



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060
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KATHY MOLLOY, PLANNING DIRECTOR

October 10, 2019

AGENDA DATE: October 23, 2019

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

SUBJECT: PUBLIC HEARING TO DEVELOP A RECOMMENDATION TO THE BOARD OF SUPERVISORS REGARDING THE PROPOSED YEAR 2020 GROWTH GOAL.

Recommended Action(s):

- 1) Conduct a public hearing to establish the Year 2020 Growth Goal;
- 2) Adopt the attached Resolution (Exhibit A) recommending a Year 2020 Growth Goal of 0.5% for the unincorporated portion of Santa Cruz County; and
- 3) Recommend the filing of the CEQA Notice of Exemption (Exhibit B) 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 Year 2020 Growth Goal Report is attached (Exhibit C) and 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 2020 Growth Goal Report recommends a 0.5% population growth rate for 2020, which translates to 255 residential building permit allocations. Including unused allocations from 2019, projected to total 184, an estimated total of 439 allocations would be available in 2020. Also included with this staff report is a status report on the 2019 residential building permit allocations.

Background

Santa Cruz County Code (SCCC) Chapters 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 that 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 2020 Growth Goal Report is included as Exhibit C.

Analysis

Population Trends

The State Department of Finance (DOF) estimates that during 2018 the County’s unincorporated population decreased at an annual rate of -0.62%. This rate is down from -0.22% in 2017 and continues the trend of decreasing population growth rates in recent years. By comparison, the County as a whole decreased at an annual rate of -0.43% in 2018, similarly down from the previous year’s rate of -0.15%. The state grew by 0.47% in 2018, compared to 0.60% in 2017.

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 -0.62% in 2018 was substantially lower than the state rate of 0.47%, 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 concern regarding resources and infrastructure has been the potential and actual water supply shortfall. However, 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, particularly transportation improvements. Traffic congestion is a very significant concern facing residents throughout the County and a number of efforts are underway to address this issue, including regional highway plans and improvements and a County traffic study that will support an update of the General Plan Circulation Element.

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 40 years since Measure J was first implemented, 21% of new residential development in the unincorporated area has been constructed as affordable housing, including accessory dwelling units (ADUs). In 2018, 50.7% of all new units were affordable, when ADUs are included. Affordable housing production

(including ADUs) in the first seven months of 2019 has represented 38.3% of the total units approved in the County 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.

Density Bonus Report

At the Planning Commission hearing on September 26, 2018, the Commission requested an annual report on applications for a residential density bonus pursuant to SCCC Chapter 17.12. As of August 1, 2019, four project applications have been submitted with a requested density bonus. Two density bonus projects have been approved so far this year, for a total of five additional units achieved as a result of the density bonus. Construction has not yet begun on any of the units approved this year, and staff has not found any permitting records indicating any density bonus projects being approved prior to 2019.

Demolition Permits

This year, staff will begin tracking demolition rates within the unincorporated area to provide a more complete picture of the County's current housing stock. Nine SFD units have been issued demolition permits as of August 1, including three damaged or destroyed units (two damaged by fire and one that was determined to be structurally unsound). Five of those units were issued replacement building permits, including four new SFDs and one new manufactured home (MH), resulting in a net loss of four units due to demolition.

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 2018, the 0.5% growth rate translated to a maximum number of 494 allocations to be granted for residential building permits (including 233 carryover allocations from 2017). Fifty-four allocations were granted in 2018, almost twice as many as the 28 allocations granted during the previous year. The 494 allocations available for 2018 were more than sufficient to meet the demand for residential building permits in the unincorporated area.

Status of the 2019 Residential Building Permit Allocations

The following table shows the number of allocations granted in 2019 as of August 1:

	Urban	Rural
Allocations set by Board	172*	84*
Allocations Granted	34	8
Remaining Allocations Available	138*	76*

*Does not include 146 urban and 61 rural carryover units from 2018

This year's data shows an increase in demand for residential building permit allocations over 2018. A total of 42 allocations have been granted as of August 1, 2019, up from 31 granted at the same time last year. If demand continues at the current rate, approximately 72 allocations will be granted by the end of 2019, the highest number of allocations since 2007. Despite the recent trend in rising allocations, the demand for residential building permits remains modest compared to the levels seen in previous decades, indicating that factors other than growth management have continued to limit residential development since the 2008-10 recession period.

Due to the moderate demand so far this year, sufficient allocations should be available to meet building permit needs in both urban and rural categories through the end of the year, and an increase in the 2019 allocation is not warranted at this time. Nevertheless, Planning Staff will continue to monitor the allocations in both categories and will update these figures for the Board's December 10, 2019 meeting.

Proposed 2020 Growth Goal

In consideration of the continuing low demand for permits combined with decreasing population growth and the substantial number of carryover allocations that will be available for next year, the Year 2020 Growth Goal Report recommends that the population growth rate be set at 0.5% for calendar year 2020, rounded from the State of California's 0.47% growth rate for 2018, and the same rate that has been adopted every year since 2001.

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 Table 14 of the Year 2020 Growth Goal Report, this demand is determined using DOF household population estimates and the recommended population growth rate. The 0.5% growth rate proposed translates to an allocation of 255 market rate residential building permits available for the year. Unlike past years, the proposed allocations for 2020 will be divided between the urban and rural areas of the unincorporated County on a 75-25% ratio to recognize the greater potential for infill development in the urban areas. The 255 total allocations available for 2020 will be distributed as follows:

Area	Allocations	Carryover	Total 2020 Allocations
Urban	191	114*	305*
Rural	64	70*	134*
Total	255	184*	439*

*Projected year-end allocations available based on continuation of rate through August 1, 2019

Planning Staff will return to the Board on December 10, 2019 with the recommendation of the Planning Commission and a resolution for final action by the Board to establish

the 2020 growth goal for the unincorporated area of Santa Cruz County.

