



# COUNTY OF SANTA CRUZ <sup>0777</sup>

## PLANNING DEPARTMENT

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July 22, 2015

**Agenda Date: August 4, 2015**

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz CA 95060

**SUBJECT: INITIATE GENERAL PLAN AND CODE AMENDMENTS RELATED TO STRATEGIES TO IMPLEMENT THE HOUSING ELEMENT AND TO ACCOMMODATE THE REGIONAL HOUSING NEEDS ALLOCATION (RHNA) 2014-2023**

Members of the Board:

Elsewhere on today's agenda, your Board is conducting a Public Hearing on the Draft Housing Element Update in advance of transmittal to the State Department of Housing and Community Development (HCD) for a required 60-day review and comment period. After the State completes its comments staff will further revise the document as needed, and then another set of public hearings will occur before the Housing Advisory Commission and Planning Commission to develop recommendations to your Board. Your Board will then hold a public hearing to consider adoption of the Final Housing Element Update, which must be adopted and submitted to HCD for certification during December 2015.

As indicated in prior communications about this Housing Element Update, which addresses the 2016 through 2023 planning period, it is not necessary to carry out a site rezoning program to designate specific sites for development at a 20 unit per acre density, as was done in 2008/09 for the R-Combining District sites, in order to accommodate the County's Regional Housing Needs Allocation (RHNA). The County's RHNA to 2023 totals 1,314 housing units, distributed to the following income categories:

INCOME LEVEL	NUMBER OF UNITS 2014 - 2023
Extremely Low	159
Very Low	158
Low	207
Moderate	240
Above Moderate	550
<b>TOTAL RHNA</b>	<b>1,314</b>

The remaining undeveloped R-Combining sites will accommodate 376 units, which are distributed among the extremely low, very low and low income groups based on actual experience with the developed R-Combining sites. Another 388 units are needed to meet low and moderate income needs to the year 2023 (the remaining amount is for above-moderate units). Since for this Housing Element Update no site-specific rezonings to 20 units per acre are occurring at this time, the

emphasis for being able to meet this remaining need is placed on a variety of strategies including agricultural employee housing units, mixed use projects, multi-family residential projects on existing RM sites, and a somewhat higher rate of Accessory Dwelling Unit (ADU) construction (30 per year).

The emphasis on the above housing types does not mean that during the timeframe of this Housing Element there will not be sites designated and zoned for higher density housing. It does mean that the County can take the time necessary to ensure that the new General Plan policies and zoning tools that would implement the Sustainable Santa Cruz County (SSCC) Plan are carefully developed, such that there is broad community support for those new strategies to be adopted into the General Plan, Local Coastal Program, and County Code. At this time, the Housing Element Update includes several policies and programs that relate to SSCC Implementation (Goal 1, Policy 1.1; Goal 2, Programs 2.3, 2.6 and 2.7; Goal 3, Program 3.5 and 3.7). Work on SSCC implementation strategies is slated to occur during the 2016 – 2018 timeframe. While prior to 2023 the County may have re-designated and rezoned selected sites or areas, the perspective of this Housing Element Update is that it is not necessary to demonstrate the availability of those sites to accommodate the RHNA at this time and to achieve HCD certification of the Element.

Key strategies that the proposed Housing Element Update emphasizes, in addition to the remaining R-Combining sites, are discussed in more detail below. Each of these strategies is related to regulatory amendments that are either already underway, or could be pursued in the near term, in order to better assist and facilitate creation of the housing types that are needed by the community and that help accommodate the RHNA for 2015-2023. It is not necessary that these amendments be acted upon at the same time the Housing Element Update is approved, but it is recommended that the amendments be completed and/or initiated in the near term so that they would be in effect during the early years of the time period covered by this Housing Element and facilitate creation of housing units.

