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# F12a

**Prepared December 1, 2023 for December 15, 2023 Hearing**

**To:** Commissioners and Interested Persons

**From:** Kevin Kahn, Central Coast District Manager  
Rainey Graeven, Central Coast District Supervisor  
Kiana Ford, Coastal Planner

**Subject: City of Santa Cruz LCP Amendment Number LCP-3-STC-23-0045-2-Part A (Downtown Plan Update)**

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## SUMMARY OF STAFF RECOMMENDATION

The City of Santa Cruz proposes to amend portions of its Local Coastal Program (LCP) Implementation Plan (IP) to update the LCP's "Downtown Plan", which provides development standards, design guidelines, and other requirements for new construction in the City's downtown area located about a half-mile inland from the shoreline. The City's downtown area has undergone significant redevelopment and revitalization in recent years, including most notably the planning, permitting, and ongoing construction of a number of significant mixed-use housing projects, and the City indicates the proposed amendment would complement and further activate and revitalize the downtown area. Overall, the proposed amendment seeks to build upon previous efforts to update development standards and facilitate an active and vibrant downtown area comprised of a variety of uses including housing, visitor-serving uses, and commercial businesses, all with enhanced connections between the core downtown and the San Lorenzo levee pathway and between the sidewalks/pedestrian accessways and downtown development.

The proposed LCP changes are mostly focused around clarifying when development is allowed taller buildings (i.e., up to an additional 20 or 30 feet maximum depending on the particular area), when even taller 'activated rooftop elements' (i.e., bars, pools, garden areas, etc.) can be applied above those heights (up to an additional 15 feet), and when housing is required in the area, particularly in the area located adjacent to the San Lorenzo River between Laurel Street and Soquel Avenue. For this area, the LCP requires a certain amount of housing both as part of the base project as well as for any increase in height above the base 50-foot height limit (and doesn't allow the additional 15 feet on top of that). Although such housing projects could still be pursued under the amendment, they would no longer be required. The City's intent in making such changes is because there is essentially one site to which these changes would effectively apply in the coastal zone, and the City envisions this site for a hotel use. The City indicates that such a project would be able to appropriately complement the significant amount of housing already under construction or envisioned in the downtown

area (with nearly 1,400 housing units either proposed, entitled, and/or under construction currently), and that this site provides a means to meet other important City needs associated with a downtown hotel (with conference space, etc.) when no such downtown hotels currently exist. Thus, the proposed amendment essentially provides clearer standards for a potential hotel use (and the City is currently working on a CDP application for just such a hotel at this site). The amendment also adds a requirement that applicants for such non-residential projects that avail themselves of the additional height allowed under the plan are required to contribute to the City's affordable housing trust fund (at a rate of \$5 per additional square foot accommodated).

The LCP Land Use Plan (LUP), which is the standard of review for this proposed amendment, prioritizes visitor serving development over housing, but also seeks to balance housing needs, especially in the downtown area. As indicated, the City has been extremely successful in facilitating residential development – including affordable housing – in the downtown area, and the City's proposed changes here that are designed to facilitate complementary visitor serving development furthers LUP visitor serving objectives and can be approved for that reason. As to lower cost overnight accommodation requirements, the same types of protections required by the Coastal Act are required by the existing LCP, and would be applied to any future hotel project at this location.

For these and other reasons articulated in more detail in the remainder of this report, staff recommends that the Commission find the proposed amendment consistent with and adequate to carry out the LUP, and thus approve the amendment as submitted. The motion and resolution are found on page 4 below.

**Staff Note: LCP Amendment Action Deadline**

This proposed LCP amendment was filed as complete on November 15, 2023. The proposed amendment affects the LCP's IP, and the 60-working-day action deadline is January 14, 2024. Thus, unless the Commission extends the action deadline (it may be extended by up to one year), the Commission has until January 14, 2024 to take a final action on this LCP amendment.

Therefore, if the Commission fails to take a final action in this case (e.g., if the Commission instead chooses to postpone/continue LCP amendment consideration), then staff recommends that, as part of such non-final action, the Commission extend the deadline for final Commission action on the proposed amendment by one year. To do so, staff recommends a YES vote on the motion below. Passage of the motion will result in a new deadline for final Commission action on the proposed LCP amendment. The motion passes only by an affirmative vote of a majority of the Commissioners present.

***Motion:*** *I move that the Commission extend the time limit to act on City of Santa Cruz Local Coastal Program Amendment Number LCP-3-STC-23-0045-2-Part A to January 14, 2025, and I recommend a yes vote.*

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**EXHIBITS**

- Exhibit 1: Proposed IP Amendment (shown in strikethrough and underline)
- Exhibit 2: Downtown Plan Map
- Exhibit 3: Table LCP-2 “General Plan Coastal Land Use Policies, Programs, Implementing Regulations, Maps and Tables”
- Exhibit 4: Map of Front Street/Riverfront Corridor and Projects

**CORRESPONDENCE**

## 1. MOTION AND RESOLUTION

Staff recommends that the Commission, after public hearing, **certify the proposed LCP amendment as submitted**. The Commission needs to make one motion in order to act on this recommendation, and staff recommends a **NO** vote on the motion below. Failure of this motion will result in certification of the Implementation Plan amendment as submitted and the adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the Commissioners present.

