



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060
(831) 454-2580 FAX: (831) 454-2131 TDD: (831) 454-2123

KATHY MOLLOY, PLANNING DIRECTOR

October 12, 2020

AGENDA DATE: October 28, 2020

ITEM: 7

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

SUBJECT: PUBLIC HEARING TO DEVELOP A RECOMMENDATION TO THE BOARD OF SUPERVISORS REGARDING THE PROPOSED YEAR 2021 GROWTH GOAL.

Recommended Action(s):

- 1) Conduct a public hearing on the proposed Year 2021 Growth Goal;
- 2) Adopt the attached Resolution (Exhibit A) recommending a Year 2021 Growth Goal of 0.25% for the unincorporated portion of Santa Cruz County; and
- 3) Recommend the filing of the CEQA Notice of Exemption (Exhibit B) with the Clerk of the Board.

Executive Summary

The Santa Cruz County Code requires the Board of Supervisors to establish an annual growth goal each year for the upcoming year. An annual Growth Goal Report is prepared for initial consideration by the Board in September and subsequent referral to the Planning Commission. The Year 2021 Growth Goal Report is attached (Exhibit C) and includes information on population trends and potential impacts of growth on resources, services, and housing. Following recommendation by the Planning Commission, the matter is returned to the Board for final action.

The Year 2021 Growth Goal Report recommends a 0.25% population growth rate for 2021, which translates to 131 residential building permit allocations. Including unused allocations from 2020, projected to total 179, an estimated total of 310 allocations would be available in 2021. Also included with this memorandum is a status report on the 2020 residential building permit allocations.

Background

Santa Cruz County Code (SCCC) Chapters 12.02, 17.01, and 17.04 set out a growth management system that implements Measure J, the Growth Management Initiative that was approved by County voters in 1978. The growth management system requires the Board of Supervisors to establish an annual population growth goal of an amount that represents Santa Cruz County's fair share of statewide population growth. Each

year a growth rate is set and then converted into a maximum number of “allocations” to be granted to residential building permits in the unincorporated area for the coming year. The SCCC also requires an annual report that examines population trends, the potential impact of growth on resources, services, and housing, and other factors used in establishing the annual growth goal and other growth management policies. The Year 2021 Growth Goal Report is included as Exhibit C.

Analysis

Population Trends

The State Department of Finance (DOF) estimates that during 2019 the County's unincorporated population decreased at an annual rate of -0.24%. This growth rate is up from -0.72% in 2018 and continues the trend of low population growth rates in recent years. By comparison, the County as a whole decreased at an annual rate of -0.47% in 2019, similarly up from the previous year's rate of -0.53%. The state grew by 0.22% in 2019, compared to 0.27% in 2018.

Declining population estimates in our area are determined based on a combination of factors, including changes in birth and death rates, increased migration to other counties and states, as well as reduced numbers of new housing unit construction that are reported to DOF annually. In 2019, the unincorporated area growth rate of -0.24% was substantially lower than the state rate of 0.22%, and also much lower than the growth rate of 0.5% that was adopted by the Board that year.

Potential Impacts from Population Growth

The growth management system was instituted to address resource and public services impacts of growth in the County. The most significant concern regarding resources and infrastructure has been the potential and actual water supply shortfall. However, as discussed in Section IV of the attached report, water agencies countywide are addressing this concern, including the water districts and groundwater agencies for the Santa Margarita, Mid-County, and Pajaro Valley groundwater basins.

Urban service impacts of existing and new development are also being addressed by a number of County initiatives to plan, finance, and construct capital improvements, particularly transportation improvements. Traffic congestion is a very significant concern facing residents throughout the County and a number of efforts are underway to address this issue, including regional highway plans and improvements and a County traffic study that will support an update of the General Plan Circulation Element.

Affordable Housing Goals

SCCC section 17.01.030 includes the requirement that at least 15% of new housing units that are constructed each year be affordable to moderate income and below moderate-income households. Over the 41 years since Measure J was first implemented, 21.1% of new residential development in the unincorporated area has been constructed as affordable housing, including accessory dwelling units (ADUs). In 2019, 39.7% of all new units were affordable, when ADUs are included. Affordable

housing production (including ADUs) in the first seven months of 2020 has represented 44.4% of the total units approved in the County this year.

In order to support affordable housing goals, the County continues to exempt affordable housing units, including ADUs, from the need to obtain permit allocations under the County's growth management regulations. The development of affordable units would, therefore, not be affected by the adopted growth goal.

Demolition Permits

Four single family dwelling (SFD) units and one ADU have been issued demolition permits as of August 1. Four of those units were issued replacement building permits, including three new SFDs and one new manufactured home, resulting in a net loss of one dwelling unit due to demolition.

Permanent Room Housing (PRH) Projects

In 2020, the County created the Permanent Room Housing (PRH) Combining District to recognize the conversion of obsolete visitor accommodations and care facilities to housing units that are "affordable by design" due to their small unit size. As of August 1 this year, there are currently eight PRH applications in progress, totaling 66 housing units. One of these properties includes 15 units that are deed restricted as affordable housing, and another property with six units was previously recognized as legal nonconforming. Therefore, a total 45 newly recognized units from the remaining six projects have received Measure J allocations this year.

Density Bonus Report

As of August 1, one project application has been submitted this year with a requested density bonus and one project is currently in preliminary review. No density bonus projects have been approved so far this year. One density bonus project is currently in construction, the Habitat for Humanity project on Harper Street, which includes 11 for-sale affordable units.

Status of the 2020 Residential Building Permit Allocations

A total of 63 allocations have been granted this year as of August 1, including 45 units from the six PRH projects. If PRH units are not included, only 18 building permit allocations were granted in 2020, which is well below the 42 allocations granted at the same time last year. If demand continues at the current rate, approximately 31 building permits will be granted allocations by the end of 2020, a marked decrease in allocations compared to last year's 56 building permit allocations.

The following table shows the number of allocations granted in 2020 as of August 1:

	Urban	Rural
Allocations set by Board ⁽¹⁾	191	64
Allocations Granted ⁽²⁾	35	28
Remaining Allocations Available ⁽¹⁾	156	36

⁽¹⁾ Does not include 132 urban and 68 rural carryover units from 2019.

⁽²⁾ Includes 45 PRH units: 22 urban and 23 rural units.

This year’s significant slowdown of development throughout the County may be a result of the COVID-19 pandemic and related economic impacts; however, the County has seen similarly modest demand for residential permits over the last decade. This trend indicates that factors other than growth management have continued to limit residential development in our area, particularly since the 2008-10 recession period.

Due to low demand so far this year, sufficient allocations should be available to meet building permit needs in both urban and rural categories through the end of the year, and an increase in the 2020 allocation is not warranted at this time. Nevertheless, Planning Staff will continue to monitor the allocations in both categories and will update these figures for the Board’s December 8, 2020 meeting.

Proposed 2021 Growth Goal

In consideration of the continuing low demand for permits combined with decreasing population growth and the substantial number of carryover allocations that will be available for next year, the Year 2021 Growth Goal Report recommends that the population growth rate be set at 0.25% for calendar year 2021. This rate is commensurate with the State of California’s 0.25% growth rate average between 2018-2019 and constitutes the Santa Cruz County’s fair share of statewide population growth, consistent with County Code.

Each year the Growth Goal Report recommends a maximum number of allocations based on the coming year’s projected demand for new housing units. The 0.25% growth rate proposed translates to an allocation of 131 market rate residential building permits available for 2021. The proposed allocations for 2021 will be divided between the urban and rural areas of the unincorporated County on a 75-25% ratio to recognize the greater potential for infill development in the urban areas. The 131 total allocations available for 2021 will be distributed as follows:

Area	Allocations	Carryover*	Total 2020 Allocations*
Urban	98	147	245
Rural	33	32	65
Total	131	179	310

*Includes projected year-end allocations available based on continuation of allocation rate from first seven months of 2020.

The 131 allocations established for 2021 is expected to be sufficient to address demand for residential building permits next year. Moreover, the projected 179 unused allocations that will carry over from 2020 will be available to address any unforeseen increase in demand in 2021. Planning Staff will return to the Board on December 8, 2020 with the recommendation of the Planning Commission and a resolution for final action by the Board to establish the 2021 growth goal for the unincorporated area of Santa Cruz County.

Housing Crisis Act of 2019

In October 2019, Governor Newsom signed into law Senate Bill (SB) 330. This bill establishes a statewide housing emergency and implements the Housing Crisis Act of 2019 to help address the housing shortfall. A key provision of this law prevents jurisdictions from limiting the number of housing permits or population within “affected county areas.” Affected county areas are defined as Census Designated Places (CDPs) that lie wholly within Census-defined urbanized areas. In Santa Cruz County, this includes the following CDPs: Live Oak, Pasatiempo, Paradise Park, and Amesti.

In accordance with the Housing Crisis Act of 2019, Santa Cruz County will not enforce the Measure J growth goal limit on residential allocations within affected county areas while this temporary statute is in place (from January 1, 2020 to January 1, 2025). Other aspects of Measure J unrelated to limiting building permit allocations will not be impacted by this bill, and staff will continue to track Measure J allocations and subsequent building permit issuance in these areas for reporting purposes. As noted above, in recent years, the number of building permits for new housing units has not come close to the County’s growth goal, so it is not expected that this provision of SB 330 will impact the County’s volume of permits for new housing.

Environmental Review

The establishment of the Year 2021 Growth Goal is exempt from the California Environmental Quality Act (CEQA) under CEQA §15308 “Actions by Regulatory Agencies for Protection of the Environment,” and §15061(b)(3) “where it can be seen with certainty that there is no possibility the activity may have a significant effect on the environment.” A Notice of Exemption has been prepared for your consideration and recommendation (Exhibit B).

