COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT
701 OCEAN STREET, SUITE 410, SANTA CRUZ, CA 95060
(831) 454-2580 FAX: (831) 454-2131 TDD: (831) 454-2123
ALVIN JAMES, DIRECTOR

September 11, 2002

Agenda: September 23, 2002

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, California *95060*

PUBLIC HEARING TO ESTABLISH THE YEAR 2004 GROWTH GOAL

Members of the Board:

Each year the County is required, through implementation of the Growth Management System, to set an annual growth goal for the upcoming year. As part of that process, staff prepares a Growth Goal Report for consideration by the Planning Commission and the Board of Supervisors. The Year 2004 Growth Goal Report is attached for your consideration prior to referral to the Planning Commission. Following consideration by the Planning Commission, the matter will be returned to your Board with the Commission's recommendation and a resolution for your action. Also included in this letter is a status report on the 2003 Building Permit Allocation.

GROWTH GOAL ISSUES

The accompanying report on Year 2004 Growth Goals (Attachment 1) provides a discussion of a series of factors critical in establishing the annual growth goal for the County. The report contains a number of findings including the following:

Population Trends: The State Department of Finance (DOF) estimates that during the last year (2002), the County's unincorporated population declined at a rate of 0.5%. This rate is lower than the 2002 adopted percent growth goal of 0.50%. The County, as a whole, declined at 0.1% rate, which is significantly less than the 1.6 % growth rate for the State of California.

Growth Impacts: The most significant development impact on resources in the County consists of the potential and actual water supply shortfalls countywide. As discussed in the attached report, water agencies countywide are addressing these concerns. Urban service impacts of existing and new development are being addressed by a number of County initiatives to plan, finance and construct capital improvements.

Housing Goals: Over the last twenty-four years, 16.6% of the new residential development in the unincorporated area has been constructed as affordable housing. Affordable housing production in the first eight months of 2003 is 17.7%.

GROWTH GOAL SETTING

The Year 2003 Growth Goal Report recommends a continuance of the 0.50% growth goal established for 2002. Based on this population growth goal, an allocation of total building permits to be issued in 2004 is determined based on considerations of County population, household size and vacancy rates. The allocation is then distributed similar to past years for affordable and market rate housing, urban and rural areas, and the size of projects.

If your Board adopts the staff recommendation for a 0.50 percent growth goal and does not authorize use of the carryover, it is possible that the demand for permits may exceed the supply of allocations in some categories. If the allocation were inadequate to meet the demand, then the Planning Department, in accordance with Section 12.02.040(c) of the County Code, would cease accepting applications for building permits in any depleted category.

To preserve your Board's options, the attached 2004 Growth Goals Report recommends that the unused market rate allocations from 2003 be carried over but not be made available at this time. If it appears that there will be a shortfall in any allocation category, Planning staff will bring this matter to your Board's attention during the year. At that time, your Board could then make numerical adjustments between the allocation categories, or authorize use of the carryover.

STATUS OF THE 2003 BUILDING PERMIT ALLOCATION

There continues to be a fairly high demand for building permits in 2003. The number of permits already allocated this year is shown below:

2002 Building Permit Allocation Status (as of 9/1/03)

	Urban 1-4	Urban 5+	Rural
2002 Allocation set by Board	76	76	75
Allocated (committed)	44	19	29
Balance available for allocation	32	57	46

It is projected that sufficient allocations will be available to meet demand; staff will update these figures for your Board's December 9, 2003 meeting.

RECOMMENDATION

The 2004 Growth Goal Report recommends a 0.50 percent growth goal for 2004, the carryover, but not the utilization, of unused 2003 market rate housing allocations at this time, and a distribution of housing allocations by project location, type and size as distributed in previous years.

It is, therefore, RECOMMENDED that your Board take the following actions:

1. Conduct a public hearing on the setting of the Year 2004 Growth Goal;

2. Refer this matter to the Planning Commission for consideration and recommendation to your Board; and

3. Continue the public hearing on this matter to December 9, 2003, with direction to staff to return with the recommendation of the Planning Commission and a resolution for final action by your Board.

