



County of Santa Cruz

Department of Community Development and Infrastructure

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September 6, 2023

Agenda: September 27, 2023

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

SUBJECT: Public hearing on recommendation to the Board of Supervisors regarding the proposed Year 2024 Growth Goal.

RECOMMENDED ACTIONS:

- 1) Conduct a public hearing on the proposed Year 2024 Growth Goal;
- 2) Adopt the attached Resolution (Exhibit A) recommending a Year 2024 Growth Goal of 0.5% 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

Each year, the County is required to establish an annual growth goal for the upcoming calendar year. Staff is required to prepare an annual growth goal report, which includes information on population trends, a status report on the current year's allocations, potential impacts of growth, and a recommendation for the following year's growth goal.

The Year 2024 Growth Goal Report recommends a 0.5% growth rate for 2024, which translates to 257 market rate residential building permit allocations. Including 78 unused allocations projected to carry over from 2023, an estimated total of 465 allocations would be available in 2024. Following the Planning Commission's recommendation, the Growth Goal will be brought to the Board for final action on October 17, 2023.

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 Referendum 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 market rate residential building permits in the unincorporated area for the coming year. The Year 2024 Growth Goal Report is included as Exhibit C.

ANALYSIS

Population Trends

According to the Census and the State Department of Finance (DOF) population estimates, the unincorporated area had a growth rate of -1.3% in 2022 and is estimated to have an approximate -1.0% decrease by the end of 2023. In 2021 the unincorporated growth rate decreased by an estimated -3.4%. However, US Census data from 2020 indicates that population in the unincorporated area had steadily increased over the last decade. By comparison, the county as a whole decreased by -0.2% in 2021 and -1.1% in 2022. The state population also decreased by -0.5% in 2021 and -0.4% in 2022. These rates reflect the recent decline in state population estimates since the COVID-19 pandemic began and mark a major shift in the state's historical trend of continued population growth.

Population estimates for cities and unincorporated counties are determined using the Housing Unit Method (HUM), which means the number of new units constructed each year plays a large part in determining annual population estimates. The DOF also notes that the state's unprecedented negative growth rate is the result of four major factors: the continuing national trend of low birth rates compared to death rates as Baby Boomers age, continuing declines in immigration that have been accelerated by recent federal policy, federal delays in processing foreign migration, and increased deaths as a result of the COVID-19 pandemic. Pandemic-driven shifts in college student populations related to UC Santa Cruz and Cabrillo College was likely a major contributor to recent population growth rates in our region as well. As deaths related to the pandemic decline and with federal policy changes, it is expected that the state will return to a positive annual growth rate in coming years.

Potential Impacts from Population Growth

The County's growth management system (Measure J) 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 Growth Goal 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 significant concern facing residents throughout the County and a number of efforts are underway to address this issue, including regional highway plans and improvements, a major Soquel Drive

improvement project, implementation of a newly adopted County Active Transportation Plan, as well as analysis on potential future improvements as part of the Sustainability Update, the County's comprehensive update to the General Plan.

Affordable Housing Goals

SCCC section 17.01.030 requires at least 15% of new housing units constructed each year to be affordable to moderate income and below moderate-income households. Over the 43 years since Measure J was first implemented, 16.4% of all new residential developments have been constructed as affordable housing. Approximately 56% of new residential building permits approved so far this year are affordable, and more affordable units are expected as construction of housing projects continue.

In order to support affordable housing goals, the County continues to exempt affordable housing units and accessory dwelling units 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.

Density Bonus Report

To date, since the density bonus code update in late 2018, a total of nine density bonus projects have been approved: four in 2019, two in 2020, one in 2021, one in 2022, and one in 2023. These nine projects provide a total of 201 units, including 116 affordable units and 52 density bonus units. Final 2023 totals won't be available until December.

If the preliminary review proposals are included, a total of 507 units have been proposed in density bonus projects since 2019, with 152 affordable units (one third of the total) and 138 bonus units.

Status of the 2023 Residential Building Permit Allocations

A total of 24 allocations have been granted this year as of July 1, 2023, which is lower than the 26 allocations granted at the same time last year. If demand continues at the current rate, approximately 48 allocations will be granted by the end of 2023.

Due to 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.

Although allocations remain low overall, a number of major residential projects are currently in construction, including the density bonus projects noted above as well as the 100% affordable residential housing projects. These projects are reflected in Table 10 of the attached report, which shows that 108 housing units were issued building permits as of July 1 of this year, including 38 affordable units. Based on building permit trends from the last few years, residential development in our area is generally still on the rise and increased demand for market rate permits may continue through next year.

Proposed 2024 Growth Goal

In past years, the County’s growth goal has been consistent with the State of California’s growth rate. As noted above, however, there were a number of anomalies in the state’s 2020, 2021, 2022 and 2023, growth rates that contributed to the population decline. In addition, permit activity related to an increasing number of density bonus projects in the County’s permit pipeline indicate a potentially higher demand for market rate permits in the coming year. Moreover, the County of Santa Cruz is in the final year of the 2014-2023 Regional Housing Needs Allocation cycle. The County’s RHNA allocation for the next 8 years, as prescribed by the State, is an increase of approximately 300% of the previous RHNA number in 2015. In conjunction with the 2022 Sustainability Update, the 6th Cycle Housing Element will set forth increased densities and future increased permit activity. In consideration of this information, analyzed further in the attached report (Exhibit C), staff recommends a 0.5% growth rate for calendar year 2024.

Each year the growth goal rate is translated into a maximum number of allocations for market rate residential building permits. The proposed 0.5% growth rate would result in distribution between urban and rural areas as shown below:

Area	Allocations	Carryover*	Total 2024 Allocations*
Urban	193	156	349
Rural	64	52	116
Total	257	208	465

*Includes projected year-end allocations available based on continuation of allocation rate from first six months of 2023.

The 465 allocations established for 2024 is expected to be sufficient to address demand for residential building permits, and the projected 208 unused allocations that will carry over from 2023 will be available to address any unforeseen increase in demand in 2024.

ENVIRONMENTAL REVIEW

The establishment of the Year 2024 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).

Sincerely,

Mark Connolly
Principal Planner

Stephanie Hansen
Assistant Director

Exhibits:
A: Planning Commission Resolution
B: CEQA Notice of Exemption
C: Report on the Year 2024 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 GROWTH GOAL FOR THE YEAR 2024**

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 contributors to the County's economy.

3. The County has other important natural resources, including wildlife, anadromous fish, and unique plant communities, which should be preserved, and which 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 or 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 already being exceeded in many areas of the County, resulting in water supply and water quality problems, some of which will be irreversible or extremely expensive to correct and which may threaten future agricultural water supply and, consequently, the commercial agriculture in the County; 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, including, in many parts of the County, the public is specifically 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, and sewer and water service; and

WHEREAS, school overcrowding, traffic congestion, and increasingly inadequate water supplies, roads, and sewage facilities will be the result of rapid population growth and development, problems that are greatly aggravated when new development takes place in rural areas rather than in areas where urban services can be provided at less cost to taxpayers; and

WHEREAS, adoption of a 0.5 percent growth rate for 2024 and a continuing exemption of affordable units from the need for residential permit allocations is anticipated to 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, 2030; and

WHEREAS, 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; and

WHEREAS, 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 previously-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 and, consequently, 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 2024 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 makes the following recommendations to the Board of Supervisors:

1. A population growth goal of 0.5% be established for 2024.
2. Building permit allocations for market rate units should be distributed as shown in Attachment A-1, with approximately 75% of the 2024 growth in the urban portion of the unincorporated County, and 25% in the rural portion.
3. Unused 2023 market rate permit allocations shall be carried over to 2024.
4. In accordance with the Housing Crisis Act of 2019 ("SB 330"), Santa Cruz County will not enforce the Measure J Growth Goal limit on residential permit allocations within affected County areas while this statute is in place.
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.
6. Adoption of the 2024 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 will 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 27th day of September 2023, by the following vote:

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

Attachment A-1

**RECOMMENDED 2024 RESIDENTIAL ALLOCATION DISTRIBUTION
(Market Rate Units Only)**

Area	Allocations	Carryover*	Total 2024 Allocations*
Urban	193	156	349
Rural	64	52	116
Total	257	208	465

*Includes projected year-end allocations available based on continuation of rate for first six months of 2023.



