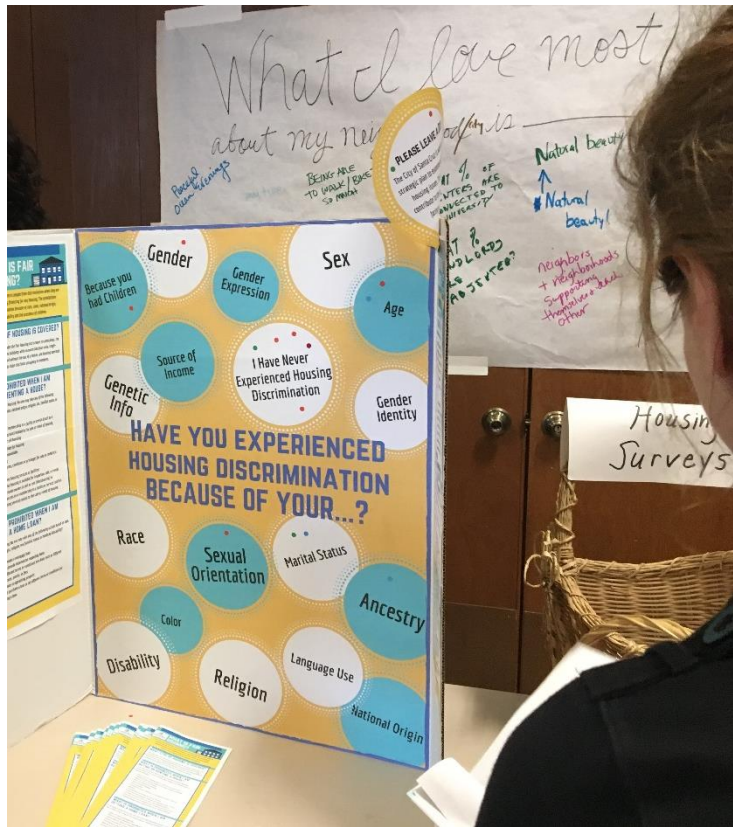




City of Santa Cruz Analysis of Impediments to Fair Housing Choice Update



2017-~~2020~~2022

CITY OF SANTA CRUZ

Analysis of Impediments to Fair Housing Choice

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INTRODUCTION – CHAPTER 1

A. Introduction

The City of Santa Cruz is a thriving community of approximately 64,220 residents. Bordered by the Santa Cruz Mountains, the Monterey Bay, and environmental preserves, the City of Santa Cruz is known for its vibrant tourism base, cultural amenities, diverse housing opportunities, and high quality of life. These amenities distinguish Santa Cruz as one of the most livable and sought-after communities in the Monterey Bay Area.

The City benefits from a range of amenities that distinguish Santa Cruz from other jurisdictions in the County: its thriving Central Business District, a growing connection with Silicon Valley, and an emerging base of technology, financial, and health-related employment. The City is home to the University of California at Santa Cruz (UCSC), many private schools, and a breadth of cultural institutions. The City is also known for its social activism, both in the community and nationwide.

With these amenities comes a high demand for housing, as people from many backgrounds and income ranges seek to share the benefits the City offers. As housing prices have increased, housing opportunities for low and moderate income persons have diminished. This places a disproportionate burden on seniors, disabled persons, families with children, homeless persons, and others who more vulnerable to unequal treatment in the housing market.

The City faces many challenges to improving housing opportunities in the community. These challenges include:

- 1) Maintaining the diversity of the community.
- 2) Ensuring the affordability of its housing stock.
- 3) Addressing individuals and families with special housing needs.
- 4) Focusing reinvestment in poorer areas of the community.
- 5) Protecting individuals and families from housing discrimination.

This Analysis of Impediments to Fair Housing Choice sets forth policies and programs to address these housing needs from a fair housing perspective.

B. Defining Fair Housing

When discussing fair housing issues, a basic understanding of the definition of fair housing is important. Federal and state fair housing laws prohibit discrimination in the sale, rental, lease, or negotiation for real property based on protected status. Under federal law protected status includes race, color, religion, sex, national origin, familial status and disability. California fair housing laws reflect the federal laws and add marital status, ancestry, source of income, sexual orientation, and "any arbitrary discrimination" as the protected categories under the laws.

Based on consultation with the U.S. Department of Housing and Urban Development (HUD) and professionals providing fair housing services, the following definition of fair housing is used for this report:

Fair housing is a condition in which individuals of similar income levels in the same housing market have a like range of choice available to them regardless of race, color, ancestry, national origin, religion, sex, disability, marital status, familial status, source of income, sexual orientation or any other arbitrary factor.

The purpose of this report is to identify impediments to fair and equal housing opportunities in the City of Santa Cruz. According to the 1998 Fair Housing Planning Guide (prepared by HUD) an impediment includes:

- Any actions, omissions, or decisions taken because of race, color, ancestry, national origin, religion, sex, disability, marital status, familial status, source of income, sexual orientation, or any other arbitrary factor which restrict housing choices or the availability of housing choices; or
- Any actions, omissions, or decisions which have the effect of restricting housing choices or the availability of housing choices on the basis of race, color, ancestry, national origin, religion, sex, disability, marital status, familial status, source of income, sexual orientation, or any other arbitrary factor.

To affirmatively promote equal housing opportunity, a community must work to remove impediments to fair housing choice.

C. Purpose and Organization of Report

HUD requires communities that receive federal funding for housing and community development activities to assess the status of fair housing in their community. The last update of the City's Analysis of Impediments to Fair Housing (AI) was completed in 2008, which covered the time period of 2007-2013. This current update is aimed to cover the period from July 1, 2017-June 30, ~~2020~~2022. All pertinent information and statistics have been updated accordingly and to the best abilities of the City of Santa Cruz's Housing and Community Development Staff.

This Analysis of Impediments to Fair Housing provides an overview of the laws, regulations, conditions or other possible obstacles that may affect access to housing in the City of Santa Cruz. The scope, analysis, and format used adhere to recommendations of the *Fair Housing Planning Guide* published by HUD.

The AI contains these five chapters:

1. **Introduction.** This chapter defines fair housing" and explains the purpose of this report.
2. **Community Profile.** This chapter presents population characteristics, housing characteristics, and special housing needs of residents in the City of Santa Cruz. The intent of this chapter is to provide a broad overview and understanding of the community so that housing needs are clearly defined.
3. **Public Policies.** This chapter analyzes public activities that may impede fair housing choice, including governmental regulations affecting land use, development regulations, and community development activities.
4. **Fair Housing Status.** This chapter identifies trends in the disposition of home loans in the City of Santa Cruz, fair housing complaints and discrimination issues in the City of Santa Cruz, and public comments received from the City's outreach efforts.
5. **Fair Housing Plan.** This chapter provides the major issues and recommendations to further fair housing, and concludes with a City-signed statement certifying that the AI represents the City's fair housing plan.

D. Public Participation

A draft of the AI was made available for public review on May 26, 2017 following a notice in the local newspaper. The draft AI was available on the City of Santa Cruz Official Website (www.cityofsantacruz.com) and at the Economic Development Office located at 337 Locust St.

A public hearing for the AI will be held at the June 27, 2017 City Council meeting at Santa Cruz City Hall, public and private agencies directly or indirectly involved with fair housing issues as well as interested individuals in Santa Cruz were invited to attend this meeting and/or provide written input.

Housing and Community Development staff contacted the following organizations and invited them to attend the public hearing:

- California Rural Legal Assistance, Inc. (CRLA)
- Santa Cruz County District Attorney
- Senior Citizens Legal Services
- Central Coast Center for Independent Living
- Encompass Community Services
- Nueva Vista Community Resources
- Senior Network Services

Public comment was taken on the Draft AI. The following is a summary of the comments relating to the report.

- Gretchen Regenhardt (CRLA) commented that the vacancy rate has remained so low that landlords can discriminate with impunity. She also commented that discrimination based on national origin and against families with children is common.
- Miriam Greenberg (UCSC/No Place Like Home) commented that surveying done through UCSC has shown much higher percentage (32%) of overcrowding in the Beach Flats/Lower Ocean neighborhoods.
- Tenant advocates (Santa Cruz Tenants) commented that the census numbers do not match the feedback they are getting from the community and that discrimination based on immigration status is a particular problem.
- A Section 8 voucher holder commented that she was denied housing because she was currently homeless.
- A Section 8 landlord commented that he felt he had to make unreasonable accommodations for service animals.
- Several members of the public commented that homelessness and poverty should be added to the list of federally protected classes.

Members of the business community were consulted at the Santa Cruz Chamber of Commerce Business Fair on March 15, 2017. Housing and Community Development staff conducted interviews with local lenders who reported no know instances of housing discrimination. Lenders reported the largest barrier to local homebuyers has been the down payment. To combat this, some lenders have enacted lower down payment policies, however this results in higher monthly costs that may still be difficult for households to meet.

Housing and Community Development staff also provided information on Fair Housing practices at the town hall event "City Hall to You" on May 4, 2017. Approximately 100 members of the public attended this event. Staff surveyed community members to find out if they have experienced any discriminatory housing practices in the City of Santa Cruz. Although some respondents reported they had, the majority reported never experiencing housing discrimination. In interviews done with local realtors at this event, it was reported that the most common form of rental housing discrimination was of families with children.

COMMUNITY PROFILE- CHAPTER 2

A key fair housing goal is to foster an inclusive environment, where people from all walks of life have the opportunity to live in a suitable home. “Fair housing” is thus concerned with ensuring that: 1) a range in types and prices of housing are available in the City of Santa Cruz; and 2) all people are treated equally in the rental, sale, or occupancy of housing. To these ends, this chapter discusses population and housing characteristics to identify housing needs.

A. Population Characteristics

1. Population Trends

The City of Santa Cruz is the oldest and largest cities in Santa Cruz County. Spurred in part by the location of the University of California, the City population increased 29% during the 1970s. Population growth has slowed in recent decades due to the scarcity of vacant land, the presence of regional growth control measures, and demographic change (see **Chart 2-1**). As of 2015, the City population stood at 64,220. According to regional growth forecasts, the City population is projected to increase to nearly 67,807 persons by 2035.¹

Chart 2-1: Population Growth Trends

Year	Population	Numerical Change	Percent Change	Average Annual Growth Rate
1990	49,040			
2000	54,593	5,553	11.3%	1.13%
2010	59,946	5,353	9.8%	0.98%
2015	64,220	4,274	7.1%	1.42%

Source: U.S. Census Bureau 1990, 2000, 2010, 2015

2. Age Characteristics

The City of Santa Cruz's housing needs are partially influenced by the age characteristics of its residents. Persons in different age groups are often distinguished by corresponding differences in income, family size, and lifestyle. As a result, the housing needs of City residents differ in a corresponding manner. The following highlights the age characteristics of residents to provide insight into

¹ 2008 Population, Housing Unit & Employment Forecast (Association of Monterey Bay Area Governments, 2008)

existing and future housing needs. Discussion draws from the 2000 and 2010 U.S. Census.

The University of California at Santa Cruz and Cabrillo College enroll a total of about 17,000 and 14,000 students, respectively, and are thus largely responsible for the large student population throughout Santa Cruz County. The 20-24 age group comprises the largest population at 18.9 % of city residents, young adults (ages 25-44) remained a close second at 13.6% of residents (**Chart 2-2**). Generally, the housing needs of younger adults are addressed through rental units, condominiums, and small starter homes.

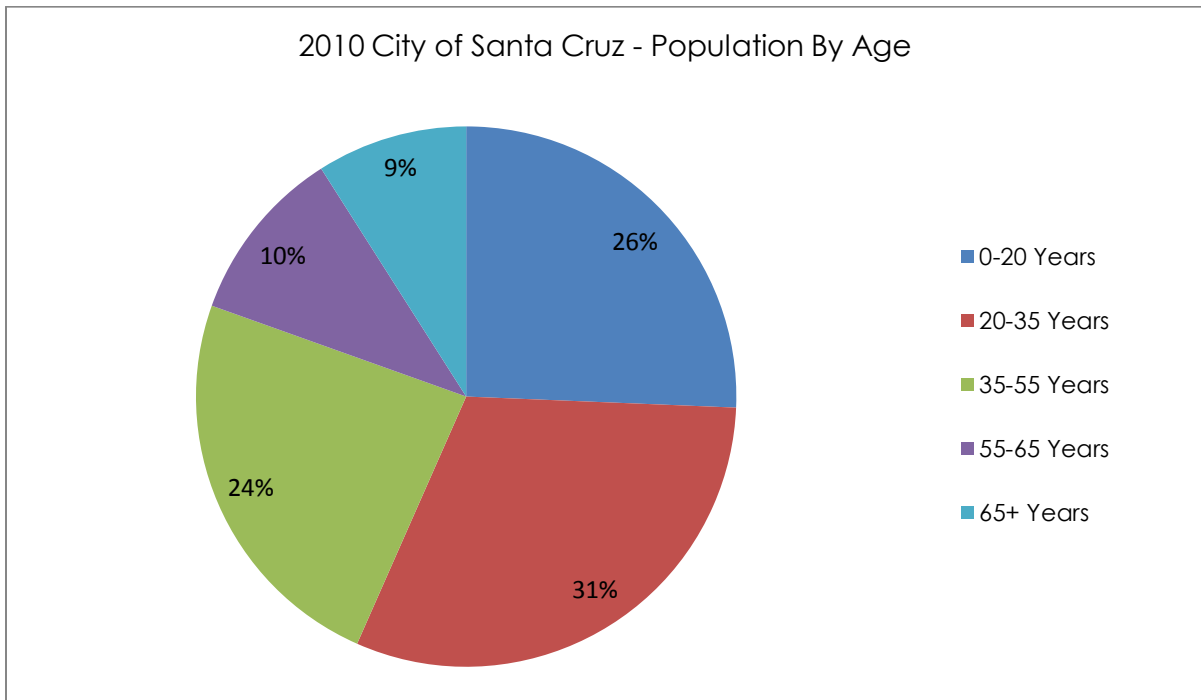
Middle-age residents (ages 45-54) make up 12% of the population. This group is usually at the peak of their earning power, have families, and prefer to own a home. However, given the high home prices in the City, many households cannot afford to own a home. Older adults (age 55+) in The City of Santa Cruz increased overall between 2000 and 2010. The housing needs of seniors are diverse. Senior homeowners typically have limited retirement income and/or increasing physical limitations, and therefore could benefit from homeowner assistance. In addition to disabilities, seniors who rent housing have greater needs, in that rental assistance may be required to continue affording housing in the City.

