

**City of Santa Cruz  
Housing Study  
Session**

**June 2, 2015**

- **Housing Element** / Ron Powers  
City Advance Planning Manager
- **City Programs** / Carol Berg  
City Housing Manager
- **Developer's Perspective** / Jim Rendler  
For the Future Housing
- **Lender's Perspective** / Jon Sisk  
Santa Cruz County Bank
- **Future Funding Options** / Kathe Head  
Keyser Marston, Inc.
- **County's Approach** / Julie Conway  
County of Santa Cruz
- **What's Next** / Juliana Rebagliati  
City Planning Director
- **Other Invited Guests**

# Santa Cruz Housing Plan Update

City Council Presentation  
June 2, 2015



**Ron Powers**  
**Advance Planning Manager**

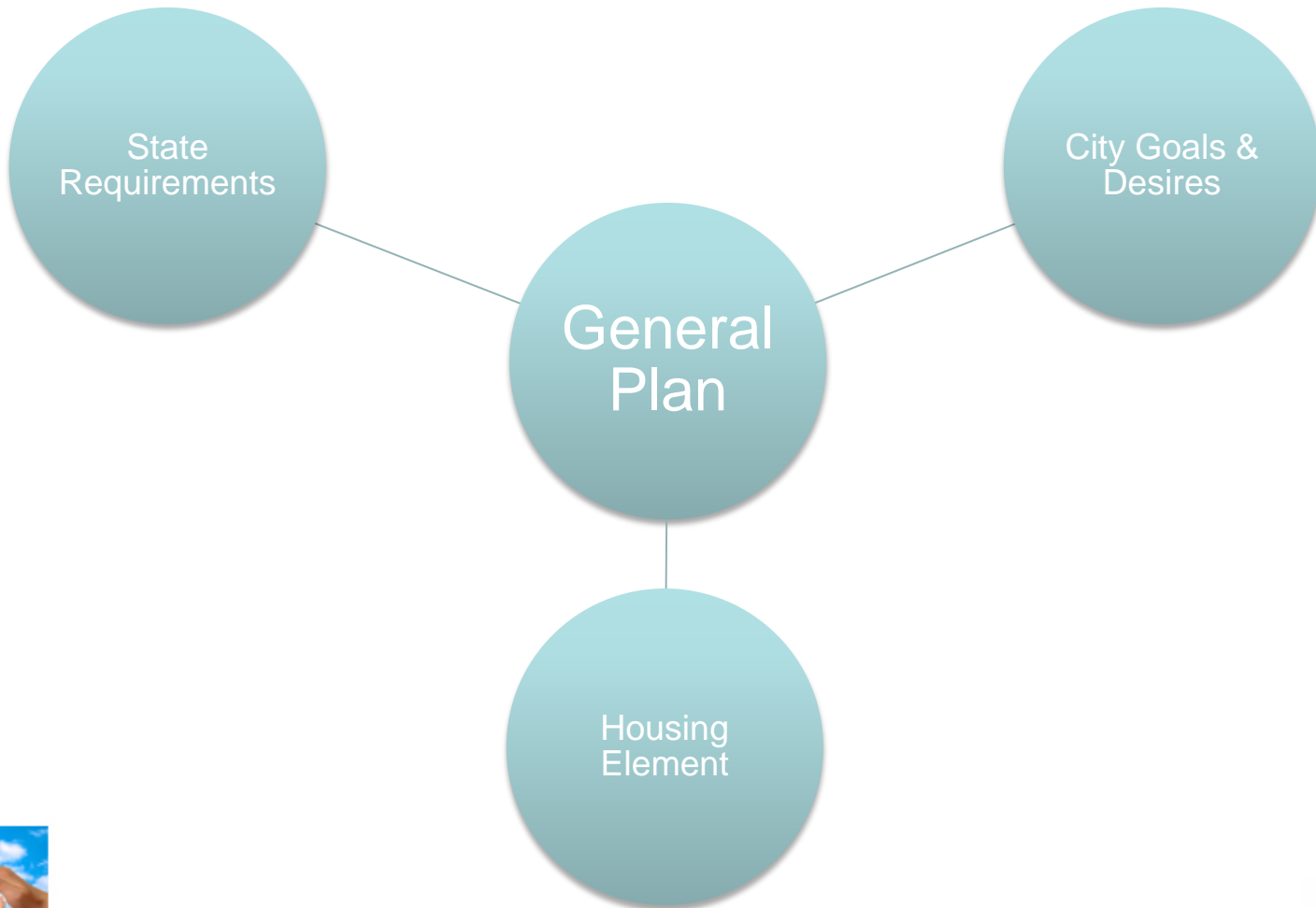


# Housing Element Overview

- Context of the Housing (Plan) Element
- Regional Housing Needs Allocation (RHNA)
- Contents of the Housing Plan
- Proposed Outreach and Program overview
- Next Steps



# Housing Element Part of the General Plan



# Housing Element

- The General Plan 2030 Set the Development Pattern for the next several years
- Housing Element last adopted in 2009 and revised in 2011 is a chapter of the General Plan



# Regional Housing Needs Allocation RHNA

California Department  
of Housing and  
Community  
Development  
(HCD)

Association of  
Monterey Bay Area  
Governments  
(AMBAG)

