

Housing Element Annual Progress Report County Plans Supporting Lower-Income Housing

This document is provided in response to the Board's December 10, 2024 request for more information about the County's plans and efforts to support development of lower-income housing. It also includes a brief overview of recent accomplishments related to lower-income housing.

The County has two primary ways to support the development and preservation of lower-income housing:

- 1) Regulatory approaches, primarily through its land use planning and development review functions, including its zoning and related development codes, and its General Plan, including the Housing and Land Use Elements; and
- 2) Direct funding (subsidy) of affordable housing projects and programs, primarily through the Housing Section of the Planning Division, which administers the housing assets of the former Redevelopment Agency, and through the Housing for Health Division of the Human Services Department, also known as the administrative entity for the Continuum of Care.

A brief overview of each approach to supporting an adequate supply of units affordable to lower-income households, including recent accomplishments and current efforts, is provided below.

1) Regulatory Approaches: Focus on Housing Element, Sustainability Update, County Codes

Accomplishments of Prior Housing Element Period (5th Cycle)

Santa Cruz County had considerable success in meeting its affordable housing goals during its prior (5th) Housing Element cycle, which covered the period from 2015 to 2023. During this period, which included the last few years of the 2008 recession, and four major federally declared disasters that created significant challenges for the housing industry (the COVID19 pandemic, CZU Fire, and the 2017 and 2023 Storm Disasters), the County permitted 1,185 housing units, or 93% of its Regional Housing Needs Allocation (RHNA) goal of 1,314 units. As shown in Figure 1 below, more than half of the total units permitted in the past cycle (57%) were affordable units, while just 43% were Above-Moderate income units. Thirty-eight percent (446) of the total units permitted in this period were lower-income units, ranging from Extremely Low- to Low-Income affordability.

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Figure 1: 5th Cycle RHNA Accomplishments: Unit Goals vs. Units Permitted



Income Level	RHNA Goal	Permitted	% of Goal Permitted	% of Total Units Permitted by Income Level
Very Low	317	187	59%	16%
Low	207	259	125%	22%
Moderate	240	230	96%	19%
Above Moderate	550	509	93%	43%
Total	1,314	1,185	93%	100%

Regulatory Changes during the 5th Cycle

During the 5th Cycle, the County modernized its major land use policies, primarily through the Sustainability Update, and related code and policy updates, to make housing development in general, and especially affordable housing development, more feasible and more environmentally sustainable. These policy efforts included the Sustainability Update (2022), the Public Facility, School Employee and Farmworker Housing Ordinance (2018), updates to the density bonus and inclusionary zoning codes (2018), the ADU code updates and Permanent Room Housing (PRH) Combining District (2020), and Tiny Homes on Wheels Ordinance (2022). All of these policy updates support the development of smaller affordable by design and affordably by subsidy units, primarily on infill sites, and support housing going vertical, rather than sprawling over more acres of farmland and open space. Much of the content of the Sustainability Update also supports the

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feasibility of such projects by ensuring that infrastructure planning is also done to provide all necessary wet and dry utilities, as well as community facilities like schools, services and safety, for these projects.

During the same period, the state enacted hundreds of laws to address California's housing crisis and improve the feasibility of developing new housing, especially affordable, lower-income housing. This large volume of recent state legislation includes multiple bills updating ADU and density bonus state law, and many "streamlining" bills intended to streamline the development review and permitting process and make land use policy more conducive to sustainable development. Notable bills include Senate Bill (SB) 35/423, Assembly Bill 2011, SB 330, and SB 9 and SB 10, which allow infill multifamily housing, including "missing middle" housing, as well as larger apartment projects.

Current Policy Efforts: 6th Cycle Housing Element: 2024 - 2031

The 6th Cycle Housing Element, adopted in late 2023, is driven by two guiding principles: facilitating the development of new housing; and affirmatively furthering fair housing (avoiding unlawful discrimination in its housing and land use policies and programs). The County's housing development goal is driven by the RHNA, a goal issued by the State requiring the County's zoning and land use plans to accommodate a minimum number of new housing units, divided into four income levels. In order to meet its current RHNA goal of 4,634 units, a rezoning program was necessary because the County's zoning and land use plans, combined with the remaining vacant/underutilized sites, had inadequate capacity to meet its RHNA goal.