Sincerely,

Alvin D. James
Planning Director

RECOMMENDED:

SUSAN A. MAURIELLO
County Administrative Officer

Attachment: 1. 2004 Growth Goals Report

AJD/MMD/mmd/gr04bsreport1.doc

REPORT ON

YEAR 2004 GROWTH GOALS

FOR SANTA CRUZ COUNTY UNINCORPORATED AREA

Santa Cruz County Planning Department
September 1,2003

I. INTRODUCTION

The Growth Management Referendum adopted by the voters in 1978, Measure J, requires that the County "provide for the establishment, each year, of an annual population growth during that year of an amount which represents Santa Cruz County's fair share of statewide population growth". This policy is now codified in County Code Chapter 17.01, Growth Management, and implemented through the provisions of Chapter 17.04, Annual Population Growth Goal for Santa Cruz County. This report provides an analysis of the relevant information for consideration by the County Planning Commission and Board of Supervisors in determining the annual growth goal for 2004.

This report highlights a series of factors critical in establishing the annual growth goal. Following the introduction, Section II describes population growth projections and trends in the County and cities. Section III identifies the actual residential building permits that have been allocated, issued, and carried over since the adoption of Measure J and the status of the 2003 Allocation. Section IV briefly summarizes some of the resource impact and public service issues that the County's Growth Management system was intended to address. Section V describes the Association of Monterey Bay Area Government's (AMBAG) Regional Housing Needs Plan, status of the Housing Element, and the continued need for affordable housing in the County. Section VI is the Growth Goal recommendation, providing the population growth goal, showing how it translates into building permit allocations and describing how the carryover of permits can be utilized, if appropriate.

II. POPULATION TRENDS

Population Estimates:

The most recent official estimates of population for Santa **Cruz** County and the incorporated cities was published by the State of California Department of Finance (DOF) in May of 2003, and is shown in Table 1 below. These rounded estimates, which are prepared annually, indicate a countywide population of 259,844 (134,747 unincorporated) as of January 1, 2003 (Source: DOF E-1 Total Population of California Cities, 5-03).

The County adopted a population growth goal for the unincorporated area of *0.50%* for 2002. **As** can be seen in Table 1, the DOF population estimates indicate

that the unincorporated area grew in 2002 at a rate of –0.5%, far less than the 0.8% growth rate in 2001. Only two of the four cities in the County grew in population (Santa Cruz and Scotts Valley). The overall County-wide growth rate was -0.1% in 2002 while the State's growth rate was 1.6%.

TABLE 1: POPULATION AND GROWTH RATES
OF COUNTY JURISDICTIONS

Area	1/1/2002 Population Estimate	1/1/2003 Population Estimate	2001 Population Growth Rate %	2002 Population Growth Rate %
City of Capitola	10,173	10,138	0.7	-0.3
City of Santa Cruz	*55,085*	55,633	1.0	1.0
City of Scotts Valley	11,600	11,625	1.2	0.2
City of Watsonville	47,936	47,701	1.8	-0.5
Santa Cruz County Unincorp.	135,400	134,747	0.8	-0.5
Santa Cruz County Total	260,194	259,844	1.1	-0.1
State of California	35,037,196	35,590,952	1.9	1.6

Source: DOF E-1 Population of California Cities, *5-02*

The DOF estimated 2002 growth rate for the unincorporated area (-0.50) is less than the estimated 1.6% State growth rate for 2002, and is a full percentage point less than the 0.50% growth goal. The unincorporated area's negative growth rate is a result of a number of factors, including the high unemployment rate and the high housing costs in the County. The rental vacancy rate is, as a result, very high.

The current growth rate is far below the average growth rates of 2.0% for this same area during the 1980-1990 decade, as can be seen through comparisons to the numbers in Table 2. It may be noted that these recent County growth rates also represent a significant change from previous decades when the County grew much faster than the State. For comparison purposes, in 2002, Monterey County grew at 1.5%, San Benito County grew at 1.2%, and Santa Clara County grew at 0.8%.

