

## MEMORANDUM

**Date:** October 27, 2022  
**To:** Housing Advisory Commission (HAC)  
**From:** Matthew Sundt, Planner IV, Community Development & Infrastructure Dept. (CDI),  
Planning Division, Policy Group  
**Re:** Work Program for the 6<sup>th</sup> Cycle Housing Element Update

### BACKGROUND

The County is required to update its General Plan Housing Element every eight years, with the 6th Cycle update due to the State Department of Housing and Community Development (HCD) by December 15, 2023. The CDI Policy Group has developed a work program (attached) to prepare this Update that includes data collection, analysis of housing needs, housing inventory update, accommodating the Regional Housing Needs Allocation (RHNA), environmental review, public input, and other components required by state law.

Staff presented this work program to the Board of Supervisors on October 25, 2022, which approved it with additional direction. That report and related material is available on the County's Meeting Portal at the link below, and attached to this Memorandum.

[https://santacruzcountyca.igam2.com/Citizens/Detail\\_LegiFile.aspx?Frame=None&MeetingID=1938&MediaPosition=7787.449&ID=13340&CssClass=](https://santacruzcountyca.igam2.com/Citizens/Detail_LegiFile.aspx?Frame=None&MeetingID=1938&MediaPosition=7787.449&ID=13340&CssClass=)

The proposed work program includes future HAC meetings on the Housing Element Update, as well as community outreach meetings.

### STAFF RECOMMENDATION

Review the attached Report to the Board on the proposed Work Program, consider the staff presentation, take public comment, then open the floor for commissioner questions, comments, and discussion. No formal action is required.



**County of Santa Cruz Board of Supervisors  
Agenda Item Submittal**

**From:** Planning: Sustainability and Special Projects  
(831) 454-2580

**Subject:** 6th Cycle Housing Element Update Program

**Meeting Date:** October 25, 2022

**Recommended Action(s):**

- 1) Consider presentation on the proposed 6th Cycle Housing Element Update Program; and
- 2) Direct staff to return on or before January 31, 2023 for an additional study session.

**Executive Summary**

The County is required to update its General Plan Housing Element every eight years, with the 6th Cycle update due to the State Department of Housing and Community Development (HCD) by December 15, 2023. The County Community Development & Infrastructure (CDI) Department has developed a program to prepare the update that includes data collection and analysis, analysis of housing needs, housing inventory update, accommodating the Regional Housing Needs Allocation (RHNA), environmental review, and public input, and meets other Housing Element update requirements.

**Background**

The County last updated its Housing Element in 2015, with HCD certification occurring in April 2016. The County is required to update its General Plan Housing Element every eight years, with the 6th Cycle update due to the HCD by December 15, 2023. As required by California Government Code sections 65580-65589.11, Housing Elements are subject to a variety requirements, including the assessment of housing needs, accommodating special needs populations, addressing housing affordability and options, identifying constraints and barriers to housing, and facilitating robust community engagement in the update process.

**Analysis**

The attached 6th Cycle Housing Element Update Program describes a program for kicking off the Housing Element Update Process, describing the needed program elements and steps to update the Housing Element in accordance with state law. Central to the Housing Element Update is accommodation of the 6th Cycle RHNA, which has been established by HCD and distributed to the jurisdictions in our region by the Association of Monterey Bay Area Governments (AMBAG). The 6th Cycle RHNA Plan assigns the number of housing units that each jurisdiction must plan for in the cycle, which spans 2023-2031.

The 6th Cycle RHNA for Santa Cruz County is approximately three and one-half times as large as the 5th Cycle RHNA:

<b>Income Level</b>	<b>5<sup>th</sup> Cycle RHNA</b>	<b>6<sup>th</sup> Cycle RHNA</b>	<b>Percent Increase</b>
<i>Very Low</i>	317	1,492	471%
<i>Low</i>	207	976	471%
<i>Moderate</i>	240	586	244%
<i>Above Moderate</i>	550	1,580	287%
<b>Total RHNA</b>	<b>1,314</b>	<b>4,634</b>	<b>353%</b>

Accommodation of the 6th Cycle RHNA will involve a review of the existing housing inventory as presented in the last Housing Element to assess any remaining capacity, and will likely result in the need for rezoning properties once the Housing Element is adopted. Areas for rezoning will be located based on the policy direction included in the Sustainability Policy and Regulatory Update, which provides for higher-density urban level development with access to transportation corridors (including the rail-trail corridor) and other services, as well as and strategies included in the Climate Action and Adaptation Plan. Zoning tools, such as the proposed Residential Flex (RF) Zoning District will be utilized to most efficiently achieve RHNA goals.