Natisha Williams
Planner IV

Stephanie Hansen
Principal Planner

Exhibits:

- A) Planning Commission Resolution
- B) CEQA Notice of Exemption
- C) Report on the Year 2021 Growth Goal

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 GOAL FOR THE YEAR 2021**

WHEREAS, the County of Santa Cruz's ("County") 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, and provides housing opportunities for, low and moderate income persons; and

WHEREAS, the County has exempted building permits for housing units that are affordable to average (moderate) or below average (lower) income households as defined in Santa Cruz County Code ("SCCC") Chapter 17.10 from the requirement to obtain a residential building permit allocation; and

WHEREAS, in most years the County has a carryover 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 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 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 could degrade the 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 the County could 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, the County's commercial agriculture; and

WHEREAS, population growth and development has expanded the demand for government-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 adequately maintain 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 0.25 percent growth rate for 2021 and a continuing exemption of affordable units from the need for residential permit allocations should accommodate the recent rate of housing development and should not restrict the production of housing in the County; and

WHEREAS, the Housing Crisis Act of 2019 ("SB 330") prevents local jurisdictions from establishing or implementing limits on population or permits for housing units within an "affected county" while this statute is in place, from January 1, 2020 to January 1,

2025. Per SB 330, “affected county” is defined as a Census Designated Place (“CDP”) that is wholly located within the boundaries of a Census-designated urbanized area. In Santa Cruz County, affected county areas include the following CDPs: Live Oak, Pasatiempo, Paradise Park, and Amesti; and

WHEREAS, SCCC 12.02.020(9) states that building permits may be determined, consistent with SCCC 17.01 and 17.04, to be exempt from the residential permit allocation system by resolution or ordinance of the Board of Supervisors, and this subsection may be applied to homes damaged or destroyed by the CZU August Lightning Complex Fires that began in August 2020 for the following reasons:

1. The CZU August Lightning Complex Fires (“Fires”) resulted in an unprecedented level of destroyed and damaged structures within unincorporated Santa Cruz County. Of the structures destroyed, an estimated 911 were single family homes, 3 were multi-family structures, and 148 were commercial or mixed-use structures. Approximately 90 of the damaged structures were residences.
2. Per SCCC 12.02.020(5), “An existing residential unit that has been destroyed, torn down, or damaged beyond 50 percent of its current market value may be replaced under an exempted permit provided the building is rebuilt on the same parcel or a contiguous parcel under the same ownership”.
3. Under normal circumstances, an unpermitted residential unit would receive a residential allocation when a replacement building permit is processed. The total number of unpermitted residential units impacted by the Fires is unknown at this time; however, it is likely that a significant number of unpermitted residential units may have been destroyed or damaged by the Fires.
4. Reconstruction of unpermitted residential units destroyed or damaged by the Fires would not constitute new development because they would essentially replace existing residential units, even if the structures were not previously recognized by the County. These replacement permits would effectively maintain rather than increase population in areas of the County impacted by this disaster. Therefore, exempting these permits from the County’s residential building permit allocation system is consistent with the County’s Growth Management System and the Annual Population Growth Goal, established in SCCC 17.01 and 17.04, respectively; and

WHEREAS, in compliance with the California Environmental Quality Act and County environmental review guidelines, adoption of the 2021 Growth Goal has been found to be categorically exempt and a Notice of Exemption has been prepared.

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 0.25% be established for 2021; and
2. Market rate building permit allocations be distributed, as shown in Attachment A-1, with 75% of the 2021 growth in the urban portion of the unincorporated County, and 25% in the rural portion; and
3. The unused 2020 market rate permit allocations be carried over to 2021; and
4. In accordance with the Housing Crisis Act of 2019, Santa Cruz County will not enforce the Measure J Growth Goal limit on residential permit allocations within affected County areas while the temporary statute is in place; and
5. Pursuant to Santa Cruz County Code Section 12.02.020(5), all residential units impacted by the CZU August Lightning Complex Fires are exempt from the Measure J residential permit allocation system, including existing unpermitted residential units; and
6. Adoption of the 2021 Growth Goal is categorically exempt under the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15308, because establishing an annual growth goal is required by SCCC 17.04 to address the environmental impact of population growth in the County, and pursuant to CEQA Guidelines Section 15061(b)(3), because no physical impact to the environment would occur as a result of this project; and a corresponding Notice of Exemption should be filed.

PASSED AND ADOPTED by the Planning Commission of the County of Santa Cruz, State of California, this 28th day of October 2020, by the following vote:

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

ATTEST: _____
 Secretary

 Chairperson

APPROVED AS TO FORM: _____
 DocuSigned by:
Daniel Esqueta
 1E328A0EF74B4AE...
 County Counsel

Attachment A-1: Recommended 2021 Building Permit Allocation Distribution

Attachment A-1**RECOMMENDED 2021 RESIDENTIAL ALLOCATION DISTRIBUTION
(Market Rate Units Only)**

Area	Allocations	Carryover*	Total 2021 Allocations*
Urban	98	147	245
Rural	33	32	65
Total	131	179	310

*Includes projected year-end allocations available based on continuation of allocation rate from first seven months of 2020.



COUNTY OF SANTA CRUZ
 PLANNING DEPARTMENT
 701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060
 (831) 454-2580 FAX: (831) 454-2131 TDD: (831) 454-2123
KATHLEEN MOLLOY, PLANNING DIRECTOR
 www.sccoplanning.com

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 2021 Growth Goal
Project Location: Unincorporated area of the Santa Cruz County
Assessor Parcel No.: N/A
Project Applicant: County of Santa Cruz
Project Description: Setting of the Year 2021 Annual Growth Goal Rate at 0.25%

Agency Approving Project: County of Santa Cruz
County Contact: Natisha Williams, Planner **Telephone No.** 831-454-3290
Date Completed: 10/12/2020

This is to advise that the County of Santa Cruz has 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**

15308 Class 8. Actions by Regulatory Agencies for Protection of the Environment

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, which was adopted in 1979 to address resource and public services impacts of population growth in the County and represents Santa Cruz County's fair share of statewide population growth for the upcoming year. No physical impact to the environment would occur.

Signature: _____ Date: _____ Title: Environmental Coordinator

EXHIBIT B

Exhibit C

**REPORT ON
YEAR 2021 GROWTH GOAL
for
SANTA CRUZ COUNTY'S UNINCORPORATED AREA**

Prepared by:

County of Santa Cruz Planning Department

September 25, 2020

This page intentionally left blank.

Contents

I. INTRODUCTION	1
II. POPULATION TRENDS	1
Population Estimates	1
Population Projections.....	3
III. BUILDING PERMIT ALLOCATIONS.....	4
Summary of Recent Allocations and Status of the 2020 Allocation System	6
IV. POTENTIAL GROWTH IMPACTS	9
Resource Protection.....	9
Urban Services.....	13
V. HOUSING NEEDS.....	15
Regional Housing Needs Allocation Plan	15
Affordable Housing	16
Accessory Dwelling Unit Annual Report.....	20
VI. GROWTH GOAL RECOMMENDATION	23
Growth Goal	23
Building Permit Allocations	24
Allocation Carryover	25
Rural Land Divisions.....	26
VII. CONCLUSION	26
VIII. REFERENCES.....	27

Tables and Figures

TABLE 1: POPULATION AND GROWTH RATES OF COUNTY JURISDICTIONS	2
FIGURE A: POPULATION GROWTH RATE BY DECADE	3
TABLE 2: AMBAG POPULATION FORECAST FOR SANTA CRUZ COUNTY.....	3
FIGURE B: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 2000	4
TABLE 3: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 1979	5
TABLE 4: UNUSED ALLOCATIONS CARRIED OVER.....	6
TABLE 5: 2020 ALLOCATION STATUS OF APPROVED MAJOR PROJECTS.....	7
TABLE 6: 2020 PENDING MAJOR PROJECTS	8
TABLE 7: 2020 APPROVED AND PENDING MINOR LAND DIVISIONS.....	8
TABLE 8: 2020 MEASURE J RESIDENTIAL ALLOCATION STATUS	8
TABLE 9: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA.....	16
TABLE 10: AFFORDABLE HOUSING PRODUCTION	17
TABLE 11: RESIDENTIAL DEMOLITION RATE.....	19
TABLE 12: 2020 PERMANENT ROOM HOUSING PROJECTS	19
TABLE 13: DENSITY BONUS PROJECTS.....	20
TABLE 14: TOTAL ADUs ISSUED BUILDING PERMITS	22
TABLE 15: COASTAL ZONE ADUs ISSUED BUILDING PERMITS	23
TABLE 16: BUILDING PERMIT ALLOCATION CALCULATION	25
TABLE 17: RECOMMENDED 2021 ALLOCATION DISTRIBUTION	25

This page intentionally left blank.

I. INTRODUCTION

In 1978, Santa Cruz County voters adopted the growth management initiative known as Measure J. This legislation requires the County to establish an annual population growth goal of an amount that represents Santa Cruz County’s fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of “allocations” of market rate residential building permits that can be issued in the unincorporated area for the coming year. The process is defined in Santa Cruz County Code (SCCC) Chapter 17.01 (Growth Management), Chapter 17.04 (Annual Population Growth Goal for Santa Cruz County), and Chapter 12.02 (Residential Permit Allocation System). In December 2019, the Board of Supervisors adopted a 2020 growth rate of 0.5%. This report provides information for consideration by the County Planning Commission and Board of Supervisors to determine the annual growth goal for calendar year 2021.

The County of Santa Cruz Planning Department determines the recommended annual growth goal based on a number of factors, including analysis of population growth trends, resource constraints, and the status of residential building permit allocations for the current year. These factors are examined under the following sections of this report: Section II, Population Trends, discusses the latest population estimates and population data projections; Section III, Building Permit Allocations, presents information on residential building permits that have been allocated, issued, and carried over since the adoption of Measure J, and the status of the 2020 allocation system; Section IV, Potential Growth Impacts, details countywide resource constraints and public service issues; Section V, Housing Needs, examines the Association of Monterey Bay Area Government’s (AMBAG’s) regional housing needs planning process, the status of the County’s General Plan Housing Element, the continued need for affordable housing in the County, and the Accessory Dwelling Unit (ADU) Annual Report; Section VI, Growth Goal Recommendation, presents this year’s recommended growth rate and building permit allocation distribution and explains how recent state law (SB 330) will impact the County’s growth management system; Section VII, Conclusion, summarizes the findings from Sections II through VI; and Section VIII, References, lists the sources referenced in this report.