RHNA Targets  
Assigned to Cities  
and Counties

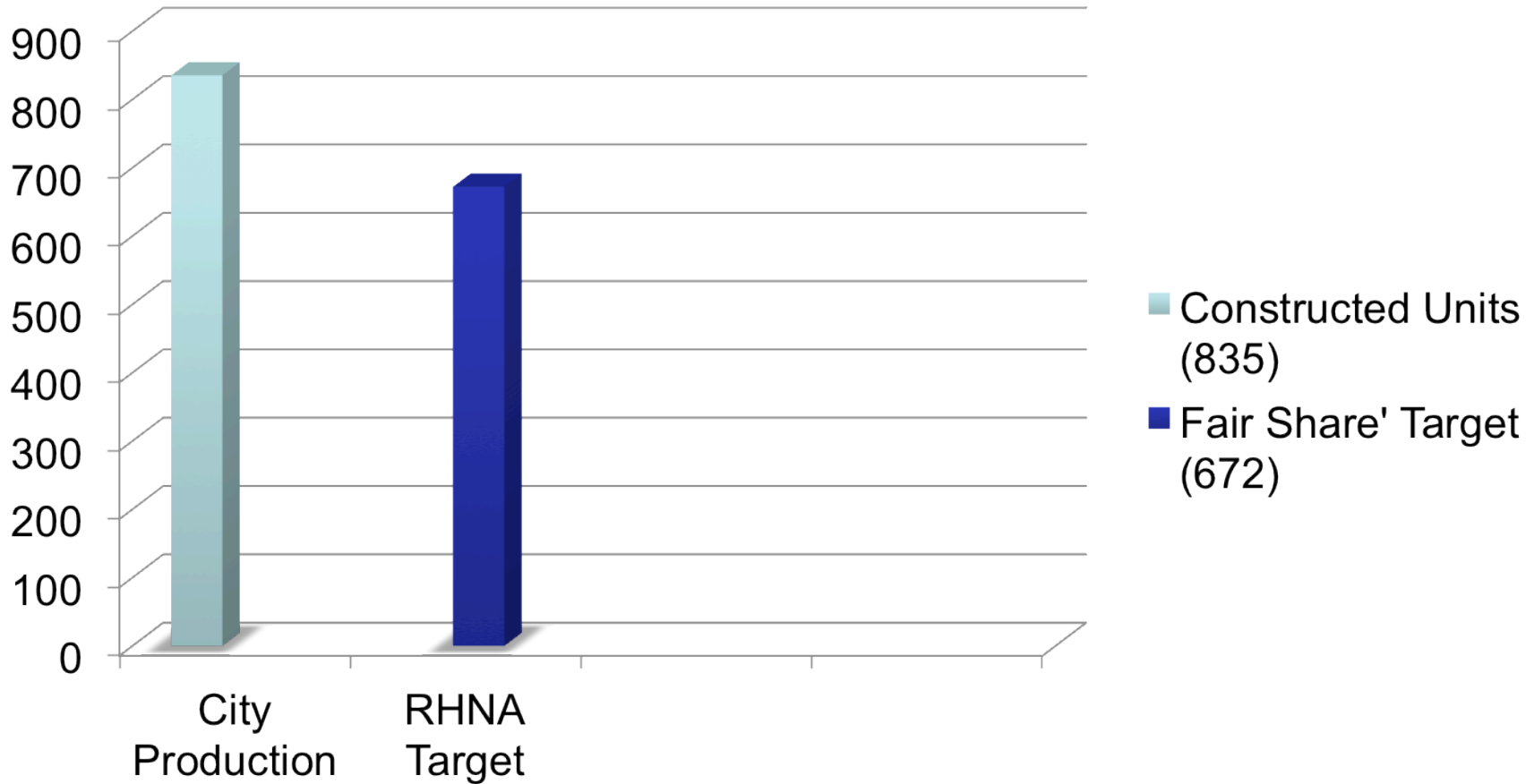


# About the Housing Element

- State Law requires City to PLAN for or ZONE land to accommodate the RHNA target and does not require actual construction of the housing
- The housing allocation is NOT a population projection for the City
- RHNA number is for the next 8 years
- RHNA target is NOT a build-out number



# Construction vs. Planning Target 2007-2014





# City of Santa Cruz RHNA Targets (2015-2023)

Income Level	# of Units
Very Low (24.1%)	180
Low (15.8%)	118
Moderate (18.2%)	136
Above Moderate (41.9%)	313
<b>TOTAL</b>	<b>747</b>



# Housing Element Contents

Needs  
Assessment

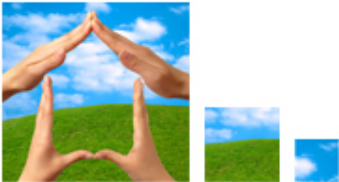
Resources and  
Constraints  
Analysis

Review of Past  
Performance

Policies/Programs



# SUMMARY OF QUANTIFIED OBJECTIVES AND IMPLEMENTATION 2007-2014



# Policies and Programs in the Housing Element

- Affordable Housing
- Special Needs
- Housing Assistance
- Neighborhood Vitality
- Resource Conservation
- Climate Change



