



SANTA CRUZ COUNTY
Civil Grand Jury

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Housing Our Workers

Essential Workers Need Affordable Housing!

Summary

The cost of housing has risen dramatically, especially in the past five years, not just in Santa Cruz County but all over the state of California. There were some clear issues, the 2008 recession, the COVID crisis, the rise of Airbnb, but the biggest reason is that municipalities stopped building new housing. The numbers of unhoused people increased, and employers found it harder and harder to find and keep employees. The reason that prospective employees most often gave for not coming to work here was the scarcity and cost of housing. Over the past several years, California has enacted several laws to encourage, and even require, all municipalities to build more housing, especially more affordable housing for essential workers..

The four cities, Capitola, Santa Cruz, Scotts Valley and Watsonville, as well as the County of Santa Cruz, have all begun identifying suitable properties and have begun making zoning changes to build more housing. The five municipalities (the county and the four cities) are at various stages in this process and now face even higher affordable housing goals in the Sixth Cycle Housing Element, which is due to the State at the end of December.

The Santa Cruz County Civil Grand Jury's overall findings and recommendations encompass the following:

- How well each of the five municipalities have met current housing goals
- How well the public understands the need for more workforce housing
- How well each municipality is positioned to meet future housing goals
- How each municipality can use housing laws, grants and partnerships to make housing more affordable

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Background

Over the past few years we have heard a lot about essential workers, those who keep our community running. We depend on these workers to educate our children, take care of our medical and dental needs, keep our communities safe, maintain our food supply, provide public transportation, and keep our streets clean. These workers are being squeezed out of the housing and rental markets in Santa Cruz County. Almost daily there are news reports of teacher and bus driver shortages, police departments that can't find enough qualified officers, stores and restaurants that have to reduce hours because they can't find enough workers.

The Santa Cruz area was recently designated the second most expensive place to live in the country with the average home price of \$1.5 million and the average rent for an apartment at over \$3,000/month.^{[1][2]} Watsonville is somewhat less expensive at an \$800,000 average price for a home and an average rent of \$2,000.^{[1][2]} These prices are beyond the reach of many of our essential middle income workers. In order to buy the average home in the Santa Cruz area, a worker with \$50,000 down payment would have to make \$400,000/year and the monthly payments would be \$8,830/month.^[2] In Watsonville, a worker would need to make \$200,000/year to afford to buy the average house with monthly payments of \$4,345.^[2]

Although salaries have gone up in many areas, the average annual teacher salary is only about \$70,000.^[3] The average full time firefighter makes less than \$60,000 and a school custodian makes about \$50,000.^[3] The average registered nurse makes \$100,000.^[4] According to the Transparent California website, the average Santa Cruz Metro driver makes about \$68,000 in salary and another \$60,000 in overtime, still not enough to buy the average house in Watsonville! In a recent survey from the California Association of Realtors, just one in five residents in the Bay Area can afford to buy a home at current prices.^[5]

While our communities have programs to help low income residents, (individuals who make less than \$35,000/year), there is little to help essential middle income workers who can't afford the rent or housing prices, yet have jobs in our community.

The report calculates a "housing wage" for Santa Cruz County of \$60.35 an hour.... At \$3,138 per month for a two-bedroom rental, tenants would need to work four full-time minimum-wage jobs, at \$15 an hour, to afford rent....^{[6][7]}

Figure 1 below shows that in Santa Cruz County many workers are spending nearly 50% of their income on mortgage.

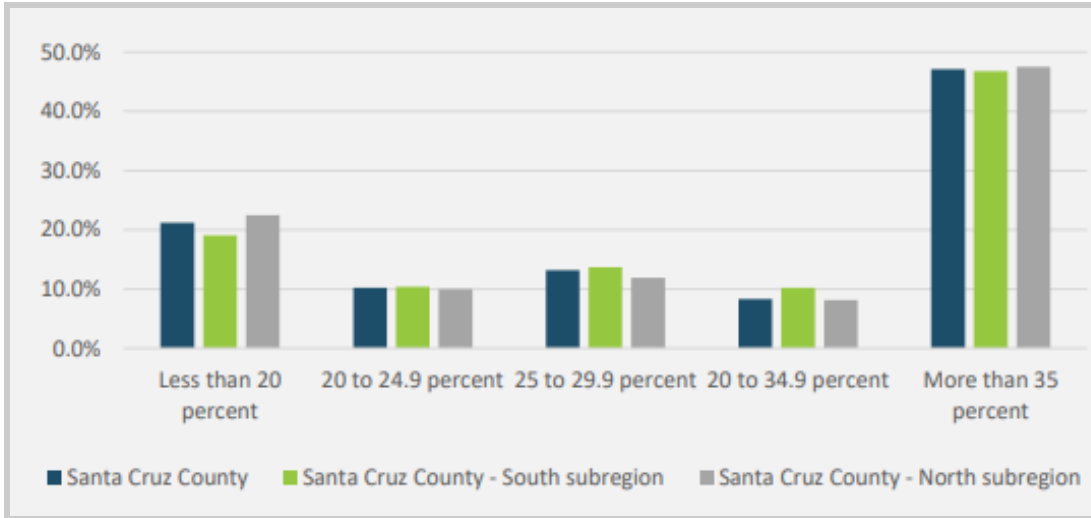


Figure 1. Percentage of income spent on mortgage.^[8]

Many local employers are reporting difficulty attracting and keeping workers.^[9] Cabrillo College reports that 11% of workers commute from outside Santa Cruz County ^[10], and Pajaro Valley Unified School District reports that over the last two and a half years, 9.24% of those resigning from the district left to move out of state and 11.65% of those resigning left to accept jobs with better salary and housing options outside of the County.^[11] Salary schedules from the City of Santa Cruz show that neither police officers nor firefighters make a salary high enough to comfortably afford housing in this County.^{[12] [13]}

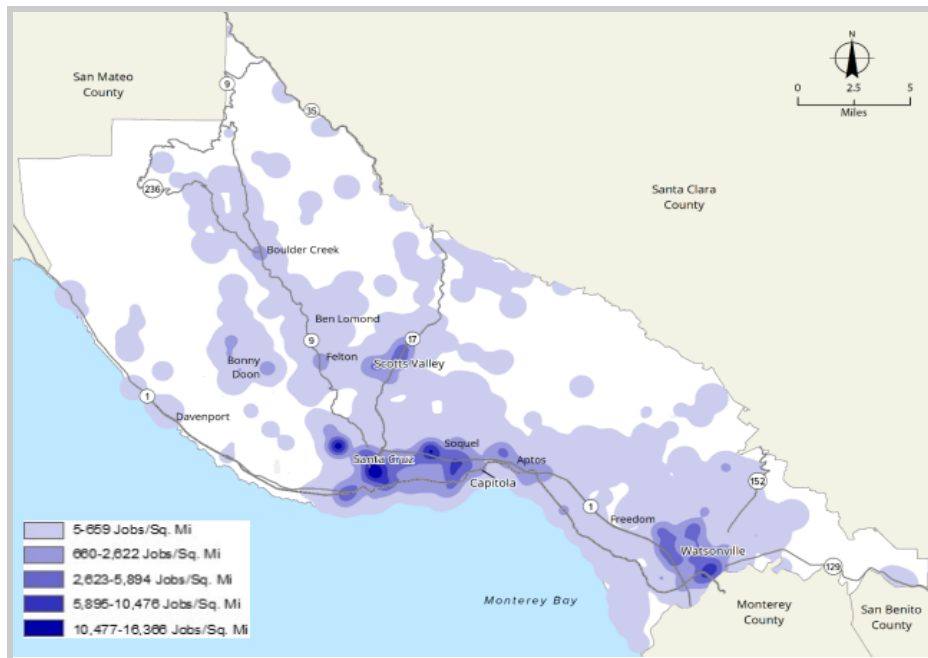


Figure 2. Where people work in Santa Cruz County.^[14]

As Figure 2 above shows, much of our workforce is commuting from south county to jobs primarily located in the central part of the county. Many essential workers make less than the Santa Cruz County housing wage of \$60.35/hour. No wonder Hwy 1 is clogged with traffic driving to and from Watsonville and points south and east of here where it is cheaper to live.^{[15] [16]}

The cost of housing in coastal California has outpaced increases in wages and salaries over the same period of time while the supply of affordable housing has decreased relative to the increasing population. According to the Santa Cruz County Planning Department:

The difficulty is not just the cost of housing, but specifically the cost of housing in relationship to local incomes.^[17]

How did we get in this predicament? There are many reasons for the lack of housing overall in Santa Cruz County. The 2022 state publication, “A Home for Every Californian”^[18] lists several reasons:

- High costs of land, materials and labor
- Insufficient land zoned and available for housing
- Financial support constraints
- Opposition to neighborhood change
- Numerous, varied and opaque regulatory hurdles
- Social pressure to limit population growth
- Lack of federal support and expiring subsidies for affordable homes

In addition, after the growth following the construction of the University of California at Santa Cruz (UCSC) and the fight over preserving the north coast and Lighthouse Field, a no-growth mentality was pervasive in Santa Cruz County.^[19] We just stopped building enough houses. Figure 3 below shows construction of housing peaked in the 1970s and then fell sharply in the next three decades.

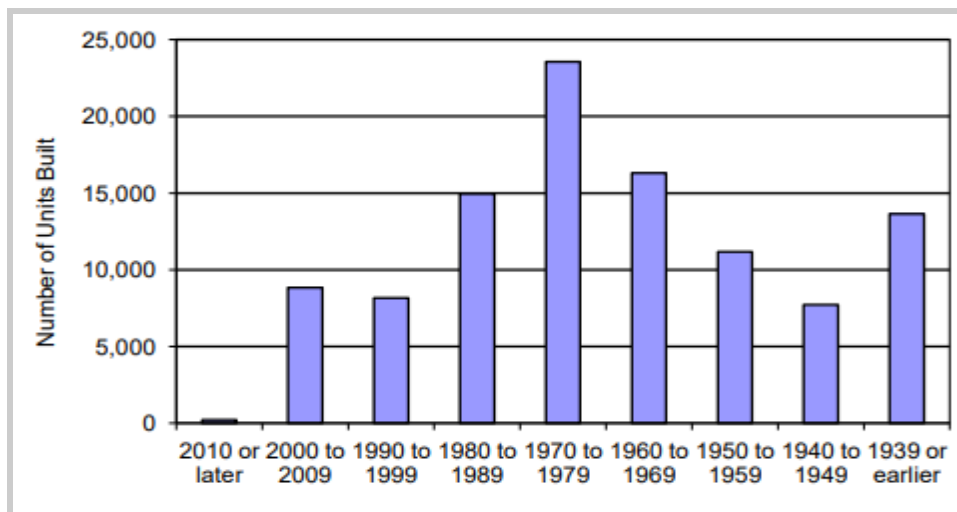


Figure 3. Housing construction in Santa Cruz County by decade built.^[20]

The population of UCSC and Santa Cruz County in general continued to grow despite the slow pace of housing construction. The cost of housing continued to rise making it difficult first for low income workers and, eventually, for middle income workers to afford to live in Santa Cruz County municipalities.^[8]

What can be done to address housing availability and cost in Santa Cruz County municipalities?

Scope and Methodology

In this investigation the Santa Cruz County Civil Grand Jury examined key elements in providing affordable housing for middle class workers in Santa Cruz County, those that earn more than \$35,000/year but less than \$100,000/year. It focused on answering the following questions:

- What affordable housing options are available in Santa Cruz County to support middle class workers?
- Are employers offering housing support to their employees?
- What can local city and county planning departments do to provide more housing for these workers.?
- What changes are needed in the planning and permit process to make it easier to build more workforce housing in our cities and unincorporated areas?
- How can local jurisdictions leverage recent State of California bills and initiatives to encourage more housing here?
- How can local agencies work together to help support housing for local workers?
- What changes are needed to plan for the future housing needs of our workforce?
- What is UCSC doing to help house its students, faculty and staff?

During this investigation the Jury interviewed county planners from each of the four cities, Capitola, Santa Cruz, Scotts Valley and Watsonville, and the County of Santa Cruz. It also interviewed community members who were housing advocates as well as those who were housing skeptics. It collected information from Civil Grand Jury investigations in Santa Clara County, Marin County and Santa Barbara County. It asked some employers for information regarding employee hiring and retention. It examined the new state housing laws and the 2015 Housing Elements for each of the 5 municipalities in the county. Members attended municipal planning meetings and community meetings regarding proposed housing developments and read numerous articles regarding housing from a variety of local news sources.

Investigation

Examination and Summary of New California Housing Laws

The Santa Cruz County Civil Grand Jury began its investigation by examining the new California housing laws that have been passed during the last few years in an effort to galvanize cities and counties into building more housing. California passed a series of laws to boost housing production beginning in 2017 in an effort to:

- Streamline the building of new homes
- Break down barriers to build more affordable housing
- Address systematic bias by elevating fair housing principles
- Hold governments more accountable to approve housing construction

The more well-known laws include:

- Senate Bill 9 (SB9) signed in 2022 which allows ministerial approval to convert homes into duplexes and split lots to allow up to 4 units on a lot.
- SB10 which allows “up to 10 dwelling units on any parcel within a transit-rich area or an urban infill site.”
- SB290 which ‘grants bonuses, concessions, waivers and parking reductions to projects with qualifying affordable housing.’^[21] Usually market rate allows for only 20% affordable units. A builder can qualify for more than 20% affordable units (density bonus) by meeting some of the criteria for SB290.
- Nonprofit Housing Organizations can qualify for increased density bonuses when purchasing a property under SB728.^[21]
- Other laws that make it easier to construct Accessory Dwelling Units (ADUs).

The laws that much of the public has already heard about are the laws that permit zoning changes to allow up to 10 units per residential lot (SB10) and the laws that permit cities to ease the process for building ADUs.^[22] The streamlined process for building ADUs has been popular, and many cities, particularly Capitola with less buildable land, have encouraged the construction of ADUs.^[23] The City has even provided building code approved plans for construction.^[24] While the Capitola guidelines state that ADUs cannot be used as vacation rentals, it is unknown whether or not those guidelines are enforced.^[24]

One of the most important laws that was passed was SB330 in 2019, later extended by SB8, that limits the ability of local municipalities to prolong the housing application process through repeated hearings and shifting requirements. Many people may have seen the term “objective standards.” SB35 passed in 2017 and clarified by AB1174 in 2021, allows for streamlined approval of a housing project that meets a set of objective standards for zoning, subdivision and design review.^[21]

See [Appendix B](#) for more detailed information about relevant Housing Laws

Housing Elements, AMI and RHNA ... What Does That Mean?

Not only have there been dozens of new state laws designed to increase housing production, but California has also required that every municipality (cities and counties) meet specific housing goals.^[25] Every eight years since 1969, California has required cities and counties to submit detailed Housing Element plans that show how they would accommodate the building of a number of homes across a range of affordability levels. For years, most communities, including many of those in Santa Cruz County have paid very little attention to the Housing Element.^{[26] [27]}

That all changed with the passage of the new housing laws. Beginning with the 2015-2022 Housing Element, municipalities were required to build a specific amount of housing for each income level calculated as a percentage of the Area Median Income (AMI). Figure 4 below shows the calculated income level for each category in Santa Cruz County.

SANTA CRUZ COUNTY INCOME LIMITS FOR STATE PROGRAMS					
Effective Date:		April 26, 2021			
Area Median:		\$111,900			
Number of Persons in Family	Extremely Low 30% of Median	Very Low 50% of Median	Low 80% of Median	100% of Median	120% of Median (Moderate)
1	29200	48650	78050	78350	94000
2	33400	55600	89200	89500	107450
3	37550	62550	100350	100700	120850
4	41700	69500	111500	111900	134300
5	45050	75100	120450	120850	145050
6	48400	80650	129350	129800	155800
7	51750	86200	138300	138750	166550
8	55050	91750	147200	147700	177300
9	58400	97300	156100	156650	188050
10	61700	102850	165050	165600	198800
11	65050	108450	173950	174550	209550
12	68400	114000	182900	183500	220300

Figure 4. Calculated income category levels for 2021 in Santa Cruz County.^[28]

Based upon this chart from 2021, a family of four would be considered moderate income if they earned \$134,300/year, median income if they earned \$111,900/year, low income if they earned \$111,500/year, very low income if they earned \$69,500/year and extremely low income if they earned \$41,700/year.

The Regional Housing Needs Assessment (RHNA) is determined by the California Department of Housing and Community Development (HCD) for each major metropolitan area based upon the AMI for the area and the projections for population growth and additional housing that would be needed over each 8 year period. Santa

Cruz County is part of the Association of Monterey Bay Area Governments (AMBAG). Our area is in the final year of the 5th Housing Element Cycle, and area municipalities are beginning to work on the 6th Housing Element Cycle due December 31, 2023.