***Motion to Certify:*** *I move that the Commission reject Implementation Plan Amendment LCP-3-STC-23-0045-2-Part A as submitted by the City of Santa Cruz and I recommend a **no** vote.*

***Resolution to Certify:*** *The Commission hereby certifies Implementation Plan Amendment LCP-3-STC-23-0045-2-Part A for the City of Santa Cruz and adopts the findings set forth below on the grounds that the amended Implementation Plan conforms with, and is adequate to carry out, the provisions of the certified Land Use Plan. Certification of the amended Implementation Plan complies with the California Environmental Quality Act, because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the amended Implementation Plan on the environment, or 2) there are no further feasible alternatives and mitigation measures that would substantially lessen any significant adverse impacts on the environment.*

## 2. FINDINGS AND DECLARATIONS

### A. Proposed LCP Amendment Description

The Commission originally approved the City of Santa Cruz's Local Coastal Program (LCP) in 1985, where the LCP consists of both a Land Use Plan (LUP) and an Implementation Plan (IP), and it includes provisions to carry out the requirements of the Coastal Act. The IP, among other things, lists allowable land uses for each zoning designation, implements appropriate height, mass, and setback requirements for development, and specifies that approvable development must meet specific coastal resource protection standards, all of which derive from and implement LUP provisions. These LUP provisions in turn derive from and implement the coastal resource management provisions of Chapter 3 of the Coastal Act.

The IP includes Chapter 4<sup>1</sup> of the City's "Downtown Plan"<sup>2</sup> and provides development standards, design guidelines, and other requirements for new development in the downtown area (about a half-mile inland from the shoreline), the southern part of which,

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<sup>1</sup> Chapter 4 is incorporated by reference into the development standards for the Central Business District zoning designation (IP Section 24.10.2301), which is an implementing section of the City's LCP.

<sup>2</sup> The City also amended Chapters 1, 2, 3 and 5 of the Downtown Plan; however, these changes are not part of the City's certified LCP and are thus not analyzed as part of this report/amendment.

generally south of Soquel Avenue, is located within the coastal zone (see **Exhibit 2**).<sup>3</sup> All parcels located within the Downtown Plan are zoned “Central Business District”, and the Downtown Plan then further divides the greater downtown area into four sub-areas/districts (i.e., the Pacific Avenue Retail District, the Front Street/Riverfront Corridor, the Cedar Street Village Corridor, and the North Pacific Area) to help facilitate development that responds to the unique attributes and character of these areas, with an overarching goal of active and vibrant mixed-use neighborhoods comprised of housing, visitor-serving uses, commercial businesses, and an array of public parks, paseos, and walkways.

The Plan was initially developed in 1991 as a response to facilitate the rebuilding of downtown Santa Cruz after the 1989 Loma Prieta earthquake demolished many buildings and resulted in substantial damage to its physical and social fabric (it was then titled the “Downtown Recovery Plan”). The City then substantially updated it in 2018<sup>4</sup> with a new focus on additional housing, increased building heights to accommodate such housing, and a focus on activating the San Lorenzo Riverfront area.<sup>5</sup> Since its initial focus on earthquake recovery had been completed, the Plan was updated at that time (with the term ‘Recovery’ removed) to reflect and address then current needs and issues for the City’s urban core. Of particular note, the 2018 Downtown Plan update aimed to facilitate new development, particularly housing units, in the southern portion of these districts, and to promote enhancements to and greater public use of the San Lorenzo Riverwalk. The 2018 changes allowed larger, taller structures supporting mixed uses, and required new development to incorporate design features that connect the downtown area to the river, including by requiring new development to provide publicly accessible connections to the Riverwalk from Front Street and to fill the area between the private property line and the levee slope of the river, where such area would be required to be put to public uses. In other words, the 2018 update significantly ‘upzoned’ much of the downtown area, but in particular targeted the riverfront stretch along Front Street between Soquel Avenue and Laurel Street, with goals to provide needed housing and more activated and integrated commercial spaces, visitor-serving uses, and Riverwalk connectivity and enhancements. Since that time, the City’s downtown area has undergone significant redevelopment and revitalization in recent years, including a number of mixed-use projects either built, under construction, approved, or under City review currently totaling some 1,352 housing units.<sup>6</sup> In sum, the Downtown Plan

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<sup>3</sup> Much of the Downtown Plan area is located outside of the Coastal Zone. Although Chapter 4 covers development standards throughout the downtown area, only approximately 20% of the area falls within the coastal zone boundary.

<sup>4</sup> See LCP-3-STC-17-0073-2-Part A (Downtown Plan).

<sup>5</sup> The San Lorenzo River forms the eastern and southern boundary of the downtown area, and the river is located between large levees that confine the river and that provide access trails on top of the levees, known as the “Riverwalk”.

