



# COUNTY OF SANTA CRUZ

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## PLANNING DEPARTMENT

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KATHLEEN MOLLOY PREVISICH, PLANNING DIRECTOR

September 13, 2012

**AGENDA DATE: October 24, 2012**

**AGENDA ITEM: 7**

**TIME: After 9:00 am**

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

### **SUBJECT: PUBLIC HEARING TO ESTABLISH THE YEAR 2013 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 the Planning Commission and the Board of Supervisors. The Year 2013 Growth Goal Report is attached (Exhibit B) for your consideration. Also included in this staff report is a status report on the 2012 Building Permit Allocation.

### **GROWTH GOAL ISSUES**

The accompanying report on Year 2013 Growth Goal Report (Exhibit B) provides a discussion of a series 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 2011, the County's unincorporated area population increased at an annual rate of 0.63%. By comparison, the County as a whole grew at an annual rate of 0.77% in 2011, and the State grew at 0.67%. The unincorporated area's growth rate of 0.63% is slightly higher than the 2011 adopted percentage growth goal of 0.50% per year. Despite this, the building permit allocation derived from the 0.5% growth rate goal in 2011 was more than sufficient to house the population increase, with only 34 market rate permits out of the 252 permits available being allocated. This discrepancy between the population growth goal for 2011 and the actual estimated population growth rate in 2011 is likely due to an increase in the number of persons per household in 2011 and a possible overestimation of 2011 population growth by DOF. It should also be noted that there was a relatively large number of affordable units (88 units in the Minto Road project) that received building permits in 2011 that were not subject to the allocation.

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-three years (since the passage of Measure J in 1978), some 18.9% of the new residential development in the unincorporated area has been constructed as affordable housing (including second units). In 2011, 75.2% of all new units were affordable (including second units). Affordable housing production in the first seven and a half months of 2012, including second units, was 46.2% of the total units approved.

## **GROWTH GOAL SETTING**

The building permit allocation derived using the 0.5% growth rate goal in 2011 was sufficient to meet the demand for that year, and it appears certain that a 0.5% growth goal for 2012 will be more than sufficient to meet this year's demand as well. Moreover, there was a significant number of excess building permits allocated in 2011 (225 permits) that could have been made available as carryover for 2012, but which will not 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 2013 Growth Goal Report recommends a continuance in 2013 of the 0.5% per year growth rate goal that the Board established for 2012. Based on this population growth rate goal, an allocation of building permits to be issued in 2013 has been proposed in the 2013 Growth Goal Report based on estimations and projections of County population and household size. The proposed allocation (as shown below under the heading "Proposed 2013 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 recommended 0.5% per year growth rate goal and does not authorize use of the carryover, it is possible (but very unlikely) 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 2013 Growth Goal Report recommends that any unused market rate allocations from 2012 be carried over but not be made available at this time. 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 2012 MARKET RATE BUILDING PERMIT ALLOCATION**

Due to the continuing nationwide housing downturn, there has been a continuing low level of demand for market rate building permits, although it has picked some from the last couple of years. Nevertheless, the building permit allocation rate continues to lag far behind the levels seen in previous years and decades. Therefore, staff does not believe any adjustment in the

proposed growth rate goal of 0.5% is warranted for 2013. The number of permits already allocated this year is shown below:

|   | Urban | Rural |
|---|-------|-------|
| <b>2012 Allocation set by Board</b>                     | 168   | 84    |
| <b>Allocated (committed)</b>                            | 5     | 15    |
| <b>Balance available for allocation (as of 8/15/12)</b> | 163   | 69    |

Due to the lower 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 Supervisor's December 4, 2012 meeting.

### **PROPOSED 2013 MARKET RATE BUILDING PERMIT ALLOCATION**

As explained in more detail in the 2013 Growth Goal Report (see Table 12), the recommended 0.5% per year population growth rate goal would translate to a market rate building permit allocation as follows:

| Area         | Total Market Rate Units |
|--------------|-------------------------|
| Urban        | 168                     |
| Rural        | 84                      |
| <b>Total</b> | <b>252</b>              |

### **ENVIRONMENTAL REVIEW**

Because the proposed 2013 population growth rate is set in order to prevent development from creating negative impacts on the environment, and because the recommended rate of 0.5% is below the Statewide growth rate of 0.67% for 2011, the establishment of the Year 2013 Growth Goal qualifies as an "action by a regulatory agency for the protection of the environment" and is, therefore, categorically exempt from the California Environmental Quality Act (CEQA). A Notice of Exemption has been prepared for your consideration and recommendation (Exhibit C).