So...how are we doing? The Jury's interviews with the different planning directors and housing advocates in our community show some clear signs of progress, and a lot of room for improvement. In the 5th Housing Element Cycle, AMBAG cities in Santa Cruz and Monterey Counties were expected to permit roughly 10,430 housing units from January 2014 to December 2023. The snapshot from September 3, 2021 below shows the progress of Santa Cruz, Watsonville, unincorporated Santa Cruz County, Capitola and Scotts Valley towards that goal.^[29]

See [Appendix A](#) for more information on 5th Housing Cycle progress

As of last year, only the City of Santa Cruz^[30] is on track to meet the RHNA goals for housing during the 5th Housing Element Cycle, and the City of Watsonville^[31] will come close.^{[32][33]} Scotts Valley and Capitola made almost no attempt to build housing for low income or extremely low income workers. Santa Cruz County has approved zoning changes to support construction of mixed use projects along Portola Drive.^[34]

Last spring, the state of California set the housing goals for each region. AMBAG, our region, set the 6th Housing Element construction goals for each local municipality. Those goals have **quadrupled** from the previous 5th Cycle goals, which most municipalities did not meet as of May, 2022.^[35]

The draft goals for housing development from Dec. 31, 2023 to Dec. 15, 2031 are outlined below by jurisdiction followed by their progress towards the 5th Element goals as reported in May, 2022.^[35]

City of Capitola

- 1,336 new homes are targeted to be built by 2031. More than half of the new homes would be required to be affordable for people with “low” or “very low” incomes. Income limits are set by the state. The new housing construction goal is more than nine times Capitola's current goal.
- The current goal—which the City has not met—calls for Capitola to permit 143 new homes between Dec. 31, 2015 and Dec. 31, 2023. The City has permitted 53 homes in that period. Planners have issued one of 34 required permits for “very low income” units and zero of 23 required permits for “low income” units.

City of Watsonville

- 2,053 new homes are targeted by the end of 2031, including 469 affordable units for people with “low” or “very low” incomes. That's nearly three times Watsonville's current goal, which the City has not met.
- Since Dec. 31, 2015, Watsonville has issued 302 of 700 permits required by the end of 2023. To meet the current goal, the City must permit 148 “very low income” units, 100 “low income” units, 113 “moderate income” units and 37 market-rate units by the end of 2023.

City of Scotts Valley

- 1,220 new homes are targeted by the end of 2031, including 649 affordable homes for people with “low” or “very low” incomes. That goal is nearly nine times Scotts Valley’s current goal, which the City has not met. Since Dec. 31, 2015, Scotts Valley has issued 18 of 82 permits for “moderate,” “low” and “very low income” units required by the end of 2023. The City has exceeded the state’s goal for market-rate unit development.

City of Santa Cruz

- 3,736 new homes are targeted by 2031, including about 1,400 affordable homes for people with “low” or “very low” incomes. That goal is five times Santa Cruz’s current goal.
- The City must still permit 123 of 180 required permits for “very low income” affordable units by Dec. 31, 2023 to meet its current RHNA goals. Santa Cruz has exceeded state development goals for market-rate and affordable units for other income categories.

Unincorporated areas of Santa Cruz County

- 4,634 new homes are targeted by 2031, including 1,492 affordable units for people with “very low” incomes. unincorporated Santa Cruz County includes the San Lorenzo Valley, the North Coast, Live Oak, Aptos, La Selva Beach, Freedom and other areas. That goal is about three times the area’s current goal, which has not been met.
- The County of Santa Cruz must issue 335 permits for “very low” and “low income” units and 267 permits for market-rate units by the end of 2023 to meet the state’s goal.

The Santa Cruz County Civil Grand Jury’s research has found that all Santa Cruz County municipalities are aware of the new state housing laws as well as the new RHNA housing allocations, although there is some disagreement about feasibility. It found much agreement with the need to construct more housing as well as the desire to do so within the existing urban areas rather than expanding into existing green spaces. Urban areas are closer to jobs and transportation hubs and less costly to maintain roads and utilities compared to areas like the Santa Cruz Mountains.^[27]

Most county municipalities have already identified properties along transportation and urban corridors and made the necessary zoning and building code changes to build more housing. Figure 5 below is hard to read, but it shows the areas in pink that the County of Santa Cruz has designated for more housing. Note that the County is only proposing housing (pink areas) in the center of the County, the area where many jobs are located.

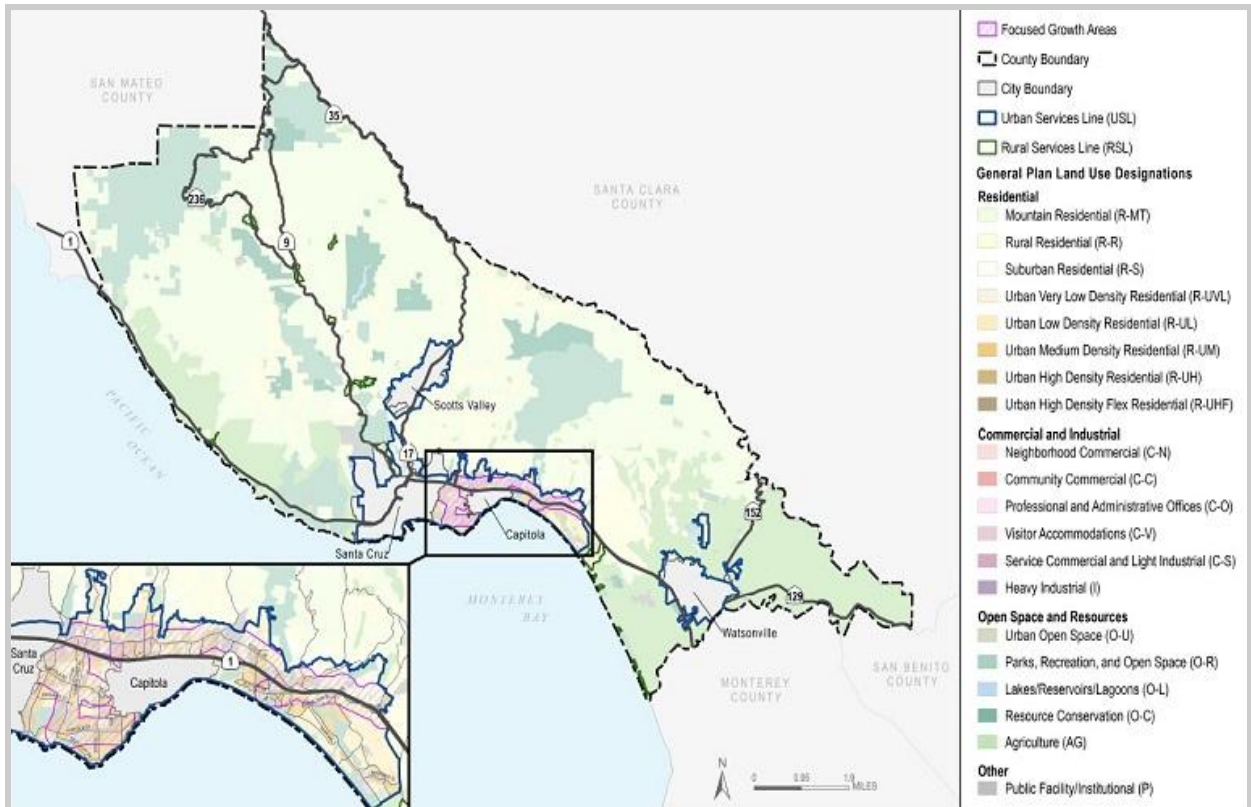


Figure 5. Santa Cruz County Focused Growth Areas 2020 – 2040.^[36]

How is Santa Cruz County Reacting to the New Laws?

Nearly 8 years have passed since our local municipalities submitted their 5th Housing Element Cycles, and as we approach the submission of the 6th Housing Element Cycle, housing costs continue to rise steeply, pricing even more middle income workers out of the housing market.

School districts are actively looking for ways to house workers. By using district owned land, districts can reduce the cost of rent for their teachers and classified workers. Los Gatos Union School district has recently completed a housing complex.^[37] Live Oak School District has proposed construction of teacher housing,^[38] and the Santa Cruz City School District has successfully passed a bond measure to construct housing on one of its properties.^[39] Figure 6 below is an artist’s rendering of what the Santa Cruz City Schools housing might look like.



Figure 6. Renderings of 80 units of workforce housing for Santa Cruz City Schools, located on a parcel of land owned by the district off of Swift Street on the Westside, near the old Natural Bridges Elementary School campus. (via Santa Cruz City Schools^[39])

Pajaro Valley Unified School District is looking at a similar bond measure in south county to finance employee housing.^[11] Peace United Church on the westside of Santa Cruz is proposing a 40 unit housing project on their land.^[40]

County municipalities are responding as well:

- Santa Cruz County has rezoned part of Portola Drive near 41st Avenue for mixed use housing that combines ground floor businesses with apartments above.
- There is more housing construction in Aptos Village.^[36]
- Watsonville has continued to build housing in recent years, pursuing joint housing projects with the county planners and non-profits. The City has a rehabilitation program for existing houses.^[32]
- Capitola has eased requirements for ADUs.^[41]
- Scotts Valley just approved a mixed use housing development.^[42]
- The City of Santa Cruz has taken a lead in housing production within the City's urban core, beginning the construction of multi-story apartment complexes.^[43]
- Santa Cruz City has passed a measure to construct a mixed use project that includes a new library, low income housing, a day care center and parking.^[44]

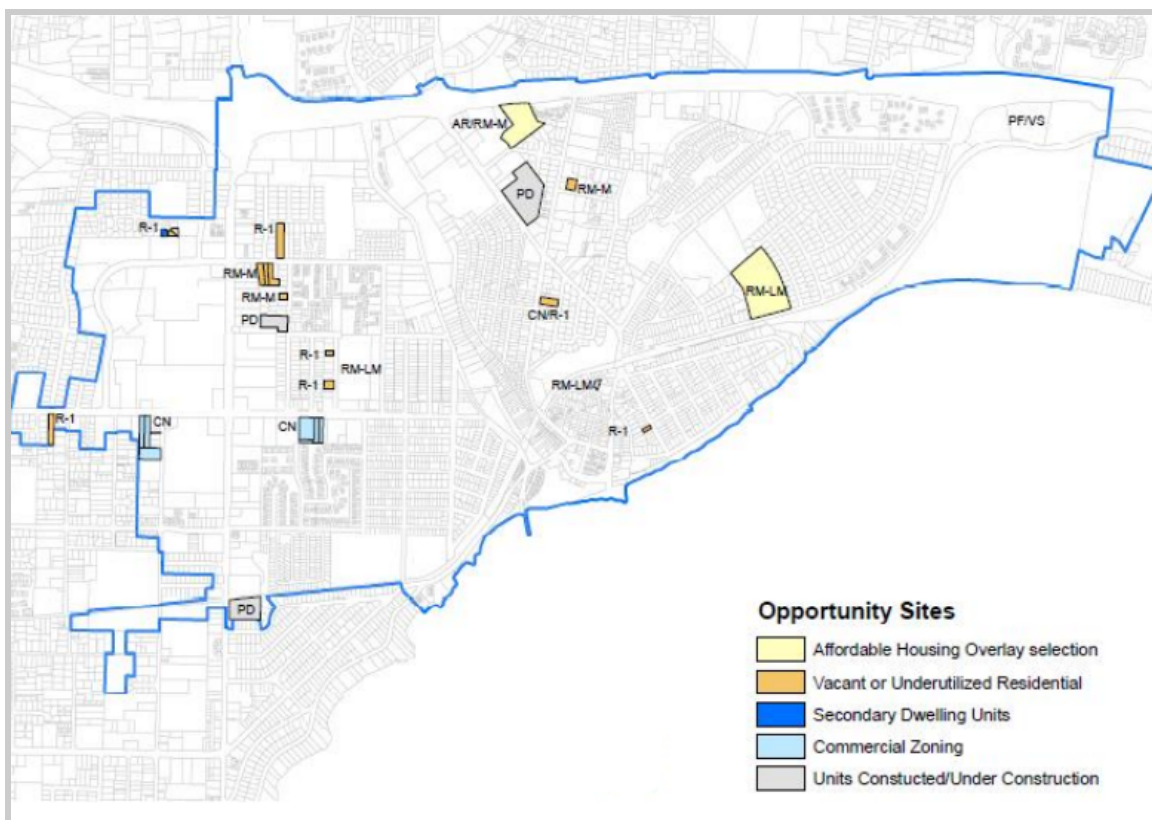


Figure 7. City of Capitola showing areas identified as buildable parcels.^[45]

Capitola claims to be mostly built out, although it has identified some areas in which to build housing, as shown in Figure 7 above. The small City has chosen instead to focus on ADUs as additional housing.^[41] Capitola has not added low income housing.^[29] Scotts Valley has also added very little low income housing. A proposed rule by the U.S. Department of Housing and Urban Development (HUD) called Affirmatively Furthering Fair Housing (AFFH)^[46] may make it mandatory under the Fair Housing Act of 1968^[47] to “proactively take meaningful actions to overcome patterns of segregation, promote fair housing choice, eliminate disparities in opportunities, and foster inclusive communities free from discrimination.”^[46] Scotts Valley and Capitola need to do their part to add more low income housing in our County.

The areas that the City of Santa Cruz has designated for multi-use zoning, including multi-story housing, are shown in Figure 8 below. The letters, colors and legend indicate the location and size of each identified parcel. There is a redesign of the bus station in the works that includes multi story housing, and a possible collaboration with the Santa Cruz Warriors to construct a permanent arena and housing in the south end of the urban area.^{[48] [49]}

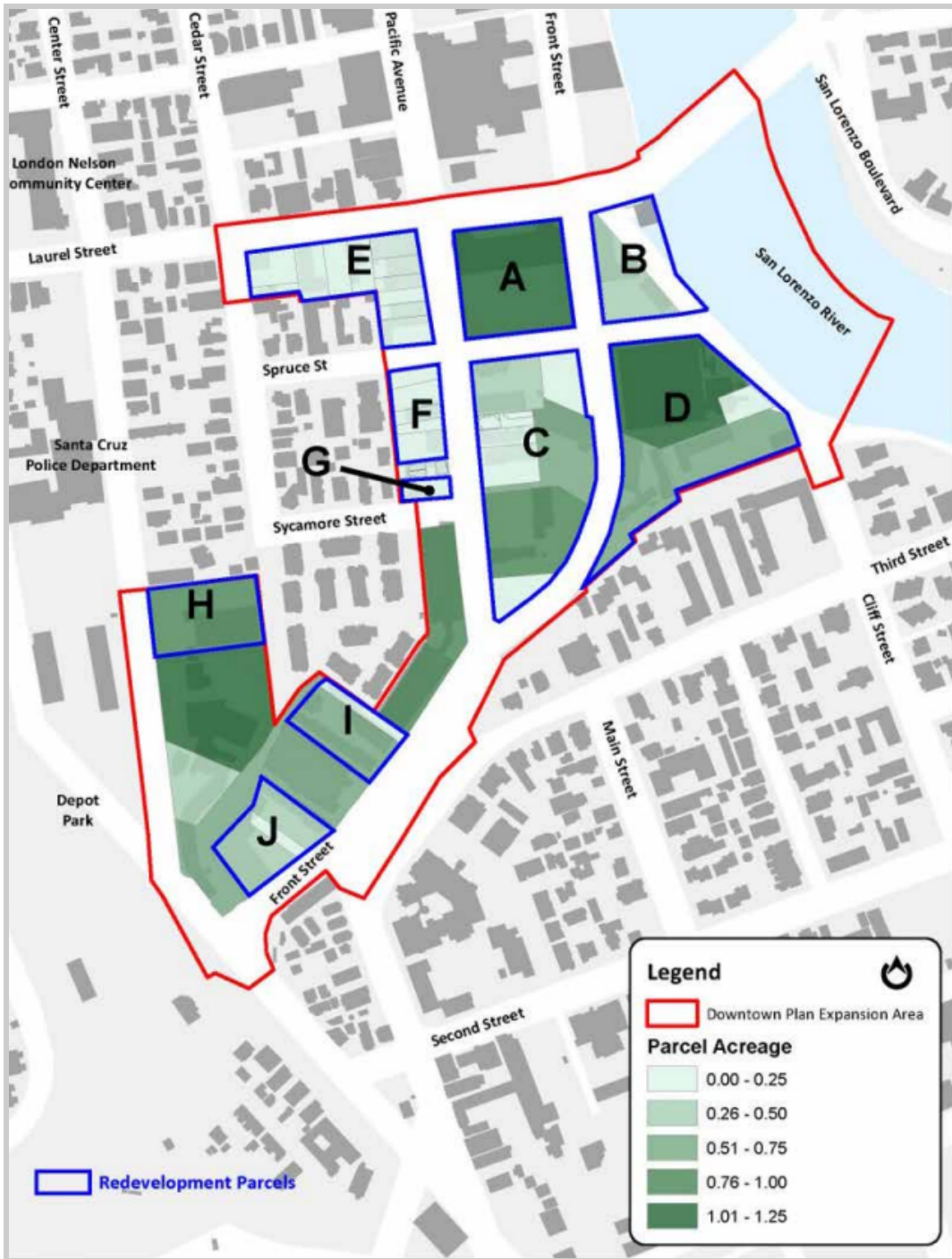


Figure 8. Areas that the City of Santa Cruz has designated for multi-use zoning, including multi-story housing.^[49]

Housing Laws: Opposition and Support

NIMBY and CEQA in Santa Cruz

Santa Cruz has had a no-growth mindset for over 40 years.^[19] That mindset, “Not in My Back Yard,” often referred to as NIMBY, still exists, and it is hard for members of the community to envision housing as anything other than neighborhoods of single family homes. Many homeowners rely on rising property values to build wealth, and resist new developments which might impact them. Changing zoning to allow duplexes and apartments within a single family home neighborhood is a rude awakening, but so is the construction of high rise apartments in downtown Santa Cruz. Removing existing buildings will displace tenants for years while new housing is built.^[50] Citizens and local organizations in Santa Cruz have tried to use elements of the California Environmental Quality Act (CEQA) to fight housing developments. The most recent example is a lawsuit filed against UCSC by a group called Habitat and Watershed Caretakers to try to stop the construction of additional student housing on campus. A judge recently ruled in favor of the university, but the lawsuits have held up the construction approval process for two years.^{[51] [52]}

California Cities Ignore RHNA Allocations at Their Own Peril

For California communities that have ignored the need to build more housing for years, the newest RHNA allocations have come as a shock. Some have ignored the mandate or continued to place roadblocks in the way of builders.