<sup>6</sup> The City has permitted four major mixed-use housing projects in recent years in the downtown area, including one 100% affordable project, and all four are currently under construction. These four projects alone total 515 residential units, 154 of which are required to be affordable. In addition, the City has six housing projects currently in the planning/permitting stage within the downtown area, both in and out of the coastal zone, that will provide 462 market rate and 375 affordable units. In total, the City has ten housing projects currently under construction or in the planning/permitting stage within the downtown area that will provide a total of 1,352 housing units: Cedar Street family apartments (includes 16 very low-

appears to be working in terms of meeting its goals to enliven the downtown area with housing and other improvements, including in terms of invigorating the connection between the downtown area and the San Lorenzo River and Riverwalk (the latter of which provides direct pedestrian/bicycle access to Santa Cruz Main Beach and the Boardwalk area), with even more revitalization and redevelopment envisioned.<sup>7</sup>

The proposed amendment would update several provisions of the Downtown Plan, with the most notable being the development standards for the east side of Front Street adjacent to the San Lorenzo River between Soquel Avenue and Laurel Street. This area of downtown has historically been developed with one- and two-story buildings constructed between the 1920s and 1940s, and a series of surface parking lots, but is the subject of substantial new and re-development as envisioned by the LCP. In particular, the northern part of this area, at the corner with Soquel Avenue, is in the planning stage for a 276-unit housing/mixed-use project (this project/location is just outside the coastal zone boundary), and the middle/interior of the Front Street corridor is currently under construction with a substantial 175-unit mixed-use project (including 20 affordable housing units) approved in 2021.<sup>8</sup> The southern section of this area, extending from the active construction site to the corner of Front and Laurel Streets, is the primary target of the LCP amendment (see **Exhibit 4**). That area is currently occupied by a series of commercial buildings and surface public parking lots, but the City ultimately envisions a hotel for this area, and sees its redevelopment as an opportunity to help revitalize this part of downtown, including to enhance the Riverwalk and access to it, which in turn would help to revitalize this bicycle- and pedestrian-friendly connection between the City's core commercial district and the coast. Namely, the City proposes the following changes:

- Add arcades, billiard halls, and other indoor recreational uses to the definition of theatre/commercial entertainment use, thereby allowing these additional uses throughout the four downtown subdistricts.
- Remove the administrative use permit requirement for supportive and transitional housing, small and large daycare units, upper-floor multifamily residential units,

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income and 48 low-income units); 130 Center Street (includes 35 very low-income units and 198 market-rate units); 530 Front Street (includes 28 very low-income units, 9 low-income units, and 239 market rate units); Front Street Mixed-Use (includes 15 very low-income units, 5 low-income units, and 155 market rate units); New Library and Mixed-Use Building (includes 78 very low-income units and 45 low-income units); 2035 N. Pacific (includes 5 low-income units and 21 market rate units); Pacific Station South (includes 59 very low-income units, 10 low-income units and 1 market rate unit); Pacific Station North (includes 125 low-income units and two market rate units); 136 River Street (includes 38 very low-income units and 12 low-income units); and 100 Laurel Street (includes 205 market rate units).

<sup>7</sup> Notably, the City of Santa Cruz is among only 6% of jurisdictions throughout the state of California on track to meet their current Regional Housing Needs Assessment (RHNA) target of 747 units in the 2015-2023 cycle. In addition, for the 2023-2031 cycle, the City of Santa Cruz RHNA target contemplates an additional 3,736 units, most of which the City intends to satisfy in the greater downtown area including via the City's Downtown Expansion Plan, which proposes to expand the Downtown Plan's applicability to areas south of Laurel and along Front Street, ending at Depot Park. The Downtown Expansion Plan would require its own LCP amendment.

<sup>8</sup> That City approval was appealed to the Commission, and the Commission found no substantial issue on the appeal in March, 2021.

flexible density units, and single room occupancy units, thereby streamlining and reducing the number of permits required for higher density housing projects and daycare facilities.

- Require recreational uses and other active ground floor uses to be visible from street frontage to facilitate more ground floor activation and better integrate and transition sidewalks/walkways with downtown buildings/businesses.
- Require Planning Commission approval for additional height approvals, rather than the Planning Director.
- Remove redundant language regarding qualifying for additional height with density bonus law (which already allows for a height waiver).
- Add language to encourage activated rooftop amenities and uses. This would allow for an additional fifteen feet of extra height to the maximum allowable height in each zone for such amenities/uses (i.e., outdoor pools, bars, garden/green spaces, etc.), where they would be restricted to occupying a maximum of 50% of the rooftop area and would be required to be set back from the edge of the roof by at least fifteen feet.
- For Height Zone “A” (which, in the coastal zone, applies to the area along Pacific Avenue between Elm Street and Laurel Street), eliminate the requirement that housing be included for any extra height (up to 85 feet in some locations) above the base zoning district’s 55-foot limit. For any non-residential project that is granted such height increases, add a requirement for a \$5 per gross floor area fee to be charged for all floor area above the 55-foot height, to be deposited into the City’s affordable housing trust fund.

In addition to the above, the proposed amendment modifies several standards specific to development within the Front Street/Riverwalk corridor between Soquel Avenue and Laurel Street:

- Continue to allow housing as a principally permitted/envisioned use along this whole corridor, but eliminate the current requirement that, for properties beyond a distance of 75 feet from Laurel Street and Soquel Avenue (i.e., within the interior of the corridor outside of the two street intersections) housing shall comprise at least 60% of the total upper floor area (i.e., floors above the ground level floor).
- Explicitly note that upper floor housing is not required in this area.
- Eliminate the existing requirement that an increase in height above the base zoning district’s 50-foot height limit (up to a maximum of 70 feet) be for a “concentration” of new housing. For any non-residential project that is granted such height increases, add a requirement for a \$5 per gross floor area fee to be charged for all floor area above the 50-foot height, to be deposited within the City’s affordable housing trust fund.