TABLE 2: POPULATION GROWTH RATE COMPARISONS

Year	County Unincorporated Area Population	Growth*	County-Wide Population	Growth*	State Population	Growth*
1960	42,309		84,219		15,720,860	
		4.9%		3.9%		2.4%
1970	68,440		123,790		19,957,304	
		4.6%		4.3%		1.7%
1980	107,129		188,141		23,668,562	
		2.0%		2.0%		2.3%
1990	130,809		229,734		29,760,021	
		0.4%		1.1%		1.3%
2000	135,526		255,602		33,871,648	

*Compound average annual growth rate
Source: 1960,1970, 1980, 1990 and 2000 U.S. Census.

Population Projections:

In 1997, AMBAG updated its population forecast for all of the jurisdictions in its region. The projections for Santa Cruz County are presented in Table 3 along with a comparison of the 1990 and 2000 Federal Census counts. The AMBAG population forecasts are based on employment projections and local land use plans, and are utilized in regional planning efforts such as the Regional Air Quality Plan, Regional Transportation Plan, and the Regional Water Quality Plan.

It is interesting to note that AMBAG projected that the population of the unincorporated area of the County would decrease to 135,673 by 2005 due to extensive annexations of land surrounding Watsonville. These annexations would decrease the unincorporated area's population while substantially increasing the population of the City of Watsonville. Although the City of Watsonville has annexed the Freedom/Carey Area, other significant annexations have not occurred.

TABLE 3: AMBAG POPULATION PROJECTIONS FOR SANTA CRUZ COUNTY (1997)

Area	1990' Actual	1995	2000 **(Actual')**	2005	2010
City of Capitola	10,171	10,775	11,172 **(10,033)**	11,375	11,500
City of Santa **Cruz**	49,040	52,556	55,013 **(54,593)**	60,299	63,866
City of Scotts Valley	8,615	9,710	11,218 **(11,385)**	12,218	13,284
City of Watsonville	31,099	33,695	43,620 **(44,265)**	50,495	51,881
Unincorporated Area	130,809	135,200	136,714 **(135,526)**	135,673	141,183
County Total	229,734	241,935	257,737 **(255,602)**	270,060	281,714

[1] 1990 Federal Census, 4/1/90
[2] 2000 Federal Census, 4/1/00

111. BUILDING PERMIT ALLOCATIONS

The number of Building Permits submitted for new residential units (not including replacement units and, since 1992, affordable units) since the implementation of Measure J is enumerated below in Table 4. Building Permit allocation totals for 2003 are shown through September 1, 2003.

TABLE 4: BUILDING PERMITS ALLOCATED, SUBMITTED, AND CARRIED OVER

YEAR	CARRIED OVER	TOTAL BOARD ALLOCATED	SUBJECT TO THE ALLOCATION (1)	TOTAL APPLICATIONS SUBMITTED SUBJECT TO THE ALLOCATION
1979	0	930	930	741
1980	189	1055	1055	972
1981	272	937	937	934
1982	275	968	968	738
1983	505	972	972	619
1984	858	991	991	609
1985	1240	757	757	710
1986	1287	768	768	595
1987	1460	468	468	606(2)
1988	1322	489	489	670(2)
1989	1141	489 + 1384(3)	489 + 1384(3)	420
1990	2594	487	487	267
1991	2814	495	495	173
1992	268	509	433	158
1993	275	512	435	109
1994	326	525	446	168
1995	278	528	449	131
1996	318	530	450	138
1997	312	531	451	197
1998	254	526	447	275
1999	172	396	337	216(4)
2000	104	399	339	220
2001	119	266	227	177(5)
2002	60	264	224	135
2003	92	264	224	92(6)

(1) Prior to 1992, market rate and affordable units were subject to the allocation;

beginning in 1992, only market rate units were subject to the allocation.

(2) More building permits were issued than allocated due to issuance of permits from the carryover reservoir.

(3) **A** special allocation of 1384 additional affordable permits were approved to allow attainment of the regional housing goal for the 1980-90 decade.

(4) 208 from the 1999 allocation and 8 (Rural) from the 1998 carryover

(5) Including 10 carry-over permits authorized by the Board of Supervisors in June 2001.