# PROPOSED PUBLIC OUTREACH PROGRAM OVERVIEW



# Housing Element Website

[www.santacruzhousingelement.com](http://www.santacruzhousingelement.com)



HOME

MEETINGS AND PRESENTATIONS

DOCUMENT LIBRARY

CONTACT



## WHAT IS THE HOUSING ELEMENT?

By law, every city and county in California must adopt a Housing Element as part of its General Plan. The purpose of the Housing Element is to ensure that local governments adequately plan to meet the housing needs of all people within the community—regardless of their income. The underlying premise of Housing Element law is that,

“

*This update is not expected to change any zoning in the City but will identify future*

# Housing Element Next Steps

## Background and Outreach

- Presentations to Groups
- Gathering of Ideas
- Updating data



## Drafting the Housing Element

- Updating the text and tables
- Policies and Programs



## Hearing Process

- July/August Planning Commission
- August/September Council
- September to HCD



# Housing Element

- While the Housing Element sets the foundation for housing planning in the City, the most important part of housing production is how the implementation occurs through the various programs and market construction





# City Housing Programs Overview

Carol Berg

Housing & Community Development Manager





**A**ffordable housing

**a**ffordable housing





**1. PRODUCE**

**2. PRESERVE**

**3. ASSIST**



## Type of Unit/Project

## Units

Restricted Rental Units

1,263

Inclusionary Program

213

ADU - Fee Waiver Program

19

Mobile Home Park Coop

91

**TOTAL**

**1,586**

**Percent Affordable Units**

**7%**

Section 8 Vouchers used in City

1,030

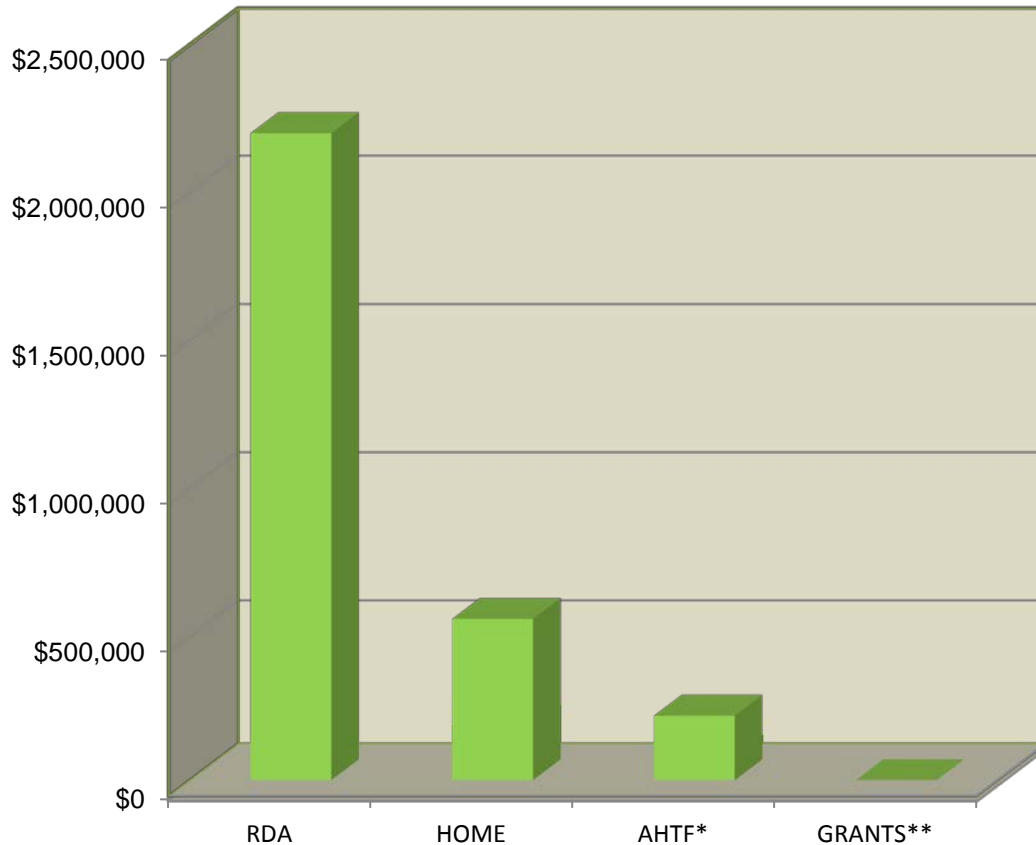
Percent Affordable Housing

11%

Income Level	# of HH	Unit Shortage or Excess	Cumulative Shortage
30% AMI	4,760	-3,815	-3,815
50% AMI	2,825	-415	-4,230
80% AMI	3,420	3,825	-405

**TOTAL # HH in the City = 21,154**





## Annual City Funding for Housing in 2015

- City does have \$7.3 million in frozen RDA housing bonds.
- Metro Center Project Commitment.