County of Santa Cruz

DEPARTMENT OF COMMUNITY DEVELOPMENT AND INFRASTRUCTURE
701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060
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NOTICE OF EXEMPTION

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

Project Name: Establishment of the Year 2024 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 the Year 2023 Annual Growth Goal Rate at 0.5%

Agency Approving Project: County of Santa Cruz
County Contact: Mark Connolly, Principal Planner **Telephone No.** 831-454-2682
Date Completed: 9/8/2023

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. Also, as authorized by state law or local ordinance to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection of the environment. No physical impact to the environment would occur.

Signature: *Mark J Connolly*

Date: 9/8/2023

Title: _____ Principal Planner

REPORT ON
YEAR 2024 GROWTH GOAL
for
SANTA CRUZ COUNTY'S UNINCORPORATED AREA

Prepared by:
County of Santa Cruz
Community Development and Infrastructure Department
Planning Division

September 18, 2023

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I. INTRODUCTION

In 1978, Santa Cruz County voters adopted the growth management referendum 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 September 2022, the Board of Supervisors adopted a 2023 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 2024.

The County of Santa Cruz Planning Division of the Community Development & Infrastructure Department (CDI) recommends the annual growth goal based on several 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 2023 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 the Housing Crisis Act of 2019 (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 2022 and provisional estimates for 2023. These population estimates indicate a countywide population of 262,051 (127,467 in the unincorporated area) as of January 1, 2023 (DOF, 2023). Table 1 also includes the annual population growth rates during 2021 and 2022 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 0.25% for the unincorporated area for 2021 and 2022 and a .5% growth rate for 2023. With the

reopening of schools in 2022 after closure due to the COVID pandemic, the City of Santa Cruz population estimates increased by 11.2% in 2021, while all other jurisdictions have seen marked decreases in population with negative growth rates. Population growth for the County overall in 2022 experienced a negative growth rate of -1.1% and is estimated to have a similar decline in 2023. The State of California contracted at a rate of -0.4% in 2022.

TABLE 1: POPULATION AND GROWTH RATES OF COUNTY JURISDICTIONS				
Area	1/1/2022 Population Estimate ¹	1/1/2023 Population Estimate ⁽²⁾	2021 Population Growth Rate	2022 Population Growth Rate
City of Capitola	9,753	9,625	-3.1%	-1.3%
City of Santa Cruz	63,454	63,224	11.2%	-0.4%
City of Scotts Valley	12,010	11,859	-3.2%	-1.3%
City of Watsonville	50,490	49,876	-3.1%	-1.2%
Unincorporated Area	129,205	127,467	-3.4%	-1.3%
County Total	264,912	262,051	-0.2%	-1.1%
State of California	39,078,674	38,940,231	-0.5%	-0.4%

Source: California Department of Finance Demographic Research Unit, Report E-5: Population and Housing Estimates for Cities, Counties, and the State, January 2021-2022, with 2020 Benchmark (Released: May 2022)

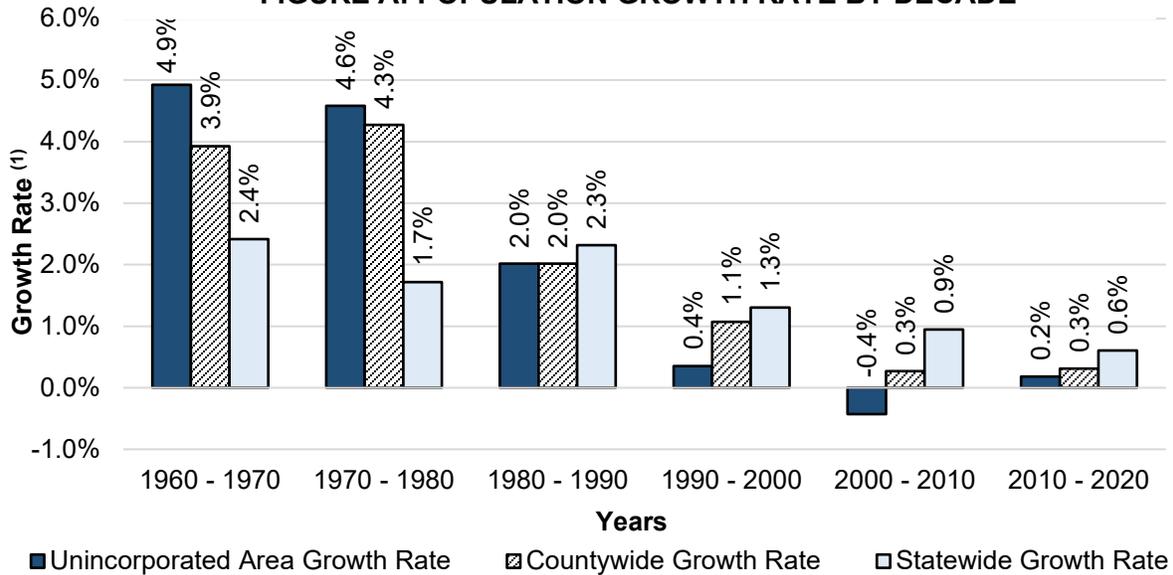
⁽¹⁾ Population estimates for previous years are updated based on the latest DOF E-5 data and may differ from last year's report

⁽²⁾ 2023 data is provisional

The estimated 2022 population growth rate for the unincorporated area is -1.3%, a decrease of 1,738 people, which is considerably lower than the 0.5% growth rate set for that year. As a result, the building permit allocation derived from the 0.5% growth goal was more than sufficient to accommodate the demand for residential permits to construct market-rate units in 2022, as well as 2023.

DOF population estimates are calculated using the Housing Unit Method (HUM). This means that changes in housing unit data, including new construction, annexations, and demolitions, reported by local jurisdictions play a significant role in determining annual population estimates. The DOF also reported that the state's overall negative growth rate can be attributed to three main factors: continuing declines in natural increase as Baby Boomers age, federal policies restricting immigration and continuing delays in processing foreign migration, and an increase in domestic out-migration. As deaths related to the pandemic decline and with federal policy changes, it is expected that the state will return to a positive annual growth rate in coming years.

FIGURE A: POPULATION GROWTH RATE BY DECADE



(1) Average annual growth rate; Source: U.S. Census

While population has steadily grown in the state of California and County as a whole since the mid-20th century, population growth in the unincorporated area has had a slightly different trajectory. As shown in Figure A, the unincorporated area’s population grew rapidly in the 1960s and 1970s, surpassing growth rates in the state and County as a whole. However, growth rates have declined in the decades since and the population decreased in our area between the 2000 and 2010 Census years. According to 2020 Census data, the unincorporated area population was 132,213, up from 2010 when the population dropped to 129,807. Since the last decade, the population in unincorporated Santa Cruz County has grown at an average annual rate of 0.2%.