The RHNA does not require the County to build housing itself, or to provide funding for its development. The County's primary responsibility under state housing element law is to ensure that its zoning, land use plans, and policies provide adequate capacity for housing development, and by removing regulatory barriers to housing production.

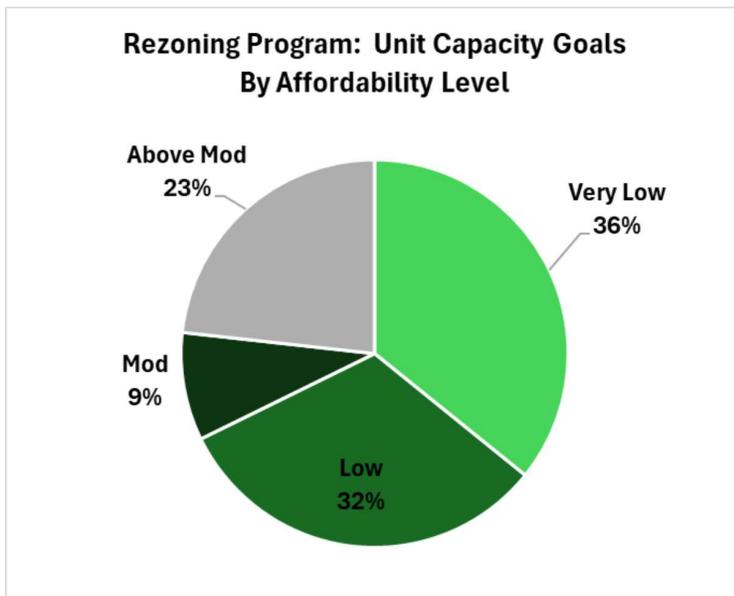
Current Rezoning Program

The 2023 Housing Element sites inventory analysis estimated the total housing unit capacity under the County's current zoning and land use plans across the unincorporated areas of the county. That analysis determined that existing capacity was not adequate to meet the RHNA, although much of the RHNA, including for lower- and moderate-income housing, was already accommodated through existing zoning and land use plans. To address the identified shortfall, a rezoning program was developed as prescribed by state law to create additional capacity where the remaining units could be developed. The rezoning program focused particularly on creating significantly more capacity for higher density housing, such as apartments and condominiums, which housing element law, known as the "Mullin densities," assumes will be more affordable by design than large-lot single family homes. Most affordable housing developers in recent decades rely on obtaining sites zoned to allow at least 20 or 30 units per acre. Lower densities than that

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are generally not financially feasible for affordable housing development. The rezoning program included in the 2023 Housing Element provides a target of rezoning and general plan amendments to additional capacity of more than 2,100 units. More than three-quarters, or 77% of this additional capacity, is for affordable units, as shown in Figure 2 below. Approximately 68% of this new capacity is for lower-income units. Having this significant amount of land zoned for the higher densities needed by affordable and multi-family housing developers is one of the most important mechanisms for improving housing affordability and supply, particularly for lower-income units, including those in the extremely low-, very low-, and low-income categories, in the County.

Figure 2: Rezoning Program Goals by Income Level



Income Level	Very Low	Low	Mod	Above Mod	Total
Unit Capacity (Goal)	767	684	193	498	2,142
Percent of Total	36%	32%	9%	23%	100%
Batch A: completed Dec 2024	382	315	59	113	869
Batch B: Pending, to be completed in 2025	385	369	134	385	1,273
<i>Total Affordable Unit Capacity (Lower & Mod)</i>	1,644	77%			
<i>Total Lower-Income Unit Capacity</i>	1,451	68%			

In 2024, shortly after adoption of the 2023 Housing Element, the County began to implement the rezoning program. To make it more manageable, the list of parcels proposed for rezoning was split into two “batches.” The Zoning and General Plan map amendments for Batch A were adopted by the Board of Supervisors on December 10,

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2024, and are now in effect. County staff is now preparing to bring Batch B materials to the Planning Commission and Board in Spring of 2025. Completion of the entire rezoning program will provide the most effective and significant way to incentivize development of new units affordable to lower- and moderate-income households. The rezoning of Batch A has already enabled several subsidized housing projects to launch into predevelopment and/or design phases.

