



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

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TOM BURNS, PLANNING DIRECTOR

October 10, 2007

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

AGENDA DATE: October 24, 2007

Item #: 11

Time: After 9 AM

SUBJECT: PUBLIC HEARING TO ESTABLISH THE YEAR 2008 GROWTH GOAL

Planning Commissioners:

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 2008 Growth Goal Report is attached (Exhibit B) for public hearing and your consideration. Also included in this staff report is a status report on the 2007 Building Permit Allocation.

GROWTH GOAL ISSUES

The Year 2008 Growth Goals Report 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 last year (2006), the County's unincorporated population increased at a rate of 0.43% per year. This rate is slightly lower than the 2006 adopted percent growth goal of 0.50% per year, and about the same as the rate for 2005 (0.41%). By comparison, the County as a whole grew at an annual rate of 1.05% in 2006, and the state grew at 1.26%.

Growth Impacts: The most significant development impact on resources in the County continues to be 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-eight years (since the passage of Measure J in 1978), some 17.8% of the new residential development in the unincorporated area has been constructed as affordable housing (including second units). In 2006, 52.2% of all

new units were affordable (including second units). Affordable housing production in the first seven months of 2007, including second units, is 39.7% of the total units approved.

GROWTH GOAL SETTING

The building permit allocation derived using the 0.50% growth rate goal in 2006 was sufficient to meet the demand for that year, and it appears that 0.5% growth goal for 2007 will be sufficient to meet this year's demand as well. Moreover, there were a significant number of excess building permits allocated in 2006 (169 permits), that could be made available as carryover for 2007, but it is not likely they will be needed. The building permit allocation derived from the 0.5% growth goal of recent years has been more than adequate to meet recent demand.

For this reason, the Year 2008 Growth Goal Report recommends a continuance in 2008 of the 0.50% per year growth rate goal established for 2007. Based on this population growth rate goal, an allocation of building permits to be issued in 2008 has been proposed in the 2008 Growth Goal Report based on estimations and projections of County population and household size. The proposed allocation (as shown below under the heading "Proposed 2007 Market Rate Building Permit Allocation") has been distributed similarly to past years for market rate housing units in both the urban and rural areas (affordable units are not subject to the allocation).

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. 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 2008 Growth Goals Report recommends that any unused market rate allocations from 2007 be carried over but not be made available until needed. If it appears that there will be a shortfall in one of the allocation categories (urban or rural), 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 2007 MARKET RATE BUILDING PERMIT ALLOCATION

There continues to be a fairly high demand for building permits in 2007 for market rate units. The number of permits already allocated this year is shown below:

	Urban	Rural
2007 Allocation set by Board	172	84
Allocated (committed)	17	23
Balance available for allocation (as of 7/31/07)	155	61

Since only about a quarter of the allocation in either category was used with less than half of 2007 remaining (Aug.-Dec.), it is projected that sufficient allocations will be available to meet demand in both categories. Staff will continue to monitor the allocations in both urban and rural categories, and will update these figures for the Board of Supervisor's December 11, 2007 meeting or, if necessary, bring the matter to the Board before then if it appears there may be a shortfall in either category.

PROPOSED 2007 MARKET RATE BUILDING PERMIT ALLOCATION

As explained in more detail in the 2008 Growth Goals Report (see Table 12), the recommended 0.5% population growth goal would translate to a market rate building permit allocation as follows:

Area	Total Market Rate Units
Urban	172
Rural	85
Total	257

ENVIRONMENTAL REVIEW

Because the proposed population growth 0.5% rate is below the Statewide growth rate of 1.26% for 2006, the establishment of the Year 2008 Growth Goal qualifies as an "action by a regulatory agency for the protection of the environment" 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 2008 Growth Goal Report recommends a 0.50 percent growth goal for 2008, the carryover, but not the utilization, of unused 2007 market rate housing allocations, and a distribution of housing allocations by project location (urban vs. rural) to meet the projected demand.