Chart 2-2: Age Characteristics

Age Group	2000		2010	
	Number	Percent	Number	Percent
0-5 years	2,664	4.9%	2,358	3.9%
5-9 years	2,563	4.7%	2,276	3.8%
10-14 years	2,619	4.8%	2,153	3.6%
15-19 years	5,054	9.3%	7,504	12.5%
20-24 years	7,751	14.2%	11,354	18.9%
25-34 years	9,343	17.1%	8,133	13.6%
35-44 years	8,458	15.5%	6,900	11.5%
45-54 years	8,024	14.7%	7,203	12.0%
55-59 years	2,067	3.8%	3,822	6.4%
60-64 years	1,383	2.5%	2,958	4.9%
65-74 years	2,196	4.0%	2,853	4.8%
75-84 years	1,764	3.2%	1,583	2.6%
85+ years	703	1.3%	849	1.4%
Total	54,593		59,946	
Median Age	31.7		29.9	

Source: U.S. Census 2000, 2010

Chart 2-3:



Source: U.S. Census 2010

3. Race and Ethnicity

Santa Cruz County is a diverse metropolitan area in terms of race and ethnic backgrounds, family types, and income levels. Understanding race and ethnic changes in the County and City are important in that fair housing is concerned with furthering an inclusive community, where persons of different race and ethnic backgrounds have the choice to live in the same neighborhood. Thus, this section analyzes race and ethnic change and its implications for fair housing.

Race and Ethnic Patterns

Population growth during the 1990s in Santa Cruz County was accompanied by race and ethnic change. Countywide, the percentage of White residents declined from 75% to 66% over the decade. At the same time, the number of Hispanics significantly increased to 27% of the County's population. All other race and ethnic groups comprised the remaining 7%. South County was home to the vast majority of Hispanics, while the majority of Whites lived in North County.

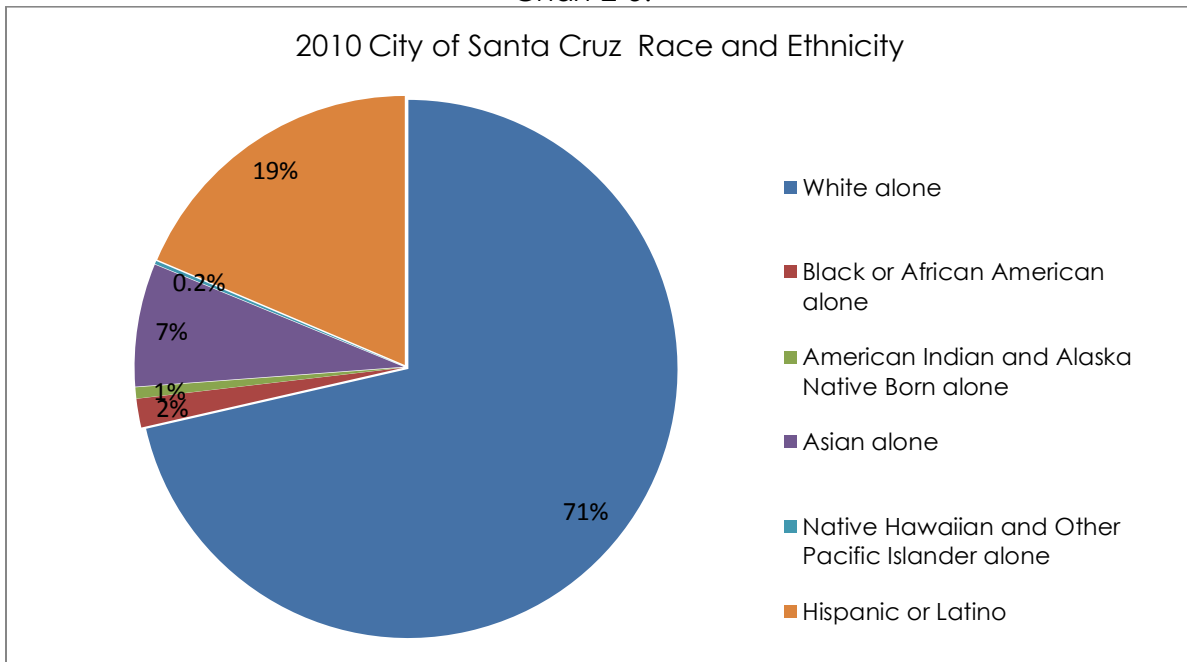
The City of Santa Cruz experienced less demographic change than in the County as a whole. As of 2010, Whites still comprised the largest race/ethnic group in the City (71%). However, minority groups have increased slightly over the last few years. **Charts 2-4 and 2-5** detail the race and ethnic composition of residents from 1990-2010.

Chart 2-4: Race and Ethnicity Trends

Race/Ethnicity	1990		2000		2010	
	No. of Persons	% of Total	Number	% of Total	Number	% of Total
White alone	38,755	79%	39,304	72%	42,562	71%
Hispanic or Latino	6,662	14%	9,491	17%	11,390	19%
Asian/Pacific Islander	2,133	4%	2,667	5%	4,196	7%
Black or African American alone	1,021	2%	871	2%	1,199	2%
Other	469	1%	2,260	4%	599	1%

Source: U.S. Census 1990, 2000, 2010

Chart 2-5:



Degree of Inclusiveness

Social demographers use various indices to identify concentrations of different race and ethnic groups. Countywide, 35% of the population is comprised of Asians, African Americans, Hispanics, and other groups. A concentration exists when the percentage of residents in a particular census tract exceeds the County's percentage of residents. In Santa Cruz, the only areas in the community with a higher concentration of minorities are the University of California campus as well as two census tracts surrounded by Bay, Soquel, Beach, and Front Streets.

Individual choice may be limited by constraints outside one's control. In Santa Cruz County, lower housing costs and a preponderance of agricultural work has caused lower income households, particularly Hispanics, to seek affordable housing in South County. Thus, the separation between different race and ethnic groups within the County may be due to economic reasons.

4. Household Type

Housing needs differ among households depending on type, size, and age. The Census Bureau categorizes people as living in families or non-families. Families include married couples, single parents, and other related persons living together. Non-families include single-persons and unrelated persons living together, such as roommates or families doubling up. Persons living in college dorms, nursing homes, shelters, and other group quarters are not counted as a "household."

Chart 2-6 illustrates changes in the composition of households between 2000 and 2010 within the City of Santa Cruz. Of particular note was the increase in residents living in group quarters. In large part due to UCSC, the local jail, and a significant number of group homes. The City has a large number of residents living in settings other than conventional housing.

Chart 2-6: Household Characteristics and Trends

Household Type	2000		2010		% Change
	No. of Households	% of Total	No. of Households	% of Total	
City Population	54,593	---	59,946	---	+10%
Population in Group Quarters	4,634	8.5%	8,289	13.8%	+79%
Average Household Size	2.44		2.38		-2.5%
Total Number of Households	21,504		23,316		+8.4%

Source: U.S. Census, 2000, 2010 American Community Survey.

5. Household Income

Household income is one of the key factors affecting housing opportunities because income determines the ability to balance housing with other basic necessities. Persons of low income have the greatest difficulty in finding affordable housing. While economic factors alone that affect housing choices are not fair housing issues, the relationship among household income, race/ethnicity, and other factors often create misconceptions and biases that may raise fair housing concerns.

From 2000 to 2015, the City's median family income increased 41%, from \$61,700 in 2000 to \$87,000 by 2015. **Chart 2-7** illustrates the changes by household, including that the number of households in every income group below \$99,000 (besides the income category below \$15,000) declined and the number of households earning \$100,000 to \$149,000 and \$150,000 and up increased by 32% and 119% respectively. This change may in part be due to normal inflation and part due to the higher incomes of new residents.

Chart 2-7: Household Income Distribution

Income Category	Number of Households		Change in Number	% Change
	2000	2015		
< \$15,000	2,960	3,253	+293	+10%
\$15,000 to \$24,999	2,148	1,974	-174	-8%
\$25,000 to \$34,999	2,053	1,690	-363	-18%
\$35,000 to \$49,999	2,903	2,199	-704	-24%
\$50,000 to \$74,999	3,855	3,515	-340	-9%
\$75,000 to \$99,999	2,492	2,312	-180	-7%
\$100,000 to \$149,999	2,406	3,172	+766	+32%
\$150,000 and up	1,551	3,401	+1,850	+119%

Source: U.S. Census, 2000 and 2015 American Community Survey

Households are often grouped into different income categories and types to facilitate assessment of needs and prioritizing assistance for housing. For federal housing programs, households are typically grouped into five income categories, expressed relative to the Area Median Income (AMI). In 2016, the AMI for Santa Cruz County for a household size of three was approximately \$78,300.²

² Source: Department of Housing and Community Development, 2017.

Chart 2-8 details the federal based income limits for various household sizes in the City of Santa Cruz.

Chart 2-8: Income Limits, 2016

Income	Household Size				
	One Person	Two Person	Three Person	Four Person	Five Person
Moderate (120%)	\$73,100	\$83,500	\$93,950	\$104,400	\$112,750
Median (100%)	\$60,900	\$69,600	\$78,300	\$87,000	\$93,950
Low- HUD (80%)	\$52,500	\$60,000	\$67,500	\$75,000	\$81,000
Very Low- HUD (50%)	\$32,800	\$37,500	\$42,200	\$446,850	\$50,600
Extremely Low- HUD (30%)	\$19,700	\$22,500	\$25,300	\$28,100	\$30,350

- ¹ U.S. Dept. of Housing and Urban Development (HUD limits) <https://www.hudexchange.info/manage-a-program/home-income-limits/> effective June 6, 2016.
- ² All incomes shown above have been adjusted for household size and area housing costs by HUD.
- ³ Low Income City (60%) per Resolutions No. NS-22,400 and NS-22,856.

B. Housing Characteristics

1. Housing Unit Type

As of the last census done in 2010, the City of Santa Cruz had 21,460 housing units, an increase of 10.6% since 2000. As shown in **Chart 2-9**, single-family and multi-family dwelling units comprise approximately 66.5% and 32% of the housing stock in the City respectively.

Chart 2-9: Housing Characteristics and Trends

Housing Type	2000		2010		Change	
	No. of Units	%	No. of Units	%	No. of Units	%
Single Family	14,008	65.1%	15,558	66.5%	1,550	11%
Multi Family	7,056	32.8%	7,470	32.0%	414	5.9%
Mobile Home	440	2.0%	440	1.5%	0	0%
Totals	21,504	100.0%	23,316	100.0%	1,812	8.4%

Source: U.S. Census 2000, 2010, RHNA Data adjusted to include El Rio Mobile Home Park under the Mobile Home category. 2010 census changed status to single family category because of change in ownership structure.

2. Occupancy Characteristics

Employment and population growth throughout Santa Cruz County has increased the demand for new housing. One such measure of housing demand is the vacancy rate. A certain number of vacant units are important to moderate the cost of housing and encourage property owners to maintain and repair their housing. Housing tenure is also important in that ownership housing evidences a much lower turnover rate than rental housing.

Chart 2-10: Housing Vacancy

Total # of Housing Units	23,353
Occupied	20,990
Vacant	2,363
For rent	300
Rented, not occupied	332
For sale only	289
Sold, not occupied	0
For seasonal, recreational, or occasional use	904
For migrant workers	0
Other vacant	270

Source: 2013 American Community Survey

The State Department of Finance (DOF) Population Research Unit publishes an annual estimate of population, housing units, vacancy, and household size for all incorporated cities in the State. In 2015, the DOF estimated the vacancy rate for all housing units in the City was 6.7 percent. In 2013, the American Community Survey reported a vacancy rate of 10.1 percent; however, this rate includes seasonal, recreational, and occasional use housing. **Chart 2-10** shows the characteristics of the City's vacant housing units according to the 2013 American Community Survey. When for-sale-only and seasonal recreational or occasional use units are subtracted from the total number of housing units vacant, the City's vacancy rate is 5 percent. There is no reliable comprehensive source for rental vacancy rates. A private company, RealFacts, tracks vacancy rates for large (50+ unit) apartment buildings and reports a June 2015 vacancy rate of 5 percent, which is consistent with the adjusted ACS data.

Although according to HUD, this rate should provide choice and mobility, anecdotally, that doesn't appear to be the case. There are various factors that may contribute to the vacancy rate not reflecting actual housing choice, including the price of the vacant units as it may be the higher priced units remain longer in the market, skewing the vacancy rate so that it appears that there are available units that in reality are not affordable to most residents.

Chart 2-11: Trends in Tenure

Housing Occupancy	Percentage of Occupied Units			
	2000		2015	
Tenure	Number	%	Number	%
Renters	10,915	53%	12,057	44%
Owners	9,480	47%	9,459	56%
Total Occupied Units	20,395	100.0%	21,516	100.0%

Source: U.S. Census, 2000, 2015 American Community Survey

Chart 2-12:
Trends in Homeowners by Age

Age of Home Owner	# Households		% Change
	2000	2015	
< 34	880	306	-65%
35 to 44	2,076	1,165	-44%
45 to 54	2,869	2,226	-22.5%
55 to 64	1,473	2,773	+88%
65 +	2,230	2,989	-34%

Source: U.S. Census, 2000, American Community Survey 2015

Chart 2-11 shows changes in tenure in the City of Santa Cruz. Homeownership rates increased from 47% in 2000 to 56% in 2015, but the composition of homeowners changed significantly. As shown in **Chart 2-12**, homeowners between ages 55 and 64 increased by 88%, while the number of younger homeowners drastically declined. This trend suggests that as housing prices increased over the last 15 years, homeownership became more difficult to achieve for first-time buyers, including younger and moderate-income households.

3. Housing Age and Condition

As the oldest community in the County, the City of Santa Cruz has a significant number of older homes, many of which have historic value. Periodic maintenance and repair of housing is thus an important issue in the City. If not

properly maintained, housing will eventually deteriorate, depress property values, and impact housing quality. Preservation of older housing stock is also important since frequently older housing provides more affordable housing options.

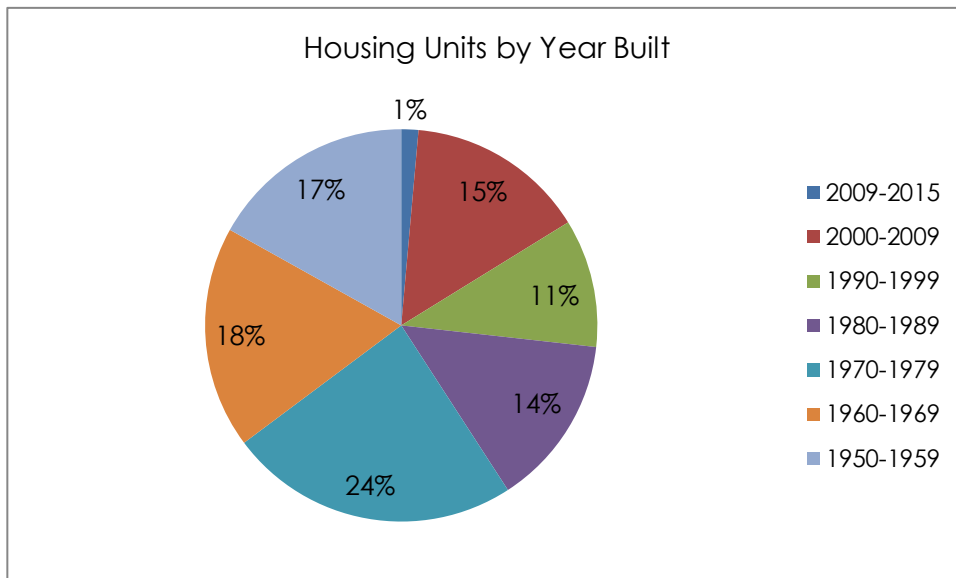
Chart 2-13:
Decade Housing Was Built

Decade	Number of Units	% of Units
2009-2015	183	1%
2000-2009	2442	10.5%
1990-1999	1779	7.5%
1980-1989	2303	10%
1970-1979	3989	17%
1960-1969	3039	13%
1950-1959	2860	12%
1940-1949	1938	8%
Pre 1940s	4966	21%
Total	23,499	100%

Chart 2-13 and 2-14 shows the distribution of housing in the City by the decade the structure was built. As shown, about 30% of all housing was built since 1980. Fifty percent (50%) of the housing stock was built from 1940 through 1979). And, the remaining 21% of the City's housing was built before 1940.