ENVIRONMENTAL REVIEW

The establishment of the Year 2020 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 B).

Natisha Williams
Planner IV

Stephanie Hansen
Principal Planner

Exhibits:

- A) Planning Commission Resolution
- B) CEQA Notice of Exemption
- C) Report on the Year 2020 Growth Goal

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 2020**

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 2020 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) and State and County environmental review guidelines, adoption of the 2020 growth goal has

EXHIBIT A

been found to be categorically exempt and a Notice of Exemption has been prepared.

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 2020; and
2. Market rate building permit allocations be distributed, as shown in Attachment A-1, with 75% of the 2020 growth in the urban portion of the unincorporated County, and 25% in the rural portion; and
3. The unused 2019 market rate permit allocations be carried over to 2020.

PASSED AND ADOPTED by the Planning Commission of the County of Santa Cruz, State of California, this 23rd day of October 2019, by the following vote:

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

ATTEST: _____
Secretary

Chairperson

APPROVED AS TO FORM:  10-10-19
County Counsel

Attachment A-1: Recommended 2020 Building Permit Allocation Distribution

Attachment A-1

RECOMMENDED 2020 BUILDING PERMIT ALLOCATION DISTRIBUTION (Market Rate Units Only)

Area	Allocations	Carryover	Total 2020 Allocations
Urban	191	114*	305*
Rural	64	70*	134*
Total	255	184*	439*

*Projected based on continuation of rate through August 1, 2019



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KATHLEEN MOLLOY, PLANNING DIRECTOR
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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 2020 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 2020 Annual Growth Goal Rate at 0.5%

Agency Approving Project: County of Santa Cruz
County Contact: Natisha Williams, Planner **Telephone No.** 831-454-3290
Date Completed: 10/10/2019

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 B

EXHIBIT C

REPORT ON
YEAR 2020 GROWTH GOAL
for
SANTA CRUZ COUNTY'S UNINCORPORATED AREA

Prepared by:
County of Santa Cruz Planning Department

October 10, 2019

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I. INTRODUCTION

In 1978, Santa Cruz County voters adopted the growth management initiative known as Measure J. This legislation 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. The 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). In December 2018, the Board of Supervisors adopted a 2019 growth rate of 0.5%. This report provides information for consideration by the County Planning Commission and Board of Supervisors to determine the annual growth goal for calendar year 2020.

The County of Santa Cruz Planning Department determines the recommended annual growth goal based on a number of factors, including analysis of population growth trends, resource constraints, and the status of residential building permit allocations for the current year. These factors are examined under the following sections of this report: Section II, Population Trends, discusses the latest population estimates and population data projections; Section III, Building Permit Allocations, presents information on residential building permits that have been allocated, issued, and carried over since the adoption of Measure J, and the status of the 2019 allocation system; Section IV, Potential Growth Impacts, details countywide resource constraints and public service issues; Section V, Housing Needs, examines the Association of Monterey Bay Area Government's (AMBAG's) regional housing needs planning process, the status of the County's General Plan Housing Element, the continued need for affordable housing in the County, and the Accessory Dwelling Unit (ADU) Annual Report; Section VI, Growth Goal Recommendation, presents this year's recommended growth rate and building permit allocation distribution; Section VII, Conclusion, summarizes the findings from Sections II through VI; and Section VIII, References, lists the sources referenced in this report.

II. POPULATION TRENDS

Population Estimates

The State of California Department of Finance (DOF) publishes annual population estimates for counties across the state in May of each year. Table 1 shows the DOF population estimates for Santa Cruz County in 2018 and provisional estimates for 2019. These population estimates indicate a countywide population of 274,871 (133,721 in the unincorporated area) as of January 1, 2019 (DOF, 2019). Table 1 also includes the annual population growth rates during 2017 and 2018 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 2018. According to the DOF statistics, the unincorporated area had a negative growth rate of -0.62% in 2018, with an estimated decrease of 841 people. The cities of Capitola, Scotts Valley, and Watsonville each saw negative growth rates of less than 1% in 2018, while the City of Santa Cruz population essentially remained steady with a marginal increase of 0.03%. The County overall, including incorporated cities, saw a negative growth rate of -0.43%. In comparison, neighboring counties grew as follows: Monterey County: 0.56%, San Benito County: 2.39%, and Santa Clara County: 0.33%. The State of California as a whole grew at a rate of 0.47% in 2018.

TABLE 1: POPULATION AND GROWTH RATES OF COUNTY JURISDICTIONS

Area	1/1/2018 Population Estimate ⁽¹⁾	1/1/2019 Population Estimate ⁽²⁾	2017 Population Growth Rate ⁽¹⁾	2018 Population Growth Rate
City of Capitola	10,317	10,240	-0.37%	-0.75%
City of Santa Cruz	65,784	65,807	0.19%	0.03%
City of Scotts Valley	12,162	12,082	-0.30%	-0.66%
City of Watsonville	53,246	53,021	-0.32%	-0.42%
Unincorporated Area	134,562	133,721	-0.22%	-0.62%
County Total	276,071	274,871	-0.15%	-0.43%
State of California	39,740,508	39,927,315	0.60%	0.47%