II. POPULATION TRENDS

Population Estimates

The State of California Department of Finance (DOF) publishes annual population estimates for counties across the state in May of each year. Table 1 shows the DOF population estimates for Santa Cruz County in 2019 and provisional estimates for 2020. These population estimates indicate a countywide population of 271,233 (133,493 in the unincorporated area) as of January 1, 2020 (DOF, 2020). Table 1 also includes the annual population growth rates during 2018 and 2019 in each of the Santa Cruz County jurisdictions, as well as California as a whole.

The County Board of Supervisors adopted a population growth rate of 0.5% for the unincorporated area for 2019. According to the DOF statistics, the unincorporated area had a negative growth rate of -0.24% in 2019, with an estimated decrease of 319 people. In 2019, the cities of Capitola, Santa Cruz, and Watsonville saw negative growth rates of -0.22%, -1.25%, and -0.30%, respectively, while the City of Scotts Valley population grew by 0.40%. The County overall, including incorporated cities, saw a negative growth rate of -0.47%. In comparison, neighboring counties grew as follows: Monterey County: -0.04%, San Benito County: 1.37%, and Santa Clara County: 0.37%. The State of California as a whole grew at a rate of 0.22% in 2019.

TABLE 1: POPULATION AND GROWTH RATES OF COUNTY JURISDICTIONS

Area	1/1/2019 Population Estimate ⁽¹⁾	1/1/2020 Population Estimate ⁽²⁾	2018 Population Growth Rate ⁽¹⁾	2019 Population Growth Rate
City of Capitola	10,130	10,108	-0.88%	-0.22%
City of Santa Cruz	65,241	64,424	0.19%	-1.25%
City of Scotts Valley	11,646	11,693	-1.13%	0.40%
City of Watsonville	51,672	51,515	-0.72%	-0.30%
Unincorporated Area	133,812	133,493	-0.72%	-0.24%
County Total	272,501	271,233	-0.53%	-0.47%
State of California	39,695,376	39,782,870	0.27%	0.22%

Source: California Department of Finance Demographic Research Unit, Report E-5: Population and Housing Estimates for Cities, Counties, and the State, January 1, 2011-2020, with 2010 Benchmark (Released: May, 2020). DOF estimates are determined by a variety of factors, including birth and death rates, migration, new housing unit construction reported by local jurisdictions.

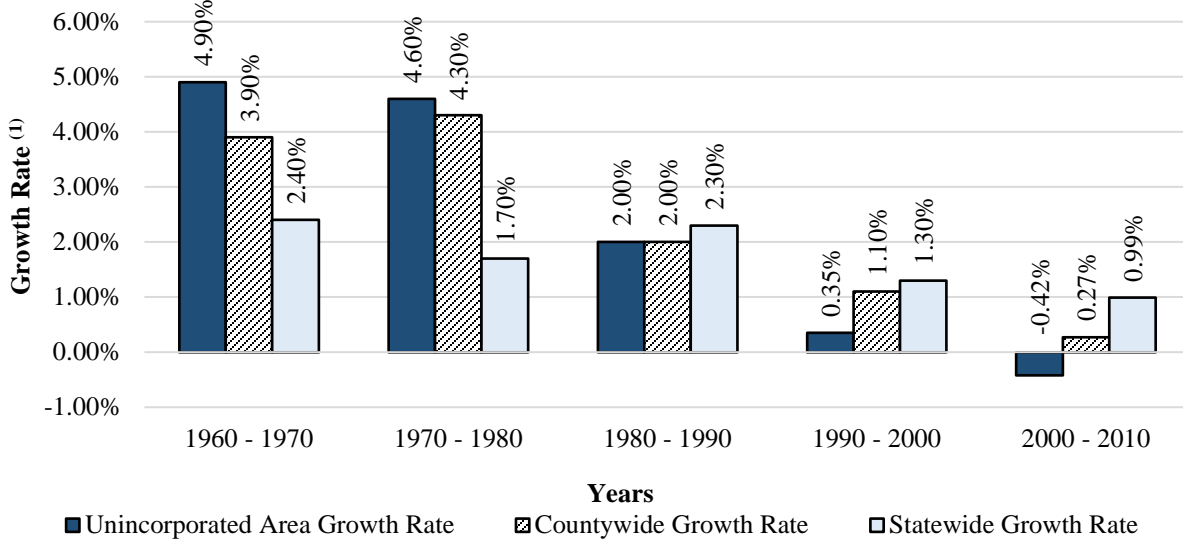
⁽¹⁾ Population estimates for previous years are updated based on the latest DOF E-5 data and may differ from last year's report.

⁽²⁾ 2020 data is provisional

The estimated 2019 population growth rate for the unincorporated area is -0.24%, which is considerably lower than the 0.5% growth rate set for that year and lower than the statewide population growth rate of 0.22%. The data show that the overall County is actually decreasing in population. As a result, the building permit allocation derived from the 0.5% growth rate was more than sufficient to accommodate the demand for residential permits to construct market rate units in 2019.

As can be seen in Figure A, the County's growth rate over the past two decades for which there is complete census data has been below the average growth rate of 2.0% that was experienced during the decade of the 1980s. The slower County growth rate of recent years also represent a significant drop from the 1960s and 1970s, when the County grew much faster than the state. Data from the 2020 Census is expected to be released in the spring of 2021. Next year's report will update population estimates and growth rate figures accordingly to provide a more accurate and up-to-date depiction of local and statewide population growth trends.

FIGURE A: POPULATION GROWTH RATE BY DECADE



⁽¹⁾ Average annual growth rate; Source: 1960, 1970, 1980, 1990, 2000, and 2010 U.S. Census

Population Projections

In June of 2018, AMBAG adopted its 2018 Regional Growth Forecast for all jurisdictions in the three-county AMBAG region to cover the time period 2015 through 2040. Table 2 presents the 2018 AMBAG projections for all Santa Cruz County jurisdictions. At the tri-county level, the AMBAG population forecast is based on employment and demographic population change models, taking into account historic trends. At the sub-county level, AMBAG disaggregated the County population projections to the local jurisdictions based on historic population trends, adjusting for anticipated housing developments and special population areas like the University of California, Santa Cruz. The AMBAG forecasts are utilized in regional and County planning efforts, such as the Metropolitan Transportation Plan/Sustainable Community Strategy (MTP/SCS), the regional Air Quality Management Plan, and transportation plans.

**TABLE 2: AMBAG POPULATION FORECAST FOR SANTA CRUZ COUNTY
(2018 AMBAG Adopted Forecast)**

Area	2015 ⁽¹⁾	2020 Forecast	2025 Forecast	2030 Forecast	2035 Forecast	2040 Forecast	Annual Average Rate	% Change 2015-40
City of Capitola	10,087	10,194	10,312	10,451	10,622	10,809	0.29%	7.16%
City of Santa Cruz	63,830	63,381	72,091	75,571	79,027	82,266	1.16%	28.88%
City of Scotts Valley	12,073	12,145	12,214	12,282	12,348	12,418	0.11%	2.86%
City of Watsonville	52,562	53,536	55,187	56,829	58,332	59,743	0.55%	13.66%
Unincorporated Area	135,042	136,891	137,896	139,105	140,356	141,645	0.20%	4.89%
County Total	273,594	281,147	287,700	294,238	300,685	306,881	0.49%	12.17%

⁽¹⁾ 2015 data from U.S. Census Bureau and DOF

The 2018 AMBAG forecast projects that the unincorporated area will grow by approximately 6,603 people between the years 2015 and 2040 to a total population of 141,645 (Source: AMBAG 2040 MTP/SCS, Appendix A – 2018 Regional Growth Forecast, 6-13-18). This represents an annual average growth rate of 0.20%. Similar to the DOF rates, AMBAG projections remain well below the 0.5% annual growth rate adopted by the County in recent years.

III. BUILDING PERMIT ALLOCATIONS

Under the County’s Growth Management System, allocations are granted when building permit applications for new single family or multiple-family residences, mobile homes, or other dwelling units are submitted to the Planning Department for review. County Planning staff tracks the number of allocations granted every year. Replacement units, affordable units (since 1992), and ADUs are exempted from the allocation system and are not included in these figures. Figure B below shows building permit allocation from the past 20 years. Table 3 provides a more detailed look at the trends indicated in Figure B and includes data going back to 1979, when Measure J was first implemented.