Population Projections

In June of 2022, AMBAG adopted its 2022 Regional Growth Forecast for all jurisdictions in the three-county AMBAG region to cover the period 2015 through 2045. Table 2 presents the 2022 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 historical 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 UC 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. The 2022 AMBAG forecast projects that the unincorporated area will grow by approximately 963 people between the years 2015 and 2045 to a total population of 135,953 (Source: AMBAG 2045 MTP/SCS, Jun 15, 2022).

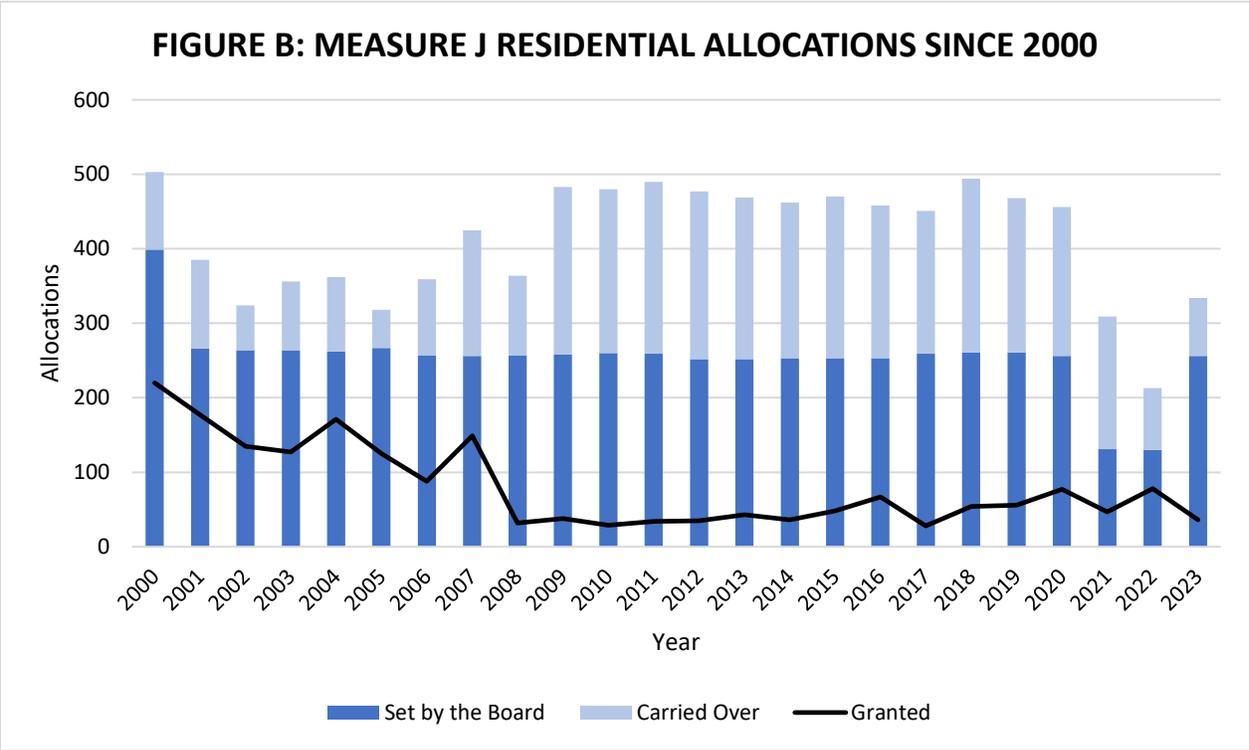
TABLE 2: SANTA CRUZ COUNTY POPULATION FORECAST
2022 AMBAG Adopted Forecast ⁽¹⁾

Area	2015	2020	2025 Forecast	2030 Forecast	2035 Forecast	2040 Forecast	2045 Forecast	Numeric Change 2015-45	% Change 2015-45
City of Capitola	10,224	10,108	10,485	10,794	10,957	11,049	11,126	902	9%
City of Santa Cruz	64,223	64,424	68,845	72,218	75,257	78,828	79,534	15,311	24%
City of Scotts Valley	11,946	11,693	11,718	11,837	11,867	11,868	12,010	64	1%
City of Watsonville	52,410	51,515	52,918	54,270	55,138	55,786	56,344	3,934	8%
Unincorporated Area	134,990	133,493	134,675	135,027	135,304	135,625	135,953	963	1%
County Total	273,793	271,233	278,641	284,146	288,523	293,156	294,967	21,174	8%

⁽¹⁾ 2015 - 2020 data from DOF. Forecast years were prepared by AMBAG and the Population Reference Bureau (PRB).

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, including housing units impacted by the CZU August Lightning Complex Fires, 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.



Note: The number of allocations granted for 2023 shown here is the projected annual total if the rate through July 1st continues through the end of the year.

TABLE 3: MEASURE J RESIDENTIAL ALLOCATIONS SINCE 1979

YEAR	ALLOCATIONS CARRIED OVER ⁽¹⁾	ALLOCATIONS SET BY THE BOARD	ALLOCATIONS SET BY THE BOARD (NOT INCLUDING 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⁾	--	77 ⁽⁹⁾
2021	178	309 ⁽⁸⁾	--	47
2022	83	213 ⁽⁸⁾	--	77
2023	78	334 ⁽⁸⁾	--	24 ⁽¹⁰⁾ /48 ⁽¹¹⁾

⁽¹⁾ Totals are updated after year-end to reflect final allocation data and may differ from those recorded in previous years' final reports.
⁽²⁾ Before 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 the 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⁾ Including 45 Permanent Room Housing (PRH) units: 22 urban and 23 rural units.

⁽¹⁰⁾ As of July 1, 2023.

⁽¹¹⁾ Projected annual total if the current rate continues through the end of the year.

Summary of Recent Allocations and Status of the 2023 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. In 2018 and 2019, allocations almost doubled compared to the previous year with 54 and 56 allocations, respectively, and the following year allocations were granted at a higher rate with a total of 77 allocations in 2020, followed by a decrease to 47 allocations in 2021. In 2022, 77 allocations were granted, and this year 24 allocations have been granted as of July 1. If the rate of the first six months continues, approximately 48 allocations will be granted in 2023.

Since 2001, the total number of available allocations derived from the 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 included in 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.

TABLE 4: UNUSED ALLOCATIONS CARRIED OVER			
Year	Urban	Rural	Total
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
2020	147	31	178
2021	70	14	84
2022	58	20	78

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 July 1, 2023.

TABLE 5: 2022 ALLOCATION STATUS OF APPROVED URBAN PROJECTS (5 OR MORE LOTS/UNITS) AS OF July 1, 2023				
Project Name	Total Market Rate Units in Project	Units from Previous Allocations	Units from 2023 Allocation	Remaining Units to be Allocated
Aptos Village	59	49	0	10
Capitola Road Extension*	5	0	0	5
Forest and Meadows	50	49	0	1
Lakeview Estates +	7	0	0	7
2740 Mattison Lane	10	0	0	10
3212 Mission Drive*	18	0	0	18
Monterey Ave/Lorraine Ln* +	5	0	0	5
Paul Minnie*	13	0	0	13
Pleasure Point Plaza*	29	0	0	29
Santa Cruz Gardens #8	12	11	0	1
Seascape Uplands	107	101	0	6
Seaview Terrace/Hilltop	9	7	0	2
Soquel Townhomes*	13	13	0	0
Tan Heights/Seacrest	30	29	0	1
Woods Cove/Graham Hill Estates	60	57	0	3
TOTAL	427	316	0	111
*Indicates density bonus used + New for current report				

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 111 allocations. Table 6 shows the status of pending major projects currently in the development review process and indicates a potential future demand of 37 allocations. Table 7 shows the status of approved and pending minor land division applications and indicates a potential future demand of 24 allocations. Tables 5 through 7 estimate a combined potential demand for allocations associated with both approved and pending housing development projects in unincorporated Santa Cruz County.

