

IMPLEMENTATION PLAN



IMPLEMENTATION PLAN, 2000-2004

AFFORDABLE HOUSING PLAN, 2000-2004

INTRODUCTION

This is the Housing Section of the Implementation Plan for the Merged Project Area and Eastside Redevelopment Project Area. California Community Redevelopment Law, Health and Safety Code Sections 33000 et seq., (CRL) identifies increasing, improving and preserving the community's supply of low-and moderate-income housing as a fundamental purpose of redevelopment. The legal requirements are summarized below and are described in Sections II and III of the accompanying report.

As described in Section 33490 (2), the implementation plan shall contain, for each of the five years, an annual housing program with sufficient detail to measure performance pursuant to the implementation plan: the number of housing units developed, rehabilitated, price-restricted, otherwise assisted, or destroyed. If the implementation plan does describe a project in which units will be destroyed, the plan shall identify proposed locations suitable for the replacement of those dwelling units. This information is presented in three sections:

- The 20% Set-Aside Programs (Section I)
- The Inclusionary Plan (Section II)
- The Replacement Housing Plan (Section III)

I. HOUSING PROGRAM

A. Background

From 1986 to 1993 the Redevelopment Housing Set-Aside funds (both through bonding and cash receipts) were committed to Neary Lagoon Housing and Arbor Cove. The Agency committed tax increment housing funds directly to the project for administrative costs and the construction of a storm drain project necessitated by the housing projects. The 95-unit Neary Lagoon Affordable housing project serves very low and low-income households and the 35-unit Arbor Cove serves low-income senior and handicapped groups.

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In 1994 the Agency made its second major commitment of funds to assist in the construction of the Sycamore Street Commons Project. This project provides 60 affordable townhouse apartments to serve very low and low-income households. The Agency provided assistance in the amount of \$1,016,042 through a \$842,240 thirty-year interest-free loan together with \$173,802 in City park fees. In 1995, the Agency also committed \$695,000 to the 84-unit Mariners Cove condominium project first as an interest-bearing construction loan and second for down payment funds for a First Time Homebuyer program. The program included requirements that the homebuyer either be a current resident of the City of Santa Cruz or currently work in the City.

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Other areas of assistance provided by the Agency during the last Plan period included funds for staff services in the Beach Flats Target area and the required local share matching funds for applications to the Department of Housing and Urban Development by the City and the Santa Cruz Community Housing Corporation (now Mercy Charities Housing California) application for HOME funds. Since 1993 the Agency has also provided funds to Mercy Housing of Northern California (formerly the Santa Cruz Community Housing Corporation) for administrative staff services and operating costs of the non-profit in its planning for and management of production and increasing the supply of affordable housing units.

B. Criteria

1. The Implementation Plan is required to measure the production of units and low- and moderate-income households served, ensure the best use of the Agency's Low- and Moderate- Income funds, and to support the City's housing policies, CRL and the redevelopment plans.

Based on State regulations as set forth in AMBAG's fair share allocation, the Consolidated Housing Plan, the Housing Element, the Merged Earthquake Recovery and Reconstruction Project Area Redevelopment Plan, and the Eastside Redevelopment Project Area Plan, the following formula was adopted for use in the 1994-1999 Implementation Plan and will be used in the 2000-2005 Implementation Plan as a guide to allocate housing set-aside funds for the production, retention and rehabilitation of housing units for very low, low- and moderate-income households in the Implementation Plan:

- Housing Production, Retention and Rehabilitation 65%
(i.e. Site Acquisition, Site Improvements and/or New Construction and Acquisition and/or Rehabilitation of Apartments and/or Housing)
- Administrative 35%
(i.e. predevelopment costs, planning costs, residential services and Agency/City staffing and administration of funds and activities.)

If opportunities arise it is the intent of the Agency in the 2000-2005 Five-Year Implementation Plan to increase the percentage of funds for Housing Production, Retention and Rehabilitation above the 65% funding guidelines.

2. The Agency shall determine the best means to leverage redevelopment funds for the greatest return in order to provide opportunities for housing to the greatest number of owner-occupied and long term rental households using the "Affordability Gap" formula developed and set forth in the Report to the Agency accompanying the 1995-99 Plan. Existing programs will be identified which leverage housing production set-aside funds to the greatest extent possible including coordination with local lenders and other lending sources (i.e., Home, CHFA, Fannie Mae, Federal Tax Credits).

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3. Programs will be developed that incorporate the housing policies and specific actions called for in the Downtown Recovery Plan and the Merged Project and Eastside Redevelopment Areas with special emphasis on the Beach and south of Laurel Areas.

4. The Agency will ensure that administrative expenses (staffing, housing studies, predevelopment assistance, etc.) not be disproportionate to the production of housing in the redevelopment areas and be tied directly to benefit redevelopment Project Area objectives and the production of housing within measurable time frames.

C. Current City Programs

The City of Santa Cruz manages many local, state and federal programs that take place in the Merged Redevelopment Area and to a lesser degree the Eastside Project Area. For purposes of this Implementation Plan, the Agency shall continue to work with the City's housing programs and City Planning Department staff to ensure General Plan and Redevelopment Plan objectives. These programs are listed in Component of City of Santa Cruz Affordable Housing Program, Appendix A.

D. Proposed Programs

1. Introduction

The statistics set forth within this Plan demonstrate that the City\Agency has effectively met the low and very low-income goals identified within the Merged Project and Eastside Project Areas and have exceeded the inclusionary requirement of redevelopment law through 2010.

The Affordability Gap Analysis, the Regional Fair Share Analysis and the General Plan show a need to target moderate-income households. The need for moderate-income housing is further supported by interviews with many of the City's employers who have reported difficulty in attracting and keeping employees due to the lack of housing affordable to those employees in the 80% to 120% of median income. Furthermore, assuming the limited development sites, the local economy, unknown future availability of Federal and State government programs in Santa Cruz, it is also recommended that Agency programs provide home ownership opportunities. The Merged Project Area will be the primary target for redevelopment activities as the Eastside Redevelopment Project Area contains only 89 residential units and very limited available residential property for future development. The Agency may also assist in the development of housing units outside the Project Areas.

One of the key issues which will arise in the 2000-2004 time frame is the issues of preserving the affordability of several assisted housing projects in Santa Cruz. Specifically, Santa Cruz Riverfront Apartments (71 units, 146 Blaine Street, affordability expires May 2003); San Lorenzo Park (77 units, 134 Dakota Street, affordability expires March, 1999); and La Posada (122 units, 609 Frederick Street, affordability expires, 2000) are projects which may cease to be affordable. The

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preservation of affordability at one or all of these projects could potentially require a commitment of large sums of Agency assistance. Later in this plan financial information will be provided to indicate the potential magnitude of this issue.