(6) Through September I, 2003.

In 1992, the Residential Permit Allocation System ordinance (County Code Section 12.02.020) was amended to exempt all affordable units from the requirement for a Measure J allocation. As a result, the previous practice of carrying over the large reservoir of unused allocations for affordable units was dropped.

Since the beginning of Measure J in 1978, unused market rate and affordable unit allocations have been authorized to be carried over from year to year. By the mid-1980s, there was a large carryover, with the majority of the allocations being for affordable units.

In 1987, the carryover was utilized to accommodate the Canon del Sol subdivision (which had been allocated permits in 1980 but did not pull the permits until 1987) and the Dominican Oaks congregate care project. In 1988, the carryover was again used because your Board did not want to set a growth rate until the completion of the AMBAG Fair Share Housing Plan revision. Permits for the first six months of 1988 were issued out of the carryover.

As a result of the AMBAG Fair Share Housing Plan revision (which covered the period of 1980 to 1990) and a legal challenge, your Board thought it prudent to add additional affordable unit allocations to the 1989 allocation. The unused allocations were carried over into 1990 and 1991. In 1992, in order to promote the creation of affordable housing and increase the probability of Housing Element certification, staff recommended and your Board concurred that the affordable units would become exempt from the allocation and Chapter 12.02 of the County Code was amended, accordingly. Since that time, only market rate allocations have been carried over, as illustrated in Table 4.

Summary of the 2002 Allocation and Status of the 2003 Allocation

Due to the reduced annual growth goal established for 2002 and the continued demand for building permits, the second smallest number of allocations (92) were returned to the carryover since the inception of Measure J. However, carryover figures since 1992, when affordable units were exempted from the allocation, have shown that demand has never come near to meeting the total number of permits allocated. The following chart illustrates this:

Returned to Carryover	Urban 1-4	Urban 5+	Rural	Total
from 2002	42	40	10	92
from 2001	34	26	0	60
from 2000	40	68	11	119
from 1999	27	77	0	104
from 1998	104	0	68	172
from 1997	63	116	75	254
from 1996	83	138	91	312
from 1995	106	140	72	318
from 1994	85	75	118	278
from 1993	96	129	101	326
from 1992	54	131	90	275

Staff tracks the number of minor land divisions and subdivisions (for 5+ lots) applied for, approved, and maps filed. Staff can accurately predict the demand for building permits from the creation of new lots; predicting the timing of the demand is more difficult, since there are many factors that influence the pace of residential construction. The following chart shows the status of approved subdivisions and their building permit allocation status:

ALLOCATION STATUS OF APPROVED 5+ UNIT URBAN PROJECTS
As of September 1,2003

	# of Market Rate Units in Project	From 2001 Allocation	From 2002 Allocation	From 2003 Allocation	# Remaining to be Allocated
Avila Estates	6	0	0	0	1
Woodrose Unit # 1	12	4	0	0	0
Seascape Uplands	107	11	6	8	24
Graham Hill Estates aka Woods Cove	60	0	17	2	41
Harbor Vista	9	9	0	0	0
Calabria	10	2	0	0	1
Gera Estates	5	2	0	0	0
Dover Estates	7	1	0	1	5
Rodeo Creek	9	9	0	0	0
The Grove	15	15	0	0	0
Yacht Harbor Oaks	13	13	0	0	0
Pinewood Estates	4	0	4	0	0
Atherton Place aka Cabrillo Gardens	22	0	6	16	0
Portola Shores aka Clearwater Court	8	0	8	0	0
Santa Cruz Gardens Unit # 8	12	0	0	1	1
Harbor Square	7	0	0	3	4
TOTAL	306	66	41	31	77

PENDING 5+ UNIT URBAN PROJECTS (as of September 1,2003)

Project	# of Market Rate Units in Project	From Previous Allocations	From 2003 Allocation	# Remaining to be Allocated
Santa **Cruz** Gardens	9		0	9
Peregrine	13	0	0	13
Cabrillo Commons	43	0	0	43
Santina Court	10	0	0	10
Lupin Drive	5	0	0	5
Total	80	0	0	80

As illustrated above, there is a current demand of 77 Urban 5+ allocations and a future demand of 80 allocations. However, the majority of Seascape Uplands building permit applications have been filed by the owner/builders and are, therefore, being allocated from the Urban 1 - 4 category.