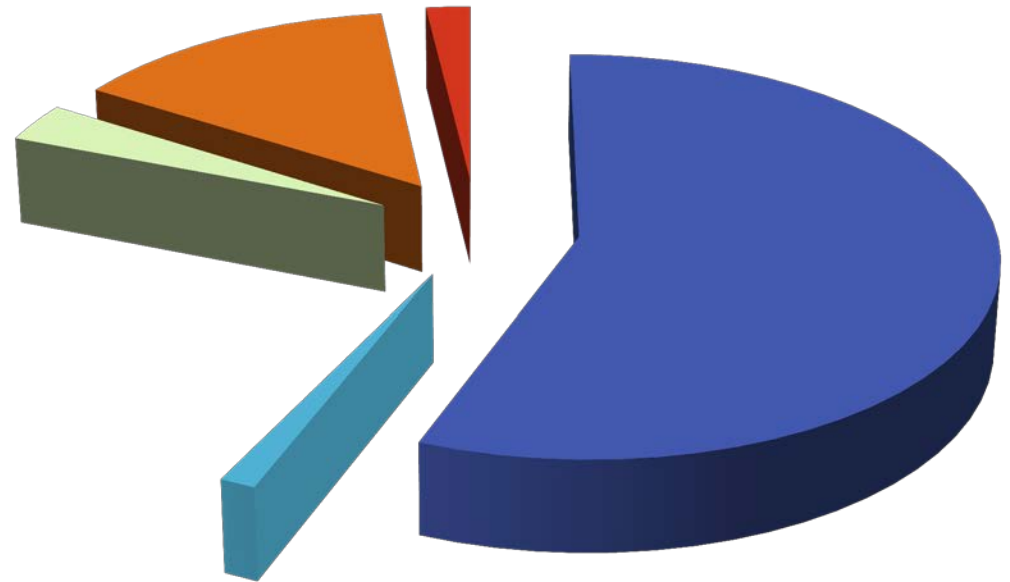
## RIVERWALK APARTMENTS:

Total Cost = \$9,350,000

Units: 21 Units 100% Affordable

City Funding = \$2.48 million

- Tax Credit Equity
- Deferred Developer Fee
- ~~City RDA~~
- City HUD HOME Program
- Permanent Loan
- Interest





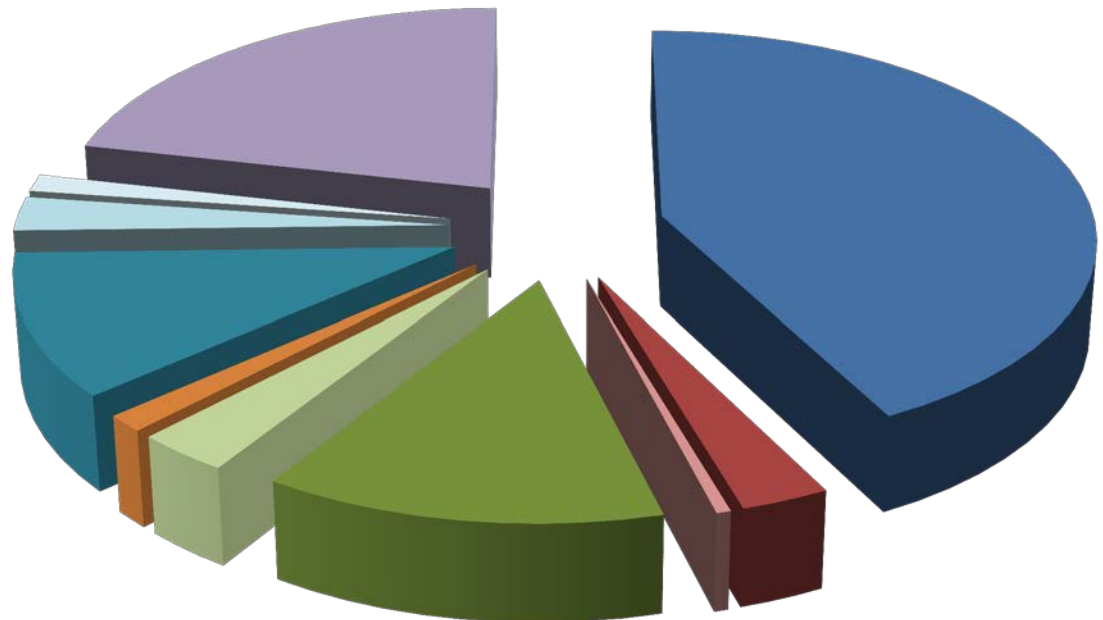
## TANNERY ARTIST LOFTS:

Total Cost = \$38,100,000

Units: 100 Units 100% Affordable

City Funding = \$6.23 million

- Tax Credit Equity
- General Partner Equity
- Deferred Developer Fee
- City RDA-Land & Loan
- City of SC Loan
- County of SC Loan
- WaMu Tax Exempt Loan
- WaMu AHP Loan
- NSSS Loan
- State - MHP Loan/Grant