The Beach and south of Laurel and Downtown Areas will be two areas of the focus of Agency resources over the remaining five years of the 2000-2004 Implementation Plan. These areas have a number of opportunity sites that have been identified to meet the range of income needs of very low income to moderate income households who are not able to locate housing within their ability to pay. Other areas of focus shall include artist live-work units throughout the City, opportunities for multi-family housing along the Mission Street corridor as a part of the focus of redevelopment resources to the West side of Santa Cruz and potential mixed use housing in the Eastside commercial area.

Specific goals for assisted units are identified in the following program descriptions and in Table HP-II.

There are other areas of need for a commitment of resources in order to meet the objectives of the CRL and the needs of the low income population of the community. Additionally, CRL contains provisions which require that agencies prohibit agencies from accumulating "excess surplus" funds in the Low and Moderate Income Housing Fund. Excess surplus is defined as unexpended and unencumbered amounts that exceed the greater of either \$1,000,000 or the aggregate amount deposited in the Low and Moderate Income Housing fund during the preceding four fiscal years. It is projected that the Agency's Low and Moderate Income Housing Fund will have "excess surplus" funds in FY 2000-2001. Programs have been included to prevent the loss of funds if the "excess surplus" threshold is attained.

2. Program Goals and Objectives

Both the Merged and Eastside Project Area Redevelopment Plans state that they are and will remain consistent with the General Plan and, to that extent, both documents identify goals and objectives for low- and moderate-income housing. The Housing Element of the General Plan establishes five main goals addressing Housing Sites and Opportunities, Special Needs Housing, Affordable Housing, Conservation and Rehabilitation of Housing and Non-Traditional and Energy-Conserving Housing. A number of the goals and their respective objectives also mention the utilization of the Agency's 20% set-aside funds as a means of achieving said goals and objectives. As a result, the General Plan's goals and objectives are referred to here and their respective policies and programs are included as they apply. A summary of the Redevelopment Plans' Goals and Objectives addressing housing specifically follows:

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a. Merged Project Area

The Redevelopment Plan for the Merged Earthquake Recovery and Reconstruction Project Area sets forth the following objectives and proposed projects related to housing:

Objectives:

- To improve economic, recreational and residential conditions in the Beach area through the provision of parking, improved access, streetscape improvements, public safety projects and new and rehabilitated housing.
- To assemble land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Merged Project Area.
- To provide opportunities for participation by owners and tenants in the revitalization of their properties.
- To provide new and rehabilitated housing units for persons of all incomes, particularly persons of low- and moderate- income.

The Merged Project Redevelopment Plan proposes the following actions to support the above objectives. These include:

Actions:

- Providing relocation assistance to displaced Merged Project Area occupants.
- The rehabilitation of structures and improvements by present owners, their successors and the Agency.
- The demolition or removal of certain buildings and improvements.
- The assembly of adequate sites for the development and construction of residential and commercial facilities.
- The development of plans and payment of principal and interest on bonds, loans, advances, and/or other indebtedness associated with

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Merged Project Area activities including the payment of financing and carrying charges.

In addition the following public improvements were proposed:

Proposed Improvements:

- The seismic safety and reconstruction of Private Buildings - Residential (loan program).
- The development of new and rehabilitated housing for low and moderate-income households.

In addressing the South of Laurel/Beach and Lower Ocean areas, the recommendation to include this area as part of the Merged Project cited redevelopment as,

"... a means of assisting residential property owners and tenants in rehabilitating and rebuilding and improving their living environment; serve to increase and expand the community supply of affordable housing for persons of low- and moderate income and provide a means to improve the older residential stock."

The Merged Project Area Report to City Council proposed the following low- and moderate-income housing program:

This program will be designed to meet the needs of low- and moderate-income persons and families in need of housing assistance. Programs will include housing rehabilitation and new construction and other programs designed to meet housing needs of low- and moderate-income persons. Activities shall be focused on earthquake recovery and moderate-income persons. The program will also set as a goal, the leveraging of housing set-aside funds with other financing sources to provide a maximum impact from Redevelopment Agency funds. Housing will be constructed to ensure that a minimal number of low and moderate-income persons will be relocated and then only temporarily.

b. Eastside Project Area

The Redevelopment Plan for the Eastside Business Improvement Project Area sets forth the following objectives and proposed projects related to housing:

Objectives:

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- To eliminate blighting influences and correct environmental deficiencies in the Project Area, including, among others, small and irregular lots, obsolete and aged building types, mixed character or shifting uses or vacancies, incompatible and uneconomic land uses or vacancies, incompatible and uneconomic land uses, substandard alleys and inadequate or deteriorated public improvements, facilities and utilities.
- To assemble land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
- To provide opportunities for participation by owners and tenants in the revitalization of their properties.
- To provide new and rehabilitated housing units for persons of all incomes, particularly persons of low- and moderate- income.

The Plan for the Eastside Business Improvement Project proposes the following actions to support the above objectives. These include:

Actions:

- Providing relocation assistance to displaced Project Area occupants.
- The rehabilitation of structures and improvements by present owners, their successors and the Agency.
- The demolition or removal of certain buildings and improvements.
- The assembly of adequate sites for the development and construction of residential and commercial facilities.
- The development of plans and payment of principal and interest on bonds, loans, advances, and/or other indebtedness associated with Project Area activities including the payment of financing and carrying charges.

3. Programs

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Table EP-III presents the total available funds for each year available to the 20% low- and moderate-income housing fund. The following is a description of the programs, and General Plan and Redevelopment Plan objectives to be addressed, which the Agency expects to complete, and others which the Agency expects to continue to pursue within the five year period of this Plan. The program information includes the number of affordable units associated with each and their targeted income levels, and the type of assistance provided. Two tables are attached (HP-I and HP-II) which identify the two programs, the number of units to be provided and the income level addressed. Inasmuch as an estimate is required of the number of units to be rehabilitated, price restricted, or assisted in the project area, these tables also identify very low, low and moderate income programs and projects that should result in affordable housing in the redevelopment area in the five-year period of this Plan. Other projects under these programs may be considered and developed in lieu of, or in addition to, those shown.

The City Council at an October 5, 1999 Housing Study Session established the following affordable housing priorities for the 2000-2004 timeframe.

- Preservation of existing affordable housing – Riverfront Apartments and others
- Beach Flats affordable housing (Dolphin/Lee Project)
- Rehabilitation of multi-family housing
- New affordable housing in other areas
- Home ownership in target area

The programs in this section have been arranged to reflect these priorities.

a. Programs meeting the Housing Production, Rehabilitation and Retention Criterion:

(1) Assistance for Preservation of Affordable Housing (104 Units)

The Agency will consider assistance for the preservation of affordable housing projects which have expiring affordable housing covenants as well as providing rental or mortgage payment assistance to eligible households facing eviction due to the inability to meeting rental or mortgage payments. Such assistance for HUD assisted or other existing housing for low and moderate income households would be reviewed in the light of the term in which the affordability covenants are expiring. Agency assistance in this area would include providing local match funds to Federal or State programs to preserve affordable housing projects as well as direct assistance if circumstances warrant. It is estimated that 270 units of affordable housing will have their rental assistance payments (Section 8 Agreements) expire in the 2000-2004 timeframe. Initial costs of preserving one of these developments has been estimated at between \$1.5-\$2 million.

