



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

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KATHY M. PREVISICH, PLANNING DIRECTOR

October 13, 2015

AGENDA DATE: November 18, 2015

Agenda Item #: 9

Time: after 9:00 a.m.

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

SUBJECT: PUBLIC HEARING TO ESTABLISH THE YEAR 2016 GROWTH GOAL

Planning Commissioners:

As you recall, 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 your Commission and the Board of Supervisors. The Year 2016 Growth Goal Report is attached (Exhibit B) for your consideration. Also included in this staff report is a status report on the 2015 Building Permit Allocation.

GROWTH GOAL ISSUES

The accompanying report on Year 2016 Growth Goal Report (Exhibit B) provides a discussion of a number of factors used 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 2014, the County's unincorporated area population increased at an annual rate of 0.76%. By comparison, the County as a whole grew at an annual rate of 0.86% in 2014, and the State grew at 0.93%. The unincorporated area's growth rate of 0.76% is marginally lower than the state average, and higher than the growth goal of 0.50% per year that has been adopted by the Board in recent years. Despite this, the building permit allocation derived from the 0.5% growth rate goal in 2014 was more than sufficient to accommodate the demand for residential building permits, with only 36 market rate permits allocated out of the total of 253 permits that were available. This discrepancy between the estimated population growth rate in 2014 and the number of building permits requested is likely due to a combination of factors, including an increase in the number of persons per household as well as the 22 affordable and second unit permits that were issued in 2014 which do not appear in the allocation statistics.

Growth Impacts: The most significant impact on resources in the County from development continues to be the potential and actual water supply shortfall. As discussed in the attached report, water agencies countywide are attempting to address this concern. 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 thirty-seven years (since the passage of Measure J in 1978), 20.2% of the new residential development in the unincorporated area has been constructed as affordable housing (including second units). In 2014, 26.8% of all new units were affordable (including second units). Affordable housing production in the first seven months of 2014, including second units, was 42.9% of the total units approved.

GROWTH GOAL SETTING

The building permit allocation derived from the 0.5% growth goal of recent years has been more than adequate to meet recent and current demand and specifically, the allocation derived using the 0.5% growth rate was sufficient to meet the continued low level of demand in 2014 and 2015. We anticipate that a similar allocation will be sufficient to meet 2106 demand and therefore this report recommends continuing for 2016 the .5% growth goal that the Board established for 2015.

However, despite the current low demand for building permits, there are concerns when the population growth rate exceeds the growth goal. The County's population growth goal is "converted" to a limit on residential building permits. If the growth goal (number of available permits) is set too low, then population growth is accommodated by existing housing units, and the constrained housing supply aggravates upward pressure on rents and house prices. The last year has seen a continued high rate of housing cost escalation. There are several factors that indicate there may be an increase in the demand for market rate permits in the short term. These include the fact that there are no longer inclusionary requirements on rental projects, an increase in the number of applications for land divisions, and recovery of the economy and housing market after the Great Recession.

Therefore, while factors other than growth management have been limiting the demand for residential building permits, in order to ensure that Measure J is not associated with a lack of permits available to be allocated, the 2016 Growth Goal Report recommends that any unused market rate allocation from 2015 be carried over to 2016, as was done last year. Even though a higher growth goal would be consistent with Measure J and County Code, the cushion of having the unused allocation from 2015 carried over will address the situation if demand does increase in 2016.

Based on a population growth rate goal of 0.5%, an allocation of building permits to be issued in 2016 has been proposed in the 2016 Growth Goal Report based on estimations and projections of County population and household size. The proposed allocation (as shown below under the heading "Proposed 2016 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 and accessory dwelling units are not subject to the allocation.

STATUS OF THE 2015 MARKET RATE BUILDING PERMIT ALLOCATION

There has been a continuing low level of demand for market rate building permits over the last several years. The building permit allocation rate continues to lag far behind the levels

seen in previous decades. The number of permits already allocated this year is shown below:

	Urban	Rural
2015 Allocation set by Board	169	84
Allocated (committed)	4	17
Balance available for allocation (as of 8/1/15)	165	67

Due to the continued low demand so far this year, sufficient allocations are available to meet demand in both urban and rural categories. Nevertheless, staff will continue to monitor the allocations in both categories, and will update these figures for the Board of Supervisors December 8, 2015 meeting.

PROPOSED 2016 MARKET RATE BUILDING PERMIT ALLOCATION

As explained in more detail in the 2016 Growth Goal Report (see Table 12 of report), the recommended 0.5% per year population growth rate goal would translate to a market rate building permit allocation of 174 units in the urban area and 85 units in the rural area (for a total of 259 market rate units), plus a projected 2015 carryover of 162 units in the urban area and 55 units in the rural area, as follows:

Area	Total Market Rate Units
Urban 2016	174
Rural 2016	85
Urban carryover 2015	162*
Rural carryover 2015	55*
Estimated* Total	476* (259 + 217 carryover)

* Includes projected carryover based on continuation of rate through August 1, 2015.