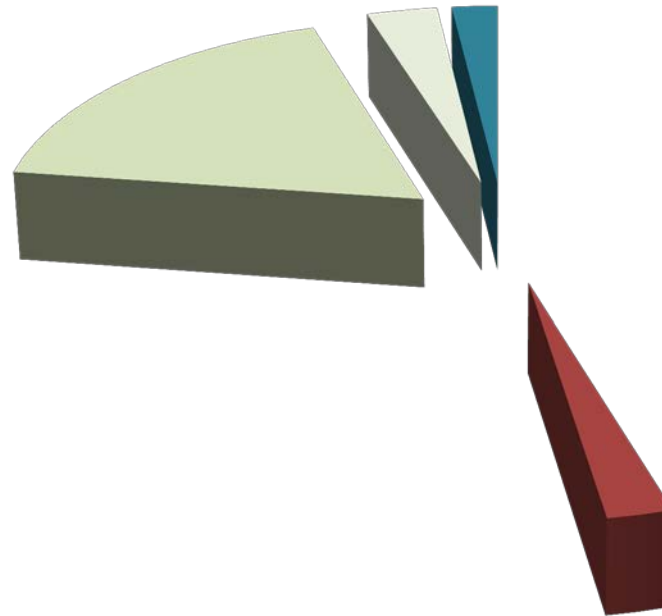


### GAULT STREET SENIOR HOUSING:

Total Cost = \$7,400,000

Units: 37 Units 100% Affordable

City Funding = \$3.74 million



~~HUD 202~~

 Deferred Developer Fee

~~City RDA~~

 City HUD HOME Program

 City AHTF

 AHP Loan



# REALITY CHECK



# DEVELOPER'S PERSPECTIVE JIM RENDLER FOR THE FUTURE HOUSING



City of  
Santa  
Cruz



# RIVERWALK APARTMENTS

- Why Santa Cruz?
- 21 units
- Rents= 30-60% of County Area Median Income
- Tenants Spend Max 30% of Income
- Took Roughly 5 Years to Develop
- Not possible Without RDA Funding
- Small Projects Bring Additional Challenges

# TYPICAL MARKET RATE DEVELOPMENT

- **Project Costs**
  - Land + Soft Costs + Construction Costs Etc.
- **Project Sources**
  - Perm Debt Sized on Rents
  - Investor(s) Funds the Balance- Requires a Return on Capital

# MARKET RATE CHALLENGES

- **Development Land Very Scarce & Expensive**
- **Long Entitlement/Building Permit Process**
- **High Construction Costs, Impact Fees, etc.**
- **Despite “Cheap” Debt & Plenty of Private Capital Available**
  - **Project Rents Continue to get More Aggressive in Order to Meet Feasibility Requirements**

# AFFORDABLE RENTAL HOUSING

- **Project Sources**
  - **Construction & Perm Debt (Smaller Perm Loans due to lower cash flow)**
  - **Low Income Housing Tax Credit Equity (Investor Benefits: CRA Credit-Community Benefit-Financial)**
  - **Project “Gap” Funded through Local, State, Federal “Soft” Loans, Grants, Donations**

# TAX CREDITS

- Banks- Insurance Co.'s etc. Put up Equity in Exchange for Tax Credits for 10 Years
- Competing State & Local Objectives
- Close Proximity to Amenities such as Grocery, Parks, Schools, Transit etc. Generate More Tax Credit Equity
- Highly Competitive to Secure Credits
- Limited Application Periods Annually



# AFFORDABLE HOUSING CHALLENGES

- Strong Competition for Scarce & Expensive Land
- Much Longer Time Frame to Assemble Financing
- Usually more NIMBY Opposition to Affordable Housing
- Smaller Infill sites are Extremely Challenging
- Higher Project Costs
- Almost Always Requires “Gap” Financing
- Increasing Competition for Shrinking Financing Options

# MUNICIPAL ASSISTANCE

- **Entitlement Incentives**
  - **Density Bonuses- Parking, Exceptions, Materials Flexibility**
- **Financial Support**
  - **Project Loans & City Owned Land Donations**
  - **City Building & Impact Fee Deferrals**
  - **Expedited Planning & Bldg. Permit Processing**
  - **Land Acquisition & Pre-development Funding**

# FINAL THOUGHTS

- A Healthy Community Needs Housing for *all* Residents
- Post RDA Funding Sources
- Smart Growth
- Santa Cruz Population Pressures

**Thank You!**

**Jim Rendler**

**For the Future Housing**

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# Jon Sisk

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Director of Construction & Real Estate Development

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[www.sccountybank.com](http://www.sccountybank.com)

Twitter: [@SCcountybank](https://twitter.com/SCcountybank)

#banklocally

# Affordable Housing Funding Sources in a Post Redevelopment World

Kathleen Head  
Keyser Marston Associates, Inc.  
June 2, 2015

# Major Affordable Housing Funding Sources in California

Funding Source	2007/8	2012/13
Redevelopment	\$1.1 billion	\$0
State Housing Bonds	\$776 million	\$49 million
CDBG	\$456 million	\$367 million
HOME	<u>\$236 million</u>	<u>\$127 million</u>
Total	\$2.55 billion	\$543 million

# Post- Redevelopment Affordable Housing Activities

- ▶ Funding is no longer locally controlled. Major funding sources are controlled by the State, and are competitively awarded.
- ▶ Projects are being cobbled together. Tax Credits & Tax-Exempt Multifamily Bonds remain the key funding sources.
- ▶ Cities have planning tools to advance an affordable housing agenda.