- Specify that hotels/motels are principally permitted uses along the entirety of the east side of Front Street, and not just within 200 feet from Soquel Avenue or Laurel Street as is the current language.
- Eliminate the ability to have hotel rooms on ground level frontages or along Riverfront-level frontages so as to facilitate more ground floor activation.

In short, the proposed amendment modifies various standards in the Downtown Plan to facilitate an active commercial core, including through new allowable uses, limiting ground floors of buildings to active uses and not hotel rooms, encouraging rooftop decks and other such activities, and allowing for multiple types of housing in the area, including flexible density units.<sup>9</sup> Of the more substantive changes that apply to the Front Street/Riverwalk area, the amendment eliminates the requirement that 60% of the floor area on floors above the ground level floor for certain properties be reserved for housing (specifically along the eastern side of the single Front Street block between Soquel Avenue and Laurel Street), and allows for an increase in height limits for non-residential uses subject to payment of affordable housing fees. One of the end results of these amendments would be to allow for all-hotel projects, including with increased height limits, in this stretch of downtown, which would then provide for the envisioned/proposed hotel project at the corner of Soquel Avenue and Laurel Street. See **Exhibit 1** for the proposed IP amendment text.

## **B. Proposed LCP Amendment Consistency Evaluation**

### ***Standard of Review***

The proposed amendment affects the LCP's IP, and the standard of review for IP amendments is that they must conform with and be adequate to carry out the policies of the certified LUP.

### ***Applicable Land Use Plan Provisions***

The City's LUP is comprised of ten overarching elements (e.g., Community Design, Land Use, Parks and Recreation, etc.) as well as components of several area plans. LUP provisions relevant to the proposed IP amendment include:

***Community Design Element 1.1.1: Focus development in the Central Core, and along arterial and mass transit corridors.***

***Community Design Element 3.6: In pedestrian areas, require building design to be responsive to the pedestrian environment. These areas include but are not limited to Downtown, South of Laurel, the Beach, wharf, shoreline, and commercial shopping areas.***

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<sup>9</sup> Flexible Density Units, or FDUs, are a type of housing prescribed by the LCP that are small units between 220 to 650 square feet and are exempt from density requirements. The intent is to provide for some additional housing units on a subject site able to accommodate them, including if otherwise consistent with height, setback, parking, and LCP parameters. The Commission approved this housing construct in October 2023 in LCP-3-STC-23-0005-1-Part A.



**Economic Development Element 2.4.6:** *Provide for the development of supporting land uses adjacent to retail shopping areas (e.g., motels/hotels around visitor shopping areas, and residences and offices around resident-serving shopping areas), while assuring protection of existing residential neighborhoods.*

**Economic Development Element 4.5.1:** *Require continuity of active ground-level uses (retail, restaurant, cultural, etc.) along Pacific Avenue.*

**Economic Development Element 5.2:** *Encourage upgrades of existing hotel facilities and attract quality hotel and conference facilities in locations and scale appropriate to the City's character to enhance the quality of visitor-serving areas and promote development of the conference tourism market.*

**Economic Development Element 5.2.3 (in relevant part):** *...encourage owners to upgrade existing hotel/motel facilities while also ensuring the retention of moderately priced accommodations.*

**Land Use Element 2.6.3:** *Prioritize development of high-density mixed residential and commercial development in the City's Downtown Central Business District...*

**Land Use Element 2.7.2:** *Improve the character and quality of visitor-serving commercial areas to encourage more off-season and overnight visits.*

**Land Use Element 3.5.5:** *Develop and implement plans to maximize public access and enjoyment of recreation areas along the coastline.*

**Land Use Element 5.3:** *Provide for high-density development and mixed-uses, where appropriate, as well as transit- and pedestrian- oriented land use patterns to reduce dependence on the automobile and support the use of mass transit and other alternative transportation modes.*

**Land Use Element 5.3.5:** *Ensure that visitor-serving facilities are arranged and developed in a compact, integrated manner to reduce automobile circulation and emphasize pedestrian movement.*

**Economic Development Element 5.3:** *Provide careful evaluation and require appropriate design of visitor-serving facilities and services to reduce traffic and also ensure protection of neighborhood, important views and the natural environment.*

**Economic Development Element 5.5:** *Work with CVC and other groups to increase off-peak and off-season tourism by enhancing and promoting off-season events, improve existing visitor attractions, expand the diversity of visitor attractions, and also emphasize the special features such as natural environment, historic character, cultural and recreational opportunities and visual and performing arts that draw visitors to the City.*

Taken together, these LUP policies speak to enhancing the visitor-serving experience and maximizing public access/recreation opportunities in the city; enhancing the pedestrian environment, including by activating ground floor areas and designing development with pedestrian-oriented standards; concentrating development in centralized areas with a mix of uses and amenities, including in an effort to reduce dependence on automobiles; and improving the quality of visitor-serving areas by encouraging upgrading of hotels/motels while protecting lower cost access.