Since the update of the last Housing Element, state law has evolved with new requirements, particularly related to affordable housing and disadvantaged communities. Housing Elements must engage in efforts related to "Affirmatively Furthering Fair Housing," which is defined as "taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and fosters inclusive communities free from barriers that restrict access to opportunity." To address this, Housing Element requirements now include an Assessment of Fair Housing (AFH) practices, which incorporates an analysis of the relationship between available sites and areas of high or low resources, and concrete actions in the form of programs to affirmatively further fair housing. Rezoning in higher resourced unincorporated areas to accommodate higher density will be evaluated to help meet AFFH requirements.

The Housing Element Update will be assessed for environmental impacts under the California Environmental Quality Act (CEQA). The County will prepare an Addendum to the Environmental Impact Report prepared for the *Sustainability Policy and Regulatory Update*. Staff will solicit CEQA consultants to assist with preparation of the environmental document.

The Program incorporates a multi-pronged approach to inclusive public participation in the Update process. A stakeholder group will be established that includes community-based organization, non-profit housing developers, and representatives from disadvantaged communities, related County departments, as well as others interested in housing in our community. Outreach efforts such as email blasts, social media, newspaper publicity will be utilized to attract general public participation in the process. Consultant assistance will be used for this effort as well.

**Financial Impact**

In 2021, CDI received a Regional Early Action Planning Grant (REAP 1.0) from AMBAG to offset staff and consultant costs associated with the Housing Element Update Program.

**Strategic Plan Element(s)**

Update of the General Plan Housing Element and compliance with state housing law positions the County to address all the goals in the Attainable Housing Focus Area in the County Strategic Plan, particularly:

2.A (Affordable Housing) - Goals, policies, programs, and provision for high-density options in the Housing Element will directly address the need for increased affordability in housing units.

2.C (Local Housing Inventory) - As part of the Housing Element Update Program, the County's current housing inventory will be analyzed and updated for inclusion of additional housing at all income levels.

**Submitted by:**

Matt Machado, Deputy CAO/Director of Public Works

**Recommended by:**

Carlos J. Palacios, County Administrative Officer

**Attachments:**

- a Housing Element Update Program



# SANTA CRUZ COUNTY 6<sup>TH</sup> CYCLE HOUSING ELEMENT UPDATE PROGRAM AND SCHEDULE

## INTRODUCTION

Since 1969, California has required that all local jurisdictions plan to meet the housing needs of all people in their community (California Government Code sections 65580-65589.11). California’s local governments meet this requirement by adopting Housing Elements as part of their general plan, which is also required by the state. The State Housing and Community Development Department (HCD) oversees and approves each local jurisdiction’s Housing Element through a review process that typically takes two reviews.<sup>1</sup>

In February 2016, the County Board of Supervisors (BOS) adopted the 5<sup>th</sup> Cycle Housing Element. This was then certified by HCD on April 28, 2016. The pending 6<sup>th</sup> Cycle Housing Element must be adopted by December 15, 2023, and will apply to the 2023 to 2031 time period.

## 6<sup>TH</sup> CYCLE REGIONAL HOUSING NEEDS ALLOCATION

Under state law and the HCD oversight, the Association of Monterey Bay Area Governments (AMBAG) prepares the Regional Housing Needs Allocation (RHNA) plan for Monterey and Santa Cruz counties. The RHNA establishes the total number of housing units that each city or county must plan for within an eight-year planning period (currently the “6<sup>th</sup> Cycle” and relevant from 2023 to 2031). The amount of housing allocated is determined by HCD and distributed among the relevant jurisdictions by AMBAG.

The RHNA process begins with HCD providing a Regional Housing Needs Determination for the Metropolitan Planning Organization pertinent to Monterey and Santa Cruz counties. The regional determination includes an overall housing need number, as well as the percentage of units required in different income categories. AMBAG received its 6<sup>th</sup> Cycle Regional Housing Need Determination from HCD in August 2021.<sup>2</sup> AMBAG released the Draft 6<sup>th</sup> Cycle RHNA Plan on April 22, 2022. The Final 6<sup>th</sup> Cycle RHNA Plan was adopted by the AMBAG Board in October 2022. The housing allocation for the unincorporated County is 4,634, an increase of 353% over the 5<sup>th</sup> Cycle housing allocation of 1,314. The following table compares how the Santa Cruz County 5<sup>th</sup> and 6<sup>th</sup> cycle RHNAs were allocated.