FIGURE B: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 2000

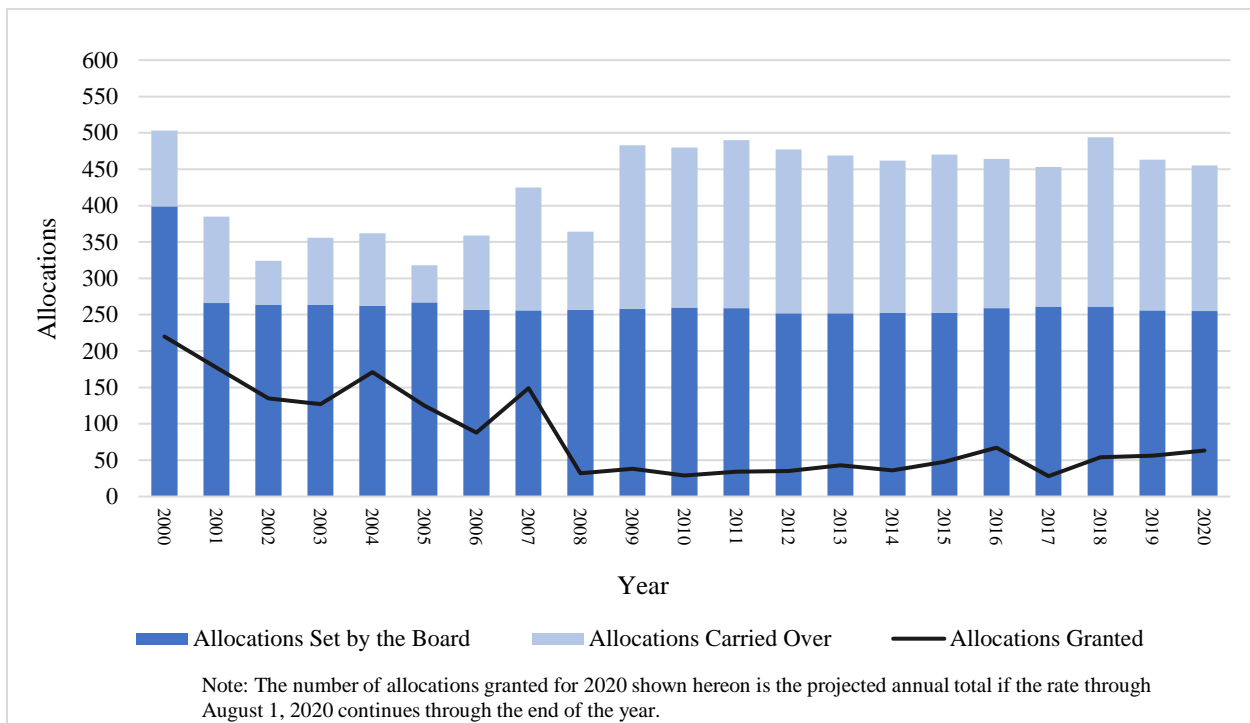


TABLE 3: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 1979

YEAR	ALLOCATIONS CARRIED OVER ⁽¹⁾	ALLOCATIONS SET BY THE BOARD	ALLOCATIONS SET BY THE BOARD (DOES NOT INCLUDE EXEMPTED PERMITS) ⁽²⁾	ALLOCATIONS GRANTED ⁽¹⁾⁽³⁾
1979	0	930	--	741
1980	189	1055	--	972
1981	272	937	--	934
1982	275	968	--	738
1983	505	972	--	619
1984	858	991	--	609
1985	1240	757	--	710
1986	1287	768	--	595
1987	1460	468	--	606 ⁽⁴⁾
1988	1322	489	--	670 ⁽⁴⁾
1989	1141	489 + 1384 ⁽⁵⁾	--	420
1990	2594	487	--	267
1991	2814	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 ⁽⁶⁾
2000	104	399	339	220
2001	119	266	227	177 ⁽⁷⁾
2002	60	264	227	135
2003	92	264	227	127
2004	100	262	222	171
2005	51	267	227	125
2006	102	257	--	88
2007	169	256	--	149
2008	107	257	--	32
2009	225	258	--	38
2010	220	260	--	29
2011	231	259	--	34
2012	225	252	--	35
2013	217	252	--	43
2014	209	253	--	36
2015	217	470 ⁽⁸⁾	--	48
2016	205	464 ⁽⁸⁾	--	67
2017	192	453 ⁽⁸⁾	--	28
2018	233	494 ⁽⁸⁾	--	54
2019	207	463 ⁽⁸⁾	--	56
2020	200	455 ⁽⁸⁾	--	63 ⁽⁹⁾ / 76 ⁽¹⁰⁾

⁽¹⁾ Totals are updated after year-end to reflect final allocation data and may differ from those recorded in previous years' final reports.

⁽²⁾ Prior to 1992, the allocation system included both market rate and affordable units. Beginning in 1992, affordable units were exempted from the allocation system, and in 2005, the allocation formula was updated to reflect that policy change and include only market rate units.

⁽³⁾ Allocations granted to market rate units only (affordable units, ADUs, and replacement units are exempted from the allocation system).

⁽⁴⁾ More building permits were issued than allocated that year due to issuance of permits from the carryover reservoir.

⁽⁵⁾ A special allocation of 1,384 additional affordable permits was approved to allow attainment of the regional housing goal for the 1980-90 decade.

⁽⁶⁾ 208 from the 1999 allocation and eight (rural) from the 1998 carryover.

⁽⁷⁾ Including 10 carryover allocations authorized by the Board of Supervisors in June 2001.

⁽⁸⁾ Including carryover allocations from the previous year.

⁽⁹⁾ As of August 1, 2020. Includes 45 Permanent Room Housing (PRH) units (see Table 12: 2020 Permanent Room Housing Projects).

⁽¹⁰⁾ Projected annual total if rate through August 1, 2020 continues through end of year. Includes 45 PRH units.

Summary of Recent Allocations and Status of the 2020 Allocation System

Over the past decade, the number of allocations granted has been markedly lower than in previous years, beginning with the 2008-10 recession. The period between 2011 and 2016 saw a slight upward trend that steadily increased until 2017, when only 28 market rate allocations were granted out of the 261 allocations available. In 2018, allocations almost doubled compared to the previous year with 54 allocations, and the following year allocations were granted at a similar rate with a total of 56 allocations in 2019.

This year, 63 allocations have been granted as of August 1. If the rate of the first seven months continues, approximately 76 allocations will be granted in 2020. This total is higher than previous years; however, 45 of these units are part of Permanent Room Housing (PRH) projects (see more detail under Section V, Housing Needs, below). Aside from these PRH units, only 18 allocations were granted this year (projected to be 31 if the same rate continues through the end of the year), a significant decrease in allocations granted compared to recent years.

Since 2001, the total number of available allocations derived from the 0.5% growth rate each year has been sufficient to accommodate the demand for market rate residential building permits and result in a surplus of allocations to carry over to subsequent years. Carryover totals since 2000 (Table 4) show that the demand for market rate building permits has not come near the maximum allocated since the year 2004, when all rural allocations were granted, and only urban allocations were carried over.

Year	Urban	Rural	Total
2000	108	11	119
2001	60	0	60
2002	82	10	92
2003	77	23	100
2004	51	0	51
2005	88	14	102
2006	116	53	169
2007	76	31	107
2008	159	66	225
2009	160	60	220
2010	164	67	231
2011	153	72	225
2012	152	65	217
2013	139	70	209
2014	155	62	217
2015	142	63	205
2016	129	63	192
2017	157	76	233
2018	146	61	207
2019	132	68	200

In addition to tracking annual Measure J allocations, staff also tracks the future demand for allocations that will result from approved and pending minor land divisions (two to four lots) and major projects (five or more lots/units) that will require allocations. While staff can estimate the demand for allocations that will come from the creation of new lots and upcoming projects, timing of actual unit construction is more difficult to estimate since it may be influenced by a number of factors. Estimates of future demand for allocations are calculated in Tables 5 through 7, which track the status of approved and pending projects as of August 1, 2020.

TABLE 5: 2020 ALLOCATION STATUS OF APPROVED MAJOR PROJECTS (5 OR MORE LOTS/UNITS) AS OF AUGUST 1, 2020				
Project Name	Total Market Rate Units in Project	Units from Previous Allocations	Units from 2020 Allocation	Remaining Units to be Allocated
Aptos Village	59	49	0	10
Avila Estates	6	5	0	1
Forest and Meadows	50	49	0	1
Maplethorpe Lane	10	0	0	10
The Roadhouse	9	7	2	0
Santa Cruz Gardens #8	12	11	0	1
Santa Cruz Gardens #12	9	4	4	1
Seascape Uplands	107	101	0	6
Seaview Terrace	9	4	0	5
Soquel Townhomes*	11	0	0	11
Tan Heights/Seacrest	30	29	0	1
The Lumber Yard	8	0	0	8
Woods Cove/Graham Hill Estates	60	56	0	4
Paul Minnie*	13	0	0	13
Pleasure Point Plaza*	29	0	0	29
TOTAL	422	315	6	101
*Indicates density bonus used				

Table 5 lists the major projects that were approved in recent years and the status of their Measure J allocations. This table indicates a future demand of 101 allocations. Table 6 shows the status of pending major projects currently in the development review process and indicates a potential future demand of 31 allocations. Table 7 shows the status of approved and pending minor land division applications and indicates a potential future demand of 14 allocations. Tables 5 through 7 estimate a combined potential demand for 146 allocations associated with both approved and pending housing development projects in unincorporated Santa Cruz County

TABLE 6: 2020 PENDING MAJOR PROJECTS (5 OR MORE LOTS/UNITS) AS OF AUGUST 1, 2020	
Project Name	Market Rate Units to be Allocated
Capitola Rd Ext*	5
Mattison Lane	8
3212 Mission Drive*	18
TOTAL	31
*Indicates density bonus used	

TABLE 7: 2020 APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 LOTS) AS OF AUGUST 1, 2020		
Project Location	Approved Number of Lots ⁽¹⁾	Pending Number of Lots ⁽¹⁾
Urban	0	12
Rural	0	2
TOTAL	0	14
⁽¹⁾ The number indicated counts the subject lot(s) being subdivided, which may 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.		

Table 8 summarizes the status of the Measure J residential allocation system for 2020. As of August 1, a total of 63 allocations have been granted (including 45 PRH units). If PRH units are not included, only 18 allocations have been granted in 2020, which is substantially lower than last year when the County had granted 42 allocations as of August 1.

TABLE 8: 2020 MEASURE J RESIDENTIAL ALLOCATION STATUS AS OF AUGUST 1, 2020			
	Urban	Rural	Total
Allocations Set by Board of Supervisors ⁽¹⁾	191+132 = 323	64+68 = 132	255+200 = 455
Allocations Granted ⁽²⁾	35	28	63
Remaining Allocations Available ⁽¹⁾	156+132 = 288	36+68 = 104	192+200 = 392
⁽¹⁾ Carryover of 132 urban units and 68 rural units from 2019.			
⁽²⁾ Includes 45 PRH units: 22 urban and 23 rural units.			

This year's allocation rate continues the trend of relatively low building permit activity over the last decade, particularly since the 2008-10 recession. The significant slowdown of development throughout the County this year is likely also a result of the COVID-19 pandemic. In March 2020, local and state public safety requirements, such as stay-at-home orders and social distancing, as well as related economic impacts may have significantly reduced demand for residential building permits this year. With only 63 allocations granted out of the 455 allocations available for 2020, 392 allocations are still available for this year. Staff anticipates that this will provide ample allocations for the remainder of 2020 in both the rural and urban areas of unincorporated Santa Cruz County.

IV. POTENTIAL GROWTH IMPACTS

The County's growth management system was instituted to address the impacts of growth on natural resources and public services. The following discussion highlights recent impact issues and steps being taken to ensure adequate resource protection and to ensure that proposed growth can be accommodated with adequate urban services.