### **RECOMMENDATION**

In the 2013 Growth Goal Report, staff recommends a 0.5 percent per year population growth rate goal for 2013, the carryover, but not the utilization, of unused 2012 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 2013 Growth Goal;
2. Adopt the attached Resolution (Exhibit A) recommending a Year 2013 Growth Goal of 0.5% for the unincorporated portion of the County, with associated findings; and
3. Recommend the certification of the CEQA Notice of Exemption (Exhibit C).

Sincerely,



Frank Barron, AICP  
Planner III  
Policy Section



Paia Levine  
Principal Planner  
Policy Section

Exhibits:

- A) Planning Commission Resolution
- B) Year 2013 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 2013**

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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

## EXHIBIT A

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 to 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 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 0.5 percent growth rate for 2013 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 California Environmental Quality Act (CEQA) and State and County Environmental Review Guidelines, adoption of the 2012 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 2013; and
2. Market rate building permit allocations be distributed, as shown in Exhibit A, with 67% of the 2013 growth in the urban portion of the unincorporated County, and 33% in the rural portion; and
3. The unused 2012 market rate permit allocations be carried over but not be made available for use at this time.

PASSED AND ADOPTED by the Planning Commission of the County of Santa Cruz, State of California, this 24<sup>th</sup> day of October 2012, 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 2013 Building Permit Allocation Distribution

**RECOMMENDED 2013 BUILDING PERMIT ALLOCATION DISTRIBUTION  
(Market Rate Units Only)**

| Area  | Total      |
|-------|------------|
| Urban | 168        |
| Rural | 84         |
| Total | <u>252</u> |



***REPORT ON  
YEAR 2013 GROWTH GOAL  
FOR SANTA CRUZ COUNTY'S UNINCORPORATED AREA***

**Santa Cruz County Planning Department  
August 15, 2012**

## **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 2013.

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 2012 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 2012, and is shown in Table 1 below. These population estimates, which are prepared annually, indicate a countywide population of 265,981 (130,793 in unincorporated area) as of January 1, 2012 (Source: DOF 2012 E-5 Report - City/County Population and Housing Estimates, 5-12).

The County adopted a population growth goal for the unincorporated area of 0.5% for 2011. As can be seen in Table 1, the DOF population estimates indicate that the population of the unincorporated area grew at a rate of 0.63% per year in 2011. All four cities in the County grew in population in 2011, and the unincorporated area

increased by 814 people in 2011, according to DOF. Of the Santa Cruz County jurisdictions, the City of Santa Cruz grew the fastest in both 2010 and 2011, surpassing the state's rate of growth rate in both those years as well. The overall Countywide growth rate was 0.77% in 2011. In comparison, our neighboring counties in 2011 grew as follows - Monterey County: 0.89%, San Benito County: 0.61%, and Santa Clara County: 1.23%

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

| Area                               | 1/1/2011<br>Population<br>Estimate | 1/1/2012<br>Population<br>Estimate | 2010<br>Population<br>Growth Rate | 2011<br>Population<br>Growth |
|------------------------------------|------------------------------------|------------------------------------|-----------------------------------|------------------------------|
| Rate                               |                                    |                                    |                                   |                              |
| City of Capitola                   | 9,923                              | 9,981                              | 0.05%                             | 0.58%                        |
| City of Santa Cruz                 | 61,245                             | 61,995                             | 2.17%                             | 1.16%                        |
| City of Scotts Valley              | 11,581                             | 11,641                             | 0.01%                             | 0.52%                        |
| City of Watsonville                | 51,226                             | 51,611                             | 0.05%                             | 0.75%                        |
| <b>Santa Cruz County Unincorp.</b> | <b>129,979</b>                     | <b>130,793</b>                     | <b>0.18%</b>                      | <b>0.63%</b>                 |
| Santa Cruz County Total            | 263,954                            | 265,981                            | 0.60%                             | 0.77%                        |
| State of California                | 37,427,946                         | 37,678,563                         | 0.55%                             | 0.67%                        |