# Available Funding Sources

# Existing Local Funding Sources

- ▶ Housing Successor Agency land holdings – parking lot
- ▶ 2011 Housing Bond Proceeds with DOF approval – \$7.3 million
- ▶ Inclusionary Housing In-Lieu Fees – +/- \$100,000 per year
- ▶ Residual receipts loan revenues

# State Funding Sources

- ▶ The State allocates Federal Tax Credits and Tax-Exempt Multifamily Bonds
- ▶ Affordable Housing & Sustainable Communities Act, which is funded by Cap & Trade
- ▶ Veterans Housing & Homeless Prevention Bond Act of 2014
- ▶ MHP Supportive Housing
- ▶ Mental Health Services Act (MHSA)

# Federal Funding Sources

- ▶ HOME: Santa Cruz currently receives approximately \$250,000 per year
- ▶ CDBG: Santa Cruz currently receives approximately \$500,000 per year
- ▶ Project Based Section 8, Shelter Plus Care & Veterans Affairs Supportive Housing (VASH)

# Planning Tools

# Density Bonus

- ▶ SB 1818 requires the City to provide density bonuses and concessions when affordable housing is provided.
- ▶ The City's density bonus ordinance will be revised so that it can be used in conjunction with the City's inclusionary housing requirements.

# Incentive Zoning

- ▶ Cities offer incentives such as change in use and/or increases in FAR & height and/or parking relief.
- ▶ In return for the incentives, developers are required to provide community benefits such as affordable housing.

# Affordable Housing Programs

- ▶ Measure “O” brought inclusionary housing to Santa Cruz in 1979.
- ▶ Residential impact fees supported by nexus studies have become increasingly popular.
- ▶ Commercial linkage fees are imposed by at least 27 jurisdictions in California.



# What will the future bring?

# Legislative Ideas

- ▶ Creating a permanent funding source for affordable housing by imposing a document recording fee.
- ▶ Redevelopment 2.0, which removes the schools from the funding sources and is focused on TOD with affordable housing and greenhouse gas reductions.

# Parting Thoughts

- ▶ State and Federal affordable housing objectives are currently focused on:
  - Supportive housing for the homeless; and
  - Sustainable affordable housing in TOD's
- ▶ Santa Cruz can possibly access funds from these programs, but they have focused on larger cities.
- ▶ Santa Cruz could participate in lobbying activities to assist similar cities in competing for funds.



# County of Santa Cruz Update of Affordable Housing Regulations

Julie Conway  
Housing Project Manager

# Background



- ▶ On February 24<sup>th</sup> Board of Supervisors approved a significant update to the County's Housing Program.
- ▶ The recommendations follow a year long process that included: A nexus study and feasibility analysis conducted by Keyser Marston Associates with legal advice from Goldfarb Lipman.

# Purpose of Update

- Establish a strong legal foundation to implement Measure J
- Ensure the ordinance provides tools for creating new affordable housing – establishes a locally controlled source of affordable housing funds
- Make sure the program doesn't dampen market rate development

# Affordable housing provisions of Measure J

- ▶ New residential developments shall be in urbanized areas with adequate services;
- ▶ At least 15% of new housing units shall be capable of purchase or rental by persons of average or below average incomes

# Elements of the Updated Program

- No on-site affordable requirements for Rental Housing
- Include Inclusionary units in Density Bonus calculation
- Raise affordability calculation of moderate income units to 110%;
- Eliminate 40% affordability requirements in the "R" Combining District and residential conversions
- Establishes an affordable housing impact fee program taking an "everyone pays" approach
- Allows developers to choose whether to pay an impact fee or provide affordable units



# Affordable Housing Impact Fee

- ▶ Rental housing projects: \$2 per habitable square foot,
- ▶ Non-residential projects \$2 per square foot
- ▶ Residential projects of from 1 to 4 units :

Size of Home:	Fee per Square Foot
Up to 2,000 square feet	\$2
2,001-2,500 square feet	\$3
2,501-3,000	\$5
3,001-4,000	\$10
4,001 and up	\$15

- ▶ Projects with 5 or more units can either pay a fee at \$15 per habitable square foot, or provide 15% of the units as on-site deed-restricted units

# Housing Impact Fee Expenditure Plan

- ▶ **Work force Housing** : The focus of the AHIF will be rental housing affordable to households earning between 30 and 80 % of the Area Median Income.
- ▶ Funds may be used for pre-development, acquisition and development purposes.
- ▶ Priority will be placed on the creation of new units.
- ▶ The purpose of County funding is to leverage additional funding necessary to develop multi-family housing;
- ▶ **The County recognizes that along with affordable workforce housing the community needs housing affordable to extremely low income households defined as those with incomes below 30% AMI.**

# Link to Nexus Study and Feasibility Analysis



[http://www.sccoplanning.com/PlanningHome/  
Housing/](http://www.sccoplanning.com/PlanningHome/Housing/)