Policies and Programs Supporting Lower-Income Housing Development

State Housing Element law was created in 1969 primarily to require California cities and towns to support, rather than oppose or obstruct, development of multi-family housing, rental housing, and lower-income housing. The law responded to land use policy and development trends at the time, where many communities resisted the development of affordable, higher density, rental and/or subsidized housing in their towns and cities by enacting exclusionary, large-lot, lower-density and/or single-family zoning, and regulations to limit affordable housing development due to local opposition. Since 1969, housing element law has been amended numerous times to focus even more directly and create more enforceable mechanisms to ensure that local land use policies support, rather than obstruct, the development of adequate lower-income housing to meet each community's needs for such housing supply.¹

Consistent with the focus of the state law on supporting affordable, lower-income housing development, much of the County's 2023 Housing Element also focuses on making lower-income development more feasible through land use planning, as described above, and through numerous policies and programs that support such planning efforts. These policies and programs were developed through a robust community engagement process that the County undertook throughout 2023, with several community focus groups including affordable housing developers, market-rate developers, other local stakeholders of various types, and residents in need of affordable housing. Many of the County's policies and programs most directly related to lower-income housing are listed under Goals H-1 and H-3 of the 2023 Housing Element:

- *Goal H-1: Facilitate Development of New Housing, Primarily in Infill Areas.* This goal aims to increase housing production for all income levels, with particular priority given to affordable housing projects (e.g., Policy H-1.6: Priority Processing, and Program H-1B and H-1C, Rezoning Program and Ministerial Combining District).
- *Goal H-3: Facilitate the Development of Affordable and Equal Opportunity Housing,* Specific efforts supporting production of lower-income housing are described under this goal. These policies and programs focus on both financing for affordable housing (Policy H-3.4) and ensuring higher-density zoning is available to facilitate

¹ https://abag.ca.gov/sites/default/files/rhna_background.pdf

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the development of affordable housing (Policy H-3.3: Maintenance of Adequate Housing Sites; Policy H-3.7: Do not Allow Development of Single-Family Homes in Multi-Family Residential Zones). Additional efforts to maintain and improve the quality and affordability of existing housing stock are included under Goal H-2.

The Housing Element programs and policies excerpted below support development of lower-income housing within the unincorporated County. A brief summary of each program is provided below, and the complete text of each program is available in Chapter Two of the Housing Element ([Chapter 4.2 of the General Plan](#)). A list of all these programs with current status updates is available in Table D of the Housing Element APR.

- **Program H-1B:** The rezoning program to accommodate the RHNA goals. State law requires that sites zoned for lower-income units allow “by-right” or ministerial processing (see H-1C below), and allow densities of at least 20 units per acre.
- **Program H-1C:** Develop the Ministerial (-Min) Combining District to permit multi-family housing by right (ministerially) for developments with 20% or more lower-income units, and rezone seven commercial parcels into the -Min district. Each site can accommodate more than twenty units at densities of 22-45 units per acre, with a total estimated capacity of at least 200 units.
- **Program H-1E:** Rezone opportunity sites to Residential Flex (RF) zoning and increase densities on current RM-zoned sites to densities of 20 units or more per acre.
- **Program H-1F:** Update multi-family development standards and increase heights at key intersections and activity centers to accommodate more housing near transit in urban multi-family and mixed-use zones.
- **Program H-1J:** Rezone 40 parcels per SB 10, which allows jurisdictions to rezone properties for up to 10 units without review under CEQA, to implement much needed “missing middle” housing into existing neighborhoods, including low-rise apartment and townhouse units (duplexes, triplexes, and quadplexes) within low-density infill neighborhoods.
- **Program H-3A:** Use of County Affordable Housing Impact Fee (AHIF) revenues to assist development of new deed-restricted, generally lower-income, affordable rental units.
- **Program H-3B:** Collaboration with affordable housing developers to promote development of a variety of housing types, including units for Extremely Low-Income households.
- **Program H-3C:** Seek documentation from local utility districts to verify their compliance with state law that requires that all public sewer and water providers provide priority to, and retain sufficient capacity for, lower-income, affordable housing projects built within their service areas.

