



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Community Development and Infrastructure

Subject: Appropriate existing Local Housing Funds for professional services related to ADU Incentives Program and Affordable Housing Program Nexus Study

Meeting Date: January 28, 2025

Formal Title: Appropriate existing Housing fund balances in the amount of \$187,917 for Professional and Special Services related to the ADU Incentives Program and reallocate appropriations of existing Housing fund balances in the amount of \$75,000 from Affordable Housing Programs and Projects to Professional and Special Services to assist in the cost of the Affordable Housing nexus/impact fee study

Recommended Actions

1. Approve two AUD74 forms appropriating existing Housing fund balances for Professional and Special Services to fund the remaining balance on the agreement with Hello Housing for administration of the ADU Incentives Program; and
2. Approve one AUD74 form transferring appropriations in Housing fund balance from the Affordable Housing Program and Projects to Professional and Special Services to partially fund the nexus and feasibility studies described in Housing Element Implementation Programs H-3H and H-3J.

Executive Summary

The first recommended action will fund the on-going agreement with Hello Housing (23C4687) to administer the Accessory Dwelling Unit (ADU) Incentives Program. This action is needed because the existing funds previously committed to fully fund this agreement were inadvertently omitted during the rebudgeting process. The second recommended action will partially fund a nexus and feasibility study of the Measure J Affordable Housing Program. That study is required by Housing Element Programs H-3H and H-3J. The remaining funds needed for that study, which is estimated to cost less than \$200,000, are available elsewhere in the Community Development and Infrastructure (CDI) budget.

Discussion

The Housing Section of CDI Planning Division administers various affordable housing projects and programs, including the ADU Incentives Program and the County's inclusionary housing program known locally as Measure J. CDI Housing also manages a number of restricted housing special funds, including the two affected by these recommended transfers: the Affordable Housing Impact Fee (AHIF) Fund and the Subdivision In-Lieu Fee fund.

Hello Housing, a non-profit organization based in the Bay Area, administers the ADU Incentives Pilot Program initiated by the County in 2022. That program, launched in mid-2023, helps homeowners living in the unincorporated areas of the County with technical assistance consisting of individualized help with project feasibility, budgeting,

bidding, permitting, design, and construction management to help them develop an accessory dwelling unit (ADU) on the property where they reside. The initial phase of the program also included several group educational sessions to introduce the program and to provide education on ADU topics, such as developing an ADU on rural properties with septic systems, and budgeting for an ADU. As of September 2024, Hello Housing had processed more than 300 applications, provided 80 educational sessions with individual applicants, and completed 45 feasibility studies of applicant's ADU projects. Also as of September, 16 applicants had moved forward with their ADU projects with design coordination and permit planning assistance from Hello Housing. Three of those applicants have moved into construction, with project administration assistance from Hello Housing. Hello Housing also obtained grant funding for some of the applicants from CalHFA's ADU Grant Program. The contract with Hello Housing is a three-year pilot program ending in June of 2026, with a goal of completing 18-20 ADUs by that time. If desired, and if funding is available, the County could extend the program beyond that date.

The three-year ADU Program contract was fully funded through prior years' budgets, however when the most recent rebudgeting process was done, the remaining funds committed to that contract were inadvertently omitted from the current fiscal year's budget. The first action recommended above would correct that omission in rebudgeting to fully fund this contract for its remaining year.

The second recommended action increases the funding for professional services by \$75,000 and decreases funding for affordable housing loans and programs by the same amount. The study requiring this funding is described in Housing Element Implementation Programs H-3H and H-3J. It will evaluate the County's Measure J inclusionary housing program, codified in County Code Chapter 17.10, including the AHIF requirements described therein. The study will include an updated nexus study to evaluate the current AHIF fee rates and rate structure, and an economic feasibility study of current and/or proposed inclusionary affordable housing requirements imposed on housing developments. The study will also address program details such as the percentage of units required to be affordable in for-sale and/or rental projects, requirements for replacement units, affordability levels, and compatibility with state housing laws. The target date for completion of the study is June 2025.

Financial Impact

The recommended actions will not impact the General Fund. These actions make minor adjustments to the "Local Housing Funds" portion of the CDI Housing Fund, as described in the three attached AUD 74 forms. The first two transfers listed below appropriate existing fund balance for professional services in the AHIF Fund and Subdivision In-Lieu Fund to cover the remaining balance on Contract No. 23C4687 with Hello Housing. The third transfer of \$75,000 will fund, in part, the anticipated cost of the Measure J program nexus and feasibility study required by the Housing Element.

1. Transfer \$64,170 from Fund Balance to Professional and Special Services (Object 62381) in the AHIF Fund (GL Key 136156) to fund a portion of the remaining balance of Contract 23C4687;
2. Transfer \$123,744 from Fund Balance to Professional and Special Services (Object 62381) in the Subdivision In-Lieu Fund (GL Key 136155) to fund the remaining balance on Contract 23C4687; and
3. Transfer \$75,000 from the appropriation for Affordable Housing

Programs/Projects (Object 75201) to Professional and Special Services (Object 62381) in the AHIF Fund (GL Key 136156), to partially fund the nexus and feasibility studies described in Housing Element Implementation Programs H-3H and H-3J.

Strategic Initiatives

Operational Plan - Attainable Housing

Submitted By:

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Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not contribute to the development of this agenda item.