



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

ATTN: Civil Grand Jury Response (Housing Our Workers)

Emeline Nguyen <enguyen@santacruzca.gov>

Thu, Sep 7, 2023 at 12:46 PM

To: "grandjury@scgrandjury.org" <grandjury@scgrandjury.org>

Cc: Laura Schmidt <LSchmidt@santacruzca.gov>, Matt Huffaker <mhuffaker@santacruzca.gov>

Good afternoon Honorable Judge Cogliati and Santa Cruz County Grand Jury,

We received an email that the Grand Jury report is past due. Please see the attached report that was submitted on August 15th. Feel free to reach out if you have any questions.

Thank you,

Emeline

[Quoted text hidden]

 **20230816_Civil Grand Jury_Housing Our Workers_V2.pdf** 225K



The 2022–2023 Santa Cruz County Civil Grand Jury
Requires the

Santa Cruz City Council

to Respond by August 31, 2023

to the Findings and Recommendations listed below
which were assigned to them in the report titled

Housing Our Workers

Essential Workers Need Affordable Housing!

Responses are **required** from elected officials, elected agency or department heads, and elected boards, councils, and committees which are investigated by the Grand Jury. You are required to respond and to make your response available to the public by the California Penal Code [\(PC\) §933\(c\)](#).

Your response will be considered **compliant** under [PC §933.05](#) if it contains an appropriate comment on **all** findings and recommendations **which were assigned to you** in this report.

Please follow the instructions below when preparing your response.

Instructions for Respondents

Your assigned [Findings](#) and [Recommendations](#) are listed on the following pages with check boxes and an expandable space for summaries, timeframes, and explanations. Please follow these instructions, which paraphrase [PC §933.05](#):

1. **For the Findings, mark one of the following responses with an “X” and provide the required additional information:**
 - a. **AGREE with the Finding**, or
 - b. **PARTIALLY DISAGREE with the Finding** – specify the portion of the Finding that is disputed and include an explanation of the reasons why, or
 - c. **DISAGREE with the Finding** – provide an explanation of the reasons why.
2. **For the Recommendations, mark one of the following actions with an “X” and provide the required additional information:**
 - a. **HAS BEEN IMPLEMENTED** – provide a summary of the action taken, or
 - b. **HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – provide a timeframe or expected date for completion, or
 - c. **REQUIRES FURTHER ANALYSIS** – provide an explanation, scope, and parameters of an analysis to be completed within six months, or
 - d. **WILL NOT BE IMPLEMENTED** – provide an explanation of why it is not warranted or not reasonable.
3. **Please confirm the date on which you approved the assigned responses:**

We approved these responses in a regular public meeting as shown in our minutes dated August 8, 2023.

4. **When your responses are complete, please email your completed Response Packet as a PDF file attachment to both**

The Honorable Judge Syda Cogliati Syda.Cogliati@santacruzcourt.org and

The Santa Cruz County Grand Jury grandjury@scgrandjury.org.

If you have questions about this response form, please contact the Grand Jury by calling 831-454-2099 or by sending an email to grandjury@scgrandjury.org.

Findings

F1. While all city and county planning departments have demonstrated a good understanding of the new State housing laws and the need to facilitate more housing, the failure to do so in a timely manner has served to further decrease the availability of housing and further increase the need and cost of more housing.

AGREE

PARTIALLY DISAGREE

DISAGREE

Response explanation (required for a response other than **Agree**):

The City of Santa Cruz was recently designated as a Prohousing community by the California Department of Housing and Community Development (HCD), one of only 30 communities in the state to receive this designation. As a Prohousing community, the City of Santa Cruz will receive priority consideration for funding programs administered by HCD, the primary state provider of affordable housing funding. This partnership with HCD is a testament to our unwavering commitment to creating accessible housing opportunities and underscores the effectiveness of our initiatives to support affordable housing development in our community.

The City of Santa Cruz provides an annual update to the Council on housing legislation changes. With the many annual housing bills, cities and developers alike must be diligent in understanding the latest legislative changes. Even in doing so, the state Housing and Community Development Department and case law provide new interpretations and precedents.

The pace of entitlements and construction in Santa Cruz has increased in recent years, partly due to the changes in state legislation and the City's rapid incorporation of those changes into the daily narrative and development entitlement decisions. While the City has taken advantage of regulatory changes to facilitate housing production on properties it owns, the City is also dependent on the private sector to initiate housing production on private properties. The City's up-to-date understanding of housing legislation does and will continue to facilitate housing production. The City will continue to remain diligent in staying knowledgeable about the latest legislative changes, interpretations, and case law.

F2. With the planned growth of UCSC to 28,000 students, the potential demand for off campus housing for students, faculty and staff has the potential to make the affordable housing problem even worse.

AGREE

PARTIALLY DISAGREE

DISAGREE

Response explanation (required for a response other than **Agree**):

Thus, it is critical for UCSC to provide on-campus housing for its growing student body and accompanying faculty and staff.

F12. While all local municipalities have voiced support for prioritizing housing for local workers, only some of them have clear local preference guidelines that give some priority to local workers. Without clear guidelines and incentives, new housing is more likely to be purchased by those who do not live and work here.

AGREE

PARTIALLY DISAGREE

DISAGREE

Response explanation (required for a response other than **Agree**):

While new housing can be purchased (or rented) by those who do not currently live and work in the County, it is the City's experience in projects where the City is involved that the majority of housing does get purchased (or rented) by individuals already living or working in the area.

That said, the City's inclusionary housing ordinance gives preference to local residents, consistent with state and federal law. (Santa Cruz Municipal Code ("SCMC") 24.16.045(6).) The City's Zoning Code requires that local preferences for rental inclusionary units shall be given in the following priority order:

- a. Residents of the City of Santa Cruz for at least one year.
- b. Those employed in the City of Santa Cruz.
- c. Residents of the County of Santa Cruz for at least one year.
- d. Those employed in the County of Santa Cruz.