Source: 2015 American Community Survey

Chart 2-14:



Source: 2015 American Community Survey

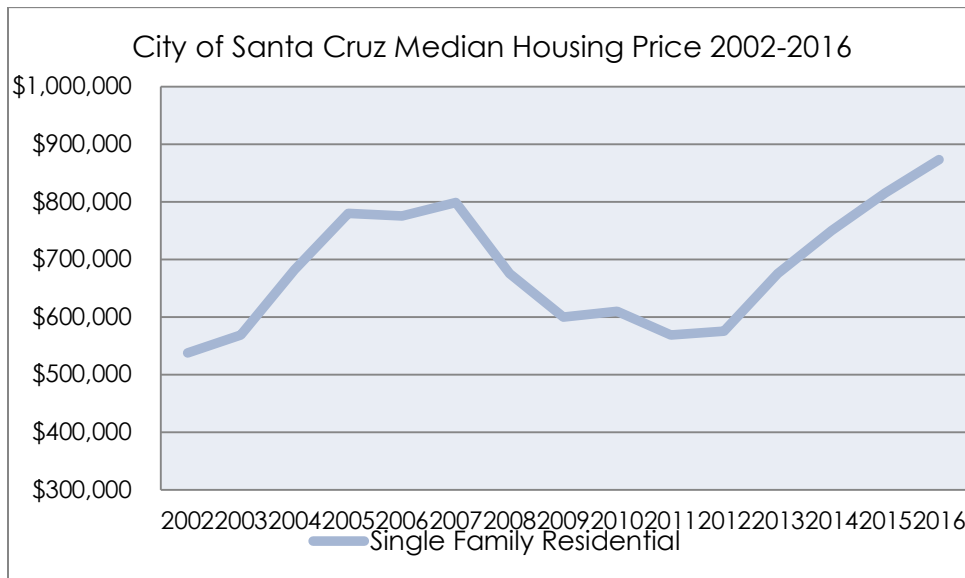
The need for housing maintenance and repair often increases with the age of the home. During the first 30 years, homes typically require minor painting, landscaping, and other preventive maintenance. After 30 years, painting, stucco, repair of appliances, and other minor repairs are needed to maintain the quality of housing. Structures built before 1978 also have the potential for lead-based paint hazards. Structures older than 50 or 60 years typically require upgrades in plumbing, electrical, and heating.

In the mid-1990s, the City conducted field surveys to identify housing conditions within the community. While the majority of housing was in good condition, field studies showed that 100 units required replacement and 626 units required rehabilitation. The City's "Central Core," "Lower Eastside," and Beach Flats areas had the majority of the substandard units and overlap low to moderate income neighborhoods. Unpermitted second units and garage conversions comprised an additional number of substandard housing units. Since that time, the City has invested substantial resources in improving housing in these areas, most notably in the Beach Flats and replacement of earthquake damaged units in the Downtown.

4. Ownership Housing

Housing costs in the City of Santa Cruz are directly related to the quality of life. If housing costs rise faster than household income, there will be a correspondingly higher prevalence of overpayment and/or overcrowding. An emphasis must be made that housing affordability alone is not necessarily a fair housing issue. Only when housing affordability issues interact with other issues covered under fair housing laws (e.g., household type, race/ethnicity, etc.), do fair housing concerns arise.

Chart 2-15: Housing Price Trends



Source: Santa Cruz Association of Realtors 2016

Chart 2-15 shows housing price trends in the City of Santa Cruz. According to the Santa Cruz County Association of Realtors³, in 2016 the median sales price of a single-family home in the City of Santa Cruz was \$872,500.

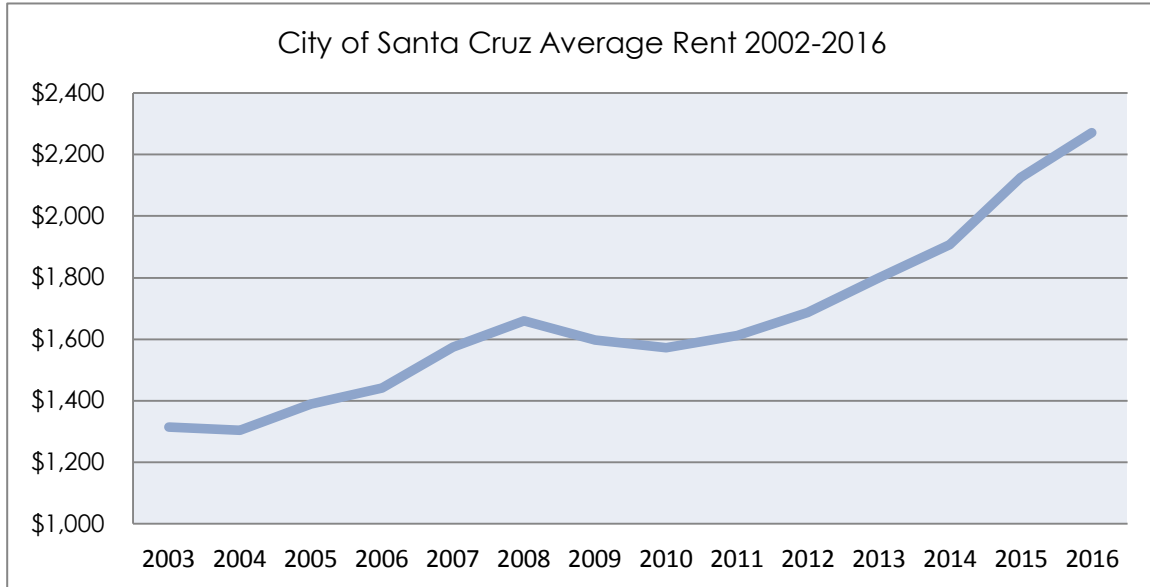
5. Rental Housing

City of Santa Cruz renters are clearly more impacted by increases in housing costs because they often earn less income, lack the equity of a home, and are less able to absorb additional housing costs. The rapid increase in the price of single-family homes and condominiums has forced many residents to stay in the rental market.

³ Santa Cruz Association of Realtors (<http://www.scaor.org/>)

As shown in **Chart 2-16**, despite a slight dip in average rents shortly after the 2009 economic downturn, demand for rental housing and subsequently rents have increased at alarming rates. Between 2013 and 2016 average rent has grown at a rate slightly over 34%.

Chart 2-16: Rental Price Trends



Source: Real Facts

Chart 2-17 details the rents for housing units in the City of Santa Cruz. In 2016, the average rent ranged from \$1,526 for a studio to \$2,801 for a three bedroom unit.

Chart 2-17: City of Santa Cruz Average Rents 2013-2016

Unit Type	Average Rent				3 Year Change
	2013	2014	2015	2016	
All Unit Types	\$1,800	\$1,908	\$2,125	\$2,271	34.60%
STUDIO	\$1,188	\$1,233	\$1,407	\$1,526	43.60%
1BD 1BTH	\$1,658	\$1,761	\$1,969	\$2,100	34.50%
2BD 1BTH	\$1,848	\$1,929	\$2,150	\$2,405	38.90%
2BD 2BTH	\$2,447	\$2,585	\$2,845	\$2,996	31.00%
2BD TH	\$2,334	\$2,507	\$2,751	\$2,780	31.20%
3BD 2BTH	\$2,279	\$2,444	\$2,707	\$2,801	27.90%

Source: Real Facts

6. Housing Affordability

Over the last decade, housing prices increased significantly faster than household income, meaning that fewer individuals and families can afford to purchase a home. This has resulted in the Santa Cruz area being denoted as one of the most expensive housing markets nationwide. The following discussion describes the affordability of housing in Santa Cruz.

Homeownership. A primary goal of the current Housing Element is to increase home ownership in the City of Santa Cruz. Housing affordability can be calculated according to a number of assumptions: a standard 20% down payment, 30-year loan at an annual interest rate of 4.1%, and housing costs including mortgage payments equal to 30% of one's household income. A median-income family of three earning up to \$78,300 could not afford a home priced at more than \$376,100. Given current 2017 sales prices, a median-income family could not afford to purchase the median priced single-family home (\$770,000) or condominium (\$560,000).

Rental Affordability. Renters also had difficulty affording rental housing. Each year, the National Low-Income Housing Coalition (NLIHC) calculates and publishes a housing affordability index for metropolitan areas across the nation. The index refers to the number of hours one must work at minimum wage to afford a two-bedroom apartment at HUD-established fair market rents. For 2016 in the Santa Cruz-Watsonville area, NLIHC determined the average worker must earn at least \$30.85 per hour (or \$64,168 annually) in order to afford a two-bedroom rental (defined as spending less than 30% of household income toward housing).

7. Housing Problems

A continuing priority in the City of Santa Cruz is enhancing quality of life. One important measure of quality of life is the extent of "housing problems" in the community. According to HUD, housing problems refer to the prevalence and severity of overcrowding and overpayment. This section describes the prevalence of both housing problems in the City.

Housing Overcrowding. Overcrowding is typically defined as more than one person per room, based on the Census Bureau's definition of "room," which excludes bathrooms, porches, balconies, foyers, halls, or half-rooms. Severe overcrowding occurs when there are more than 1.5 persons per room. Overcrowding can result when there are not enough adequately sized units within a community, or when high housing costs relative to income force too many individuals or families to share housing. Overcrowding can also accelerate deterioration of the housing stock.

According to the American Community Survey, in 2013 the City of Santa Cruz had a total of 21,154 households. Table 2-12 shows number and percentage of overcrowded households in 2013. As indicated in, **Chart 2-18** overcrowded households represented 3.0 percent of the total households or 643 households. Of the 643 overcrowded households in 2013, 527 households or 82 percent were renters. While the total number and percentage of overcrowded households is relatively small, renters are significantly disproportionately overcrowded as compared to homeowners.

It may also be that the definition of overcrowding is not sufficient for the specific type of housing within the City. There are a relatively large number of bungalows, which typically have a living room, a dining room, a kitchen, two bedrooms, and one bathroom. Under the Census definition of overcrowding, five people could live in a bungalow and it wouldn't be considered overcrowded while the reality is that five people would be extremely crowded in such a house. In addition, there are many houses that were originally constructed as summer vacation rentals. These homes were never intended as year-round housing, but as a space for a family on vacation, who would be spending the majority of their time outdoors and away from the house. These extremely tiny houses may have a living room, kitchen, and two bedrooms. This would not be considered overcrowded with a four person household by the Census definition, but would also be over crowded in reality. Due to the prevalence of this type of housing in the City, it's possible that the number of overcrowded units is underestimated.

Chart 2-18: Housing Overcrowding

Persons per Room	Owner		Renter		Total Overcrowded	
	Households	%	Households	%	Households	%
1.00 or less	8,821	98.7%	11,690	95.7%	20,511	97.0%
1.01 to 1.50	82	0.9%	287	2.3%	369	1.7%
1.51 or more	34	0.4%	240	2.0%	274	1.3%
Total	8,937	42.2%	12,217	57.8%	21,154	100%
Overcrowded by Tenure	116	1.3%	527	4.3%	643	3.0%

Source: 2013 American Community Survey

Housing Overpayment. In response to a mismatch between household income and housing costs, residents may be forced to pay more for housing. Overpaying for housing is considered to be a housing problem in that it leaves a household with limited financial resources to pay for other necessities of life. Overpayment also leaves low-income households at risk of homelessness should large unanticipated expenses arise.

Overpayment refers to a household paying 30% or more of gross income for a wide range of housing-related costs. Rental housing costs typically include utilities. Homeowner costs include utilities, property insurance, and real estate taxes. Like most urban communities in California, it is not uncommon to overpay for housing. However, since overpayment is greatest among the most vulnerable residents, maintaining a reasonable level of housing cost burden is an important City goal.

Housing overpayment continues to be a critical housing issue for City residents, as shown in **Chart 2-19**. Between 2000 and 2015, the percentage of renter households overpaying for housing increased from 52% to 63%, while the percentage of homeowners who overpaid for housing declined from 44% to 33.3%.

Housing overpayment is more severely felt among certain groups. These include seniors, disabled persons, young families with children, young adults entering the workforce, homeless persons, and other persons earning low incomes.

Chart 2-19: Trends in Overpayment

Households by Tenure	2000		2015	
	Number	% of Total	Number	% of Total
Renters	10,458	--	12,057	--
-Households Overpaying	5,454	52%	7,591	63%
Owners Occupied	6,151	--	9,459	--
-Households Overpaying	2,681	44%	3,154	33.3%

Source: U.S. Census, 2000, and 2015 American Community Survey

C. Special Needs

Certain residents in the City of Santa Cruz may have more difficulty finding decent and affordable housing or receiving fair housing treatment due to special circumstances. These circumstances may include employment and income, family type, disability, or other characteristics. Special need groups include seniors, persons with disabilities, single parents with children, homeless persons, and others.

In recognition that people from different walks of life have different housing needs, state and federal laws encourage cities to provide a continuum of housing. **Chart 2-20** summarizes the magnitude of special needs groups in the City. The following discussion describes and analyzes the housing needs of each group. Data from the 2000 Census and 2015 American Community Survey have been used to determine the size of special needs groups in the City of Santa Cruz. Recent information from service providers and government agencies supplemented the data.

Chart 2-20: Trends in Special Needs Groups

Special needs	2000		2015	
	Number	% of City	Number	% of City
Senior Households ¹	3,135	15.3%	6,079	28.25%
People w/Physical Disability ²	3,108	5.7%	4,639	7.4%
People w/Psychiatric Disability ³	5,900	10.8%	NA	NA
Single-Parents w/Children ⁴	1,822	8.9%	1,978	9.1%
Large Households ⁵	1,706	8.3%	1,630	7.5%
Homeless Persons ⁶	1,273	<1.0%	831	1.33%

Source: U.S. Census 2000 and 2015 American Community Survey unless otherwise noted

1. Percentage of households with a household member age 65 or older
2. Residents older than five with a physical disability
3. Santa Cruz County Health Services Agency, 2001 (2015 data not available)
4. Single-Parents with own children under age 18
5. Households with five or more members residing in a home
6. 2000 and 2015 Homeless Census, Applied Survey Research

1. Senior Households

Senior households typically have special housing needs due to three primary concerns: income, health care costs, and disabilities. Because of these needs, seniors have more difficulty finding suitable and affordable housing. According

to the 2015 American Community Survey, 20% of City of Santa Cruz households are headed by a senior 65 years of age and older.