(2) Housing Program for Beach and south of Laurel Areas (50 Units)

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The Agency will provide pre-development assistance and other assistance which may be identified through the planning process in the Beach Area and south of Laurel Area including but not limited to the following:

- conservation and rehabilitation
- new construction and replacement housing
- relocation assistance
- targeting of financial and technical assistance

Initial consideration has been given to the development of housing in the Beach Flats.

(3) Acquisition and/or Rehabilitation of Apartments and Housing (75 units)

The Agency is continuing to provide a program for assistance in acquiring and/or rehabilitating existing residential units including both multi-family and single family. This program may include self-help, or non-profit or profit developer. Program objectives will also be established to address units requiring substantial rehabilitation, promote long-term affordability rental and home ownership and leveraging Agency funds to assist the greatest number of low and moderate income households. Agency assistance will be supportive to the Federal, State and Local funds for this category including the City's Community Development Block Grant and HOME funds for residential rehabilitation.

(4) New Residential Construction, Site Acquisition and Site Improvements (120 units)

The Agency has participated, and continues to participate, with non-profit housing developers to develop affordable rental and cooperative ownership units for low- and very low-income housing in the Agency's Project Areas as well as citywide. The Agency will also continue to explore opportunities to work with for-profit housing developers to develop a mix of ownership and rental affordable and market-rate housing in the Agency's Project Areas as well as citywide. Areas which will be focused on include: South of Laurel, Westside lands, Beach Flats, areas adjacent to the Eastside Redevelopment Project Area and the Downtown including specific sites identified in the Downtown Recovery Plan that are now vacant and along the river. This program area may also include the issuing of Requests for Proposals (RFP) for the development of a specific site.

One project which has been approved by the Agency is assistance to 96 unit multi-family apartment project at 155 Chestnut Street. This project includes 14 inclusionary units. Agency assistance will be used to offset the costs of various City building and Park fees.

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Program objectives will include assistance for the production of units identified as Special Needs Housing in the General Plan including large and small unit, affordable, rental and owner-occupied housing. Program objectives will address the need to develop in-fill sites, remove blighting conditions and locate housing with adequate access and circulation. Program objectives will also be established to promote long-term rental and home ownership and leveraging Agency funds to assist the greatest number of low- and moderate-income households.

In the next five years, the City's Inclusionary Ordinance will continue to require that certain projects include 15% affordable units. In 1993 this Ordinance was amended to exclude housing development in the Downtown area since the number of existing inclusionary units far exceed requirements for the next fifteen years. Affordable units developed pursuant to this Ordinance are affordable in perpetuity.

(5) Housing Assistance Loan/Grant Program (20 units)

The Agency will consider a program to contribute toward mortgage assistance to create the opportunity for housing ownership of newly constructed units in the Merged Redevelopment Areas. This program will focus on assisting first time home buyers with mortgage assistance in order to increase home ownership. If funds are available, this program may include opportunities for the construction, rehabilitation, management and increased maintenance of existing multi-family and single-family dwelling units as well as the development of artist live-work units in the South of Laurel, Beach Flats and the River Flats areas. Program objectives will address low- and moderate-income households and mixed income projects that may include market rate units. The Agency has previously funded a program for first-time home buyers for the 125 Chestnut Street Project.

(6) Rental Security Deposit Program (100 Units)

The Agency shall also provide first and last month's security deposit to persons who are in transition from homelessness or residing with other persons and do not have the resources to make the necessary deposit for independent living. The Housing Authority is currently managing this program under contract with the Agency and assistance has been given to 27 households.

(7) Other Programs

The Agency will consider assisting projects that meet the general program descriptions below:

Mixed use commercial/housing developments along the Mission Street commercial corridor.

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Live-Work Housing

Assistance for developing live/work space within the Project Areas for vacant land, development assistance and/or conversion of existing adaptable reuse structures. The Swift Street Commons project, which contains nine units, was the initial development assisted by the Agency in this category of housing development. Assistance in this category is processed on an opportunity basis. Emphasis shall be on artists.

Emergency Rental Assistance Program

The program provides assistance through the Community Action Board to prevent the eviction of tenants or homeowners for a short transition period to allow the tenants to stabilize their finances. The Agency had funded this program for the past two years and progress to continue funding through the current provider.

Community Land Trust

The Agency is available for meetings and discussions with any groups seeking to establish a community housing land trust for development of affordable housing.

b. Programs meeting the Administrative Criterion:

- (1) Agency/City staffing and administration of funds and activities called for in the Implementation Plan

The Agency will provide for the costs of staffing and administering the Agency's housing projects and for reporting requirements to the State.

- (2) Non-Profit, County Housing Authority or Other Governmental Agencies Administrative Expenses

The Agency may assist non-profit housing developers, County Housing Authority or other governmental agencies with administrative and pre-development expenses for the production, retention or rehabilitation of housing identified in this Implementation Plan as well as costs to administer programs which avoid eviction and provide security deposits or counseling.

Transitional Housing

The Agency will explore opportunities to develop transitional housing, particularly in the area of the Homeless Resource Center.

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Table HP-I
Estimated Number of Affordable Units
Five-Year Affordable Housing Implementation Plan
2000-2004

PROJECT	CATEGORY	STATUS	2000 ₃	2001 ₃	2002 ₃	2003	2004	TOTAL
City-wide	New Construction	Approved						
South of Laurel Area ¹	New Construction	Discussions	8	8				16
Westside Lands Area ¹	New Construction	Discussions				25		25
Beach	New Construction	Discussions		50				50
City Rehab Programs ² (CDBG)	Rehabilitation	On-going	15	15	15	15	15	75
Home & Tax Credit Matches	Matching Funds	Policy Proposal					30	30
City Housing Programs (HOME Match) ³	Matching Funds	On-going	60	60	60	60	60	300
Live/Work & Downtown Market Rate Housing	Other	Policy Proposal			20			20
TOTAL			83	133	95	100	105	516

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Table HP-II
Five-Year Affordable Housing Implementation Plan
Estimated Number of Units Assisted by Income Category
2000-2004