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

1. Conduct a public hearing on the setting of the Year 2008 Growth Goal; and
2. Adopt the attached Resolution (Exhibit A) recommending a Year 2008 Growth Goal of 0.5% for the unincorporated portion of the County, with associated findings, and
3. Recommend the adoption of the CEQA Notice of Exemption (Exhibit C)

Sincerely,



Frank Barron, AICP
Planner III
Policy Section

Glenda Hill, AICP
Principal Planner
Policy Section

Exhibits:

- A) Planning Commission Resolution
- B) Year 2008 Growth Goals Report
- C) **CEQA** Notice of Exemption

cc: California Coastal Commission

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 2008**

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 low and moderate income persons and provides housing opportunities for low and moderate income persons, including minorities, which would not otherwise exist; and

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, in most years the County of Santa Cruz has a carry-over 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 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

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

EXHIBIT A

WHEREAS, adoption of a 0.50 percent growth rate for 2008 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 2008 growth rate has been found to be categorically exempt and a Notice of Exemption has been prepared; and

WHEREAS, the adopted General Plans of the cities and the County can accommodate the projected AMBAG population growth through at least 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 2008; and
2. A distribution of the market rate building permit allocations be established as shown on Exhibit A, and based on division of the 2008 growth between urban and rural portions of the unincorporated County on a 67-33% ratio; and
3. The unused 2007 market rate permit allocations be carried over but not be made available for use at this time.
4. 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 **24th** day of October 2007, 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 2008 Building Permit Allocation Distribution

EXHIBIT A

Attachment A-I

**RECOMMENDED 2008 BUILDING PERMIT ALLOCATION DISTRIBUTION
(Market Rate Units Only)**

Area	Total
Urban	172
Rural	85
Total	257

***REPORT ON
YEAR 2008 GROWTH GOAL
FOR SANTA CRUZ COUNTY'S UNINCORPORATED AREA***

**Santa Cruz County Planning Department
September 1, 2007**

I. 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 goal during that year of an amount which represents Santa Cruz County's fair share of statewide population growth. This policy is 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 2008.

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 2007 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's) regional housing needs planning process, status of the Housing Element of the County's General Plan, 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.

II. 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 2007, and is shown in Table 1 below. These population estimates, which are prepared annually, indicate a countywide population of 264,125 (133,739 unincorporated) as of January 1, 2007 (Source: DOF E-1 Total Population of California Cities, 5-07).

The County adopted a population growth goal for the unincorporated area of 0.50% for 2006. As can be seen in Table 1, the DOF population estimates indicate that the

population of the unincorporated area grew slightly slower than that in 2006 at **0.43%**, which was about the same as **2005's** rate of **0.41%**, and higher than the negative growth rate of **-0.44%** in 2004 and **-0.53%** in 2003. All four cities in the County grew in population in 2006, and the unincorporated area increased by **576** people. Only the cities of Santa Cruz and Watsonville surpassed the 1.26% growth rate of the state as a whole (at **1.45%** and **2.47%** respectively). The overall Countywide growth rate was **1.05%** in **2006**, up from the 2005 growth rate of **0.50%**.

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

Area	1/1/2006 Population Estimate	1/1/2007 Population Estimate	2005 Population Growth Rate	2006 Population Growth Rate
City of Capitola	9,908	9,960	- 0.10%	0.52%
City of Santa Cruz	56,729	57,553	0.55%	1.45%
City of Scotts Valley	11,563	11,615	- 0.02%	0.45%
City of Watsonville	50,022	51,258	0.91%	2.47%
Santa Cruz County Unincorp.	133,163	133,739	0.41%	0.43%
Santa Cruz County Total	261,385	264,125	0.50%	1.05%
State of California	37,195,240	37,662,518	1.23%	1.26%

Source: DOF E-5 City/County Population and Housing Estimates (5-07); with revised E-5 2006 and 2005 estimates

The DOF estimated **2006** growth rate for the unincorporated area of **0.43%** is less than the State's estimated 2006 growth rate of 1.26%, and it is slightly less than the County's **0.50% 2006** growth goal for the unincorporated area. This positive growth rate is somewhat of a turn around from recent years when the unincorporated area experienced a slightly negative growth rate, most likely due to the lingering effect of the Silicon Valley job losses in 2001-2002 and historically high housing prices.