Source: DOF E-5 2012 City/County Population and Housing Estimates (5-12); with revised E-5 2011 estimates

The State Department of Finance (DOF) estimated 2011 growth rate for the unincorporated area of 0.63% is slightly less than the State's estimated 2011 growth rate of 0.67%, and slightly higher than the 0.5% 2011 growth goal that was set by the Board of Supervisors for the unincorporated area. However, despite the actual growth rate being higher than the growth goal, the building permit allocation derived from the 0.5% growth goal was more than sufficient to house the population increase (i.e., only 34 market rate permits out of the 252 permits available were allocated). This discrepancy is likely due to an increase in the number of persons per housing unit in 2011 and/or an overestimation of population growth by DOF.

Due to the recent economic downturn and housing slump, which resulted in a

significant slowing of building activity, the unincorporated area (and the County as a whole) is likely to have a continued slow rate of growth in 2012. It is to be expected that household size will generally increase during economic downturns. In previous years there have been instances where the population growth rate ended up being higher than the adopted growth goal, and times when it was lower than the growth goal. *However, in the last two decades there have always been a sufficient number of building permits allocated to meet demand.*

The County's growth rate over the past 20 years have been far below the average earlier growth rate of 2.0% during the decade of the 1980's, as shown in Table 2. It should also be noted that the slower County growth rates of recent years represent a significant change from previous decades (the 1960's and 1970's) when the County grew much faster than the State.

**TABLE 2: POPULATION GROWTH RATE BY DECADE COMPARISONS**

| Year | Unincorporated Area |                 | Countywide |                 | Statewide  |                 |
|------|---------------------|-----------------|------------|-----------------|------------|-----------------|
|      | Pop.                | Growth*<br>Rate | Pop.       | Growth*<br>Rate | Pop.       | Growth*<br>Rate |
| 1960 | 42,309              | 4.9%            | 84,219     | 3.9%            | 15,720,860 | 2.4%            |
| 1970 | 68,440              | 4.6%            | 123,790    | 4.3%            | 19,957,304 | 1.7%            |
| 1980 | 107,129             | 2.0%            | 188,141    | 2.0%            | 23,668,562 | 2.3%            |
| 1990 | 130,809             | 0.35%           | 229,734    | 1.1%            | 29,760,021 | 1.3%            |
| 2000 | 135,526             | -0.42%          | 255,602    | 0.27%           | 33,871,648 | 0.99%           |
| 2010 | 129,807             |                 | 262,552    |                 | 37,223,900 |                 |

\*Average annual growth rate

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

### Population Projections:

In 2007-08, 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. While AMBAG is currently in the process of doing a 2012 update of their regional population and employment forecasts, these projections have not been finalized nor adopted by the AMBAG Board of Directors at this time. Therefore, the 2008 AMBAG projections for Santa Cruz County are presented in Table 3 along with a comparison of the latest 2005 benchmark DOF estimate (estimated prior to the 2010 Census). 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 disaggregated the county population projections to the local jurisdiction and “traffic analysis zone” (TAZ) 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”.

The reader should note that, between 2000 and 2005, the City of Watsonville annexed part of the unincorporated area surrounding the City (i.e., the Freedom/Carey area) contributing to a 2,808 person decrease in the unincorporated area’s population over that period. Additional annexations projected to occur between 2010 and 2015 would transfer additional people from the unincorporated area to the City of Watsonville. These annexations would decrease the unincorporated area’s population while increasing the population of the City of Watsonville. Although the City of Watsonville annexed the Freedom/Carey area in 2000, other significant annexations involving a transfer of population have not yet occurred.

