forecast*, Monterey, California, 13 June 2018.

Association of Monterey Bay Area Governments, *Regional Housing Needs Allocation Plan: 2014-2023*, Monterey, California, 11 June 2014.

County of Santa Cruz, *Santa Cruz County Code: Volume II – Land Use Code*, Santa Cruz, California.

County of Santa Cruz, *1994 General Plan and Local Coastal Program Land Use Plan for the County of Santa Cruz, California*, Santa Cruz, California, 19 December 1994.

State of California, Department of Finance, *E-5 Population and Housing Estimates for Cities, Counties and the State — January 1, 2011-2018*. Sacramento, California, May 2018.

U.S. Census Bureau. *Population estimates 1960-2010*.



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### NOTICE OF EXEMPTION

To: Clerk of the Board  
Attn: Susan Galloway  
701 Ocean Street, Room 500  
Santa Cruz, CA 95060

**Project Name:** Establishment of the Year 2019 Growth Goal  
**Project Location:** Unincorporated area of the County of Santa Cruz  
**Assessor Parcel No.:** N/A  
**Project Applicant:** County of Santa Cruz  
**Project Description:** Setting of the Year 2019 Annual Growth Goal Rate at 0.5%

**Agency Approving Project:** County of Santa Cruz  
**County Contact:** Stephanie Hansen **Telephone No.** 831-454-3112  
**Date Completed:** 9/24/2018

This is to advise that the County of Santa Cruz has found the project to be exempt from CEQA under the following criteria:

Exempt status: (*check one*)

- ☐ The proposed activity is not a project under CEQA Guidelines Section 15378.  
☐ The proposed activity is not subject to CEQA as specified under CEQA Guidelines Section 15060 (c).  
☒ The proposed activity is exempt from CEQA as specified under CEQA Guidelines Section 15061(b)(3).  
☐ **Ministerial Project** involving only the use of fixed standards or objective measurements without personal judgment.  
☐ **Statutory Exemption** other than a Ministerial Project (CEQA Guidelines Section 15260 to 15285).  
Specify type:  
☒ **Categorical Exemption**

15308 Class 8. Actions by Regulatory Agencies for Protection of the Environment

#### Reasons why the project is exempt:

The project is intended only to meet the requirements set forth in Chapter 17.04 of the County Code, "Annual Population Growth Goal for Santa Cruz County." Establishment of the annual population growth goal is a requirement of Measure J, which was adopted in 1979 to address resource and public services impacts of population growth in the County. The growth goal is intended to limit population growth to an amount determined by the Board of Supervisors to represent Santa Cruz County's fair share of statewide population growth for that year. No physical impact to the environment would occur.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Title: Environmental Coordinator

**EXHIBIT C**