TABLE 6: 2023 PENDING MAJOR PROJECTS (5 OR MORE LOTS/UNITS) AS OF JULY 1, 2023	
Project Name	Market Rate Units to be Allocated
3800 Portola Drive (Lumberyard)*	16
2450 Mattison Ln*	21
TOTAL	37
*Indicates density bonus used	

TABLE 7: 2023 APPROVED AND PENDING MINOR LAND DIVISIONS (2-4 LOTS) AS OF JULY 1, 2023		
Project Location	Approved Number of Lots ⁽¹⁾	Pending Number of Lots ⁽¹⁾
Urban	6	18
Rural	0	0
TOTAL	6	18
⁽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: 2023 MEASURE J RESIDENTIAL ALLOCATION STATUS AS OF JULY 1, 2023			
	Urban	Rural	Total
Allocations Set by Board of Supervisors ⁽¹⁾	193+58 = 251	63+20= 83	256+78=334
Allocations Granted (as of 7/1/2023)	14	10	24
Remaining Allocations Available ⁽²⁾	179+58=237	53+20=73	237+73=310
⁽¹⁾ Includes carryover of 58 urban units and 20 rural units from 2022.			
⁽²⁾ Measure J allocations given as of 7/1/2023 subtracted from set allocations for 2023.			

Table 8 summarizes the status of the Measure J residential allocations for 2023. As of July 1, 2023, a total of 24 allocations have been granted, showing a small decrease compared to last year, when 26 allocations had been granted as of July 1.

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 continued slowdown of development throughout the County in the past two years 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 over the past two years. With only 24 allocations granted out of the 334 allocations available for 2023, 310 allocations are still available for this year. Staff anticipates that this will provide ample allocations for

the remainder of 2023 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.

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Water Supply Constraints:

All County water purveyors are continuing to experience challenges in sustainable water supply due to groundwater overdraft, lack of storage, seawater intrusion, and/or diminished availability of streamflow from persistent drought conditions.

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 because 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 further reduction in surface flow and groundwater recharge. This will be exacerbated by increased evapotranspiration due to warmer weather.

In response to these challenges, 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. The most recent update

was due in 2021 and includes the addition of a Water Shortage Contingency Plan to help agencies prepare for drought. Smaller systems must develop an Emergency Response Plan that incorporates drought planning elements.

County staff are working with the water agencies on various regional programs to provide for sustainable water supply and protection of the environment. Effective water conservation programs by the water agencies have reduced overall water demand in the past 20 years, despite ongoing population growth. Supplemental supply efforts underway include 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 groundwater 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. The County is also leading an effort in response to Senate Bill 552 to plan for and provide drought assistance to private wells and state small water systems throughout the County that could be impacted by lowered groundwater levels and water quality challenges.

County staff are actively engaged in the Integrated Regional Water Management (IRWM) programs for both Santa Cruz County and the Pajaro watershed. Water Resources staff continued to work with water agencies to conduct annual sampling of juvenile salmonids and stream habitats in four watersheds: San Lorenzo, Soquel, Aptos, and Pajaro. Water 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. The Water Quality program continues to sample the beaches and creeks to monitor water quality and is expanding its capabilities to implement microbial source tracking to identify the cause of water quality impairments.

The following sections describe the localized water supply efforts broken out by geographic area:

City of Santa Cruz and Live Oak: The City of Santa Cruz and surrounding unincorporated urban areas, as well as UCSC, are supplied by the City of Santa Cruz Water Department (SCWD), primarily utilizing surface water from the San Lorenzo River, Loch Lomond, and north coast watersheds. During normal years, there is adequate supply, but during drought years, water use reductions are required.

In 2014, the SCWD formed the Water Supply Advisory Committee (WSAC) to evaluate their water supply needs and to develop recommendations for projects to address those needs. Staff turned the recommendations from the WSAC into a Water Supply Augmentation Strategy (WSAS), which includes the evaluation and pursuit of multiple projects to meet those needs. The SCWD is pursuing changes to their existing water rights which will allow for flexibility in how the water system is operated, making it feasible to pursue all of their water management goals.

The SCWD is now actively evaluating the feasibility and pursuing several projects outlined in their WSAS, that would provide adequate water supplies to meet dry year demand. In December 2018, the SCWD began a water transfer pilot project for customers of the 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). In 2022, water that was injected into the Basin in the winter was recovered during the dry season and distributed to customers as part of a pilot study. Other strategies include further transfers, ASR in the Santa Margarita Groundwater Basin, and the use of wastewater recycling for irrigation, or injection into one of the groundwater basins. Desalination, while not a priority, is still a possibility for future investigation.

To support the ability to implement both emergency and routine water transfers, the SCWD and the Scotts Valley Water District (SVWD) sought and received a \$9.6 million grant to install an intertie. This intertie represents the last in a series needed to connect all the water utilities from the upper reaches of the San Lorenzo Valley Water District to the Central Water District.

San Lorenzo Valley and Santa Margarita Groundwater Basin: Water supply in the San Lorenzo Valley is provided through a combination of surface water intakes and groundwater wells that extract from the Santa Margarita Groundwater Basin. Private wells and the Scotts Valley Water District (SVWD) rely entirely on the Basin. The San Lorenzo Valley Water District (SLVWD) was severely impacted by the CZU fire in 2020 and has been relying more on groundwater while burned surface water intakes are replaced.

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 a reduction in stream base flow over the past 40 years. Cooperative efforts by County staff, consultants, SLVWD, and the 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 due to successful water conservation programs 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 is tasked with developing a Groundwater Sustainability Plan (GSP) to manage the basin under the SGMA. 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 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 GSP was approved by the Department of Water Resources in 2023.

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. SLVWD is in the process of developing an Environmental Impact Report to pursue changes to their ability to use their surface water sources conjunctively. They are also pursuing a feasibility study to investigate how best to access an allotment of 313 acre-feet of water per year from Loch Lomond.

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. The GSP outlines a framework to evaluate additional projects and management actions to improve the sustainability and resiliency of the Basin.

Santa Cruz 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. Successful water conservation measures have improved groundwater elevations along the coast in recent years, despite persistent drought conditions.

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 (MGA) 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 GSP was approved in June 2021. 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.

One of the projects in the GSP is the Pure Water Soquel Project. This project will capture approximately 25% of the existing treated wastewater that is being discharged out into the Monterey Bay National Marine Sanctuary and recycle it for beneficial reuse, providing 1,500 acre-feet of water per year. The project includes a tertiary treatment facility at the Santa Cruz Wastewater Treatment Facility, an advanced water purification center in Live Oak, over 8 miles of pipelines, and three seawater intrusion prevention wells. The purified water will replenish the groundwater basin, raise groundwater levels to create a seawater intrusion barrier, and protect further seawater contamination from occurring. Construction of the project commenced in July 2020 with the injection wells and May 2021 with the pipelines; the goal is for the project to be operational in 2024.

The MGA applied for, and received, a \$7.6 million grant from the Department of Water Resources to pursue objectives in the GSP. Funding from this grant will be used to support groundwater management planning in the Basin including modeling and will provide support to both the Pure Water Soquel and SCWD ASR projects.

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 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 has proposed a lower chromium standard, making continued use of this source potentially much more expensive due to treatment costs. This is going to have the greatest impact on small public water systems, which will be impacted by the standards but do not have a large rate-base to pay for treatment.