PROJECTS & PROGRAMS	AFFORDABILITY	2000	2001	2002	2003	2004	5-YR. TOTAL
Multi-Family & Single-Family Residential & Rehabilitation Programs	Very Low	5	5	5	5	5	25
	Low	5	5	5	5	5	25
	Moderate	5	5	5	5	5	25
Security Deposit	Very Low						
	Low						
	Moderate						
Housing Assistance Loan and Grant Programs	Very Low						
	Low						
	Moderate						
New Residential Construction	Very Low						
	Low	4	29		10		43
	Moderate	4	29		15		48
Emergency Rental Assistance	Very Low	40	40	40	40	40	200
	Low	20	20	20	20	20	100
	Moderate						
Matching Funds (Home & Tax Credit)	Very Low						
	Low					15	15
	Moderate					15	15
Live/Work & Downtown Housing	Very Low						
	Low			10			10
	Moderate			10			10
TOTALS	Very Low						
	Low						
	Moderate	83	133	95	100	105	516

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II. INCLUSIONARY HOUSING REQUIREMENT

A. Definition\Background

Section 33413(b) of CRL contains an inclusionary housing requirement similar to that in the City's Zoning Ordinance. Specifically, Section 33413(b) requires that within a 10-year period of time, at least 15% (cumulatively) of all new or substantially rehabilitated dwelling units developed within a redevelopment project area be affordable to persons of low and moderate income and that at least 40% of these units (or 6% of the total units) be made affordable to persons of very low income. In addition to the above requirements, CRL requires that 30% of all new or substantially rehabilitated units developed by the Agency be affordable to persons of low or moderate income.

The Agency adopted an Inclusionary Housing Plan for both the Merged Earthquake Recovery and Reconstruction and Eastside Business Improvement Project redevelopment areas in April of 1992. At that time the Agency was in compliance with Section 33413(b) inasmuch as the actual production by the City of low- and-moderate income housing has exceeded State requirements. In 1999 the Agency remains in compliance with 33413(b) inasmuch as the actual production of low- and moderate-income housing since the Merged Project Area's adoption in October 1990 has exceeded State requirements by 574 units or by over 400%. This pattern will continue due to the inclusionary housing requirements of the Zoning Ordinance, housing construction and rehabilitation funded by the Redevelopment Agency, the Community Development Block Grant Program, Federal tax credits and the HUD Section 8 programs. Nevertheless, the Agency must adopt the Inclusionary Housing Plan for each redevelopment project, as part of this Implementation Plan, to meet State requirements. The one issue previously discussed in this plan is the issue of preserving existing affordable projects once their Federal assistance expires. These projects pre-date the redevelopment project areas discussed in this document, however they present an affordable issue which will require Agency discussion.

The following descriptions of housing production demonstrate the many accomplishments of the City and the Agency in providing affordable housing.

B. Merged Earthquake Recovery and Reconstruction Project - 1990-2004

1. Inclusionary Requirements for New Residential Units

a. New Residential Units Developed or Proposed by Entities Other than Agency

New residential units developed or proposed by entities other than the Agency through 1999 are listed in Table HP-III. The Agency did not develop any units during this time period. Units are considered to be "developed by an agency" when the agency directly contracts for the construction of the units. In this circumstance the agency will usually own and operate the housing units. In the more common situation when agencies enter into development agreements or other kinds of

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agreements for the development of housing or rehabilitation of residential units by a developer or other entity, the units are considered to be "developed by persons other than the agency." Units developed solely by the Agency have inclusionary requirements pursuant to 33413(b)(1) of 30% & 50% rather than the 15% & 40% of 33413(b)(2), as well as possible Article XXXIV considerations. The following calculations include units provided by developers pursuant to an Agency agreement per Section 33413(b)(2).

The City and the Agency and other agencies have undertaken a wide variety of programs to provide low and very low-income housing within the Merged Project Area. Please note that prior to October 1990, the Agency had adopted two redevelopment Project Areas (North Mall and San Lorenzo River) which were merged into the Merged Project Area at that time. Projects now completed or near completed are listed below:

New Residential Units	No. Units
Units developed in North Mall Project (1984-1990)	0
Units developed in San Lorenzo Project (1986-1990)	57
Units developed in Merged Project - 1990 through September 1999 (see Table HP-III for description)	461
Total new residential units in Project Area	518

The following table calculates the inclusionary requirement for the Merged Project Area per Section 33413(b).

Inclusionary Units Required in Project Area (New Units)	No. Units
Total new residential units in the Project Area	518
X 15% = the number of units of affordable housing	77
Very low income units (40% of the 15%)	31
Total Low- and moderate-income units in the area	311
Total affordable units required	0

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Summary of inclusionary requirement for Project Area per 33413(b):

Inclusionary Requirement for New Residential Units	Very Low	Low	Mod	Total
Inclusionary units built 1984-1990	0	7	0	7
Inclusionary units built 1990-1999	228	63	13	304
Total units provided	228	70	13	311
Units Required to meet 15% Inclusionary Requirement	38	46	0	84
Additional units needed through 1999	0	0	0	0
Credit of units to meet Inclusionary Requirements	190	24	13	227

- b. Number of New Dwelling Units Developed or to be Developed Solely by the Agency

The Redevelopment Agency has not, and does not, propose to directly developed any new or rehabilitated moderate/low/very low-income units.

- c. Estimate of Future New Units

Section 33490(a)(2)(B) requires the Agency to estimate new units for very low, low- and moderate-income households to be developed within the Project Area in order to meet the inclusionary requirements for non-agency developed housing in the next 10 years and life of the Plan.

The Merged Project Area extends to 2015 and therefore covers a longer time period than the City's current General Plan beginning in 1990 and extending to the year 2004. Therefore, the following estimates of new units project forward in the same period as the General Plan and the Agency will adopt a new implementation plan every five years and may then address the future General Plan's goals in order to meet the requirements of 33413(b).

Table H-22 of the Housing Element of the City's General Plan indicates that the total vacant or under-utilized residential land in the City's Central Core, which includes over 95% of the Merged Project Area, has a build-out capacity estimated at 958 net additional housing units between 1990 and 2004. It is not known what the actual timing of this build-out will be. However, this capacity provides a base point by which to analyze the Project Area's 15% inclusionary housing requirements. Utilizing this capacity, if the area is developed by public or private entities, 144 inclusionary housing units would be required. Of the 144 units, a minimum of 57 units must be available at affordable housing costs to persons of very low income. As shown on Table HP-III, within the time period of 1990 to 1999 the Merged Project Area shows a total of 304 low and moderate units, of

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which 228 are for very low-income. As a result, the accomplishments to date have already met the General Plan's goals to 2005 and thus, the redevelopment inclusionary requirements for the 10-year period. This demonstrates that inclusionary housing has been constructed at a much greater rate than required by CRL. However, as discussed in Section I, the Redevelopment Agency, within its capacity, will continue to assist projects approved by the City in order to maintain the construction of low- and moderate-income housing as funds are available.

d. City Inclusionary Ordinance

Applicability of City's Inclusionary Housing Ordinance

(1) Zoning Ordinance/Affordable Housing Requirement

The City of Santa Cruz zoning ordinance includes an inclusionary housing provision which requires that developers of multi-family residential housing of five or more units, set aside 15% of the units as affordable housing to be occupied by persons of low and moderate income. The inclusionary requirement also applies to land subdivisions. An in-lieu fee option is available to sub-dividers who are creating only lots rather than creating lots and buildings. The fee is based on a formula that takes into account the appraised value of lots. The fees then go into an affordable housing fund. Since 1990 \$514,474 has been contributed for this purpose.