# Planning and Development Summary

City Council Presentation  
June 2, 2015



**Juliana Rebagliati**

**Housing & Community  
Development Director**

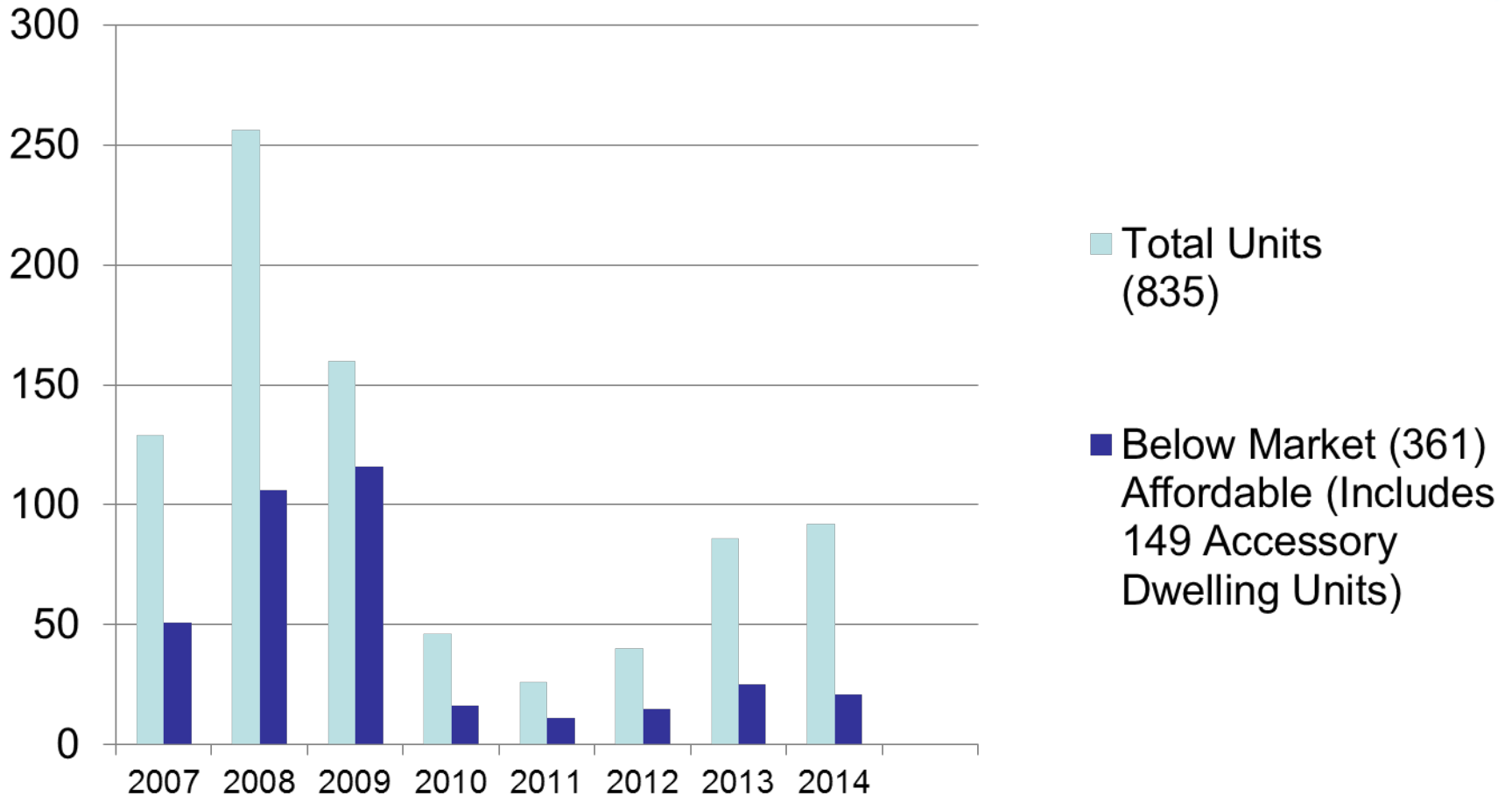


# PLANNING AND DEVELOPMENT SUMMARY

- Past Production
- Current Pipeline
- Trends
- Housing Policy & Land Use Issues



# Housing Production



# Units Built, Under Construction, Approved and/or Submitted

	SFD	ADU	2-4	5+	Total
Planning Submitted	0	0	0	187	187
Planning Approved	8	5	4	75	92
Building Permit Submitted	13	9	2	157	181
Building Permit Issued	25	23	2	32	82
Construction Completed (2014-2015)	26	21	41	93	181
<b>TOTAL</b>	<b>72</b>	<b>58</b>	<b>49</b>	<b>494</b>	<b>723</b>