- The town of Woodside tried to have their entire town designated as a mountain lion habitat to avoid building duplexes (SB9) prompting a swift response from California Attorney General Rob Bonta.^[53]
- The City of Orinda tried to designate unbuildable slivers of land as the sites for affordable housing.^[54]
- Santa Monica, which approved the construction of only 1,600 homes in the last eight years, is the first City to be subjected to “builders remedy” based on a 1990 law called the Housing Accountabilities Act (HAA).

Santa Monica failed to adopt a Housing Element and under the HAA residential zoning was suspended, freeing builders to design any housing project they wanted without needing City approval. Within one week developers officially filed plans for 4,797 homes.^[55] The same thing could happen in Palo Alto.^[56] Several Bay Area cities did not file their 6th Housing Element Cycles and RHNA allocation plans by the January 31, 2023 deadline,^[57] and three pro-housing groups have already filed lawsuits against eleven cities for failing to take significant steps to prepare for more housing.^[58]

Support for Housing Laws and YIMBY in Santa Cruz

There is no question that the new RHNA housing allocations for the 6th Housing Element Cycle are daunting. As Figure 9 below shows, the amount of housing that Santa Cruz municipalities will need to construct in the next 6-7 years is much higher than in the previous cycle.

Region	Income Group Totals				RHNA
	Very Low	Low	Mod.	Above Mod.	Total
Santa Cruz County	7,868	5,146	6,167	14,093	33,274
Capitola	430	282	169	455	1,336
Santa Cruz	859	562	709	1,606	3,736
Scotts Valley	392	257	154	417	1,220
Watsonville	283	186	521	1,063	2,053
Unincorporated Santa Cruz	1,492	976	586	1,580	4,634

Figure 9. Number of housing units for each income group needed to be built by each Santa Cruz municipality, extracted from the tables in the AMBAG RHNA Plan.^[59]

It is especially difficult to construct Low Income and Extremely Low Income housing in this community due to the price of land and cost of construction. Builders claim that it is not financially profitable to include more than 20% affordable units in normal market-rate construction^[60], and the majority of middle class workers cannot afford market rate housing. The housing market is actually upside down...only about 20% of the population can afford market rate housing, and 80% of the population needs more affordable units.^[2] All cities and the County of Santa Cruz need to find ways to increase the number of affordable housing units in new construction.

The University of California at Santa Cruz (UCSC) is a large contributor to the need for more affordable housing.^[61] The university is already a large contributor to the scarcity and cost of housing, as it only houses about 9,300 students or 50% of the student population, and the campus is expected to grow to a total of 28,000 students in coming years.^[62] The local preference guidelines considered by many Santa Cruz County cities, would also benefit UCSC students who would be competing with the local workforce for less expensive housing. Cabrillo College and UCSC have embarked on their first ever collaboration to construct student housing on the Cabrillo campus.^[63] They are applying jointly for a California grant to cover the cost.^{[64] [65]} More collaborations between the university and local agencies would be beneficial in constructing housing that will benefit all.

The cities of Santa Cruz and Watsonville have taken steps to build higher density, more affordable housing in their downtown areas.^[66] Pro-housing groups such as Housing Santa Cruz County, and Yes In My Backyard (YIMBY) have organized in Santa Cruz County municipalities to advocate and provide more vocal support for affordable housing^[67]. Opposition to housing growth still exists, but reactions to housing proposals are more constructive.^[68] Public comments to projects show an understanding of the need for more housing, especially low income housing, in our community.^{[69] [70]} There is support for mixed use housing along urban corridors, and while residents are

somewhat daunted by multi-story buildings above 4 stories, there is acknowledgement that urban downtown areas are a better place to build than expanding into the coastal zone, hillsides or green spaces.^{[27] [71]} including the Santa Cruz mountains. Santa Cruz municipalities recognized this during the 5th Housing Element as their maps show, making zoning changes and identifying housing sites only in the urban areas.^{[29] [36] [49] [72]}



Figure 10. BDE Architecture’s revised rendering of the proposed five-story 351-unit housing complex on the 900 block of Ocean Street.^[73]

As Figure 10 shows, the proposed 351-unit apartment building for the 900 block of Ocean Street is large and multi-story. It is also a good illustration of the public perception and concerns about the size of housing needed to meet the demand in Santa Cruz. It is huge, beginning next to Marianne’s Ice Cream and continuing all the way to Togo’s. Public comments at a recent meeting included concerns about the height and size, a desire for the architecture to fit into the small town look of Santa Cruz and relief that a much nicer looking building would replace the vacant lots and dilapidated houses that make up that block.^[74] The public offered constructive criticism instead of automatic opposition. More multi-unit projects are moving through the planning process in Santa Cruz.

Conclusion

There is no doubt that the small, charming coastal City of Santa Cruz and the surrounding county municipalities are going to have to change. We can no longer ignore the fact that our highways and city streets have become gridlocked; rents and housing prices are beyond the reach of most; and many businesses are unable to find and keep the employees that they need. School enrollment is dropping as families move away to

find more affordable places to live, and businesses are moving to other locations. Perhaps the state laws and high housing goals are unattainable, but living in an area that only the wealthiest can afford is untenable without access to the businesses and services that all communities expect. It is too early to tell if it is possible to build all of the housing that the state demands, but it is undeniable that more housing, especially more affordable housing, needs to be built for the essential workers in Santa Cruz County. If that affordable housing is built near jobs and along transportation corridors, it will also alleviate traffic gridlock.

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.
- 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.
- F3.** The County of Santa Cruz has identified several sites for higher density housing, identified sites along transportation corridors for housing and changed zoning laws to allow more mixed use developments, however in the past several years, few low income homes have been built or approved.
- F4.** Capitola has made little progress towards achieving housing goals, particularly for low income housing. Although the City identified sites for mixed use developments, they have made little progress towards developing those sites.
- F5.** Capitola has focused primarily on streamlining the construction of ADUs as a means to increase housing. However, there is little evidence that ADUs are prioritized for rental to local workers, and there is little chance that ADUs alone can meet the housing needs for the 6th Cycle Housing Element.
- F6.** Capitola and the County of Santa Cruz need to work together to facilitate significant housing in the mid-county area where a large percentage of jobs are located.
- F7.** The City of Capitola has made little progress towards facilitating the development of the Capitola Mall as a mixed use project which could accommodate both business and housing.
- F8.** The City of Capitola claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.
- F9.** The City of Scotts Valley has facilitated the building of market rate housing in recent years, but has made little effort to develop housing for low income workers.

- F10.** The City of Scotts Valley has made little progress towards developing the Town Square project which could accommodate both business and housing.
- F11.** The City of Scotts Valley claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.
- 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.
- 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.

Recommendations

City of Capitola:

- R1.** By the end of 2023 the City of Capitola should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for **all** income levels, especially low income housing. (F4 – F6, F8)
- R2.** By the end of 2023 the City of Capitola should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F4, F6 – F8)
- R3.** By the end of 2023, the City of Capitola should demonstrate a plan to work with the County of Santa Cruz as well as other for profit and non-profit agencies to develop housing close to transportation corridors along Hwy 1 and 41st Avenue. (F6, F7, F13)
- R4.** By the end of 2023 the City of Capitola should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of ADUs as well as low income housing. (F12)
- R5.** By the end of 2023 the City of Capitola should demonstrate that they have reestablished regular meetings of a workgroup or entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

City of Scotts Valley:

- R6.** By the end of 2023 the City of Scotts Valley should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for **all** income levels, especially low income housing. (F9)

- R7.** By the end of 2023, the City of Scotts Valley should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F10)
- R8.** By the end of 2023, the City of Scotts Valley should demonstrate a plan to work with other county municipalities as well as other for profit and non-profit agencies to develop low income housing for workers in the City. (F9 – F11)
- R9.** By the end of 2023 the City of Scotts Valley should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)
- R10.** By the end of 2023 the City of Scotts Valley 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)

County of Santa Cruz:

- R11.** By the end of 2023 the County of Santa Cruz should demonstrate progress towards identifying sites and planning for increased housing along the transportation corridors in mid-county. (F6)
- R12.** By the end of 2023 the County of Santa Cruz should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)
- R13.** By the end of 2023, the County of Santa Cruz should demonstrate a plan to work with other county municipalities as well as other for profit and non-profit agencies to develop low income housing for workers in the county, (particularly on properties such as the old drive-in theater acreage which is adjacent to transportation corridors. (F3, F6)
- R14.** By the end of 2023, the County 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)
- R15.** By the end of 2023 the County 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)

City of Santa Cruz

- 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)
- 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)

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)

City of Watsonville:

R19. By the end of 2023 the City of Watsonville 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)

R20. By the end of 2023, the City of Watsonville should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)

Commendations

C1. By acquiring and using City owned property, and seeking State grants and other outside funding, Santa Cruz is developing projects that are more affordable for tenants. With projects already underway and in the pipeline, Santa Cruz is on track to meet its 5th Cycle Housing goals, though the 6th cycle will present a larger challenge.

C2. The City of Watsonville has continued to build housing during the years when other municipalities were not. They have collaborated well with non-profits and Santa Cruz County to build housing at all affordability levels.

C3. All county municipalities have made a concerted effort to identify housing sites in the urban corridors in order to preserve the local coastal zones, mountains and green spaces in the rest of the County.

C4. County school districts, Peace United Church, Cabrillo College and UCSC are working collaboratively to design and build affordable housing for teachers, staff and students.

Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Board of Supervisors	F1, F3, F6, F12, F13	R11 – R15	90 Days August 31, 2023
Capitola City Council	F1, F4 – F8, F12, F13	R1 – R5	90 Days August 31, 2023
Santa Cruz City Council	F1, F2, F12, F13	R16 – R18	90 Days August 31, 2023
Scotts Valley City Council	F1, F9 – F13	R6 – R10	90 Days August 31, 2023
Watsonville City Council	F1, F12, F13	R19, R20	90 Days August 31, 2023

Invited Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Assistant Director, Santa Cruz County Community Development	F1, F3, F6, F12, F13	R11 – R15	90 Days August 31, 2023
Director, Capitola Community Development	F1, F4 – F8, F12, F13	R1 – R5	90 Days August 31, 2023
Director, Santa Cruz Community Development	F1, F2, F12, F13	R16 – R18	90 Days August 31, 2023
Director, Santa Cruz Economic Development	F13	R17	90 Days August 31, 2023
Director, Scotts Valley Community Development	F1, F9 – F13	R6 – R10	90 Days August 31, 2023
Director, Watsonville Community Development	F1, F12, F13	R19, R20	90 Days August 31, 2023

Definitions

Accessory Dwelling Unit: Accessory dwelling units (ADUs) are also known as “in-laws” or “granny-flats.” The legislature greatly expanded homeowners' ability to add ADUs in a series of laws from 2016-2019, and now 1 in 5 new homes built in California are ADUs.

Affordable Housing: When used by city staff and consultants, the term “affordable

housing" refers to housing that is available at rents and prices below the market rate, usually defined relative to the income level of residents. This form of housing typically receives some form of government subsidy to keep rents low and residents must qualify to rent or buy the units based on their household income.

Affirmatively Furthering Fair Housing (AFFH): State and local governments must not only outlaw housing discrimination, they must also proactively work to eliminate discriminatory practices and reduce segregation. All Housing Element revisions adopted after 1/1/21 must include an AFFH analysis: addressing significant disparities in housing needs and in access to opportunity, including more investments in higher income areas.

Affordability density bonus: A density bonus provides an increase in allowed dwelling units per acre (DU/A), Floor Area Ratio (FAR) or height which generally means that more housing units can be built on any given site. Typically programs allow increases of **between 10 percent and 20 percent over baseline permitted density** in exchange for the provision of affordable housing.

AMBAG: As the Council of Governments for Santa Cruz County and Monterey County, AMBAG holds responsibility for regional housing needs allocation (RHNA) for our region.

Area Median Income(AMI): A value determined on an annual basis by the US Department of Housing and Urban Development that represents the household income for the median household in a specified region.

Builders Remedy: The builder's remedy requires cities without a compliant housing plan to approve any housing project that meets affordability requirements of reserving 20% of homes for low-income households or 100% for moderate-income households. Specifically, if a California city does not have a "substantially compliant" housing element, the California Housing Accountability Act indicates that the jurisdiction cannot use its zoning or general plan standards to disapprove any housing project that meets the affordability requirements.

CEQA: California Environmental Quality Act (CEQA), intended to preserve the environment, has been blamed for worsening the state's housing crisis. The lengthy and costly environmental review process required under CEQA, even for housing that complies with local General Plans and zoning codes and the hundreds of applicable environmental, health, safety, and labor laws and regulations, can derail projects. Even after new housing is finally approved, any party can file a CEQA lawsuit seeking to block the housing for "environmental" reasons, resulting in costly, multi-year delays. Recent State legislation seeks to exempt certain affordable housing projects from CEQA review.

Density Bonus: For more than forty years, California's Density Bonus Law has been a mechanism to encourage developers to incorporate affordable units within a residential project in exchange for density bonuses and relief from other base development standards (e.g. setback rules, parking spaces). Under the Density Bonus Law, developers are entitled to a density bonus corresponding to specified percentages of units set aside for very low income, low-income, or

moderate-income households.

General Plan: A General Plan is a broad, long-range policy document that guides future development, transportation, and conservation. It is a comprehensive collection of goals and policies related to a multitude of aspects of community life. In California, cities and counties are required by State law to have a General Plan. It is the local government's long-term blueprint for future development. Pursuant to State law, the General Plan must accommodate the required amount of projected population growth the State of California estimates for each city.

Essential Workers: Those workers who are necessary to ensure continuity of functions critical to public health, safety and well being as well as economic security.

Fair Housing Act: Part of the Civil Rights Act of 1968, it guarantees the right to housing and prohibits discrimination in housing.

HCD: California Department of Housing and Community Development (HCD) that develops housing policy and building codes and administers community development programs.

Housing Element: A Housing Element is a local plan, adopted by a city, town or county that includes the goals, policies and programs that direct decision-making around housing. Local jurisdictions look at housing trends, zoning and market constraints, and evaluate various approaches to meeting housing needs across income levels. Every eight years, every city and county must update their Housing Element and have it certified by the California Department of Housing and Community Development. All jurisdictions in Santa Cruz County must update their Housing Element for the 2023-2031 planning period.

