



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

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TOM BURNS, PLANNING DIRECTOR

September 28, 2004

AGENDA: October 27, 2004

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

PUBLIC HEARING TO ESTABLISH THE YEAR 2005 GROWTH GOAL

Members of the Commission:

Each year the County is required, through implementation of the Growth Management System, to set an annual growth goal for the upcoming year. As part of that process, staff prepares a Growth Goal Report for consideration by the Planning Commission and the Board of Supervisors. The Year 2005 Growth Goal Report is attached (Exhibit **B**) for your public hearing and consideration. Also included in this staff report is a status report on the 2004 Building Permit Allocation.

The Board of Supervisors held a public hearing on the Year 2005 Growth Goal on September 28, 2004, and referred the matter to the Planning Commission for consideration and recommendation. The Board of Supervisors continued the hearing on the Growth Goal until December 14, 2004, at which time the Board of Supervisors will consider your Commission's recommendation and a resolution for final action.

GROWTH GOAL ISSUES

The accompanying report on Year 2005 Growth Goals (Attachment 1) provides a discussion of a series of factors critical in establishing the annual growth goal for the County. The report contains a number of findings including the following:

Population Trends: The State Department of Finance (DOF) estimates that during the last year (2003), the County's unincorporated population declined at a rate of -0.22%. This rate is significantly lower than the 2003 adopted percent growth goal of 0.50%. The County, as a whole, grew at a rate at 0.5% rate in 2003, which is significantly less than the 1.49 % growth rate for the State of California.

Growth Impacts: The most significant development impact on resources in the County consists of the potential and actual water supply shortfalls countywide. As discussed in the attached report, water agencies countywide are attempting to address these

concerns. Urban service impacts of existing and new development are being addressed by a number of County initiatives to plan, finance and construct capital improvements.

Housing Goals: Over the last twenty-four years, 15.1% of the new residential development in the unincorporated area has been constructed as affordable housing. Affordable housing production in the first eight months of 2004 is 3.3%, but the building permit application for the "McGregor" project is expected, which could increase the percentage to 19.8% if all the available building permits are allocated.

GROWTH GOAL SETTING

The Year 2005 Growth Goal Report recommends a continuance of the 0.5% growth goal established for 2004. Based on this population growth goal, an allocation of total building permits to be issued in 2005 is determined based on considerations of County population, household size and vacancy rates. The allocation is then distributed similarly to past years for affordable and market rate housing, urban and rural areas, and the size of projects.

If the Board of Supervisors adopts the staff recommendation for a 0.50 percent growth goal and does not authorize use of the carryover, it is possible that the demand for permits may exceed the supply of allocations in some categories. If the allocation were inadequate to meet the demand, then the Planning Department, in accordance with Section 12.02.040(c) of the County Code, would cease issuing building permits in any depleted category.

To preserve the Board's options, the attached 2005 Growth Goals Report recommends that the unused market rate allocations from 2004 be carried over but not be made available at this time. If it appears that there will be a shortfall in any allocation category, Planning staff will bring this matter to the Board's attention during the year. At that time, the Board of Supervisors could then make numerical adjustments between the allocation categories, or authorize use of the carryover.

STATUS OF THE 2004 BUILDING PERMIT ALLOCATION

There continues to be a fairly high demand for building permits in 2004. The number of permits already allocated this year is shown below:

2004 Building Permit Allocation Status (as of 9/1/04)

	Urban 1-4	Urban 5+	Rural
2004 Allocation set by Board	75	74	73
Allocated (committed)	21	45	56
Balance available for allocation	54	29	17

It is projected that sufficient allocations will be available to meet demand in the urban categories. Staff is closely monitoring the allocation in the rural category. It may be necessary to defer issuance of some building permits to January if the allocation is exhausted before the end of the year. However, staff will update these figures for the Board's December 14, 2004 meeting and, if necessary, bring the matter to the Board of Supervisors before then if it is warranted. It appears that there will be a continuing demand in 2005 and 2006 for rural building permits, at a rate similar as this year. The demand for permits in the urban 5+ unit category will increase in 2005 and 2006.

ENVIRONMENTAL REVIEW

Because the growth rate is below the State average, establishment of the Year 2005 Growth Goal is a regulatory action and is, therefore, categorically exempt under the California Environmental Quality Act (CEQA). A Notice of Exemption has been prepared for your consideration and recommendation (see Exhibit C).

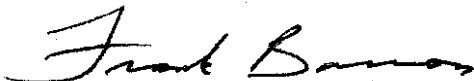
RECOMMENDATION

The 2005 Growth Goal Report recommends a 0.50 percent growth goal for 2005, the carryover of unused 2004 market rate housing allocations but not their utilization at this time, and a distribution of housing allocations by project location, type and size to meet the projected demand, as indicated in the 2005 Growth Goals Report.

It is, therefore, RECOMMENDED that your Commission take the following actions:

1. Conduct a public hearing on the setting of the Year 2005 Growth Goal; and
2. Adopt the attached Resolution (Exhibit A) recommending a Year 2005 Growth Goal of 0.5% for the unincorporated portion of the County, with associated findings, and
3. Recommend the adoption of the Notice of Exemption (Exhibit C).