- Agricultural Employee Housing – The proposed updates to the Agricultural Zoning Districts and agricultural employee housing provisions have already been drafted and were reviewed by the Board of Supervisors on May 19, 2015, are part of the Code Modernization project for which an Environmental Impact Report will be prepared starting later this year. The agricultural employee housing amendments will remove current obstacles to development of this type of housing. Given the cost of market rate housing in the area and the difficulty attracting and retaining farm laborers, farmers and non-profits have expressed stronger interest in developing new agricultural employee housing units, and projects are in pre-development phases. The proposed Housing Element Update projects 75 new agricultural employee housing units by 2023.
- Accessory Dwelling Units – On February 24, 2015 your Board directed staff to prepare proposed updates to the ADU regulations and return in August 2015 with draft amendments that would be ready for CEQA review. An overview of possible changes is included in the Board letter for the item on that February 24<sup>th</sup> agenda. Due to the extent of other Code Modernization and other work, the Department has not been able to complete the drafts, and staff is requesting a deferral to January 2016. Nonetheless, the expectation is that during 2016 the ADU amendments would be considered for approval, which will further facilitate creation of ADUs that can be accommodated in the unincorporated area. The proposed Housing Element Update projects a total of 275 additional ADUs by 2023, which is an average of 30 per year (25 occurred in the year 2014). The types of amendments contemplated would echo those recently approved in the City of Santa Cruz. As directed by the Board, an owner-occupancy requirement would be retained, although comments by Housing Advisory Commission members and some members of the public request Board support for at least studying some options that might allow for limited and conditional rental of ADUs as a “duplex” use without an owner-occupancy requirement.
- Mixed Use Housing – While the current General Plan and County Code do not include a specific “mixed use” designation or zoning district, mixed use projects are currently allowed

within the C-1 and C-2 commercial zoning districts and the PA professional office district. Now that the economy is recovering, and housing prices are nearly as high as ever, the Planning Department has heard from many property owners who are interested in developing mixed use housing projects that the current policies and regulations (as well as financing requirements of lending institutions) impose constraints to development of some mixed use projects. It is expected that it will take at least two years to prepare new Mixed Use Overlay regulations in the General Plan and Zoning District, along with the other more significant amendments that are anticipated to be needed to implement the Sustainable Santa Cruz County (SSCC) Plan. In the short term, before the more significant SSCC work can be undertaken (which will address the 2035 or 2040 planning horizon, rather than the 2023 horizon of the current Housing Element Update), there are certain relatively straightforward amendments that could be pursued in order to better accommodate mixed use projects under the current General Plan and existing zoning districts. These include:

- General Plan Amendment text and policy amendments related to Land Use Element Policy 2.12.3 “Residential Uses in Commercial Designations”, with accompanying Code Amendment provisions. It is recommended that “residential density” not be limited in commercial districts, and that the 50% maximum for residential square footage be removed from the General Plan itself. The 50% standard could be retained in the County Code, but with reference to the Planned Unit Development mechanism as the path for a project to exceed the 50% maximum. PUD projects must be found to offer public benefits in order to be approved. Staff is aware that mixed use projects that have non-residential percentages which exceed 25% or 35% of the total area of the project are not eligible for mortgage financing from Freddie Mac or Fannie Mae, so these financing issues should be taken into consideration, as this factor can affect the feasibility of some mixed use projects.

Currently, the maximum density for mixed use projects is 1 unit per 2,500 square feet. If this standard is removed, then the existing height limits, setbacks and parking requirements of the County Code, CEQA environmental review, and required permitting processes for site plan, coastal and design review would determine the number of units on a site. Findings regarding accommodation of commercial development could be added to the Code to ensure that commercial opportunities are not lost to residential development. This approach would better support development of smaller units rather than larger units within mixed use projects, which are the types of units our community needs and are appropriate unit types in mixed use projects that include commercial and office space.

It is unusual for a development standard such as the current 50% limit of residential square footage to be included within a General Plan policy. Rather, the General Plan could simply indicate that mixed use projects are allowed in the commercial and office land use areas (C-2, C-2 and PA districts); and then the implementing County Code and required permitting processes would establish how and whether greater than 50% residential square footage would be allowed in a project.