APPROVED AND PENDING MINOR LAND DIVISIONS

	Approved # of Lots (September 1,2002 - September 1,2003)	Pending # of Lots (as of September 1,2002)
Urban	17	21
Rural	6	7

In addition to the demand discussed above from already approved projects, it is also important to note the potential future demand from pending applications currently in the land use review process. **As** shown above, there are 28 pending minor land division lots; pending subdivision applications could result in 108 new units.

The number of building permits already allocated this year is shown below:

2003 Building Permit Allocation Status (as of 9/1/03)

	Urban 1-4	Urban 5+	Rural
2003 Allocation set by Board	76	76	75
Allocated (committed)	44	19	29
Balance available for allocation	32	57	46

As can be seen in the table, there appear to be adequate building permit allocations available in all three categories.

IV. POTENTIAL GROWTH IMPACTS

The Growth Management System was instituted to address resource and public services impacts of growth in the County. The following discussion briefly highlights recent impact issues and some of the steps being taken to ensure adequate resource protection, and to ensure that proposed growth can be accommodated by adequate urban services.

Resource Protection

The premier resource issue in the county is water. The drought from 1986 - 1993 affected both surface and groundwater supplies throughout the county, and emphasized the need for water supply and water use planning and management. Although winter storms from 1993 through 2000 ushered in above average rainfall, this recent wet period has not alleviated the need for water use planning and management. Because of this, the emphasis on coordinated water resource management has been of primary concern to County staff and to the various water agencies.

All the main aquifers in this county, the primary source of the county's potable water, are in some degree of overdraft. County staff is working with consultants for the San Lorenzo Valley and Scotts Valley Water Districts (SLVWD and SVWD) to better characterize groundwater supplies in the lower San Lorenzo Valley/Scotts Valley area. Based on hydrogeologic studies conducted by staff, the SLVWD consultant has written a report detailing groundwater conditions in the southern portion of the Santa Margarita basin. The consultant for the SVWD has obtained grant funds for additional hydrogeologic characterization in the Southern Scotts Valley area and has solicited county staffs technical input on this project.

Staff continues to work with its own consultant to develop conceptual plans to conjunctively manage surface and groundwater in the lower San Lorenzo Valley/Scotts Valley area in order to increase aquifer storage. Staff is working to develop a feasibility study that would lead to a groundwater recharge pilot project. As part of their research on replenishing groundwater supplies, County staff has met with managers from nearby water agencies and obtained copies of technical reports on proposed and pilot groundwater recharge projects.

The City of Santa Cruz has developed a Facilities Master Plan to address the future water service needs of its customers in the City and unincorporated areas. This plan directs the City's efforts towards desalination and further conservation efforts. Soquel Creek Water District is investigating a number of alternatives, including tie-ins with the Pajaro Valley Water Management Agency and desalination. In the meantime, the Soquel Creek Water District has instituted a "zero-impact" ordinance for all new hook-ups. This ordinance requires new customers to provide water saving retrofits to existing customers to offset the new demand caused by their development.

The Pajaro Valley Water Management Agency (PVWMA) completed a project at Harkins Slough that provides temporary ground water recharge to the shallow aquifer in that area. The PVWMA and the city of Watsonville are pursuing the construction of an advanced tertiary treatment facility to provide recycled water for irrigation and continues to implement various water supply projects as identified in the Draft Revised Basin Management Plan. These projects could include importing water via pipeline from outside the county.

Urban Services:

The County continues to pursue a number of activities to improve its ability to provide adequate services throughout the urbanized portions of the unincorporated area:

- Yearly adoption of the Capital Improvement Program that identifies scheduled public service improvements (such as road, roadside, drainage and park improvements) and provides a basis for development of the necessary financing programs.

- The Live Oak/Soquel Redevelopment Agency continues its efforts to upgrade the urban infrastructure in the Soquel and Live *Oak* areas.