**TABLE 3: AMBAG POPULATION FORECAST FOR  
SANTA CRUZ COUNTY (2008 AMBAG Forecast)**

| Area           | 2005 <sup>1</sup><br>Est. | 2010 <sup>2</sup><br>Est. | 2015<br>Forecast     | 2020<br>Forecast     | 2025<br>Forecast     | 2030<br>Forecast     | 2035<br>Forecast     |
|----------------|---------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Capitola       | 9,913                     | 9,918                     | 10,222               | 10,693               | 10,862               | 11,090               | 11,269               |
| Santa Cruz     | 56,394                    | 59,946                    | 62,480               | 63,265               | 64,649               | 65,884               | 67,807               |
| Scotts Valley  | 11,561                    | 11,580                    | 12,126               | 12,311               | 12,427               | 12,688               | 12,921               |
| Watsonville    | 49,547                    | 51,199                    | 54,857               | 56,544               | 58,975               | 61,245               | 62,463               |
| Unincorporated | 132,552                   | 129,739                   | 135,297              | 137,681              | 138,822              | 139,690              | 141,162              |
| County Total   | 259,967                   | 262,382                   | 273,983 <sup>3</sup> | 280,493 <sup>3</sup> | 285,735 <sup>3</sup> | 290,597 <sup>3</sup> | 295,621 <sup>3</sup> |

<sup>1</sup> 2010 DOF Estimates for 1/1/05 <sup>2</sup> 2010 Census for 4/1/10 <sup>3</sup> Totals have been rounded by AMBAG

### 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 2011 are shown through November 1, 2011.

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

| YEAR | CARRIED OVER | TOTAL BOARD ALLOCATED     | SUBJECT TO THE ALLOCATION <sup>(1)</sup> | TOTAL APPLICATIONS SUBMITTED <sup>(2)</sup> |
|------|--------------|---------------------------|--|---|
| 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 <sup>(3)</sup>                          |
| 1988 | 1322         | 489                       | 489                                      | 670 <sup>(3)</sup>                          |
| 1989 | 1141         | 489 + 1384 <sup>(4)</sup> | 489 + 1384 <sup>(4)</sup>                | 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 <sup>(5)</sup>                          |
| 2000 | 104          | 399                       | 339                                      | 220   |
| 2001 | 119          | 266                       | 227                                      | 177 <sup>(6)</sup>                          |
| 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                                      | 20 <sup>(7)</sup>                           |

- (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 carry-over permits authorized by the Board of Supervisors in June 2001.
- (7) Through Aug. 15, 2012.

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 2012 Allocation:**

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. In 2011, there was an only very slight uptick to 34 unit approvals, resulting in a carryover to 2012 of 225 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 chart illustrates

**TABLE 5: Unused Allocation Returned to Carryover**

| <u>Returned to Carryover</u> | <u>Urban</u> | <u>Rural</u> | <u>Total</u> |
|------------------------------|--------------|--------------|--------------|
| from 2011                    | 153          | 72           | 225          |
| from 2010                    | 164          | 67           | 231          |
| from 2009                    | 160          | 60           | 220          |
| from 2008                    | 159          | 66           | 225          |
| from 2007                    | 76           | 31           | 107          |
| from 2006                    | 116          | 53           | 169          |
| from 2005                    | 88           | 14           | 102          |
| from 2004                    | 51           | 0            | 51           |
| from 2003                    | 77           | 23           | 100          |
| from 2002                    | 82           | 10           | 92           |
| from 2001                    | 60           | 0            | 60           |
| from 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 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 Aug. 15, 2012        | # of Market<br>Rate Units in<br>Project | From<br>Previous<br>Allocations | From 2011<br>Allocation | # Remaining to be<br>Allocated |
|----------------------------|---|---------------------------------|-------------------------|--------------------------------|
| Avila Estates              | 6                                       | 5                               | 0                       | 1                              |
| Seascape Uplands           | 107                                     | 104                             | 7                       | 2                              |
| Woods Cove                 | 60                                      | 54                              | 0                       | 6                              |
| Harbor Townhomes           | 8                                       | 8                               | 0                       | 0                              |
| S.Cruz Gardens #8          | 12                                      | 11                              | 0                       | 1                              |
| Harbor Square              | 7                                       | 6                               | 0                       | 1                              |
| S.Cruz Gard. #12           | 9                                       | 0                               | 0                       | 9                              |
| Silver Oaks                | 23                                      | 7                               | 0                       | 17                             |
| Dawn Lane                  | 6                                       | 5                               | 0                       | 1                              |
| Manning Manor              | 6                                       | 0                               | 0                       | 6                              |
| Carmella Ct.               | 11                                      | 1                               | 0                       | 10                             |
| Mar Sereno                 | 10                                      | 7                               | 0                       | 3                              |
| 17 <sup>th</sup> & Brommer | 7                                       | 0                               | 0                       | 7                              |
| Seaview Terrace            | 8                                       | 0                               | 0                       | 8                              |
| Hidden Oaks                | 8                                       | 0                               | 0                       | 8                              |
| Alta Vista                 | 7                                       | 0                               | 0                       | 7                              |
| Oceanview Estates          |   |                                 |                         |                                |
| <b><u>TOTAL</u></b>        | <b>295</b>                              | <b>208</b>                      | <b>7</b>                | <b>87</b>                      |