The County's recent growth rates over the past **14** years are far below the average earlier growth rate of 2.0% for the County during the decade of the 1980's, as can be seen through comparisons to the numbers in Table 2. It should also be noted that the

slow County growth rates of recent years represent a significant change from previous periods when the County grew much faster than the State. As for our neighboring counties, in 2006 Monterey County grew at 0.69% (up from 0.10% in 2005), San Benito County grew at 0.50% (up from 0.33% in 2005), and Santa Clara County grew at 1.55% (up from 1.27% in 2005).

TABLE 2: POPULATION GROWTH RATE BY DECADE 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:

In early 2004, AMBAG updated its Regional Population and Employment Forecast for all of the jurisdictions in the three-county AMBAG region. AMBAG is currently in the early stages of preparing a 2007 update of their population and employment forecast, but the new revised numbers are not yet available for inclusion in this report. The 2004 projections for Santa Cruz County are presented in Table 3 along with a comparison of the 2000 Federal Census count and the latest 2005 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 area 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 AMBAG Forecast)**

Area	2000' Actual	2005 ² Est.	2005 Forecast	2010 Forecast	2015 Forecast	202 Forecast
City of Capitola	10,033	9,918	10,869	10,978	11,041	11,104
City of Santa Cruz	54,593	56,421	56,953	57,168	58,846	59,924
City of Scotts Valley	11,385	11,565	13,182	13,667	13,864	14,062
City of Watsonville	44,265	49,571	52,116	56,719	61,126	65,473
Unincorporated Area	135,326	132,617	133,824	136,167	139,150	142,132
County Total	255,602	260,092	267,544	215,359	284,027	292,695

¹ 2000 Federal Census, 4/1/00

² 2007 DOF Estimate for 1/1/05

III. 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 2007 are shown through July 31, 2007.

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

YEAR	CARRIED OVER	TOTAL BOARD ALLOCATED	SUBJECT TO THE ALLOCATION ⁽¹⁾	TOTAL APPLICATIONS SUBMITTED ⁽²⁾
1979	0	930	930	741
1980	189	1055	1055	972
1981	272	937	937	934
1982	275	968	968	738
1983	505	912	912	619
1984	858	991	991	609
1985	1240	757	751	710
1986	1287	768	768	595
1987	1460	468	468	606 ⁽³⁾
1988	1322	489	489	670 ⁽³⁾
1989	1141	489 + 1384 ⁽⁴⁾	489 + 1384 ⁽⁴⁾	420
1990	2594	481	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 ⁽⁵⁾
2000	104	399	339	220
2001	119	266	221	177 ⁽⁶⁾
2002	60	264	221	135
2003	92	264	227	127
2004	100	262	222	171
2005	51	267	227	125
2006	102	257	257	88
2007	169	256	256	40 ⁽⁷⁾

(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; beginning in 2005, the total Board allocation formula was changed to include the market rate units only.

(2) Total applications submitted *subject to the allocation* (i.e., affordable units, second units and replacement units are not subject to the allocation).

(3) More building permits were issued than allocated due to issuance of permits

- from the carryover reservoir.
- (4) A special allocation of 1,384 additional affordable permits were approved to allow attainment of the regional housing goal for the 1980-90 decade.
 - (5) 208 from the 1999 allocation and 8 (Rural) from the 1998 carryover
 - (6) Including 10 carryover permits authorized by the Board of Supervisors in June 2001
 - (7) Through July 31, 2007.

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 Recent Allocations and Status of the 2007 Allocation:

Due to the reduced annual growth goal of 0.5% established for 2004 (compared with the higher rates for the years prior to 2001) and the continued demand for building permits, in 2004 the smallest number of allocations (51) were returned to the carryover in 2005 since the inception of Measure J. Despite this, in 2005 only 125 unit approvals were counted against the allocation of 227 permits, resulting in a carryover to 2006 of 102 permits. Similarly, in 2006, only 88 unit approvals were counted against the allocation of 257 permits, resulting in a carryover to 2007 of 169 permits. 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:

TABLE 5: Unused Allocation Returned to Carryover

<u>Returned to Carryover</u>	<u>Urban</u>	<u>Rural</u>	
from 2006	116	53	169
from 2005	88	14	102
from 2004	51	0	51
from 2003	71	23	100
from 2002	82	10	92
from 2001	60	0	60
from 2000	108	11	119
from 1999	104	0	104
from 1998	104	68	172
from 1997	179	75	254
from 1996	221	91	312
from 1995	246	72	318
from 1994	160	118	218
from 1993	225	101	326
from 1992	185	90	215