In the City, approximately 70% of senior households own their home. Because of physical and/or financial limitations, however, senior homeowners may have difficulty in performing regular home maintenance or meeting monthly mortgage payments.

Due to a variety of factors, senior renters have a greater difficulty affording housing. The lower income of senior renters, coupled with rapidly rising rents, can result in seniors overpaying for housing in the City. The Housing Authority of Santa Cruz County also provides Section 8/Housing Choice Vouchers to very low-income households, including senior residents, to help them afford rents. Unfortunately the wait list for these vouchers is very long and access to the list is currently closed. The Senior Network Services is a private non-profit agency that provides housing referral services for seniors and people with disabilities. The City also has helped build a number of affordable senior housing projects in the City.

Chart 2-21 summarizes affordable housing projects that are age-restricted to seniors.

Chart 2-21
Senior Housing in the City of Santa Cruz

Facility	Number of Units*
San Lorenzo Park Apartments	77
Garfield Park Village	94
Gault St Senior Housing	36
Riverfront Apartments	30
Arbor Cove	35
Total	272

Source: City of Santa Cruz, 2017

2. Physical Disability

According to the Americans with Disabilities Act, a disability refers to a 'physical or mental impairment that substantially limits one or more of the major life activities.'" Persons with disabilities have special housing needs because of their fixed income, higher health costs, and need for accessible and affordable housing. They may also face discrimination if landlords treat them differently due to concerns about their source of income or ability to maintain the unit.

According to the 2015 American Community Survey, approximately 4,329 persons with disabilities live in the City of Santa Cruz.

To address their needs, the City implements a variety of housing production and assistance programs. For new construction, the City's building code requires new housing to comply with the 1988 amendments to the Fair Housing Act. HUD recommends but does not require that new housing also have wide enough openings for interior doorways and at least one accessible means of egress/ingress. The City implements the former and allows ramps to address the latter. The City also allows the construction of ramps lower than 30 inches without a building permit. For renters, the Housing Authority provides vouchers to households with a disabled member. As noted above access to vouchers is limited since the wait list is currently closed. The Proposed 41 Unit Water St. Affordable Housing Project will have 8 units dedicated to households with disabled individuals.

For those requiring a more supportive living environment where medical care and nursing services may be provided, the City permits licensed residential care facilities throughout the community.

3. Psychiatric Disability

Persons with a psychiatric disability fall within the definition afforded by the Americans with Disabilities Act (ADA) and thus are entitled to fair housing treatment. According to the 2015 American Community Survey, 2,695 residents of the City suffer from a "mental" disability⁴, which includes people with psychiatric disabilities. People with disabilities face a number of difficulties finding suitable housing due to the shortage of appropriate housing, limited income, or even discrimination.

The County and its contract agencies provide Specialized Treatment and Supportive Housing to adults with persistent and serious psychiatric disabilities. Organizations providing services include Encompass Community Services, and Front Street Inc. The County's system of care provides beds in crisis facilities, transitional housing, social rehabilitation programs, board and care, and permanent supportive housing (see **Chart 2-22**).

⁴ 2015 American Community Survey - Mental Disability for the Civilian Noninstitutionalized Population 5 Years and Over

Chart 2-22: Specialized Treatment and Supportive Housing
for the Mentally Ill in the City of Santa Cruz

Facility Name/Type	Description
Front St., Inc.	Provides property management for 36 rental units in scattered sites throughout the county. These units are subsidized to be affordable to persons with mental health disabilities who are receiving services through the County mental health department.
Front Street Residential Care Facility	47-bed residential care facility serving individuals with mental disabilities located near downtown Santa Cruz.
Encompass Community Services	Owns and manages over 130 units of affordable supported housing for adults with psychiatric disabilities through its affiliated corporation CFSC. Tenants of CFSC housing are supported by the Encompass Housing Support Team, which consists of mental health counselors and peer counselors.
River Street Shelter (RSS)	32 bed emergency shelter for homeless adults. At least 19 beds are reserved for individuals with mental illness under a contract with Santa Cruz County Mental Health. RSS is open from 4:00 pm to 8:00 am and provides a supportive, sober environment, laundry facilities, breakfast and dinner.

Source: Santa Cruz County Health Services Agency, 2017

4. Families with Children

Families with children require special consideration and assistance as a result of their usually lower per capita income, child care expenses, and need for affordable housing and supportive services. Single parents or large families may also face discrimination in the rental market. This section describes the housing needs of single-parent households and large families. As previously mentioned in this report, local realtors identified rental housing discrimination against families with children as the primary fair housing violation in the City of Santa Cruz.

Single-Parent Households. Single-parent households are typically comprised of a single parent with one or more dependent children under the age of 18. Single parents typically have greater difficulty in finding affordable, decent, and safe housing. There are 1,978 single-parent households with children lived in the City of Santa Cruz 2015 American Community Survey).

Single parents with children typically have greater housing and supportive service needs because of lower incomes and higher living expenses. Moreover, single parents often spend up to 25% of their income for child care.

Large Households. Large households are defined as those having five or more members residing in the home. These households constitute a special need group because there is often a limited supply of adequately sized, affordable units. To save for other living expenses, lower-income large households often reside in smaller units, resulting in overcrowding. The City is home to 1,630 large households (2015 American Community Survey).

Single-parent families with children and large families have the greatest difficulty finding affordable housing and they may also face housing discrimination. Landlords may charge higher-than-required security deposits, confine children to a certain portion of the apartment complex, limit the number of families with children in a complex, advertise to other types of tenants, or simply not rent the units at all to these groups. These practices are discriminatory and illegal. Outreach for this report was done by City Housing and Community Development staff at the town Hall event “City Hall to You” on Thursday, May 4 2017. Local realtors identified discrimination of families with children is the primary fair housing issue in the city.

Meeting the needs of families in the City requires a multi-faceted approach involving a range of homeownership opportunities, provision of affordable rental units, rental assistance, and provision of child care.

Housing Programs. The City of Santa Cruz supports the production of affordable rental and for-sale housing through its inclusionary program. Local, state and federal funds are also used to subsidize the production of affordable rental housing. For renters, the Housing Authority of Santa Cruz County administers the Section 8/Housing Choice Voucher program, which provides tenant based rental assistance to very low income households in the City that can be used to pay rent at any unit or complex accepting the voucher.

Chart 2-23
Assisted and Affordable Housing

Program Type	Total Units
Inclusionary For-Sale	96
Inclusionary For-Rent	147
Accessory Dwellings (with rent restrictions)	39
Other Publicly Assisted	*1,575

Source: City of Santa Cruz, 2017
*Numbers are Approximate

Chart 2-23 summarizes the number of affordable units created through local, state, or federal assistance programs. The City’s Housing Element inventories each project, analyzes the various affordability covenants, and proposes programs to preserve or replace units at-risk of converting from affordable to non-affordable rents.⁵

⁵ See 2015-2023 Santa Cruz Housing Element

5. Homeless Persons

The City of Santa Cruz is home to a significant homeless population. The needs of homeless families and individuals are as much varied as the reasons for their homelessness. Homeless people may have insufficient employment and credit history required to obtain housing. Even with employment, the high cost of housing and minimum income requirements may preclude a homeless person from obtaining housing. Thus, homelessness remains one of the more persistent social issues today.

In 2015, Applied Survey Research (ASR) completed a comprehensive survey of the homeless population in Santa Cruz County and reported an estimation of 1,964 homeless people countywide, a decrease of nearly 45% since 2013. The City of Santa Cruz showed similar trends with 1,351 homeless individuals in 2013 and 831 in 2015, a decrease of about 38%.⁶ Despite the decline in homeless population, our County has the 4th highest homeless per capita ratio in the State.

The 2015 survey examined the diversity of needs among County residents and found significant differences as summarized below:

- Nearly 70% were Adult Males.
- 31% reported unemployment as the primary event that led to their homelessness (74% were unemployed at the time of survey).
- 56 % of respondents reported a length of one or more years since occupying a permanent housing situation.
- 27% of individuals and 40% of families were staying in a shelter or temporary housing (both transitional and emergency, or other) at time of survey.
- Among those who were employed, over three-quarters (78%) made less than \$750 per month. The incomes of those who were unemployed came from a variety of sources, including social security disability or retirement benefits, recycling, or panhandling.
- 68% received some form of governmental assistance.
- 58% reported experiencing substance abuse (drug and/or alcohol).
- Approximately 1% reported being HIV positive, or having AIDS.

⁶2015 Santa Cruz County Homeless Census and The City of Santa Cruz Homelessness Coordinating Committee Final Report and Recommendations (2017)

The portrait that emerges is one of diversity. People who are homeless come from a wide range of backgrounds, and require a range of housing and supportive service needs. The City of Santa Cruz recognizes the diversity of needs of homeless people. Therefore, the City participates in inter-jurisdictional efforts and local efforts to comprehensively address the needs of people who are homeless.

The City has a long history of actively addressing the needs of its homeless population. In 1991, a Needs Assessment identified gaps in the continuum of services for homeless people. In 1995, the City Council adopted a resolution declaring the existence of a shelter crisis. In 1996 a Continuum of Care Coordinating Group (COCCG), currently known as the Homeless Action Partnership (HAP), was formed to address regional issues affecting homelessness. The group consisted of representatives from all jurisdictions in Santa Cruz County, nonprofits, HomeBase, and other interested parties.

The Committee's efforts culminated in the completion of the County's Ten-Year Plan to End Homelessness: 2003-2013. The plan sought to create a comprehensive and coordinated system of affordable housing and support services for the prevention and end of homelessness within ten years. Five different components are detailed: 1) Housing; 2) Jobs and Income; 3) Supportive Services; 4) Health; and 5) Plan Implementation. The Plan provides a common blueprint to guide the County, the Cities, service providers, the business sector, philanthropy, and the broader community in realizing the vision of a community in which all residents have stable housing and services they need to live in dignity and reach their highest potential.⁷

Following the Ten Year Plan to End Homelessness, the countywide All In Plan Toward a Home for Every County Resident (All In Plan) was formed. This plan reaffirms the ambitious goals of the Ten Year Plan, while expanding the scope and commitment to aid the most vulnerable residents. The All In Plan has eight strategic priorities (cross-systems and population-specific) on how best to address homelessness and its results. It was created over a full year of extensive community participation and feedback from over 250 stakeholders, including people who have experienced homelessness themselves. At the very core of these strategic priorities is the intent to use the evidence-based Vulnerability Index and Service Prioritization Decision Assistance Tool (VI-SPDAT) to match individuals and families to the most appropriate housing and service intervention available.

⁷ Santa Cruz County Ten-Year Plan to End Homelessness: 2003-2013

The eight strategic priorities of the All In Plan:

1. Transforming the Crisis Response System
2. Increasing Access to Permanent Housing
3. Integrating Systems and Community Support
4. Ending Chronic and Other Adult Homelessness
5. Ending Family Homelessness
6. Addressing Needs in South County
7. Initiating a Response to Youth and Young Adult Homelessness
8. Ending Veteran Homelessness

Most recently the Santa Cruz City Council subcommittee- *Homeless Coordinating Committee* completed a final report and recommendations. The report includes short and long horizon solutions that were approved by the entire City Council.

Short Horizon Solutions:

1. Support the Implementation and Success of Coordinated Entry
2. Increase Homeless Outreach Services & Mobile Behavioral Health/Mental Health Response
3. Contract for Homeless Jobs Engagement Program
4. Create a Triage Location/Expanded Recovery Center for Crisis Intervention
5. Secure Electronic Device Charging Resources
6. Secure Storage Facilities
7. Secure Hygiene Resources: Restrooms and Showers
8. Continue to Fund Homeward Bound
9. Create a 2X2 Committee with the County of Santa Cruz
10. Explore Potential for Local Help from No Place Like Home (AB 1618) Legislation
11. Engage in Strategic Planning with the Homeless Services Center, County and Other Service Partners
12. Develop a Revenue Source for Housing
13. Coordinate State Advocacy with Other High-Ratio Homeless Communities
14. Engage and Advocate Federal Representatives on Homelessness and Mental Illness Needs
15. Improve City's Internal Coordination System and Homeless Protocols from Front Line to Public Safety Staff, and Ensure Training and Support
16. Create Homelessness Information and Resource Page on City Website

Long Horizon Solutions:

1. Consider San Francisco Navigation Center Model
2. Pursue Permanent, Regional Year-Round Homeless Shelter Center
3. Explore a Day Center with Basic Services and Case Management
4. Cultivate Development of Housing

Locally, the Homeless Services Center, located along Coral Street in the City of Santa Cruz, is the centerpiece of the City's programs to serve residents who are homeless. This center has expanded several times to play the key role in providing services to people who are homeless. Today, the complex contains the 50-bed Paul Lee Loft, 40-bed Page Smith Community House, the Rebele Family Shelter (serves up to 28 households with children), and the Recuperative Care Center (serves up to 12 individuals who are able to stay and recover/stabilize while receiving integrated social services).

Additionally, the multi-agency collaborative effort, 180/2020 Permanent Supportive Housing Initiative, brings together nonprofit and public programs to address chronic and veteran homelessness in Santa Cruz County. Through this initiative, the Homeless Services Center uses a "Housing First" approach that provides case management to chronically homeless individuals and families.

Chart 2-24 summarizes the various housing services available to people who are homeless in Santa Cruz County.

Chart 2-24:
Homeless Shelters and Facilities in Santa Cruz County

Type of Facility	Description	Capacity (Beds)
Emergency Shelter	Overnight shelter and basic services (year-round).	353
Winter Shelter	Overnight shelter and basic services (added winter beds).	100
Transitional Housing	Housing with rehabilitation and other services needed to transition to permanent housing.	289
Permanent Supportive Housing	Permanent and service-enriched housing linked with ongoing supportive services.	406
Total		1148

Source: All In Plan Toward a Home for Every County Resident
*Data is approximate.

PUBLIC POLICIES- CHAPTER 3

Public policies refer to land use regulations, housing policies, transit accessibility, and other factors that impact housing in Santa Cruz. Fair housing laws require a community to analyze governmental regulations that may impede fair housing opportunity. This section reviews the City's General Plan, Housing Element, Zoning Ordinance, Consolidated Plan, and other documents to analyze governmental regulations that may impact fair housing.

A. Land Use Policies

1. Land Use Districts Allowing Housing

Santa Cruz's land use policy is the most fundamental way of regulating housing. Land use policies determine the amount, location, and type of housing, as well as the density (number of units allowed on an acre). Unduly restrictive policies such as low density limitations can reduce the availability of affordable housing. **Chart 3-1** on the following page describes the land use designations and zoning districts that permit housing.