**TABLE 7: PENDING 5+ UNIT URBAN PROJECTS (as of Aug. 15, 2012)**

| <b>Project</b>        | <b># of Market Rate Units Remaining to be Allocated</b> |
|-----------------------|---|
| Abbey Rd. Development | 2   |
| Ladera Lane           | 5   |
| Aptos Village         | 63  |
| Los Esteros Estates   | 7   |
| <b><u>TOTAL</u></b>   | <b>77</b>   |

As illustrated above, there is a current demand of 87 allocations and a future demand of 77 allocations from large projects (5+ units) within the Urban Services Line.

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

|              | <b>Approved # of Lots* (1/1/12-8/15/12)</b> | <b>Pending # of Lots* (as of 8/15/12)</b> |
|--------------|---|---|
| Urban        | 3   | 7   |
| Rural        | 4   | 3   |
| <b>TOTAL</b> | <b>7</b>                                    | <b>10</b>                                 |

\* 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 10 pending minor land division lots, which added to the 77 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 87 new units.

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

**TABLE 9: 2012 Building Permit Allocation Status (as of 8/15/12)**

|                                  | <u>Urban</u> | <u>Rural</u> |
|----------------------------------|--------------|--------------|
| 2012 Allocation set by Board     | 168          | 84           |
| Allocated (committed)            | 5            | 15           |
| Balance available for allocation | 163          | 69           |

Table 9 indicates that there have only been a total of 20 building permits allocated in 2012 as of August 15th. While this is a small number, it is comparable to the small allocation numbers last year, when the County made 19 allocations as of Aug. 1, 2011, and it is faster than in 2010 when there were only 29 allocations the entire year. Nonetheless, it represents a continuation of the recent trend of very low mid-year and year-end totals over the past few years. Tables 6 through 9 indicate that there will be ample building permit allocations available in both the urban and rural categories, thus we should easily be able to complete 2012 within the approved allocations. In the unlikely case that an unexpected flurry of development activity occurs before the end of the year, the addition of the 2011 carryover may be necessary, in which case staff will request that the Board of Supervisors approve use of the 2011 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:

All County water agencies are experiencing a lack of sustainable water supply due to groundwater overdraft and diminished streamflow availability. 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 3000 connections must update their Urban Water Management Plans every five years, with the most recent updates completed in 2011.

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 may 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. Other efforts underway or under consideration are stormwater management, groundwater recharge enhancement, desalination, increased wastewater reuse, and transfer of water among agencies to provide for more efficient and reliable use.

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 55% of current demand can be met. The SCWD completed its Integrated Water Plan and is 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). This project is expected to be on line in 5-10 years, pending approval of the electorate in 2014. In 2011, the SCWD completed a Water Supply Assessment 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 could be worse if greater streamflow releases are required to restore fish habitat though the City's proposed Habitat Conservation Plan.

*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. 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 model is being further updated in 2012-13.