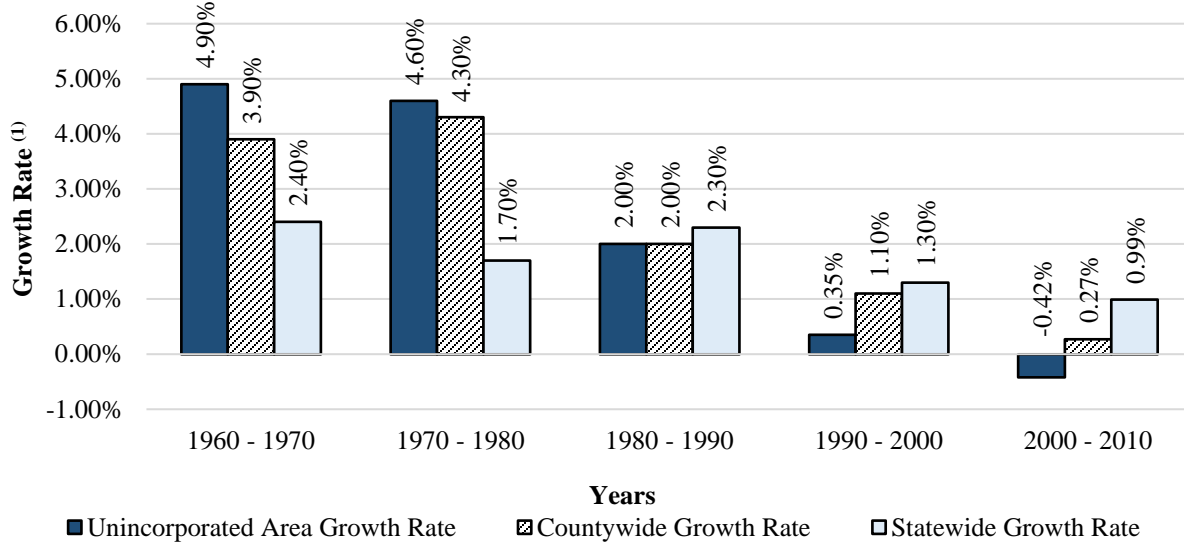
Source: California Department of Finance Demographic Research Unit, Report E-5: Population and Housing Estimates for Cities, Counties, and the State, January 1, 2011-2019, with 2010 Benchmark (Released: May 1, 2019)

⁽¹⁾ Population estimates for previous years are updated based on the latest DOF E-5 data and may differ from last year's report.

⁽²⁾ 2019 data is provisional

The estimated 2018 population growth rate for the unincorporated area is -0.62%, which is considerably lower than the 0.5% growth rate set for that year and lower than the statewide population growth rate of 0.47%. The data show that the overall County is actually decreasing in population. As a result, the building permit allocation derived from the 0.5% growth rate was more than sufficient to accommodate the demand for residential permits to construct market rate units in 2018.

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

FIGURE A: POPULATION GROWTH RATE BY DECADE

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

Population Projections

In June of 2018, 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.

**TABLE 2: AMBAG POPULATION FORECAST FOR SANTA CRUZ COUNTY
(2018 AMBAG Adopted Forecast)**

Area	2015 ⁽¹⁾	2020 Forecast	2025 Forecast	2030 Forecast	2035 Forecast	2040 Forecast	Annual Average Rate	% Change 2015-40
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%
Unincorporated Area	135,042	136,891	137,896	139,105	140,356	141,645	0.20%	4.89%
County Total	273,594	281,147	287,700	294,238	300,685	306,881	0.49%	12.17%

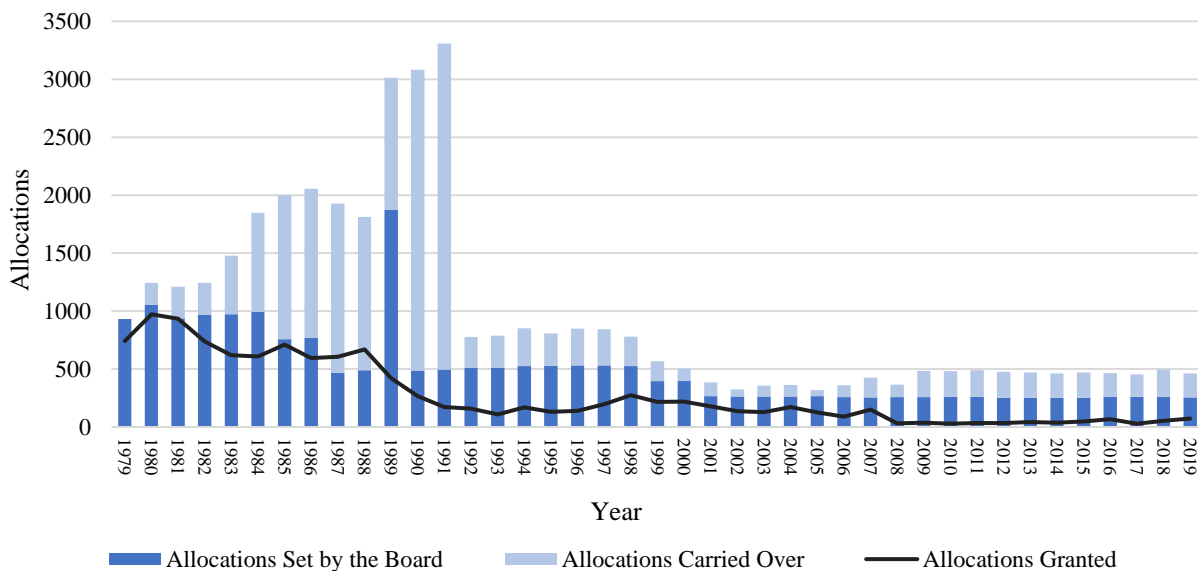
⁽¹⁾ 2015 data from U.S. Census Bureau and DOF

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% and is significantly higher than estimates extrapolated from DOF data (Table 1), which indicate an average negative growth rate of -0.42% in the unincorporated area between 2017 and 2018. 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. Figure B below shows building permit allocation totals from 1979, when Measure J was first implemented, to August 1, 2019. Table 3 provides a more detailed look at the trends indicated in Figure B.

FIGURE B: RESIDENTIAL BUILDING PERMIT ALLOCATIONS SINCE 1979



Note: The number of allocations granted for 2019 shown hereon is the projected annual total if the rate through August 1, 2019 continues through the end of the year.