Sincerely,



Frank Barron, AICP
Long Range Planning Section

Exhibits:

- A) Planning Commission Resolution
- B) Year 2005 Growth Goals Report
- C) Notice of Exemption

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

RESOLUTION NO. _____

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

**PLANNING COMMISSION RESOLUTION RECOMMENDING
ANNUAL POPULATION GROWTH GOALS FOR 2005**

WHEREAS, the County of Santa Cruz has considered the effect of its Ordinances adopted pursuant to Title 7, Planning and Land Use, Division 1, Planning and Zoning, Chapter 4, Zoning Regulations (Commencing at Section 65800) of the Government Code of the State of California on the housing needs of the region in which the County of Santa Cruz is situated and has balanced those needs against the public service needs of its residents and available fiscal and environmental resources; and

WHEREAS, the County of Santa Cruz has considered the 1986 Growth Impact Study composed of various components, including the Growth Trends Report, the Housing Report, and the Draft and Final Environmental Impact Reports which study was prepared by various consultants and Planning staff; and

WHEREAS, the County of Santa Cruz has considered staff reports and information presented at public hearings on the 1986 Growth Impact Study and 2001 Growth Goal Report; and

WHEREAS, the County of Santa Cruz has adopted the Growth Impact Study Implementation Program; and

WHEREAS, the County of Santa Cruz is in the process of implementing a capital improvements plan to provide public facilities (and address deficiencies therein) to accommodate future development; and

WHEREAS, the Growth Management System of the County of Santa Cruz is inclusionary of the needs of low and moderate income persons and provides housing opportunities for low and moderate income persons, including minorities, which would not otherwise exist; and

EXHIBIT A

WHEREAS, the County of Santa Cruz has exempted Building Permits for housing units which 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, the County of Santa Cruz has a carry-over of unused market rate Building Permit allocations from the past year; and

WHEREAS, rapid population growth and development 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. These agricultural lands are being lost to development, and the continued viability of commercial agriculture in Santa Cruz County is threatened by rapid population growth and misplaced development.
2. Rapid population growth and development also threaten the timber harvesting and mineral industries which are significant factors in the County's economy.
3. The County has other important natural resources, including wildlife, anadromous fish, and unique plant communities, which should be preserved; these are 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 and development threaten the degradation of 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 would 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 may threaten future agricultural water supply and, consequently, Santa Cruz County's commercial agriculture; and

EXHIBIT A

WHEREAS, population growth and development has expanded the demand for governmentally-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 unable to pay for, provide, or maintain adequately 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 0.50 percent growth rate for 2005 and a continuing exemption of affordable units from the need for permit allocations should accommodate the historic rate of housing development and should not restrict the production of housing in the County; and

WHEREAS, in compliance with CEQA and State and County Environmental Review Guidelines, adoption of the 2005 growth rate has been found to be categorically exempt and a Notice of Exemption has been prepared; and

WHEREAS, the Association of Monterey Bay Area Governments (AMBAG) has adopted a population projection for Santa Cruz County as part of the regional population projections utilized for regional planning for air quality, traffic modeling, transportation improvements, and water quality and supply; and

WHEREAS, the population growth in Santa Cruz County for the 1990 decade was consistent with the AMBAG population projection; and

WHEREAS, the adopted General Plans of the cities and the County can accommodate the projected AMBAG population growth through 2010.

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 0.50% be established for 2005; and
2. Reservation of **15%** of the Building Permits for affordable units; and

EXHIBIT A

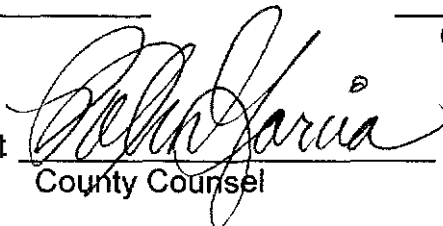
3. A distribution of the remaining Building Permit allocations be established as shown on Exhibit A, and based on the following criteria:
 - e Division of the 2005 growth between urban and rural portions of the unincorporated County on a 67-33% ratio;
 - Allocation of rural permits without regard to project size or affordability;
 - e Allocation of 33% of the urban permits to the 1-4 unit category;
 - e Allocation of the remaining urban permits to the 5 and more unit category; and
4. The unused 2004 market rate permit allocations be carried over but not be made available for use at this time.
5. The continued exemption pursuant to County Code Section 12.02.020 of new affordable units from the requirement to obtain a Building Permit allocation under the County's growth management regulations in order to allow attainment of the housing goals in the County Housing Element.