### ***Consistency Analysis***

In general, the purpose of the proposed amendment is to provide a number of updates to the Downtown Plan in order to streamline discretionary permits, address recent state law changes, ensure consistency throughout the document, and update several standards, including to facilitate a future hotel project along the Front Street/Riverfront Corridor.

Many of the proposed changes are fairly straightforward and have proven non-controversial to date. For example, the proposed changes help concentrate development in existing developed areas and enhance public access and recreational opportunities consistent with the LUP. Notably, additional recreational uses, such as arcades and billiard halls, would be added to the definition of entertainment uses and add further entertainment and economic opportunities to all districts in the downtown area. Additionally, the proposed changes would remove the administrative use permit requirement for a number of development types (e.g., supportive and transitional housing, small and large daycare units, etc.), which would streamline these types of projects and facilitate their development in downtown. These changes seek to focus more development within the downtown area, where those uses can satisfy a variety of residential, commercial, economic, social, and transportation needs. Concentrating an array of development and a variety of uses in downtown Santa Cruz (including a mix of housing, offices, general commercial, indoor recreation, and visitor-serving uses) in close proximity to the Santa Cruz Beach Boardwalk, Cowells Beach, Main Beach, and the Santa Cruz Wharf (all generally a half mile to a mile away) also satisfies Land Use Element (LU) Policies 2.6.3, 5.3, and 5.3.5, and Economic Development Element (ED) 5.3 (which together seek to promote a mix of uses to encourage multi-modal and alternative transportation), and helps further the City's climate action goals by helping to facilitate projects intended to reduce greenhouse gas emissions and vehicle miles traveled. More specifically, the proposed amendments help create more opportunities to live, work, visit, shop, and recreate all within a more concentrated area, allowing people to reduce vehicle trips via biking, walking, and using public transportation (including because these alternate transportation services and routes are much more readily available in the downtown core and downtown adjacent areas).

The IP amendment also makes specific changes to ground floor development standards. Specifically, the proposed changes would require recreational uses and other active ground floor uses to be visible from street frontage, in addition to prohibiting hotel rooms on the ground floor and/or the Riverwalk floor of buildings. These types of changes would help to facilitate activation of the ground floor and provide an enhanced pedestrian experience throughout the downtown districts, consistent with the LUP's requirement to provide continuity of active ground-level uses (see ED Policy 4.5.1) and

to ensure building designs are responsive to the pedestrian environment (see Community Design Element (CD) Policy 3.6). The activation of ground level areas as proposed in this amendment will enhance the visitor-serving experience in the downtown area, in line with the LUP directive to maximize enjoyment of recreation areas along the coast (LU Policy 3.5.5).

The LUP also specifically speaks to assessing, providing, and encouraging the City's supply of hotels/motels (see LUP Policies ED 5.2 and ED 5.2.3), and thus the City proposes changes to the Downtown Plan to better facilitate some limited such uses that are accompanied by significant activation and visitor-serving amenities, and which are intended to contribute to the economic vitality of the downtown. This change would be limited to specific areas within downtown (i.e., Height Zones A and B), which the City views as an opportunity to increase coastal visitor-serving recreation and tourism (in line with LUP policies ED 5.5, LU 2.7.2, and LU 3.5.5), while still allowing, facilitating, and expanding existing uses (i.e., visitor-serving, recreational, residential, etc.). While the downtown area currently provides a number of visitor-serving amenities (e.g., restaurants, shopping, public transit, etc.), the area notably lacks any type of hotel/motel to support visitor overnight accommodations and tourism. The LUP speaks to developing such supporting land uses in retail shopping areas like downtown (see ED 2.4.6), specifically highlighting developing motels/hotels around visitor shopping areas, and the proposed changes would be consistent with this direction. All other LCP provisions that protect coastal resources would continue to apply and are unchanged in this amendment.

In sum, the allowances in this proposed amendment designed to foster hotel uses would be consistent with LUP and Coastal Act objectives related to the prioritization of visitor-serving uses/accommodations, particularly in the downtown area. Indeed, providing for a hotel is a primary City objective for the downtown and was a primary impetus for the proposed changes. The City has indicated that while housing is a top priority City-wide, including especially in the downtown, a hotel in this particular section of downtown is also something that will provide needed visitor-accommodations and active commercial uses to a prime corner location. The City's position is reasonable and understandable, especially when understood in tandem with the high-density residential development under construction and being planned throughout the downtown area including in particular along Front Street between Soquel Avenue and Laurel Street. And to be clear, a hotel would not be required to be developed in this area, and in fact a mixed-use and housing project could still be pursued even under the amended IP, rather the IP changes would essentially allow a hotel of a similar size as such mixed-use project without a requirement that a hotel project also be required to provide housing.