ENVIRONMENTAL REVIEW

Setting of the annual population growth goal for unincorporated Santa Cruz County is a requirement of Measure J, which was passed by initiative in 1978. The proposed 2016 population growth rate is set in order to limit population growth to an amount determined by the Board of Supervisors to represent Santa Cruz County's fair share of statewide population growth for that year. The establishment of the Year 2016 Growth Goal is exempt from the California Environmental Quality Act (CEQA) because the recommended rate of 0.5% is below the statewide growth rate of 0.93% for 2014. Specifically, the 2016 Growth Goal is exempt under CEQA § 15308 "Actions by Regulatory Agencies for Protection of the Environment," and § 15061(b)(3) "no possibility the activity may have a

significant effect on the environment." A Notice of Exemption has been prepared for your consideration and recommendation (Exhibit C).

RECOMMENDATION

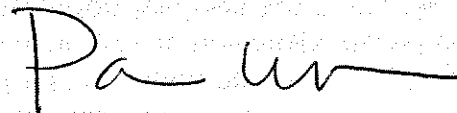
The 2016 Growth Goal Report recommends a 0.5% per year population growth rate goal for 2016, distribution of housing allocations by project location (urban vs. rural) to address projected demand, and allocation of the unused carryover from 2015 to 2016.

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

1. Conduct a public hearing on the setting of the Year 2016 Growth Goal;
2. Adopt the attached Resolution (Exhibit A) recommending a Year 2016 Growth Goal of 0.5% for the unincorporated portion of the County, and recommending the carry-over of any unused market rate allocation from 2015 to 2016; with associated findings; and
3. Recommend the filing of the CEQA Notice of Exemption (Exhibit C) with the Clerk of the Board.

Sincerely,

Todd Sexauer
Environmental Coordinator



Paia Levine
Principal Planner

Exhibits:

- A) Planning Commission Resolution
- B) Year 2016 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 2016**

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.
2. Rapid population growth and development could 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 would also be endangered by rapid growth and inappropriate development.
4. Coastal lagoons and marine habitats which should be preserved for their economic and biologic value could be degraded and destroyed by rapid population growth and inappropriate development.
5. Rapid population growth and development could degrade Santa Cruz County's air and water quality and thereby threaten the health and well-being of present and future residents.
6. The scenic and aesthetic qualities of Santa Cruz County 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 which may threaten future agricultural water supply and, consequently, Santa Cruz County's commercial agriculture; and

WHEREAS, population growth and development has expanded the demand for 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 challenged 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 0.5 percent growth rate for 2016 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 the California Environmental Quality Act (CEQA) and State and County Environmental Review Guidelines, adoption of the 2016 growth rate has been found to be categorically exempt and a Notice of Exemption has been prepared; and

WHEREAS, the adopted County General Plan can accommodate the Association of Monterey Bay Area Governments (AMBAG) projected population growth for the unincorporated area through 2035.

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

1. A population growth goal of 0.5% be established for 2016; and
2. Market rate building permit allocations be distributed, as shown in Exhibit A, with 67% of the 2016 growth in the urban portion of the unincorporated County, and 33% in the rural portion; and
3. The unused 2015 market rate permit allocations be carried over to 2016.

PASSED AND ADOPTED by the Planning Commission of the County of Santa Cruz, State of California, this 18th day of November 2015, 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 2016 Building Permit Allocation Distribution

Attachment A-1

**RECOMMENDED 2016 BUILDING PERMIT ALLOCATION DISTRIBUTION
(Market Rate Units Only)**

Area	Total
Urban 2016	174
Rural 2016	85
Urban carryover 2015	162*
Rural carryover 2015	55*
Estimated* Total	476* (259 allocated + 217 carryover)

* Includes projected carryover based on continuation of rate through August 1, 2015.

REPORT ON
YEAR 2016 GROWTH GOAL
for
SANTA CRUZ COUNTY'S UNINCORPORATED AREA

Prepared by:
County of Santa Cruz Planning Department

September 16, 2015

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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 was defined through adoption of County Code Chapter 17.01, Growth Management, and is 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 calendar year 2016.

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 2015 Residential Building Permit 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 2015, and is shown in Table 1 below. These population estimates, which are prepared annually, indicate a countywide population of 271,646 (133,790 in unincorporated area) as of January 1, 2015 (Source: DOF 2015 E-5 Report - City/County Population and Housing Estimates, 5-15).

The County adopted a population growth goal for the unincorporated area of 0.5% for 2014 and 2015. As can be seen in Table 1, the DOF population estimates indicate that the population of the unincorporated area grew at a rate of 0.76% per year in 2014.

The cities of Santa Cruz and Scotts Valley grew in population in 2014, while the cities of Capitola and Watsonville had a slight reduction in population. In addition, the unincorporated area increased by 993 people in 2014, according to DOF. Of the Santa Cruz County jurisdictions, the City of Santa Cruz grew the fastest in 2014 at 1.48%, surpassing the state's annual rate of growth rate of 0.93% for 2014. The overall Countywide growth rate was 0.86% in 2014. In comparison, our neighboring counties in 2014 grew as follows - Monterey County: 0.15%, San Benito County: 0.75%, and Santa Clara County: 1.16%.