HUD: U.S. Department of Housing and Urban Development

Income Limits: are one of the determining factors in determining eligibility for housing assistance. Definitions are set for Very Low, Low, and Moderate income and are determined by the gross household income and household size.

Inclusionary Zoning (IZ): also known as inclusionary housing, is a policy that requires a share of new housing development to be affordable to low- or moderate-income households. By including affordable housing in a market-rate housing development, inclusionary housing policies promote mixed-income development projects.

Local Preference: The right or opportunity to select a person from an identified target group that is considered more desirable than another in a constituency, city, urban area or county.

Market-rate housing: Residential units that are rented and sold at market rates, not subjected to sales or rental restrictions, and not typically benefiting from any public subsidy intended to change rental rates or sale prices.

Ministerial approval: A streamlined permit process for development approval involving little or no personal judgment by the public official. As opposed to "Discretionary review process" that allows for public hearings which brings a lot of

uncertainty and months or years long approval process, Ministerial approval is as short as 90 days.

Municipalities: Municipalities is used in this document to refer to the 4 cities, Capitola, Santa Cruz, Scotts Valley and Watsonville and the County of Santa Cruz together. Santa Cruz County is unique in that a large proportion of the population (above 40%) lives in unincorporated areas under Santa Cruz County jurisdiction.

NIMBY: Not in My Backyard, a term for people who have a no-growth mindset regarding high density housing in their neighborhoods.

Objective Standards: State law defines objective standards as those that “involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant and public official prior to submittal.” The State of California has adopted legislation requiring cities to approve certain housing proposals through ministerial processes based on objective standards. The result of these laws is to encourage localities to create quicker, more accessible pathways for housing to be built.

Regional Housing Needs Analysis (RHNA): Housing-element law requires a quantification of each jurisdiction’s share of the regional housing need as established in the RHNA-Plan prepared by the jurisdiction’s council of governments. The RHNA is a minimum projection of additional housing units needed to accommodate projected household growth of all income levels by the end of the housing-element’s statutory planning period. Each locality’s RHNA allotment must be segmented into four income categories.

Workforce housing: also known as middle-income or moderate-income housing, is housing for residents typically earning less than 120 percent of the area’s median income. This category often includes first responders, teachers, and government employees, as well as healthcare, construction, and retail workers.

YIMBY: Yes in My Backyard, a term for housing advocates who seek to increase the supply of housing, particularly infill and multifamily affordable housing developments.

Zoning: Zoning is the system of rules that local jurisdictions use to determine how land is used within their boundaries. Land use policy establishes the basic type and intensity of uses permitted under a city’s General Plan for each land use category, such as maximum density for residential development and maximum intensity for commercial or industrial uses. Effective land use policy uses zoning to adapt to changing environmental, social and economic conditions.

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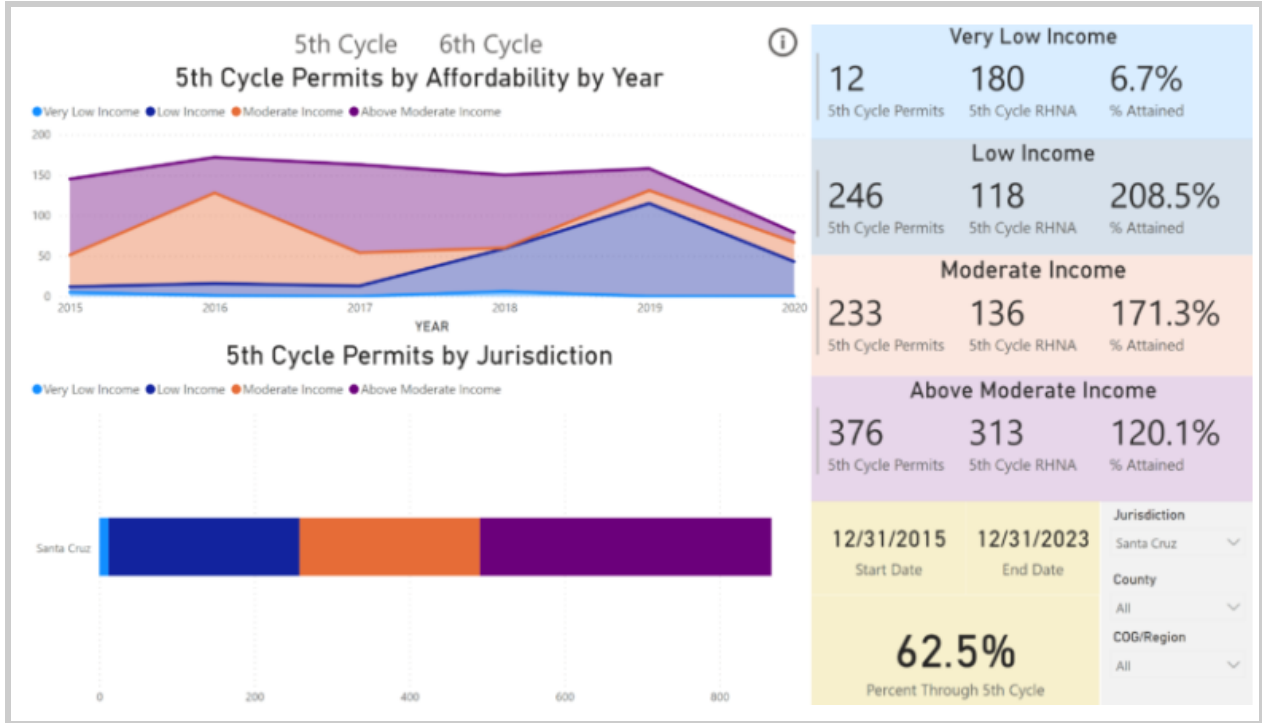
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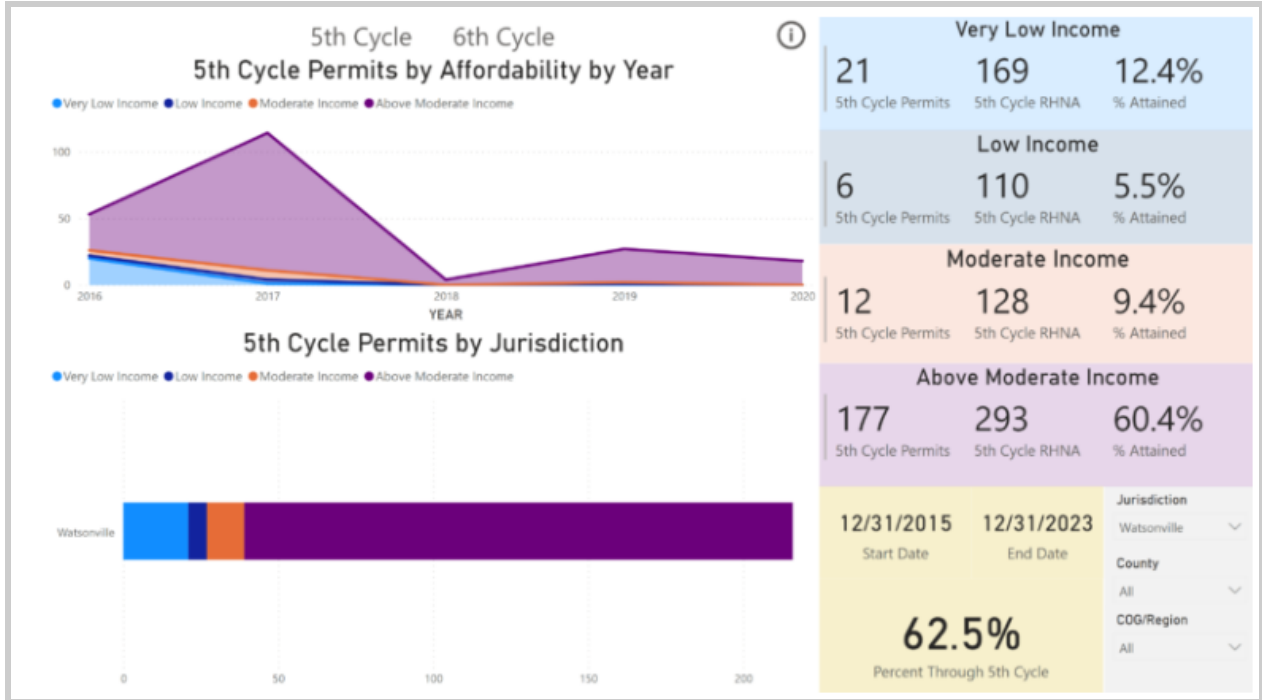
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Appendix A – Progress on 5th Housing Cycle^[29]

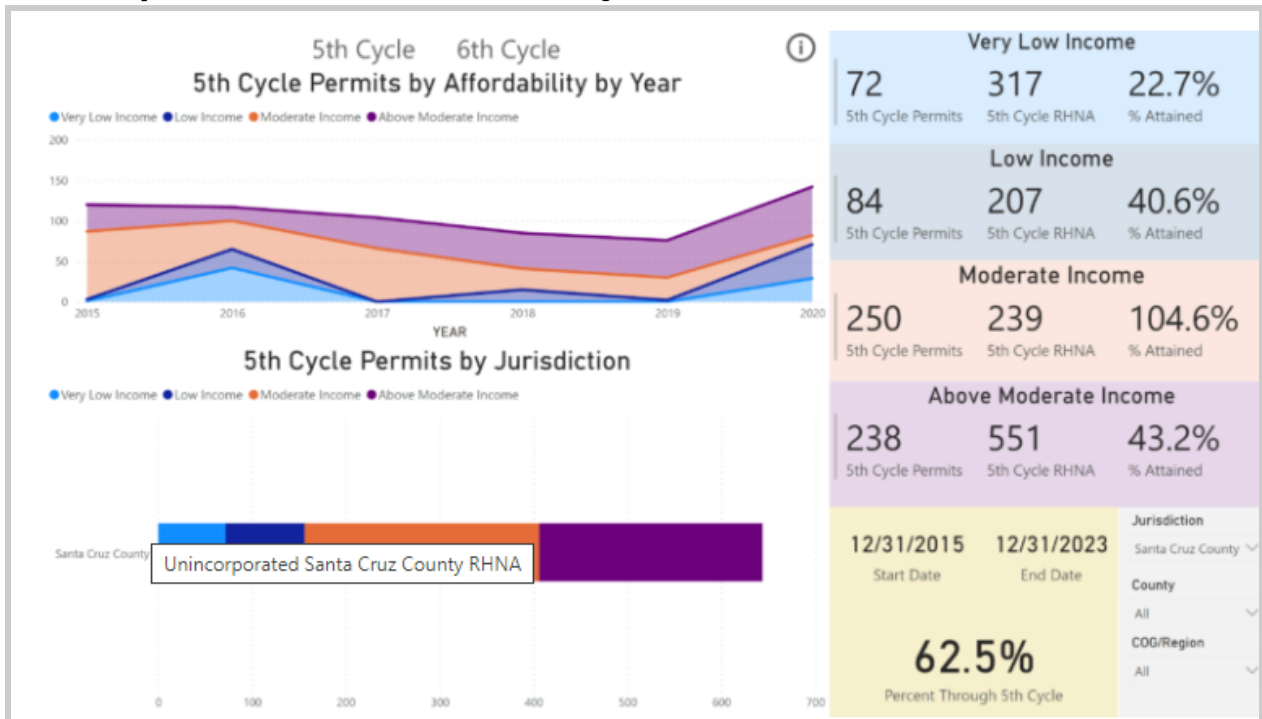
City of Santa Cruz



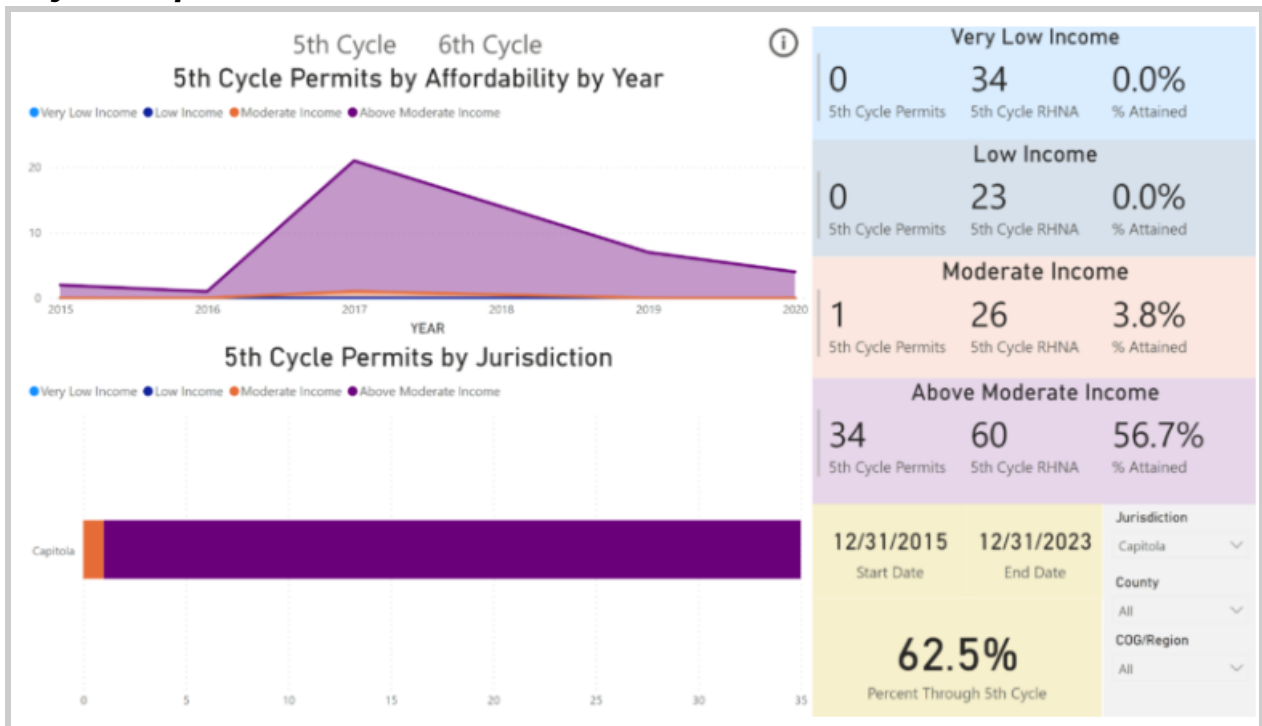
City of Watsonville



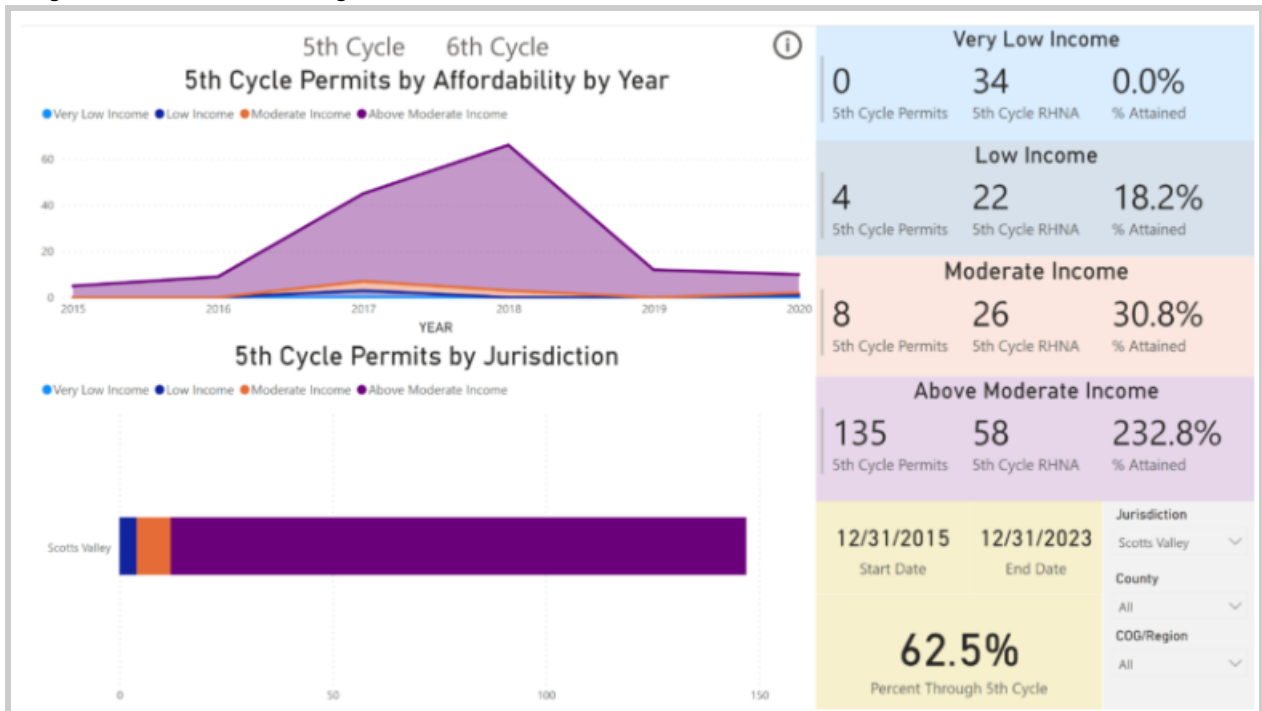
Unincorporated Santa Cruz County



City of Capitola



City of Scotts Valley



Appendix B – Summary of State Housing Laws

The descriptions given below paraphrase the legal definitions found on the California Legislative Information website.^[75] Search for Prop 13 under the “California Law” tab and the rest under the “Bill Information” tab.