Chart 3-1
Land Use Designations Allowing Residential Use

General Plan Land Use	Zoning District(s)	Residential Type
Very-Low Density	R-S	Intended to provide a rural transition area between undeveloped land and single-family residential neighborhoods. Also applied to areas with significant environmental constraints. Large-lot, single-family homes are typically developed under this designation.
Low-Density	R-1	Provides for single-family residential neighborhoods typically comprising detached homes. Santa Cruz's low-density residential areas include a wide variety of architectural styles.
Low-Medium Density	R-L, C-N	Provides for moderately higher densities in areas with a mix of single-family and multifamily residential uses. Accommodates a variety of residential building types that can fit within a single-family neighborhood, including low-rise apartments, condominiums, and townhomes. Also includes areas with historic boardinghouses that have been converted to multifamily residential use.
Medium-Density	R-M, R-T, C-T, C-B, I-G, C-C, P-A	Accommodates a mix of single-family and multifamily residential uses, including low-rise apartments, condominiums and townhomes. This land use category has been designated for some single-family neighborhoods with a historic pattern of small lots. It is the intent of the Plan that, in areas designated M where detached single-family homes are prevalent, new development should reflect the scale and character of the then-existing homes. This density level is also used for mixed use projects in commercial zoning districts.
High-Density	R-H, CBD	Accommodates mid-rise multifamily buildings, typically apartments, in areas where increased densities and building heights are appropriate. Used in locations where the City's goal is to provide for intensive infill housing.

Source: Santa Cruz General Plan, 2030 (adopted 2012)

2. Provisions for Conventional Housing

Housing Element law requires that cities facilitate and encourage a range in types and prices of housing for all economic and social groups in the

community.⁸ This includes the provision of single-family housing, multi-family housing, manufactured housing, and a variety of other housing types. Cities use their zoning ordinance as the primary tool for regulating the type of housing.

Santa Cruz permits a wide range of conventional single, multiple, and accessory housing opportunities throughout the community. **Chart 3-2** and the following discussion summarize the types of housing permitted. Housing can be permitted as a principal use or via a use permit (AUP or SUP).

Chart 3-2
Conventional Housing Opportunities

Conventional Housing	Residential Zones					
	R-S	R-1	R-L	R-M	R-H	R-T
Single-Family Residences	P	P	P	AUP		**
Two-Family Dwellings		SUP	P	AUP	AUP	**
Townhouses and Apartments			P	P	P	**
Accessory Dwelling Units	P	P	P			**
Mobile Homes/Mfgr. Housing	P	P	P			**
Multi-Family Housing	Commercial/Industrial Zones					
	C-C	C-T	C-N	C-B	P-A	I-G
Multi-Family < 10 units	AUP*	AUP*	SUP	AUP*	AUP*	SUP
Live-Work	D	D	D	D	D	D
Mixed Use < 10 units	AUP*		AUP*	AUP*		
SROs < 15 units	AUP*					AUP*

Source: City of Santa Cruz Zoning Ordinance, 2017

P = Permitted;

D = Permitted via Use Determination

AUP = Administrative Use Permit;

SUP = Special Use Permit

*Larger facilities require a Special Use Permit.

**R-T district has five sub-districts; permitted uses vary by district.

⁸ California Government Codes, § 6558 (c)(1)

Analysis of Housing Opportunities

The following describes the types of conventional housing opportunities available in Santa Cruz.

Multi-Family Housing. Because of the scarcity of developable land, commercial and industrial districts provide the best opportunity to accommodate multi-family housing in Santa Cruz. As such, multi-family housing is a principally permitted use in many residential zones and conditionally permitted in several commercial zones, the Professional-Administrative and Industrial General Zone. Mixed use projects are also permitted in the C-C, C-N, and C-B zones via a use permit. In 2012, the City updated its General Plan. The 2030 General Plan emphasizes higher density housing along commercial corridors and in the central business districts. Since 2013, several multi-family projects have been completed via City support, totaling over 366 units, where over 200 units are affordable to low and very low households.

Accessory Dwelling Units. Santa Cruz allows accessory dwelling units (ADUs) providing complete independent living facilities on the same lot as the primary home. Accessory units offer affordable units for seniors, students, and single persons. The City continues to promote the development of ADUs through its award winning ADU Program. As a result of this effort, the number of permits issued for ADUs have increased 17%, with 863 permits issued since 2013.

Mobile Homes/Manufactured Housing. A mobile home is any vehicle designed, used, or intended to be used generally for living and/or sleeping quarters which is capable of moving, being moved, towed or transported. A manufactured home is a complete single-family home, deliverable in one or more transportable sections. In compliance with State law, the City permits manufactured housing and mobile homes on lots for single-family dwellings subject to a compatibility certificate.⁹ The Zoning Administrator issues a certificate when the home meets the location and design criteria established for such uses in the Zoning Code. The City currently has three mobile home parks.

Single-Room Occupancy Housing. As shown in **Chart 3.3**, units in Santa Cruz have small household sizes. Single-room occupancy units can help address the need for smaller units. SRO's are defined as a cluster of residential units (between 150 and 450 square feet) within a residential hotel, motel, or facility that provides sleeping or living facilities and which may have or share sanitary and kitchen facilities. The City conditionally permits single-room occupancy (SRO) units in the C-C, I-G, RT-C and CBD zones with an administrative or special use permit. Development is encouraged through reduced parking requirements and no density limits.

⁹ Government Code, § 65852.3

Chart 3.3:
Housing Occupancy in Santa Cruz

Household Size	% of Occupied Units
1-person household	32.3%
2-person household	34.3%
3-person household	13.7%
4-or-more-person household	19.7%
Total Occupied Housing Units: 21,516	

Source: 2015 American Community Survey

Small Ownership Unit Housing. The City has created a new housing category to encourage the development of small starter homes. An SOU is defined as a dwelling unit containing no more than one bedroom and floor area ranging from four hundred to six hundred fifty square feet. Like SROs, the development of SOUs is encouraged through elimination of density limits and a reduction of parking and open space requirements.

3. Provisions to Encourage Special Needs Housing

Fair housing is also concerned with recognizing that people have unique housing needs and ensuring that no person is excluded from the community based on his or her special needs. As such, the City permits a wide range of special needs housing. This includes community care facilities for disabled persons, emergency shelters and transitional housing for homeless persons, health care facilities for those with substance or mental health issues, and others.

Chart 3-4 on the following page displays where special needs housing is permitted in Santa Cruz, and the following discussion describes the provisions for permitting special needs housing. Facilities are principally permitted or permitted with approval of a use permit (U). Facilities may also be permitted via the use determination process (D) if the use is not in conflict with other surrounding land uses.

Chart 3-4:
Special Needs Housing Permitted by Zone

Housing Types Permitted	Residential Zones				
	R-S	R-1	R-L	R-M	R-H
Community Care Facilities					
Serving 6 or fewer persons	P	P	P	P	P
Serving 7 or more persons	U	U	U	U	U
Health Facilities		U	U	U	U
Nursing Homes		U	U	U	U
Family Day Care					
Small Family Day Care	P	P	P	P	P
Large Family Day Care	U	U	P	P	U
Continuum of Care Housing					
Emergency Shelters	D	D	D	D	D
Transitional Housing	P	P	P	P	P
Permanent Supportive Housing	P	P	P	P	P

Source: City of Santa Cruz Zoning Ordinance, 2017

P= Permitted;

D = Permitted via Use Determination

U = Use Permit Required

Compared to many urbanized communities, Santa Cruz permits a wide range of special needs housing opportunities throughout the community. The following describes provisions in the Zoning Code that encourage and facilitate a range of special needs housing within the community.

Community Care Facilities. The Lanterman Developmental Disabilities Services Act¹⁰ and the Community Care Facilities Act¹¹ both state that mentally, physically, and developmentally disabled persons, children and adults who require supervised care are entitled to live in normal residential settings. To that end, state law requires communities to make adequate provision for licensed care facilities. A licensed community care facility is defined as providing non-medical residential care, day care, or home-finding services for disabled children or adults.

State law requires that licensed care facilities serving six or fewer persons be treated as a residential use for purposes of zoning and be allowed by right in all residential zones. Communities cannot require more stringent development standards, fees, taxes, and permit procedures for community care facilities than

¹⁰ California Welfare and Institutions Code, § 5000 et. Seq.

¹¹ California Health & Safety Code, § 1500 et. Seq.

required of the same type of housing (e.g., single-family homes) in the same zone. Larger facilities are conditionally permitted in residential and commercial zones.

Health Facilities for Persons with Psychiatric Disabilities. In 1999, the United States Supreme Court ruled that unnecessary segregation of people with disabilities in institutions is a form of discrimination in violation of the ADA, which requires that people with disabilities receive services in the most integrated setting possible. The Court did not use the word “housing” to define the most integrated setting possible, but rather used terms such as “community placements” and “less restrictive settings.” The Olmstead case specifically addressed psychiatric disabilities, although the logic extends to persons with any form of disability.

Santa Cruz is unique in its approach to providing housing for people with psychiatric disorders. In keeping with the spirit of the Olmstead Act, the City allows health facilities for inpatient and outpatient psychiatric care and treatment in all residential zones (except the R-S zone) pursuant to a use permit. Only an administrative use permit and design permit is required in lower density residential zones, while a special use permit is required in higher density residential zones.

Family Day Care. The State Legislature has declared that family day care for children should also be situated in normal residential surroundings so as to give children an environment conducive to healthy and safe development. Under state law, small family day care serving up to eight children must be allowed in all single-family homes subject to licensure by the state. Communities cannot prohibit large day care facilities serving up to 14 children on lots zoned for single-family dwellings, but can require a use permit subject to compliance with local ordinances regarding noise, traffic control, parking, spacing and concentration.¹²

In recognition of the need for adequate child care, the City permits small family day care homes by right in all single-family homes and duplexes. The City also permits by right large family day care homes licensed by the State in any R-1 zone or the R-L and R-M districts. In R-S, R-H, and nonresidential zones which permit residential uses, they are a conditional use subject to approval of an administrative use permit. As noted in Chapter 2, Santa Cruz has almost 100 licensed child care providers providing care for up to 2,300 children in the community.

¹² California Health and Safety Code, § 1597 et. seq.

Emergency Shelters and Transitional Housing.

State law requires jurisdictions to identify adequate sites for housing which will be made available through appropriate zoning and development standards to facilitate and encourage the development of a variety of housing types for all income levels. This includes “multi-family rental housing, factory-built housing, mobile homes, housing for agricultural employees, emergency shelters, and transitional housing that meets community housing goals.”¹³

As discussed in Chapter 2, Santa Cruz has a sizable homeless population. Thus, the City permits emergency shelters that provide temporary shelter to homeless families or individuals on a limited short-term basis. Transitional housing is also provided as temporary (six months to two years) housing for an individual transitioning to permanent housing. Supportive housing is principally permitted in all residential districts.

The Santa Cruz Zoning Ordinance (Title 24) identifies transitional housing and emergency shelters as distinct uses. Transitional housing is permitted by right in all residential zoning districts. Emergency Shelters are allowed in the I-G and I-G/PER zoning districts with the approval of a special use permit. For many years, the Emergency Shelter system has utilized satellite churches and the Santa Cruz Armory for this use. Under current zoning, the Armory, as a state facility, is exempt from city land use requirements. Use in satellite churches is considered an accessory use to the church and is therefore allowed. The Homeless Services Center also provides emergency shelter under use permits in the CC and IG Districts. The 46 bed shelter located at the Homeless Services Center has replaced most of the satellite church system since 2008.

B. Development Regulations

Development regulations can also impact the feasibility of providing or building housing both conventional housing as well as special needs housing. Development regulations include building standards, the fees and exactions that are paid, and permitting processes, among others. Also important are the means used to facilitate and encourage the development and maintenance of housing.

1. Residential Building Standards

The City regulates the type, location, density, and scale of residential development primarily through the Zoning Ordinance. Such regulations protect and promote the health, safety, and general welfare of residents as well as implement the policies of the City’s General Plan. The Zoning Ordinance also serves to preserve the character and integrity of existing neighborhoods. **Chart 3-5** on the following page describes the typical development standards for new housing in Santa Cruz.

¹³ California Government Code, § 65583(c)(1)

Chart 3-5: Residential Development Standards

Zone District	Bldg. Height	Lot Width	Minimum Yard Setback			Minimum Lot Area (sq. ft.)	Lot Area Per DU (sq. ft.)	Minimum Open Space (sq. ft.)
			Front	Side	Rear			
C-C Mixed Use	40	50	0 ¹⁴	0 ¹⁵	0 ¹⁶	5,000/8,000	not specified	100 sf private area plus 150 sf common area per unit
R-S	30	100 to 250	40	15 to 25	30	1 to 10 acres	1 DU per lot + 1 ADU	N/A
R-1	27-30	50 to 70	20 to 25	5 to 10	20 to 30	5,000 to 10,000	1 DU per lot + 1 ADU	N/A
R-L	30	50	15	5 ¹⁷	10	5,000 for SF; 5,500 for two or more units	Duplex: 2,200; 3 plus: 1,450 sf (1,100 for studio/1 bdrm)	For 3 or more units, 400 sf per unit; 200 sf for studio/1 bdrm
R-M	30-35	50-65	15 ¹⁸	5 ¹⁹	10 ²⁰	4,400 to 5,500	Duplex: 2,200. 3 plus: 1,450 (1,100 sq. ft. for studio/1 bdrm)	200 sf per bedroom up to 400 sf
R-H	30-48	50	15	5 ²¹	10 ²²	4,000 – 5,000 sf	Duplex: 2,000 sf; 3 or more units: 790 sf per unit	250 sf per unit for 3 or more units

Source: City of Santa Cruz Zoning Ordinance, 2017

¹⁴ Except where special street setbacks apply

¹⁵ When adjacent to a residential district, setbacks of said residential district are required.

¹⁶ Both 14 and 15, above, apply.

¹⁷ Side yard setbacks shall be the stated standard or 1 foot for each 3 feet of building height, whichever is greater.

¹⁸ See footnote 17, above.

¹⁹ See footnote 17, above.

²⁰ See footnote 17, above.

²¹ See footnote 17, above.

²² See footnote 17, above.

Development Standards. The City's Zoning Ordinance sets forth regulations that determine the type, location, density, and scale of residential development. Such regulations are designed to promote the health, safety, and general welfare of residents, preserve the character and integrity of neighborhoods, and implement the General Plan goals and policies. The City is in the process of updating the Zoning Ordinance, in part to remove constraints from the ordinance in order to comply with the 2030 General Plan. State law has also increasingly focused on how residential development standards affect the feasibility of building market rate and affordable housing.

Open Space Requirements. To improve the living environment of residential neighborhoods, communities typically require housing to have a certain amount of open space, such as yards, common space, and landscaping. For single-family homes, open space is reflected in setbacks, yard sizes, and lot coverage requirements. Multi-family projects (e.g., apartments and condominiums) are also required to have dedicated open space in lieu of private yards. Multi-family housing must have 200 to 400 square feet per unit as open space with the exception of SRO and SOU developments.

Parking Requirements. The City's residential parking requirements are designed to accommodate vehicle ownership rates, reduce street congestion and traffic hazards, provide attractive and appropriate parking facilities, and encourage non-auto alternatives. The Zoning Ordinance requires parking spaces that approximate the average vehicle ownership patterns of residents. These requirements are shown on the following page in **Chart 3-6**; however, exceptions may be granted for publicly subsidized units if there is a conflict with State or federal regulations or the requirements of the project funding source. As shown below, the Zoning Ordinance requires parking spaces which approximate the average vehicle ownership patterns of residents. The City recently removed the requirement for covered parking for multifamily projects to encourage housing production.