TABLE 1: POPULATION AND GROWTH RATES OF COUNTY JURISDICTIONS				
Area	1/1/2014 Population Estimate	1/1/2015 Population Estimate	2013 Population Growth Rate	2014 Population Growth Rate
City of Capitola	10,004	10,052	-0.05%	0.48%
City of Santa Cruz	62,860	63,789	0.49%	1.48%
City of Scotts Valley	11,800	11,928	0.84%	1.08%
City of Watsonville	51,874	52,087	0.24%	0.41%
Santa Cruz County Unincorporated Area	132,784	133,790	0.71%	0.76%
Santa Cruz County Total	269,322	271,646	0.54%	0.86%
State of California	38,357,121	38,714,725	0.86%	0.93%
Source: DOF E-5 2015 City/County Population and Housing Estimates (5-15); with revised E-5 2014 estimates				

The State Department of Finance (DOF) estimated 2014 growth rate for the unincorporated area of 0.76% is lower than the State's estimated 2014 growth rate of 0.93%, and approximately 50 percent higher than the 0.5% 2014 growth goal that was set by the Board of Supervisors for the unincorporated area. Nevertheless, the building permit allocation derived from the 0.5% growth goal was more than sufficient to accommodate the demand for residential building permits to construct market rate units in 2014 (i.e., only 36 market rate permits out of the 253 permits available were allocated in 2014).

Consistent with signs of recovery from the effects of the Great Recession on the economy and housing market, the unincorporated area (and the County as a whole) has experienced a small increase in population growth in each of the past several years. In recent previous years there have been instances where the population growth rate ended up being higher than the adopted growth goal (as in 2014), and times when it was lower than the growth goal (2010). However, over the last two decades, there have always been a sufficient number of building permits allocated under the County's Growth Management System to not only meet demand, but to result in a surplus at the end of each year.

As can be seen in Table 2 below, the County's growth rate over the past 20 years has been far below the average earlier growth rate of 2.0% during the decade of the 1980's. It should also be noted that the slower County growth rates of recent years represent a significant drop off from the 1960's and 1970's, when the County grew much faster than the State.

Population Projections:

In 2013-14, the Association of Monterey Bay Area Governments (AMBAG) updated its Regional Population and Employment Forecast for all of the jurisdictions in the three-county AMBAG region. The 2014 AMBAG projections for Santa Cruz County are presented in Table 3. At the County-level, the 2014 AMBAG population forecasts are based on demographic population change models, taking into account historic trends. At the sub-county level, AMBAG disaggregated the county population projections to the local jurisdiction and "traffic analysis zone" (TAZ) levels, based on historic residential building trends and local land use plans, but not taking into account resource constraints

such as water supply. The AMBAG forecasts are utilized in regional planning efforts such as the Metropolitan Transportation Plan/Sustainable Community Strategy 2014, regional Air Quality Management Plan, regional transportation plans, and the regional water quality "Basin Plan".

TABLE 2: POPULATION GROWTH RATE BY DECADE COMPARISONS

Year	Unincorporated Area		Countywide		Statewide	
	Population	Growth Rate*	Population	Growth Rate*	Population	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	
		0.35%		1.1%		1.3%
2000	135,526		255,602		33,871,648	
		-0.42%		0.27%		0.99%
2010	129,807		262,552		37,223,900	

Note: *Average annual growth rate

Source: 1960, 1970, 1980, 1990, 2000 and 2010 U.S. Census (April 1 of each of those years)

**TABLE 3: AMBAG POPULATION FORECAST FOR SANTA CRUZ COUNTY
(2014 AMBAG Forecast)**

Area	2010 Census ⁽¹⁾	2020 Forecast	2025 Forecast	2030 Forecast	2035 Forecast	Annual Av. Rate	% Change 2010-35
City of Capitola	9,918	9,119	9,427	9,758	10,088	0.07%	1.71%
City of Santa Cruz	59,946	66,860	70,058	73,375	76,692	0.99%	27.94%
City of Scotts Valley	11,580	11,638	11,696	11,754	11,813	0.08%	2.01%
City of Watsonville	51,199	59,446	61,542	63,607	65,762	1.01%	28.44%
Unincorporated	129,739	132,318	134,879	139,601	144,227	0.42%	11.17%
County Total	262,382	279,381	287,512	298,095	308,582	0.65%	17.61%

Note: (1) - 2010 Census for 4/1/10

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 2015 are shown through August 1, 2015.

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	972	972	619
1984	858	991	991	609
1985	1240	757	757	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	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 ⁽⁵⁾
2000	104	399	339	220
2001	119	266	227	177 ⁽⁶⁾
2002	60	264	227	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	149
2008	107	257	257	32
2009	225	258	258	38
2010	220	260	260	29
2011	231	259	259	34
2012	225	252	252	35
2013	217	252	252	43
2014	209	253	253	36
2015	217	470 ⁽⁸⁾	470 ⁽⁸⁾	21 ⁽⁷⁾

Notes:

- (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; and 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 was 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 carry-over permits authorized by the Board of Supervisors in June 2001.
- (7) Through August 1, 2015.
- (8) Including 217 carryover units allocated by the Board of Supervisors in December 2014 for the year 2015.