- Plan lines and route design concepts continue to be completed and adopted for arterial and collector streets in the urban area, particularly

in Live *Oak* and Soquel. An on-going, multi-year effort has been undertaken to establish plan lines throughout the urban area to provide needed information for roadway design, capital improvement programming and the review and conditioning of new projects.

In 2001, the Transportation Commission voted to support the construction of HOT/toll lanes on Highway 1. In addition, funding for a wide range of transit, bicycle and roadway improvements were obtained through State and Federal funding programs.

Because of the magnitude of the urban service needs, significant construction of projects will be needed throughout the urban areas over an extended period of time to support existing, as well as future, development.

V. HOUSING NEEDS

Regional Housing Needs Plan:

Under state law, all cities and counties are required to adopt a housing element as part of their local general plan. Each housing element must include housing production goals that address the needs of the population that is anticipated to live in the community during the housing element's time horizon.

These housing production goals are the result of a two-step process and are divided into four income categories. The California Department of Housing and Community Development (HCD) first estimates the need for additional housing in each county based on population projections produced **by** both the State Department of Finance (DOF) and the local transportation planning agency. The local council of governments then allocates HCD's housing needs to the individual cities and counties within its region based on various criteria.

Santa Cruz County's current housing element was adopted in 1994. It includes housing production goals for a total of 11,983units (see Table 5, below). These goals were established in June 1990 when the Association of Monterey Bay Governments (AMBAG) adopted its Regional Housing Needs Plan. In 1990, more than two-thirds of the 17,679 unit housing production goals for all Santa Cruz County jurisdictions were allocated to the unincorporated areas of the County.

TABLE 5: HOUSING GOALS AND ALLOCATIONS

Housing Type	AMBAG Allocation	1994 Housing Element Build Out
Low & Very Low Income	5,507	9,559
Moderate Rate	2,165	10,586
Market Rate	4,311	8,828
Unit Total	11,983	28,973

State law also requires that housing elements be updated periodically — generally every five years. However, due to the State's budgetary problems in the mid-1990's, the state legislature adopted legislation that deferred the next housing element law update until 2002 for the AMBAG communities.

In 1999, the state law was amended to re-establish the timelines for the preparation of housing element updates. The next mandated housing element update for the AMBAG jurisdictions, including Santa Cruz County, for the years 2000 to 2007 must be completed by December 31, 2002.

While HCD was mandated to allocate county housing needs by June 30, 2000, AMBAG received the local housing needs determination from HCD on August 13, 2001. The region was allocated a minimum of 23,130 housing units. Despite AMBAG efforts to work with HCD to further reduce the allocation to a level that would be consistent with AMBAG's population projections for the area' and the resource constraints of individual communities, HCD rejected AMBAG's request. In January 2002, AMBAG formally accepted the HCD allocation of 23,130, more than one year after the state law mandates that this determination be completed (December 31, 2000.

Once the final Regional Housing Needs Determination was accepted, AMBAG staff implemented a process to allocate the housing needs to individual cities and counties. AMBAG staff intended to allocate the housing need based on an allocation formula

---

1 AMBAG's 1997 population projections place Santa Cruz County's total population at 257,737 for the year 2000, 270,060 for 2005 and 281,714 for 2010. These figures equate to a 9.3% population increase over ten years. For comparison, HCD's preliminary housing needs estimates represent 22.8% and 27.1% increases in the County's housing stock over seven years.

recommended by a Technical Advisory Committee (TAC), consisting of representatives of the cities and counties in the AMBAG region, and adopted by the AMBAG Board of Directors. The County had been represented on the TAC by Supervisor Beautz and Planning staff (Supervisor Campos was appointed as the alternate).