Pajaro Valley Basin: Overdraft in the south County aquifers is manifested by depressed water levels, and seawater intrusion. 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 (PV Water) and the City of Watsonville (CoW) 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. PV Water operates a project at Harkins Slough that provides groundwater storage and recovery in the shallow aquifer in that area.

PV Water 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 GSP by the Department of Water Resources in July 2019, and PV Water worked with an advisory committee to submit a required update in December 2021.

Several of the projects outlined in the Plan have undergone environmental review under the California Environmental Quality Act (CEQA). Construction has started on 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. In addition to College Lake, the Watsonville Slough System Managed Aquifer Recharge and Recovery Project is moving forward as well.

The CoW provides municipal supply for the city and residential areas outside the city limits. The CoW has increased their water conservation programs and charges an impact fee for all new development to support those programs. The CoW 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, some areas of per- and polyfluoroalkyl substances (PFAS) contamination, and septic systems.

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, and implement new State requirements including SB 552.

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.
- 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 water 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.
- Currently, the Davenport County Sanitation District has secured a \$2.5-million grant from the Department of Water Resources and a \$357,000 grant from the Integrated Regional Water Management Foundation. These grant funds are being used to design and construct two new water tanks capable of storing 700,000 gallons of potable water and rehabilitating a 135,000-gallon raw water tank. These tanks will provide backup water storage for approximately eleven additional days for the community to use when their water source is unavailable (due to turbidity, low flows, or infrastructure damage). This water can also be used for fire protection. Construction of these projects is expected to be completed by the end of 2024.
- In 2019, the Santa Cruz County Sanitation District completed a study regarding

sewer line infiltration and inflow (I&I). The District has also video inspected over 90% of its sewer collection mains to identify deficiencies. The District is using the I&I study and video assessments to address areas where sewer lines are deteriorating and where stormwater and groundwater may be entering through cracks in the sewer lines. Having stormwater and groundwater in the sewer lines reduces the capacity of the lines which can hinder development. Recently completed projects to rehabilitate sewer mains with these issues include the 2019 Soquel Village Rehabilitation, Capitola Jewel Box Sewer Replacement, Capitola Avenue Sewer Rehabilitation, East Santa Cruz Harbor Sewer Rehabilitation, Rio Del Mar Sewer Rehabilitation, Cliff Drive Area Sewer Rehabilitation, 41st Avenue and Soquel Drive Sewer Rehabilitation, and Cabrillo Park Sewer Replacement Phase 1, 2021 Sewer Pipe Rehabilitation, Rio Sands Sewer Rehabilitation, and Rodriguez Street Sewer Rehabilitation projects were done to specifically address these issues. Projects currently under construction to improve sewer infrastructure include East Cliff Drive Sewer Rehabilitation, Arana Trunkline Replacement, Valencia Creek Sewer Replacement, and 2022 Sewer Pipe Rehabilitation. In the next couple of years additional large-, mid- and small-scale rehabilitation projects are planned to reduce I&I. Beyond improving capacity, addressing I&I and deteriorated sewer pipes benefit the environment as it reduces the amount of energy required to pump and treat wastewater, improves the environment in areas where wastewater may be leaking out of pipes and reduces the risks of sanitary sewer overflows.

- The Santa Cruz County Sanitation District has 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 Gulch sewer basin. The Santa Cruz County Sanitation District has three projects planned that together will upgrade the trunk line and pump station to make it possible to lift the moratorium. The two trunkline projects will begin construction in late Summer 2023. The pump station upgrade is in the design phase and construction is scheduled to begin in late spring of 2024. The District anticipates these projects to be completed by the end of 2024.
- 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.
- The Freedom County Sanitation District completed the Freedom Sewer Rehabilitation Phase 1 project which rehabilitated 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 with the help of a near \$9-million grant from the United States Department of Agriculture. The District has secured a \$6-million grant from the State Water Resources Control Agency for the second phase of rehabilitation work which will serve to rehabilitate sewers in additional

neighborhoods east of Green Valley Drive. The rehabilitation will reduce I&I which is significant in this area and increase capacity in the sewer lines.

- Outside the Urban Services Line, but within the Rural Services Line, the Department of Public Works completed sewer improvements in County Service Area (CSA) 2, Place De Mer. The CSA's septic system was failing, and an advance treatment septic system was required by the State Water Resources Control Board. The new system has been installed and will protect ground water quality in this coastal community.
- Outside the Urban Services Line, but within the Rural Services Area, the Department of Public Works worked with a contractor to finalize reconstruction of the Boulder Creek wastewater treatment plant in County Service Area 7. The facility was damaged during the 2020 CZU Fire. Required improvements included repair or replacement of destroyed PG&E transformers, electrical power poles, electrical control panels, motor control center, blowers, generators, office building, piping, valves, and equipment to remotely monitor the wastewater system. The County has just secured a \$405,312 grant from the Integrated Water Management Foundation to help fund a project to increase the capacity of the wastewater treatment plant's equalization tank by 120 percent. The tank is failing and replacing it with a larger tank will improve operations and reduce the need for hauling during storm events.

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.

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. As a planning level document, the Streetscape Concepts would need to undergo design and engineering. The plan has been analyzed in the Environmental Impact Report for the Sustainability Policy and Regulatory Update (Sustainability Update).

The draft documents in the Sustainability Update include a new Access + Mobility

Element as well as a modernized code that includes a new Parking and Circulation Chapter in the Santa Cruz County Code (SCCC). The new Access + Mobility Element includes 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, as well as a list of transportation projects that can be incorporated into upcoming Capital Improvement Programs.

The County adopted an Active Transportation Plan in 2022 that replaces the 2011 Bicycle Plan and provides a roadmap for future improvements for walking and bicycling in unincorporated Santa Cruz County. Following the public input phase in fall 2020, the planning team developed a robust list of infrastructure and program recommendations to improve safety and encourage walking and bicycling. The County previously adopted a Safe Routes to Schools Plan in 2020 which covers 17 County schools, and the recommended projects from the Safe Routes to Schools Plan are included in the Active Transportation Plan.

The Coastal Rail Trail is the County's largest active transportation project. When complete, it will provide a continuous 32-mile bicycle and pedestrian trail that runs the length of the County. Several segments of the trail have been completed and more are under development by various jurisdictions. In 2019, the City of Santa Cruz replaced the old pedestrian bridge over the San Lorenzo River with a 10-foot-wide new bicycle and pedestrian bridge. Segment 7 Phase 1 (Natural Bridges Dr to Bay St) was completed in 2021. Segment 7 Phase 2 (Bay St to Pacific Ave) started construction in Summer 2022 and is expected to be complete in 2023. The City of Watsonville completed Segment 18 Phase 1 (Watsonville Slough Trail Trailhead to Ohlone Parkway) in 2021. Phase 2 (Ohlone Parkway to Walker St) is currently on hold and is expected to be restarted in 2023. Segment 5, the North Coast Rail Trail (Davenport to Wilder Ranch State Park), led by the SCCRTC, will finish design and permitting in 2023 and is scheduled to start construction in 2024. Segments 8 and 9 (Pacific Ave to 17th Ave), led by the City of Santa Cruz, is scheduled to complete final design and environmental review in 2024, and is scheduled start construction in 2026. Segments 10 and 11 (17th Ave to State Park Dr), led by the County, will complete preliminary design and environmental review in 2024 final design is scheduled to be complete in 2025 and construction is scheduled to start in 2026. Segment 12 (State Park Dr to Rio del Mar Blvd), led by the SCCRTC, is scheduled to complete final design and environmental review in 2024. If construction funding is secured, the project could start construction in 2025.