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 2015 Allocation:

Over the past few years there has been a noticeable overall decrease in permit activity. In 2007, 149 unit approvals were counted against the 256 permit allocation, resulting in a carryover to 2008 of 107 permits. In 2008, only 32 unit approvals were counted against the 257 permit allocation, resulting in a carryover to 2009 of 225 permits. In 2009, continuing the slow down, only 38 unit approvals were counted against the 258 permit allocation, resulting in a carryover to 2010 of 220 permits. In 2010, permit activity hit its lowest point, with only 29 unit approvals counted against the 260 permit allocation, with 231 returned to carryover. In 2011, there was a slight uptick to 34 unit approvals, resulting in a carryover to 2012 of 225 permits. In 2012, there was another slight uptick to 35 unit approvals, resulting in a carryover to 2013 of 217 permits. In 2013, there was another slight increase to 43 unit approvals, resulting in a carryover to 2014 of 209 permits. In 2014, there was another slight decrease to 36 unit approvals, resulting in a carryover to 2015 of 217 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, as the following Table 5 illustrates:

TABLE 5: Unused Allocation Returned to Carryover			
Return to Carryover from:	Urban	Rural	Total
2014	155	62	217
2013	139	70	209
2012	152	65	217
2011	153	72	225
2010	164	67	231
2009	160	60	220
2008	159	66	225
2007	76	31	107
2006	116	53	169
2005	88	14	102
2004	51	0	51
2003	77	23	100
2002	82	10	92
2001	60	0	60
2000	108	11	119

Staff also 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 Table 6 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 Aug. 1, 2015	Total Market Rate Units in Project	Units from Previous Allocations	Units from 2015 Allocation	Remaining Units to be Allocated
Avila Estates	6	5	0	1
Woods Cove	60	54	1	5
S.Cruz Gardens #8	12	11	0	1
Harbor Square	7	6	0	1
S.Cruz Gardens #12	9	0	0	9
Manning Manor	6	0	0	6
Carmella Ct.	11	1	0	10
Mar Sereno	10	7	0	3
17 th & Brommer	7	0	0	7
Seaview Terrace	8	0	0	8
Hidden Oaks	8	0	0	8
Alta Vista Oceanview Estates	7	0	0	7
Ladera Lane	5	0	0	5
Aptos Village	57	0	0	57
Seascape Uplands	107	106	1	0
TOTAL	320	190	2	128

As illustrated in Table 6, there is a current demand of 128 allocations from large projects (5+ units) within the Urban Services Line, and a future demand of 66 allocations from large projects (5+ units) within the Urban Services Line (Table 7).

TABLE 7: PENDING 5+ UNIT URBAN PROJECTS (as of Aug. 1, 2015)	
Project	Market Rate Units Remaining to be Allocated
Louisa/Locatelli	11
17 th & Brommer	10
Lakeview Estates	8
Jose Rodriguez Subdivison	20
The Lumberyard	8
The Roadhouse site (TBD)	9
TOTAL	66

TABLE 8: APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 lots)		
	Approved # of Lots* (1/1/15-8/1/15)	Pending # of Lots* (as of 8/1/15)
Urban	5	13
Rural	2	2
TOTAL	7	15
Note: * The number indicated counts the subject lot(s) being subdivided, which may or may not already contain existing residences. Therefore, the number shown is a maximum and does not necessarily directly translate into the number of new residential building permits that will eventually be needed for buildout of these minor land divisions.		

In addition to the demand discussed earlier 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 in Table 8, there are 22 approved and pending minor land division lots (2-4 lots), which added to the 128 pending large (5+units; Table 6) 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 150 new units.

Using this system, the number of building permits already allocated this year is shown in Table 9 below:

TABLE 9: 2015 BUILDING PERMIT ALLOCATION STATUS (as of 8/1/15)		
	Urban	Rural
2015 Allocation set by Board	169+155 ⁽¹⁾	84+62 ⁽¹⁾
Allocated (committed)	4	17
Balance available for allocation	165+155⁽¹⁾	67+62⁽¹⁾
Note: (1) The Board of Supervisors authorized the carryover of 155 urban units and 62 rural units from 2014 for a total of 217 carryover units.		

Table 9 indicates that there have been a total of 21 building permits allocated in 2015 as of August 1st. This low level of building permit activity is comparable to the low allocation numbers at the same time last year when the County made 24 allocations as of August 1, 2014, and slightly lower than in 2013, when there were 23 allocations by August 1, 2013. This represents a continuation of the recent trend of very low mid-year totals over the past few years. Therefore, Tables 6 through 9 indicate that that **there will be ample building permit allocations available in both the urban and rural categories to carry through 2015**. Though very unlikely, in the event of an unexpected flurry of development activity before the end of the year, the Board of Supervisors has approved the use of 217 carryover units from 2014 (see Table 9).

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 impacted by growth in the county is water supply. Plans for growth also need to take into account the amount of available water supply and timing of new supplies.

Water Supply Constraints:

All County water agencies are experiencing a lack of sustainable water supply due to groundwater overdraft and diminished streamflow availability. This situation has been exacerbated by the current drought. 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 agencies serving more than 3,000 connections must update their Urban Water Management Plans every five years, with the most recent updates completed in 2011. The next updates are due to be completed by July 1, 2016.