<b>Income Level</b>	<b>5<sup>th</sup> Cycle RHNA</b>	<b>6<sup>th</sup> Cycle RHNA</b>	<b>Percent Increase</b>
<i>Very Low</i>	317	1,492	471%
<i>Low</i>	207	976	471%
<i>Moderate</i>	240	586	244%
<i>Above Moderate</i>	550	1,580	287%
<b>Total RHNA</b>	<b>1,314</b>	<b>4,634</b>	<b>353%</b>

<sup>1</sup> First HCD review = 90 days; Second review = 60 days, followed by HCD certification of the HE

<sup>2</sup> The RHNA total for the AMBAG region is 33,274 housing units.

## 5<sup>th</sup> CYCLE REGIONAL HOUSING NEEDS ALLOCATION

The number of units developed under the 5<sup>th</sup> Cycle Housing Element must be addressed in the 6<sup>th</sup> Cycle. This is done through an analysis by County staff to determine if the approximately 1,300 sites listed in the inventory were developed, or not, and with how many units.

Each year, jurisdictions submit an Annual Progress Report to HCD to show progress in development housing units as compared to their RHNA. The table below shows the County's progress in meeting its 5<sup>th</sup> Cycle RHNA as of the end of 2021. The data shows that the County has permitted approximately 56% of its RHNA between 2014 and 2021. The next Annual Progress Report will also reflect permits issued in 2022, which is expected to increase the number of permitted units a fair amount due to several larger affordable housing development in the pipeline or recently permitted.

<b>Income Level</b>	<b>5<sup>th</sup> Cycle RHNA</b>	<b>Units Permitted</b>	<b>Percent</b>
<i>Very Low</i>	317	72	12%
<i>Low</i>	207	119	57%
<i>Moderate</i>	240	269	112%
<i>Above Moderate</i>	550	284	52%
<b>Total</b>	<b>1,314</b>	<b>744</b>	<b>56%</b>

It is important to note that cities and counties are mandated by the State of California to remove hindrances to building housing, especially very low- and low-income housing, and to establish programs and policies that will benefit / encourage building this type of housing. There are no consequences to the jurisdiction not building housing, but there are consequences for a jurisdiction being a hindrance to Affirmatively Furthering Fair Housing. The negative consequence is losing access to various state grants related to housing and transportation.

## HOUSING ELEMENT REQUIREMENTS

### ***Housing Needs Assessment and Inventory***

When updating the Housing Element, jurisdictions are required to analyze housing needs, conditions and trends in the community, and then ensure that those needs can be met. The housing units allocated within the RHNA provide number of units at all income levels that must be accommodated. The Element must also show how special needs populations are accommodated.

The current 5<sup>th</sup> Cycle Housing Element appendix includes a countywide inventory of properties that identifies approximately 787 vacant single-family sites, 110 underutilized single-family sites, 13 vacant multiple-family sites, 113 underutilized multi-family sites, 24 vacant commercial sites for potential mixed-use, and 252 underutilized commercial mixed-use sites (1,300 sites). Both urban and rural properties are included in the inventory, although capacity for additional units is focused within the Urban Services Line. The 6<sup>th</sup> Cycle update must revisit all these sites to determine which have been developed and to what extent (e.g., are some lots still vacant or underutilized?), which sites should be removed from the list because they are built out, or which sites should be re-evaluated for their potential for additional units.

### ***Barriers and Constraints***

The Update must analyze barriers and constraints to the development of housing, including availability of land and financing, costs of development, development below planned densities, and permitting constraints.

### ***Affirmatively Furthering Fair Housing (AFFH)***

Under state law, AFFH means “taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and fosters inclusive communities free from barriers that restrict access to opportunity.”

AB 686,<sup>3</sup> enacted in 2018, expands requirements related to AFFH and incorporate programs in the Housing Element to address AFFH. The County must identify sites for RHNA allocation and for purposes of replacing segregated living patterns with integrated and balanced living patterns, thereby transforming racially and ethnically concentrated areas of poverty into areas of opportunity. In this effort, AB 686 indicates there to be two courses of action: (1) zone to accommodate housing for low income but dispersed to areas with access to greater resources, amenities, and opportunities, and (2) where sites zoned to accommodate low-income households are in lower resource areas, incorporating policies and programs that are designed to remedy poor conditions.