The County also received a grant along with its partner agencies, the City of Watsonville, and the Santa Cruz County Regional Transportation Commission (SCCRTC) from Caltrans to develop and implement a regional Vehicle Miles Traveled (VMT) mitigation bank. The bank would provide developers a means of mitigating their development with contributions to offsite projects that reduce VMT such as active transportation or transit projects. The grant project is in the early stages of activity and is expected to be completed by 2024.

In 2021 the County was successful in procuring \$16.5 million in state grant funds (Solutions for Congested Corridors Program) to construct the Soquel Drive Buffered Bike

Lane and Congestion Mitigation Project. This project was identified as a high priority in the SCCRTC’s Unified Corridor Investment Study. Construction of the project is anticipated to begin in 2023 and will provide multi-modal improvements to nearly 5.6 miles of Soquel Avenue and Soquel Drive between La Fonda Avenue and State Park Drive. Significant elements of this project include the installation of 10+ miles of continuous separated or buffered bike lanes, 22 signal detection system upgrades including adaptive traffic management software and transit signal priority, ½ mile of sidewalk infill, 100 ADA ramp upgrades, 5.6 miles of pavement resurfacing and 11 mid-block crosswalk upgrades with flashing beacons.

SCCRTC is also continuing its program for improvements to State Highway 1. This 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 was completed and its groundbreaking ceremony was held on April 19, 2023. Future work also includes the construction of an additional bike/pedestrian overcrossing at Mar Vista Drive, which is in the final environmental phase.

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.

The State Department of Housing and Community Development develops and distributes the RHNA at a regional level; AMBAG then allocates the housing units among the jurisdictions in this area. 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 planning period starting January 1, 2014, and ending December 31, 2023. These units are distributed between four income categories, as shown in Table 9 below.

TABLE 9: HOUSING NEEDS ALLOCATION FOR UNINCORPORATED AREA			
Income Category	2014 – 2023 RHNA	2024-2031 RHNA	Percent Increase
Very Low Income (< 50% of County median)	317 units	1,492 units	471%
Lower Income (50%-80% of County median)	207 units	976 units	471%
Moderate Income (80%-120% of County median)	240 units	586 units	244%
Above-Moderate Income (>120% of County median)	550 units	1,580 units	287%
Total Housing Needs	1,314 units	4,634 units	353%

As reported in this year's Housing Element Annual Progress Report, Santa Cruz County completed its last year of the current RHNA cycle. So far, the County has permitted a total of 1,042 housing units for all years in the 8-year cycle. These units were issued at the following affordability levels: 187 very low, 192 low, 296 moderate, and 367 above moderate income. With one more year left in this nine-year planning period, a total of 272 units remain for this RHNA.

In June 2022, the AMBAG Board of Directors adopted the final RHNA Plan for the 6th cycle, which would cover the years 2023 to 2031. In this Plan, the unincorporated county area has been allocated 4,634 units to accommodate in the 6th cycle, as shown in table 9. County Planning staff is updating the Housing Element to incorporate the 6th cycle RHNA allocation this year.

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 for-sale residential projects of seven or more net new homes to meet the 15% affordable housing goal. It also requires developers of new rental projects to either pay an affordable housing 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. Several 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 and nexus study 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.

Residential subdivision or condominium projects of seven or more new units or lots 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.

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	74	1	37	51.4	1.4
2019	78	2	29	39.7	2.6
2020	142	16	37	37.3	11.3
2021	133	9	63	54.1	6.8
2022	219	139	27	75.8	63.5
2023 (³)	108	38	51	55.8	18.3
Total	13,310	2,185	874	22.9	16.4

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.
⁽³⁾ As of July 1, 2023.

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 44 years since Measure J was first implemented, 22.9% 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 included, 16.4% of the new housing built in the unincorporated area since 1979 has consisted of affordable units.

In order to help achieve its affordable housing goals, the County continues to exempt affordable housing units (including ADUs) from the County's growth management regulations. The development of affordable units is, therefore, not limited by the adopted growth goal. In addition, recently enacted state law (SB 330) precludes the County from imposing building permit limits on certain areas of the County identified by the State and updated periodically. Currently these areas include four census defined places (CDPs) in the county: Soquel, Live Oak, Pasatiempo, and Paradise Park CDPs.

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 affects the County's housing stock and local market conditions. 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 demolitions in the unincorporated area to provide a more complete picture of the County's current housing stock.

Table 11 shows the number of demolition permits issued from January 1, 2018, to July 1 of this year. This year, 25 units were issued demolition permits as of July 1, including 17 single family dwellings (SFD), seven ADUs, and one mobile home (MH) located on a residential parcel. The demolished units included a mobile home damaged during the January storms, seven single family units that were damaged from the CZU fire. Overall, demolition rates in the County remain relatively low compared to the construction of new housing, and about half of all demolished units are subsequently replaced with new units.

TABLE 11: RESIDENTIAL DEMOLITION RATE						
Year	Total Units Issued Demolition Permits ⁽¹⁾	Demolition Unit Types				
		SFD	SFA	ADU	MH	MF
2018	26	26	0	0	0	0
2019	19	19	0	0	0	0
2020	5	4	0	1	0	0
2021	4	2	0	2	0	0
2022	18	12	0	3	1	2
2023 ⁽²⁾	25	17	0	7	1	0
⁽¹⁾ Data shown includes demolition permits issued for previously permitted residential units in the unincorporated area of Santa Cruz County. Demolition of unpermitted units not included.						
⁽²⁾ As of July 1, 2023.						

Current Pipeline of Subsidized Affordable Projects

In 2022, several new County affordable housing projects were awarded new state and/or federal subsidies to support their development. These projects, some of which are also listed in other tables in this report, are currently either under construction or scheduled to begin construction within several months. These projects and awards are listed in Table 12 below.

All of these projects include extremely low-income units, while the two tax credit projects also include some very low- and low-income units. The [Homekey](#) program is a new State program launched in 2021 to rapidly develop housing for homeless and at-risk households, either through new construction, acquisition/rehabilitation of existing structures, and/or conversion of hotels, motels, or other types of non-residential structures to rental housing. The conversion project option is similar in form to the County's Permanent Room Housing concept, but without requiring rezoning to PRH, or discretionary review. Homekey projects are exempted from local discretionary review by statute, although the three projects listed below voluntarily submitted preliminary Development Review Group (DRG) applications to assist with their design, cost estimating, and other predevelopment tasks. One is under construction and expected to be completed by the end of 2023. The third project at 2716 Freedom Blvd is discussed below under Permanent Room Housing Projects. The Homekey funding requires the projects to be completed within a year of the award date, so they should both be completed in 2023.

TABLE 12: SUBSIDIZED AFFORDABLE PROJECTS			
Project / Sponsor	Recent Funding Award	Current Status	# of Units
1500 Capitola Rd. / MidPen Housing	2021 Federal Disaster Tax Credits for 2020 CZU Fire	Under Construction	57
"Pippin II" 78 Atkinson Ln. / MidPen Housing	2021 Federal Disaster Tax Credits for 2020 CZU Fire	Under Construction	80
8705 Hwy 9 / Santa Cruz County Veterans Hall Board of Trustees	State of CA Homekey Round 2	Plan Check	21 (11 Rehab + 10 New)
2838 Park Ave. / 2838 Park Ave. L.P.	State of CA Homekey Round 2	Under Construction	36
2716 Freedom Blvd. / CFSC. Inc.	Pending Award of Homekey Round 3	Predevelopment	11

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 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. Eight PRH applications were approved in 2020, with a total of 66 housing units. While no PRH project applications were received in 2021 or 2022 to date, the Homekey project located at 8705 Highway 9 would have been a PRH project, if not for the review streamlining provided by the Homekey statute. A new potential Homekey project at 2716 Freedom Blvd. Involving conversion of an existing vacant care facility into 11 studios to provide transitional housing for transition age youth is also similar to the PRH concept in design but will not require rezoning to PRH due to the Homekey streamlining if it receives a Homekey Round 3 award later this year.