Staff tracks the number of minor land divisions (2-4 lots) and major subdivisions (for 5+ lots) applied for, approved, and for which maps were filed. While 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 major subdivisions and their building permit allocation status:

TABLE 6: ALLOCATION STATUS OF APPROVED 5+ UNIT URBAN PROJECTS
As of July 31, 2007

	# of Market Rate Units in Project	From Previous Allocations	From 2007 Allocation	# Remaining to be Allocated
Avila Estates	6	5	0	1
Seascape Uplands	107	99	2	6
Woods Cove	60	54	0	6
Dover Estates	6	4	0	2
S. Cruz Gardens #8	12	11	0	1
Harbor Square	7	6	0	1
S. Cruz Gard. #12	9	0	0	9
Pleasure Pt. Plaza	15	0	0	15
Dawn Lane Eco- Homes	6	0	0	6
Manning Manor	6	0	0	6
Carmella Ct.	10	0	0	10
Mar Sereno	10	5	2	3
<u>TOTAL</u>	254	184	4	66

Project	# of Market Rate Units Remaining to be Allocated
Hilltop/Seaview Terrace	11
Hidden Oaks	10
Abbey Rd. Development	6
17'' & Brommer	8
<u>TOTAL</u>	35

As illustrated above, there is a current demand of 66 allocations and a future demand of 35 allocations from large projects (5+ units) within the urban services line.

TABLE 8: APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 lots)

	Approved # of Lots* (1/1/07- 7/31/07)	Pending # of Lots* (as of 7/31/07)
Urban	8	44
Rural	5	3
TOTAL	13	41

* NOTE: The number indicated counts the subject lot(s) being subdivided, which may or may not already contain existing residences. Therefore, the number shown 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.

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 47 pending minor land division lots, which added to the 35 pending large (5+units) urban area projects awaiting allocations, pending land division applications for large and small, urban and rural projects combined could, therefore, result in a total of 82 new units.

It should be noted that on December 14, 2004 the Board of Supervisors, based upon the Planning Commission's recommendation, changed the way staff tracks and documents the building permit allocation status for this report. Staff was directed to no longer break down the urban area allocation status into large (5+ units) and small (1-4 units) project categories, but instead to simply have one single "urban" category for all residential building permit allocations occurring within the urban services boundary.

Using this system, the number of building permits already allocated *this* year is shown below:

TABLE 9: 2007 Building Permit Allocation Status (as of 7/31/07)

	<u>Urban</u>	
2007 Allocation set by Board	172	84
Allocated (committed)	17	23
Balance available for allocation	155	61

Tables 6 through 9 indicate that that there should be adequate building permit

allocations available in both the urban and rural categories, thus we should be able to complete 2007 within the approved allocations. If there should be an unexpected flurry of development activity in the next few months the addition of the 2006 carryover may be necessary, in which case staff will request that the Board of Supervisors approve use of the 2006 carryover.

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

Water Supply Constraints:

The drought from 1986-1993 impacted both surface and groundwater supplies throughout the county, and emphasized the need for increasing water supply and improving water 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. As required by state law, each of the County's water districts/departments serving urban areas must update their Urban Water Management Plans every five years, with the next updates due in 2010.

All the main aquifers in this county, the primary source 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 may be further diminished as result of the need to increase stream baseflows to restore endangered salmonid populations. In addition to overdraft, the use of water resources are further constrained by various water quality impacts.

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, primarily utilizing surface water from the San Lorenzo and north coast watersheds. During normal years there is adequate supply, but during a severe drought only about 55% of current demand can be met. The City recently completed its Integrated Water Plan and is pursuing a desalination project that would meet current and projected demand (in conjunction with long term water conservation and 15% use curtailment during a severe drought). This project is expected to be on line in 5-10 years.