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- **Program H-3H:** Commission a new nexus study and evaluation of the County’s inclusionary housing program (aka “Measure J”) codified in County Code Chapter 17.10. The study would evaluate various aspects of the program and recommend updates, including possible updates to the Affordable Housing Impact Fee (AHIF) rates and fee structure, changes to inclusionary requirements per Program H-3J, affordability levels, and harmonizing the program with State density bonus law.
- **Program H-3J:** Modify inclusionary housing requirements in SCCC Chapter 17.10 to require 15% of all units developed in residential rental projects provided as affordable (“Measure J”) units.
- **Program H-3K:** Continue to work with owners of Public Facility (PF) zoned sites to facilitate 100% affordable lower-income housing, and/or employee housing projects.
- **Program H-1D:** Update density bonus code (SCCC Chapter 17.12) to ensure consistency with current state density bonus law and provide additional policy incentives, including encouraging inclusion of extremely low-income units.
- **Program H-1K:** Provide priority processing for projects of seven or more new units with at least 15% lower-income, or 25% moderate-income units, and/ or projects to substantially rehabilitate 10 or more subsidized rental units.

2) Direct Funding Approaches: Local Subsidies and Technical Assistance

The County has been providing significant funding and in-kind support for affordable, mostly lower-income housing development for more than thirty years. Most of the direct funding in prior decades was available through the County’s former Redevelopment Agency, in the form of what was then called tax increment revenue, from local property taxes in the County’s redevelopment project areas, and the “Housing set-aside” portion of that revenue. The recycled funds from the prior Housing set aside are now known as the Low-Moderate Income Housing Fund. Governor Brown dissolved all redevelopment agencies in 2011. The housing function of the County serves as the “Housing Successor” to the prior Redevelopment Agency. Annual reports prepared by County staff, which are attached to the Annual APR and sent to HCD each year, describe annual expenditures of Low-Mod Housing funds. The vast majority of these support development of lower-income rental units, focusing on very low and extremely low units. These reports are available on the County’s website.² In the past five years, 32% of the over \$9.4 million in County Low-Mod funds expended, or slightly over \$3 million, was spent to assist development of housing for extremely low-income (ELI) households.

Many affordable housing developments, including rental and homeowner units and mobile home parks across the county now provide quality housing to local residents because of the funding and in-kind support they received from the County, mostly through its former Redevelopment Agency, and since 2012, through the County as Housing

² <https://cdi.santacruzcountyca.gov/Planning/Housing/HousingResources/HousingSuccessorAgencyReports.aspx>

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Successor to the former RDA. A map of affordable rental projects completed and in development is on the CDI Housing website.³ Most County funding provided to date for such projects has supported the development of lower-income rental units and lower-income housing in mobile home parks. The table below lists current, 100% affordable, lower-income, subsidized housing projects in development or recently completed. All but one of these has received or been conditionally awarded financing and in-kind support from the County. This list does not include additional affordable projects on the horizon in the early planning stages (due diligence, acquisition), but have not yet requested County financing or submitted any development applications to the County.

100% Affordable, Lower-Income Housing Projects Pipeline and Recent Completions:

Project & Developer Name	# and Type of Units	Location	Status
Park Haven Plaza * 2838 Park Ave LP	36 Rental (ELI)	2838 Park Ave, Soquel	In construction
Freedom House Transitional * CFSC	11 Transitional Rental (ELI)	2716 Freedom Blvd, Watsonville	Construction to in 2025
41st and Soquel Linc Housing/The Pacific Communities	256 Rental (ELI)	2755 41 st Ave, Soquel	Predevelopment
Anton Solana * Anton Development / Pacific Housing	183 Rental (ELI to Low)	Corner of Thurber Ln and Soquel Dr, Soquel	Predevelopment
Green Valley Rd * MidPen Housing	60 -120 (TBD) Rental (TBD)	578 Green Valley Rd, Watsonville	Predevelopment
Bienestar Plaza * MidPen Housing	57 Rental (ELI to Low)	1520 Capitola Rd, Santa Cruz	Completed 2023
Cienega Heights * MidPen Housing	80 Rental (ELI to Low)	Brewington Ave, Watsonville	Completed 2024
Rodeo Creek Court * Habitat for Humanity	11 First-Time Buyer (Low)	Harper St, Santa Cruz	Completed 2024
Total 694 to 754 Units			

* Project has received or has been conditionally committed County funding.

³ <https://cdi.santacruzcountyca.gov/Planning/Housing/CountyHousingProjects.aspx>