Following a number of public hearings before the AMBAG Board of Directors, AMBAG has approved the Regional Housing Needs Plan for the Monterey Bay region. This Plan allocates 3,44 1 housing units ti the unincorporated area of the County, distributed as shown on the following table:

COUNTY-WIDE HOUSTNG NEEDS ALLOCATIONS

Income Category	2000 HCD Allocation	1990 AMBAG Allocation
Very Low Income (<50%)	937	3,430
Lower Income *(50%* - 80%)	502	2,077
Moderate Income (80% to 120%)	651	2,165
Above Moderate Income (120%+)	1,351	4,311
Total Housing Needs	3,441*	11,983

* The total Regional Housing Need for the two counties is 23,130 housing units. The number shown is HCD's approved distribution for the unincorporated area of the County. The County and the cities in Santa Cruz County have filed a lawsuit challenging AMBAG's methodology in preparing the RHND.

Affordable Housing:

Measure J contains the policy that "at least 15 percent of those housing units newly constructed for sale or rental each year shall be capable of purchase or rental by persons with average or below average incomes." The number and percentage of affordable housing constructed in the unincorporated area since the implementation of Measure J in 1979 is shown in Table 6 below.

Over the twenty-three year implementation period of Measure J from 1979 through 2002, an average of 15.7 % of the new housing constructed in the unincorporated portion of the County has been affordable.

TABLE 6: AFFORDABLE HOUSING PRODUCTION (1)

Year	Total Units Issued	Affordable and Inclusionary Units Issued	Second Units Issued	Affordable as % of New Dwelling Units
1979	741	0		
1980	972	62		6.4
1981	934	251		26.9
1982	738	235		31.8
1983	619	52		8.4
1984	609	129		21.2
1985	710	61		8.6
1986	595	98	1	16.6
1987	606	75	0	12.4
1988	710	23	3	3.7
1989	420	14	0	3.3
1990	267	9	1	3.7
1991	173	20	1	12.1
1992	367	209	0	56.9
1993	149	30	1	20.8
1994	192	24	2	13.5
1995	152	21	8	19.1
1996	145	7	6	9.0
1997	203	6	14	9.9
1998	304	29	29	19.1
1999	225	9	25	15.1
2000	343	123	21	42.0
2001	174	7	23	17.2
2002	235	100	18	50.2
2003(2)	96	4	13	17.7
Total	10,679	1596	166	16.5

(1) Santa Cruz County unincorporated area
(2) Through September 1,2003

VI. GROWTH GOAL RECOMMENDATION

Growth Goal:

Your Board adopted a 0.50% growth rate for 2003. **A** growth rate of 0.50% was adopted for 2002 and 2001, and a growth rate of 0.75% was adopted for 1999 and 2000.

Although the economic growth of the past few years has slowed, building permit

activity remains at a fairly high rate and it is probable that there will be a continuing strong demand for permits in 2003.

If your Board adopts a 0.50% growth rate for 2004 and utilization of the carryover is not authorized, it is possible that demand may exceed the supply of allocations in some categories. If no action were taken, the Planning Department, in accordance with Section 12.02.040(c) of the County Code, would cease accepting applications for building permits in the depleted category. Planning staff will advise your Board, during 2004, if depletion of an allocation category seems probable. Staff is RECOMMENDING that your Board carryover any unused allocation from 2002, but not authorize utilization at this time. Your Board could make numerical adjustments between the allocation categories or authorize use of the carryover at any time during the year.

In order to facilitate the attainment of affordable housing goals, the County continues to exempt affordable housing units (including second units) from the need to obtain permit allocations under the County's growth management regulations. The development of affordable units will, therefore, not be affected by the adopted growth goal.

Building Permit Allocations:

Table 7 presents the methodology by which the 0.50% population growth goal for 2003 is converted into the Building Permit allocation.

TABLE 7: BUILDING PERMIT ALLOCATION BASED ON **A** 0.50% ANNUAL GROWTH RATE

Estimated Total Household Population 1/1/03 for Unincorporated Santa Cruz County*	131,530
Estimated Group Quarters Population 1/1/03*	3,217
Estimated Total Population 1/1/03*	134,747
Annual Growth Goal - 2004	0.50%
Projected 1/1/04 Total Population	135,421
Annual Growth Goal - 2004	0.50%
Projected 2004 Population Increase	674
Persons Per Household (Census estimate for 1/1/03)*	2.71
Required 2004 New Housing Units	249
Additional New Units Required for *5%* Vacancy	13
Reservation of 15% of the Building Permits for affordable units.	<40>
Total Number of New 2004 Units Allowed (including affordable units)	262