That being said, questions have been raised regarding the proposed changes and their effect on the LCP's ability to ensure protection of lower cost visitor-serving accommodations, and whether the proposed amendments would reduce the potential to provide residential units in the downtown. Regarding the former, as context and background, the City's LCP includes a series of provisions related to coastal recreation and visitor-serving uses. These provisions reflect the same Coastal Act directives and objectives around preserving and protecting coastal recreation opportunities. For

example, LU Policy 3.5.5 provides direction to “develop and implement plans to maximize public access and enjoyment of recreation areas along the coastline” while ED Policy 5.2.3 directs the City to protect “existing hotel/motel facilities while also ensuring the retention of moderately priced accommodations”. In terms of lower cost visitor-serving amenities specifically, the LCP policies related to coastal recreation and visitor-serving uses derive, in part, from Coastal Act Section 30213 (and Table LCP-2 explicitly identifies Coastal Act Section 30213 and identifies the plethora of LUP provisions which implement it, **see Exhibit 3**), which states:

*Lower cost visitor and recreational facilities shall be protected, encouraged, and, where feasible, provided. Developments providing public recreational opportunities are preferred. ...*

In addition, courts have held that LCP provisions must be understood in relation to the relevant Coastal Act section or sections from which LCP provisions derive their authority.<sup>10</sup> Accordingly, even though Coastal Act Section 30213 itself is not directly applicable in this case, because a future hotel/motel project would not be located between the first public through road and the sea, it is clear that the City’s LCP policies are based on and implement Coastal Act 30213, and they mandate that lower-cost facilities be protected, encouraged, and provided if feasible. Additionally, Section 30222 of the Coastal Act, which the LUP also implements through multiple LUP provisions, prioritizes visitor-serving and recreational uses over residential, industrial, or general commercial uses within the coastal zone, and this amendment will help prioritize those coastal uses, while still accommodating residential development.

While the Commission has taken various approaches to implement Coastal Act Section 30213 and corresponding LCP provisions, it has generally identified lower-cost overnight accommodations as 75% or less of the statewide average,<sup>11</sup> high-cost accommodations as 125% or greater than the statewide average, and medium-cost as falling in between. Once such rates are identified, as mitigation for the imposition of high-cost/luxury rooms, the Commission has typically required that lower-cost accommodations be provided at an amount equal to 25% of the number of proposed high-cost accommodations. This can be in the form of on-site accommodations, off-site ones, an in-lieu fee commensurate with the cost of construction such units

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<sup>10</sup> See, for example, *McAllister v. Cal. Coastal Com’n* (2008) 169 Cal.App.4th 912, 930-932, which held that: “Although local governments are responsible for drafting the ‘precise content’ of their local coastal programs, those subdivisions must, at a minimum, conform to and not conflict with the resource management standards and policies of the [Coastal] Act,” and as such, any ambiguities must be interpreted as being consistent with the Coastal Act standards. This legal point can be traced to Section 30512(c) of the Coastal Act, which requires that an LUP “meet the requirements of, and is in conformity with, the policies of Chapter 3.” Given that Coastal Act Section 30513 contains an analogous requirement, requiring IPs to conform with, and be adequate to carry out, the provisions of a certified LUP, we can extend the *McAllister* rationale from interpreting LCPs to ensure conformity with the Coastal Act, to interpreting IPs so as to ensure conformity with the LUP.

<sup>11</sup> The statewide hotel average is found by collecting statewide peak season (summer) average daily room rates for standard, double occupancy rooms. To ensure that the lower-cost hotels and motels surveyed meet a minimally acceptable level of quality, including safety and cleanliness, standard use only includes AAA Auto Club-rated properties that are rated one- and two-diamond rated hotels.

elsewhere, or some combination. The Commission has in the past not typically required mitigation in the form of lower-cost rooms or a corresponding in-lieu fee for low or medium/moderate cost rooms, but instead has ensured the project includes other forms of public access enhancements and amenities (e.g., bike rentals, public plazas, etc.) so as to ensure an array of such enhancements/amenities, including focusing on lower cost or free enhancements/amenities in such an exercise. By protecting and providing low and moderate-cost lodging for the price-sensitive visitor, a broader segment of the population will have the opportunity to visit the coast.

Thus, any future proposed visitor-serving project, such as the hotel that is being proposed locally currently, will need to meet the requirements of Coastal Act Section 30213 as implemented through the LUP regarding protection of lower/moderate cost visitor-serving facilities, including requiring mitigation for moderate and higher cost models. In short, as informed by the Coastal Act, the LCP includes appropriate provisions to protect and provide for low and moderate cost accommodations, and any proposed hotel project that may follow this LCP amendment will be reviewed for consistency with such provisions as it moves through its CDP evaluation process.<sup>12</sup>

Lastly, with respect to how the proposed changes will affect housing, it is first important to walk through the existing LCP's housing requirements as they apply in the downtown area. The Downtown Plan currently specifies that residential and hotel uses are allowed essentially throughout the entire area. For Height Zone A, which, in the coastal zone, comprises the Pacific Avenue corridor between Elm Street and Laurel Street, housing is allowed but not required for new development within the 55-foot height limit. The Plan allows for increases in heights up to 75 feet on the western side of Pacific and 85 feet on the eastern side all the way through Front Street. One of the requirements to granting a height increase is that it will "contribute to an improved social and economic environment by including new housing." The Plan is not specific as to what amount of housing would satisfy this provision.