TABLE 3: RESIDENTIAL BUILDING PERMIT ALLOCATIONS SINCE 1979

YEAR	ALLOCATIONS CARRIED OVER ⁽¹⁾	ALLOCATIONS SET BY THE BOARD	ALLOCATIONS SET BY THE BOARD (DOES NOT INCLUDE EXEMPTED PERMITS) ⁽²⁾	ALLOCATIONS GRANTED ⁽¹⁾⁽³⁾
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 ⁽⁴⁾
1988	1322	489	--	670 ⁽⁴⁾
1989	1141	489 + 1384 ⁽⁵⁾	--	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 ⁽⁶⁾
2000	104	399	339	220
2001	119	266	227	177 ⁽⁷⁾
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 ⁽⁸⁾	--	48
2016	205	464 ⁽⁸⁾	--	67
2017	192	453 ⁽⁸⁾	--	28
2018	233	494 ⁽⁸⁾	--	54
2019	207	463 ⁽⁸⁾	--	42 ^{(9)/ 72 ⁽¹⁰⁾}

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

⁽²⁾ Prior to 1992, the allocation system included both market rate and affordable units. Beginning in 1992, affordable units were exempted from the allocation system, and in 2005, the allocation formula was updated to reflect that policy change and include only market rate units.

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

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

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

⁽⁶⁾ 208 from the 1999 allocation and eight (rural) from the 1998 carryover.

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

⁽⁸⁾ Including carryover allocations from the previous year.

⁽⁹⁾ As of August 1, 2019.

⁽¹⁰⁾ Projected annual total if rate through August 1, 2019 continues through end of year.

Summary of Recent Allocations and Status of the 2019 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. In 2018, allocations almost doubled compared to the previous year, and this year, if the rate of the first seven months continues, approximately 72 allocations will be granted in 2019, the highest number of allocations since 2007.

Since 2001, the total number of available allocations derived from the 0.5% growth rate each year 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 2000 (Table 4) show that the demand for market rate building permits has not come near the maximum allocated since the year 2004, when all rural allocations were granted, and only urban allocations were carried over.

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
2018	146	61	207

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) and urban projects (five or more lots/units) that will require allocations. While staff can estimate the demand for allocations that will come from the creation of new lots and upcoming projects, timing of actual unit construction is more difficult to estimate since there are many factors that influence demand. Tables 5 through 7 show the allocation status of approved and pending projects as of August 1, 2019.

Table 5 lists the urban projects that were approved in recent years and the status of their building permit allocations. This table indicates a future demand of 60 allocations within the Urban Services Line. Table 6 shows the status of pending urban projects currently in the development review process and indicates a potential future demand of 57 allocations within the Urban Services Line. Table 7 shows the status of approved and pending minor land division applications and indicates a potential future demand of 16 allocations, including two within the rural area of unincorporated Santa Cruz County.

TABLE 5: 2019 ALLOCATION STATUS OF APPROVED URBAN PROJECTS (5 OR MORE LOTS/UNITS) AS OF AUGUST 1, 2019				
Project Name	Total Market Rate Units in Project	Units from Previous Allocations	Units from 2019 Allocation	Remaining Units to be Allocated
Aptos Village	59	26	23	10
Avila Estates	6	5	0	1
Forest and Meadows	50	49	0	1
The Roadhouse	9	3	2	4
Santa Cruz Gardens #8	12	11	0	1
Santa Cruz Gardens #12	9	4	0	5
Seascape Uplands	107	100	0	7
Seaview Terrace	9	4	0	5
Tan Heights/Seacrest	30	29	0	1
The Lumber Yard	8	0	0	8
Woods Cove/Graham Hill	60	56	0	4
Paul Minnie*	13	0	0	13
TOTAL	372	287	25	60
*Indicates density bonus used				

TABLE 6: 2019 PENDING URBAN PROJECTS (5 OR MORE LOTS/UNITS) AS OF AUGUST 1, 2019	
Project Name	Market Rate Units to be Allocated
Pleasure Point Plaza*	29
The Soquel Townhomes*	13
3300 Maplethorpe Lane	10
432 Capitola Road Extension*	5
TOTAL	57
*Indicates density bonus used	

TABLE 7: 2019 APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 LOTS) AS OF AUGUST 1, 2019		
Project Name	Approved Number of Lots ⁽¹⁾	Pending Number of Lots ⁽¹⁾
Urban	7	7
Rural	0	2
TOTAL	7	9
⁽¹⁾ The number indicated counts the subject lot(s) being subdivided, which may 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 the residential building permit allocation system for 2019. As of August 1, a total of 42 allocations have been granted. This level of building permit activity is greater than last year, when the County had granted 31 allocations as of August 1, 2018, but it continues the trend of relatively low building permit activity over the past decade, particularly since the 2008-10 recession.

TABLE 8: 2019 BUILDING PERMIT ALLOCATION STATUS AS OF AUGUST 1, 2019			
	Urban	Rural	Total
Allocations Set by Board of Supervisors	172+146 ⁽¹⁾ = 318	84+61 ⁽¹⁾ = 145	256+207 ⁽¹⁾ = 463
Allocations Granted	34	8	42
Remaining Allocations Available	138+146 = 284	76+61=137	214+207=421
⁽¹⁾ Carryover of 146 urban units and 61 rural units from 2018.			

Tables 5 through 7 indicate a combined total demand of 133 allocations associated with approved and pending land divisions. As of August 1 of this year, only 42 allocations have been granted out of the 463 allocations available for 2019 (Table 8). Due to the continued low rate of construction and therefore low demand for allocations, and the 421 allocations available, it is anticipated that there will be ample building permit allocations available in all categories for the remainder of 2019.

IV. POTENTIAL GROWTH IMPACTS

The County's growth management system was instituted to address the impacts of growth on natural resources and public services. 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. The latest climate change projections for the region indicate that in the future, there will be longer drought periods and a shorter rainy season, which will lead to a reduction in surface flow and groundwater recharge. This will be further exacerbated by increased evapotranspiration due to warmer weather.