PASSED AND ADOPTED by the Planning Commission of the County of Santa Cruz, State of California, this _____ day of October 2004, by the following vote:

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

ATTEST: _____
Secretary Chairperson

APPROVED AS TO FORM:


County Counsel

Attachment A-1: Recommended 2005 Building Permit Allocation Distribution

EXHIBIT A

Attachment A-I

RECOMMENDED 2004 BUILDING PERMIT ALLOCATION DISTRIBUTION

Area	Total	1-4 Units	5+ Units
Urban	152	50	102
Rural	75	N/A	N/A
Total	<u>227</u>		

***REPORT ON
YEAR 2005 GROWTH GOALS
FOR SANTA CRUZ COUNTY UNINCORPORATED AREA***

**Santa Cruz County Planning Department
September 1, 2004**

1. INTRODUCTION

The Growth Management Referendum adopted by the voters in 1978, Measure J, requires that the County “provide for the establishment, each year, of an annual population growth during that year of an amount which represents Santa Cruz County’s fair share of statewide population growth”. This policy is now codified in County Code Chapter 17.01, Growth Management, and implemented through the provisions of Chapter 17.04, Annual Population Growth Goal for Santa Cruz County.

This report provides an analysis of the relevant information for consideration by the County Planning Commission and Board of Supervisors in determining the annual growth goal for 2005.

This report highlights a series of factors critical in establishing the annual growth goal. Following the introduction, Section II describes population growth projections and trends in the County and cities. Section III identifies the actual residential building permits that have been allocated, issued, and carried over since the adoption of Measure J and the status of the 2004 Allocation. Section IV briefly summarizes some of the resource impact and public service issues that the County’s Growth Management system was intended to address. Section V describes the Association of Monterey Bay Area Government’s (AMBAG) Regional Housing Needs Plan, status of the Housing Element, and the continued need for affordable housing in the County. Section VI is the Growth Goal recommendation, providing the population growth goal, showing how it translates into building permit allocations and describing how the carryover of permits can be utilized, if appropriate.

11. POPULATION TRENDS

Population Estimates:

The most recent official estimates of population for Santa Cruz County and the incorporated cities was published by the State of California Department of Finance (DOF) in May of 2004, and is shown in Table 1 below. These rounded estimates, which are prepared annually, indicate a countywide population of 260,218 (133,980 unincorporated) as of January 1, 2004 (Source: DOF E-1 Total Population of California Cities, 5-04).

The County adopted a population growth goal for the unincorporated area of 0.50% for 2003. As can be seen in Table 1, the DOF population estimates indicate that the population of the unincorporated area had a negative population growth rate in 2003 of -0.22%, similar to the 2002 negative growth rate of - 0.34%. Three of the four

cities in the County grew in population in 2003, however, like the unincorporated area, Capitola experienced a negative growth rate. The City of Santa **Cruz** roughly matched the Statewide growth rate (1.49%/yr.) and the City of Watsonville exceeded it. The overall Countywide growth rate was 0.5% in 2003, **up** from the 2002 growth rate of 0.006%.

**TABLE 1: POPULATION AND GROWTH RATES
OF COUNTY JURISDICTIONS**

Area	1/1/2003 Population Estimate	1/1/2004 Population Estimate	2002 Population Growth Rate %	2003 Population Growth Rate %
City of Capitola	10,102	10,058	- 0.21	- 0.43
City of Santa Cruz	55,449	56,289	1.13	1.51
City of Scotts Valley	11,584	11,598	0.36	0.12
City of Watsonville	47,510	48,293	- 0.35	1.65
Santa Cruz County Unincorp.	134,282	133,980	- 0.34	- 0.22
Santa Cruz County Total	258,927	260,218	0.006	0.50
State of California	35,612,116	36,144,267	1.61	1.49

Source: DOF E-5 City/County Population and Housing Estimates (5-04); with revised E-5 2003 and 2002 estimates

The DOF estimated 2003 negative growth rate for the unincorporated area (-0.22%) is significantly less than the estimated 1.49% State growth rate for 2003, and is far less **than** the 0.50% growth goal. The unincorporated area's negative growth rate is likely a result of a number of factors, including Silicon Valley job losses in 2001-2002 due to the national recession and stagnant job growth since that time, as well as historically high housing prices.

The County's growth rate over the past 14 years is far below the average growth rates of 2.0% for this same area during the decade of the 1980's, as can be seen through comparisons to the numbers in Table 2. It may be noted that the recent County growth rates also represent a significant change from previous decades when the

County grew much faster than the State. For comparison purposes, in 2003, Monterey County grew at 1.4%, San Benito County grew at 1.4%, and Santa Clara County grew at 0.7%.

TABLE 2: POPULATION GROWTH RATE COMPARISONS

Year	<u>Unincorporated Area</u>		<u>Countywide</u>		<u>Statewide</u>	
	Pop.	Growth* Rate	Pop.	Growth* Rate	Pop.	Growth* Rate
1960	42,309		84,219		15,720,860	
		4.9%		3.9%		2.4%
1970	68,440		123,790		19,957,304	
		4.6%		4.3%		1.7%
1980	107,129		188,141		23,668,562	
		2.0%		2.0%		2.3%
1990	130,809		229,734		29,760,021	
		0.4%		1.1%		1.3%
2000	135,526		255,602		33,871,648	

*Compound **average annual** growth rate

Source: 1960, 1970, 1980, 1990 and 2000 U.S. Census.