The ordinance also contains provisions for the combination of affordable and market rate projects, transfer of credits, and investoniums (a concept that allows the deferment of inclusionary requirements for seven to ten years if units are rentals). The density bonus provisions of the Inclusionary Housing Ordinance provide for increases of up to 25% in the number of units permitted over the otherwise allowable residential density. All units granted under the density bonus provisions are required to be affordable to low-income households.

(2) Additional Compliance Mechanisms

The City of Santa Cruz has adopted a variety of other regulations and programs to assist in the production of low- and moderate income housing. These programs include the Accessory Unit Ordinance, Fee Forgiveness for Affordable Housing Projects, Parking Requirement Reductions for Senior Housing, a Density Overlay Program and priority processing for affordable housing projects. Additionally, the City has participated in Mortgage Credit Certificate Program to assist moderate-income households and has funded construction of a Homeless Shelter.

2. Inclusionary Requirements for Rehabilitated Units

a. Rehabilitated Units Developed or Proposed by Entities Other Than Agency

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As described above, under CRL at least 15% of all substantially rehabilitated dwelling units developed within a Project Area shall be available at affordable housing cost and 40% of those to persons of very low income. Substantially rehabilitated dwelling units is defined as "substantially rehabilitated multi-family rental dwelling units with three or more units or substantially rehabilitated, with Agency assistance, single-family dwelling units with one or two units." The Agency has not assisted in the substantial rehabilitation of single-family dwelling units during the life of the plans, nor has the Agency solely rehabilitated multi-family housing. In addition, please note that, except for two (2) units, all of the substantially rehabilitated multi-family housing units in the area utilized some form of public assistance. City records do not show privately-funded, substantially rehabilitated units due to financial constraints. Therefore, the following calculations focus upon multifamily units rehabilitated by entities other than the Agency and in several cases assisted by the Agency.

Substantially Rehabilitated Residential Units	No. Units
Units Rehabilitated in North Mall Project (1984-1990)	0
Units Rehabilitated in San Lorenzo Project (1986-1990)	120
Units Rehabilitated 1990 through 1999 (See Table HP-IV for description.)	282
Total Rehabilitated Residential Units in Project Area	401

The following table calculates the inclusionary requirement for the Project Area pursuant to Section 33413(b).

Substantially Rehabilitated Units in Project Area	No. Units
Total No. of Rehab. Res. units in the Project Area	402
X 15% = the number of units for affordable housing	60
Very Low-income units (40% of the 15%)	24
Total Low- and moderate-income Substantially Rehab. Units in the area	400
Total Affordable Rehabilitated units required	0

Summary of inclusionary requirement for Project Areas per 33413(b):

Inclusionary Requirement for Substantially Rehabilitated Residential Units	Very Low	Low	Total
Inclusionary units rehabilitated 1984-1990		120	120
Inclusionary units rehabilitated 1990-1999	81	199	280
Total units substantially rehabilitated	81	319	400

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Units required to meet 15% inclusionary requirement	24	36	60
Additional Units needed through 1999	0	0	0
Credit of Units to meet Inclusionary Requirements	57	283	340

b. Number of Rehabilitated Dwelling Units Developed or to be Developed Solely by Agency

The Agency has not solely substantially rehabilitated any units in the Project Area or City. The Agency will not directly cause the substantial rehabilitation of any moderate/low-income or very low-income units during the term of the Implementation Plan.

c. Estimate of Future Rehabilitated Units

Section 33490(a)(2)(B) requires the Agency to estimate the number of substantially rehabilitated residential units and estimate the number of units for very low, low- and moderate-income households in order to meet the inclusionary requirements. Section 33490(a)(2)(B) also requires an estimate of the number of Agency-provided substantially rehabilitated units. The Merged Project Area extends to 2015 and therefore covers a longer time period than the City's current General Plan beginning in 1990 and extending to the year 2005. Therefore the following estimates of new units project forward in the same period as the General Plan. The Agency will adopt a new implementation plan every five years and may then address the future General Plan's goals in order to meet the requirements of 33413(b).

The General Plan estimates 356 residential units in the Merged Project Area require significant rehabilitation, 70 of which the General Plan describes as ideally being replaced. The substantial rehabilitation of 282 units has occurred within the Merged Project Area as of from 1990-1999. Of these, 199 are for low-income and 81 are for very low-income households. As a result the inclusionary requirements for substantially rehabilitated units are met through 2005 within the Merged Project. The following describes the estimates used.

A review of the City's housing stock in the General Plan estimates that "726 units in the City are substandard and currently in need of rehabilitation or replacement; approximately 100 of these units should be replaced and 626 require significant rehabilitation." The surveys and inspection supporting the above statement pointed out that the majority of more significantly deficient units are located in the south portion of the City's Central Core (commonly referred to as the Beach Area) and Lower Eastside (commonly referred to as Lower Ocean) planning areas. The City created a Target Area to address the housing conditions in this area. The majority of the Target Area lies within the Merged Project Area. The total number in need of rehabilitation in this area is estimated to be 323 units of which 253 units require significant rehabilitation and up to 70 of these units would ideally be replaced.

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Outside of the Target Area estimates of properties within the Merged Project Area total 33 dwelling units which require significant rehabilitation. These units were identified as being in the Central Core planning area yet not included in the Target Area. Thus, the total rehabilitation in the Merged Project Area called for in the General Plan is estimated to be 356 including the 70 the General Plan describes as ideally being replaced.

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The City's housing rehabilitation program has focused on these key properties, however lack of funding from the State and Federal governments has slowed the pace of this program in the last several years.

C. Eastside Business Improvement Project 1990-2004

3. Inclusionary Requirements for New Residential Units

a. New Residential Units Developed or Proposed by Entities Other Than Agency

The residentially zoned property comprises a very small portion of the Eastside Business Improvement Project Area. There are only 89 residential units in the entire Project Area. There have been no new residential units developed in the Eastside Redevelopment Area since the project area's inception in 1990. As a result, the inclusionary requirement for Project Area per Section 33413(b) is calculated to be zero

b. Number of New Dwelling Units Developed or to be Developed Solely by Agency

The Agency has not developed any low- and moderate-income housing units in the Project Area. Since less than 2% of the Project Area is residentially zoned, opportunities for housing projects are by nature, very limited. Therefore, if a project is proposed on a residentially zoned property, the Agency will identify opportunities where it can assist or otherwise increase the percentage of low- or-moderate income housing provided in any future project.

c. Estimate of Future New Units

Section 33490(a)(2)(B) requires the Agency to estimate new units of very low, low- and moderate-income households to be developed within the Project Area in order to meet the inclusionary requirements for non-agency developed housing in the next 10 years and life of the Plan.