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 growth. Other efforts underway include 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, which requires all high- and medium-priority groundwater basins in California to develop groundwater sustainability plans (GSPs) that achieve sustainability within 20 years of implementation.

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 acre feet), 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 December 2018, the City began a water transfer pilot project to customers of Soquel Creek Water District. In 2019, they began testing the ability of the Santa Cruz Mid-County Groundwater Basin to store excess winter surface water underground through a process

known as Aquifer Storage and Recovery (ASR). Other strategies being pursued include further transfers, ASR in the Santa Margarita Groundwater Basin, and the use of wastewater recycling. The SCWD has not seen the increase in water use they expected after ending water restrictions imposed during dry years. Per capita water use remains below projections despite the fact that no restrictions were put in place for 2019.

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 reduction in stream base flow over the past 40 years. Cooperative efforts by County staff, consultants, the San Lorenzo Valley Water District (SLVWD), 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. Recent reductions in pumping have resulted in stabilized groundwater levels, which, despite showing some increase in 2019, are still 250 feet lower than they were in 1980 in some parts of the Basin.

In 2017, the two water districts and the County adopted a Joint Powers Agreement to form the Santa Margarita Groundwater Agency (SMGWA), which will develop a plan to restore and manage the basin pursuant to the SGMA. That plan is required to be completed by 2022. The City of Santa Cruz, Mount Hermon Association, City of Scotts Valley, and representatives of private well owners also have a seat on the Board that governs SMGWA. The SMGWA has engaged a consultant to help with the development of the plan, including extensive modeling and technical analysis of groundwater levels and quality in the Basin.

The overdraft of this basin is currently being addressed in several ways. SVWD built a non-potable wastewater recycling plant in 2002 and has been working to expand the number of users of that reclaimed wastewater for irrigation. 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 supply portfolio. In 2018, SVWD completed a study showing that they could produce 550 acre-feet per year of potable recycled water for groundwater recharge.

The County and SLVWD have partnered on a grant to evaluate ways to improve the efficiency of the SLVWD's system by conjunctively using surface and groundwater resources throughout their service area. The City of Santa Cruz is actively pursuing a project to restore the storage in the basin using treated San Lorenzo River water through ASR.

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, recharging 22.43 acre-feet of water in 2018.

SVWD has significantly improved the "Think Twice" water use efficiency program. 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) old water fixtures such as 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 elevations 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.

In 2016, the 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 must be submitted to the Department of Water Resources by January 2020 to outline how the basin will reach sustainability by 2040. The Draft Plan was released in July 2019, with expected adoption of the final Plan in November. The agency expects to reach sustainability through ongoing water conservation and implementation of several projects by the partner agencies. There is no current plan to curtail pumping in the basin. The County and water agencies have done numerous outreach activities 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, generally around 27%, in water usage currently when compared to the 2013 baseline before drought restrictions began. With the ending 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.

SqCWD has estimated that it needs to continue 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 to evaluate supplemental supply and demand reduction options. In 2018, the SqCWD Board certified an Environmental Impact Report for the “PureWater Soquel” groundwater replenishment and seawater intrusion prevention project. The project plans to take tertiary treated wastewater from the City of Santa Cruz treatment plant, send it to Live Oak for advanced purification, and then send that water to Aptos for injection into the groundwater basin.

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 more 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 the agricultural industry.

The Pajaro Valley Water Management Agency (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. There are expansion plans for the pipeline that will bring the recycled water up further North of the current service area, which will potentially benefit groundwater levels in the Mid-County basin as well as in the Pajaro basin. PVWMA operates a project at Harkins Slough that provides groundwater storage and recovery in the shallow aquifer in that area.

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 Basin Management Plan was approved as an alternative to a Groundwater Sustainability Plan by the Department of Water Resources in July 2019. Several of the projects outlined in the Plan are undergoing environmental review under the California Environmental Quality Act. 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.

Water quality in the south County area suffers from seawater intrusion and areas of nitrate contamination from agricultural practices, animal facilities, and septic systems.

Integrated Regional Water Management (IRWM) and Watershed Health: County staff are actively engaged in the IRWM programs for both Santa Cruz County and the Pajaro watershed, which includes preparing projects to submit for IRWM grant funding in late 2019. Water Resources staff continued to work with water agencies to conduct annual sampling of juvenile salmonids and stream habitat in four watersheds: San Lorenzo, Soquel, Aptos, and Pajaro. Water Resources staff partnered with the Information Services Department to complete a database and an interactive website to manage and display the results of the fish monitoring efforts that have been ongoing since 1981: <http://scceh.com/steelhead.aspx>. Staff also continue to work with other County departments and partner organizations to implement the Stream Wood Program and conduct fish passage and habitat restoration projects throughout the County.

Conclusion: County staff will continue to monitor and provide input to these various water supply and watershed enhancement efforts being carried out throughout the County and will keep the Board of Supervisors updated regarding their status when appropriate including the annual Water

Status Reports. County staff also continues to implement and enforce the water efficient landscape ordinance, water conservation ordinance, and well ordinance.

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.

In addition, the various County sanitation districts have made numerous sewer-related improvements over the years, including the projects described below:

- The Davenport Recycled Water Project was completed in 2018. The Davenport County Sanitation District upgraded the existing wastewater treatment plant and constructed a recycled storage pond. The improvements give farmers, contractors, business owners, and residents access to disinfected tertiary treated recycled water that can be used on crops, landscaping, construction sites, and other approved uses. The recycled water will cost significantly less than potable water, and the reduced use of potable water will benefit both the community and the environment.
- The Santa Cruz County Sanitation District has recently completed a study regarding sewer line infiltration and inflow (I&I). The District is using this study to address areas where stormwater and groundwater may be entering (or exiting) through cracks in the sewer lines. The 2019 Soquel Village Rehabilitation as well as the Capitola Jewel Box Sewer Replacement projects were done to specifically address this issue. Addressing I&I benefits the environmental as it reduces the amount of energy required to pump and treat wastewater and also improves the environment in areas where wastewater may be leaking out of pipes.
- The Freedom County Sanitation District upgraded the Trembley Pump Station in 2019. The pump station is now more efficient and has more capacity to hold wastewater in the event that power is lost to the pumps.