Resource Protection

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

Water Supply Constraints:

All County water agencies are experiencing a lack of sustainable water supply due to groundwater overdraft and diminished availability of streamflow. Because of this, coordinated water resource management has been of primary concern to the County 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 next update due in 2021.

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 habitat for endangered salmonid populations. The latest climate change projections for the region indicate that in the future, there will be longer drought periods and a shorter rainy season, which will lead to a reduction in surface flow and groundwater recharge. This will be further exacerbated by increased evapotranspiration due to warmer weather.

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 15 years, despite growth. Other efforts underway include stormwater management, groundwater recharge enhancement, 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 implement the Sustainable Groundwater Management Act (SGMA) of 2014, which requires all high- and medium-priority groundwater basins in California to develop groundwater sustainability plans (GSPs) that achieve sustainability within 20 years of implementation.

City of 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 drought years, water use reductions are required.

In 2014, the City of Santa Cruz formed the Water Supply Advisory Committee to evaluate the City's water supply needs and to develop recommendations for projects to address those needs. The committee determined that the City had a worst year supply deficiency of 1.2 billion gallons (3,680 acre feet), or 35% to 45% of their typical annual use. A recommended water supply strategy to fill this gap was developed and adopted by the City Council. The City is now actively evaluating the feasibility and pursuing several projects that would provide adequate water supplies to meet all dry year demand. In December 2018, the City began a water transfer pilot project to customers of Soquel Creek Water District. In 2019, they began testing the ability of the Santa Cruz Mid-County Groundwater Basin to store excess winter surface water underground through a process known as Aquifer Storage and Recovery (ASR). Other strategies being pursued include further transfers, ASR in the Santa Margarita Groundwater Basin, and the use of wastewater recycling. Per capita water use remains below projections despite the fact that no restrictions were put in place for 2019 or 2020.

Santa Margarita Basin: Overdraft in the Santa Margarita Basin underlying parts of San Lorenzo Valley and Scotts Valley has been manifested by a significant decline in groundwater levels and reduction in stream base flow over the past 40 years. Cooperative efforts by County staff, consultants, 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. Recent reductions in pumping have resulted in stabilized groundwater levels, which, despite showing some increase in 2019, are still 250 feet lower than they were in 1980 in some parts of the Basin.

In 2017, the two water districts and the County adopted a Joint Powers Agreement to form the Santa Margarita Groundwater Agency (SMGWA), which will develop a GSP to restore and manage the basin pursuant to the SGMA. That plan is required to be completed by 2022. The City of Santa Cruz, Mount Hermon Association, City of Scotts Valley, and representatives of private well owners also have a seat on the Board that governs SMGWA. The SMGWA has engaged a consultant to help with the development of the plan, including extensive modeling and technical analysis of groundwater levels and quality in the Basin.

The overdraft of this basin is currently being addressed in several ways. SVWD built a non-potable wastewater recycling plant in 2002 and has been working to expand the number of users of that reclaimed wastewater for irrigation. The use of treated wastewater for irrigation and landscaping offsets an equivalent amount of potable water pumping and therefore is a valuable component in the water supply portfolio. In 2018, SVWD completed a study showing that they could produce 550 acre-feet per year of potable recycled water for groundwater recharge.

The County and SLVWD have partnered on a grant to evaluate ways to improve the efficiency of the SLVWD's system by conjunctively using surface and groundwater resources throughout their service area. As noted above, the City of Santa Cruz is actively pursuing a project to restore the storage in the basin using treated San Lorenzo River water through ASR.

SVWD and the County have also implemented projects to restore groundwater recharge lost as a result of paving over the groundwater recharge areas. Three projects have been completed to capture and infiltrate stormwater from streets, roofs, and parking lots, recharging 22.43 acre-feet of water in 2018.

SVWD is implementing conservation measures that could significantly cut down on water consumption in this region, include replacing 1) old water meters with new i-Meters, 2) old water fixtures such as 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 puts some constraints on both the use of the impacted water as well as efforts to enhance groundwater storage. Most of the contaminated sites have been successfully remediated.

Mid-County Basin: In the mid-County area, overdraft is manifested by groundwater levels below protective elevations necessary 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 area aquifers by SCWD, the Soquel Creek Water District (SqCWD), Central Water District (CWD), small public water systems (serving between five and 199 water connections), 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.

In 2016, the SqCWD, CWD, County, and City of Santa Cruz adopted a Joint Powers Agreement to form the Santa Cruz Mid-County Groundwater Agency for management of the Mid-County Basin under SGMA. Pursuant to SGMA, a GSP was submitted to the State Department of Water Resources in January 2020, which outlines how the basin will reach sustainability by 2040. The agency expects to reach sustainability through ongoing water conservation and implementation of several projects by the partner agencies. There is no current plan to curtail pumping in the basin. The County and water agencies have done numerous outreach activities to engage small public water systems and private well owners that also extract water from the basin.

Water conservation measures have been effective, and all the water agencies continue to report significant reductions, generally around 22%, in water usage currently when compared to the 2013 baseline. With the ending of the drought, there has been a 5% increase in water use, but demand has remained much lower than before the drought. Groundwater levels in much of the mid-County area have come up as a result of the reduced pumping.

SqCWD developed its own Community Water Plan to evaluate supplemental supply and demand reduction options. In 2018, the SqCWD Board certified an Environmental Impact Report for the “PureWater Soquel” groundwater replenishment and seawater intrusion prevention project. The project plans to take tertiary-treated wastewater from the City of Santa Cruz treatment plant, send it to Live Oak for advanced purification, and then send that water to Aptos for injection into the groundwater basin. In 2019 the project received \$50 million in grant funding and another \$80 million in low interest loan approval. The SqCWD hopes to have the project operational by the end of 2022.

The County received a grant to implement a pilot stormwater recharge project at Seascape Golf Course in Aptos to capture and infiltrate approximately 11 acre-feet per year of stormwater that would otherwise run to the ocean. The project will help the County assess whether projects of this type can be used as a key part of a water management portfolio

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. SqCWD has addressed this issue by blending the affected water to bring it within drinking water standards. The state lowered the chromium standard, making continued use of this source potentially much more expensive due to treatment costs. However, the new standard was thrown out by the courts and the state is re-evaluating the standard.

Pajaro Valley Basin: 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 60% of the basin, elevated chloride levels have been detected in wells near the Pajaro River more than two miles inland from the coast, and segments of Corralitos Creek are drying up earlier in the summer than in previous years. Eighty-five percent of the water use in the Pajaro Valley is by the agricultural industry.

The Pajaro Valley Water Management Agency (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. There are expansion plans for the pipeline that will bring the recycled water up further north of the current service area, which will potentially benefit groundwater levels in the Mid-County basin as well as in the Pajaro basin. PVWMA operates a project at Harkins Slough that provides groundwater storage and recovery in the shallow aquifer in that area.

PVWMA completed its Basin Management Plan update in 2014. The plan provides for reducing overall groundwater 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 Basin Management Plan was approved as an alternative to a Groundwater Sustainability Plan by the Department of Water Resources in July 2019. Several of the projects outlined in the Plan have undergone environmental review under the California Environmental Quality Act. The next project planned for implementation is the College Lake Integrated Resources Management Project. The project will develop facilities to use the lake water as an alternative to groundwater for agricultural irrigation. To do this, the proposed project would increase the storage capacity of the lake to approximately 1,700 acre-feet. On average, the Project will supply approximately 1,800 to 2,300 acre-feet per year of water to growers in the Pajaro Valley. The community is actively engaged in supporting these efforts.

The City of Watsonville provides municipal supply for the city and residential areas 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 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.

Water quality in the south County area suffers from seawater intrusion and areas of nitrate contamination from agricultural practices, animal facilities, and septic systems.

Integrated Regional Water Management (IRWM) and Watershed Health: County staff are actively engaged in the IRWM programs for both Santa Cruz County and the Pajaro watershed, which includes preparing projects for a successful IRWM grant application that will begin work in late 2020. Water Resources staff continued to work with water agencies to conduct annual sampling of juvenile salmonids and stream habitat in four watersheds: San Lorenzo, Soquel, Aptos, and Pajaro. Water Resources staff partnered with the Information Services Department to complete a database and an interactive website to manage and display the results of the fish monitoring efforts that have been ongoing since 1981: <http://scceh.com/steelhead.aspx>. Staff also continue to work with other County departments and partner organizations to implement the Stream Wood Program and conduct fish passage and habitat restoration projects throughout the County.

Conclusion: County staff will continue to monitor and provide input to these various water supply and watershed enhancement efforts being carried out throughout the County and will keep the Board of Supervisors updated regarding their status when appropriate including the annual Water Status Reports. County staff also continues to implement and enforce the water efficient landscape ordinance, water conservation ordinance, and well ordinance.

Urban Services

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

- Yearly adoption of the Capital Improvement Program, which 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, which require an on-going effort to provide needed information for roadway design, capital improvement programming, and the review and conditioning of new projects.

In addition, the various County sanitation districts have made numerous sewer-related improvements over the years, including the projects described below:

- The Davenport Recycled Water Project was completed in 2018. The Davenport County Sanitation District upgraded the existing wastewater treatment plant and constructed a recycled storage pond. The improvements make it possible for farmers, contractors, business owners, and residents to access disinfected tertiary-treated recycled water that can be used on crops, landscaping, construction sites, and other approved uses. The recycled water can be used to reduce use of potable water benefitting both the community and the environment.
- The Santa Cruz County Sanitation District has recently completed a study regarding sewer

line infiltration and inflow (I&I). The District is using this study to address areas where stormwater and groundwater may be entering (or exiting) through cracks in the sewer lines. The 2019 Soquel Village Rehabilitation, the Capitola Jewel Box Sewer Replacement as well as the Capitola Avenue Sewer Rehabilitation projects were done to specifically address this issue. Three more projects targeting I&I are under construction: the East Santa Cruz Harbor Sewer Rehabilitation, Rio Del Mar Sewer Rehabilitation, and Cliff Drive Area Sewer Rehabilitation projects. Addressing I&I benefits the environmental as it reduces the amount of energy required to pump and treat wastewater and also improves the environment in areas where wastewater may be leaking out of pipes.