Law	Description
PROP 13 (1978)	Under Proposition 13, property tax assessments can increase by no more than 2% each year, and property tax rates are limited to 1% of the assessed value (plus additional voter-approved taxes). After Proposition 13, all California properties—even vacant ones—are taxed based on the original purchase price, not their current value.
SB 35 (2017)	In 2017, Governor Brown signed into law Senate Bill (SB) 35 as part of a package of bills created to address California's housing shortage. This law provides a streamlined review process for eligible multifamily projects in cities and counties that have not built their share of housing to accommodate the region's population growth.
AB 1771 (2018)	AB 1771 revises statutory objectives of RHNA plan to include an AFFH requirement, to address disparities in housing needs and access to opportunity. Also requires improved regional jobs-housing relationship, and allocates lower proportion of housing need to jurisdictions already disproportionately high in any income category.
SB 330 (2019)	SB 330 allows accessory dwelling units and further accelerates the permitting process. Only five public hearings may be called for a housing project. Cities cannot raise fees or change permit requirements if the applicant has submitted all necessary documents. Building standards cannot be changed after submittal, nor can projects be downzoned.
SB 8 (2021)	SB 8 is a follow-up SB 330, which extended the streamlined review process. SB 330 was set to expire in 2025. SB 8 now extends that sunset to 2030. SB 8 also clarifies language in SB 330 to further streamline the creation of housing and protect low-income tenants against displacement.
SB 10 (2021)	SB 10 allows cities to rezone a parcel for smaller developments of up to 10 units and streamline government permitting in urban infill or areas near transit. By enabling cities to increase the density of these lots up to 10 units without triggering an environmental review, this bill makes it easier to build housing.
AB 215 (2021)	AB 215 requires the state to check in with cities and come up with a game plan if they are not on track to meet their RHNA numbers.

Law	Description
AB 2345 (2021)	Amends the Density Bonus Law to expand and enhance development incentives for projects with affordable and senior housing components. Under the Density Bonus Law, developers are entitled to a density bonus corresponding to specified percentages of units set aside for very low income, low-income, or moderate-income households. AB 2345 amends the Density Bonus Law to increase the maximum density bonus from thirty-five percent (35%) to fifty percent (50%).
SB 6 (2022)	SB 6 allows housing to be built in underutilized commercial sites currently zoned for retail, office, and parking uses. SB 6 gives local governments the option for an expedited development process to avoid the property remaining vacant.
SB 9 (9/2022)	SB 9 allows lot splits and/or the development of duplexes on single-family-zoned parcels to be approved ministerially (i.e., without discretionary approval or hearings) if certain requirements are met. Consequently, such projects bypass the California Environmental Quality Act (CEQA) process. Theoretically, this allows for up to four residences where there was historically only one (if an applicant receives ministerial approval for both a lot split and the development of duplexes on each parcel).
AB 2011 (2022)	This legislation allows for ministerial, by-right approval for affordable housing to be built in infill areas currently zoned for office, retail, and parking uses. Also allows such approvals for mixed-income housing along commercial corridors, as long as the projects meet specified affordability, labor, and environmental criteria.



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

Board of Supervisors' Response to 2022-2023 Grand Jury Report--"Housing Our Workers"

Caitlin Smith <Caitlin.Smith@santacruzcounty.us>

Mon, Aug 28, 2023 at 4:18 PM

Good Afternoon,

Please see attached for the Board of Supervisors' response to the findings and recommendations in the 2022-2023 Grand Jury Report, "Housing our Workers—Essential Workers Need Affordable Housing."

Best,

Caitlin C. Smith

County Supervisors' Analyst

Santa Cruz County Board of Supervisors

701 Ocean Street, Room 500

Santa Cruz, CA 95060

831-454-2200 main

831-454-3516 direct

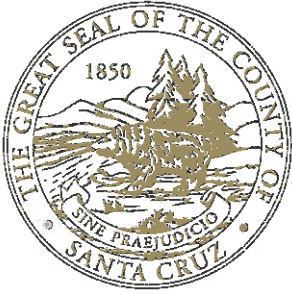
caitlin.smith@santacruzcounty.us

To email all five members of the Board of Supervisors at once,

please use: BoardOfSupervisors@santacruzcounty.us



Board of Supervisors Response--Housing Our Workers.pdf
338K



County of Santa Cruz

BOARD OF SUPERVISORS

701 OCEAN STREET, SUITE 500, SANTA CRUZ, CA 95060-4069
(831) 454-2200 • FAX: (831) 454-3262 TDD/TTY - Call 711

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FIRST DISTRICT

ZACH FRIEND
SECOND DISTRICT

JUSTIN CUMMINGS
THIRD DISTRICT

FELIPE HERNANDEZ
FOURTH DISTRICT

BRUCE MCPHERSON
FIFTH DISTRICT

August 25, 2023

The Honorable Syda Cogliati
Santa Cruz Courthouse
701 Ocean Street
Santa Cruz, CA 95060

**RE: Response to the 2022-2023 Grand Jury Report “Housing Our
Workers—Essential Workers Need Affordable Housing”**

Dear Judge Cogliati:

The purpose of this letter is to formally transmit the response of the Santa Cruz County Board of Supervisors to the 2022-2023 Grand Jury Report “Housing Our Workers—Essential Workers Need Affordable Housing.”

Sincerely,

ZACH FRIEND, Chair
Board of Supervisors

ZF: cs
Attachment

CC: Clerk of the Board
Santa Cruz County Grand Jury



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

Santa Cruz County Board of Supervisors

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 22, 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 pace of State law changes related to housing typically does not give the California Department of Housing and Community Development (HCD) adequate time to develop guidance before laws go into effect. It is up to jurisdictions to analyze laws, without the benefit of State guidance, and determine how to incorporate into and balance new laws with other existing local and State code requirements. The County has worked diligently to update policies and codes related to new laws, where necessary, and to issue guidance and application materials for use by the public. Further, implementation of laws is often “clarified” by case law after the fact, requiring further adjustment of materials.

The County’s role is to ensure the availability of appropriately zoned land to ensure capacity for units, and to ensure that policies, regulations, permitting and related procedures do not thwart development, while also complying with the General Plan, local codes, and State laws that regulate housing and protect the environment. Therefore, jurisdictions including the County are dependent upon private-sector, non-profit and for-profit housing developers to build new housing of all types.

There are many other forces that influence housing development volumes and locations, including national and State economic trends, real estate-related market forces, interest rates, costs of construction labor and materials, land costs, disasters, and their resulting impacts on availability of labor and materials, in some cases neighborhood opposition and/or the input of other local regulatory agencies, and the demand for luxury and/or second homes in coastal areas. All of these forces affect the pace and volume of housing development, and therefore the supply and cost of local housing over the decades.

The County has been very proactive in the areas of both Accessory Dwelling Units (ADUs) and Density Bonus law. For ADUs, the County has developed online tools, guidebooks, fee reductions, and a new ADU Technical Assistance program, to encourage the development of ADUs. The County's 2018 density bonus code updates exceeded the State's density bonus law minimum requirements in place at the time and has been implemented with multiple projects since its adoption. In 2019, the County also updated its codes for farmworker housing on agriculturally zoned parcels and updated its codes to allow affordable rental and school employee housing in public facility zone districts to make "workforce housing" more feasible and possible on more acreage within the unincorporated area. However, many factors impact a property owner's ability to develop, including economic conditions, neighborhood opposition, legal challenges to CEQA determinations, etc.

F3. The County of Santa Cruz has identified several sites for higher density housing, identified sites along transportation corridors for housing and changed zoning laws to allow more mixed-use developments, however in the past several years, few low income homes have been built or approved.

AGREE

PARTIALLY DISAGREE

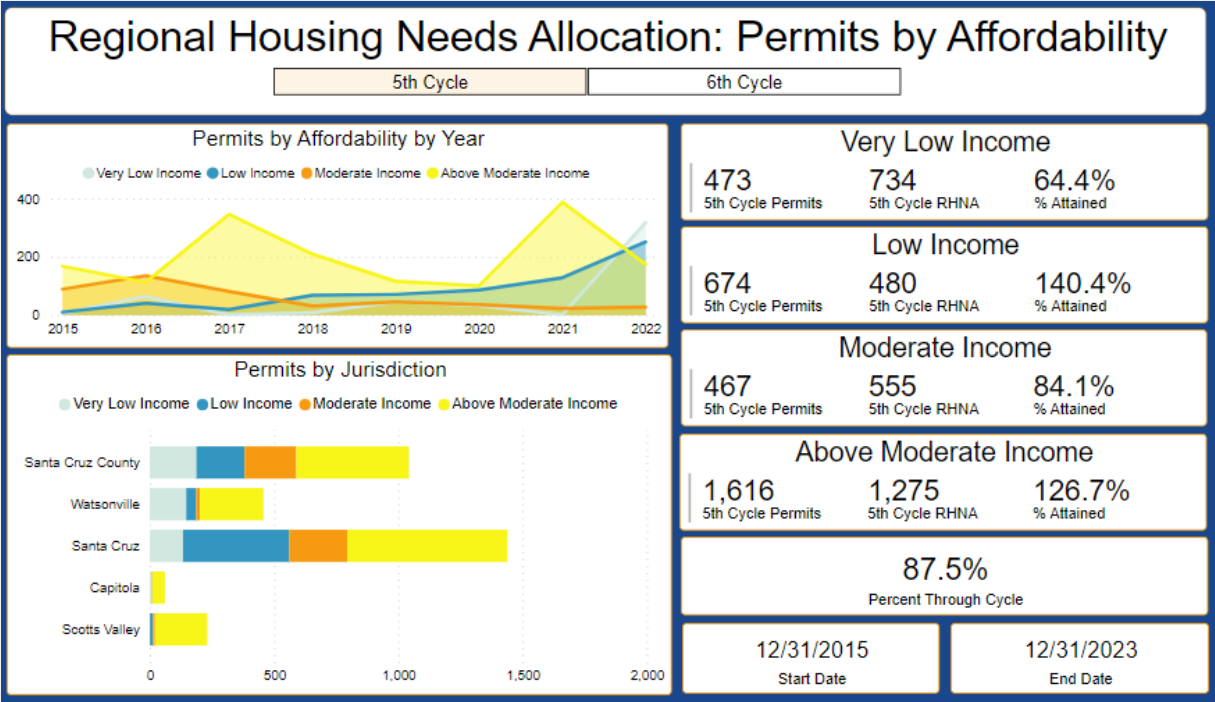
DISAGREE

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

The Grand Jury's report does not include the latest 5th Cycle Regional Housing Needs Allocation (RHNA) status submitted to the State in April 2023. The updated status, which added the units permitted in calendar year 2022 to the prior years of this cycle, shows a total of 1,043 units were permitted, or 79% of the County's RHNA assignment. Of those units permitted, 381 were in the low and very low categories, for approximately 72% of the required lower-income units.

In addition, the County has approved additional housing projects that include lower-income units, which either have not yet applied for building permits due to changing economic conditions or are still in the process of preparing their building plans, and/or pulled permits during calendar year 2023, and therefore are not yet included in the prior year's annual reports. Many local housing projects have been delayed and/or been negatively impacted by economic factors related to the multiple disasters affecting the County during the 5th cycle, including the three-year COVID-19 pandemic, 2020 CZU fires, and 2023 atmospheric river storms. The most recent permitting data for all jurisdictions is available through the online State dashboard at: <https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard>.

As shown below, on the chart provided on page 11 of that dashboard (filtered to Santa Cruz County jurisdictions), the County permitted more Very Low-Income Units in the 5th cycle (through December 2022) than any of the local cities, and more Low- and Moderate-Income units than any city except the City of Santa Cruz.



To make infill housing development more feasible and more environmentally sustainable, the Board of Supervisors adopted the Sustainability Policy and Regulatory Update (Sustainability Update) in December 2022. This project, comprised of comprehensive General Plan and County Code amendments and rezonings, incorporates many policy and regulatory improvements to encourage the development of more housing on urban infill parcels within the County’s established Urban Services Line, where infrastructure is available or can be made available more efficiently than in rural areas. Changes include establishment of a new high-density zoning district called Residential Flex (22-24 units/acre) and County Code adjustments to urban residential standards, including increased height and story allowances that could make projects more economically feasible, reduced setbacks, and increased allowances for residential square footage in mixed-use development. The rezoning of parcels along Portola Drive, which were included in the project, allow for Urban High Residential development at an increased density range of 11 to 30 dwelling units per acre.

The effect of these policy and mapping changes have yet to be fully realized, as the amendments are currently under consideration at the California Coastal Commission. However, the changes are anticipated to greatly improve the potential for housing units to be built along transportation corridors. The County is optimistic that the Coastal Commission will approve these updates so that much-needed housing can be built for local essential workers and others in need.

F6. Capitola and the County of Santa Cruz need to work together to facilitate significant housing in the mid-county area where a large percentage of jobs are located.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

The Board of Supervisors agrees that housing located near job centers and transportation corridors is key to future sustainable urban development. Coordination among the various local jurisdictions and regional agencies within the county is important to making progress on the housing crisis.

The planning directors meet quarterly, and further informal communications frequently occur. Coordination also occurs in the regular bi-monthly meetings of the Planning Directors Forum hosted by the Association of Monterey Bay Area Governments (AMBAG), as well as in the local Continuum of Care, known as the Housing for Health Partnership, which includes representatives from all local jurisdictions.

In addition to coordination among directors, other planning, and public works staff in various divisions (including housing and development review) are familiar with, and frequently reach out to their colleagues in neighboring jurisdictions when needed to coordinate on developments and other projects that require such cross-jurisdictional coordination, such as those located close to city limits, and regional infrastructure and planning efforts.

Several recent examples of this include the Pippin I (built in 2018) and Pippin II (currently under construction) affordable housing development projects. Each of these projects included one parcel on unincorporated County land and one parcel in the City of Watsonville. Extensive coordination occurred between City and County staff at various stages of their development in order to get these projects funded and completed.

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**):

Many California jurisdictions including the County that fund affordable housing projects or administer affordable housing programs, such as inclusionary or “below market-rate” programs, provide general preferences to prospective applicants who live and/or work in their locality. State and federal fair housing laws, as well as conditions attached to State and federal subsidies, limit the extent to which these preferences can be very narrowly tailored to provide priority preferences to local workers only, as opposed to those who may live locally but work elsewhere, and/or to those who work versus those who may be retired, unemployed, or unable to work due to disabilities or other reasons. The reasons are that such preferences could create a “disparate impact” on certain protected groups who may be less likely to be in the group receiving the preference, and thus the preference limits their access to fair housing, which would violate the law.

Most local jurisdictions including the County generally provide legally allowable preferences in their local affordable housing projects and programs for those who live or work in the County. This sometimes include priorities for additional special needs groups, such as for those displaced by recent disasters, or for those who are homeless, households with a disability, seniors, homeless families, or other special needs group.

Furthermore, if a project is being built by an employer specifically for its employees, then it does not violate fair housing law to limit those units to the specified group of employees. Examples include housing for farmworkers, or local school districts building housing for their employees. The County’s inclusionary housing program (also known as a below-market rate housing program), established through the 1978 voter initiative called “Measure J”, does generally limit the eligibility to access these affordable housing units entirely to applicants who live or work within the county.

The County owns many parcels throughout the unincorporated area and is actively studying the potential for public-sector employee housing on several of its properties. Employers of various types may also develop housing for their employees on any other types of property they own that allows housing development, which includes residential zones and commercial mixed-use zones (C1, C2, PA, and/or RF).