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. 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 to 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. The infusion of state Senate Bill (SB) 1 funds and local Measure D funds will continue to help the County make progress on improving its pavement condition on publicly maintained roads.

Traffic congestion is a significant concern facing residents throughout the County. A number of planning efforts focused on improving the County's transportation infrastructure are currently underway. In 2018, the Board of Supervisors accepted the Portola Drive Streetscape Concepts, as a component of the Pleasure Point Commercial Corridor Vision and Guiding Design Principles. The Streetscape Concepts propose potential near-term and long-term improvements to a portion of the Portola Drive public right-of-way that is intended to benefit all users in the Pleasure Point Commercial Corridor, including pedestrians and bicyclists, local business owners, and residents. Staff is also working with consultants to update the County's traffic model and conduct a traffic analysis that will recommend additional transportation improvements as part of the upcoming Sustainability Policy and Regulatory Update. The Update will include 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.

In June 2019, the Board of the Santa Cruz County Regional Transportation Commission (SCCRTC) received the final Highway 9/San Lorenzo Valley Complete Streets Corridor Plan. The plan identifies some of the most critical transportation projects in the corridor and focuses on safety for pedestrians, bicyclists and motorists; access to schools, businesses, and bus stops; traffic operations, pavement conditions, drainage and other needs in this important travel corridor. The Final Unified Corridor Investment Study (UCS) and Preferred Scenario was presented to SCCRTC board in January of 2019. The objective of the UCS is to identify multimodal transportation investments that provide the most effective use of Highway 1, Soquel Avenue/Soquel Drive/Freedom Boulevard, and the Santa Cruz Branch Rail Line while best serving the community's transportation needs.

SCCRTC 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 41st 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. Future work also includes the construction of an additional bike/pedestrian overcrossing at Mar Vista Drive.

V. HOUSING NEEDS

Regional Housing Needs Allocation Plan

Under California law, all cities and counties must adopt a housing element as part of their local general plan. Each housing element must ensure land is zoned and available to accommodate the jurisdiction's share of the projected regional housing need, or Regional Housing Needs Assessment (RHNA), as explained below. The locality's share of housing need is further divided up into several distinct household income levels or categories, based on detailed estimates of

household growth within each income level estimated to occur in that locality during the housing element's time horizon, which is at least eight years long.

The RHNA for this area 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, as specified in state law. 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 goal of 1,314 new housing units to the unincorporated area of the County for the 9-year planning period starting January 1, 2014 and ending December 31, 2023, distributed as shown in Table 9 below.

TABLE 9: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA	
Income Category	2014 – 2023 RHNA
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
Total Housing Needs	1,314 units

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.” Chapter 17.10 of the County Code, “Affordable Housing Requirements” is the County's inclusionary zoning code. It implements the 15% affordable requirement in the Growth Management chapter by establishing standard requirements and procedures for new residential projects of seven or more homes for sale to meet the 15% affordable housing goal. It also requires developers of new rental projects to either pay an impact fee or provide affordable rental units as an alternative to the fee. Chapter 17.12 includes the County's residential density bonus program, which also helps generate affordable units toward the County's 15% goal.

Table 10 shows the number and percentage of affordable housing units issued building permits in the unincorporated area since 1979 when Measure J was first implemented. A number of the affordable units in Table 10 were in publicly subsidized developments sponsored by the former County Redevelopment Agency, the Housing Authority, or in some cases after the 1989 earthquake, affordable projects built with FEMA and Red Cross disaster relief funds. While these

TABLE 10: AFFORDABLE HOUSING PRODUCTION					
Year	Total Units Issued Building Permits ⁽¹⁾	Affordable Units Issued Building Permits	ADUs Issued Building Permits	% Affordable (Including ADUs) ⁽²⁾	% Affordable (Does Not Include 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	0.0
2008	97	3	30	34.0	3.1
2009	60	1	22	38.3	1.7
2010	59	0	24	40.7	0.0
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	0.0
2018	73	1	36	50.7	1.4
2019 ⁽³⁾	60	2	21	38.3	3.3
Total	12,589	1,983	660	21.0	15.8
Note: Data shown only includes the unincorporated area of Santa Cruz County					
⁽¹⁾ Total number of market rate units, affordable/inclusionary units, and ADUs issued building permits (does not include replacement units)					
⁽²⁾ Includes affordable units plus ADUs as a percent of total number of new units (does not include replacement units)					
⁽³⁾ As of August 1, 2019					

are not called out separately, generally whenever the percentage of affordable units permitted in a given year is greater than 15%, this most likely reflects permits issued for one or more of these subsidized affordable projects (sometimes referred to as 100% affordable projects).

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, non-residential additions, and residential additions greater than 500 square feet) and is calculated on a per-square foot basis. Residential subdivision or condominium projects of seven or more new units must include 15% of the units as deed-restricted affordable units. As an alternative, developers of such projects may seek Board approval to pay the AHIF or pursue one of the other alternatives to providing on-site units set forth in Chapter 17.10. In late 2018, the Board adopted Ordinance 5286 amending Chapters 13.01, 13.10, 17.10 and 17.12 to better facilitate development of affordable housing through a number of programs, as part of the policy update known as the “Near Term Housing Amendments.” These amendments included changes to existing programs, including R-Combining District regulations, a new discretionary approval requirement for applicants who want to utilize the AHIF program, and a new enhanced density bonus process that expanded existing density bonus regulations.

