



**SANTA CRUZ COUNTY**  
Civil Grand Jury

701 Ocean Street, Room 318-I  
Santa Cruz, CA 95060  
(831) 454-2099  
grandjury@scgrandjury.org

## **Housing For Whom?**

### **An Investigation of Inclusionary Housing in the City of Santa Cruz**

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#### **Summary**

Inclusionary Housing refers to the percentage of units in a development project required by City Code to be set aside for below market rate rent or sale. This type of housing is a critical source of affordable housing in the City of Santa Cruz. The number is small while the demand is high.

The City Municipal Code requires that local residents and workers in the City of Santa Cruz who meet income eligibility requirements are given preference (priority) for Inclusionary Housing. But is this happening?

The Grand Jury investigation determined that the City keeps no records, does no tracking, gathers no data, and has no evidence to determine if preference is being given to local residents and local workers when renting Inclusionary Housing units.

The City has conflicting and contradictory policies on whether Inclusionary Housing applies to low, very low and extremely low income earners only, or whether moderate income earners are also eligible. The City cannot state what percentage of the City's affordable housing is occupied by income-verified UCSC students.

The Grand Jury recommends that the disparity in the City's legal documents regarding income eligibility levels for Inclusionary Housing be resolved; that the City develop publicly available metrics to ensure Inclusionary Housing preferences are being followed and to document the percentage of Inclusionary Housing units rented to UCSC students.

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## **Background**

### ***Inclusionary Housing And Measure O***

Since 1980, the City of Santa Cruz has required housing project developers to provide a percentage of the project units at “below market” rates. This percentage is called the Inclusionary rate. It was part of Measure O approved by voters in 1979. The resulting Inclusionary Ordinance adopted by the Santa Cruz City Council has subsequently undergone a number of updates.<sup>[1]</sup>

### ***Housing Costs Force Long Commutes***

Since the adoption of the Inclusionary Ordinance, housing costs both for sale and rent have risen dramatically in Santa Cruz and elsewhere in the Bay Area. Santa Cruz has been designated as the most expensive rental market in the US. Many workers earn too little to afford the ever-increasing rents. Much of the local workforce, whether police officers, firefighters, nurses, teachers, restaurant workers, cooks, cleaners, janitors, teachers, mechanics...the list is long...commutes long distances from other less-expensive towns to work in Santa Cruz.<sup>[2] [3]</sup>

### ***UCSC Students And Rental Housing***

Students have a big impact on the City’s rental housing supply. Since the adoption of the Inclusionary Ordinance in 1980, the student population at the University of California at Santa Cruz (UCSC) has increased from six thousand students to the current nineteen thousand students. Anticipated growth through 2040 is planned for twenty eight thousand students plus additional staff and faculty. Student population growth accounts for approximately half the population growth of the City of Santa Cruz since 1980.<sup>[4] [5] [6]</sup>

## **Scope and Methodology**

The Grand Jury reviewed available documents and conducted interviews to determine if there is Ordinance-related tracking by the City of Santa Cruz. In particular, the Grand Jury investigated whether Inclusionary Housing is occupied by local residents and local workers as mandated by the City’s Municipal Code 24.16.045. The Grand Jury also sought data on UCSC student occupancy of Inclusionary and 100% Affordable Housing.<sup>[7]</sup>

The report focuses on Inclusionary Housing units in projects built since 2007. That is the year that Preference (priority) for local residents and local workers was adopted in the Ordinance and the Municipal Code.<sup>[8]</sup>

The Scope of the report includes the following:

- How many Inclusionary units exist in the City
- The numbers of Inclusionary units at each income level

- The methods used by the City to track and document that local resident and local worker preferences are being implemented
- The percentage of Inclusionary units occupied by students and non-students.

The Methodology for the investigation included:

- Interviews with City and County agency staff and housing providers
- Statutes and Guidelines:
  - City Ordinances related to Inclusionary Housing
  - Resolutions related to Inclusionary Housing
  - Municipal Codes related to Inclusionary Housing
  - Housing and Community Development (HCD) income levels applied to Inclusionary Housing
  - Conditions of Approval for Mixed-Use Housing projects
- Process Documents:
  - Affordable Housing Agreements between developers and the City
  - Documents for applying for an Inclusionary/Measure O unit
- Tracking:
  - Annual monitoring documents required of property managers
- Other:
  - Newspaper articles
  - Public hearings for City Mixed-use Housing projects

## Investigation

The Grand Jury’s investigation covered how affordable housing is managed and documented within the City of Santa Cruz.

### ***Where Is The Data?***

The Grand Jury has previously addressed this issue. The 2022-2023 Grand Jury report titled, *Housing Our Workers: Essential Workers Need Affordable Housing!* recommended the City adopt “clear, measurable guidelines.”<sup>[9]</sup>

Given the magnitude of the need for more affordable housing, the long commutes by low-income local workers and the growing UCSC student population, it is imperative that existing and future Inclusionary Housing be occupied by those for whom it is intended. Whether this requirement is being achieved should be based on metrics, not assumptions or hearsay.

This investigation was done to determine whether the City of Santa Cruz has verifiable documentation to ensure the following: that the City-required Inclusionary Housing units in mixed-use and in 100% Affordable Projects are being offered to and occupied by local residents and local workers at the appropriate income levels as required.