The Eastside Project Area extends to 2015 and therefore covers a longer time period than the City's current General Plan beginning in 1990 and extending to the year 2005. Therefore the estimates of new units will project forward in the same period as the General Plan and the Agency will adopt a new implementation plan per the five year requirement when the General Plan is updated in order to meet the requirements of 33413(b). At present there are no projects specifically designed for low- and moderate-income housing in the Project Area and there are no residentially zoned vacant sites. In addition there have been no requests for the rezoning of commercially zoned property. If projects are proposed, the Agency will work cooperatively with developers to assist in ways to increase housing opportunities and to meet the inclusionary requirements.

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d. City Inclusionary Ordinance/Compliance

(1) Zoning Ordinance/Affordable Housing Requirement

The City of Santa Cruz zoning ordinance includes an inclusionary housing provision which requires that developers of multi-residential housing of five or more units, set aside 15% of those units as affordable housing to be occupied by persons of low and moderate income. The ordinance contains provisions for the combination of affordable and market rate projects, transfer of credits, and investoniums (a concept that allows the deferment of inclusionary requirements for seven to ten years if units are rentals). The inclusionary requirements also apply to land subdivisions. An in-lieu fee option is available to subdividers who are creating only lots rather than creating lots and buildings. The fee is based on a formula that takes into account the appraised value of lots. The fees then go into an affordable housing fund.

The density bonus provisions of the Inclusionary Housing Ordinance provide for increases of up to 25% in the number of units over the otherwise allowable residential density. All units granted under the density bonus provisions are required to be affordable to low income households.

(2) Additional Compliance Mechanisms

The City of Santa Cruz has adopted a variety of other regulations and programs to assist in the production of low- and moderate-income housing. These programs include the Accessory Unit Ordinance, Fee Forgiveness for Affordable Housing Projects, Parking Requirement Reductions for Senior Housing, a Density Overlay Program and priority processing for affordable housing projects. Additionally, the City has participated in Mortgage Credit Certificate Program to assist moderate-income households and has funded construction of a Homeless Shelter.

4. Inclusionary Requirements for Rehabilitated Units

a. Rehabilitated Units Developed or Proposed by Entities Other Than Agency

As described in the introduction, at least 15% of all substantially rehabilitated dwelling units developed within a Project Area shall be available at affordable housing cost and 40% of those to persons of very low income. Substantially rehabilitated dwelling units is defined as "substantially rehabilitated multi-family rented dwelling units with three or more units or substantially rehabilitated, with agency assistance, single-family dwelling units with one or two units. From the time the Eastside Project Area was adopted, no residential units were significantly rehabilitated.

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- b. Number of Rehabilitated Dwelling Units Developed or to be Developed Solely by Agency

The Agency has not assisted single-family dwelling units during the life of the Plan, nor has the Agency solely rehabilitated multifamily housing in the Eastside Project Area.

- c. Estimate of Future Rehabilitated Units

Section 33490(a)(2)(B) requires the Agency to estimate the number of substantially rehabilitated residential units and estimate the number of units for very low, low and moderate in order to meet the inclusionary requirements. At this time the Project Area does not require the Agency to act to ensure the 15% requirements as there has been no significant rehabilitation in the area. It is possible that of the 89 units in the Project Area, 50% of the units could use rehabilitation of some kind. It is also estimated that the units will not be rehabilitated without Agency assistance. This area is not in a General Plan Target Area. However, the City Housing Rehabilitation Program has made several outreach efforts to identify residential property owners in the Eastside Project Area to consider possible rehabilitation of their housing units. To date these efforts have not received a positive response from property owners in this area. Due to the commercial zoning of the area, many owners consider their residential units transition uses to future commercial reuse of the property.

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**Table HP-III
Inclusionary Requirement
New Residential (Single-Family & Multi-Family) Units
Within Redevelopment Project Areas**

Project/Address	Type	Year Agreement Expires	Comments			# of Units
			Sale/Rent	_VL	_L	
Projects completed 1984 through September 1990						
1986 Estimated ¹	SFD	N/A				0
303 Potrero	MFD	CIO: 2017	Rent		2L	16
1987 Estimated ¹	SFD	N/A				4
Estimated ¹	MFD	CIO:			2L	10
1988 Estimated ¹	SFD	N/A				3
Estimated ¹	MFD	N/A				7
747 Chestnut St.	SFD	2019	Rent 1L			1
1989 Estimated ¹	SFD	N/A				2
Estimated ¹	MFD	CIO:			1L	8
1990 Estimated ¹	MFD	N/A				0
226 Mora St.	SFD	2020	Rent 1L			6
Subtotal 1984-1990					7L	57
Projects completed October 1990 through September 1999 *						
1991 313 Spruce St.	SFD	CIO	Rent 1L			7
314 Spruce St.	MFD	N/A				7
218 Ocean Ave.	SFD	N/A				1
610 Pacific Ave.	MFD	N/A			2L	8
112 Sycamore	SFD	N/A				2
125 Chestnut St.	SFD	CIO:			1L	1
111 Myrtle	SFD	N/A				1

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1992	Neary Family Co-op	MFD	In Perpetuity	Sale	62VL 33L	95
	Arbor Cove Senior Project	MFD	In Perpetuity	Rent	35VL	35
	La Playa 304 Riverside-Leibrandt	MFD	In Perpetuity	Rent	8L ⁴	8
	308 River St.	MFD	In Perpetuity	Sale	5L	36
	227 Blackburn St.	DUP	None			2
	137 Campbell	SFD	None			1
1993	El Centro 1110 Pacific Ave.	MFD	2023	Rent	45VL/SRO	45
	Gularte Building 1114 Pacific Ave	MFD	Red Cross 2023		14VL/SRO ²	14
	St. George 1520 Pacific Ave.	MFD	2007	Rent	4L ²	4
	235 Blackburn St.	SFD	None			1
	333 Ocean Ave.	MFD	None			4
	204 Center St.	SFD	None			1
	229 Felix St.	SFD	None			1
1994	1529 Pacific Ave.	MFD	None			5
	525 Walnut Ave.	SFD	None			1
	115 Blackburn St.	DUP	None			2
	224 Potrero St.	DUP	None			2
1996	316 Myrtle St.	SFD	In Perpetuity		1L	1
	307 Barson St.	SFD	In Perpetuity		1L	1
	120-124 Walti St.	MFD	In Perpetuity		1L	5
1997	132-134 Walti St.	MFD	In Perpetuity		1L	1
	125 Sycamore St.	MFD	In Perpetuity		60VL	60
	111 Coral St.	MFD	In Perpetuity		8VL	8
1998	116 Everson Dr.	CONDO	Resale or 30 yrs		1VL	84
	122 Everson Dr.	CONDO	Resale or 30 yrs		1VL	
	150 Everson Dr.	CONDO	Resale or 30 yrs		1VL	
	162 Everson Dr.	CONDO	Resale or 30 yrs		1VL	