Density Bonus Annual Report

In Fiscal Year 2022/23, two new discretionary applications were received for density bonus projects (1960 Maciel Ave., and 841 Capitola Rd.), as well as two preliminary review applications (2021 Chanticleer Ave. and 1231-1255 7th Ave.), as indicated Table 13 below. Two other projects were in preliminary review in 2022/23 but have not yet submitted discretionary applications.

To date, since the density bonus code update in late 2018, a total of nine density bonus projects have been approved: four in 2019, two in 2020, one in 2021, and two in 2022. These nine projects provide a total of 201 units, including 116 affordable units and 52 density bonus units. Final 2023 totals won’t be available until December.

If the preliminary review proposals are included, a total of 507 units have been proposed in density bonus projects since 2019, with 152 affordable units (one third of the total) and 138 bonus units.

TABLE 13: DENSITY BONUS PROJECTS							
Project	Approval Date	Project Type	Total Units Proposed	Affordable Units		Density Bonus Units	Status
				No.	Level		
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	Plan Check
MidPen Housing, 1500 Capitola Rd	Nov-19	Rental / Mixed Use	57	56	Extr. Low to Low	9	In construction
Pleasure Point Plaza	Dec-19	Rental / Mixed Use	33	4	Very Low	12	Entitled
Soquel Townhomes	Jan-20	For-Sale	15	2	Mod	2	In construction
432 Capitola Rd. Ext.	Aug-20	Rental	7	2	Low	2	Plan Check
3212 Mission Dr.	Apr-21	For-Sale	21	3	2 Mod, 1 Very Low	5	Plan Check
2450 Mattison Ln	--	For-Sale	25	4	Mod	1	Discretionary Review
Monterey Ave/ Lorraine Ln.	Mar-23	For Sale	6	1	Mod	1	Entitled
3800 Portola Dr (Lumberyard)	--	Rental / Mixed Use	18	1	Very Low	3	Discretionary Review
East Cliff Village	--	Rental / Mixed Use	161	19	Very Low	54	Preliminary Review
2838 Park Ave. (Homekey)	--	Rental	36	35	Extr. Low	16	In Construction
1574 7th Ave	--	Rental / Mixed Use	9	2	Very Low	3	Preliminary Review
1960 Maciel Avenue	--	For Sale	21	3	Mod	4	Discretionary Review
841 Capitola Road	--	For Sale	15	2	Mod	5	Discretionary Review
2021 Chanticleer	--	Rental	30	3	Very Low	10	Preliminary Review
1231-1255 7 th Avenue	--	Rental	27	2	Very Low	6	Preliminary Review
TOTAL *	--	--	507	152		138	--

* The Pippin II project, an 80-unit affordable subsidized project, is not included on this list as it did not require a density bonus, due in part to the R-Combining Zone added to that site in 2007 which allows 20 units per acre.

Since the County last updated Chapter 17.12 in late 2018, the State has enacted multiple new laws making further amendments to density bonus law, which in most cases preempt local codes, if in conflict. Staff plans to develop updates to Chapter 17.12 where necessary to ensure consistency with these recent state laws, which include AB 1763 of 2020, four bills chaptered in 2019, and other recently enacted density bonus legislation, as well as some other code amendments related to supportive housing and related matters, after adoption of the 2023 Housing Element Update.

Accessory Dwelling Unit Annual Report

As a condition of the Coastal Commission's certification of the amendments to the County's ADU ordinance in 2009 (SCCC 13.10.681[K]), 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.

The County first created a "second unit" (ADU) ordinance in 1983. In 1997, the Board of Supervisors adopted revisions to the ADU ordinance that included increased unit size limits in 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 2008, the affordability restriction was lifted outside the Coastal Zone, and in 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, the County undertook a study to understand the function of ADUs in the local housing market and to identify barriers that discourage new ADUs. In 2018, the ordinance was updated to incorporate recommendations from the study and also to comply with several state laws (SB 1069, AB 2299, AB 2406, SB 229, and AB 494). Additional state laws passed in 2019 (SB 13, AB 68, AB 587, AB 881) led to additional updates to local regulations in 2020 and 2021. Updates have included allowing ADUs anywhere single- or multifamily residential land use is allowed; removing discretionary requirements for ADUs; shortening the ADU building permit review period to 60 days; establishing regulations for Junior ADUs; easing development standards such as unit size, setbacks and parking; revising the owner occupancy requirement; removing the requirement for fire sprinklers for many cases; reducing fees for ADUs; allowing for separate sale of ADUs by non-profit organizations, and introducing a five-year ADU code enforcement amnesty program.

TABLE 14: TOTAL ADUs ISSUED BUILDING PERMITS IN UNINCORPORATED COUNTY BY PLANNING AREA SINCE 2010															
	10	11	12	13	14	15	16	17	18	19	20	21	22	23⁽¹⁾	TOTAL
Aptos	1	2	2	2	1	1	0	1	3	8	4	18	10	7	60
Aptos Hills	6	2	4	8	1	4	2	6	6	0	1	1	1	5	47
Bonny Doon	3	1	2	1	0	2	0	1	2	2	1	4	5	4	28
Carbonera	2	6	3	2	1	6	0	4	3	3	1	6	4	2	43
Eureka Canyon	1	2	1	2	2	2	1	0	2	2	3	1	0	2	21
La Selva	0	0	0	1	0	0	0	0	0	0	0	1	0	0	2
Live Oak	2	2	0	5	6	6	7	10	4	8	19	22	22	12	125
North Coast	0	1	0	1	0	0	0	0	0	0	0	1	0	2	5
Pajaro Valley	3	0	1	1	2	1	2	0	4	1	0	3	5	5	28
Salsipuedes	0	0	1	1	2	0	0	2	2	0	0	1	0	1	10
San Andreas	0	0	0	0	0	0	0	0	1	1	0	0	1	1	4
San Lorenzo Valley	1	1	0	0	1	2	4	1	4	2	4	3	6	0	29
Skyline	0	0	1	0	0	0	1	2	0	1	1	0	0	0	6
Soquel	0	1	2	4	2	1	1	0	3	1	2	2	2	8	29
Summit	5	0	2	1	1	4	1	1	3	0	1	0	2	2	23
TOTAL	24	18	19	29	19	29	19	28	37	29	37	63	58	51	460

⁽¹⁾ As of July 1, 2023

Major barriers to ADU construction include permit and construction costs as well as property owner unfamiliarity with the project planning, design, and construction process. Over the years, the County has developed various programs to address these barriers, including the ADU Forgivable Loan Program, the three year My House My Home partnership with Habitat for Humanity, reduced ADU permit fees and a fee waiver program for small ADUs beyond what is required by state law. Staff has also prepared a suite of resources on the County’s user-friendly ADU website. In 2022, the Board of Supervisors decided to end the ADU Forgivable Loan Program due to low performance, and in its place the County is developing a technical assistance program to aid property owners with ADU project planning, design, and construction.

Updates to the County’s ADU ordinance and incentive programs 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 indicates, after a decrease in permit applications following the 2008-10 recession, application rates for ADUs have steadily increased in recent years, including a significant jump in 2021 with 63 building permits issued for ADUs in the unincorporated area. As of July 1, of this year, 51 ADU permits have already been issued, which is up significantly from 27 at the same time last year, and almost surpassing the total of 58 issued building permits from last year. The County is on track for the highest number of issued building permits for ADUs in the unincorporated area to date.