In addition, for Height Zone B (which is the eastern side of Front Street that stretches from Soquel Avenue to Laurel Street where the current hotel project is being proposed currently), housing and hotels are also both allowed uses, but 60% of the total floor area of any development (excluding the ground floor and any parking) must be reserved for housing in certain circumstances. Specifically, the LCP states that this housing requirement does not apply to properties within 75 feet of Soquel Avenue or Laurel Street. This provision has yet to be applied to an actual proposed project to date, and it is somewhat unclear as to its meaning. For example, this could be interpreted to mean that (a) an entire project is exempt from this housing requirement if a portion of it is within 75 feet of Soquel Avenue or Laurel Street, (b) properties within 75 feet of Soquel Avenue or Laurel Street are exempt, and if a project extends beyond those properties, only that portion located on such properties would be exempt, or (c) only the portions of

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<sup>12</sup> Note that a City CDP approval for a hotel project located on the east side of Front Street at the intersection with Laurel Street (i.e., the site where the hotel is currently proposed) would be appealable to the Coastal Commission because the project site is located within 300 feet of the mean high tide line (by way of the San Lorenzo River).

such a project within that 75-foot area are exempt. Generally speaking, the scenarios that would require the least housing (i.e., none) to the most housing range from scenario (a) to (c). Applying such scenarios to the currently proposed hotel project<sup>13,14</sup> for comparison shows that:

- Under scenario (a) a potential hotel proposal would be completely exempt from such housing requirement if it extended to within 75 feet of Laurel Street (which, as proposed, it currently does), and thus no housing would be required to allow CDP approval.
- Under scenario (b) properties within 75 feet of Laurel Street are exempt, and if a project extends beyond those properties, only that portion located on such properties would be exempt (which, in this case, is two properties that together extend about 125 feet from Laurel Street, meaning that the rest of the project (that extends another 225 feet to the north) would be subject to such housing requirements). In other words, about 64% of the project would be subject to housing requirements (again, which would only apply to 60% of the upper floors). Given the total square footage of floors two through six is approximately 123,000 square feet, that means that approximately 64% of that would be required to have 60% housing, equating to 47,000 square feet of required housing (and at a generalized rate of 1,000 square feet per unit, that would equate to some 47 units).<sup>15</sup>
- Under scenario (c) only that portion of a potential hotel proposal within 75 feet would be exempt, meaning that the remainder of the project that extends another 275 feet to the north would not. In other words, about 79% of the project would be subject to housing requirements (again, which would only apply to 60% of the upper floors). Applied to the total square footage of floors two through six, and applying the 60% provision, that means that approximately 58,000 square feet would be required to be devoted to housing (or approximately 58, 1,000 square-foot units).

In other words, and applying the most housing conservative scenario, such a project would at most require about 58,000 square feet of housing (or 58 units, if they were 1,000 square feet each) under the current LCP. This, to be sure, is not an inconsequential amount of housing that would be foregone in such a project were the LCP amendment to be approved. At the same time, focusing on such an issue as a housing problem in need of potential correction is too simplistic an analysis, and to do so does not take into context the City's visitor-serving needs as well. In fact, and as indicated earlier, the City indicates that such a visitor-serving project would be able to appropriately complement the significant amount of housing already under construction or envisioned in the downtown area (with nearly 1,400 housing units either proposed,

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<sup>13</sup> At the time of this staff report publication, an official application for the hotel project has been submitted to the City Planning Department and is currently under review. The application has not gone before the Planning Commission or City Council.

<sup>14</sup> The project site for the hotel is approximately 350 feet long measured from Laurel Street, and the hotel would occupy 6 floors.

<sup>15</sup> Where 47 such units would clearly satisfy the "concentration of housing" requirement that would allow for the proposed extra height.

entitled, and/or under construction currently), including over 450 housing units in the applicable Front Street corridor alone. And this site provides a means to meet other important City needs associated with a downtown hotel (with conference space, etc.) when no such downtown hotels currently exist. In addition, the amendment includes a new provision that requires that applicants that avail themselves of the additional height allowed under the plan are required to contribute to the City's affordable housing trust fund at a rate of \$5 per additional square foot accommodated (and such a fee as applied to the currently proposed hotel project would be somewhere in the neighborhood of \$220,000, according to the City). In other words, the amended LCP as applied to a hotel project would not be without its own contribution to housing – and importantly affordable housing – in the City.

In sum, the Downtown Plan is rather complex and can be a little unclear, as shown above, as to what amount of housing is required in these areas, with housing being required in some locations (i.e., on upper floors along the interior of the Front Street/Riverwalk corridor), and not others (within 75 feet of the two street corners along Front Street, however that is applied, as well as within the base height limit along Pacific Avenue). It also doesn't specify what amount of housing would be required to allow for height increases, which, in theory, could be as low as two units (as articulated by the City) or as high as several floors of additional housing. Thus, it's difficult to quantify how much housing the Downtown Plan currently requires, and therefore how much housing would be potentially "lost" with the proposed amendment, which seeks to eliminate the requirement to provide 60% of the floor area as residential (excluding the ground floor and parking). As discussed previously, the City seeks to modify the LCP by removing the 60% upper floor housing requirement along the eastern side of the single block of Front Street between Soquel Avenue and Laurel Street, and by removing the requirement that the extra height in Zones A and B be reserved for some amount of housing.<sup>16</sup> The amendment replaces these requirements with a \$5 per gross floor area fee for all floor area reserved for non-residential uses above the base height limits.