Chart 3-6: Parking Requirements

Housing Type	Number of Bedrooms			
	Studio	1	2 - 3	4
Single family	1	1	2	3 + 1 for each additional bedroom
Apartments/ Condominium	1	1.5	2	3
Mobile homes	1	1.5	2	3
Residence halls, dormitories	0.75 per each guest or occupant			
Senior housing development	1 for each 3 dwelling units or rooms intended for separate occupancy, plus an area of land equal to the required off-street parking for apartments, not including required open space.			
Community care facilities	1 per 5 residents plus 1 for the manager, plus 1 per maximum number of staff on shift			
Small ownership unit	1 for each dwelling unit			
Single-room occupancy unit	0.75 for each dwelling unit			
Accessory dwelling unit	1 parking space, covered or uncovered, shall be provided on site for each bedroom in addition to the required parking for the primary residence			

Source: City of Santa Cruz Zoning Ordinance, 2017

2. Development Permit Procedures

Santa Cruz uses different processes to review proposed residential projects depending on the type and complexity of the project, and whether a major variation in development standards, existing land uses, or operating conditions is requested. New residential projects may require approval of one or more use permits, including a design permit, administrative use permit, or a special use permit. **Chart 3-7** on the following page summarizes the major permits required for housing projects in Santa Cruz.

Chart 3-7: Housing Permit Processing Requirements

Permit Characteristics	Major Permits		
	Design Review Only	Administrative Use	Special Use
Description	Review of architectural and site development proposal for compatibility with surrounding land uses.	Examination of the operation of land use which may have some impact on surrounding uses.	Examination of the operation of land use which may have a significant impact on surrounding uses.
Applicable Housing Types	Multi-family units, some single-family homes, small mixed use projects, large community care facilities.	Multi-family housing with < 10 units in commercial zones; SROs with < 15 units; mixed use projects with < 10 units.	Multi-family housing with 10+ units in commercial zones; SROs with 15+ units; mixed use projects with 10+ units.
Approving Body	Zoning Administrator; No Public Hearing	Zoning Administrator; No Public Hearing	Planning Commission with Public Hearing
Timeframe	1 to 2 months	2 to 3 months	2 to 3+ months

Source: City of Santa Cruz, 2017

The time required for development review increases with the complexity of the project, land constraints, and the number of agencies involved in the review. Simple projects such as a single-family home or projects with fewer than four units on previously subdivided parcels typically require two or three months to process. Larger multi-family projects or projects requiring an Environmental Impact Report take at least a year for review and approval due to state and CEQA regulations.

In the past, the City has shown flexibility in giving priority to projects, including affordable housing projects, to prevent permit processing time from being an undue financial constraint. The City will continue to show flexibility by fast-tracking housing projects for lower-income households.

3. Accessibility Codes

The design and construction of residential buildings are affected by federal and state accessibility laws. The Rehabilitation Act of 1973 and the federal Fair Housing Act of 1988 provide protections from discrimination in the sale or rental of housing for persons with disabilities. The following briefly describes these provisions and how the City addresses these requirements.

Federal Requirements. Local governments that use federal housing funds must meet federal accessibility guidelines. For new construction and substantial rehabilitation, at least 5% of the units must be accessible to persons with mobility impairments and an additional 2% of the units must be accessible to persons with sensory impairments. New multi-family housing must also be built so that: 1) the public and common use portions of such units are readily accessible to and usable by disabled persons; 2) the doors allowing passage into and within such units can accommodate wheelchairs; and 3) all units contain adaptive design features.²³

HUD also recommends, but does not require, that all design, construction and alterations incorporate, wherever practical, the concept of visitability. This recommendation is in addition to requirements of Section 504 and the Fair Housing Act. Recommended construction practices include wide enough openings for bathrooms and interior doorways and at least one accessible means of egress/ingress for each unit.²⁴

Local Requirements. The City of Santa Cruz enforces all federal and state accessibility laws. The Santa Cruz Municipal Code (SCMC) contains the following provisions to improve housing access for persons with disabilities.

- For new housing projects, the SCMC requires that the standard width of doorways on first floor units be at least 32" wide, (except for structures where the grade from the sidewalk to the front door exceeds 15%), thereby allowing wheelchair access to all interior rooms in a house (Section 18.06)
- For existing housing projects, an owner may build a ramp to allow entrance into a single-family home upon securing a building permit and payment of fees (estimated at \$200 for a building permit, and \$300 for plan checks)
- The SCMC allows any structure, guardrail, or handrail which is necessary to provide access to the first floor of a residence for the physically challenged to protrude into the required yard areas and street setbacks (Section 24.1 2.1 20). This provision eliminates the need to secure a variance

4. Mechanisms for Providing Flexibility

The City offers various mechanisms to ensure that residential development standards do not constrain the development, maintenance, and improvement of conventional and special needs housing. These include the density bonus ordinance, the planned development permit process, and financial incentives. The following describes the three major programs in the City. Other financial assistance is also available through federal and state programs.

²³ Section 804(O)(3)(C) of the Fair Housing Act

²⁴ HUD Directive, Number 00-09

Density Bonus Ordinance. The City has enacted a density bonus ordinance to implement state law.²⁵ After recent updates, the City currently allows a developer to build 35% more units than allowed under the Zoning Code for projects that dedicate 11% of units for very low income households, or 20% for low income households and for qualified residents such as seniors. Additionally, a 27.5% density bonus is automatically allowed for rental properties upon request as part of an incentive package to encourage rental project development (SCMC 24.16.200).

Planned Development (PD). In some cases, the site configuration coupled with the development regulations of the underlying zone preclude the property from being developed as fully as allowed under the Zoning Code. In these cases, the PD Permit process provides a mechanism for relief. Under SCMC 24.08.700, the City will consider modifications to the following standards: 1) building setbacks, lot coverage, and lot area; 2) street standards; 3) parking and loading; 4) open space and landscaping; 5) maximum height; and 6) various other standards. To be eligible for a PD permit, a lot must exceed 20,000 square feet. The Planning Commission and City Council are the approving bodies.

Direct Financial Assistance. At times, the City may provide financial assistance to facilitate the production of affordable housing that addresses citywide goals. The City may, provide low interest loans and other financial assistance for affordable housing projects. The City of Santa Cruz has a long history of working with developers to build affordable housing.

C. Housing Policies

The City's General Plan (including the Housing Element), Redevelopment Implementation Plan, Consolidated Plan, and other planning documents provide a range of policies affecting fair housing. Taken together, these planning documents set forth programs to: 1) stimulate the production of affordable housing and housing choice; 2) promote housing and neighborhood investment; 3) provide and improve access to public transit; and 4) preserve existing affordable housing. The following discusses the City's primary programs and the impact upon improving housing opportunity.

²⁵ Government Code, § 65915

1. Housing Plans

The following description and **Chart 3-8** summarize the various plans that the City has to address housing needs.

- **Housing Element.** The Housing Element is one of seven mandated chapters of the General Plan, which guides the future development of the City of Santa Cruz. Enacted in 1969, State Housing Element law requires that local governments adequately plan to address existing and projected housing needs of all economic and social segments of their community. State law acknowledges that for the private market to adequately address housing needs, local governments must adopt land use plans and regulatory systems that do not constrain the development, maintenance, and improvement of housing. The City's Housing Element is updated every five years, and the current Housing Element covers the period of 2015-2023.
- **Consolidated Plan.** Communities which receive certain federal monies are required to prepare and submit a Consolidated Plan to HUD. The Consolidated Plan analyzes community and economic development needs in the City and sets forth a strategy for addressing those needs. The Plan specifically focuses on addressing the housing needs of low and moderate income households earning less than 80% of the County median income, the needs of the City's homeless residents, and community and economic development needs. The City's current Consolidated Plan covers the planning period of 2015-2020.
- **Countywide Plans.** A variety of other federal plans are used in Santa Cruz County which affect the availability and affordability of housing.

The Continuum of Care Plan under The Homeless Action Partnership (HAP) is the collaboration in Santa Cruz County that acts as the HUD mandated Continuum of Care. The U.S. Department of Housing and Urban Development requires communities that seek funding under the McKinney-Vento Homeless Assistance Act to come together as a community and develop a strategy to prevent and end homelessness in their area. The HAP is a collaboration of the five jurisdictions in Santa Cruz County (the County and the Cities of Santa Cruz, Watsonville, Capitola and Scotts Valley) along with homeless housing and services providers. The HAP brings in about \$2.3 Million each year for housing subsidy and supportive services. County jurisdictions, through the HAP fund activities that further the goal of addressing homelessness in the community, including funding winter shelter programs in both north and south Santa Cruz County and conducting a biennial homeless census and survey.

The countywide "All In!" Plan to end Homelessness aims to prevent, reduce, and eventually end homelessness. All In has eight strategic priorities that reflect the most innovative thinking both locally and nationally on how best to address homelessness and its results. It was created over a full year of

extensive community participation and feedback from over 250 stakeholders, including people who have experienced homelessness themselves.

Chart 3-8
Housing Plan Requirements in the City of Santa Cruz

Name of Housing Plan	Housing Plan Authorization	Target Audience	Purpose of the Plan
Housing Element	California Government Code	All economic and social groups	To ensure housing opportunities that are affordable and accessible for all economic segments and special needs.
Consolidated Plan	HUD Regulations	Low and moderate income households	Determines how federal monies are spent to address the housing, economic, and social needs of residents.
Continuum of Care Plan	HUD Regulations	Homeless population	Higher density district also allowing apartments, townhouses, condominiums and cooperatives ranging from 20-30 units per acre.

Source: City of Santa Cruz, 2017

2. Provision of Affordable Housing

Rental Assistance. The Housing Authority of Santa Cruz County administers the Section 8 / Housing choice Voucher program for the City. This program provides rental subsidies to very low income households that spend more than 30% of their gross income on housing costs. The Section 8 voucher pays a landlord the difference between the excess of 30% of the recipient's monthly income and Fair Market Rent.

Through the Housing Authority, the City funds a Security Deposit Program for lower income residents. . The security deposit program assists tenants with the deposit required at initial occupancy. This program helps lower income persons who can afford a rental but could not otherwise secure the unit due to the lack of a large security deposit.

Housing Production. Pursuant to the City's inclusionary housing ordinance, Measure O (Section 24.16 of the SCMC), the City requires any new residential development of five or more units to provide at least 15% of the total units for purchase or rental by very low, low, and moderate income households. The units must be affordable in perpetuity. To date, the City has over 96 rental units and over 147 for-sale units actively regulated specifically through the inclusionary

ordinance. Since 2013 24 units have termed out in their affordability (16 rentals and 8 for sale). The City Council, by resolution, has set income levels of the units as follows: 50% of the AMI for very low income households, 80% of AMI for low income households, and 100% of AMI for moderate income households.

Housing Development Incentives. As described earlier in this chapter, the City offers regulatory concessions and financial incentives to encourage the production of market rate and affordable housing. Financial incentives include the provision of financial assistance, the waiver of development fees, offering of land write-downs, assistance in financing new infrastructure, etc. The density bonus allows developers to increase rental revenues from additional units in order to subsidize the required affordable units. Meanwhile, the Planned Development Permit allows builders to obtain modifications in development standards. Taken together, the City's incentives assist developers in financing affordable housing.

3. Housing and Neighborhood Reinvestment

As an older, established community, the City has placed an emphasis on encouraging reinvestment in housing, neighborhoods and commercial areas. To that end, the City implements a three-tiered effort that focuses on: 1) encouraging preventive maintenance through code enforcement; 2) encouraging property owners to improve housing through lower interest rehabilitation loan programs; and 3) implementing neighborhood-wide efforts for larger areas.

Code Enforcement. The Code Compliance Division's mission is to ensure a safe, clean, attractive, and healthy living environment for residents of the City. The Division focuses on promoting health and safety in neighborhoods and increasing awareness and information about City policies, programs, and code requirements. The goal of the program is voluntary compliance; however, the City has financial and civil penalties for non-compliance. Under the City's Consolidated Plan, the City has identified a series of Target Areas that represent low income areas in the City that are deteriorated or deteriorating. In these areas, Code Enforcement Program has a more aggressive program.

Housing Rehabilitation. Under the Unified Housing Rehabilitation Program, the City provides financial and technical assistance to help rehabilitate to create new affordable unit or to preserve affordability of existing affordable housing projects.

Neighborhood Revitalization Strategy Area. In 2017 a Neighborhood Revitalization Strategy Area (NRSA) was created under the federal Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) Program to encourage coordination of resources and facilitate the City's ability to engage in comprehensive community revitalization strategies.

Beach and South of Laurel Comprehensive Area Plan. Located adjacent to the Beach and Boardwalk, the South of Laurel/Beach area is home to more than 5,800 residents and is the only low- moderate and minority concentration in the City. With the exception of Beach Hill properties, a large number of residential units are small, overcrowded, and severely substandard. Improvement of the physical infrastructure, housing, and employment base in this area is vital to maintaining this area's significant contribution to the City's economy. The Beach and South of Laurel Comprehensive Area Plan was adopted as part of the City's General Plan in 1980 and amended in 1998. Both plans set forth a number of goals, policies and programs to bring about the economic and social improvement of the area.

RiverFront and Lower-Pacific and Ocean Street Area Plans. As early action plans under the 2030 General Plan Update process, the City has initiated a series of studies or plans including the RiverFront and Lower-Pacific Design Guidelines and Development Incentives and the Ocean Street Area Plan. Each of these plans will address housing issues related to infill, redevelopment, and affordability. As 2030 General Plan Implementation Plans, both are scheduled to progress along with the General Plan Update process and will provide strategic guidance for future housing production and development along the RiverFront/Lower Pacific and Ocean Street corridors.

4. Public Transit

Public transit helps move people who cannot afford personal transportation or who elect not to drive. Many lower income persons are dependent on transit to go to work. Elderly and disabled persons also rely on public transit to visit doctors, go shopping, or attend activities offered at community facilities. An integral relationship between public transit, job opportunities, public services, and affordable housing is necessary to ensure that transit-dependent residents are not isolated and have adequate housing choices in the City of Santa Cruz.

Regional Transit. The Santa Cruz Metropolitan Transit District (Metro) provides regional transit services throughout Santa Cruz County. Metro offers more than 50 different routes, most of which stop in the City. Hours of operation depend on the destination and volume of ridership. All buses are fully accessible to disabled persons. Rates are \$2.00 for a one-way trip, with free service for small children and reduced rates for seniors or persons with disabilities.

Highway 17 Express. Highway 17 provides the major transit route in the County, linking Santa Cruz with job-rich communities in Santa Clara County. Given the traffic congestion on Highway 17, Metro provides an alternative means of commuting to work. In conjunction with the Santa Clara Valley Transportation Authority, Metro provides a commuter express that originates in Soquel and travels through Santa Cruz and Scotts Valley along Highway 17 to Santa Clara County. Cash fare is \$7 one way, with a 50% discount for seniors and disabled persons.