Santa Margarita Basin: Overdraft in the Santa Margarita groundwater basin underlying parts of San Lorenzo Valley and Scotts Valley, is manifested by a significant decline in groundwater levels, degradation of groundwater quality, and probable decline in stream base flow over the past 20-years. Cooperative efforts by county staff, their consultants and consultants for 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. At the end of 2005 an updated groundwater model of the Santa Margarita Basin was completed that gave a more accurate picture of the basin water budget and the amount of sustainable supply available. It indicated that the earlier model somewhat overestimated sustainable yield and available water in the basin.

The overdraft of this basin is being addressed in several ways. The SVWD is steadily expanding the list of subscribers to switch to reclaimed wastewater. Beginning production in 2002, it is currently the only tertiary treated wastewater facility in the county. The use of treated wastewater, used for irrigation and landscaping, more than offsets an equivalent amount of potable water pumping and therefore is a valuable component in a water portfolio. County staff recently received grant funding to conduct a feasibility study of the conjunctive use of surface and groundwater to increase aquifer storage in the basin. It is hoped that the conjunctive use project can generate a thousand acre-feet or more of water supplies in an average year. However, completion on such a project is likely to take 5-10 years.

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

Water quality in the Santa Margarita Basin has been impacted by various contaminant sources including gas stations, dry cleaners, and septic systems. The occurrence of

these contaminants in the groundwater supply constrains both the use of the impacted water as well as efforts to enhance groundwater storage.

Mid-County: In the mid-county area overdraft is manifested by groundwater levels below sea level and the first signs of seawater intrusion into parts of the aquifer systems and the probable decline in stream base flows. Water is extracted from the mid-county aquifers by the City of Santa Cruz Water Department (SCWD), the Soquel Creek Water District (SqCWD), Central Water District (CWD) small water systems and individual users, including users within the Pajaro Valley Water Management Agency (PVWMA). 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.

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. However, the SCWD has addressed this issue by blending the affected water to bring it within drinking water standards.

As noted above, the City of Santa Cruz has developed an Integrated Water 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, conservation efforts, and use curtailment during times of drought. SqCWD is participating with the City of Santa Cruz in the joint development and operation of the desalination project. In the meantime, SqCWD 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. With these and other water conservation measures in place future water demand is expected to remain flat through 2015, even with the projected increase in new connections. Water conservation measures have been effective and all the water agencies except Central are reporting lower water usage in 2007 than in prior years. 2007 is a dry year and the water agencies have put in mandatory or voluntary water use restrictions with the objective of reducing demand by 15%.

South County: Overdraft in the south county aquifers is primarily manifested by seawater intrusion, but it is also suspected that stream base flow has been impacted. Elevated chloride levels have been detected in wells near the Pajaro River greater than 2-miles inland from the coast. And it appears that segments of Corralitos Creek are drying up earlier in the summer than in previous years, strongly suggesting a decline

in base flow.

Water quality in the south county area suffers from seawater intrusion and nitrate and other chemicals from agricultural practices, animal facilities and septic systems. PVWMA completed a project at Harkins Slough that provides ground water storage and recovery in the shallow aquifer in that area. PVWMA and the city of Watsonville have started the construction of an advanced tertiary treatment facility to provide recycled water for irrigation beginning in mid 2008. PVWMA continues to implement various water supply projects as identified in its Revised Basin Management Plan (BMP). These projects proposed in the BMP include a pipeline for importing Central Valley water.

County staff will continue to monitor and provide input to these various water supply documentation and enhancement efforts being carried out throughout the County, and will keep the Board of Supervisors updated regarding their status.

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.
- The County Redevelopment Agency continues its efforts to upgrade the urban infrastructure in the Soquel and Live Oak areas.
- 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.

There has been a significant investment in urban services infrastructure, particularly through the Redevelopment Agency, in the unincorporated area over the last 15 years. However, fully addressing the County's remaining urban service needs will require additional construction of infrastructure capital improvement projects throughout the urban area over an extended period of time.

Regarding the County's often-congested main thoroughfare, State Highway One, a ballot measure to fund its widening (in addition to several alternative transportation projects) though a sales-tax increase was defeated at the polls in November 2004. While other proposals to increase capacity are being discussed by Caltrans and the County Transportation Commission, it remains unclear as to when *or* if such improvements will occur. Construction is underway on Highway 1/17 intersection and merging lane improvements.

