



County of Santa Cruz

Department of Community Development and Infrastructure

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Matt Machado – Deputy CAO / Director

August 30, 2024

Agenda: September 11, 2024

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

SUBJECT: Public hearing on recommendation to the Board of Supervisors regarding the proposed Year 2025 Growth Goal

RECOMMENDED ACTIONS:

- 1) Conduct a public hearing on the proposed Year 2025 Growth Goal;
- 2) Adopt the attached Resolution (Exhibit A) recommending a Year 2025 Growth Goal of 0.75% 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

Each year, the County is required to establish an annual growth goal for the upcoming calendar year. Staff is required to prepare an annual growth goal report, which includes information on population trends, a status report on the current year's allocations, potential impacts of growth, and a recommendation for the following year's growth goal.

The Year 2025 Growth Goal Report recommends a 0.75% growth rate, which translates to 373 market rate residential building permit allocations. Including the 2024 unused carryover allocations of 206 allocations, ~~the~~an estimated total of 579 allocations would be available in 2025. Following the Planning Commission's recommendation, the Growth Goal Report is scheduled to be brought to the Board for final action on October 8, 2024.

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 Referendum 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 market rate residential building permits in the unincorporated area for the coming year. The Year 2025 Growth Goal Report is included as Exhibit C.

ANALYSIS

Population Trends

According to the U.S. Census and the State Department of Finance (DOF) population estimates, the unincorporated area had a growth rate of -0.6% in 2023, which ~~is less than from~~ shows a small growth from the -0.7% growth rate in 2022 (see Table 1 in Growth Goal Report).

The state population growth rate in 2023 was 0.2%, ~~which was up an~~ increase from -0.1% in 2022. These rates reflect the recent changes in state population estimates since the COVID-19 pandemic began and mark a major shift in the state's historical trend of continued population growth.

DOF population estimates for cities and unincorporated counties are calculated using the Housing Unit Method (HUM). This means that changes in housing unit data, including new construction, annexations, and demolitions, reported by local jurisdictions play a significant role in determining annual population estimates. The DOF also reported that the recent increase in California's population last year was due to three main factors: foreign legal immigration continued to rebound from the pandemic, greater domestic in-migration and slowed domestic out-migration, and a natural increase from the net result of births minus deaths. The DOF expects that these factors will continue to contribute to a slower but positive growth rate for California in the near future.

~~The DOF notes that the state's sluggish growth rate is the result of four major factors: the continuing national trend of low birth rates compared to death rates as baby boomers age, continuing declines in immigration that have been accelerated by recent federal policy, federal delays in processing foreign migration, and increased deaths as a result of the COVID-19 pandemic. Pandemic-driven shifts in college student populations related to University of California—Santa Cruz and Cabrillo College was likely a major contributor to recent population growth rates in our region as well.~~

Potential Impacts from Population Growth

The County's growth management system (Measure J) was instituted in part to address resource and public services impacts of growth in the County. The most significant concerns regarding resources and infrastructure are related to the high levels of usage and congestion on the county's transportation infrastructure and potential water supply shortfall. However, as discussed in Section IV of the attached Growth Goal 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 several County initiatives to plan, finance, and construct capital improvements, particularly transportation improvements. Traffic congestion is a significant concern facing residents throughout the County and a number of efforts are underway to address this issue, including regional highway plans and improvements, a major Soquel Drive improvement project, implementation of ~~a newly adopted~~the County Active Transportation Plan, as well as analysis on potential future improvements as part of the Sustainability Policy and Regulatory Update (Sustainability Update), the County's comprehensive update to the General Plan and County Code effective in March 2024.