In the 40 years since Measure J was first implemented 21% of new housing units constructed in the unincorporated portion of the County has been affordable to households of moderate income or below (those making 120% or less of the County median income), when ADUs are included. 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. When 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.

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.

Demolition Permits

Table 10 provides a detailed look at the production of new housing units in Santa Cruz County since Measure J was enacted; however, this table does not address the demolition of existing housing, which also plays an important role in the County’s housing market. Demolition rates are particularly relevant to affordable housing options since demolished units are often older and likely to be more affordable compared to newly built housing. This year, staff will begin tracking demolition rates within the unincorporated area to provide a more complete picture of the County’s current housing stock.

Table 11 details demolition permits issued from 2018 to August 1, 2019. The data show that during this time all demolition permits issued were for existing single-family dwellings (SFDs), more than half of which were subsequently replaced with a new unit. In 2018, 26 units were issued

demolition permits, including three units that were damaged or destroyed (two were destroyed as a result of fire damage and one due to neglect). Thirteen of these demolished units were issued replacement SFD building permits and an additional ADU permit was issued with one of the SFDs. This resulted in 12 net units demolished in 2018.

This year, nine SFD units have been issued demolition permits as of August 1, including three damaged or destroyed units (two damaged by fire and one that was determined to be structurally unsound). Five of those units were issued replacement building permits, including four new SFDs and one new manufactured home (MH), resulting in a net loss of four units. Overall, demolition rates in the County are relatively low compared to the construction of new housing.

TABLE 11: RESIDENTIAL DEMOLITION RATE											
Year	Total Units Issued Demolition Permits	Demolition Unit Types				Number of Replacement Units	Replacement Unit Types				Net Units Demolished
		SFD	ADU	MH	MF		SFD	ADU	MH	MF	
2018	26	26	0	0	0	14	13	1	0	0	12
2019 ⁽¹⁾	9	9	0	0	0	5	4	0	1	0	4
Note: Data shown includes permits issued in the unincorporated area of Santa Cruz County as of August 1, 2019.											

Density Bonus Annual Report

At the Planning Commission hearing on September 26, 2018, the Planning Commission requested an annual report on applications proposing to utilize a residential density bonus pursuant to SCCC Chapter 17.12.

As of August 1 of this year, four project applications have been submitted with a requested density bonus, including three projects indicated in Table 6 as well as the MidPen Housing mixed-use project at Capitola Road and 17th Avenue that was recommended for approval by the Planning Commission on August 28, 2019. Two density bonus projects were approved in 2019:

- The Habitat for Humanity project on Harper Street was approved in January 2019 for 11 affordable for-sale units, consisting of ten duets and one accessible single-family dwelling, all affordable to lower-income households. One of the 11 units was achieved as a result of the density bonus. That project was built on a former Redevelopment Agency property and was assisted with funding from the County's Housing Successor Agency.
- As indicated in Table 5, the Paul Minnie project was approved in April 2019 with a density bonus. The project includes a total of 15 apartment (rental) units, including two very low-income affordable units. Four additional market rate units were approved as a result of the 35% density bonus.

As of August 1, 2019, a total of five additional units were approved in two projects as a result of the density bonus. Building permits are currently being processed for the Habitat for Humanity project; however, construction has not yet begun on either of these projects. Staff has not found any permitting records indicating any density bonus projects being approved prior to 2019. Chapter 17.12 was originally adopted in 2006.

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 outside the Coastal Zone, and in September 2009 this restriction was lifted inside the Coastal Zone, meaning that new and existing ADUs 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) led the County to further update local regulations in 2017 and again in 2018 to comply with state law. Updates included 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 and requiring expedited permitting. The County also reduced fees and relaxed development standards for "Conversion ADUs" (ADUs created by converting part of an existing home or accessory structure).

In 2016-2017, the County undertook an extensive study to understand the function of ADUs in the local housing market and to identify barriers that discourage new ADUs. The study provided recommendations for ordinance amendments, which were incorporated into the 2017-2018 County Code updates. The study found that permit and construction costs are a major barrier to ADU construction. The County has 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. Additionally, in 2019 the County initiated a three-year pilot program to waive certain planning and permitting fees for small ADUs (640 square feet or less). 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 12 indicates, after a decrease in permit applications following the 2008-10 recession, application rates for ADUs have steadily increased in recent years. Last year saw the highest number of ADU permits since the recession, with 37 new ADU applications. As of August 1 of this year, 21 permit applications have already been filed, which is on track with 2018, when 23 ADU permits had been issued at the same time of year.

TABLE 12: TOTAL ADUs ISSUED BUILDING PERMITS IN UNINCORPORATED COUNTY BY PLANNING AREA SINCE 2005																
	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19⁽¹⁾	TOTAL
Aptos	5	2	2	2	1	1	2	2	2	1	1	0	1	3	3	28
Aptos Hills	6	5	5	5	1	6	2	4	8	1	4	2	6	6	0	61
Bonny Doon	7	2	4	1	2	3	1	2	1	0	2	0	1	2	2	30
Carbonera	5	4	3	5	1	2	6	3	2	1	6	0	4	3	3	48
Eureka Canyon	2	2	4	4	1	1	2	1	2	2	2	1	0	2	1	27
La Selva	0	1	0	0	1	0	0	0	1	0	0	0	0	0	0	3
Live Oak	4	5	5	2	1	2	2	0	5	6	6	7	10	4	5	64
North Coast	2	0	0	1	0	0	1	0	1	0	0	0	0	0	0	5
Pajaro Valley	7	2	3	0	3	3	0	1	1	2	1	2	0	4	1	30
Salsipuedes	0	1	0	2	0	0	0	1	1	2	0	0	2	2	0	11
San Andreas	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2
San Lorenzo Valley	5	4	6	3	4	1	1	0	0	1	2	4	1	4	2	38
Skyline	3	3	2	0	1	0	0	1	0	0	0	1	2	0	2	15
Soquel	2	2	3	0	1	0	1	2	4	2	1	1	0	3	1	23
Summit	8	5	3	5	5	5	0	2	1	1	4	1	1	3	0	44
TOTAL	56	38	40	30	22	24	18	19	29	19	29	19	28	37	21	429

⁽¹⁾ As of August 1, 2019

ADUs in the Coastal Zone:

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

Since 2005, a total of 74 building permits have been issued for ADUs within the Coastal Zone of the unincorporated area. Table 13 breaks down each year's total by Planning Area since 2005, after implementation of AB 1866, which removed the discretionary permit requirement for some ADUs. Only 17% of the total ADU permits issued throughout the unincorporated area during that time. 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 impacts to traffic, water, public views, and environmentally sensitive areas, if any, in the Coastal Zone.