The overdraft of this basin is being addressed in several ways. The SVWD is steadily expanding the list of subscribers that have switched to use of 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 a water portfolio. County staff have used grant funding to conduct a feasibility study of the conjunctive use of surface and groundwater to increase groundwater storage in the basin. Recommendations for various conjunctive use efforts could generate a thousand acre-feet or more of water supplies in an average year. However, implementation of such efforts 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, 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. 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. The SqCWD has addressed this issue by blending the affected water to bring it within drinking water standards. The State is considering lowering the chromium standard, which will make continued use of this source problematic and potentially much more expensive due to treatment costs.

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 has developed its own Integrated Resource Plan and 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" demand offset program for all new hook-ups. This program requires new customers to fund water saving retrofits to existing customers to offset 120% of 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 reported lower water usage in 2009 and 2010 than in prior years. 2007-2009 were dry years and the water agencies put in mandatory or voluntary water use restrictions with the objective of reducing demand by 15%. These restrictions were lifted in 2010, which was a wet year, but water usage continued to be low.

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 which is providing recycled water for irrigation in coastal areas since Spring of 2009. PVWMA is in the process of updating its Basin Management Plan. The recently adopted conceptual framework for the plan provides for reducing overall water use by about 12% through conservation and implementing several local projects to optimize existing resources and provide increased supply. The community is actively engaged in supporting these efforts and developing a range of approaches to reduce water use and develop additional supplies to bring the basin into balance.

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 is also pursuing options to increase winter use of surface water from Corralitos Creek. The City's objective is to meet future development demands without increasing groundwater use.

*Integrated Regional Water Management:* County staff is actively engaged in the integrated regional water management programs in both Santa Cruz County and the Pajaro Watershed. Grant funds have been secured for both those efforts which will result in updated regional water management plans to address needs for improved water supply, water quality protection, flood management and habitat restoration. The updated plans will also address impacts of climate change and promote closer coordination of land use and water management planning.

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 will also be bringing forward a water efficient landscape ordinance and an updated water conservation ordinance.

### **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.

- 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 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.

Regarding the County's main thoroughfare, State Highway One, a ballot measure to fund its widening (in addition to several alternative transportation projects) through 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 was recently completed on the Highway 1/17 intersection improvements and addition of merge lanes up to the La Fonda Ave. overpass, and now construction has begun on extending the merge lanes west as far as the Soquel Avenue interchange.

## 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 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 five 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 most recently approved RHNA Plan for the Monterey Bay region (adopted in 2008) allocates a construction goal of 1,289 housing units to the unincorporated area of the County for the 7.5 year planning period starting January 1, 2008 and ending June 30, 2015, distributed as shown below:

**TABLE 10: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA**

| <b>Income Category</b>                      | <b>2008-15 RHNA</b> |
|---|---------------------|
| Extremely Low Income (<30% of Co. median)   | 144 units           |
| Very Low Income (30%-50% of Co. median)     | 144 units           |
| Lower Income (50%-80% of Co. median)        | 217 units           |
| Moderate Income (80%-120% of Co. median)    | 245 units           |
| Above-Moderate Income (>120% of Co. median) | 539 units           |
| <b>Total Housing Needs</b>                  | <b>1,289 units</b>  |



In June 2005, the County adopted a Housing Element based on the 3,441 housing unit AMBAG RHNA construction goal for the 2000-07 planning period 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 completed this requirement back in 2009.

AMBAG's current RHNA Plan, which covers the January 1, 2008 through June 30, 2015 planning period, is based on an updated, and lower, population forecast and, as a result, allocates a smaller overall housing unit construction goal (1,289 units) than the previous round. This new housing construction goal is divided into income affordability categories similar to the last round (i.e., 22% very-low income, 17% low income, 19% moderate income, and 42% above-moderate income). The AMBAG Board of Directors adopted the current RHNA Plan in June 2008. The County had until June 30, 2009 to prepare a draft update to the Housing Element, covering the 2008-2015 planning period. The County Board of Supervisors met this deadline by approving a draft Housing Element update on June 23, 2009, which was then submitted to HCD for their review. The Board then officially adopted the final Housing Element update on January 12, 2010, which received HCD certification on May 5, 2010.

The next RHNA planning cycle is in its very early stages. As the initial phase of this, AMBAG has recently begun a new update of its Regional Population and Employment Forecast. According to HCD's website, the County's next Housing Element update is not due until December 31, 2015.