(SCMC 24.16.045(7).)

As consistent with state and federal law, the City's inclusionary ordinance also gives preferences for ownership inclusionary units in the following priority order:

- a. Those who live or work in the City of Santa Cruz.
- b. Those who live or work in the County of Santa Cruz.

(SCMC 24.16.045(7).)

When it comes to market-rate residences that are not subject to the City's affordability restrictions, the City cannot dictate to whom those residences are sold or rented. However, as noted above, the City's local regulations set forth a clear preference for in-County workers and residents in the inclusionary units that are part of private developments. The City also requires the aforementioned local preferences in the housing projects to which the City provides financial support, as a condition of the City providing said support.

F13. All municipalities are trying to identify and facilitate the building of housing projects, but most of that is done independently of the other municipalities or with outside partners. Since workforce housing and transportation gridlock is a county-wide problem, all county municipalities need to work more closely together and with property owners to develop housing solutions.

AGREE

PARTIALLY DISAGREE

DISAGREE

Response explanation (required for a response other than **Agree**):

While representatives from the different jurisdictions can and do regularly learn from one another and collaborate on the best ways to grow across the region, particularly when it comes to planning for and requiring increased densities in areas close to transit and other daily needs, individual projects are typically best handled by the jurisdiction in which they are located.

Although most specific housing projects are developed without the involvement of outside jurisdictions, there is coordination and communication between the jurisdictions when a city's or the county's land ownership occurs in another jurisdiction and with regards to transportation issues that cross jurisdictional boundaries. For example, the City regularly coordinates with the County to facilitate housing development, including affordable housing, on County-owned properties within the City, and the City coordinates with Scotts Valley regarding land the City owns in that jurisdiction. And the Regional Transportation Commission, Santa Cruz Metropolitan Transit, and Association of Monterey Bay Area Governments all work on regional transportation planning and implementation, and those organizations are all governed by local government officials.

Planning Directors throughout the County also meet at least five times per year to collaborate on housing and other related issues. The Planning Department staff from countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams.

Recommendations

R16. By the end of 2023 the City of Santa Cruz should demonstrate that they have reestablished regular meetings of a workgroup or other entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Required response explanation, summary, and timeframe:

Planning Directors throughout the County meet at least five times per year to collaborate on housing and other related issues. The Planning Department staff from countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams. As previously noted in the response to F13, specific development projects typically are handled by the specific jurisdiction where they are located.

R17. By the end of 2023, the City of Santa Cruz should develop clear, measureable guidelines to ensure that preference is given to local workers in the construction of low income housing. (F12)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Required response explanation, summary, and timeframe:

The City does have a Local Business Preference Ordinance (SCMC 3.11), which applies when the City itself is evaluating bids in a competitive process “for goods, supplies, equipment, materials, services or professional services”[.] (SCMC 3.11.012.) Similarly, Chapter 3.10 of the Municipal Code is entitled “Local Hiring – Public Works Contractors” and provides that:

“all city contracts for public works or improvements of estimated value of greater than the formal bid limit shall contain provisions pursuant to which the contractor promises to make a good-faith effort, with the assistance of local labor union hiring halls or community organizations designated by the city to employ qualified individuals who are, and have been for one year prior to the effective date of the contract, residents of the county of Santa Cruz in sufficient numbers so that no less than fifty percent of the contractor’s total construction work force, including any subcontractor work force, measured in labor work hours, is comprised of Santa Cruz County residents.”

(SCMC 3.10.010(1).)

However, it is not typical for these Ordinances to apply to the construction of low-income housing, given that the City is not the party that directly seeks or reviews bids for construction services. Instead, while the City certainly helps to facilitate the development of low-income housing, the project itself is executed by a housing developer. Given that the City itself does not have a direct role in contracting for construction services for housing projects, it is not clear that the City has a lawful regulatory path forward to be able to enact the recommended local preferences.

Additionally, the City would note that the available local construction workforce is very limited for many reasons (e.g., housing availability, general cost of living, an overall lack of enough workers currently trained in this sector). Thus, even assuming for the sake of argument that the recommended local preferences could be enacted in a lawful way (which is a major assumption), if the City were to add additional local preference requirements for contractors who build housing (affordable or not), the result would be a

smaller bidding pool and rising costs for the work. Enacting more difficult-to-achieve barriers for those building housing is counterproductive to the goal of producing more affordable housing.

Note that the wording of this recommendation was a bit confusing. If this recommendation was intended to convey the idea that local workers should be preferred when it comes to their ability to buy or rent low-income housing, the City has already incorporated that concept into its Municipal Code and, when applicable, conditions of providing financial support. (See City's Response to F12 above.)

R18. By the end of 2023, the City of Santa Cruz should demonstrate progress in working collaboratively with UCSC to develop housing sites that are affordable for UCSC students and essential workers. (F2)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Required response explanation, summary, and timeframe:

Santa Cruz and UCSC meet regularly, including City representatives from Planning and Community Development, City Manager’s Office, Public Works, Water, Mayor, and City Council, and others coordinating with UCSC representatives from their Planning, Chancellor’s Office, Government and Community Relations, and other relevant counterparts. Santa Cruz encourages UCSC to develop on-campus housing to meet its expanding student enrollment. The City has filed a lawsuit that, in part, seeks to obligate UCSC to link student enrollment to the provision of on-campus housing. UCSC has ample property on campus to develop housing, and the City continues to encourage UCSC to expand housing options on their campus, where students have close access to academics and extracurricular activities.