AB 686 also creates new Housing Element requirements. These requirements include *an Assessment of Fair Housing* (AFH) practices, which incorporates an analysis of the relationship between available sites and areas of high or low resources, and concrete actions in the form of programs to affirmatively further fair housing. The purpose of this assessment and analysis is to replace segregated living patterns with integrated and balanced living patterns and to transform racially and ethnically concentrated areas of poverty into areas of opportunity. The AFH includes a summary of fair housing issues in the jurisdiction and an assessment of the jurisdiction’s fair housing enforcement and outreach capacity, and an analysis and summary of fair housing issues using available federal, state, and local data and knowledge. The analysis must include a variety of factors, such as trends and patterns within the locality and in comparison to the broader region. This analysis must address:

- Integration and segregation;
- Racially or ethnically concentrated areas of poverty;
- Disparities in access to opportunity, including for persons with disabilities; and
- Disproportionate housing needs (this may include things like overpayment, overcrowding, housing conditions disproportionately affecting protected classes), including displacement risk.

HCD's recommended *Best Practices* for selecting sites to accommodate the lower income households include, but not be limited to, the following high resource attributes:

- Proximity to transit;
- Access to high performing schools and jobs;
- Access to amenities, such as parks and services;
- Access to health care facilities and grocery stores;
- Locational scoring criteria for Low-income Housing Tax Credit (TCAC) Program funding;
- Proximity to available infrastructure and utilities;
- Sites that do not require environmental mitigation; and

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<sup>3</sup> AB 686 History: The passage of California Assembly Bill 686 in 2018 enshrined the duty to affirmatively further fair housing within California state law, regardless of future federal actions. California’s law essentially preserves the U.S. Department of Housing and Urban Development’s (HUD) 2015 Affirmatively Furthering Fair Housing Final Rule as published in the Federal Register in 2015.<sup>32</sup> This was done to ensure the 2015 AFFH Final Rule remained the law in California, despite the potential federal rollback of the rule and tool. (The 2015 rule was suspended in 2018 and ultimately terminated in 2020.) State law is clear, California’s AFFH duty remains regardless of subsequent amendment, suspension, or revocation of the 2015 AFFH Final Rule.

- Presence of development streamlining processes, environmental exemptions, and other development incentives.

It is incumbent upon County staff to address the contributing factors that create segregation, discrimination, and barriers that restrict access to opportunity. This followed by actions and programs enhancing housing mobility strategies, encouraging development of new affordable housing in high resource areas, improving conservation and revitalization of existing affordable housing, and protecting existing residents from displacement.

The 6th Cycle actions and programs must include specific and concrete language, as well as clear timelines with specific dates and milestones. Outcomes must be quantifiable and have a beneficial/meaningful impact during the planning period and go well beyond a continuation of past actions related and ultimately not take any action materially inconsistent with the obligation to AFFH. The State has developed several tools to assist with these analyses, including opportunity maps that identify areas of highest resource, high resource, moderate resource, moderate resource, low resource and high segregation and poverty.

### **PUBLIC INVOLVEMENT**

State Housing Law requires a robust public participation process to ensure well-rounded and equitable community involvement. It is anticipated that the public involvement process for this Program will commence in December 2022 and continue through adoption and will include stakeholder and community meetings. Meetings will be remote and in-person and held at a variety of times to facilitate participation. County staff anticipates up to public 12 meetings during the course of the 6<sup>th</sup> Cycle update, with additional meetings at the Housing Advisory Commission, the Planning Commission, and the Board of Supervisors. Staff will solicit consultants to assist with the public involvement process.

#### ***Stakeholders***

There are numerous stakeholders anticipated to participate in the Housing Element update, including but not limited to: nonprofit housing developers; land use law firms; faith based / religious institutions; farm labor organizations; labor unions; community-based and other organizations that represent protected class members; public housing authorities/agencies/advocates; lower income community members and households that include persons in protected classes; homeless services agencies; County Office of Response, Recovery; County Human Services Department; churches and community service organizations that serve ethnic/linguistic minorities; real estate companies and associations; general contractors; and developers.

#### ***Outreach***

County staff will create and maintain a web page designed for the Housing Element update. The webpage will provide opportunities for the public to receive information on the Update, review drafts, and to give additional public input via comments and surveys. Email blasts and social media posts, as well as press releases will be used to keep the public updated and advertise input opportunities.

### **DRAFT HOUSING ELEMENT**

Based on the information collected on AFFH and stakeholder and public input, staff will update the existing Housing Element with new information and programs. New 2020 Census data will be included, as well as more recent population and housing trends. All, if not most, of the 5<sup>th</sup> Cycle analysis tables will be updated and reintroduced to the 6<sup>th</sup> Cycle Housing Element. Staff anticipates a draft available for review by July 2023.



The Draft Housing Element will be reviewed by the Housing Advisory Commission, the Planning Commission, and the Board of Supervisors. After acceptance by the Board, HCD will conduct a review of the Draft and provide comments. Once updated, the final Housing Element will return to the Board of Supervisors for adoption before final submittal to HCD.