* Source: DOF E-5 Population of California Cities and Counties, 5-02

The Building Permit allocations have been distributed in previous years based on different criteria: 67%-33% ratio between urban and rural permits for 1979 through 1998; 75%-25% ratio between urban and rural permits for 1999. The ratio adopted for 2002 and 2003 was 67%-33%. It is RECOMMENDED that the 2004 permit allocations be divided in the following manner:

- Division of the 2004 growth between urban and rural portions of the unincorporated County on a 67-33% ratio.

- Allocation of rural permits without regard to project size.
- Allocation of 50% of the urban permits to the 1-4 unit category.
- Allocation of 50% of the remaining urban permits to the 5 and more unit category.
- Reservation of 15% of the total allocation for affordable units as prescribed by County Code Section 17.01.030(e).

This division represents staffs prediction of the probable demand. This division also implements the ordinance requirement of encouraging growth in urban areas and discouraging growth in the rural areas.

TABLE **8:** RECOMMENDED 2004 BUILDING PERMIT ALLOCATION DISTRIBUTION

Area	Total Market Rate Units	1-4 Units	5+ Units
Urban	149	75	**74**
Rural	73	N/A	N/A
Total	**224**		

Allocation Carryover:

Section 17.04.065 of County Code provides the ability to carryover Building Permit allocations from the previous year. It is RECOMMENDED that the unused 2003 market rate housing allocations be carried over, retaining their Urban and Rural distinctions, but not be made available for use at this time. Your Board could authorize utilization at any time during 2003, if found appropriate.

Rural Land Divisions:

County Code Chapter 14.04, Annual Limits - Rural Land Divisions, limits the number of new residential parcels to be created in the rural portion of the County to 35 percent of the number of residential Building Permit allocations for the rural area. Based on the above-recommended allocation, this would create a limit of 25 new rural residential parcels (6 new rural lots have been approved to date in 2003). As the number of new rural

residential parcels has not exceeded the yearly limitation for more than a decade, no further action is indicated for the control of rural land divisions.

Second Units:

As a condition of the Coastal Commission Certification of the ordinance amendments to County Code Chapter 13.10.681(f), an annual report is required. The report is intended to evaluate the cumulative impacts associated with the second units within each planning area, particularly within the Coastal Zone. This analysis is to look at traffic, water, public views and environmentally sensitive areas impacts.

In 1997, the Board adopted revisions to the Second Unit ordinance. The revisions, including increased unit sizes in the rural areas, have made second units more attractive to the public. As the figures below indicate, application rates have increased. It is also clear that these units are being built primarily in rural, non-coastal areas. In 2003, the Board adopted amendments to the Second Unit ordinance to implement **AB 1866.** These amendments eliminate the need for discretionary permit review. The effects of this revision on the numbers of second units are not known.

Since September 1, 1994, a total of 245 Development Permits for second units have been approved, resulting in the issuance of 169 Building Permits. These permit approvals and issued Building Permits are for sites situated in the following planning areas of Santa Cruz County:

Second Unit Discretionary Approvals by Planning Area

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003*	TOTAL
Aptos	0	0	0	2	2	1	1	3	4	2	15
Aptos Hills	0	2	3	4	4	2	5	4	6	5	35
Bonny Doon	0	0	2	3	4	2	9	2	4	2	28
Carbonera	0	0	3	6	5	2	5	1	4	1	27
Eureka Canyon	0	0	1	3	4	2	4	2	2	0	18
La Selva Beach	0	0	0	1	0	1	0	0	0	0	2
Live Oak	1	2	0	1	4	3	2	1	5	0	19
North Coast	0	0	0	0	0	0	0	0	0	0	0
Pajaro Valley	0	2	1	3	3	1	2	3	3	1	19
Salsipuedes	0	0	0	0	0	0	0	0	0	0	0
San Andreas	0	0	0	0	0	0	0	0	1	0	1
San Lorenzo	1	2	1	5	2	3	2	3	3	4	26