All the main aquifers in this county, the primary sources of the county's potable water, are in some degree of overdraft. Overdraft is manifested in several ways including 1) declining groundwater levels, 2) degradation of water quality, 3) diminished stream base flow, and/or 4) seawater intrusion. Surface water supplies, which are the primary source of supply for the northern third of the county, are inadequate during drought periods, and will be further diminished as a result of the need to increase stream baseflows to restore endangered salmonid populations. In addition to overdraft, the use of water resources are further constrained by various water quality impacts.

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

Santa Cruz and Live Oak: The City of Santa Cruz and surrounding unincorporated urban areas are supplied by the City of Santa Cruz Water Department (SCWD), primarily utilizing surface water from the San Lorenzo River and north coast watersheds. During normal years there is adequate supply, but during a severe drought, only about 60% of current demand can be met. The SCWD completed its Integrated Water Plan and had been pursuing a desalination project that would meet current and projected demand (in conjunction with increased long term water conservation and 15% use curtailment during a severe drought). However, in 2013 the proposed project was put on hold,

pending further evaluation of the supply situation and potential alternatives, by a citizen Water Supply Advisory Committee. This evaluation is set to be completed in 2015.

In 2011, the SCWD completed a Water Supply Assessment (WSA) related to the City's 2030 General Plan Update. The WSA concluded that there was adequate supply during normal years to meet demand through 2030 throughout the service area, including projected University expansion. However, there is not adequate supply to meet current or projected demand during dry years. The deficit during a single dry year would increase from 5% with current demand to 16% by 2030. During a multi-year drought, the current deficit of 23% would increase to 33% by 2030. These deficits will be worse as greater stream flow releases are required to restore fish habitat through the City's proposed Habitat Conservation Plan. The Draft EIR for the desalinization project projected deficits of 46-80% with the reductions in stream diversions requested by fishery resource agencies. The expected supply deficiencies with the above constraints and the added impact of climate change are being further evaluated and updated by the Water supply Advisory Committee. In 2014 and 2015, the third and fourth years of drought, The City instituted rationing under a Stage 3 water shortage and has been achieving a 27% decrease in demand, while maintaining Loch Lomond reservoir at 58-75% capacity.

Santa Margarita Basin: Overdraft in the Santa Margarita groundwater basin underlying parts of San Lorenzo Valley and Scotts Valley has been manifested by a significant decline in groundwater levels and decline in stream base flow over the past 35 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. In March of 2015, 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.

The overdraft of this basin is being addressed in several ways. The SVWD has been working to expand the number of users that use reclaimed wastewater for irrigation. Beginning production in 2002, it is currently the only tertiary treated wastewater facility in the northern portion of the county. The use of treated wastewater, used for irrigation and landscaping, offsets an equivalent amount of potable water pumping and therefore is a valuable component in the water portfolio.

County staff has used grant funding to conduct feasibility studies of the conjunctive use of surface and groundwater to increase groundwater storage in the basin. Recommendations for various conjunctive use efforts could generate 1,500 acre-feet or more of water supplies in an average year. However, implementation of such efforts is likely to take 5-10 years. The District is also pursuing efforts to utilize the abandoned sand quarry to recharge the basin with recycled water and excess winter surface water.

Scotts Valley is also pursuing projects to restore groundwater recharge lost as a result of paving over the groundwater recharge areas. Two projects have been completed to capture and infiltrate stormwater from streets, roofs and parking lots, with a third project to be installed using stormwater grant funding.

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

Water quality in the Santa Margarita Basin has been impacted by various contaminant sources including gas stations, dry cleaners, and septic systems. The occurrence of these contaminants in the groundwater supply 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 protective levels to prevent seawater intrusion, indications of seawater intrusion into parts of the aquifer systems, and the probable decline in stream base flows. Water is extracted from the mid-county 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. Only the smaller CWD, located in the recharge area of one of these aquifers, appears to have sustainable groundwater supplies for its current customer base. SqCWD has estimated that it needs to reduce demand and/or develop a supplemental supply that will allow it to reduce groundwater pumping by 35% (1500 acre-fee/year) over the next 20 years.

SqCWD developed its own Integrated Resource Plan and had been participating with the City of Santa Cruz in the joint development of the desalination project. Since the desalination project was put on hold by Santa Cruz, Soquel has been actively evaluating other supplemental supply and demand reduction options. SqCWD has been implementing conservation programs that hold users to water budgets with the goal of reducing demand by approximately 25%. SqCWD has also instituted a “zero-impact” demand offset program for all new hook-ups. This program now requires new customers to fund water saving retrofits to existing customers to offset 200% of the new demand caused by their development. The SqCWD declared a groundwater emergency, and considered implementing a moratorium on new connections, but stopped short of taking that action at this time.

The County and City of Santa Cruz recently formally joined the Joint Powers Authority with CWD and the SqCWD for joint management of the Soquel-Aptos Groundwater Basin. It is anticipated that this will evolve into a Groundwater Sustainability Agency under the Sustainable Groundwater Management Act (SGMA). Pursuant to the SGMA, a Groundwater Sustainability Plan will be developed by 2020, which will require management actions by all users of the basin to reduce pumping and take management actions to achieve groundwater sustainability by 2040. The County and water agencies instituted a series of workshops to engage small water systems and private well owners that also extract water from the basin.