- A parking standard for small units and senior units should be established. In many jurisdictions, the parking requirement for small units (such as less than 400 square feet) is one space per unit, and the requirement for senior units is 0.75 spaces per unit.
- Multi-family Projects – The current site standards for the RM district are maximum Floor Area Ratio (FAR) of 0.5, height limit of 28 feet and maximum of two stories. In acknowledgement of the fact that affordable developments are not likely to be feasible using those standards, the County Code states that the standards may be exceeded for affordable housing projects when addressed through issuance of a Residential Development Permit (13.10. 323 (B), RM zone districts site and structural dimensions chart). The current standards are acting as a

constraint to development of market rate multi-family projects, and the following types of changes will be proposed by staff to be considered by your Board for inclusion in the Code Modernization project effort that is occurring this year.

- One of the Code Modernization proposals for the existing RM multi-family residential zoning district is to amend the maximum 0.5 FAR. The 0.5 FAR standard is the same that occurs in the single-family zoning districts. It means that on a RM site, which is intended to be developed more intensively than R-1 sites, only a one-story structure on a maximum of one-half of the lot is allowed. That does not support feasible multi-family development. An appropriate FAR for multi-family sites would be 1.5 rather than 0.5.
- Similarly, the maximum of two stories and height of 28 feet also work against construction of multi-family homes, even though RM property is zoned for that type of development. Because the community badly needs workforce housing, and because, after the Palmer decision, we can no longer require deed restricted affordable rental projects, it is desirable to extend the more feasible development standards that are currently offered to deed restricted affordable housing projects, to all projects that would meet the need for smaller units in more compact developments. We suggest, in order to facilitate multi-family homes in RM zoning, the maximum number of stories be increased to three and the maximum height be increased to 35 feet, two feet more than the current maximum height for SFDs (when paired with increased setbacks or design review). The 35-foot height limit would be consistent with the existing height limit for commercial properties.
- Lastly, the current code counts garage parking area toward FAR, with a 225 sq. foot credit given for the garage. The code does not explicitly state that for multi-family homes the credit is per unit, and we believe it would be beneficial to clarify how garages in multi-family projects are counted toward FAR.

Specific proposals for amendments to these site standards would be included in the Code Modernization project as part of the updates to the RM zoning district regulations.

- Permanent Supportive Housing – There is an existing Program 4.6 in the current Housing Element that states: “Explore regulatory options for recognizing and legalizing hotels/motels that have over time been converted to permanent occupancy”. These types of properties, when not used for visitor accommodations due to their outdated and small configurations, have essentially turned into Single Room Occupancy (SRO) properties with non-transient tenants. These types of properties can serve an important role in supplying units that can be used for permanent supporting housing and meet other housing needs for small units. However, properties used in this manner in the unincorporated area are currently a non-permitted, non-conforming use. About 12 existing properties have been identified throughout the County, with most of these properties containing 20 or fewer units.

A method of accommodating such properties in a legal manner would be to create a Permanent Room Housing (PRH) Combining District. Through such a tool, older converted hotel/motel properties can apply to be rezoned to the PRH Combining District and obtain a Development Permit to become legal. The PRH would be applied to single properties on a case-by-case basis. The City of Santa Cruz has such a zoning tool, and a good example of the type of project that it can be used for is Nuevo Sol, a permanent supportive housing project that substantially rehabilitated an old 12-unit motel property into 12 units. As most of these properties are located on commercial parcels, the PRH combining district approach would be necessary because the properties would not be a “mixed use” development, but would usually be entirely residential.

In summary, the above-described regulatory amendments would provide ways to facilitate accommodation of projected housing needs through the 2023 timeframe of the Housing Element Update, and respond to current interests in accommodating agricultural employee housing, accessory dwelling units, mixed use projects, multi-family rental housing, permanent supportive housing and other targeted modifications as appropriate. They can be accomplished without the extensive level of effort that is going to be required to amend the General Plan Land Use, Circulation and Community Design Elements to carry forward the Sustainable Santa Cruz County Plan. That more-broad effort, which will have a planning horizon of 2035 or 2040, is anticipated to take at least two years to develop and process, and would occur after current work program items are completed (slated for 2016 -2018 timeframe).