TABLE 13: COASTAL ZONE ADUs ISSUED BUILDING PERMITS IN UNINCORPORATED COUNTY BY PLANNING AREA SINCE 2005																
	05	06	07	08	09	10	11⁽¹⁾	12⁽¹⁾	13	14	15	16	17	18	19⁽²⁾	TOTAL
Aptos	1	0	2	1	0	0	1	1	1	0	0	0	0	2	2	11
Aptos Hills	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0
Bonny Doon	4	4	0	1	1	2	1	1	0	0	1	0	2	2	0	19
Carbonera	0	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	0
La Selva	0	0	0	1	1	0	--	--	1	0	0	0	0	0	0	3
Live Oak	3	2	4	1	0	0	1	--	3	4	3	4	2	2	2	31
North Coast	2	0	0	1	0	0	1	--	1	0	0	0	0	0	0	5
Pajaro Valley	0	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	0
San Andreas	0	0	0	0	0	0	--	--	0	0	0	0	0	1	1	2
San Lorenzo Valley	0	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	0
Soquel	0	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	0
TOTAL	10	6	6	5	2	2	5	4	6	4	4	4	4	7	5	74
⁽¹⁾ Data is incomplete for these years																
⁽²⁾ As of August 1, 2019																

VI. GROWTH GOAL RECOMMENDATION

Growth Goal

The Board of Supervisors adopted a 0.5% growth rate for 2019. An annual growth rate of 0.5% was also adopted in each of the years from 2001-2018, 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. 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 2018, permits were issued for just 36 market rate units (out of 73 units total issued residential permits), down from 76 market rate units permitted in the previous year (out of 104 units total). With the decrease in market rate activity in 2018, the 0.5% growth rate provided an ample number of allocations, resulting in an unused surplus of 207 allocations carried over to 2019. 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, 2019, there have been a total of 60 permits issued for new units in 2019 (including 37 market rate units, two affordable/inclusionary unit, and 21 ADUs), which is a marked increase in demand for building permits over the previous year. Despite this increase in demand, the cushion of unused allocations from 2019 that will be carried over to 2020, in compliance with General Plan Policy 3.2 of the Housing Element, should be sufficient to meet demand. Therefore, increasing the number of allocations for 2019 is not warranted at this time. In consideration of this and the information analyzed in the sections I through IV above, staff recommends that the population growth rate be set at 0.5% for calendar year 2020, rounded from the State of California's growth rate of 0.47% for 2018, and 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. This number is based on the coming year's projected demand for new housing units. Table 14 shows the methodology by which the recommended 0.5% population growth rate for 2020 would be converted into a total of 255 residential building permit allocations.

TABLE 14: BUILDING PERMIT ALLOCATION CALCULATION BASED ON A 0.5% ANNUAL POPULATION GROWTH RATE FOR 2020	
Estimated Total Household Population 1/1/19 ⁽¹⁾	131,879
Estimated Group Quarters Population 1/1/19 ⁽¹⁾	1,842
Estimated Total Population 1/1/19 ⁽¹⁾	133,721
Approved Annual Growth Goal in 2019	0.5%
Projected 1/1/20 Household Population (based on a 0.5% growth rate from 1/1/19)	132,538
Projected 1/1/21 Household Population (based on the proposed 0.5% growth rate from projected 1/1/19 population)	133,201
Projected Household Population Increase During 2020	663
Estimated Persons Per Household (1/1/19) ⁽¹⁾	2.60
Projected New Housing Units (market rate) needed during 2020	255
⁽¹⁾ Source: DOF E-5 City/County Population and Housing Estimates, 1/1/2019 for unincorporated Santa Cruz County (May 1, 2019)	

In past years, permit allocations were divided between urban and rural portions of the unincorporated County on a 67-33% ratio. This year, it is recommended that the proposed allocations for 2020 be divided on a 75-25% ratio to recognize the potential for greater infill development in the urban area, as illustrated in Table 15. This division implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

TABLE 15: RECOMMENDED 2020 ALLOCATION DISTRIBUTION			
Area	2020 Market Rate Unit Allocations	2019 Carryover Allocations	Total 2020 Allocations
Urban	191	114 ⁽¹⁾	305 ⁽¹⁾
Rural	64	70 ⁽¹⁾	134 ⁽¹⁾
Total	255	184⁽¹⁾	439⁽¹⁾
⁽¹⁾ Projected year-end allocations available based on continuation of rate through August 1, 2019			

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 total number of available allocations in 2020 will be 255 plus the carryover from 2019, which will not be known until the end of the year but is projected to be 184 allocations.

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 64 rural allocations, a limit of 22 new rural residential parcels could be created. No new rural lots have been approved in 2019 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 be set at 0.5% for 2020. Under this growth rate, a maximum of 255 residential building permits could be allocated: 191 in the urban portion of the unincorporated area and 64 in the rural portion. Consistent with the County General Plan, the unused allocations from 2019 will be carried over and added to the 2020 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 184 unused allocations will carry over. The combined new and carryover allocations will result in 439 allocations, which is expected to be sufficient to accommodate the demand for residential building permits in the coming year.

VIII. REFERENCES

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