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**):

Please see response to F6. In addition, the County has forged strong partnerships with various non-profit affordable housing developers and other public agencies, including local cities in some cases, and/or the countywide Housing Authority, resulting in the construction of many affordable housing developments over the past 40 or more years. Some of the more recently built projects include Pippin Orchards Phases I and II in the Watsonville area, Aptos Blue and Canterbury Park in Aptos, and St. Stephens, 1520 Capitola Road (Bienestar Plaza), and Rodeo Creek Court in Live Oak. Where possible, the County has pursued partnerships including with local cities. However, housing is inherently a local land use issue and thus makes cross-jurisdictional coordination unfeasible in many cases.

There are several regional agencies, such as the Regional Transportation Commission, that handle regional planning issues including transportation and groundwater. These agencies include representatives from each of the local jurisdictions, and staff of each of the local jurisdictions closely follow and participate in planning efforts of those regional agencies. Other regional entities that many local staff participate in, which help staff keep informed and share information on regional issues affecting housing development and housing needs, include AMBAG, the Monterey Bay Economic Partnership, the Housing for Health Partnership, and Housing Santa Cruz County.

Recommendations

R11. By the end of 2023 the County of Santa Cruz should demonstrate progress towards identifying sites and planning for increased housing along the transportation corridors in mid-county. (F6)

- 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:

Like all AMBAG jurisdictions, the County of Santa Cruz is developing its 6th Cycle Housing Element, which is due to the State by the end of 2023. As a part of the Housing Element update, the County must analyze its capacity to accommodate the number of housing units dictated by the State under RHNA.

Where the supply of land is deficient, jurisdictions must also identify parcels for rezoning to make up the total number of units (4,634 for the County in the 6th Cycle). Together, the parcels identified for potential housing units are considered the “Housing Inventory.” On June 12, 2023, the County released its draft Housing Element and Housing Inventory for public review, thereby beginning the process of review and adoption of the Housing Element in 2023. The Housing Element (as well as the Built Environment Element of the General Plan) contain policies and programs that give clear preference for locating housing in infill areas within the existing Urban Services Line and along transportation corridors. The location of properties in the Housing Inventory focuses on potential development in these areas as well.

R12. By the end of 2023 the County of Santa Cruz should develop clear, measurable guidelines to ensure that local 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:

Please see response to F12 above.

R13. By the end of 2023, the County of Santa Cruz should demonstrate a plan to work with other county municipalities as well as other for profit and non-profit agencies to develop low-income housing for workers in the County, (particularly on properties such as the old drive-in theater acreage which is adjacent to transportation corridors. (F3, F6)

- 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:

County staff regularly meet with property owners, interested developers, employers, other public agencies, and non-profit housing providers to provide information on zoning, procedures, regulations, affordable housing programs, and funding opportunities that pertain to new development within the unincorporated areas. This is a typical service and is likely provided in all county jurisdictions as well. As noted in F13, the County also has strong relationships with non-profit affordable housing developers, regional housing, and infrastructure-related agencies, and supports projects with funding when available.

R14. By the end of 2023, the County 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:

To the extent that UCSC has projects within the County’s unincorporated areas requiring the County’s participation through its permitting or land use regulatory roles, the County will work with UCSC as it would any other applicant. For example, there is a proposed 624-bed housing complex being jointly developed by UCSC and Cabrillo College on Cabrillo’s Aptos campus, and the County would be happy to assist those partners through the regulatory process should the proposal move forward.

Given the disparate impacts of the ongoing housing crisis on lower-income families, any future funding the County might have for affordable housing would be applied consistent with the County’s Strategic Plan and equity goals.

R15. By the end of 2023 the County 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 quarterly to discuss and share ideas on housing and other related issues. Planning staff from the various jurisdictions also collaborate through the regular AMBAG meetings and meetings of other regional bodies, as noted above in the response to F6, F13, and several of the recommendations above.



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

City of Capitola Response to Report Titled "Housing Our Workers"

Moss, Julia <jmoss@ci.capitola.ca.us>

Fri, Jul 28, 2023 at 12:01 PM

To: "Syda.Cogliati@santacruzcourt.org" <Syda.Cogliati@santacruzcourt.org>

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

Good Morning,

Please find attached the City of Capitola's response to the 2022-2023 Santa Cruz County Civil Grand Jury report titled **Housing Our Workers**. This response was approved by the Capitola City Council on July 27th, 2023, as can be seen in the attached draft minutes from that meeting.

Please respond to confirm receipt of this email. Thank you,

Julia Moss

City Clerk - City of Capitola

831.475.7300 x228

2 attachments

 **Housing Grand Jury Response.pdf**
401K

 **Housing - Minutes from July 27th.pdf**
609K

City of Capitola

City Council Meeting Minutes

Thursday, July 27, 2023 – 6:00 PM



City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Mayor: Margaux Keiser
Vice Mayor: Kristen Brown
Council Members: Yvette Brooks, Joe Clarke, Alexander Pedersen

Closed Session – 5 PM

- i. CONFERENCE WITH LABOR NEGOTIATORS (Gov. Code § 54957.6)
Negotiator: Chloé Woodmansee, Assistant to the City of Manager
Employee Organizations: Association of Capitola Employees, Police Officers Association, Mid-Management Employees, Confidential Employees, Police Captains, and Management
- ii. CONFERENCE WITH LEGAL COUNSEL—LIABILITY CLAIMS (Gov. Code § 54956.95)
1) Graciela Cardiel
Claim against the City of Capitola
- iii. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Gov. Code § 54956.9)
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: one case

Regular Meeting of the Capitola City Council – 6 PM

1. Roll Call and Pledge of Allegiance

The meeting was called to order at 6:00 PM. In attendance: Council Members Brooks, Clarke, Pedersen, and Mayor Keiser. Absent: Vice Mayor Brown

2. Additions and Deletions to the Agenda - None

3. Report on Closed Session – *The City Council met and discussed three items on the Closed Session Agenda. No reportable action was taken.*

4. Additional Materials

- A. Updated Attachments for Item 7F
- B. Correspondence Received - Item 8C (2 emails)
- C. Correspondence Received - Item 8E (3 emails)
- D. Correspondence Received - Item 8F (3 emails)

5. Oral Communications by Members of the Public - None

6. Staff / City Council Comments

- *Police Chief Dally reminded the public of National Night Out on August 1st from 5-7 PM.*
- *Council Member Clarke commended the Random Acts of Capitola Kindness group for their efforts on the Depot Hill fence repair.*

7. Consent Items

- A. City Council Meeting Minutes

Recommended Action: Approve the June 22, 2023, City Council meeting minutes.

B. City Check Registers

Recommended Action: Approve check registers dated June 23, 2023, and July 7, 2023.

C. Liability Claim of Graciela Cardiel

Recommended Action: Reject liability claim.

D. Grand Jury Response – Cyber Security

Recommended Action: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05.

E. Grand Jury Response – Housing our Workers

Recommended Action: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05.

F. Jade Street Park Universally Accessible Playground Fundraising Partnership

Recommended Action: 1) Authorize the City Manager to execute a Memorandum of Understanding with the Friends of Santa Cruz County Parks for a fundraising campaign and administration of donations for the Jade Street Park Universally Accessible Playground Project; and 2) approve an administrative policy regarding the Universally Accessible Playground at Jade Street Park Donor Recognition.

G. Plein Air Public Art Prize Amount

Recommended Action: Approve the Art & Cultural Commission recommendation to increase the Plein Air Public Art Festival Competition prize amount from \$1,500 to \$1,800 for first place and from \$800 to \$1,000 for second place.

Motion to adopt the Consent Calendar: Council Member Clarke

Seconded: Council Member Brooks

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

8. General Government / Public Hearings

A. State Budget Update from Senator John Laird

Senator John Laird provided a presentation on the State of California Budget.

B. Children and Youth Bill of Rights

Recommended Action: Adopt a resolution adopting the City of Capitola Children and Youth Bill of Rights.

Deputy City Clerk Westly presented the staff report.

Council Member discussion included an overview of the partnership between the City and the Children's Network and Youth Action Network.

Motion to adopt the resolution adopting the Capitola Children and Youth Bill of Rights with direction to staff to research the addition of a \$2,000 stipend for youth participation on City advisory boards: Council Member Brooks

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

C. Jade Street Park UA Playground Project

Recommended Action: Approve the Final Conceptual Design for the Jade Street Park Universally Accessible (UA) Playground Project.

Public Works Director Kahn and Todd from Verde Design presented the staff report.

Public Comments:

- **Brenda, community member, spoke in support of the UA Playground Project.**
- **Dan Hastley, County Park Friends, spoke in support of the UA Playground Project.**
- **Lisa Duran, Capitola Aptos Rotary Member, spoke in support of the UA Playground Project.**

Council Member discussion included thanks for the Santa Cruz County Park Friends for their fundraising efforts, and encouragement to the community to donate to the fundraiser.

Motion to approve the Final Conceptual Design: Council Member Brooks

Seconded: Council Member Pedersen

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

D. Community Center Renovation Project – Budget Update

Recommended Action: 1) Receive update on external funding sources for the Community Center Renovation Project; and 2) authorize Amendment 1 to the Professional Services Agreement with Boone Low Ratliff Architects in the amount of \$374,000 for final design documents, bidding support, and construction administration for the Community Center Renovation Project.

Public Works Director Kahn presented the staff report.

Council Member discussion included clarification on funding sources and timelines.

Motion to authorize Amendment 1 to the Agreement with Boone Low Ratliff Architects:

Council Member Pedersen

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

E. Capitola Wharf Enhancement Project Preliminary Conceptual Design

Recommended Action: Direct staff to prepare a final concept plan, for consideration by the City Council on August 24, 2023, for the Capitola Wharf Enhancement Project (CWEP).

Public Works Director Kahn presented the staff report.

Public Comments:

- **Community member requested clarification on the conceptual design.**
- **Gerry Jensen, CWET, thanked City staff and Wharf to Wharf staff for their collaboration efforts.**
- **Skip Allen, community member, voiced concerns about enhanced lighting in the conceptual design.**

Council Members expressed thanks to CWET for their efforts, an interest in the addition of a kiosk element, and additional outreach for volunteer opportunities.

Direction provided to staff to prepare a Final Conceptual Design with the addition of a kiosk: Council Member Brooks

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

F. Capitola Road Pavement Rehabilitation Project

Recommended Action: Approve the plans, specifications, and construction budget of \$1,700,000 for the Capitola Road Pavement Rehabilitation Project; adopt a resolution amending the FY 2023-24 budget; and authorize the Department of Public Works to advertise for construction bids.

Public Works Director Kahn presented the staff report.

The City Council requested that staff provide an update on the ADA recommendations for this project and associated electrical improvements.

Public Comments:

- **Marianne Mahern, resident, requested further consideration of ADA accommodations in the pavement plan.**

Motion to approve the plans, specifications, and budget for the Road Pavement Rehabilitation Project and adopt the resolution: Council Member Brooks

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

G. City Council Appointments to City Advisory Bodies

Recommended Action: Appoint members of the public to the City of Capitola Arts and Cultural Commission and Historical Museum Board.

City Clerk Moss presented the staff report.

Motion to appoint Jennifer Major to the Arts and Cultural Commission to a term expiring 12/31/2024 and Brian Legakis to the Historical Museum Board to a term expiring 6/30/2024: Council Member Clarke

Seconded: Council Member Pedersen

Voting Yea: Council Members Brooks, Clarke, Pedersen and Mayor Keiser

Absent: Vice Mayor Brown

9. Adjournment – The meeting was adjourned at 7:36 PM to the next regularly scheduled meeting on August 24, 2023, at 6:00 PM.

ATTEST:

Margaux Keiser, Mayor

Julia Moss, City Clerk



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

Capitola 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 July 27, 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 Capitola has consistently updated the Capitola Municipal Code to comply with state housing law in a timely manner. 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 of ADUs in Capitola 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. For example, for new ADU laws that came into effect on Jan 1, 2020, Capitola updated the ordinance by March of 2020. Capitola updated the ordinance again in 2022 due to additional modifications in ADU law.

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.

F4. Capitola has made little progress towards achieving housing goals, particularly for low income housing. Although the City identified sites for mixed use developments, they have made little progress towards developing those sites.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

Capitola has made great progress towards achieving housing goals, but has made little progress in developing low-income sites in the current housing cycle.

In terms of housing goals, Capitola had made great progress to enable more housing development citywide. Completed planning projects include:

1. Complete overhaul of Zoning Code to remove barriers to housing and ensure housing could be accommodated. (2014-2020)
2. Updated the ADU ordinance (2020 and 2022)
3. Created ADU guidance document (2022)
4. Created building permit ready ADU prototype designs (2022)
5. Completed a nexus study for affordable housing (2020/2021)
6. Completed feasibility analysis for affordable housing fees (2020)
7. Updated Chapter 18.02 Inclusionary Housing Ordinance (2020/2021)
8. Added Chapter 18.05 for Inclusionary Housing Impact Fees (2020/2021)
9. Added Chapter 17.82 establishing Objective Standards for Multifamily and Mixed-Use Developments (2022)

The City is not responsible for developing sites as the City is not a developer. Capitola is responsible for ensuring there are adequate sites to develop housing within the City and removing barriers. However, the City recently approved a 36 unit 100% affordable development at 4401 Capitola Road. The City will continue efforts to proactively reach out to affordable housing developers to increase interest in Capitola sites.

F5. Capitola has focused primarily on streamlining the construction of ADUs as a means to increase housing. However, there is little evidence that ADUs are prioritized for rental to local workers, and there is little chance that ADUs alone can meet the housing needs for the 6th Cycle Housing Element.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

ADUs are only a small portion of the work the City had done to meet housing needs. Of the nine tasks listed below toward housing, ADUs were the focus of three. The City agrees that ADUs alone cannot meet the housing needs for the 6th cycle.

Completed housing projects:

1. Complete overhaul of Zoning Code to remove barriers to housing and ensure housing could be accommodated. (2014-2020)
2. Updated the ADU ordinance (2020 and 2022)
3. Created ADU guidance document (2022)
4. Created building permit ready ADU prototype designs (2022)
5. Completed a nexus study for affordable housing (2020/2021)
6. Completed feasibility analysis for affordable housing fees (2020)
7. Updated Chapter 18.02 Inclusionary Housing Ordinance (2020/2021)
8. Added Chapter 18.05 for Inclusionary Housing Impact Fees (2020/2021)
9. Added Chapter 17.82 establishing Objective Standards for Multifamily and Mixed-Use Developments (2022)

The City agrees there is little evidence that ADUs are prioritized for rental to local workers. However, the City recently approved a 36 unit 100% affordable development at 4401 Capitola Road and included a condition of approval for local worker preference.

F6. Capitola and the County of Santa Cruz need to work together to facilitate significant housing in the mid-county area where a large percentage of jobs are located.

- AGREE**
- PARTIALLY DISAGREE**
- DISAGREE**

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

All jurisdictions in the County regularly collaborate during the Association of Monterey Bay Area Government (AMBAG) regularly scheduled meetings. Senate Bill 375 set forth consistency requirements between transportation planning processes and housing planning processes. More specifically, the regional housing needs allocation (RHNA) must be consistent with the Sustainable Communities Strategy (SCS) development pattern. For the Monterey Bay region, these requirements necessitate extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG, the region's metropolitan planning organization. The RHNA process considered the job/housing ratio of jurisdictions and assigned more units to areas with more jobs, including Capitola and the County of Santa Cruz. The increase allocation based on jobs will result in increased housing in the mid-county area where a large percentage of jobs are located.

Also, Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communications.

F7. The City of Capitola has made little progress towards facilitating the development of the Capitola Mall as a mixed-use project which could accommodate both business and housing.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

In the recent Zoning Code update, Chapter 17.88: Incentives for Community Benefits was added providing incentives of additional height and floor area ratio on the mall site. In 2019, the mall owner submitted an application for a mixed-use development which would accommodate 637 new residential units along with commercial uses. During the conceptual review, the applicant received favorable feedback from Planning Commission and City Council. Ultimately, the applicant withdrew the application in the summer of 2020 due to the pandemic. Capitola made progress with the adoption of the new Incentives for Community Benefits Zoning as there are now incentives in place for increased height and floor area, combined with underlying zoning that has no density limit.

However, the Capitola Mall is comprised of multiple parcels, owned by seven different entities. These seven property owners must all agree on any significant development on the Mall site. Unanimous agreement among these property owners has been a challenge for decades.

While the City has created incentives to facilitate development, and helped facilitate discussions among those property owners, the City is not able to compel private property owners to redevelop Capitola Mall.