Population Projections:

Earlier this year, AMBAG updated its Regional Population and Employment Forecast for all of the jurisdictions in the three-county AMBAG region. The projections for Santa Cruz County are presented in Table 3 along with a comparison of the 2000 Federal Census count and the 2004 DOF estimate. At the County-level, the AMBAG population forecasts are based on demographic population change models, taking into account births, deaths and historic migration rates. At the sub-county level, AMBAG disaggregates the county population projections to the local jurisdiction, census tract and traffic analysis zone levels, based on residential building trends and local land use plans, taking into account resource constraints such as water supply. The AMBAG forecasts are utilized in regional planning efforts such as the regional Air Quality Management Plan, regional transportation plans, and the regional water quality "Basin Plan".

It is interesting to note that AMBAG projected that the population of the unincorporated area of the County would decrease by 755 persons between 2005 and 2010 due to annexation of unincorporated land in the City of Watsonville (with Watsonville gaining those 755 persons). Additional annexations projected to occur between 2010 and 2020 would transfer an additional 4,070 people from the

unincorporated are to the City of Watsonville. These annexations would decrease the unincorporated area's population while substantially increasing the population of the City of Watsonville. Although the City of Watsonville annexed the Freedom/Carey Area in 2000, other significant annexations have not yet occurred.

**TABLE 3: AMBAG POPULATION FORECAST FOR
SANTA CRUZ COUNTY (2004 Forecast)**

Area	2000' Actual	2004 ² Est.	2005	2010	2015	2020
City of Capitola	10,033	10,058	10,869	10,978	11,041	11,104
City of Santa Cruz	54,593	56,289	56,953	57,768	58,846	59,924
City of Scotts Valley	11,385	11,146	13,182	13,667	13,864	14,062
City of Watsonville	44,265	48,293	52,116	56,119	61,126	65,473
Unincorporated Area	135,326	133,980	133,824	136,167	139,150	142,132
County Total	255,602	260,218	267,544	275,359	284,027	292,695

¹ 2000 Federal Census, 4/1/00

² 2004 DOF Estimate, 1/1/04

111. BUILDING PERMIT ALLOCATIONS

The number of Building Permits submitted for new residential units (not including replacement units and, since 1992, affordable units) since the implementation of Measure J is enumerated below in Table 4. Building Permit allocation totals for 2004 are shown through September 1, 2004.

TABLE 4: BUILDING PERMITS ALLOCATED, SUBMITTED, AND CARRIED OVER

YEAR	CARRIED OVER	TOTAL BOARD ALLOCATED	SUBJECT TO THE ALLOCATION ⁽¹⁾	TOTAL APPLICATIONS SUBMITTED SUBJECT TO THE ALLOCATION
1979	0	930	930	741
1980	189	1055	1055	972
1981	272	937	937	934
1982	275	968	968	738
1983	505	912	972	619
1984	858	991	991	609
1985	1240	757	757	710
1986	1287	168	768	595
1987	1460	468	468	606 ⁽²⁾
1988	1322	489	489	670 ⁽²⁾
1989	1141	489 + 1384 ⁽³⁾	489 + 1384 ⁽³⁾	420
1990	2594	487	487	267
1991	2814	495	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 ⁽⁴⁾
2000	104	399	339	220
2001	119	266	227	177 ⁽⁵⁾
2002	60	264	227	135
2003	92	264	221	127
2004	0	262	222	122 ⁽⁶⁾

- (1) Prior to 1992, market rate and affordable units were subject to the allocation; beginning **in** 1992, only market rate units were subject to the allocation.
- (2) More building permits were issued than allocated due to issuance of permits from the carryover reservoir.
- (3) A special allocation of 1,384 additional affordable permits were approved to allow attainment of the regional housing goal for the 1980-90 decade.
- (4) 208 from **the** 1999 allocation and 8 (Rural) from the 1998 carryover
- (5) Including 10 carry-over permits authorized **by** the Board of Supervisors in **June 2001**.
- (6) Through *September 1, 2004*.

In 1992, the Residential Permit Allocation System ordinance (County Code Section 12.02.020) was amended to exempt all affordable units from the requirement for a Measure J allocation. As a result, the previous practice of carrying over the large reservoir of unused allocations for affordable units was dropped.

Summary of the 2003 Allocation and Status of the 2004 Allocation

Due to the reduced annual growth goal established for 2003 and the continued demand for building permits, in 2003 the third smallest number of allocations (100) were returned to the carryover since the inception of Measure J. However, carryover figures since 1992, when affordable units were exempted from the allocation, have shown that demand has never come near to meeting the total number of permits allocated. The following chart illustrates this:

<u>Returned to Carryover</u>	<u>Urban 1-4</u>	<u>Urban 5+</u>	<u>Rural</u>	<u>Total</u>
from 2003	54	23	23	100
from 2002	42	40	10	92
from 2001	34	26	0	60
from 2000	40	68	11	119
from 1999	27	77	0	104
from 1998	104	0	68	172
from 1997	63	116	75	254
from 1996	83	138	91	312
from 1995	106	140	72	318
from 1994	85	75	118	278
from 1993	96	129	101	326
from 1992	54	131	90	275