When LCP changes are proposed which may remove housing, it raises potential concerns, particularly given the State's acute housing crisis, a crisis of which is particularly severe in the coastal zone. However, for several reasons, such changes are appropriate in this case. First, housing remains an allowed use in the entirety of the Downtown Plan. Thus, housing isn't precluded or prohibited in any way by the proposed amendment, but rather it wouldn't be required in certain locations in the same ways as it currently is. Because of this, and because of the complex nature of the current LCP's housing requirements, it is difficult to conclude what, exactly, is the actual amount of housing that wouldn't be built under this amendment. This is also true because, as described earlier, much of the downtown area is already committed primarily to housing projects. With the exception of the proposed hotel at the corner of Front Street and

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<sup>16</sup> The other criteria that must be met to qualify for additional height, which remain largely unchanged, include: helping to achieve the First Principles of the Downtown Plan (e.g. form, housing, accessibility, and open space); contributing to an improved social and economic environment; promoting the appearance of a grouping of buildings rather than large, monolithic building masses; contributing physically or financially to the implementation of internal pedestrian connections; helping to achieve one or more key community objectives (i.e., affordable housing, public access easements, publicly accessible open space, etc.); and providing an affordable housing public benefit fee for non-residential projects.

Laurel Street, essentially the remaining portion of the Downtown Plan area within the coastal zone is already committed to some form of residential mixed-use project. Looking at the amendment in that way, it's fair to consider any potential housing impacts to be limited in scope.

Second, the proposed amendment would impose a \$5 per square-foot of gross floor area occurring above the base maximum height (i.e., 55 feet in Height Zone A and 50 feet in Height Zone B) fee for non-residential square footage in such areas. This fee will be paid into the City's affordable housing trust fund. Thus, the amendment essentially trades the requirement that extra height be reserved for some amount of housing purposes with a fee targeted for affordable housing.

Lastly, and perhaps most importantly for this case, the City is taking its housing obligations very seriously. Quite simply, the City of Santa Cruz is building housing, including 1,352 housing units under construction or in the permitting stage in just the downtown area alone, and the proposed changes will not affect the ability of these residential projects and others forthcoming to be permitted. Moreover, future planning exercises are afoot to provide for more housing in both the downtown area and elsewhere in the city, including as part of its State-mandated Regional Housing Needs Allocation (RHNA) targets<sup>17</sup> for the 2024-2031 Housing Element Cycle, as well as the Downtown Expansion Plan.<sup>18</sup> The City has frequently prioritized housing both inside and outside the coastal zone, and the proposed amendment should not be understood as hampering the City's ability to meet its housing obligations.

Thus, the proposed changes appropriately implement the LUP as it applies to the Downtown Plan area and should not result in significant coastal resource impacts (and should result in increased public benefits in terms of activation, revitalization, and visitor-serving amenities). The Commission thus finds the proposed amendment consistent with and adequate to carry out the policies of the LUP.

### **C. California Environmental Quality Act (CEQA)**

Section 21080.9 of the California Public Resources Code—within the California Environmental Quality Act (CEQA)—exempts local government from the requirement of preparing an environmental impact report (EIR) in connection with its activities and approvals necessary for the preparation and adoption of LCPs and LCP amendments. Instead, the CEQA responsibilities are assigned to the Coastal Commission; however, the Commission's LCP review and approval program has been found by the Resources

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<sup>17</sup> Per its RHNA allocation, the City is responsible for developing at least an additional 3,736 units by the year 2031, made up of at least 859 very low income units, 562 low income units, 709 moderate income units, and 1,606 above moderate income units. For a City that has somewhere in the neighborhood of 23,000 units currently, 3,736 represents a roughly 15% growth target.

<sup>18</sup> The Downtown Expansion Plan is currently undergoing environmental review. If approved, it would expand the applicability of the Downtown Plan to provide for the redevelopment of the area south of Laurel Street, including up to 1600 housing units with the intention of providing 20% of the housing units as permanently below-market-rate affordable housing units per the latest direction from City Council. See (<https://www.cityofsantacruz.com/government/city-departments/planning-and-community-development/long-range-policy-planning/ordinance-policy-updates/downtown-plan-expansion>) for more information on the proposed Downtown Expansion Plan.



Agency to be functionally equivalent to the EIR process. Thus, under CEQA Section 21080.5, the Commission is relieved of the responsibility to prepare an EIR for each LCP or LCP amendment action.

Nevertheless, the Commission is required, in approving an LCP or LCP amendment submittal, to find that the approval of the proposed LCP, as amended, does conform with CEQA provisions, including the requirement in CEQA Section 21080.5(d)(2)(A) that the amended LCP will not be approved or adopted as proposed if there are feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse impact which the activity may have on the environment (see California Code of Regulations Title 14 Sections 13540(f) and 13555(b)).

The City of Santa Cruz's LCP amendment consists of an IP amendment. The City found that, under CEQA Guideline Sections 15162 and 15164, the proposed LCP amendment is not subject to CEQA review because an addendum was prepared which evaluated the proposed project under the 2017 Downtown Plan EIR. The City concluded that the regulatory changes associated with the proposed project and its environmental effects do not meet the conditions to require preparation of a supplemental environmental document, pursuant to CEQA Section 15162. This report has discussed the relevant coastal resource issues with the proposed amendment. All above findings are incorporated herein in their entirety by reference.

Therefore, the Commission finds that there are no other feasible alternatives or mitigation measures under the meaning of CEQA which would further reduce the potential for significant adverse environmental impacts, and the proposed IP amendment conforms with CEQA.