### ***Consequence of Late Element Adoption***

Jurisdictions, such as Santa Cruz County, that are on an eight-year planning period that do not adopt their element within 120 calendar days from the start date of the planning period (Santa Cruz County “start date” is December 15, 2023) must revise and adopt the Housing Element every four years until timely adopting at least two consecutive revisions by the applicable due date.

### **ENVIRONMENTAL REVIEW**

To address environmental review under the California Environmental Quality Act (CEQA), the County will prepare an Addendum to the Environmental Impact Report prepared for the *Sustainability Policy and Regulatory Update*. Staff will solicit CEQA consultants to assist with preparation of the environmental document.

### **REZONINGS**

Rezoning will likely be required to meet the 6<sup>th</sup> Cycle RHNA and AFFH/AFH requirements described above. Necessary rezonings will be located based on the policy direction included in the *Sustainability Policy and Regulatory Update*, which provides for higher-density urban level development with access to transportation corridors (including the rail-trail corridor) and other services, as well as strategies included in the *Climate Action and Adaptation Plan*. The newly proposed Residential Flex Zone District, which allows residential development from 22 to 45 units per acre, will provide the most land-efficient tool for accommodating more units within the existing Urban Services Line. Other zoning tools, such as rezoning to moderate and high-density zones and the R-Combining District (Overlay) may also be used. Zoning must also accommodate a variety of housing types, including agricultural employee housing, emergency shelters, transitional housing, mobile home parks, and accessory dwelling units. Although properties must be identified and analyzed in the housing inventory, actual rezoning may take place in the three-year period following Housing Element adoption (so long as the Element is adopted on time).

### **PRO-HOUSING POLICIES**

Following the adoption of the Housing Element by the Board of Supervisors (anticipated to be in December 2023) County staff will submit a Pro-Housing Program Application to HCD. This Program creates incentive for jurisdictions that are compliant with Housing Element requirements and that have enacted pro-housing policies and programs. These incentives will take the form of additional points or other preference in the scoring of applications for competitive housing and infrastructure programs, such as expanding density bonus programs to exceed statutory requirements by 10% or more in certain communities, fee waivers or reductions for higher density housing in commercial corridors or other infill locations, and numerous other policies. After adoption of the Sustainability Update, gaps in housing policies and programs will be identified, which will in turn be addressed in the Housing Element or as programs that can then be implemented.

### **FUNDING**

The Community Development & Infrastructure Department received a Regional Early Action Planning Grant (REAP 1.0) from AMBAG to offset staff and consultant costs associated with the Housing Element Update Program.

**TIMELINE**

See attached timeline for the Housing Element update program.

<b>6<sup>TH</sup> CYCLE HOUSING ELEMENT UPDATE SCHEDULE</b>		
<b>Task</b>	<b>Start Date</b>	<b>End Date</b>
<b>2022</b>		
Inventory update and data collection	October	January
5th cycle RHNA performance assessment	October	January
Kickoff - Present to HAC/PC/BOS	October	November
<b>Solicit CEQA Consultants/RFP</b>	<b>October</b>	
Web page launch	November	
Assessment of Fair Housing	October	January
Public outreach/engagement meetings	December	February
<b>Select CEQA/outreach consultant</b>	<b>November</b>	
<b>Consultant contract approval</b>	<b>December</b>	
<b>2023</b>		
Draft HE document preparation	January	May
<b>Prepare Draft Addendum EIR</b>	<b>January</b>	<b>April</b>
<b>Release Addendum EIR</b>	<b>June</b>	
PC/HAC Review - Draft Housing Element	July	
BOS Review – Draft Housing Element	August	
Submit Draft Housing Element to HCD	August	
<b>HCD Review (90 days)<sup>4</sup></b>	August	October
Housing Element Revisions by County	October	November
<b>BOS adopts Housing Element</b>	December	
<b>Submit Adopted Housing Element to HCD</b>	December <sup>5</sup>	
<b>2024</b>		
<b>HCD Review (60 days)<sup>6</sup></b>	January	February
<b>HCD Certifies Housing Element</b>	March <sup>7</sup>	
Pro-Housing Designation Process	April	December
Rezoning	March	December

<sup>4</sup> HCD will use all 90 days

<sup>5</sup> Consequence of late element adoption: Jurisdictions on an 8-year planning period that do not adopt their element within 120 calendar days from the start date of the planning period [Santa Cruz County “start date” is December 15, 2023] must revise and adopt the housing element every four years until timely adopting at least two consecutive revisions by the applicable due date.

<sup>6</sup> HCD will use all 60 days

<sup>7</sup> Forecast