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1999	184 Everson Dr.	CONDO	Resale or 30 yrs	1MOD	
	190 Everson Dr.	CONDO	Resale or 30 yrs	1MOD	
	206 Everson Dr.	CONDO	Resale or 30 yrs	1L	
	212 Everson Dr.	CONDO	Resale or 30 yrs	1MOD	
	304 Everson Dr.	CONDO	Resale or 30 yrs	1MOD	
	316 Everson Dr.	CONDO	Resale or 30 yrs	1L	
	324 Everson Dr.	CONDO	Resale or 30 yrs	1MOD	
	364 Everson Dr.	CONDO	Resale or 30 yrs	1MOD	
	330 Swift St.	ACDU	In Perpetuity	1MOD	1
	140 Vernon St.	SRO	In Perpetuity	4MOD	4
	511 Swift St.	MFD	2014	3L 2 MOD	5
Subtotal 1990-1999				228VL 63L 13 MOD	461
TOTAL 1984-1999				228VL 70L 13 MOD	518
<p>1) The North Mall Project (1984-1990) did not include residential land. The following units are for the San Lorenzo Project (1986-1990) and are estimated from the annual building activity/inspection reports as the actual records for projects during that time were lost as a result of the Loma Prieta Earthquake. For calculation purposes, it is assumed that all units constructed at this time over five units are subject to the City's Inclusionary Housing Requirements.</p> <p>2) Two projects not included since 1990 were reconstructions of earlier affordable housing units. The Saint George had 120 units and built 124 units (net of 4) and the Gularte building had an estimated 10 units and built 24 (net of 14). The net increases are included as new units in the analysis.</p> <p>3) The Downtown Villa project is a rehabilitation project of an existing five unit project that was market rate and is now five very low-income units. As this is an increase in affordable units, these five units, are counted as net new units.</p> <p>4) (3 at 60% and 5 at 80%)</p> <p>CIO = City's Inclusionary Ordinance (30 years), VL Very Low Income, L=Low Income, MOD=Moderate Income SF= Single Family House, MFD=Multi-Family Residential, ACDU=Accessory Dwelling Unit, Condo=Condominium</p>					

* Project dates are identified either from Building Division's issuance of permit date or Planning record completion dates.

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**Table HP-IV
Inclusionary Requirement
Rehabilitated Multi-Family Units Within Redevelopment Project Areas*
(Substantial Rehabilitation)**

Street	Type	Year Agreement Expires	Comments	# of Units
Projects completed 1984 through September 1990¹				
1986				
150 Canfield	MFD	MR: 2001	9L	9
230 Laurel St.	MFD	MR: 2001	8L	8
120 San Lorenzo Blvd.	MFD	MR: 2001	17L	17
125 Rigg St.	MFD	CDBG: 2016	21L	21
123 Bixby St.	MFD	MR: 2001	9L	9
526 California St.	MFD	CDBG: 2016	8L	8
1986 Total			72L	72
1987				
431 Locust St.	MFD	CDBG: 2017	4L	4
328 Ocean St.	MFD	MR: 2002	13L	13
Palomar Inn 1344 Pacific Ave. ²	MFD	MR: 2002	(84L)	(84)
1987 Total			17L	17
1988				
206 Locust St.	MFD	CDBG: 2018	2L	2
1988 Total			2L	2
1989				
Washburn St.	MFD	CDBG: 2019	7	7
Spruce St.	MFD	CDBG: 2019	22	22
1989 Total			29L	29
1990 - No projects were reported in 1990.				
Subtotal 1986-1990			120L	120

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Projects completed October 1990 through September 1994				
1991				
Washington Street Coop 333 Washington ³	MFD	In Perpetuity	1VL 7L	8
Palomar Inn 1344 Pacific Ave ⁴	MFD	CALDAP: 2010	97	97
80 Front St.	MFD	In Perpetuity	13VL	13
Total 1991			14VL 104L	118
1992				
204/212 Kaye St.	MFD	Unknown	3L	5
Total 1992			3L	5
1993				
Shoreline Apts. 701 Beach St.	MFD	MR: 2008	45VL	45
120 Trinity St.	MFD	UHRP: 2023	11L	11
River's Edge 203 Laurel St. Ext.	MFD	MR: 2008	17VL	17
515 Third St.	MFD	UHRP: Unknown	12L	12
417 Second St.	MFD	UHRP: Unknown	8L	8
204 Second St.	MFD	HOME: Unknown	51L	51
Total 1993			62VL 82L	144
1994				
129 Raymond St. ⁵	MFD	MR: 2009	3L	3
Heiner House 619 Center St.	MFD	In Perpetuity	5L	5
Downtown Villas 612 Washington St.	MFD	In Perpetuity	5VL	5
Total 1994			5VL 8L	13
1997				
307 Barson St.	SFD	UHRP: Unkown	1L	1
1312 Laurel St.	SFD	UHRP: Unkown	1L	1

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244 Walnut Ave.	SFD	UHRP: Unknown	1L	1
Total 1997			1L	3
1998				
203 Blackburn St.	SFD	HOME: 2009	1L	1
Total 1998			1L	1
Subtotal September 1990-1999			81VL	199L
TOTAL 1984-1999			81VL	402

- 1) The North Mall Project Area begun in 1984 did not contain residential units, thus the following units were rehabilitated in the San Lorenzo River Project Area.
- 2) The Palomar was substantially rehabilitated prior to the Loma Prieta earthquake. In order to not count this project twice, the 1987 number of units is noted, but not counted.
- 3) The Santa Cruz Community Housing Corporation's projects will remain affordable on the average of 60 years, and 30 years at a minimum and in Perpetuity at the maximum. As these unit's affordability requirements extend beyond the 2015 term of the Redevelopment Project Area, they are described as in Perpetuity.
- 4) All 97 units of the Palomar Inn are affordable per the CALDAP loan and will remain so for 20 years. In addition, 3 of the units are Section 8 units and 25 of the units are Mod-Rehab units.
- 5) It is estimated that three of the eight units rehabilitated qualify as substantially rehabilitated.

MR = Mod/Rehab (15 year)
 CDBG = Community Development Block Grant (30 year)
 CALDAP = California Disaster Assistance Program (20 year)
 UHRP = Urban Housing Rehabilitation Program
 HOME = Federal HOME funds

* Information contained in this report represents the best available data at the time of report and will be updated upon City review of loan data.