F8. The City of Capitola claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

The City agrees it should not be exempt from the need to construct housing for local low-income workers. However, it is a fact that Capitola has significantly less housing staff and financial resources than the City of Santa Cruz, City of Watsonville, and the County of Santa Cruz, which can make it more challenging to partner with housing developers toward construction of projects.

Two new housing fund sources recently became available through the payoff of a large housing loan and the recent award from the state of PLHA funds. Capitola intends to utilize the new funding source to assist MidPen Housing with plans for a 52-unit 100% affordable project at 1098 38th Avenue.

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**):

Capitola's inclusionary housing ordinance (IHO) gives preference to local residents and workers. Within Capitola Municipal Code Section 18.02.080, the City's inclusionary ordinance gives preferences for ownership inclusionary units to households who live or work in Capitola.

Beyond the IHO, Capitola does not have requirements for prioritizing housing for local workers. However, during the review of a recent 36-unit, 100 percent affordable housing development project at 4401 Capitola Road, the project was conditioned to require local worker preference.

Prior to adopting a standard for local worker preference, the City would have to do more research on applicable laws and fair housing practices.

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.

All jurisdictions in the County regularly collaborate during the Association of Monterey Bay Area Government (AMBAG) meetings. Senate Bill 375 set forth consistency requirements between transportation planning processes and housing planning processes. More specifically, the regional housing needs allocation (RHNA) must be consistent with the Sustainable Communities Strategy (SCS) development pattern. For the Monterey Bay Area, these requirements necessitate extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG, the region's metropolitan planning organization. The RHNA process assigned more units to Capitola and the County of Santa Cruz due to the number of jobs in mid-county to facilitate significant housing in the mid-county area where a large percentage of jobs are located.

Also, Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communications.

Recommendations

R1. By the end of 2023 the City of Capitola should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for all income levels, especially low income housing. (F4 – F6, F8)

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 6th cycle draft housing element, as submitted to HCD, identifies more than the required parcels of land, zoned appropriately, to meet the new RHNA housing allocations for all income levels, including low-income housing.

R2. By the end of 2023 the City of Capitola should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F4, F6 – F8)

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 updated the Zoning Code to allow mixed-use in all commercial zones (2014-2020); updated Chapter 18.02 Inclusionary Housing Ordinance (2020/2021); added Chapter 18.05 for Inclusionary Housing Impact Fees (2020/2021); and added Chapter 17.82 establishing Objective Standards for Multifamily and Mixed-Use Developments (2022). The draft 6th cycle housing element includes many properties within Capitola’s mixed-use zoning district. These accomplishments create significant progress towards planning and facilitating the construction of mixed-use businesses and housing citywide.

R3. By the end of 2023, the City of Capitola should demonstrate a plan to work with the County of Santa Cruz as well as other for profit and non-profit agencies to develop housing close to transportation corridors along Hwy 1 and 41st Avenue. (F6, F7, 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 from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams. Specific development projects typically are handled by the specific jurisdiction where they are located.

In terms of regional planning, all jurisdictions in the County regularly collaborate during the Association of Monterey Bay Area Government (AMBAG) meetings. Senate Bill 375 set forth consistency requirements between transportation planning processes and housing planning processes. More specifically, the regional housing needs allocation (RHNA) must be consistent with the Sustainable Communities Strategy (SCS) development pattern. For the Monterey Bay Area, these requirements necessitate extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG, the region's metropolitan planning organization. The regional coordination encourages housing development near transportation corridors along Hwy 1 and 41st Avenue. Also, Capitola's Draft 6th Cycle Housing Element includes numerous sites along 41st Avenue due to existing transit and jobs.

R4. By the end of 2023 the City of Capitola should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of ADUs as well as 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 cannot legally require private homeowners to hire local workers for construction of ADUs. Further, this requirement would be an impediment to housing development due to limited construction workers at the local level, and increased development costs which would make development of new housing less feasible.

R5. By the end of 2023 the City of Capitola should demonstrate that they have reestablished regular meetings of a workgroup or 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:

As stated in R3, Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams. Specific development projects typically are handled by the specific jurisdiction where they are located.



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.



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

Scotts Valley Response - Housing Our Workers

'Cathie Simonovich' via Santa Cruz Grand Jury <grandjury@scgrandjury.org>

Tue, Aug 29, 2023 at 2:04
PM

Reply-To: Cathie Simonovich <csimonovich@scottsvalley.gov>

To: "Syda.Cogliati@santacruzcourt.org" <Syda.Cogliati@santacruzcourt.org>, Santa Cruz Grand Jury
<grandjury@scgrandjury.org>

Cc: Mali LaGoe <mlagoe@scottsvalley.gov>, Taylor Bateman <tbateman@scottsvalley.gov>

Dear Honorable Judge Cogliati and Members of the Santa Cruz County Grand Jury,

We have attached the completed response packet for the report titled *Housing Our Workers - Essential Workers Need Affordable Housing!* This report was approved by the Scotts Valley City Council at the regular public meeting held on August 16, 2023.

Please confirm receipt of the report.

Best regards,

Cathie Simonovich
City Clerk



City of Scotts Valley
1 Civic Center Drive
Scotts Valley, CA 95066
csimonovich@scottsvalley.gov
Phone: 831-440-5608

NOTE: My regular work schedule is Tuesday through Friday from 7:00 AM to 5:30 PM.

2023-4dR_Housing_ScottsValleyCC_Packet.pdf
222K



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

Scotts Valley 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 16, 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**):

With respect to Scotts Valley, the City follows all new State housing laws and will continue to facilitate housing production under such laws. With the many annual housing bills, cities and developers alike must be diligent in understanding the latest legislative changes. The City will continue to stay knowledgeable about the latest legislative changes, interpretations, and case law. It is unclear in the wording of this finding what the “failure to do so” refers to. The City has not taken action to “decrease the availability of housing” and the “need and cost of more housing” are primarily driven by market forces, not City actions.

F9. The City of Scotts Valley has facilitated the building of market rate housing in recent years, but has made little effort to develop housing for low income workers.

- AGREE**
- PARTIALLY DISAGREE**
- DISAGREE**

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

Historically, the City had more tools to encourage and facilitate affordable housing but with the elimination of the Redevelopment Agency, those funds have been significantly reduced. The City works closely with housing developers to encourage more diversity in the City's overall housing inventory, including more rentals, multifamily, mixed use, and smaller units. Chapter 14 of the Scotts Valley Municipal Code (SVMC) outlines the City's inclusionary zoning requirements that apply to the production of both market rate and below market rate housing production. Residential developments of seven or more dwelling units are required to deed restrict 15 percent of the units for sale/rental to low-income households on- or off-site. Residential developments of six or fewer dwelling units are required to pay an in-lieu affordable housing fee. As such, new residential development projects of seven or greater units are required to provide affordable housing for low-income workers. The City's Affordable Housing Subcommittee reviews proposed housing projects and often advocates for even more low and very-low affordable units.

F10. The City of Scotts Valley has made little progress towards developing the Town Square project which could accommodate both business and housing.

- AGREE**
- PARTIALLY DISAGREE**
- DISAGREE**

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

The development of Town Center has faced a complex set of challenges, many of which are outside of the City's control. For the last two years, the City has been actively engaged in characterizing and removing environmental contamination from the site and has initiated a Town Center Specific Plan update to encourage the development of the Town Center. The site continues to be included in the City's Housing Element and in the most recent draft, the number of housing units is proposed to increased significantly which should improve the economic viability of the project.

F11. The City of Scotts Valley claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

The City agrees that smaller jurisdictions have fewer resources to attract affordable housing developers. Scotts Valley has never claimed to be exempt from the need for housing and continues to be committed to encouraging the construction of housing for local low income workers. However, the City does not construct housing nor can the City compel private property owners to develop properties. (Please see responses to F9 above F12 below)

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**):

The City agrees that clear local preference guidelines that give priority to local workers is important and thus has a preference system to ensure residents and workers are prioritized. Applicants are prioritized in the order listed below:

1. **Live and work in Scotts Valley:** A household which includes at least one adult whose primary work location is within the city limits of the City of Scotts Valley and they have been working in Scotts Valley for a minimum of six (6) months, and the household has resided in the City of Scotts Valley for a minimum of six (6) months prior to the date of application to purchase the unit.
2. **Live in Scotts Valley:** A household which has resided within the city limits of the City of Scotts Valley for a minimum of six (6) months prior to the date of application to purchase the unit.
3. **Work in Scotts Valley:** A household which includes at least one (1) adult who has worked within the city limits of the City of Scotts Valley for a minimum of one (1) year prior to the application to purchase the unit and at least one (1) adult shall be working in Scotts Valley at the time of occupancy of the unit.
4. **Live and work in Santa Cruz County:** A household which contains at least one (1) adult who works within the County of Santa Cruz and the household has resided in the County of Santa Cruz for a minimum of one (1) year prior to the date of application to purchase the unit.
5. **Live in Santa Cruz County:** A household which has resided in the County of Santa Cruz for a minimum of six (6) months prior to the date of application to purchase the unit.
6. **Work in Santa Cruz County:** A household which includes at least one (1) adult has worked in the County of Santa Cruz for a minimum of one (1) year prior to the date of application to rent the unit and at least one (1) adult shall be working in the county of Santa Cruz at the time of occupancy of the unit.
7. **All Others:** A household which does not meet any of the above listed Preference Criteria. Historically most affordable housing units are purchased or rented by persons in the top 3 ranking categories.

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**):

Representatives from the different jurisdictions 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.

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

R6. By the end of 2023 the City of Scotts Valley should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for all income levels, especially low income housing. (F9)

- 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 has submitted a draft of the City's 6th Cycle Housing Element Update to the Department of Housing and Community Development (HCD) for review. The City plans to adopt the Housing Element by December 2023. The draft Housing Element includes a sites inventory/analysis and draft housing policy program which adequately plans for and accommodates its RHNA obligation. The policy program provides various strategies to assist the City in planning for additional low income housing units.

The draft sites inventory/analysis identifies enough parcels of land, zoned appropriately, for the City to meet its RHNA housing allocation of 1,220 housing units. The inventory includes adequate capacity to meet RHNA allocations at all income levels (very-low, low, moderate, and above moderate).

R7. By the end of 2023, the City of Scotts Valley should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F10)

X **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 has recently approved mixed use projects and continues to be committed to processing mixed use development applications. The City has submitted a draft of the City's 6th Cycle Housing Element Update to the Department of Housing and Community Development (HCD) for review. The City plans to adopt the Housing Element by December 2023. The draft Housing Element includes a sites inventory analysis and housing policy program so that the City can adequately plan for and accommodate its RHNA obligation.

Some draft strategies include rezoning specific parcels along Scotts Valley Drive and Mount Hermon Road to allow mixed use residential development projects at higher residential densities.

R8. By the end of 2023, the City of Scotts Valley should demonstrate a plan to work with other county municipalities as well as other for profit and non-profit agencies to develop low income housing for workers in the City. (F9 – F11)

X **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 from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams. While the City has created incentives to facilitate development, and helped facilitate discussions among property owners, the City is not able to compel private property owners to develop properties. The City will continue to maintain relationships with for profit and non-profit agencies to develop low income housing for workers in the City.

R9. By the end of 2023 the City of Scotts Valley should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of low income housing. (F12)

X **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:

Note that the wording of this recommendation is a bit confusing. For purposes of this response, it has been interpreted to mean that local workers should be preferred when it comes to their ability to buy or rent low-income housing, the City has regulations in place to achieve that goal (Please see Response F12).

R10. By the end of 2023 the City of Scotts Valley 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 the AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams.



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

City of Watsonville Response to Grand Jury Report

'Irwin Ortiz' via Santa Cruz Grand Jury <grandjury@scgrandjury.org>

Thu, Sep 7, 2023 at 12:16 PM

Reply-To: Irwin Ortiz <irwin.ortiz@watsonville.gov>

To: "grandjury@scgrandjury.org" <grandjury@scgrandjury.org>, "syda.cogliati@santacruzcourt.org" <syda.cogliati@santacruzcourt.org>

Dear Grand Jury and Honorable Judge Cogliati,

I hope this email finds you in good health. At our August 29, 2023, City Council Meeting, the City Council unanimously approved the response packet to the Grand Jury Report received by the City. We thank you for your patience and your good work. Please see the response packet as approved by our City Council attached to this email.

If you have any questions, please feel free to contact me.



Irwin I. Ortiz, CMC
City Clerk



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Open Monday - Friday 8:00 AM to 5:00 PM

**Public Records Requests (PRR) submitted via email, fax, USPS, or dropoff after 5:00 p.m. on a business day, Saturday, Sunday, holidays, will be processed as received on the next open business day. The 10-day response period begins when the PRR is received.

Please note: Our website domain and emails have changed on 4/17/23 to [watsonville.gov](https://www.watsonville.gov)

 **Item 9.b. Civil Grand Jury Housing & Cyber Response.pdf**
1178K



Agenda Report

MEETING DATE: Tuesday, August 29, 2023

TO: City Council

FROM: COMMUNITY DEVELOPMENT DIRECTOR MERRIAM
INNOVATION & TECHNOLOGY DIRECTOR GILL

THROUGH: CITY MANAGER MENDEZ

SUBJECT: CITY RESPONSE TO THE SANTA CRUZ COUNTY CIVIL GRAND
JURY'S INVESTIGATION OF HOUSING OUR WORKERS AND
CYBER THREAT PREPAREDNESS

RECOMMENDED ACTION:

It is recommended that the City Council by Motion approve the response packets prepared for the 2022-2023 Santa Cruz County Grand Jury's Investigation on two specific topics: 1) Cyber Threat Preparedness: Phishing and Passwords and Ransomware, Oh My! and 2) Housing Our Workers: Essential Workers Need Affordable Housing!

BACKGROUND:

Each year the Santa Cruz Civil Grand Jury (Grand Jury) issues reports and requires certain agencies and departments to respond. In many cases, the respondents are department heads and administrators. In other cases, the respondent is an agency itself. This year the Grand Jury is requiring a response to the reports on Cyber Threat Preparedness and Housing Our Workers from the Watsonville City Council.

DISCUSSION:

The Santa Cruz County Civil Grand Jury prepared two reports addressing issues in the Watsonville community and requested that the Council prepare responses to several findings and recommendations in each report. The County and all four cities within the County received these reports and were compelled to respond.

The Grand Jury looks for contact information, budget data, policies, and procedures, etc. to conduct their investigation. The reports contain findings by the 2022-2023 Grand Jury and offer recommendations for consideration and ongoing improvement of operations.

Both Grand Jury reports are included as Attachments 1 through 4; below is a summary of the areas of interest for each issue reviewed and some highlights of the recommendations made by the Grand Jury:

Cyber Threat Preparedness: Phishing and Passwords and Ransomware, Oh My!:

This report sought to evaluate the overall level of preparedness for a cyber incident against the county or city networks. It performed research across federal and state resources, top cyber security sites, and reputable media sources to build an understanding of the current cyber landscape and a foundation for cyber preparedness. Based on interviews with subject matter experts and resources available from the Cybersecurity and Infrastructure Security Agency (CISA) at the Department of Homeland Security (DHS) and the National Institute of Standards and Technology (NIST) in the U.S. Department of Commerce, the jury delineated key elements of strong cyber hygiene, the security and health of the information systems, and best practices for local governments. They recommend that the cities and county hire staff that focus specifically on cybersecurity, develop a cybersecurity plan, and develop an incident response plan. With the resourcing of the IT department that began a couple of years ago, staff have been proactively working to make improvements system wide. One of the areas has been an increased focus on security to protect against cyber threats. For example, the City recently implemented a double authentication process and as is articulated in the report while some of the recommendations are not yet fully implemented, they are underway and many will be implemented over this current 2-year budget cycle.

Housing Our Workers: Essential Workers Need Affordable Housing!

This report investigated the reasons that housing scarcity and cost has increased over the last 5 years, and its impact on Santa Cruz County works that earn between \$35,000-\$99,999 per year. Specifically, the Grand Jury considered:

- What affordable housing options are available in Santa Cruz County to support middle class workers?
- Are employers offering housing support to their employees?
- What can local city and county planning departments do to provide more housing for these workers?
- What changes are needed in the planning and permit process to make it easier to build more workforce housing in our cities and unincorporated areas?
- How can local jurisdictions leverage recent state bills and initiatives to encourage more housing here?
- How can local agencies work together to help support housing for local workers?
- What changes are needed to plan for the future housing needs of our workforce?
- What is UCSC doing to help house its students, faculty, and staff?

The Grand Jury found that Watsonville should have been more proactive in implementing state regulatory changes, however Watsonville was also commended for being the jurisdiction that continued to build housing in years that other jurisdictions were not.