Metro ParaCruz. Metro ParaCruz offers a shared ride, door-to-door paratransit service as a complement to its fixed-route bus service. Metro ParaCruz is available to anyone certified as unable to use normal fixed route service as a result of a disability. Service is available from 8:00 A.M. to 5:00 P.M. seven days a week. The fare is \$4-6 for each one-way trip. Drivers escort passengers from door-to-door and may assist with a limited amount of groceries or packages.

5. Housing Preservation

The City of Santa Cruz has facilitated a significant amount of affordable housing through the City's inclusionary program, state and federal subsidies, and other local programs. As a result, about 11% of the housing in the City of Santa Cruz is affordable to very low, low, and moderate income households.²⁶ To preserve these resources, the City implements three main programs: 1) Condominium Conversion Ordinance; 2) Residential Demolition/Conversion Ordinance; and 3) Preservation of At-Risk Projects.

Condominium Conversion. Market-rate apartments may provide a significant amount of affordable housing for moderate income households. To preserve units, the City prohibits the conversion of apartments to a community housing project as long as the multi-family dwelling vacancy rate in the City is less than 5% (SCMC 23.37.020). However, this restriction is waived if at least two-thirds of the units are sold to tenants currently occupying the structure proposed for conversion. In such cases, at least 20% of the total units must also be offered for purchase by households of below-average income, as defined in the Zoning Ordinance.

Demolition/Conversion Ordinance. The Municipal Code requires a developer to build replacement housing for the demolition or conversion of three or more units occupied by households of low or moderate income. The basic requirement is that 100% of all low or moderate-income bedrooms lost must be replaced and that all low and moderate income tenants displaced must receive relocation assistance. As an alternative to the replacement housing requirement, a developer can pay in-lieu fees for up to 50% of the total number of low and moderate income bedrooms to be provided. The in-lieu fee is \$30,000 per low or moderate income bedroom to be demolished or converted.

Preservation of At-Risk Housing. The City has a significant stock of housing affordable to residents of different income levels. Affordable housing units built pursuant to Measure O are affordable in perpetuity. Other projects built with local, state and federal subsidies or below-market interest loans may have affordability controls that expire over time. Thus, the City has adopted a Preservation of Assisted Affordable Housing Ordinance to govern noticing procedures for the conversion of affordable housing projects to market rents and allow non profits time to be an active partner in preserving at-risk projects. Where

²⁶ Affordable Housing in Santa Cruz, 1999

such projects are identified, the City also plays an active role in helping the property owner extend affordability controls for the longest time as feasible. The City's Housing Element contains an analysis of the City's affordable housing projects and outlines programs to replace and preserve the affordable units.

6. Community Participation

Clear information and early participation are requisites of meaningful participation. Clarity in information seeks to provide the public with knowledge, facts and creative ideas as well as clear, adequate notices of meetings and hearings. Participation provides a variety of opportunities for an informed public to be involved in planning decisions. Both aspects need to be inclusive and reach out to all segments of our City to ensure that diverse values and visions are heard.

The City of Santa Cruz has various committees and commissions where residents can express their concerns regarding housing-related issues. The City Council and Planning Commission (appointed by the City Council) are the primary bodies which review housing and land use related issues. In some cases, the City Council may appoint citizens to serve on boards, commissions, and committees to assist and advise in formulating policy. Currently, 17 advisory bodies provide information which assists the City Council in ultimately setting City policy.

The Housing Element is the seminal document defining the City's housing policy and covers the maintenance, improvement, and development of housing for persons of all economic groups, including people with disabilities. For the 2015-2023 Housing Element Update, the City held community workshops to receive community input on housing. A public hearing for the draft AI will also be held on June 27, 2017. The City Council allows adequate input during its duly-noticed public hearings. The rules for meetings and providing public comment are clearly shown and described on the City's website. Members of the public have specified time limits for presentations. The rules of decorum are clear and presented on the website. During the meeting, the City Council also accepts faxes and emails, thus allowing input from persons unable to attend meetings due to disability.

In comparison to many jurisdictions, the City of Santa Cruz maintains one of the more extensive websites. Information on City programs, commissions, committees, and press releases are shown. Minutes and agendas from Council meetings dating back to 1996 are easily accessible. The Municipal Code is online. Important City policy documents are also accessible. The wealth of information online keeps residents informed of important issues and encourages an ongoing dialogue between residents, City staff, and the City Council.

FAIR HOUSING STATUS- CHAPTER 4

Fair housing is covered by federal and state law and court decisions that prohibit discrimination in the rental, sale, negotiation, advertisement, or occupancy of housing on the basis of protected class. This section evaluates the context in which residents rent or purchase homes in Santa Cruz, conducts statistical tests to infer fair concerns, evaluates the network of organizations providing fair housing services, and summarizes public comments on fair housing issues in the City of Santa Cruz.

A. Homeownership in the City of Santa Cruz

Homeownership is believed to provide many benefits- a greater sense of wellbeing and security, a good way to accumulate wealth, and a more active citizenry. This section first discusses the general homebuying process and where potential fair housing concerns may arise. This is followed by an analysis of lending activity in the City of Santa Cruz and statistical testing of lending outcomes. Agencies providing oversight of the lending process are then discussed. The section closes with a discussion of City programs to improve homeownership opportunities among residents.

1. The Homebuying Process

One of the main challenges to purchasing a home rather than renting is the process. Buying a house is a complex process, involving numerous decision points and people. Typically, people are overwhelmed by the unique terminology, number of steps required, and financial considerations involved in the purchase. The process is costly and time-consuming, and fair housing issues may surface at anytime during this process. The following section provides an introduction to homebuyer and junctures where fair housing issues may arise.

Finding a Realtor. Finding a realtor is normally the first step in buying a home. Realtors are found by looking in newspapers, searching the Internet, and primarily through referrals. The agent will find the home that fits the needs of the house seeker (such as preferences and budget), based on the amount they are qualified for by the lending institution. Unintentionally or intentionally, some realtors may steer the buyer by encouraging the buyer to look into certain areas. Agents may also discriminate by who they agree to represent and who they turn away.

The first step in buying a home is determining what is available. Advertisements in magazines, newspapers, or the Internet provide listing of homes available. Advertising and outreach can be a potential housing discrimination issue. Examples of discrimination in the advertisement and outreach phase include:

- References that describe current or potential residents, neighbors, or the neighborhood in racial or ethnic terms;
- References that describe a preferred type of tenant- “adults preferred,” “perfect for empty nesters,” “ideal for married couples and kids”; and/or
- Selecting media or locations for advertising that deny listings to certain segments of the housing market may be considered discriminatory.

Lending. Initially, buyers must find a lender (e.g., bank, thrift, credit union, or mortgage company) that will qualify them for a loan. This part of the process entails various requirements: submittal of an application, credit check, choosing the type and terms of the loan, determination of the loan and one’s ability to pay, etc. Applicants are requested to provide information on gender, ethnicity, income level, age, and familial status. Most of the information is required by the Community Reinvestment Act and the Home Mortgage Disclosure Act.

A report on mortgage lending discrimination by the Urban Land Institute identified four basic stages in the lending process which discrimination can occur- advertising/outreach, pre-application inquiries, loan approval/denial and terms, and loan administration.²⁷ For example:

- During the advertising/outreach stage, the lender may not have branches in certain locations, not advertise to certain segments of the population, or violate advertising rules with respect to fair housing;
- During the pre-application state, lenders may not provide applicants of different racial and ethnic background the same types of information as other preferred groups, or may urge some to seek another lender;
- During the lending stage, lenders may treat equally qualified individuals in a different manner, such as giving different loan terms, preferred rates, or denying a loan based on a factor not related to the ability to pay and risk; and/or
- During the loan administration phase, lenders may treat minorities in harsher terms, such as initiating foreclosure proceedings if any payment is late, or by making loans at terms that encourage defaults.

This analysis will focus specifically on testing lending outcomes to determine whether differences exist which may raise potential fair housing concerns.

Securing Homeowner Insurance. Homeowner insurance is insurance coverage that protects a homeowner against losses from damage to the physical structure

²⁷ *Mortgage Lending Discrimination: A Review of Existing Evidence*, The Urban Institute, 1999

of a home. In most cases, homeowner insurance also covers the contents of the home and protects the homeowner from liability for personal injuries that might occur on the property. Homeowners are almost always required to have homeowner insurance in order to qualify for a mortgage or home equity loan.

In recent years, a number of studies have investigated the incidence of discrimination in the homeownership market. Discrimination in the homeowner insurance industry occurs when an insurer unlawfully treats current or prospective homeowners differently because of their status. Examples are as follows:

- Insurers may treat equally qualified individuals in a different manner, such as charging minorities higher rates, offering minorities policies with inferior coverage, not returning calls for information from minority applicants or denying minorities coverage altogether
- Insurers may treat homeowners differently because of the race/ethnic composition of their neighborhood. This includes imposing different terms and conditions for coverage, refusing or failing to write policies for applicants, or refusing or failing to market products in minority areas
- Insurance companies may also adopt guidelines which preclude insuring older homes, which has a disproportionate impact upon lower income and minority families that can only afford to purchase a home in older neighborhoods

Sellers. A seller may not want to sell his/her house to certain purchasers or may want to accept offers only from a preferred group. Often times, sellers are home when agents show their properties to potential buyers and they may develop certain biases based upon this contact. To that end, the Residential Listing Agreement and Seller's Advisory forms that sellers must sign to disclose their understanding of fair housing laws and practices of nondiscrimination are designed to prevent discrimination and increase housing opportunity.

In the past, Covenants, Conditions, and Restrictions (CC&Rs) were used to exclude certain groups such as minorities from equal access to housing in a community. Today, the California Department of Real Estate reviews CC&Rs for all subdivisions of five or more lots, or condominiums of five or more units, for a wide range of issues, including compliance with fair housing law. If the CC&Rs are not approved, the Department of Real Estate will issue a "deficiency notice," requiring the CC&Rs be revised prior to sale of the unit.

2. Home Loan Activity

In 1977, the Community Reinvestment Act (CRA) was enacted to improve access to credit for all members of communities. CRA was intended to encourage regulated financial institutions to help meet the credit needs of entire communities, including low and moderate income persons and neighborhoods.

In tandem with the Home Mortgage Disclosure Act (HMDA), financial institutions with assets exceeding \$10 million are required to submit detailed information on the disposition of home loans by applicant characteristics.

HMDA data is one of the primary data sources for evaluating lending patterns in the City of Santa Cruz. Fair housing concerns may also be identified through statistical tests of HMDA. In this study, a "Difference of Proportions" test is used to analyze loan approval rates. This statistical test can determine whether loan approval rates are significantly different but cannot establish the presence of bona fide discrimination. Nonetheless, HMDA and statistical tests can certainly help inform and provide direction to policy makers on where to focus further inquiry.

In 2015, 8,013 conventional home loans were originated or denied in the City of. Of this total, the breakdown included: 27.5% for a purchase loan, 67.5% for a refinance loan, and 5% for a home improvement loan, as seen in **Chart 4-1**. In interviews done with local lenders, no discrimination was reported for these activities. Income requirements and lack of down payment were identified as the key barriers to loan approval for local residents.

Chart 4-1
Home Loans in the City of Santa Cruz, 2015

Loans by Type	Disposition of Loans		
	Approved	Denied	Total
Conventional Home Purchase Loan	1945	255	2200
Conventional Home Refinance Loan	4264	1162	5426
Conventional Home Improvement Loan	283	104	387

Source: HMDA, 2015 *Approximate data by census tracts for the City of Santa Cruz

Predatory lending is essentially making loans in which borrowers are faced with payment structures and/or penalties that are excessive and which set up the borrowers to fail in making their required payments. Subprime loans or high cost loans could be considered as predatory if they do not accurately reflect a risk inherent for a particular borrower. It is difficult to identify and measure the amount of predatory lending activity in a market, largely because the industry has been relatively unregulated. In addition, predatory activity is difficult to uncover until a borrower seeks help and/or recognizes a problem in their loan.

3. Regulatory Oversight

The homeownership process is complex, in part because of the different individuals and financial institutions involved in the process. For instance, stakeholders include the realtor, the lender, the insurance company, and the seller, among others. This section summarizes the groups involved in regulating realtors and the home lending industry.

Real Estate Organizations. The California Association of Realtors (CAR) is the State chapter of the National Realtors Association (NAR). The Santa Cruz Association of Realtors (SCAOR) is the local chapter representing realtors throughout the Santa Cruz area. These real estate organizations help to further fair housing by requiring a strict code of ethics and providing continuing education programs for members.

To become a member of SCAOR, CAR and NAR, realtors must pledge to conduct business in keeping with the spirit and letter of the National Code of Ethics. Under this Code of Ethics and supplemental articles:

“Realtors shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, or national origin. Realtors shall not be a party to any plan or agreement to discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, or national origin.”

Continuing education is available for realtors to keep abreast of fair housing issues. NAR grants a diversity certification to licensed realtors who complete its “At Home with Diversity” course. The certification signals that the real estate professional is trained on working with diversity in today’s real estate markets. Locally, SCAQR also provides continuing education on a range of real estate topics, including the topics of ethics, trust funds, fair housing, and real estate agencies.

California Department of Real Estate (DRE). The California Department of Real Estate is the licensing authority for all real estate brokers. All persons involved in real estate transactions must secure a license from the DRE. As part of the license

renewal process, DRE requires each licensee to complete 45 hours of continuing education courses, including the topics of ethics, trust fund, and fair housing. The fair housing course contains information that enables an agent to identify and avoid any discriminatory practices when providing real estate services.

DRE also monitors licensees doing business as mortgage lenders and brokers. If an inquiry substantiates a violation, DRE will investigate the matter. For those requiring further action, DRE may suspend or revoke a license, issue a restricted license, or file an Order to Desist and Refrain. Violations may result in civil injunctions, criminal prosecutions, or substantial fines. The Department publishes a list of persons conducting real estate activities without a license and the licensure status of realtors at <http://secure.dre.ca.gov/>.

Banking and Lending Industry. The Community Reinvestment Act (CRA) is intended to encourage regulated financial institutions to help meet the credit needs of entire communities, including low and moderate income neighborhoods. The CRA requires the Federal Financial Institution supervisors, in connection with their examinations of depository institutions, to assess an institution's performance in furthering fair housing based upon information about the institution, its community and its competitors and peers. Upon completion of an examination, one of four CRA ratings is assigned — outstanding, satisfactory, needs to improve, or substantial noncompliance. Ratings on financial institutions can be checked via the Internet. No financial institution with its primary headquarters in Santa Cruz has received a ranking of “needs to improve” or “substantial noncompliance.”

Insurance Industry. The California Organized Investment Network (COIN) is a collaborative effort between the California Department of Insurance, the insurance industry, community economic development organizations, and community advocates. COIN was established in 1996 at the request of the insurance industry as an alternative to state legislation that would have required insurance companies to invest in underserved communities, similar to the federal CRA requirements. This voluntary program facilitates a void in insurance industry investments to California's underserved communities.