- The Santa Cruz County Sanitation District has nearly completed the Soquel Pump Station Force Main Replacement project which replaced a 40+ year-old sewer force main under Soquel Creek and upgraded the pump station. This project helps improve the water quality at Capitola Beach and increases the operational reliability of the pump station.
- A sewer connection moratorium exists for the Rodeo Trunk Line sewer basin. The Santa Cruz County Sanitation District is working with a consultant on plans for a project that will upgrade the trunk line and make it possible to lift the moratorium. Dependent on funding, the District anticipates this project to be completed in the next couple of years.
- The Freedom County Sanitation District upgraded the Trembley Pump Station in 2019. The pump station is now more efficient and has more capacity to hold wastewater in the event that power is lost to the pumps. Currently the Freedom Sewer Rehabilitation Phase 1 project is underway which will rehabilitate manholes and nearly 14,000 linear feet of sewer mains in the neighborhoods north of the Watsonville Airport, and at the northern end of Green Valley Drive.

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. 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. There are also ongoing challenges to maintaining existing roadway and bridge infrastructure, especially in light of the 2017 winter storms that resulted in extensive damage to over 200 locations along County roadways. The infusion of state Senate Bill (SB) 1 funds and local Measure D funds will continue to help the County make progress on improving its pavement condition on publicly maintained roads. However, these funding sources have been negatively impacted by the COVID-19 pandemic and could result in a reduction of storm damage repairs and pavement management projects delivered in this fiscal year.

Traffic congestion is a significant concern facing residents throughout the County. A number of planning efforts focused on improving the County's transportation infrastructure are currently underway. In 2018, the Board of Supervisors accepted the Portola Drive Streetscape Concepts, as a component of the Pleasure Point Commercial Corridor Vision and Guiding Design Principles. The Streetscape Concepts propose potential near-term and long-term improvements to a portion of the Portola Drive public right-of-way that is intended to benefit all users in the Pleasure Point

Commercial Corridor, including pedestrians and bicyclists, local business owners, and residents. Staff also worked with consultants to update the County's traffic model and has begun conducting analyses on potential transportation improvements as part of the upcoming Sustainability Policy and Regulatory Update. The Update will include new policies and programs that enhance multi-modal transportation infrastructure in order to implement the Sustainable Santa Cruz County Plan and address the County's current transportation challenges.

In June 2019, the Board of the Santa Cruz County Regional Transportation Commission (SCCRTC) received the final Highway 9/San Lorenzo Valley Complete Streets Corridor Plan. The plan identifies some of the most critical transportation projects in the corridor and focuses on safety for pedestrians, bicyclists and motorists; access to schools, businesses, and bus stops; traffic operations, pavement conditions, drainage and other needs in this important travel corridor. The Final Unified Corridor Investment Study (UCS) and Preferred Scenario was accepted by the SCCRTC Board in January of 2019. The objective of the UCS is to identify multimodal transportation investments that provide the most effective use of Highway 1, Soquel Avenue/Soquel Drive/Freedom Boulevard, and the Santa Cruz Branch Rail Line while best serving the community's transportation needs.

SCCRTC is also continuing its program for improvements to State Highway 1. The next phase of these improvements includes construction of northbound and southbound auxiliary lanes between Soquel Drive and 41st Avenue and a bike/pedestrian overcrossing at Chanticleer Avenue. Design for this work is complete and construction for this phase is expected to occur within the next two years. Future work also includes the construction of an additional bike/pedestrian overcrossing at Mar Vista Drive, which is beginning environmental review.

V. HOUSING NEEDS

Regional Housing Needs Allocation Plan

Under California law, all cities and counties must adopt a housing element as part of their local general plan. Each housing element must ensure land is zoned and available to accommodate the jurisdiction's share of the projected regional housing need, or Regional Housing Needs Assessment (RHNA). The locality's share of housing need is divided into distinct household income levels or categories based on detailed estimates of household growth within each income level estimated to occur in that locality during the housing element's time horizon, which is at least eight years long.

AMBAG develops the RHNA for this area, and the current RHNA Plan for the Monterey Bay region was adopted in June 2014. It allocates a goal of 1,314 new housing units to the unincorporated area of the County for the nine-year planning period starting January 1, 2014 and ending December 31, 2023. These units are distributed between four income categories, as shown in Table 9.

TABLE 9: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA	
Income Category	2014 – 2023 RHNA
Very Low Income (< 50% of County median)	317 units
Lower Income (50%-80% of County median)	207 units
Moderate Income (80%-120% of County median)	240 units
Above-Moderate Income (>120% of County median)	550 units
Total Housing Needs	1,314 units

As reported in this year’s Housing Element Annual Progress Report, Santa Cruz County completed its sixth year of the current RHNA cycle in 2019. Within the first six years of this nine-year planning period, the County has permitted a total of 503 housing units. These units were issued at the following affordability levels: 43 very low, 43 low, 239 moderate, and 178 above moderate income. A total of 811 units remain for this RHNA cycle, including 274 very low, 164 low, 1 moderate, and 372 above moderate income level units.

Affordable Housing

Chapter 17.01, the Growth Management provisions of the County Code, requires 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.” Chapter 17.10 of the County Code, “Affordable Housing Requirements” is the County’s inclusionary zoning code. It implements the 15% affordable requirement in the Growth Management chapter by establishing standard requirements and procedures for new residential projects of seven or more homes for sale to meet the 15% affordable housing goal. It also requires developers of new rental projects to either pay an impact fee or provide affordable rental units as an alternative to the fee. Chapter 17.12 includes the County’s residential density bonus program, which also helps generate affordable units toward the County’s 15% goal.

Table 10 shows the number and percentage of affordable housing units issued building permits in the unincorporated area since 1979 when Measure J was first implemented. A number of the affordable units in Table 10 were in publicly subsidized developments sponsored by the former County Redevelopment Agency, the Housing Authority, or in some cases after the 1989 earthquake, affordable projects built with FEMA and Red Cross disaster relief funds. While these are not called out separately, generally whenever the percentage of affordable units permitted in a given year is greater than 15%, this most likely reflects permits issued for one or more of these subsidized affordable projects (sometimes referred to as 100% affordable projects).

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 most types of new construction (except for public facilities such as schools and hospitals, and parking structures), including new commercial, industrial, and agricultural structures and additions, market-rate rental housing, new homes, and residential additions and/or replacements greater than 500 square feet) and is calculated on a per-square foot basis.

TABLE 10: AFFORDABLE HOUSING PRODUCTION

Year	Total Units Issued Building Permits ⁽¹⁾	Affordable Units Issued Building Permits	ADUs Issued Building Permits	% Affordable (Including ADUs) ⁽²⁾	% Affordable (Does Not Include ADUs)
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	70.6	48.5
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	30	34.0	3.1
2009	60	1	22	38.3	1.7
2010	59	0	24	40.7	0.0
2011	141	89	18	75.9	63.1
2012	138	64	19	60.1	46.4
2013	75	4	29	44.0	5.3
2014	82	2	19	25.6	2.4
2015	60	1	29	50.0	1.7
2016	117	66	19	72.6	56.4
2017	104	0	28	26.9	0.0
2018	73	1	36	50.7	1.4
2019	78	2	29	39.7	2.6
2020 ⁽³⁾	45	0	20	44.4	0.0
Total	12,652	1,983	688	21.1	15.7

Note: Data shown only includes the unincorporated area of Santa Cruz County

⁽¹⁾ Total number of market rate units, affordable/inclusionary units, and ADUs issued building permits (does not include replacement units)

⁽²⁾ Includes affordable units plus ADUs as a percent of total number of new units (does not include replacement units)

⁽³⁾ As of August 1, 2020

Residential subdivision or condominium projects of seven or more new units must include 15% of the units as deed-restricted affordable units. As an alternative, developers of such projects may seek Board approval to pay the AHIF or pursue one of the other alternatives to providing on-site units set forth in Chapter 17.10. In late 2018, the Board adopted Ordinance 5286 amending Chapters 13.01, 13.10, 17.10 and 17.12 to better facilitate development of affordable housing through a number of programs, as part of the policy update known as the “Near Term Housing Amendments.” These amendments included changes to existing programs, including R-Combining District regulations, a new discretionary approval requirement for applicants who want to utilize the AHIF program, and a new enhanced density bonus process that expanded existing density bonus regulations.

In late 2019, the Board adopted and obtained Coastal Commission approval of several ordinances and General Plan/LCP amendments to update County policies related to development of workforce rental housing for farmworkers, school employees, and others on properties in agricultural and public facility zones. These actions implemented several objectives in the Housing Element and in the County’s Operational Plan.

In the 41 years since Measure J was first implemented, 21.1% of new housing units constructed in the unincorporated portion of the County, when ADUs are included, have been affordable to lower and moderate income households (household incomes of 120% or less of the County’s Area Median Income or “AMI”). When ADUs are not counted, 15.7% of the new housing constructed in the unincorporated portion of the County since 1979 has been affordable to households of moderate income or below.

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

Demolition Permits

Table 10 provides a detailed look at the production of new housing units in Santa Cruz County since Measure J was enacted; however, this table does not address the demolition of existing housing, which also plays an important role in the County’s housing market. Demolition rates are particularly relevant to affordable housing options since demolished units are often older and likely to be more affordable compared to newly built housing. In 2019, staff began tracking demolition rates within the unincorporated area to provide a more complete picture of the County’s current housing stock.

Table 11 details demolition permits issued from January 1, 2018 to August 1, 2020. The data show that during this time all except one of the demolition permits issued were for existing single-family dwellings, more than half of which were subsequently replaced with a new unit. In 2019, 19 units were issued demolition permits, including three units that were damaged or destroyed (two were destroyed as a result of fire damage and one due to neglect). These demolished units were replaced with eight new units: three detached single-family dwellings (SFDs), four attached single-family units (townhomes, or SFAs) and one manufactured home (MH). This resulted in 11 net units demolished in 2019.