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III. REPLACEMENT HOUSING

A. Introduction

Section 33413.5 requires that the Implementation Plan address the need for replacement housing in the Project Areas. The Agency demolished one vacant residential house on Birch Lane in 1997. However, there are no current plans for further demolitions in either the Merged Project or Eastside Project Areas. If demolition is included in any future projects replacement housing will be one of the factors considered in the project planning. The City Zoning Ordinance requires the identification of replacement housing, prior to demolition.

B. Legal Requirements

1. Section 33413(a) — The Replacement Rule

Section 33413(a) of the Health and Safety Code requires that whenever dwelling units housing persons and families of low or moderate income are destroyed or removed from the low- and moderate-income housing market as part of a redevelopment project subject to a written agreement with the agency or where financial assistance has been provided by the agency, the agency shall, within four years of the removal of the dwelling units, rehabilitate, develop, or construct an equal number of replacement dwelling units. For units removed after September 1, 1989, California law requires that 75 percent of the replacement units be affordable to the same income groups that occupied the units removed.

2. Section 33413.5 — The Replacement Requirement for Redevelopment Projects

Section 33413.5 of the Health and Safety Code requires each redevelopment agency to adopt by resolution a replacement housing plan indicating how the agency will comply with the requirements of the replacement rule as provided for in Section 33413(a). The replacement plan shall include: 1) location of replacement housing; 2) means of financing replacement housing; 3) compliance with Article XXXIV; 4) number of affordable units planned for construction or rehabilitation; and 5) the timetable for meeting replacement housing objectives.

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3. Section 33334.5 — Replacement Housing Requirements for Redevelopment Plans

Section 33334.5 of the Health and Safety Code requires that every redevelopment plan adopted or amended to expand the Project Area after January 1, 1977, shall contain a provision regarding replacement housing requirements pursuant to Sections 33413 and 33413.4 of the Health and Safety Code. Irrespective of the January 1, 1977 implementation date expressed in Section 33334.5, Section 33413(d) imposes the replacement and inclusionary rules on any redevelopment plan adopted on or after January 1, 1976. All of Santa Cruz's current redevelopment plans were adopted after January 1, 1976 and include provisions addressing replacement housing requirements.

C. Compliance with Health and Safety Code Section 33413.5 — Replacement Housing Plan

1. General Location of Replacement Housing

Replacement housing will be located in the Merged Project Area within the South of Laurel/Beach Area, along the San Lorenzo River and in-fill projects throughout the Project Area. All of the replacement units developed or caused to be developed by the Agency or its designated developer will be designated as very low or low-income affordable units, so that the replacement units are affordable to the same income level of households as the destroyed or removed units. It will be the Agency's intention for most of the replacement units to be developed in conjunction with major residential and/or mixed-use projects.

In addition, affordable housing units will also be included in other housing development opportunities as appropriate throughout the City.

2. Means of Financing Replacement Units

The Agency will use its 20% housing set-aside funds in working with private profit and non-profit development entities to develop and/or preserve affordable housing units. The form of assistance will include any or several of the following:

- land acquisition and assemblage
- site demolition, grading and preparation
- occupant relocation
- on-site and off-site improvements
- deferred development fees
- buy-ins to existing housing opportunities
- mortgage buy-down and down payment assistance programs; direct subsidies

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- implementation or coordination of local, state or federal low-income and first-time home buyer programs
- loans, advances or other indebtedness
- bond programs and other leveraging opportunities
- supplement to the CDBG housing rehabilitation program and/or other City and non-profit administered housing rehabilitation and assistance programs.

Where appropriate, affordable housing units will be provided by the development entity through inclusionary requirements and through density bonuses provided pursuant to the Government Code, Section 65915. Affordable units provided through these two methods will not use Agency or City funds unless the development of these units is a result of an agreement with the Agency or City wherein use of Agency or City funds is specifically identified.

3. Exemption from Article XXXIV Requirements

In 1979, City of Santa Cruz voters passed a general authorizing referendum providing Article XXXIV approval for low-income rental housing projects in an amount not to exceed one-half of one percent of the total housing stock per year. This amounts to approximately 100 of such units per year. Housing units developed thus far in the City of Santa Cruz, and those contemplated for the immediate future, are in compliance with the requirements of Article XXXIV. Those requirements include Agency development, which includes development, construction or acquisition, of a low-rent housing project.

Specifically exempted from the requirements of Article XXXIV are housing units:

- intended for owner occupancy rather than rental occupancy
- privately owned housing which is not exempt from property taxation, and in which not more than 49% of the units are occupied by low-income persons
- privately owned housing which is not exempt from property taxation by reason of any public ownership and is not financed with direct long-term financing from a public body, and
- rehabilitation, reconstruction or replacement of an existing low rent housing project.

Other types of exemptions from the requirement are based on judicial and legislative interpretations of the meaning of "develop, construct or acquire." These interpretations provide that the requirements of Article XXXIV do not apply if the Agency's activity is limited to any of the following: financing secured by a deed of trust; land acquisition; leasing units from a private owner if the lease does not result in a decrease of property tax; providing assistance to an owner or occupant of existing housing which enables the occupant to live in decent, safe and sanitary housing at an affordable

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rent; performing conventional activities of a lender; and, imposing mandated or authorized conditions accepted by the recipient of the assistance.

All of the affordable housing units assisted by the Agency, developed pursuant to an agreement with the Agency, or contemplating an Agency agreement or Agency assistance thus far and proposed through 1999 have either been for sale, owner-occupied units, or have been in rental projects which have been developed by non-profit housing developers and have applied for property tax exemptions through the California property tax welfare exemption. The rate of development of tax-exempt affordable housing projects has not exceed the 100 unit per year threshold established by the proposition passed by Santa Cruz voters.

4. Number of Units and Income Levels Being Replaced

The Agency's legal requirement and actual compliance for replacement housing (pursuant to Section 33413[a]), 1984 through 1999, is zero as shown on the following table.

Income Level	1984-90 Removal	1990-99 Removal	1984-1999 Replace. Required	New & Rehab. Units Provided (credit) ¹	Units Proposed for Removal	Units Needed
Very Low	0	0	0	254	0	0
Low	0	1	0	307	0	0
Moderate	0	0	0	13	0	0
Total	0	0	0	574	0	0

1) These numbers reflect the additional units developed that exceed the inclusionary requirement through 1999. See Inclusionary Plan.

5. Timetable for Meeting Replacement Objectives

To date, the Agency has removed one unit in 1996. The Agency identified the Sycamore Housing Project as the replacement project for this unit. Future removal of housing will be considered as part of the project planning process and addressed in this context. The Agency has also adopted a resolution which allows advance replacement of housing planned for demolition as part of future developments. Again these issues will be addressed in the project planning phase. With respect to the removal of the single family house on Birch Lane the Agency has met its obligation to provide replacement affordable housing units within four years of removal of the unit.