# 555 PACIFIC

94 SOU UNITS





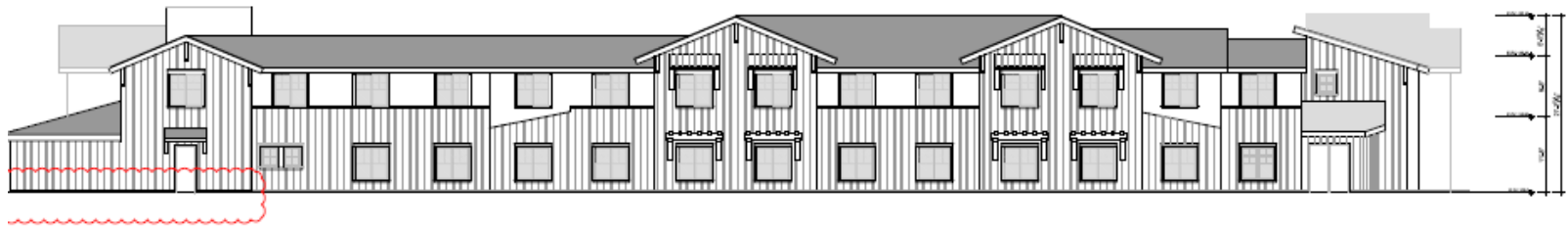
# 1457 PACIFIC

## 63 CONDO UNITS



# SC MEMORY CARE

## 150 JEWELL



48-UNITS/BEDS



# 350 OCEAN

## 63 AFFORDABLE APARTMENTS



OCEAN STREET VIEW



VIEW FROM SOUTH WEST CORNER



AERIAL VIEW



SOUTH WEST VIEW



# OCEAN & JEWELL STs

## 11 TOWNHOUSE S W/ WORK-LIVE

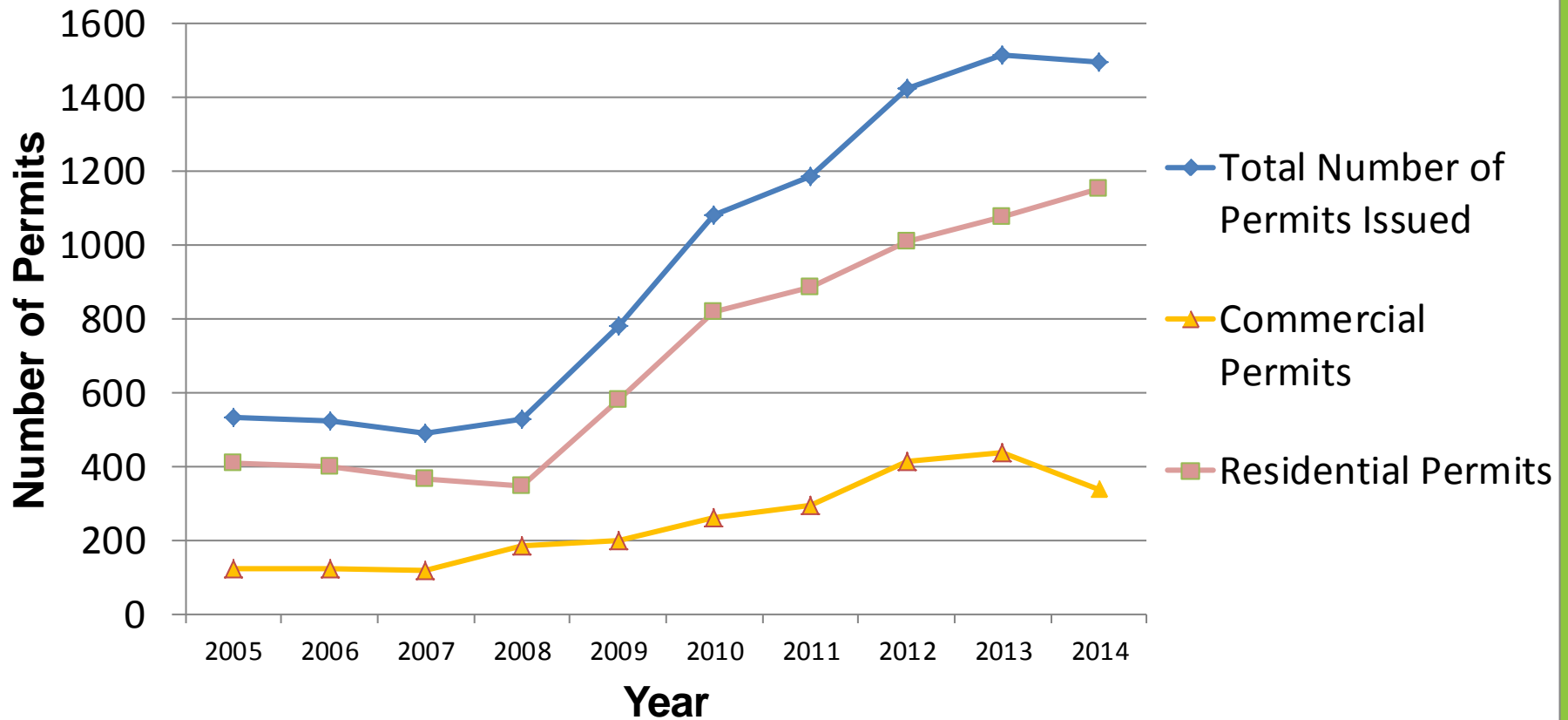


# DELAWARE ADDITION 161 APARTMENTS & 87 POSS. WORK-LIVE UNITS



# Permit Trends

## Building Permits Issued



# Housing Policy and Zoning Standards Topics

## Tools Existing and Underway

- New General Plan EIR allows for project level environmental exemptions
- As of right apartments – no public hearing
- SROs and SOUs
- Higher Density Designations along corridors
- Amendments underway to increase height in portions of downtown
- Modifications completed to encourage ADU's



# Housing Policy and Zoning Standards Topics

## Tools Identified for Consideration

- Building Heights
- Parking Standards & Shared Parking Options
- Development fees for all aspects of project development including general fees, permit fees, and impact fees relating to traffic, water, school, etc.
- Streamlining Review Process / As-of-Right Development





# Housing Opportunities

- Major Corridors: Mission Street, Ocean Street, Soquel Avenue and Water Street
- Downtown: The Pacific Station Metro project and adjacent private mixed use development
- Accessory Dwelling Units: The growth of ADU's is expected to continue to remain strong



THANK YOU



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