Water conservation measures have been effective and all the water agencies reported significant reductions in water usage in 2014 and 2015 with the implementation of extensive voluntary and mandatory restrictions by all agencies, including the County. Water use is down approximately 27%, depending on the jurisdiction.

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. The SqCWD has addressed this issue by blending the affected water to bring it within drinking water standards. However, the State lowered the chromium standard, which will make continued use of this source problematic and potentially much more expensive due to treatment costs. SqCWD will be discontinuing use of some wells and installing treatment for others. CWD is tentatively planning to shift pumping from the Aromas formation to the Purisima formation, which does not have chromium. SqCWD had to discontinue use of one well due to excessive nitrate from adjacent septic systems.

South County: Overdraft in the south county aquifers is manifested by depressed water levels, seawater intrusion, and reduced stream baseflows. Water levels are below sea level under more than 70% of the basin, elevated chloride levels have been detected in wells near the Pajaro River greater than 2-miles inland from the coast, and segments of Corralitos Creek are drying up earlier in the summer than in previous years. 85% of the water use in the Pajaro Valley is by agriculture.

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

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

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

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

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.
- Village plans and the associated street plan lines and route design concepts for arterial and collector streets in the urban areas, particularly in the Aptos, Live Oak, Soquel and San Lorenzo Valley planning areas, require an on-going, multi-year effort 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 new and expanded urban services infrastructure in the unincorporated area over the last 20 years, particularly through the former County Redevelopment Agency. In addition, the various County sanitation districts have made numerous sewer-related improvements over the years. However, fully addressing the County's remaining urban service needs will require additional construction of infrastructure capital improvement projects throughout the urban area over an extended period of time. In addition, there are challenges in the area of maintaining existing roadway and bridge infrastructure, which are being addressed by the Department of Public Works.

As for improvements to State Highway 1, the next phase of auxiliary lanes between Soquel Avenue and 41st Avenue is expected to include a bike/pedestrian overcrossing at Chanticleer Avenue. No set schedule has been established for this phase.

V. HOUSING NEEDS

Regional Housing Needs Allocation Plan:

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

This “Regional Housing Needs Assessment” (RHNA) is determined by AMBAG and is the result of a two-step process. Housing needs are divided into four income categories, as shown below in Table 10. 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 Allocation (RHNA) Plan.

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

TABLE 10: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA	
Income Category	2014-23 RHNA
Very Low Income (< 50% of Co. median)	317 units
Lower Income (50%-80% of Co. median)	207 units
Moderate Income (80%-120% of Co. median)	239 units
Above-Moderate Income (>120% of Co. median)	551 units
Total Housing Needs	1,314 units

The County has until December 15, 2015 to adopt a draft update to the Housing Element, covering the 2014-2023 planning period, using the RHNA given in Table 10 above.

Affordable Housing:

Chapter 17.01, the Growth Management provisions of the County Code, 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.

Over the thirty-six year implementation period of Measure J from 1979 through August 1, 2015, 20.2% 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). In 2008 and 2009, the affordability restriction on second units was lifted outside the Coastal Zone portion of the unincorporated County, and in the Coastal Zone respectively. New and existing second units are no longer required to be rented at restricted rent levels. Nonetheless, second unit rents are anticipated to remain at the low end of the market. If second units are not counted, 15.7 percent of the new housing constructed in the unincorporated portion of the County since 1979 has been affordable to households of moderate income or below.

The County completed a review of its Affordable Housing Policies and Guidelines in 2014, and as a

result of that study the Board of Supervisors directed staff to create an Affordable Housing Impact Fee (AHIF) program which went into effect in August of 2015. The AHIF is applied to all new structures and is determined on a per-square foot basis. Residential projects of at least five units may meet their affordability obligation through payment of the appropriate fee or by constructing 15% of the units as on-site deed-restricted affordable units.

TABLE 11: AFFORDABLE HOUSING PRODUCTION⁽¹⁾

Year	Total Units Issued Building Permits ⁽²⁾	Affordable Units Issued Building Permits	Second Units Issued Building Permits	% Affordable Including 2 nd Units ⁽⁴⁾	% Affordable Not Incl. 2 nd Units
1979	741	0	--	--	--
1980	972	62	--	6.4	6.4
1981	934	251	--	26.9	26.9
1982	738	235	--	31.8	31.8
1983	619	52	--	8.4	8.4
1984	609	129	--	21.2	21.2
1985	710	61	--	8.6	8.6
1986	595	98	1	16.6	16.5
1987	606	75	0	12.4	12.4
1988	710	23	3	3.7	3.2
1989	420	14	0	3.3	3.3
1990	267	9	1	3.7	3.4
1991	173	20	1	12.1	11.6
1992	367	209	0	56.9	56.9
1993	149	30	1	20.8	20.1
1994	192	24	2	13.5	12.5
1995	152	21	8	19.1	13.8
1996	145	7	6	9.0	4.8
1997	203	6	14	9.9	3.0
1998	304	29	28	18.8	9.5
1999	217	8	26	15.7	3.7
2000	287	80	21	35.2	27.9
2001	190	8	15	12.1	4.2
2002	163	79	36	33.7	11.7
2003	231	81	17	42.4	35.1
2004	249	28	52	32.1	11.2
2005	261	40	56	36.8	15.3
2006	209	71	38	52.2	34.0
2007	110	0	40	36.4	0.0
2008	97	3	31	35.1	3.1
2009	60	1	22	38.3	1.7
2010	59	0	27	45.8	0.0
2011	141	89	17	75.2	63.1
2012	138	64	20	60.9	46.4
2013	75	4	28	42.7	5.3
2014	82	2	20	26.8	2.4
2015 ⁽³⁾	42	1	17	42.9	2.4
Total	12,217	1,914	548	20.2	15.7