Staff tracks the number of minor land divisions and subdivisions (for 5+ lots) applied

for, approved, and maps filed. Staff can accurately predict the demand for building permits from the creation of new lots; predicting the timing of the demand is more difficult, since there are many factors that influence the pace of residential construction. The following chart shows the status of approved subdivisions and their building permit allocation status:

ALLOCATION STATUS OF APPROVED 5+ UNIT URBAN PROJECTS

As of September 1, 2004

	# of Market Rate Units in Project	From Previous Allocations	From 2004 Allocation	# Remaining to be Allocated
Avila Estates	6	5	0	1
Seascape Uplands	107	84	3	20
Graham Hill Estates aka Woods Cove	60	19	14	27
Dover Estates	6	2	1	3
Santa Cruz Gardens Unit # 8	12	11	0	1
Harbor Square	7	6	0	1
Santa Cruz Gardens Unit # 12	9	0	0	9
Oceancliff Village	7	0	0	7
Peregrine Subdivision	11	0	0	11
<u>TOTAL</u>	225	127	18	80

PENDING 5+ UNIT URBAN PROJECTS (as of September 1, 2004)

Project	# of Market Rate Units in Project	From Previous Allocations	From 2004 Allocation	# Remaining to be Allocated
Cabrillo Commons	37	0	0	37
Santina Court	8	0	0	8
Manning Manor	6	0	0	6
Minto Road	37	0	0	37
Pleasure Point Plaza	24	0	0	24
Sea Crest	140	0	0	140
<u>TOTAL</u>	252	0	0	252

As illustrated above, there is a current demand of 80 Urban 5+ allocations and a future demand of 252 allocations. However, the majority of Seascope Uplands building permit applications have been filed by the owner/builders and are, therefore, being allocated from the Urban 1 - 4 category.

APPROVED AND PENDING MINOR LAND DIVISIONS

	Approved # of Lots (November 1, 2003 – September 1, 2004)	Pending # of Lots (as of September 1, 2004)
Urban	26	21
Rural	0	29

In addition to the demand discussed above from already approved projects, it is also important to note the potential future demand from pending applications currently in the land use review process. As shown above, there are 50 pending minor land division lots; pending land division applications could, therefore, result in 302 new units.

The number of building permits already allocated this year is shown below:

2004 Building Permit Allocation Status (as of 9/1/04)

	<u>Urban 1-4</u>	<u>Urban 5+</u>	<u>Rural</u>
2004 Allocation set by Board	75	74	73
Allocated (committed)	21	45	56
Balance available for allocation	54	29	17

Although it appears that there are inadequate building permit allocations available in the “urban 5+” category, many of the approved projects have yet to file their final maps and apply for building permits. In addition, none of the pending projects will be approved in 2004. We should be able to complete 2004 within the approved allocations. There will, however, be a larger demand for building permits in the “5+” category in 2005 and 2006. The rural category is being closely monitored, as it appears that the allocation may be insufficient to meet the demand to the end of the year. Some building permit issuance may have to be delayed until January if the allocation is committed.

IV. POTENTIAL GROWTH IMPACTS

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

Resource Protection:

The premier resource issue in the county is water. The drought from 1986 - 1993 affected both surface and groundwater supplies throughout the county, and emphasized the need for water supply and water use planning and management. Although winter storms from 1993 through 2000 ushered in above average rainfall, this recent wet period has not alleviated the need for water use planning and management. Because of this, the emphasis on coordinated water resource management has been of primary concern to County staff and to the various water agencies.

All the main aquifers in this county, the primary source of the county's potable water, are in some degree of overdraft. County staff is working with consultants for the San Lorenzo Valley and Scotts Valley Water Districts (SLVWD and SVWD) to better characterize groundwater supplies in the lower San Lorenzo Valley/Scotts Valley area. Based on hydrogeologic studies conducted by staff, the SLVWD consultant has written a report detailing groundwater conditions in the southern portion of the Santa Margarita groundwater basin. The consultant for the SVWD has obtained grant funds for additional hydrogeologic characterization in the southern Scotts Valley area and has solicited county staffs technical input on this project.

Staff continues to work with its own consultant to develop conceptual plans to conjunctively manage surface and groundwater in the lower San Lorenzo Valley/Scotts Valley area in order to increase aquifer storage. Staff is working to develop a feasibility study that would lead to a groundwater recharge pilot project. As part of their research on replenishing groundwater supplies, County staff has met with managers from nearby water agencies and obtained copies of technical reports on proposed and pilot groundwater recharge projects.

The City of Santa Cruz has developed a Facilities Master Plan to address the future water service needs of its customers in the City and unincorporated areas. This plan directs the City's efforts towards desalination and further conservation efforts. Soquel Creek Water District is investigating a number of alternatives, including tie-

ins with the Pajaro Valley Water Management Agency and desalination. In the meantime, the Soquel Creek Water District has instituted a “zero-impact” ordinance for all new hook-ups. This ordinance requires new customers to provide water saving retrofits to existing customers to offset the new demand caused by their development.