### **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 <sup>(1)</sup>**

| Year                | Total Units<br>Issued BPs <sup>(2)</sup> | Affordable<br>Units Issued<br>BPs | Second Units<br>Issued BPs | % Affordable<br>Including 2 <sup>nd</sup><br>Units <sup>(4)</sup> | % Afford.<br>Not Incl. 2 <sup>nd</sup><br>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 <sup>(3)</sup> | 78                                       | 24                                | 12                         | 46.2  | 30.8  |
| <b>Total</b>        | <b>11,880</b>                            | <b>1,783</b>                      | <b>463</b>                 | <b>18.9</b>   | <b>15.0</b>                                     |

(1) In the Santa Cruz County unincorporated area

(2) Number of market rate units, affordable/inclusionary units, and 2<sup>nd</sup> units issued building permits (BPs) (not including replacement units)

(3) Through Aug. 15, 2012

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

Over the almost thirty year implementation period of Measure J from 1979 through August 15, 2012, some 18.9% 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 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. Nonetheless, we still anticipate second unit rents to remain at the low end of the market. If second units are not counted, 15.0 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.

## **VI. GROWTH GOAL RECOMMENDATION**

### **Growth Goal:**

The Board of Supervisors adopted a 0.5% growth rate for 2012. A growth rate of 0.5% was also adopted in each of the years from 2001-2012, and a growth rate of 0.75% was adopted for 2000 and 1999. Although the economic growth of the past year and a half has slowed significantly, especially 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, and then became much worse in the 2008-10 period. 2011 saw a slight increase over the building permit activity in 2010, and there has been a further increase in the rate of activity in the first half of 2012.

However, even though the 0.63% population growth rate for the unincorporated area in 2011 was slightly higher than the 0.5% growth goal for 2011, there was still an ample number of unused building permits that were allocated and available in 2011. This discrepancy may be partially due to a slight increase in the number of persons per household between Jan. 2011 and Jan. 2012 (from 2.55 to 2.57 persons per household according to DOF). Even during the high building permit demand level of past years, the building permit allocation (for market rate units) derived using the 0.5% growth goal was sufficient to meet the demand. Moreover, there has 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 (which they have not). The building permit allocation derived from the 0.5% growth goal of recent years has been more than adequate to meet recent demand. Even though the population growth rate for the unincorporated area was 0.63% in 2011, this year’s continued relatively slow housing market indicates that an increase in the County’s building permit allocation is not warranted at this time. Staff, therefore, recommends that a population growth rate goal of

0.5% be set again for calendar year 2013, the same rate as has been adopted every year since 2001.

If the Board adopts a 0.5% growth rate for 2013 and utilization of the carryover is not authorized, it is possible (but very unlikely) that demand may exceed the supply of allocations. 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 (i.e., urban or rural). Planning staff will advise the Board of Supervisors during 2013 if depletion of an allocation category seems probable. Staff is recommending that the Board carry over any unused allocation from 2012, but not authorize utilization of the carried-over allocation at this time. The Board could then make numerical adjustments between the allocation categories or authorize use of the carryover at anytime 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 0.5% population growth rate goal for 2013 would be converted into the Building Permit allocation. One change from the methodology used in previous 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 four 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 0.5% ANNUAL POPULATION GROWTH RATE FOR 2013**

|   |            |
|---|------------|
| Estimated Total Household Population 1/1/12*  | 128,930    |
| Estimated Group Quarters Population 1/1/12*   | 1,863      |
| Estimated Total Population 1/1/12*  | 130,793    |
| Approved Annual Growth Goal in 2012   | 0.5%       |
| Projected 1/1/13 Household Population<br>(based on a 0.5% growth rate from 1/1/12)                | 129,575    |
| Projected 1/1/14 Household Population<br>(based on a 0.5% growth rate from projected 1/1/13 pop.) | 130,223    |
| Projected Household Population Increase During 2013   | 648        |
| Estimated Persons Per Household (1/1/12)*   | 2.569      |
| Projected New Housing Units (market rate) Needed During 2013                                      | <b>252</b> |

\* Source: DOF E-5 Population of California Cities and Counties (5-12) for Unincorporated Santa Cruz Co.