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 in the form of a Regional Housing Needs Plan (RHNP). AMBAG's most recently approved RHNP for the Monterey Bay region, (2002) allocates a construction goal of 3,441 housing units to the unincorporated area of the County for the 2000-2008 planning period, distributed as shown in Table 10:

TABLE 10: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA

Income Category	2000-08 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)	1,351 units
Total Housing Needs	3,441 units

On June 7, 2005, the County adopted a Housing Element based on the 3,441 housing unit construction goal and submitted it to HCD for review and certification. On December 12, 2006, HCD conditionally certified the County's Housing Element, with the condition that the County rezone 30 acres of land for high density residential (20+ units/acre). The County is currently in the process of carrying out this requirement.

AMBAG is currently in the early stages of producing a new Regional Housing Needs Allocation for the 2007-2013 planning period. The County will then have until June 2008 to prepare an update to its housing element, unless the year-long time extension **AMBAG** is seeking is achieved through pending legislation, in which case the next housing element update will be due June 2009 (for the 2008-2014 planning period).

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 units issued building permits (**BPs**) in the unincorporated area since the implementation of Measure J in 1979 is shown in Table 11 below.

TABLE 11: AFFORDABLE HOUSING PRODUCTION⁽¹⁾

Year	Total Units Issued BPs ⁽²⁾	Affordable Units Issued BPs	Second Units Issued BPs	% Afford. & 2 nd 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	28	18.8
1999	217	8	26	15.7
2000	287	80	21	35.2
2001	190	8	15	12.1
2002	163	79	36	33.7
2003	231	81	17	42.4
2004	249	25	52	32.1
2005	261	40	56	36.8
2006	209	71	38	52.2
2007 ⁽³⁾	58	0	23	39.7
Total	11,471	1,690	349	17.8

(1) In the Santa Cruz County unincorporated area

(2) Number of units issued building **permits** (BPs), not including replacement units

(3) Through July 31, 2007

(4) Affordable units plus second units as % of total number of new units (not including replacement units)

Over the almost twenty-eight year implementation period of Measure J from 1979 through July 2007, some 17.8% of the new housing constructed in the unincorporated portion of the County (including second units) has been affordable to households of moderate income or below (those making 120% or less of the County median income). So far in 2007, 39.7% of issued building permits have been for affordable (second) units.

VI. GROWTH GOAL RECOMMENDATION

Growth Goal:

The Board of Supervisors adopted a 0.50% growth rate for 2007. A growth rate of 0.50% was also adopted for 2006, 2005, 2004, 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 somewhat compared to the previous “dot-com” boom period, building permit activity remained at a fairly high rate until late 2006, when there was somewhat of a slow down that has continued through 2007. However, even during the high building permit demand level of recent years, the building permit allocation (for market rate units only) derived using the 0.5% growth goal of recent years has been sufficient to meet the demand. Moreover, there have been a significant number of excess building permits allocated in each of the past several years that could have been made available as carryover to the subsequent year, had they been needed. The building permit allocation derived from the 0.50% growth goal of recent years has been more than adequate to meet recent demand. Therefore, staff recommends that a population growth rate goal of 0.50% be set for calendar year 2008, the same rate as has been adopted every year since 2001.

If the Board adopts a 0.50% growth rate for 2008 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 the Board of Supervisors during 2008 if depletion of an allocation category seems probable. Staff is recommending that the Board carry over any unused allocation from 2007, but not authorize utilization of the carried-over allocation at this time. The Board of Supervisors 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 12 below presents the methodology by which the recommended 0.50% population growth rate goal for 2008 would be converted into the Building Permit allocation. One change from the methodology used in previous years is that this year, as was the case in the last two years, staff has not subtracted 15% for affordable units from the total

projected number of units needed to house the planned 0.5% population increase. This is because affordable units are not subject to the allocation, so accounting for them in the calculation is not necessary. Similar to the last two years, staff has also decided not to account for a vacancy rate by adding 5% to the allocation total, as was done prior to 2005.