Notes:

- (1) In the Santa Cruz County unincorporated area
 (2) Number of market rate units, affordable/inclusionary units, and 2nd units issued building permits (not including replacement units)
 (3) Through Aug. 1, 2015
 (4) Affordable units plus second units as % of total number of new units (not including replacement units)

VI. GROWTH GOAL RECOMMENDATION

Growth Goal:

The Board of Supervisors adopted a 0.5% growth rate for 2015. An annual growth rate of 0.5% was also adopted in each of the years from 2001-2014, and a rate of 0.75% was adopted for 2000 and 1999. Although the economic growth of the past decade slowed significantly compared to the “dot-com” boom period of the late 1990’s, building permit activity remained at a fairly high rate until late 2006, when there was somewhat of a slow down that continued through 2007, which became much slower in the 2008-10 recession period and its aftermath. Between 2010 and 2011 there was a modest increase in residential building permit activity (primarily for affordable units) which leveled off in 2012 then declined again in 2013 and leveled off in 2014. This slowing trend has only slightly improved in 2015, where so far this year 42 total units (including second units) have been issued permits as of August 1 this year vs. 39 units issued permits (including second units) as of August 1 last year.

Given this slow growth, the 0.5% growth goal for 2014 provided for an ample number of unused surplus building permits (217 permits) that were allocated and available in 2015. Even during the higher building permit demand levels of past years, the building permit allocation (for market rate units) derived using the 0.5% growth goal was sufficient to meet the demand for market rate housing building permits and to generate excess building permits that could have been made available as carryover to the subsequent year, had they been needed. The building permit allocation derived from the 0.5% growth goal of recent years has been more than adequate to meet recent demand. This year’s low housing construction level indicates that an increase in the County’s building permit allocation is not warranted at this time. Staff therefore recommends that the population growth rate goal be set again at 0.5% for calendar year 2016, the same rate as has been adopted every year since 2001.

However, despite the current low demand for building permits and the recommendation to continue the current growth goal of 0.5%, there are concerns when the population growth rate exceeds the growth goal for an extended time. If the growth goal, and therefore the number of available permits, is set too low, then population growth is accommodated by existing housing units and the constrained housing supply aggravates upward pressure on rents and house prices. The last two years have seen a very high rate of housing cost escalation. This is a situation that will be monitored over the coming year.

In addition, this year there are several factors that indicate there may be an increase in the demand for market rate permits in the near term. These include a recent California Court decision that prohibits inclusionary requirements on rental projects (Palmer), possible changes to entitled projects to increase the number of residential units, and recovery of the economy and housing market after the Great Recession. Therefore, staff is recommending that any unused market rate allocation from 2015 be carried over to 2016.

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 0.5% population growth rate goal for 2016 would be converted into the Building Permit allocation. One change from the methodology used in years prior to 2008 is that staff no longer subtracts 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 ten years, the methodology does not 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 0.5% ANNUAL POPULATION GROWTH RATE FOR 2016⁽¹⁾	
Estimated Total Household Population 1/1/15 ⁽²⁾	133,790
Estimated Group Quarters Population 1/1/15 ⁽²⁾	1,837
Estimated Total Population 1/1/15 ⁽²⁾	135,627
Approved Annual Growth Goal in 2015	0.5%
Projected 1/1/16 Household Population (based on a 0.5% growth rate from 1/1/15)	134,459
Projected 1/1/17 Household Population (based on a 0.5% growth rate from projected 1/1/16 pop.)	135,131
Projected Household Population Increase During 2016	672
Estimated Persons Per Household (1/1/15) ⁽²⁾	2.59
Projected New Housing Units (market rate) needed during 2016	259
Notes:	
(1) These numbers would increase if unused allocation from 2015 is carried over to 2016	
(2) Source: DOF E-5 Population of California Cities and Counties (5-15) for Unincorporated Santa Cruz County.	

It is recommended that the trend of the past several years continue and that the 2016 permit allocations be divided in the following manner:

- Division of the 2016 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 staff's prediction of the high end of 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 2016 BUILDING PERMIT
ALLOCATION DISTRIBUTION**

Area	Total Market Rate Units
Urban	174
Rural	85
Total	259

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 2015 market rate housing allocations be carried over, retaining their Urban and Rural distinctions.