In order to further reduce barriers to ADU production, the Planning Department is currently partnering with a design consultant to create three pre-approved sets of ADU architectural plans that will be available to applicants on the ADU website free of charge. Also, designers and pre-fabrication manufacturers will soon have the option to obtain pre-

approval for ADU designs that they intend to use for multiple projects. Additionally, staff is preparing on an ordinance that would address the use of tiny homes on wheels as ADUs.

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.

TABLE 15: COASTAL ZONE ADUs ISSUED BUILDING PERMITS IN UNINCORPRATED COUNTY BY PLANNING AREA SINCE 2005															
	10	11 ⁽¹⁾	12 ⁽¹⁾	13	14	15	16	17	18	19	20	21	22	23 ⁽²⁾	TOTAL (1)
Aptos	0	1	1	1	0	0	0	0	2	6	2	12	8	4	37
Aptos Hills	0	--	--	0	0	0	0	0	0	0	0	0	0	0	0
Bonny Doon	2	1	1	0	0	1	0	2	2	0	1	2	0	2	14
Carbonera	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
La Selva	0	--	--	1	0	0	0	0	0	0	0	1	0	0	2
Live Oak	0	1	--	3	4	3	4	2	2	4	9	11	12	8	63
North Coast	0	1	--	1	0	0	0	0	0	0	0	1	0	2	5
Pajaro Valley	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
San Andreas	0	--	--	0	0	0	0	0	1	1	0	0	1	1	4
San Lorenzo Valley	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
Soquel	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
TOTAL	2	5	4	6	4	4	4	4	7	11	12	27	21	17	125
⁽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 July 1, 2023															

Since 2010, a total of 125 building permits have been issued for ADUs within the Coastal Zone of the unincorporated area. 2021 saw a significant jump of ADU permits overall, including 27 in the Coastal Zone, and the County has seen a gradual increase in the development of ADUs near the coast in recent years, with approximately 27% of all ADU permits issued in the Coastal Zone in the past 13 years. Given the relatively small number of building permits issued for ADUs in the Coastal Zone, it is likely that there have been limited cumulative impacts to traffic, water, public views, and environmentally sensitive areas, if any, in the Coastal Zone. Some of these potential impacts have been analyzed in aggregate in Section IV, Potential Growth Impacts above. County staff will continue 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.

VI. GROWTH GOAL RECOMMENDATION

Growth Goal

The Board of Supervisors adopted a 0.25% growth rate for 2022 and 2021. An annual growth rate of 0.5% was adopted in each of the years from 2001-2020, and a rate of 0.75% was adopted for 1999 and 2000 during the “dot-com” boom period of the late 1990s. Last year, the Board of Supervisors adopted a .5% growth rate for the 2023 Growth Goal.

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 2022, permit activity increased to 219 issued permits, including 27 ADUs. Even with the increase in permit activity in 2022, the growth rate still provided an ample number of allocations, resulting in an unused surplus of allocations carried over to 2023, culminating to 78 carryover allocations for 2023. 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 July 1, 2023, there have been a total of 108 permits issued for housing units this year, including rural, urban and exempt units (including 51 ADUs). The substantial increase in building permits in 2022 and 2023 is related to two major affordable-income projects going into the permit phase.

In consideration of the information analyzed in the above sections of this report, staff recommends that the population growth rate be set at 0.5% for calendar year 2024 Growth Goal.

Recent population estimates have shown a negative growth rate for the unincorporated area. However, DOF population estimates between Census years are derived primarily from new housing construction reported by the County annually. Census data indicates that the County’s population has actually grown over the past decade, and AMBAG projections show this steady increase is likely to continue. In addition, the number of housing projects currently in the County’s permitting pipeline, as well as the elevated permit activity seen in recent years, point to a potentially increased demand for market rate permits that may continue through next year. Therefore, setting a growth rate of 0.5% for the year 2023 would allow for Santa Cruz County to continue to provide its 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, 2030 (extended from 2025 per the recently adopted SB 8).

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 continue to 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.

CZU Lightning Complex

The CZU August Lightning Complex Fires that began in August 2020 resulted in an unprecedented level of destroyed and damaged structures within unincorporated Santa Cruz County. The total number of unpermitted residential units impacted by the fires remains unknown; however, it is likely that a significant number of unpermitted housing units may have been destroyed or damaged by the fires. All residential units impacted by the CZU August Lightning Complex Fires continue to be exempt from the Measure J residential permit allocation system to ensure that the County’s growth management measures do not unnecessarily burden County residents who were impacted by this disaster. Note that issued building permits for CZU impacted properties may be included in the total number of new units shown in Table 10 if no existing permit was found in the County’s records. However, similar to affordable units and ADUs, issued permits for CZU properties remain exempt from the allocation system and are recorded in Table 10 for reporting purposes only.

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 building permits in the unincorporated area for that year. This number is based on the coming year’s projected demand for new housing units. Table 16 shows the methodology by which the recommended 0.5% population growth rate for 2024 would be converted into a total of 257 residential building permit allocations.

TABLE 16: BUILDING PERMIT ALLOCATION CALCULATION BASED ON A 0.5% ANNUAL POPULATION GROWTH RATE FOR 2024	
Estimated Total Household Population 1/1/23 ⁽¹⁾	125,339
Estimated Group Quarters Population 1/1/23 ⁽¹⁾	2,128
Estimated Total Population 1/1/23 ⁽¹⁾	127,467
Approved 2023 Growth Goal	0.50%
Projected 1/1/24 Household Population (based on a 0.5% growth rate from 1/1/23)	125,966
Proposed 2024 Growth Goal	0.50%
Projected 1/1/25 Household Population (based on the proposed 0.5% growth rate from projected 1/1/23 population)	126,596
Projected Household Population Increase During 2024	630
Estimated Persons Per Household (1/1/23) ⁽¹⁾	2.45
Projected New Housing Units (market rate) during 2024	257
<small>(1) Source: DOF E-5 City/County Population and Housing Estimates, 1/1/2022 for unincorporated Santa Cruz County (May 2023)</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 2024 will include the projected carryover allocations from 2023 for a total of 465, which will not be known for certain until the end of the year but is projected as shown below.

TABLE 17: RECOMMENDED 2024 ALLOCATION DISTRIBUTION			
Area	2024 Market Rate Unit Allocations	2023 Carryover Allocations ⁽¹⁾	Total 2024 Allocations ⁽¹⁾
Urban	193	156	349
Rural	64	52	116
Total	257	208	465
<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 2020-2030. (See Housing Crisis Act of 2019 section above for more information.)</small>			
<small>⁽¹⁾ Projected year-end allocations available based on continuation of rate for first six months.</small>			

In past few years, allocations were divided on a 75-25% (urban-rural) ratio to recognize the potential for greater infill development in the urban area. Staff recommends continuing this ratio, as illustrated in Table 17. This division implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

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 64 rural allocations, a limit of 22 new rural residential parcels could be created. No new rural lots have been approved in 2022, or as of July 1 2023. 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 population growth trends estimated for the unincorporated area of Santa Cruz County in recent years, the potential increase in demand for residential building permits, County Planning staff recommends that the growth rate be set at 0.5% for calendar year 2023.

Under the 0.5% growth rate recommended for 2024, a maximum of 257 residential building permits could be allocated in the unincorporated area of Santa Cruz County: 193 in the urban area and 64 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 2023 will be carried over and added to the 2024 allocation. Based on the number of allocations that have been granted as of July 1 of this year, it is projected that the combined new and carryover allocations will result in 465 total urban and rural market rate allocations, which is expected to be sufficient to accommodate the demand for residential building permits in the coming year.

VIII. REFERENCES

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