**TABLE 12: BUILDING PERMIT ALLOCATION
BASED ON A 0.50% ANNUAL GROWTH RATE FOR 2008**

Estimated Total Household Population 1/1/07*	130,490
Estimated Group Quarters Population 1/1/07*	3,249
Estimated Total Population 1/1/06*	133,163
Proposed Annual Growth Goal - 2008	0.50%
Projected 1/1/08 Household Population (based on a 0.5% growth rate from 1/1/07)	131,142
Projected 1/1/08 Household Population (based on a 0.5% growth rate from projected 1/1/08 pop.)	131,798
Projected Household Population Increase During 2008	656
Persons Per Household (1/1/07)*	2.554
Projected New Housing Units (market rate) Needed During 2008	257

* Source: DOF E-5 Population of California Cities and Counties (5-07) 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, 2004, 2005 and 2006 was 67%-33% urban to rural. It is recommended that the trend of the past several years continue and that the 2008 permit allocations be divided in the following manner:

- Division of the 2008 growth between urban and rural portions, of the unincorporated County on a 67-33% ratio.
- Continued allocation of both rural and urban permits without regard to project size.

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 13: RECOMMENDED 2008 BUILDING PERMIT
ALLOCATION DISTRIBUTION**

Area	Total Market Rate Units
Urban	172
Rural	85
Total	257

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 2007 market rate housing allocations be carried over, retaining their Urban and Rural distinctions, but not be made available for use at this time. The Board of Supervisors could authorize utilization at any time during 2008, 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 29 new rural residential parcels (only 5 new rural lots have been approved to date in 2007). 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's certification of the ordinance amendments to the County's second unit regulations (County Code section 13.10.681), the County is required to prepare the following annual report evaluating the cumulative impacts associated with the second units 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 second units on traffic, water, public views and environmentally sensitive areas.

In 1997, the Board of Supervisors adopted revisions to the Second Unit ordinance. The revisions, including increased unit size limits in the rural areas. In 2004, the Board adopted amendments to the Second Unit ordinance to implement AB 1866. Consistent with the requirements of AB 1866, these amendments eliminated the need for discretionary permit review for second units. These changes have made second units more attractive to the public. As the figures below indicate, application rates have increased in recent years. It is also clear that these units are being built primarily in rural, non-coastal areas.

TABLE 14: Second Units Issued Building Permits by Planning Area Since 1994

	94	95	96	97	98	99	2000	01	02	03	04	05	06	07*	TOTAL
Aptos	0	0	0	1	2	1	0	2	2	2	6	5	2	1	24
Aptos Hills	0	2	1	1	4	4	4	2	1	1	4	6	5	2	43
Bny Doon	0	0	1	2	2	1	2	5	2	1	3	1	2	2	30
Carbonera	0	0	1	1	4	3	2	2	1	3	6	5	4	2	34
Eureka Cyn	0	1	1	2	1	4	2	0	5	0	3	2	2	2	25
La Selva	0	0	0	1	0	1	1	0	0	0	0	0	1	0	4
Live Oak	1	1	0	1	3	2	3	0	2	1	4	4	5	2	29
North Coast	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2
Paj. Valley	0	1	0	2	1	2	2	0	4	0	3	1	2	2	26
Salapuedes	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
S. Andreas	0	0	0	0	0	0	0	0	1	0	1	0	0	0	2
S.L.V.	1	2	0	2	2	3	0	1	4	3	7	5	4	6	40
Skyline	0	0	0	1	1	1	2	2	3	0	2	3	3	0	18
Soquel	0	1	0	0	6	2	2	0	3	2	3	2	2	2	25
Summit	0	0	2	0	2	2	1	1	2	4	10	8	5	2	39
TOTAL	2	8	6	14	28	26	21	15	36	17	52	56	38	23	342

* As of July 31, 2007

Since 1997, forty-five (45) 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). In 2005, ten (10) building permits for second units were issued in the Coastal Zone, in the Aptos (1), Bonny Doon (4), Live Oak (3), and North Coast (2) planning areas. In 2006, only six (6) building permits for second units in the Coastal Zone were issued and used: four (4) in Bonny Doon, two (2) in Live Oak. So far in 2007, only two (2) building permits for second units in the Coastal Zone have been issued and used: in the Aptos (1) and Live Oak (1) planning areas. Given this low number of issued building permits it is likely that there has been minimal cumulative impact, if any, upon coastal resources.

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 2008 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 |
| X 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
Frank Barron, AICP

Date: October 3, 2007