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 30 new rural residential parcels (no new rural lots have been approved in 2015 as of August 1st). 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 in 2009 (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 included 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. In April 2008, the affordability restriction was lifted in the non-Coastal Zone portion of the unincorporated County, and in September 2009 the Coastal Commission approved it inside the Coastal Zone, meaning that new and existing second units in that area are no longer required to be rented at restricted rent levels. All of these changes have made second units more attractive to the public. As the figures below indicate, application rates have increased somewhat in recent years. It is also clear that these units are being built primarily in rural, non-coastal areas.

Since 1997, Seventy-six (76) building permits have been issued for second units within the Coastal Zone of the unincorporated area. In 2005 (after the enactment of AB 1866), ten (10) building permits for second units were issued in the Coastal Zone. In 2006, six (6) were issued and used. In 2007, again only six (6) building permits for second units in the Coastal Zone were issued and used. In 2008, five (5) permits were issued and used. In 2009, only two (2) building permits for second units in the Coastal Zone were issued and used (one each in the La Selva Beach and Bonny Doon planning areas). In 2010, only two (2) of the twenty-four (24) second unit permits issued Countywide were located within the Coastal Zone (both in the Bonny Doon Planning Area). In 2011, five (5) of the eighteen (18) second unit permits issued Countywide were within the Coastal Zone (in the Aptos, Bonny Doon, Live Oak and North Coast Planning Areas). In 2012, four (4) of the twenty (20) second unit permits issued Countywide were within the Coastal Zone (all in the Aptos and Bonny Doon Planning Areas). In 2013, six (6) of the twenty-nine (29) second unit permits issued Countywide were located within the Coastal Zone (one each in the Aptos, La Selva, and North Coast Planning Areas, and 3 in the Live Oak Planning Areas). In 2014, four (4) of the nineteen (19) second unit permits issued Countywide were located within the Coastal Zone (all in the Live Oak Planning Area). In 2015 (as of Aug. 1st), four (4) of the seventeen (17) second unit permits issued Countywide so far are located within the Coastal Zone (one in the Bonny Doon Planning Area and three in the Live Oak Planning Area). Given this relatively low number of building permits issued for second units in the Coastal Zone since 1997, it is likely that there has been minimal cumulative impact, if any, upon coastal resources.

TABLE 14: Second Units Issued Building Permits by Planning Area Since 1997

	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15 ⁽¹⁾	TOTAL
Aptos	1	2	1	0	2	2	2	6	5	2	2	2	1	1	2	2	2	1	0	36
Apt. Hills	1	4	4	4	2	7	1	4	6	5	5	5	1	6	2	4	8	1	1	71
B. Doon	2	2	1	2	5	2	1	3	7	2	4	1	2	3	1	2	1	0	2	43
Carbonera	1	4	3	2	2	1	3	6	5	4	3	5	1	2	6	3	2	1	3	57
Eureka Cn	2	1	4	2	0	5	0	3	2	2	4	4	1	1	2	1	2	2	1	39
La Selva	1	0	1	1	0	0	0	0	0	1	0	0	1	0	0	0	1	0	0	6
Live Oak	1	3	2	3	0	2	1	4	4	5	5	2	1	2	2	0	5	6	4	52
N. Coast	0	0	0	0	0	0	0	0	2	0	0	1	0	0	1	0	1	0	0	5
Paj. Vly	2	1	2	2	0	4	0	3	7	2	3	0	3	3	0	1	1	2	0	36
Salsipes	0	0	0	0	0	0	0	0	0	1	0	2	0	0	0	1	1	2	0	7
S. Andres	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	2
S.L.V.	2	2	3	0	1	4	3	7	5	4	6	3	4	1	1	0	0	1	2	49
Skyline	1	1	1	2	2	3	0	2	3	3	2	0	1	0	0	1	0	0	0	22
Soquel	0	6	2	2	0	3	2	3	2	2	3	0	1	0	1	2	4	2	1	36
Summit	0	2	2	1	1	2	4	10	8	5	3	5	5	5	0	2	1	1	3	60
TOTAL	14	28	26	21	15	36	17	52	56	38	40	30	22	24	18	19	29	19	17	521

Note: (1) As of August 1, 2015



County of Santa Cruz

PLANNING DEPARTMENT

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NOTICE OF EXEMPTION

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

Project Name: Establishment of the Year 2016 Growth Goal
Project Location: Unincorporated area of the County of Santa Cruz
Assessor Parcel No.: N/A
Project Applicant: County of Santa Cruz
Project Description: Setting of the Year 2016 Annual Growth Goal Rate at 0.5%.
Agency
Approving Project: County of Santa Cruz
County Contact: Todd Sexauer Telephone No. 831-454-3511
Date Completed:

This is to advise that the County of Santa Cruz Board of Supervisors has approved the above described project on _____ (date) and found the project to be exempt from CEQA under the following criteria:

Exempt status: (check one)

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

Specify type:

☒ **Categorical Exemption**

Class 8: Actions by Regulatory Agencies for the Protection of the Environment (CEQA Guidelines Section 15308)

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

Signature: _____ Date: _____ Title: Environmental Coordinator

EXHIBIT C