The Pajaro Valley Water Management Agency (PVWMA) completed a project at Harkins Slough that provides temporary ground water recharge to the shallow aquifer in that area. The PVWMA and the city of Watsonville are pursuing the construction of an advanced tertiary treatment facility to provide recycled water for irrigation and continues to implement various water supply projects as identified in the Draft Revised Basin Management Plan. These projects could include importing water via pipeline from outside the county.

Urban Services:

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

- Yearly adoption of the Capital Improvement Program that identifies scheduled public service improvements (such as road, roadside, drainage and park improvements) and provides a basis for development of the necessary financing programs.
- e The Live Oak/Soquel Redevelopment Agency continues its efforts to upgrade the urban infrastructure in the Soquel and Live Oak areas.
- e Plan lines and route design concepts continue to be completed and adopted for arterial and collector streets in the urban area, particularly in Live Oak and Soquel. An on-going, multi-year effort has been undertaken to establish plan lines throughout the urban area to provide needed information for roadway design, capital improvement programming and the review and conditioning of new projects.

Because of the magnitude of the urban service needs, significant construction of infrastructure capital improvement projects will be needed throughout the urban areas over an extended period of time to support existing, as well as future, development.

A ballot measure to establish a sales tax to finance the widening of Highway 1 and other alternative transportation projects is before the voters in November 2004.

V. HOUSING NEEDS

Regional Housing Needs Plan:

Under state law, all cities and counties are required to adopt a housing element as part of their local general plan. Each housing element must include housing production goals that address the needs of the population that is anticipated to live in the community during the housing element's time horizon.

These housing production goals are the result of a two-step process and are divided into four income categories. 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 both the State Department of Finance (DOF) and the regional council of governments - the Association of Monterey Bay Area Governments (AMBAG) in our area. The local council of governments (AMBAG) then allocates HCD's housing needs to the individual cities and counties within its region based on various criteria.

While HCD was mandated to specify the regional housing need total by June 30, 2000, **AMBAG** didn't receive the regional housing needs determination from HCD until August 13, 2001. The regional housing need for Monterey and Santa Cruz counties combined was 23,130 housing units. Despite AMBAG's efforts to work with HCD to reduce the allocation to a level that would be consistent with AMBAG's housing need projections for the region (18,638 units) and the resource constraints of individual communities, HCD rejected AMBAG's request. In January 2002, AMBAG formally accepted the HCD housing need determination of 23,130 units, more than one year after the state law mandates that this determination be completed (i.e., December 31, 2000).

Once the final Regional Housing Needs Determination was accepted, AMBAG staff implemented a process to allocate the housing needs to individual cities and counties. AMBAG staff intended to allocate the housing need based on an allocation formula recommended by a Technical Advisory Committee (TAC), consisting of representatives of the cities and counties in the **AMBAG** region, and adopted by the AMBAG Board of Directors. The County had been represented on the TAC by Supervisor Beautz and Planning staff (Supervisor Campos was appointed as the alternate).

Following a number of public hearings before the AMBAG Board of Directors, AMBAG has approved the Regional Housing Needs Plan (RHNP) for the Monterey

Bay region. This RHNP allocates **3,441** housing units to the unincorporated area of the County, distributed as shown on the following table:

HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA

Income Category	2000-07 RHNP Allocation*
Very Low Income (<50% of Co. median)	937 units
Lower Income (50%-80% of Co. median)	502 units
Moderate Income (80%-120% of Co. median)	651 units
Above Moderate Income (>120% of Co. median)	<u>1,351 units</u>
Total Housing Needs	3,441 units

* The total Regional Housing Need for the two counties is 23,130 housing units. The numbers shown are **AMBAG's** approved distribution for the unincorporated area of the County. However, the County and the cities in Santa Cruz County have filed a lawsuit challenging **AMBAG's** methodology in preparing the RHNP and have proposed lower allocations for the **Santa Cruz County** jurisdictions and higher allocations for the Monterey County jurisdictions.

The County has submitted a draft Housing Element to HCD for review. Comments were received and staff is preparing responses to these comments.

Affordable Housing:

Measure J contains the policy 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." The number and percentage of affordable housing constructed in the unincorporated area since the implementation of Measure J in 1979 is shown in Table 6 below.

Over the twenty-four year implementation period of Measure J from 1979 through 2003, an average of 15.1% of the new housing constructed in the unincorporated portion of the County has been affordable. As shown below, if second units are included the percentage is somewhat higher (i.e., 16.9%).

TABLE 6: AFFORDABLE HOUSING PRODUCTION ⁽¹⁾

Year	Total Units Issued	Affordable and Inclusionary Units Issued	Second Units Issued	Affordable as % of New Dwelling Units
1979	741	0		
1980	972	62		6.4
1981	934	251		26.9
1982	738	235		31.8
1983	619	52		8.4
1984	609	129		21.2
1985	710	61		8.6
1986	595	98	1	16.6
1987	606	75	0	12.4
1988	710	23	3	3.7
1989	420	14	0	3.3
1990	267	9	1	3.7
1991	173	20	1	12.1
1992	367	209	0	56.9
1993	149	30	1	20.8
1994	192	24	2	13.5
1995	152	21	8	19.1
1996	145	7	6	9.0
1997	203	6	14	9.9
1998	304	29	29	19.1
1999	225	9	25	15.1
2000	343	123	21	42.0
2001	174	7	23	17.2
2002	235	100	18	50.2
2003	127	26	15	32.3
2004 ⁽²⁾	122	4	46	41.0
Total	10,832	1,622	214	16.9

(1) Santa Cruz County unincorporated area

(2) Through September 1, 2004

VI. GROWTH GOAL RECOMMENDATIONGrowth Goal:

Your Board adopted a 0.50% growth rate for 2004. A growth rate of 0.50% was adopted for 2003, 2002 and 2001, and a growth rate of 0.75% was adopted for 2000 and 1999.