### **PLANNING COMMISSION COMMENTS AND RECOMMENDATION**

The Planning Commission considered this matter at its meeting of July 22, 2015, and voted to support initiation of the General Plan and Code Amendments regarding mixed use projects on commercial properties, as well as the Permanent Room Housing Combining District. The Planning Commission also acknowledged that ADUs will be an important component of meeting housing needs, and offered several comments that will be considerations as staff begins to work to develop proposals for how the ADU regulations could be amended to better accommodate ADUs. The Planning Commission also agreed that the Code Modernization project should include the ag employee housing and RM multi-family regulatory amendments, and offered comments to staff regarding these matters as well, which will be considered by staff as work continues this Fall on the Code Modernization project.

### **HOUSING ADVISORY COMMISSION COMMENTS**

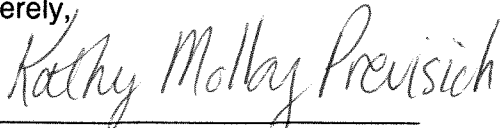
The Housing Advisory Commission considered this matter at its July 22, 2015 meeting. Although there was not a quorum and therefore no official recommendation was developed for your Board's consideration, Commissioners and members of the public who attended the meeting had a very good discussion, with many comments and suggestions made that will be considered by staff as work on these program elements goes forward.

### **RECOMMENDATION**

Planning staff and the Planning Commission therefore recommend that the Board of Supervisors take the following actions:

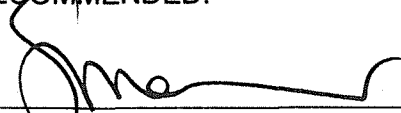
1. Initiate General Plan and Code Amendments for (a) the Mixed Use density and residential square footage changes, and (b) the Permanent Room Housing Combining District (including proposals for senior housing and small unit parking standards), as outlined in this report, and direct staff to carry out environmental review of draft amendments prior to scheduling public hearings;
2. Direct staff to reschedule the report that will contain draft language for amendments to Accessory Dwelling Unit regulations to the second Board meeting in January of 2016, at which time it would be expected that the ADU amendments would be initiated; and
3. Concur that the proposed amendments to the agricultural employee housing regulations will be part of the current Code Modernization project, and also that the Modernization project should include proposed amendments for Multi-family Residential RM standards related to maximum FAR, maximum stories, maximum height, and clarification of applying FAR garage credit, as generally outlined in this report.

Sincerely,



KATHY MOLLOY PREVISICH  
Planning Director

RECOMMENDED:



SUSANA A. MAURIELLO  
County Administrative Officer

Attachment: Existing General Plan Land Use Element Policy 2.12.3

**Objective 2.12 Mixed-Use Development**

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To provide a mix of different types of commercial uses or a mix of commercial and residential or public facility uses in appropriate locations where the combination of uses are complementary and contribute to establishing centers of community activity and commerce.

**Policies**

**2.12.1 Office Uses in Commercial Designation**

Allow the development of professional and administrative office uses in all commercial land uses designations of the General Plan and LCP Land Use Plan, where allowed by zoning. Encourage office uses to provide a lower intensity buffer between commercial uses and adjacent residential and public facility development. (For additional information on office uses in the Service Commercial designation, refer to section 2.17.)

**2.12.2 Public Facility uses in Commercial Designations**

Limit public and quasi-public facility uses in areas designated for commercial use to public utility and public service activities, child care facilities and small art and technical schools (such as music studios and schools, professional, trade, business and technical schools), to reserve commercially designated land for retail and employment generating uses.

**2.12.3 Residential Uses in Commercial Designations**

Allow a mix of residential and commercial uses in areas designated Neighborhood or Community Commercial or Professional and Administrative Office. Require the inclusion of residential development where provided by adopted village, town, community or specific plans. Limit residential uses to densities which allow good site design that meets the standards of Chapter 13.11 of the County Code and commercial utilization of the property, and which are secondary to the commercial use, not to exceed 50 percent (67% if project is 100% affordable) of the floor area of the development. *(Revised by Resolution 455-98)*

**PROGRAM**

- a. Development and implement specific design criteria for the inclusion of residential uses in commercial development to preserve the commercial focus and functionality of the project, and the residential character and quality living area. Include adequate buffering of potential disruption from commercial activity. (Responsibility: Planning Department, Planning Commission, Board of Supervisors)