The Grand Jury found that local jurisdictions should implement local preference policies for both housing projects and construction. The City of Watsonville does have a local preference policy in for-sale ownership projects by way of a lottery system in which local residents or workers get additional entries into the lottery to purchase affordable units. We do not currently have a local preference policy for rental projects. Further, the City adopted

a local hiring procedure (WMC 7-15) in 2002 that requires contractors who enter into contracts for Public Works projects over \$600,000.

The Grand Jury recommended that the City of Watsonville reestablish regular meetings with planners from all agencies in the county to regularly meet to share ideas on housing development and develop joint projects. In addition, it was recommended that Watsonville give local preference to those contractors developing affordable housing.

The answers to these Findings and Recommendations are listed in Attachment 4.

STRATEGIC PLAN:

The response to the Grand Jury 2023 report aligns with Goal 7 of the 2023-2025 Strategic Plan: Efficient and High Performing Government.

FINANCIAL IMPACT:

There is no financial impact associated with filing responses to the Grand Jury report.

ALTERNATIVE ACTION:

The Council may choose not to approve the Response Packet, or to modify the responses, however the responses are due to the Grand Jury no later than August 31, 2023.

ATTACHMENTS AND/OR REFERENCES (If any):

1. Report: "Cyber Threat Preparedness: Phishing and Passwords and Ransomware, Oh My!"
2. Watsonville response to "Cyber Threat Preparedness: Phishing and Passwords and Ransomware, Oh My!"
3. Report: "Housing Our Workers: Essential Workers Need Affordable Housing!"
4. Watsonville response to "Housing Our Workers: Essential Workers Need Affordable Housing!"



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

Watsonville 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 29, 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**):

With housing a priority at the state level, the state legislature has passed a slew of new housing regulations each year that require in-depth review and legal interpretation prior to local adoption. The City strives to adopt local ordinances that comply with state law as soon as possible, however we are cautious to wait to adopt regulations until we are confident that they follow the intent of state law.

This is partially why these state laws override local zoning control until such time that cities do adopt their own local ordinances in compliance with state regulations. For example, if a local jurisdiction has not updated their Density Bonus ordinance to comply with new state regulations, then a developer would simply utilize the state law rather than the local ordinance.

Finally, government does not build housing. The role of local government is to ensure that there is land available to build housing and to ensure that we have regulations that promote the development of quality housing for residents. We are dependent on private sector developers and property owners to build housing.

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**):

The City provides local preference in the purchase of below-market-for-sale housing developments in Watsonville, because these projects do not utilize state or federal funding that would prohibit the practice. The Affordable Housing Program requires the creation of a lottery for the affordable units in a new subdivision, whereby tickets are given to those that:

1. Live in the City of Watsonville (1 ticket)
2. Work in the City of Watsonville (1 ticket)
3. Live and work in the City of Watsonville (3 tickets)

The City also requires local and bilingual marketing efforts. To the extent allowed by applicable law, developers are required to make reasonable efforts to sell affordable units to buyers who live or work within the Watsonville City limits. To the extent necessary to ensure compliance with State and Federal fair housing laws, developers are required to employ bilingual staff to market the affordable units and prepare and use bilingual sales and marketing materials for the affordable units.

The City also provides greater financial assistance to assist eligible homebuyers to purchase homes in the City of Watsonville in accordance with the requirements of the City of Watsonville's Affordable Housing Ordinance. Applicants must provide valid evidence that they reside and/or are employed within the Watsonville City limits at the time of loan application, to be eligible for the higher loan limits.

In addition, the City has local preference requirements for rental projects; to wit, affordable rental units shall be marketed exclusively to existing City of Watsonville residents for two (2) weeks before any marketing to other persons (Watsonville Municipal Code, Chapter 14-46.140(g)(4)); and for projects requiring a five (5%) percent set aside for Section 8 vouchers, those Section 8 units must first be made available to the County of Santa Cruz Housing Authority for at least one-month period from the date of marketing for a new unit ((Watsonville Municipal Code, Chapter 14-46.040(a)(1)).

For 100% affordable rental housing projects, preferences are dictated by the funding sources for the project. For instance, the Joe Serna Fund is earmarked for the provision of units for farmworkers, whereas there are other funds for kids aging out of foster-care, or housing for homeless. However, even in these projects, local preference is not allowed to be used because it is considered a discriminatory practice.

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**):

Planning staff have opportunities to regularly meet with planners from other jurisdictions through a variety of different agencies, including the Regional Transportation Commission (RTC), the Association of Monterey Bay Area Governments (AMBAG), the Housing for Health Partnership, and the Monterey Bay Economic Partnership (MBEP). AMBAG holds regular meetings for planning directors and senior planning staff. The Housing for Health Partnership is a county-wide collaboration of agencies focused on addressing homelessness. In addition, the planning directors from all Santa Cruz agencies meet several times a year to collaborate and share ideas. Ad-hoc collaboration occurs across agencies as well in an effort to share knowledge and best practices.

Santa Cruz County abuts the City of Watsonville, and there have been two affordable housing projects that the two agencies have coordinated to bring to fruition, known as Pippin 1 and Pippin 2. Pippin 1 was a 46-unit project that included 26 units in the County and 20 units in the City of Watsonville. Both jurisdictions had to coordinate permitting and inspection authority for the project, which the City annexed after completion. Pippin 2 is the 80-unit extension of this project built entirely within the County, however the City is expected to annex this project as well after completion. The project has been designed to meet City standards for streets, sidewalks, solid waste, etcetera, as the housing project will be ultimately serviced by the City.

Recommendations

R19. By the end of 2023 the City of Watsonville 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:

As stated in R13, planning directors and staff regularly collaborate in a variety of regular and one-off meetings, through AMBAG, RTC, MBEP, Housing for Health, and on projects that involve multi-jurisdiction coordination, such as Pippin 1 and 2. Additionally, the planning directors for every jurisdiction in the county meet at least 5 times a year to collaborate and share information. Please note that state law requires that housing development applications be approved only by the jurisdiction in which they are located, and this prevents jurisdictions from developing joint projects outside of those described previously.

R20. By the end of 2023, the City of Watsonville should develop clear, measureable guidelines to ensure that local 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:

In 2002, the City of Watsonville adopted a local hiring ordinance (WMC Chapter 7-15) that requires contractors who receive City public works construction contracts in excess of \$600,000 to hire local residents. Under this regulation, at least 15% of each contractor’s construction workforce, including subcontractors, shall live within the boundary of the Pajaro Valley Water Management Agency. Additionally, at least 50% of the workforce must live within the Tri-County area (Santa Cruz, Monterey, San Benito).



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

ATTN: Civil Grand Jury Response (Housing Our Workers)

Emeline Nguyen <enguyen@santacruzca.gov>

Tue, Aug 15, 2023 at 5:09 PM

To: "syda.cogliati@santacruzcourt.org" <syda.cogliati@santacruzcourt.org>, "grandjury@scgrandjury.org" <grandjury@scgrandjury.org>

Cc: Dean Kashino <dean.kashino@scgrandjury.org>, Fred Keeley <fkeeley@santacruzca.gov>, Matt Huffaker <mhuffaker@santacruzca.gov>, Laura Schmidt <LSchmidt@santacruzca.gov>, Lee Butler <lbutler@santacruzca.gov>, Bonnie Lipscomb <bblipscomb@santacruzca.gov>

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

On behalf of the City, I've attached the Civil Grand Jury Response relating to Housing Our Workers from the August 8th Council meeting for your review. Please note that this is a joint report from the Santa Cruz Planning & Community Development and and Economic Development & Housing Department. Feel free to reach out if you have any questions.

Thank you,

	<p>Emeline Nguyen Principal Management Analyst City of Santa Cruz City Manager's Office 809 Center Street, Santa Cruz, CA 95060 Phone: 831-420-5017 Email: enguyen@santacruzca.gov Web: www.cityofsantacruz.com</p> <p>f t i v</p>
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20230816_Civil Grand Jury_Housing Our Workers.pdf
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The 2022–2023 Santa Cruz County Civil Grand Jury
Invites the

**Director, Santa Cruz Planning & Community
Development and Director, Santa Cruz Economic
Development & Housing**

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 **invited** from appointed agency and department heads, appointed committees, and non-profit agencies contracted to the county which are investigated by the grand jury. You are not required to respond by the California Penal Code [\(PC\) §933\(c\)](#); if you do, [PC §933\(c\)](#) requires you to make your response available to the public.

If you choose to respond, 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 the report.

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Instructions for Respondents

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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.

F17. 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**):

Please see response to F13 above.

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.



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

ATTN: Civil Grand Jury Response (Housing Our Workers)

Emeline Nguyen <enguyen@santacruzca.gov>

Tue, Aug 15, 2023 at 5:09 PM

To: "syda.cogliati@santacruzcourt.org" <syda.cogliati@santacruzcourt.org>, "grandjury@scgrandjury.org" <grandjury@scgrandjury.org>

Cc: Dean Kashino <dean.kashino@scgrandjury.org>, Fred Keeley <fkeeley@santacruzca.gov>, Matt Huffaker <mhuffaker@santacruzca.gov>, Laura Schmidt <LSchmidt@santacruzca.gov>, Lee Butler <lbutler@santacruzca.gov>, Bonnie Lipscomb <bblipscomb@santacruzca.gov>

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

On behalf of the City, I've attached the Civil Grand Jury Response relating to Housing Our Workers from the August 8th Council meeting for your review. Please note that this is a joint report from the Santa Cruz Planning & Community Development and and Economic Development & Housing Department. Feel free to reach out if you have any questions.

Thank you,

	<p>Emeline Nguyen</p> <p>Principal Management Analyst</p> <p>City of Santa Cruz City Manager's Office</p> <p>809 Center Street, Santa Cruz, CA 95060</p> <p>Phone: 831-420-5017</p> <p>Email: enguyen@santacruzca.gov</p> <p>Web: www.cityofsantacruz.com</p> <p>     </p>
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225K



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

**Director, Santa Cruz Planning & Community
Development and Director, Santa Cruz Economic
Development & Housing**

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 **invited** from appointed agency and department heads, appointed committees, and non-profit agencies contracted to the county which are investigated by the grand jury. You are not required to respond by the California Penal Code [\(PC\) §933\(c\)](#); if you do, [PC §933\(c\)](#) requires you to make your response available to the public.

If you choose to respond, 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 the 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. **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.

F17. 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**):

Please see response to F13 above.

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)

X

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.



SANTA CRUZ
COUNTY
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

City of Watsonville Grand Jury Response for Housing Our Workers

'Suzi Merriam' via Santa Cruz Grand Jury <grandjury@scgrandjury.org>

Fri, Sep 1, 2023 at 1:48 PM

Reply-To: Suzi Merriam <suzi.merriam@watsonville.gov>

To: Grand Jury <grandjury@scgrandjury.org>, "Syda.Cogliati@santacruzcourt.org" <Syda.Cogliati@santacruzcourt.org>

Cc: "Denise S. Bazzano" <dbazzano@bwslaw.com>, "Samantha W. Zutler" <szutler@bwslaw.com>

To Whom It May Concern,

I want to extend our sincerest apologies for providing this past the August 31 due date. While this response was accepted by City Council on August 29, we failed to email it ahead of the deadline. Please let me know if you have any questions. Thank you.

Suzi

Suzi Merriam

CDD Director, City of Watsonville

831-768-3074



4) Housing our Workers - Watsonville Response.pdf
214K



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

Director, Watsonville Community Development

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 **invited** from appointed agency and department heads, appointed committees, and non-profit agencies contracted to the county which are investigated by the grand jury. You are not required to respond by the California Penal Code [\(PC\) §933\(c\)](#); if you do, [PC §933\(c\)](#) requires you to make your response available to the public.

If you choose to respond, 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 the 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. 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**):

With housing a priority at the state level, the state legislature has passed a slew of new housing regulations each year that require in-depth review and legal interpretation prior to local adoption. The City strives to adopt local ordinances that comply with state law as soon as possible, however we are cautious to wait to adopt regulations until we are confident that they follow the intent of state law.

This is partially why these state laws override local zoning control until such time that cities do adopt their own local ordinances in compliance with state regulations. For example, if a local jurisdiction has not updated their Density Bonus ordinance to comply with new state regulations, then a developer would simply utilize the state law rather than the local ordinance.

Finally, government does not build housing. The role of local government is to ensure that there is land available to build housing and to ensure that we have regulations that promote the development of quality housing for residents. We are dependent on private sector developers and property owners to build housing.

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**):

The City provides local preference in the purchase of below-market-for-sale housing developments in Watsonville, because these projects do not utilize state or federal funding that would prohibit the practice. The Affordable Housing Program requires the creation of a lottery for the affordable units in a new subdivision, whereby tickets are given to those that:

1. Live in the City of Watsonville (1 ticket)
2. Work in the City of Watsonville (1 ticket)
3. Live and work in the City of Watsonville (3 tickets)

The City also requires local and bilingual marketing efforts. To the extent allowed by applicable law, developers are required to make reasonable efforts to sell affordable units to buyers who live or work within the Watsonville City limits. To the extent necessary to ensure compliance with State and Federal fair housing laws, developers are required to employ bilingual staff to market the affordable units and prepare and use bilingual sales and marketing materials for the affordable units.

The City also provides greater financial assistance to assist eligible homebuyers to purchase homes in the City of Watsonville in accordance with the requirements of the City of Watsonville's Affordable Housing Ordinance. Applicants must provide valid evidence that they reside and/or are employed within the Watsonville City limits at the time of loan application, to be eligible for the higher loan limits.

In addition, the City has local preference requirements for rental projects; to wit, affordable rental units shall be marketed exclusively to existing City of Watsonville residents for two (2) weeks before any marketing to other persons (Watsonville Municipal Code, Chapter 14-46.140(g)(4)); and for projects requiring a five (5%) percent set aside for Section 8 vouchers, those Section 8 units must first be made available to the County of Santa Cruz Housing Authority for at least one-month period from the date of marketing for a new unit ((Watsonville Municipal Code, Chapter 14-46.040(a)(1)).

For 100% affordable rental housing projects, preferences are dictated by the funding sources for the project. For instance, the Joe Serna Fund is earmarked for the provision of units for farmworkers, whereas there are other funds for kids aging out of foster-care, or housing for homeless. However, even in these projects, local preference is not allowed to be used because it is considered a discriminatory practice.

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**):

Planning staff have opportunities to regularly meet with planners from other jurisdictions through a variety of different agencies, including the Regional Transportation Commission (RTC), the Association of Monterey Bay Area Governments (AMBAG), the Housing for Health Partnership, and the Monterey Bay Economic Partnership (MBEP). AMBAG holds regular meetings for planning directors and senior planning staff. The Housing for Health Partnership is a county-wide collaboration of agencies focused on addressing homelessness. In addition, the planning directors from all Santa Cruz agencies meet several times a year to collaborate and share ideas. Ad-hoc collaboration occurs across agencies as well in an effort to share knowledge and best practices.

Santa Cruz County abuts the City of Watsonville, and there have been two affordable housing projects that the two agencies have coordinated to bring to fruition, known as Pippin 1 and Pippin 2. Pippin 1 was a 46-unit project that included 26 units in the County and 20 units in the City of Watsonville. Both jurisdictions had to coordinate permitting and inspection authority for the project, which the City annexed after completion. Pippin 2 is the 80-unit extension of this project built entirely within the County, however the City is expected to annex this project as well after completion. The project has been designed to meet City standards for streets, sidewalks, solid waste, etcetera, as the housing project will be ultimately serviced by the City.

Recommendations

R19. By the end of 2023 the city of Watsonville 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:

As stated in R13, planning directors and staff regularly collaborate in a variety of regular and one-off meetings, through AMBAG, RTC, MBEP, Housing for Health, and on projects that involve multi-jurisdiction coordination, such as Pippin 1 and 2. Additionally, the planning directors for every jurisdiction in the county meet at least 5 times a year to collaborate and share information. Please note that state law requires that housing development applications be approved only by the jurisdiction in which they are located, and this prevents jurisdictions from developing joint projects outside of those described previously.

R20. By the end of 2023, the city of Watsonville should develop clear, measureable guidelines to ensure that local 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:

In 2002, the City of Watsonville adopted a local hiring ordinance (WMC Chapter 7-15) that requires contractors who receive City public works construction contracts in excess of \$600,000 to hire local residents. Under this regulation, at least 15% of each contractor’s construction workforce, including subcontractors, shall live within the boundary of the Pajaro Valley Water Management Agency. Additionally, at least 50% of the workforce must live within the Tri-County area (Santa Cruz, Monterey, San Benito).