Although the economic growth of the past few years has slowed, building permit

activity remains at a fairly high rate and it is probable that there will be a continuing strong demand for permits in 2005.

If your Board adopts a 0.50% growth rate for 2005 and utilization of the carryover is not authorized, it is possible that demand may exceed the supply of allocations in some categories. If no action were taken, the Planning Department, in accordance with Section 12.02.040(c) of the County Code, would cease issuing building permits in the depleted category. Planning staff will advise your Board during 2005 if depletion of an allocation category seems probable. Staff is recommending that your Board carryover any unused allocation from 2004, but not authorize utilization at this time. Your Board could then make numerical adjustments between the allocation categories or authorize use of the carryover at any time during the year.

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

Building Permit Allocations:

Table 7 below presents the methodology by which the 0.50% population growth goal for 2005 is converted into the Building Permit allocation.

**TABLE 7: BUILDING PERMIT ALLOCATION
BASED ON A 0.50% ANNUAL GROWTH RATE**

Estimated Total Household Population 1/1/04*	130,769
Estimated Group Quarters Population 1/1/04*	3,211
Estimated Total Population 1/1/04*	133,980
Proposed Annual Growth Goal - 2005	0.50%
Projected 1/1/05 Household Population (based on a 0.5% growth rate from 1/1/04)	131,422
Projected 1/1/06 Household Population (based on a 0.5% growth rate from 1/1/05)	132,079
Projected Household Population Increase During 2005	657

Persons Per Household (1/1/04)*	2.59
Projected New Housing Units Needed During 2005	254
Additional New Units Required for 5% Vacancy	13
Reservation of 15% of the Building Permits for affordable units.	<40>
Projected Number of New Units Needed in 2005 (including affordable units and vacancy need)	<hr/> 267

* Source. DOF E-5 Population of California Cities and Counties (5-04) for Unincorporated Santa Cruz Co.

The Building Permit allocations have been distributed in previous years based on different criteria: 67%-33% ratio between urban and rural permits for 1979 through 1998; 75%-25% ratio between urban and rural permits for 1999. The ratio adopted for **2002**, 2003 and 2004 was 67%-33%. It is recommended that the 2005 permit allocations be divided in the following manner:

- Division of the 2005 growth between urban and rural portions of the unincorporated County on a 67-33% ratio.
- Allocation of rural permits without regard to project size.
- Allocation of 33% of the urban permits to the 1-4 unit category.
- Allocation of 67% of the remaining urban permits to the **5** and more unit category.
- Reservation of 15% of the total allocation for affordable units as prescribed by County Code Section 17.01.030(e).

This division represents staffs prediction of the probable demand. This division also implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

**TABLE 8: RECOMMENDED 2005 BUILDING PERMIT
ALLOCATION DISTRIBUTION**

Area	Total Market Rate Units	1-4 Units	5+ Units
Urban	152	50	102
Rural	75	N/A	N/A
Total	<u>227</u>		

Allocation Carryover:

Section 17.04.065 of County Code provides the ability to carryover Building Permit allocations from the previous year. It is recommended that the unused 2004 market rate housing allocations be carried over, retaining their Urban and Rural distinctions, but not be made available for use at this time. Your Board could authorize utilization at any time during 2005, if found appropriate.

Rural Land Divisions:

County Code Chapter 14.04, Annual Limits - Rural Land Divisions, limits the number of new residential parcels to be created in the rural portion of the County to 35 percent of the number of residential Building Permit allocations for the rural area. Based on the above-recommended allocation, this would create a limit of 25 new rural residential parcels (6 new rural lots have been approved to date in 2004). As the number of new rural residential parcels has not exceeded the yearly limitation for more than a decade, no further action is indicated for the control of rural land divisions.

Second Units:

As a condition of the Coastal Commission Certification of the ordinance amendments to County Code Chapter 13.10.681(f), **an annual report is required**. The report is intended to evaluate the cumulative impacts associated with the second units within each planning area, particularly within the Coastal Zone. This analysis is to **look** at traffic, water, public views and environmentally sensitive areas impacts.

In 1997, the Board adopted revisions to the Second Unit ordinance. The revisions, including increased unit sizes in the rural areas, have made second units more attractive to the public. As the figures below indicate, application rates have increased. It is also clear

that these units are being built primarily in rural, non-coastal areas. In 2004, the Board adopted amendments to the Second Unit ordinance to implement AB 1866. These amendments eliminate the need for discretionary permit review.