It is recommended that the trend of the past several years continue and that the 2013 permit allocations be divided in the following manner:

- Division of the 2013 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 2013 BUILDING PERMIT  
ALLOCATION DISTRIBUTION**

| <u>Area</u>  | <u>Total Market Rate Units</u> |
|--------------|--------------------------------|
| Urban        | 168                            |
| <u>Rural</u> | <u>84</u>                      |
| Total        | 252                            |

**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 2012 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 2013, 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 4 new rural lots have been approved in 2012 as of August 15th). 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 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.

**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*       | TOTAL      |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Aptos        | 1         | 2         | 1         | 0         | 2         | 2         | 2         | 6         | 5         | 2         | 2         | 2         | 1         | 1         | 2         | 1         | 32         |
| Apt. Hills   | 1         | 4         | 4         | 4         | 2         | 7         | 1         | 4         | 6         | 5         | 5         | 5         | 1         | 6         | 2         | 2         | 59         |
| B. Doon      | 2         | 2         | 1         | 2         | 5         | 2         | 1         | 3         | 7         | 2         | 4         | 1         | 2         | 3         | 1         | 1         | 40         |
| Carbnera     | 1         | 4         | 3         | 2         | 2         | 1         | 3         | 6         | 5         | 4         | 3         | 5         | 1         | 2         | 6         | 3         | 52         |
| Eurek Cn     | 2         | 1         | 4         | 2         | 0         | 5         | 0         | 3         | 2         | 2         | 4         | 4         | 1         | 1         | 2         | 1         | 35         |
| La Selva     | 1         | 0         | 1         | 1         | 0         | 0         | 0         | 0         | 0         | 1         | 0         | 0         | 1         | 0         | 0         | 0         | 5          |
| Live Oak     | 1         | 3         | 2         | 3         | 0         | 2         | 1         | 4         | 4         | 5         | 5         | 2         | 1         | 2         | 2         | 0         | 36         |
| N. Coast     | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 2         | 0         | 0         | 1         | 0         | 0         | 1         | 0         | 4          |
| Paj. Val     | 2         | 1         | 2         | 2         | 0         | 4         | 0         | 3         | 7         | 2         | 3         | 0         | 3         | 3         | 0         | 0         | 32         |
| Salsipes     | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 1         | 0         | 2         | 0         | 0         | 0         | 0         | 3          |
| S. Andrs     | 0         | 0         | 0         | 0         | 0         | 1         | 0         | 1         | 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         | 47         |
| Skyline      | 1         | 1         | 1         | 2         | 2         | 3         | 0         | 2         | 3         | 3         | 2         | 0         | 1         | 0         | 0         | 1         | 22         |
| Soquel       | 0         | 6         | 2         | 2         | 0         | 3         | 2         | 3         | 2         | 2         | 3         | 0         | 1         | 0         | 1         | 2         | 29         |
| Summit       | 0         | 2         | 2         | 1         | 1         | 2         | 4         | 10        | 8         | 5         | 3         | 5         | 5         | 5         | 0         | 2         | 56         |
| <b>TOTAL</b> | <b>14</b> | <b>28</b> | <b>26</b> | <b>21</b> | <b>15</b> | <b>36</b> | <b>17</b> | <b>52</b> | <b>56</b> | <b>38</b> | <b>42</b> | <b>30</b> | <b>22</b> | <b>24</b> | <b>18</b> | <b>13</b> | <b>454</b> |

\* As of Aug. 15, 2012

Since 1997, fifty-six (57) building permits have been issued for second units within the Coastal Zone. 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 fifteen (18) second unit permits issued Countywide were within the Coastal Zone (in the Aptos, Bonny Doon, Live Oak and North Coast Planning Areas). So far in 2012 (as of August 15th), only one (1) of the thirteen (13) second unit permits issued Countywide is located within the Coastal Zone (in the Bonny Doon 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.

**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 2013 Growth Goal

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

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

D. Categorical Exemption

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

E. ☐ Lead Agency Other Than County: \_\_\_\_\_

Staff Planner: \_\_\_\_\_  
Frank Barron, AICP

Date: September 13, 2012