The California Department of Insurance (CDI) has made enforcement a priority. Since 1991, they have assessed financial sanctions against insurance companies and revoking the licenses of nearly 450 brokers, agents and other producers who violated state law or department regulations. Many of these violations were made by brokers or companies for practices not related to insuring homes. To ensure that consumers are adequately protected, CDI maintains the following link.

www.insurance.ca.gov/01-consumers/120-company/03-concmlpt/index.cfm

The website page contains consumer complaint, company performance, and

comparison studies. CDI also provides an "Insurance Agent or Broker" that records actions taken against persons.

4. The City of Santa Cruz Anti-Discrimination Ordinance

Anti-Discrimination Ordinance. The City prohibits, by local ordinance, discrimination in housing and real estate transactions.²⁸ Prohibited acts include:

- a. To discriminate by impeding, delaying, discouraging or otherwise limiting or restricting any transaction in real property;
- b. To discriminate by imposing different terms on a real estate transaction;
- c. To represent falsely that an interest in real property is not available for transaction;
- d. To include in the terms or conditions of a real property transaction any discriminatory clause, condition or restriction;
- e. To discriminate in performing, or refusing to perform, any act necessary to determine an individual's financial ability to engage in a real estate transaction;
- f. For a property manager to discriminate by refusing to provide equal treatment of, or services to, occupants of any real property which he or she manages;
- g. To make, print or publish, or cause to be made, printed or published any discriminatory notice, statement, or advertisement with respect to a real estate transaction or proposed real estate transaction, or financing relating;
- h. To discriminate in any financial transaction involving real estate, on account of the location of the real estate be it residential or nonresidential (red lining").

B. Rental Housing Market in the City of Santa Cruz

The City of Santa Cruz is committed to ensuring that renters are not discriminated against in the rental housing market. This section discusses the rental housing market in the City. Discussion first focuses on a general discussion of the renting process. Various organizations that address fair housing concerns are also provided. The final section focuses on fair housing complaints to state and local agencies as well as the outcome of those complaints.

1. The Renting Process

Similar to the homeownership market, a major challenge to ensuring fair housing in the rental market is the complexity of the process. There are several stages in

²⁸ Section 9.83.040 of the Santa Cruz Municipal Code

the process of renting a home or apartment: 1) the advertising and outreach stage; (2) pre-application inquiries and responses; 3) the criteria for acceptance; 4) the lease; and 5) administration of the lease. This section discusses these phases of the rental process and areas where fair housing concerns may arise.

Advertising and Outreach. The first thing a potential renter is likely to do is to search for a home. Advertisements in magazines, newspapers, or the Internet provide listings of available rentals. In some cases, the prospective renters may visit local realtors who are knowledgeable of the types of rentals available within a community. Renters may also peruse their preferred neighborhoods to find out whether homes are available. Advertising and outreach has become a potential housing discrimination issue. Examples of discrimination include:

- References describing current or potential residents, neighbors or the neighborhood in racial or ethnic terms, or a preferred type of tenant
- Advertising media or locations denying information on listings to certain segments of the housing market
- Real estate agents who steer potential buyers by encouraging them to live in certain areas versus others

Viewing the unit is the most obvious place where a potential renter may encounter discrimination. Landlords or managers may make a judgment based on race or disability, or on appearance as to whether a potential renter may violate any of the apartment rules. For example, if a student is wearing a T-shirt with a decal of a heavy metal band, a landlord may be concerned of the potential for loud music.

Acceptance of Tenant. Landlords typically require the tenant to have sufficient income to pay the rent, a good record of payment, adequate credit rating, and a variety of other factors directly related to the suitability of the tenant for rental housing. In some cases, however, discrimination can occur in a variety of ways.

- The California Supreme Court has determined that a landlord can use a minimum income standard of three times the amount of actually rent paid by the tenant or the portion of the rent paid by the Section 8 tenant
- Some landlords may require security deposits from prospective tenants. To deter less than desirable tenants, a landlord may ask for a security deposit higher than others
- Landlords may require potential renters to provide credit references, lists of previous addresses, and employment history and salary. Many landlords may falsely represent the results of a credit check to exclude certain tenants

Lease Agreement. Most apartments are rented under either a lease agreement or a month-to-month rental agreement. A lease is favorable from a tenant's point of view for several reasons: the tenant is assured the right to live there for a specific period of time, and the tenant has an established monthly rent during

that period. Most other provisions of a lease protect the landlord. Information written in a lease or rental agreement includes the rental rate, required deposit, length of occupancy, apartment rules, and termination requirements.

In a tight housing market in which rents are rising, a landlord can financially afford to choose tenants and thus may offer shorter leases to not-so-desirable tenants. In this case, a landlord may simply ask the 'not-so-desirable' tenant to leave with a 60-day Notice to Vacate. Shorter lease terms also allow the landlord to raise rent more frequently.

Typically, the lease or rental agreement is standard for all units in a building. However, enforcement of the rules in the lease or rental agreement may not be standard for all tenants. A landlord may more strictly enforce rules for certain tenants based on arbitrary factors, such as race, presence of children, or disability. As a result of the recent escalation of housing prices throughout California, there have been an increased number of complaints of tenant harassment as landlords have become increasingly stricter in the enforcement of lease agreements.

2. Organizations Furthering Fair Housing

A variety of nonprofit organizations directly or indirectly provide fair housing services to renters in Santa Cruz. Professional organizations also help ensure that apartment managers and owners engage in fair housing practices. This section describes the informal network of organizations which impact fair housing.

Nonprofit Organizations

The following describes the major nonprofit organizations involved in furthering housing opportunity for Santa Cruz County residents.

Senior Network Services. Senior Network Services serves the needs of seniors in the Santa Cruz area. Senior Network Services is a private non-profit agency providing senior citizens and persons with disabilities with information, guidance and assistance in coordinating existing resources to promote independence and the highest quality of life. Senior Network Services helps place clients in shared housing situations, educates tenants and landlords on their rights and responsibilities, matches Section 8 prospective tenants with landlords, and counsels clients on financial and age discrimination issues, among others. The network serves 25 elderly and/or disabled clients annually in Santa Cruz.

Nueva Vista Community Resources. Nueva Vista Community Resources is a Latino community-based family resource center serving low income residents in North Santa Cruz County. Nueva Vista serves primarily very low income, Latinos, and immigrants. The majority of the clientele lives in Santa Cruz. Services provided fall into three general categories: client services, youth programs, and

pantry programs. Approximately 1,000 families (at least 2,000 individuals) are served annually.

Encompass Community Services. This California nonprofit corporation has been serving Santa Cruz County since 1973. They provide a broad spectrum of evidence-based and outcome-driven services supporting the behavioral health, educational development and social well-being of over 8,000 children, adults and families annually. As the largest nonprofit human services provider in Santa Cruz County, Encompass offers a continuum of accessible, high quality, culturally competent, cost-effective and integrated care and services.

Santa Cruz District Attorney. The Consumer Affairs and Environmental Protection Division of the District Attorney's Office provide a variety of fair housing services. These services include: 1) telephone counseling and referrals to other agencies that deal with consumer issues; 2) landlord- tenant information, assistance and mediation efforts; and 3) information and referral service to other agencies.

Approximately 100 to 200 calls are received each month from tenants, landlords, and roommates. The most calls received by the Office are about security deposits, evictions, and/or housing conditions. The Office primarily provides legal information and self-help advice to inquiring clients, and makes referrals to other legal and nonprofit agencies. Because of a persistent lack of funding, the Office does not have a database that can provide more detailed information on the type of calls received. One volunteer is responsible for handling the majority of landlord-tenant questions and referrals; no paid staff members are involved in this effort.

Overall, the fair housing network appears to be quite fragmented; different groups are organized around special need groups. Only the District Attorney's Office focuses on fair housing issues affecting the general population, as noted above. During research for this AI, several organizations highlighted insufficient funding as the main source of their relative shortcomings, including the absence of maintained data, reduced or elimination of provided services, and lack of coordination between organizations.

California Apartment Association. The California Apartment Association (CAA) is the country's largest statewide trade association for rental property owners and managers. CAA represents rental housing owners and professionals who manage more than 1.5 million rental units. Under the umbrella, numerous other apartment associations cover specific geographic areas, including Santa Cruz.

The CAA supports the spirit and intent of all local, state, and federal fair housing laws for all residents without regard to color, race, religion, sex, marital status, mental or physical disability, age, familial status, sexual orientation, or national origin.

The Tri-County Apartment Association (TCAA). TCAA is the largest chapter of the California Apartment Association, with more than 3,000 members throughout Monterey, San Mateo, Santa Clara, and Santa Cruz counties. TCAA provides the rental housing industry with information, resources and educational services, including information on regulations, requirements, and fair housing issues. TCAA's government relations program keeps owners and managers informed about the impacts and changes of legislation and local ordinances. TCAA offers classes, seminars, and certificate programs to educate rental property owners and managers about fair housing issues. TCAA publishes *Apartment Management*, a magazine that offers information issues affecting the rental industry, as well as pamphlets and books on fair housing to its members. Legal advice on fair housing issues is available from attorneys through the Member Discount Legal Program. TCAA is a useful source of information on fair housing laws and landlord-tenant responsibilities.

3. Fair Housing Compliance

The City's Municipal Code prohibits rental housing discrimination on the bases of race, color, creed, religion, national origin, ancestry, disability, marital status, sex, sexual orientation, personal appearance, pregnancy or tenancy of a minor child except as provided for by state law.²⁹ The California Rural Legal Assistance (CRLA) and State Department of Fair Employment and Fair Housing enforce these laws. A description of each organization and nature of cases are provided below.

CRLA. California Rural Legal Assistance, Inc. Founded in 1966, CRLA is a nonprofit legal services program with a mission to strive for economic justice and human rights for the rural poor. CRLA has 18 offices, many in rural communities in California. As the primary fair housing assistance provider in the Santa Cruz area, CRLA provides a variety of consultation services through its hotline service and consultations, distributes legal information to landlords and tenants, and participates in annual housing fairs, in addition to filing and litigating fair housing complaints where violations of federal or state housing discrimination laws impact Santa Cruz residents. These include cases involving race, national origin, familial status, religion, disability, age, sexual orientation, gender, and gender identity

The procedure for handling a case typically begins with an initial intake call. The receptionist checks the conflict of interest files to ensure that no such conflict exists. The screened call is then passed to a housing worker who has received extensive training in proper interviewing techniques and legal knowledge. The housing worker will give the appropriate advice to the client. Typical questions received on the hotline involve security deposit refunds, entry into the home, when rent can be withheld, eviction notices, rent control, and fees for late rent payments. The vast majority of call-ins are handled by phone consultation only.

²⁹ Section 21.01.010 of the Santa Cruz Municipal Code

In situations where problems cannot be adequately addressed through telephone advice, clients meet with an attorney to explore the issue and develop an appropriate plan to address the problem. Further action is taken as-needed, including letters telephone calls, and preparation of court documents and fair housing complaints directed at HUD or the State of California Department of Fair Employment and housing, if needed. Where required, CRLA will conduct fair housing surveys or tests to determine whether violations exist. Many landlord and tenant disputes are successfully resolved without formal litigation. In such disputes, the case handler assigned will contact the opposing party and attempt to resolve the issue with a mutually agreeable and negotiated resolution. If negotiations are not possible, litigation may be the only alternative.

CRLA also participates in housing fairs in jurisdictions throughout the county. These forums provide the opportunity to distribute landlord-tenant information on rights and responsibilities and educating the general public about fair housing.

CRLA provides services ranging from advice and consultation to legal action. Typically, the majority of inquiries are resolved through consultation or a brief service.

Department of Fair Employment and Housing (DFEH)

The DFEH is the state agency responsible for protecting the people of California from unlawful discrimination in employment, housing and public accommodations, and from the perpetration of acts of hate violence. The DFEH enforces the Fair Employment and Housing Act, California Family Rights Act, Unruh Civil Rights Act, and Ralph Civil Rights Act.

For this analysis, DFEH provided a summary of complaints reported in the City of Santa Cruz. DFEH has investigated prohibited acts included refusal to rent/sell and denied reasonable accommodation. **Chart 4-2** summarizes case information.

Chart 4-2:
Housing Discrimination Complaints in Santa Cruz County, 2011-2015

Case Statistics	Year				
	2011	2012	2013	2014	2015
Total Complaints	6	11	8	13	16

Source: California Department of Fair Employment Housing Annual Report, 2011-2014, 2015

4. Hate Crimes

Hate crimes also affect fair housing in that the prevalence of such crimes impact, in some ways, whether people choose to live in one community or another. Communities with a higher prevalence of hate crimes provide a signal to certain individuals that the environment is an unsafe place to live. California law specifically defines hate crimes as those motivated by hatred based upon race, ethnicity, national origin, religion, gender, sexual orientation or disability.³⁰

Not all expressions of hate or group bias, however, are considered a hate crime. Freedom of expression guaranteed by the U.S. Constitution allows hateful rhetoric and displays as long as it does not interfere with one's civil rights. Hate incidents can include name-calling, epithets, distribution of hate material in public places, and the display of hate-motivated material on one's property. However, if such actions include the threat of harm, hate incidents rise to the level of a hate crime.

Chart 4-3
Hate Crimes in the City of Santa Cruz

	Year		
	2005	2010	2015
Total	12	11	12

Source: SCPD/ Uniform Crime Reports, FBI

The California Attorney General and the FBI collect statistics on hate crimes based upon reports filed by the City of Santa Cruz Police Department and County District Attorney. In 2015, the Police Department saw 12 hate crimes. **Chart 4-3** shows the number of hate crimes in the City of Santa Cruz. 2005, 2010, and 2015 annual counts have remained fairly similar.

³⁰ California Penal Code, Section 13023

FAIR HOUSING PLAN- CHAPTER 5

Previous chapters studied recent demographic and housing market changes in the City, analyzed potential impediments to fair housing, and documented the status of fair housing opportunity in the City. This chapter builds upon the previous analysis and provides recommendations to improve housing opportunities.

A. Major Issues and Recommendations

Overall, the fair housing environment is positive in the City of Santa Cruz. The community values diversity and racial tolerance. Public and private agencies are actively engaged in efforts to overcome those fair housing challenges that do exist. To further these efforts, the City will implement the following actions to improve fair housing opportunities.

ISSUE 1. Barriers to Section 8/Housing Choice Voucher Use

Recommendations:

Action 1: Staff will recommend future participation in the Countywide Landlord Incentive Program in order to increase landlord participation in HUD/Section 8 Housing Choice Voucher Program.

Initiate 2017, Ongoing Thereafter

ISSUE 2. Lack of Housing Accessibility

Recommendations:

Action 2.1: Assist in building at least 9 or 10 units of housing designated for disabled individuals.

Ongoing

Action 2.2: Include information on legal implications regarding housing discrimination and disabilities in the proposed City brochure and the fair housing section on the City's website.

Ongoing

ISSUE 3. Housing Disbursement

Recommendations:

Action 3.1: The City will review the locations of affordable housing units in order to continue to ensure disbursement.

Ongoing

ISSUE 4. Coordination of a Decentralized Fair Housing Network

Recommendations:

Action 4.1: Increase accessibility of fair housing and the complaint process by creating a series of informational brochures that clarify what constitutes fair housing violations and provides contact information about where services might be found. Specific information will be provided for households with children 18 years and younger.

Ongoing