This year, five units have been issued demolition permits as of August 1, including four SFDs and one ADU. Four of those units were issued replacement building permits, including three new SFDs and one new MH, resulting in a net loss of one unit. Overall, demolition rates in the County are relatively low compared to the construction of new housing.

TABLE 11: RESIDENTIAL DEMOLITION RATE													
Year	Total Units Issued Demolition Permits ¹	Demolition Unit Types					Number of Replacement Units	Replacement Unit Types					Net Units Demolished
		SFD	SFA	ADU	MH	MF		SFD	SFA	ADU	MH	MF	
2018	26	26	0	0	0	0	14	13	0	1	0	0	12
2019	19	19	0	0	0	0	8	3	4	0	1	0	11
2020 ⁽²⁾	5	4	0	1	0	0	4	3	0	0	1	0	1

⁽¹⁾ Data shown includes demolition permits issued for previously permitted residential units in the unincorporated area of Santa Cruz County.
⁽²⁾ As of August 1, 2020.

Permanent Room Housing (PRH) Projects

In 2020, the County created the Permanent Room Housing (PRH) Combining District to recognize the conversion of obsolete visitor accommodations and care facilities to housing units that are “affordable by design” due to their small unit size. The PRH Combining District creates a pathway for permanent housing to be legalized on these properties and upgraded as necessary to meet health and safety criteria. The district is available to any parcel in the County that meets district eligibility criteria. As shown in Table 12 below, there are currently eight PRH applications in progress, totaling 66 housing units. One of these properties includes 15 units that are deed restricted as affordable housing, and another property was previously recognized as legal nonconforming. Therefore, a total of 45 PRH units on six properties will become newly recognized units and have received Measure J allocations this year.

TABLE 12: 2020 PERMANENT ROOM HOUSING PROJECTS AS OF AUGUST 1, 2020		
Project Name	Total Project Units	Measure J Allocations
Urban Projects		
10110 Soquel Avenue	9	9
165 East Street	3	3
222 Santa Cruz Ave ⁽¹⁾	15	0
6154 Highway 9	10	10
Subtotal:	37	22
Rural Projects		
4700 Highway 9 ⁽²⁾	6	0
13320 Highway 9	11	11
14630 Highway 9	5	5
14650 Highway 9	7	7
Subtotal:	29	23
TOTAL	66	45

⁽¹⁾ These units are deed-restricted affordable and do not required a Measure J allocation.
⁽²⁾ These units are considered legal non-conforming and do not require a Measure J allocation.

Density Bonus Annual Report

As of August 1 of this year, one project application has been submitted with a requested density bonus and one project is currently in preliminary review, as indicated in Table 6 as well as Table 13 below. Four density bonus projects were approved in 2019 & one has been approved so far in 2020. A total of 28 additional units have been approved as a result of the density bonus, including two units this year as of August 1, 2020.

TABLE 13: DENSITY BONUS PROJECTS						
Project	Approval Date	Project Type	Total Dwelling Units	Affordable Units	Additional Units with Density Bonus	Status
Habitat for Humanity, Harper St.	Jan-19	For-Sale	11	11: Low	1	In construction
Paul Minnie	Apr-19	Rental / Mixed Use	15	2: Very Low	4	Entitled
MidPen Housing, 1500 Capitola Rd	Nov-19	Rental / Mixed Use	57	56: Low and Very Low	9	Entitled
Pleasure Point Plaza	Dec-19	Rental / Mixed Use	33	4: Very Low	12	Entitled
Soquel Townhomes	Jan-20	For-Sale	16	2: Mod	2	Entitled
3212 Mission Dr.	--	For-Sale	21	3: 2 Mod, 1 Very Low	--	In permitting
East Cliff Village	--	Rental / Mixed Use	161	TBD	--	Preliminary Review
TOTAL	--	--	314	78	28	--

Density Bonus Policy Updates

Since the County last updated Chapter 17.12 in late 2018, the State has enacted legislation making further amendments to density bonus law, which in most cases preempt local codes if in conflict. Staff is currently working on a draft ordinance to update Chapter 17.12 where necessary to ensure consistency with these recent state laws, which include AB 1763, chaptered in 2020, and four bills chaptered in 2019. This work has been delayed somewhat due to the COVID-19 pandemic, which caused some reprioritization of workload. Staff will bring the draft ordinance forward for adoption when it is ready for review.

Accessory Dwelling Unit Annual Report

As a condition of the Coastal Commission's certification of the amendments to the County's Second Unit, now ADU, ordinance in 2009 (SCCC section 13.10.681), the County is required to prepare an annual report evaluating the cumulative impacts associated with ADUs 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 ADUs on traffic, water, public views, and environmentally sensitive areas.

In 1997, the Board of Supervisors adopted revisions to the ADU ordinance that included increased unit size limits in the rural areas. In 2004, the Board adopted amendments to the ordinance to implement Assembly Bill (AB) 1866, eliminating the need for discretionary permits for ADUs in most cases. In April 2008, the affordability restriction was lifted outside the Coastal Zone, and in September 2009 this restriction was lifted inside the Coastal Zone, meaning that new and existing ADUs are no longer required to be rented at restricted rent levels.

In 2016 and 2017, several state laws governing ADUs (SB 1069, AB 2299, AB 2406, SB 229, and AB 494) led the County to further update local regulations in 2017 and again in 2018 to comply with state law. Updates included removing all discretionary requirements for ADUs, permitting reduced setbacks in certain cases, easing parking requirements, removing the requirement for fire sprinklers for many cases, requiring that ADUs be permitted on any residential parcel regardless of parcel size, disallowing special district fees for ADUs and requiring expedited permitting. The County also reduced fees and relaxed development standards for “Conversion ADUs” (ADUs created by converting part of an existing home or accessory structure).

In 2016-2017, the County undertook an extensive study to understand the function of ADUs in the local housing market and to identify barriers that discourage new ADUs. The study provided recommendations for ordinance amendments, which were incorporated into the 2017-2018 County Code updates. The study found that permit and construction costs are a major barrier to ADU construction. The County has launched the *ADU Forgivable Loan Program*, the *My House My Home* partnership with Habitat for Humanity and has implemented reduced fees for ADU permits as well as applicant permit processing assistance. Additionally, in 2019 the County initiated a three-year pilot program to waive certain planning and permitting fees for small ADUs (640 square feet or less). Staff has also prepared easy-to-use guides for property owners (ADU Basics, ADU Design Guide, and ADU Cost Financing Guide), and these and other key resources are available on the County’s user-friendly ADU website.

These changes are expected to make ADUs more feasible and appealing to County homeowners, and County staff are already seeing an uptick in ADU applications. As Table 14 below indicates, after a decrease in permit applications following the 2008-10 recession, application rates for ADUs have steadily increased in recent years. As of August 1 of this year, 20 ADU permits have already been issued, which is comparable to 2019 when 21 ADU permits had been issued at the same time of year.

**TABLE 14: TOTAL ADUs ISSUED BUILDING PERMITS
IN UNINCORPORATED COUNTY BY PLANNING AREA SINCE 2005**

	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20 ⁽¹⁾	TOTAL
Aptos	5	2	2	2	1	1	2	2	2	1	1	0	1	3	8	2	35
Aptos Hills	6	5	5	5	1	6	2	4	8	1	4	2	6	6	0	0	61
Bonny Doon	7	2	4	1	2	3	1	2	1	0	2	0	1	2	2	1	31
Carbonera	5	4	3	5	1	2	6	3	2	1	6	0	4	3	3	1	49
Eureka Canyon	2	2	4	4	1	1	2	1	2	2	2	1	0	2	2	1	29
La Selva	0	1	0	0	1	0	0	0	1	0	0	0	0	0	0	0	3
Live Oak	4	5	5	2	1	2	2	0	5	6	6	7	10	4	8	10	77
North Coast	2	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	5
Pajaro Valley	7	2	3	0	3	3	0	1	1	2	1	2	0	4	1	0	30
Salsipuedes	0	1	0	2	0	0	0	1	1	2	0	0	2	2	0	0	11
San Andreas	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	2
San Lorenzo Valley	5	4	6	3	4	1	1	0	0	1	2	4	1	4	2	3	41
Skyline	3	3	2	0	1	0	0	1	0	0	0	1	2	0	1	0	14
Soquel	2	2	3	0	1	0	1	2	4	2	1	1	0	3	1	1	24
Summit	8	5	3	5	5	5	0	2	1	1	4	1	1	3	0	1	45
TOTAL	56	38	40	30	22	24	18	19	29	19	29	19	28	37	29	20	457

⁽¹⁾ As of August 1, 2020

ADUs in the Coastal Zone:

The data indicate that ADUs have been built primarily in rural, non-coastal areas. The recently revised regulations, particularly the removal of a minimum parcel size for an ADU permit and the reduction in required parking in certain cases, could contribute to increased production overall and within the Coastal Zone. Future ADU permit data will indicate what type of latent demand exists for ADUs inside the Coastal Zone and might show a change in development trends.

Since 2005, a total of 85 building permits have been issued for ADUs within the Coastal Zone of the unincorporated area. Table 15 breaks down each year's total by Planning Area since AB 1866 was implemented in 2005, which removed the discretionary permit requirement for some ADUs. Although the County has seen a gradual increase in the development of ADUs near the coast in recent years, only 18.5% of all ADU permits issued in the County were in the Coastal Zone in the past 15 years. Given the relatively low number of building permits issued for ADUs in the Coastal Zone, it is likely that there have been minimal cumulative impacts to traffic, water, public views, and environmentally sensitive areas, if any, in the Coastal Zone. However, staff will maintain a close review of ADUs in the Coastal Zone, particularly as we continue to see local and state regulations encourage greater development of ADUs throughout the County.