The County Board of Supervisors adopted the 6th Cycle Housing Element, covering the years 2023-2031, on November 14, 2023, and it was certified by the California Department of Housing and Community Development (HCD) in April 2024. The State mandated Regional Housing Needs Allocation (RHNA) for the eight-year planning period was 4,634 units across all income categories for in unincorporated Santa Cruz County. The 2023 Housing Element has the benefit of many new adopted policies and programs that support more robust housing development. Other projects, such as the Sustainability Update (2024); the Public Facility, School Employee, and Farmworker Housing Ordinance (2018); the Permanent Room Housing Ordinance (2020); the Tiny Homes on Wheels Ordinance (2022); and the County's Accessory Dwelling Unit (ADU) regulations implement policies in the 2023 Housing Element.

Affordable Housing Goals

SCCC section 17.01.030 requires at least 15% of new housing units constructed each year to be affordable to moderate income and below moderate-income households. Over the 43 years since Measure J was first implemented, 13% of all new residential developments have been constructed as affordable housing. As can be seen in Table 10 of the Growth Goal Report, approximately 79% of new residential building permits, including ADU's, approved so far this year are affordable, and more affordable units are expected as approval of housing projects continue.

In order to support affordable housing goals, the County continues to exempt affordable housing units and ~~accessory dwelling units~~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

As can be seen in Table 13 of the Growth Goal Report, to date, since the density bonus code update in late 2018, a total of 10 density bonus projects have been approved: four in 2019, two in 2020, one in 2021, one in 2022, one in 2023 and one so far in 2024. These 10 projects provide a total of 205 units, including 119 affordable units and 56 density bonus units, as shown on Table 13 of the Growth Goal Report.

~~If the preliminary review proposals are included, a~~ A total of 983 units have been proposed in density bonus projects since 2019, with 629 affordable units and 270 bonus units, if the preliminary review proposals are included.

Proposed 2025 Growth Goal Status of the 2024 Residential 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 building permits in the unincorporated area for that year. The 2025 Growth Goal Rate was formulated based on DOF population estimates and the total number of moderate and above moderate income housing units needed pursuant to the 6th Cycle RHNA, which identified a need for 2,166 moderate and above moderate housing units for the unincorporated areas of the County. It is anticipated that 50 housing allocations will be granted in 2024, therefore 2,116 units will need allocations for the remainder of the 6th Cycle (2025-2031). As such, an annual average of 361 building permit allocations per year must be available for the next six years.

~~Proposed 2025 Growth Goal~~

In past years, the County's growth goal has been relatively consistent with the State of California's growth rate. Permit activity related to an increasing number of density bonus projects in the County's permit pipeline indicate a potentially higher demand for market rate permits in the coming year. In conjunction with the Sustainability Update, the 2023 Housing Element, which set forth increased densities, and continued state legislation aimed at increasing housing supply, there is an expectation that housing permit rates will increase over past trends. In consideration of this information, analyzed further in the attached report (Exhibit C), staff recommends a 0.75% growth rate for calendar year 2025 which results in 373 market rate unit allocations, 280 urban and 93 rural, for 2025.

SCCC Chapter 17.04 directs any unused allocations from the previous 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 2025 will include the projected carryover allocations from 2024 of 206 for a total of 579 allocations.

Each year the growth goal rate is translated into a maximum number of allocations for market rate residential building permits. The proposed 0.75% growth rate would result in distribution between urban and rural areas as shown below:

RECOMMENDED 2025 ALLOCATION DISTRIBUTION			
Area	2025 Market Rate Unit Allocations	2024 Carryover Allocations ⁽¹⁾	Total 2025 Allocations ⁽¹⁾
Urban	280	167	447
Rural	93	39	132
Total	373	206	579

⁽¹⁾ Projected year-end allocations available based on continuation of allocation distribution rate for first six months.

Including the estimated ~~206~~ carryover allocations from the previous year, the 579 allocations established for is expected to be sufficient to address demand for market rate residential building permits in 2025.

ENVIRONMENTAL REVIEW

The establishment of the Year 2025 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).

Mark Connolly
Principal Planner

Stephanie Hansen
Assistant Director

Exhibits:

- A: Planning Commission Resolution
- B: CEQA Notice of Exemption
- C: Report on the Year 2024 Growth Goal