Second Units Issued Building Permits by Planning Area												
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*	TOTAL
Aptos	0	0	0	1	2	1	0	2	2	2	4	14
Aptos Hills	0	2	1	1	4	4	4	2	7	1	4	30
Bonny Doon	0	0	1	2	2	1	2	5	2	1	2	18
Carbonera	0	0	1	1	4	3	2	2	1	3	5	22
Eureka Canyon	0	1	1	2	1	4	2	0	5	0	3	19
La Selva Beach	0	0	0	1	0	1	1	0	0	0	0	3
Live Oak	1	1	0	1	3	2	3	0	2	1	3	17
North Coast	0	0	0	0	0	0	0	0	0	0	0	0
Pajaro Valley	0	1	0	2	1	2	2	0	4	0	3	15
Salsipuedes	0	0	0	0	0	0	0	0	0	0	0	0
San Andreas	0	0	0	0	0	0	0	0	1	0	1	2
San Lorenzo Valley	1	2	0	2	2	3	0	1	4	3	7	25
Skyline	0	0	0	1	1	1	2	2	3	0	2	12
Soquel	0	1	0	0	6	2	2	0	3	2	3	19
Summit	0	0	2	0	2	2	1	1	2	4	6	20
TOTAL	2	8	6	14	28	26	21	15	36	17	43	216

* As of September 1, 2004

Since 1997, twenty-seven building permits have been issued for second units within the Coastal Zone. In 2003, only one second unit permit was issued in the Coastal Zone (in the Aptos Planning Area). So far in 2004, five building permits for second units have been issued in the Coastal Zone, in the Aptos (2), Bonny Doon (1), Live Oak (1), and San Andreas (1) planning areas. Given this low number of issued Building Permits and the minimal cumulative impact, if any, upon coastal resources, no action limiting the issuance of permits for second units is recommended at this time.

NOTICE OF EXEMPTION
FROM THE
CALIFORNIA ENVIRONMENTAL QUALITY ACT

The County of Santa Cruz has reviewed the project described below and has determined that it is exempt from the provisions of CEQA as specified in Sections 15061 - 15329 of CEQA for the reason(s) which have been checked on this document.

Application No.: N/A

Assessor Parcel No.: N/A

Project Location: The unincorporated area of the County of Santa Cruz

Project Description: Setting of the Year 2005 Growth Goal

Person or Agency Proposing Project: County of Santa Cruz Planning Department

- A. ☐ The proposed activity is not a project under CEQA Guidelines, Sections 1928 and 501.
- B. ☐ Ministerial Project involving only the use of fixed standards or objective measurements without personal judgement.
- C. ☐ Statutory Exemption other than a Ministerial Project.
Specify type:

D. Categorical Exemption

- | | |
|---|---|
| <input type="checkbox"/> 1. Existing Facility | <input type="checkbox"/> 17. Open Space Contracts or Easements |
| <input type="checkbox"/> 2. Replacement or Reconstruction | <input type="checkbox"/> 18. Designation of Wilderness Areas |
| <input type="checkbox"/> 3. New Construction of Small Structure | <input type="checkbox"/> 19. Annexation of Existing Facilities / Lots for Exempt Facilities |
| <input type="checkbox"/> 4. Minor Alterations to Land | <input type="checkbox"/> 20. Changes in Organization of Local Agencies |
| <input type="checkbox"/> 5. Alterations in Land Use Limitation | <input type="checkbox"/> 21. Enforcement Actions by Regulatory Agencies |
| <input type="checkbox"/> 6. Information Collection | <input type="checkbox"/> 22. Educational Programs |
| <input type="checkbox"/> 7. Actions by Regulatory Agencies for Protection of Nat. Resources | <input type="checkbox"/> 23. Normal Operations of Facilities for Public Gatherings |
| <input checked="" type="checkbox"/> 8. Actions by Regulatory Agencies for Protection of Environment | <input type="checkbox"/> 24. Regulation of Working Conditions |
| <input type="checkbox"/> 9. Inspection | <input type="checkbox"/> 25. Transfers of Ownership of Interests in Land to Preserve Open Space |
| <input type="checkbox"/> 10. Loans | <input type="checkbox"/> 26. Acquisition of Housing for Housing Assistance Programs |
| <input type="checkbox"/> 11. Accessory Structures | <input type="checkbox"/> 27. Leasing New Facilities |
| <input type="checkbox"/> 12. Surplus Govt. Property Sales | <input type="checkbox"/> 28. Small Hydroelectric Projects at Existing Facilities |
| <input type="checkbox"/> 13. Acquisition of Land for Wildlife Conservation Purposes | <input type="checkbox"/> 29. Cogeneration Projects at Existing Facilities |
| <input type="checkbox"/> 14. Minor Additions to Schools | |
| <input type="checkbox"/> 15. Functional Equivalent to EIR | |
| <input type="checkbox"/> 16. Transfer of Ownership of Land to Create Parks | |

E. ☐ Lead Agency Other Than County: _____

Staff Planner


Frank Barron. AICP

Date: October 5, 2004