**TABLE 15: COASTAL ZONE ADUs ISSUED BUILDING PERMITS
IN UNINCORPRATED COUNTY BY PLANNING AREA SINCE 2005**

	05	06	07	08	09	10	11 ⁽¹⁾	12 ⁽¹⁾	13	14	15	16	17	18	19	20 ⁽²⁾	TOTAL ⁽¹⁾
Aptos	1	0	2	1	0	0	1	1	1	0	0	0	0	2	6	1	16
Aptos Hills	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
Bonny Doon	4	4	0	1	1	2	1	1	0	0	1	0	2	2	0	0	19
Carbonera	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
Eureka Canyon	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
La Selva	0	0	0	1	1	0	--	--	1	0	0	0	0	0	0	0	3
Live Oak	3	2	4	1	0	0	1	--	3	4	3	4	2	2	4	4	37
North Coast	2	0	0	1	0	0	1	--	1	0	0	0	0	0	0	0	5
Pajaro Valley	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
Salsipuedes	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
San Andreas	0	0	0	0	0	0	--	--	0	0	0	0	0	1	1	0	2
San Lorenzo Valley	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
Skyline	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
Soquel	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
Summit	0	0	0	0	0	0	--	--	0	0	0	0	0	0	0	0	0
TOTAL	10	6	6	5	2	2	5	4	6	4	4	4	4	7	11	5	85

⁽¹⁾ Unknown Planning Area for one ADU in 2011 and two ADUs in 2012. ADU total by year is accurate but Planning Area totals are incomplete for these years.

⁽²⁾ As of August 1, 2020

VI. GROWTH GOAL RECOMMENDATION

Growth Goal

The Board of Supervisors adopted a 0.5% growth rate for 2020. An annual growth rate of 0.5% was also adopted in each of the years from 2001-2019, and a rate of 0.75% was adopted for 1999 and 2000 during the “dot-com” boom period of the late 1990s.

Table 10 provides insight into the overall building permit activity in the unincorporated area. Building permit activity of all types remained at a fairly high annual rate until late 2006, when there was a slowdown that continued through 2007 and became much slower during the 2008-10 recession and its aftermath. Between 2011 and 2012, and again in 2016, increases in residential building permit activity occurred primarily as a result of permits for affordable units. Market rate permit activity (not including permits for ADUs and affordable units) remained consistently low from 2007 to 2016.

In 2019, permits were issued for 47 market rate units (out of 78 total issued residential permits), which is up from 36 market rate units permitted in the previous year (out of 73 units total). Even with the increase in market rate activity in 2019, the 0.5% growth rate still provided an ample number of allocations, resulting in an unused surplus of 200 allocations carried over to 2020. Since

2004, the number of available allocations derived from the established growth rate has been more than sufficient to accommodate the demand for residential building permits.

As of August 1, 2020, there have been a total of 45 permits issued for new housing units this year (including 25 market rate units and 20 ADUs). At the same time last year, the County had issued permits for a total of 60 units (including 37 market rate units, two affordable units, and 21 ADUs). Due to a number of factors, building permit activity in the unincorporated area is down from previous years, continuing the trend of low building permit activity over the past decade. The COVID-19 pandemic as well as related economic impacts may be one contributing factor for this year's downturn; however, there will likely be an even greater impact next year as the few residential allocations from 2020 continue to be processed and ultimately issued building permits in the coming months.

In consideration of the information analyzed in the above sections of this report, staff recommends that the population growth rate be set at 0.25% for calendar year 2021, which reflects the low level of growth seen this year, as well as the slow-down in the economy due to the COVID-19 pandemic. This rate share is commensurate with the State of California's growth rate, which averaged 0.25% between 2018-2019. Therefore, consistent with County Code, a growth rate of 0.25% would constitute Santa Cruz County's fair share of statewide population growth.

Housing Crisis Act of 2019

In October 2019, Governor Newsom signed into law Senate Bill (SB) 330. This bill establishes a statewide housing emergency and creates new state laws focused on the production and preservation of housing. SB 330 also adds Section 66300: Housing Crisis Act of 2019 to the Government Code to help address the statewide housing shortfall. These laws will be in effect from January 1, 2020 to January 1, 2025.

The Housing Crisis Act of 2019 implements new protections for existing housing as well as new restrictions on local government actions that may reduce the availability of housing. A key provision of this law prevents jurisdictions from limiting the number of housing permits or population within "affected county areas." Affected county areas are defined as Census Designated Places (CDPs) that lie wholly within Census-defined urbanized areas. In Santa Cruz County, this includes the following CDPs: Live Oak, Pasatiempo, Paradise Park, and Amesti.

In accordance with the Housing Crisis Act of 2019, Santa Cruz County will not enforce the Measure J growth goal limit on residential permit allocations within affected county areas while this temporary statute is in place. Other aspects of Measure J unrelated to limiting residential building permit allocations will not be impacted by this bill, and staff will continue to track Measure J allocations and subsequent building permit issuance in these areas for reporting purposes. As noted above, in recent years, the number of allocations for new housing units has not come close to the County's growth goal, so it is not expected that this provision of SB 330 will impact the County's volume of building permit allocations for new housing.

Building Permit Allocations

Each year, the population growth rate established for the coming year is converted into a maximum

number of available allocations to be granted to residential development permits in the unincorporated area for that year. This number is based on the coming year’s projected demand for new housing units. Table 14 shows the methodology by which the recommended 0.25% population growth rate for 2021 would be converted into a total of 131 residential building permit allocations.

TABLE 16: BUILDING PERMIT ALLOCATION CALCULATION BASED ON A 0.25% ANNUAL POPULATION GROWTH RATE FOR 2021	
Estimated Total Household Population 1/1/20 ⁽¹⁾	131,669
Estimated Group Quarters Population 1/1/20 ⁽¹⁾	1,824
Estimated Total Population 1/1/20 ⁽¹⁾	133,493
Approved 2020 Growth Goal	0.5%
Projected 1/1/21 Household Population (based on a 0.5% growth rate from 1/1/20)	132,327
Proposed 2021 Growth Goal	0.25%
Projected 1/1/22 Household Population (based on the proposed 0.25% growth rate from projected 1/1/21 population)	132,658
Projected Household Population Increase During 2021	331
Estimated Persons Per Household (1/1/20) ⁽¹⁾	2.53
Projected New Housing Units (market rate) needed during 2021	131
<small>(1) Source: DOF E-5 City/County Population and Housing Estimates, 1/1/2020 for unincorporated Santa Cruz County (May 2020)</small>	

Allocation Carryover

In the Housing Element of the Santa Cruz County General Plan, Policy 3.2 directs any unused allocations from one year to “roll forward” and be made available for the following year in order to remove unnecessary constraints to the development of housing. Pursuant to this policy, the total number of available allocations in 2021 will be 131 plus the carryover from 2020, which will not be known until the end of the year but is projected to be 179 allocations.

In past years, permit allocations were divided between urban and rural portions of the unincorporated County on a 67-33% ratio. Last year, allocations were divided on a 75-25% ratio to recognize the potential for greater infill development in the urban area. Staff recommends continuing this ratio for 2021, as illustrated in Table 17. This division implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

TABLE 17: RECOMMENDED 2021 RESIDENTIAL ALLOCATION DISTRIBUTION			
Area	2021 Market Rate Unit Allocations	2020 Carryover Allocations ⁽¹⁾	Total 2021 Allocations ⁽¹⁾
Urban	98	147	245
Rural	33	32	65
Total	131	179	310
<small>Note: Per the Housing Crisis Act of 2019, the Measure J growth management system will not be enforced in affected county areas for the years 2020-2025. Therefore, residential allocations will not be limited in the following CDPs: Live Oak, Pasatiempo, Paradise Park and Amesti. (See <i>Housing Crisis Act of 2019</i> section on page 24 for more information.)</small>			
<small>⁽¹⁾ Includes projected year-end allocations available based on continuation of allocation rate from first seven months of 2020.</small>			

Rural Land Divisions

County Code Chapter 14.04 limits the number of new residential parcels that can be created in the rural portion of the County to 35% of the number of rural residential allocations granted each year. Based on the recommended 33 rural allocations, a limit of 12 new rural residential parcels could be created. No new rural lots have been approved in 2020 as of August 1. As the number of new rural residential parcels has not exceeded the yearly limitation for more than a decade, no further action is recommended for the control of rural land divisions.

VII. CONCLUSION

Since 1979, when Measure J was first implemented, the County has established an annual population growth goal that represents Santa Cruz County's fair share of statewide population growth. Each year a growth rate is set and then converted into a maximum number of residential building permit allocations to be granted for the coming year. Given the low population growth estimated for the unincorporated area of Santa Cruz County in recent years, the continued low demand for residential building permits, as well as potential impacts of the COVID-19 pandemic that are predicted to continue through next year, County Planning staff recommends that the growth rate be set at 0.25% for calendar year 2021.

Under the 0.25% growth rate recommended for 2021, a maximum of 131 residential building permits could be allocated in the unincorporated area of Santa Cruz County: 98 in the urban area and 33 in the rural area. As stated previously, in accordance with the Housing Crisis Act of 2019, Santa Cruz County will not enforce the Measure J growth goal limit on residential permit allocations within the following CDPs while the statute is in place: Live Oak, Pasatiempo, Paradise Park, and Amesti.

Consistent with the County General Plan, the unused allocations from 2020 will be carried over and added to the 2021 allocation. Based on the number of allocations that have been granted as of August 1 of this year, it is projected that a total of 179 unused allocations will carry over. The combined new and carryover allocations will result in 310 total allocations, which is expected to be sufficient to accommodate the demand for residential building permits in the coming year.

VIII. REFERENCES

Association of Monterey Bay Area Governments, *2040 Metropolitan Transportation Plan/Sustainable Communities Strategy, Appendix A: 2019 Regional Growth Forecast*, Monterey, California, 13 June 2019.

Association of Monterey Bay Area Governments, *Regional Housing Needs Allocation Plan: 2014-2023*, Monterey, California, 11 June 2014.

County of Santa Cruz, *Santa Cruz County Code: Volume II – Land Use Code*, Santa Cruz, California.

County of Santa Cruz, *1994 General Plan and Local Coastal Program Land Use Plan for the County of Santa Cruz, California*, Santa Cruz, California, 19 December 1994.

State of California, Department of Finance, *E-5 Population and Housing Estimates for Cities, Counties and the State — January 1, 2011-2020*. Sacramento, California, May 1, 2020.

U.S. Census Bureau. *Population estimates 1960-2010*.