## ***Assumptions About Inclusionary Housing And “Essential” Workers***

Members of the Santa Cruz community assume that Inclusionary Housing is intended for our local essential workers. Both proponents and opponents of the 2024 ballot Measure M (which included increasing the Inclusionary rate from 20% to 25%) made such statements during the campaign. Similar statements are voiced by members of the public as well as by the City Planning Commission and City Council when speaking in support of proposed mixed-use housing projects with Inclusionary units. Speakers claim that providing such affordable housing will enable workers to live near their workplace rather than having to commute long distances to their jobs in Santa Cruz. However, essential workers, as such, are not called out in the Inclusionary Housing preference categories. The City has no data on whether any essential workers are being housed in Inclusionary or other Affordable Housing.<sup>[7] [10]</sup>

## ***Inclusionary Housing Framework***

### **Evolution of Measure O**

Since it was passed in 1979, Measure O / Inclusionary Housing Resolutions have been updated as follows:

- Eight City Council Resolutions were passed between 1985 and 2018 requiring all Inclusionary Housing to be rented or sold to extremely low, very low and low income households as defined by the State Housing and Community Development department.
- In January 2007, preferences for local residents and local workers to rent or buy Inclusionary Housing units were added to the Ordinance.
- In 2020, the rate of Inclusionary units was raised from 15% to 20%.
- The Inclusionary designation of the units is now in perpetuity and will not convert to market rate should a tenant leave.<sup>[1] [11] [12] [13] [14]</sup>

### **Inclusionary Housing: Preferences for Local Residents and Local Workers**

Since 2007, the City has required that preferences be applied when property managers choose tenants for Inclusionary Housing. These preferences are codified in Municipal Code 24.16.045 (6) as follows:

*As consistent with state and federal law, preferences for rental Inclusionary units shall be given in the following priority order:*

- a. Residents of the city of Santa Cruz for at least one year.*
- b. Those employed in the city of Santa Cruz.*
- c. Residents of the county of Santa Cruz for at least one year.*
- d. Those employed in the county of Santa Cruz.*

The same order is repeated for Inclusionary sale units.<sup>[15] [16]</sup>

The Grand Jury learned that UCSC students can apply for Inclusionary and Affordable Housing if they are income-verified by the Housing Authority.<sup>[17] [18]</sup>

## **Inclusionary Housing Overview**

There are currently two hundred and forty (240) built and occupied Inclusionary units of housing in the City of Santa Cruz. Ninety three (93) are ownership units while one hundred and forty seven (147) are rental units.<sup>[19]</sup>

Income limits for Inclusionary Housing are set by the U. S. Department of Housing and Urban Development (HUD) and the State Housing and Community Development Department (HCD). The limits are tied to the County's Area Median Income (AMI) and are expressed as a percentage of that figure which varies by County and by year.<sup>[20]</sup>

In the course of this investigation, the City updated its website for the Housing Division with a revamped Housing Assistance Information page. This update was celebrated in Mayor Keeley's monthly column in the Santa Cruz Sentinel on March 10, 2024.<sup>[21]</sup> The new website includes the local resident and local worker preferences and information on upcoming affordable projects. Future projects, either approved or in the pipeline, are estimated to provide at least an additional six hundred Inclusionary/Affordable units.<sup>[22] [23]</sup>

## ***Inclusionary Housing: Income Levels And Rents***

In 2023 the AMI in Santa Cruz County for an individual wage earner was \$92,950. The maximum annual income limit for the Low Income earner was \$74,360. The maximum monthly rent for a one-person studio for a Low Income individual was \$2,169 a month based on 80% of the AMI. For the Very Low Income category of wage earners the percentage is 50% of AMI with the maximum rent of \$1,162 a month for a one-person studio.<sup>[24]</sup>

The AMI in Santa Cruz is rapidly rising due to the influx of higher wage earners. This rise can be seen in the comparison between the AMI in 2020 and the AMI in 2023. The AMI in 2020 for Santa Cruz County was \$77,000. Three years later in 2023 it was \$92,950. For comparison, the 2023 AMI in Monterey county was \$70,300.<sup>[25] [26]</sup>

The increase in AMI is significant because the maximum allowable incomes and rents for low-income, very low-income, and extremely low-income earners are calculated as a percentage of the AMI. The higher the AMI, the higher the qualifying allowable wages and rents for all income levels of Inclusionary units.

A review of the table below in Figure 1 shows the AMI for one and two persons plus maximum income and rent allowed in the city of Santa Cruz for the category of Low Income for 2023, based on the HCD guidelines. The complete tables with footnotes can be found in [Appendix A](#). Figure 1 and 2 tables were extracted from the complete tables for easier visibility.

<b>2023 MAXIMUM ALLOWABLE LOW INCOME BY HOUSEHOLD SIZE &amp; MAXIMUM RENTS BY UNIT SIZE RENTAL OF AN INCLUSIONARY UNIT Per Resolution No. NS-16,452</b>		
<b>Household Unit Size</b>	<b>1 Person/ Studio</b>	<b>2 Person/ 1-Bedroom</b>
STEP 1: Determine HUD Median Income (100% AMI) by Household Size	\$92,950	\$106,250
STEP 2: Reduce Step 1 by 8.16%	\$85,365	\$97,580
STEP 3: Multiply Step 2 by 80% for the Maximum Income Limit Maximum Allowable Household Income	\$68,292	\$78,064
STEP 4: Divide Step 3 by 12 for Maximum Allowable Monthly Income	\$5,691	\$6,505
STEP 5: Multiply Step 4 by 25% for Maximum Rent (Owner Pays all Utilities)	\$1,423	\$1,626

**Figure 1.** Low Income Rent Formula<sup>[26]</sup>

A review of the table below (Figure 2) shows the AMI plus maximum income and rent allowed in the city of Santa Cruz for the category of Very Low Income for 2023, based on the HCD guidelines.

<b>2023 MAXIMUM ALLOWABLE VERY LOW INCOME BY HOUSEHOLD SIZE &amp; MAXIMUM RENTS BY UNIT SIZE RENTAL OF AN INCLUSIONARY UNIT Per Resolution No. NS-22,400</b>		
<b>Household Unit Size</b>	<b>1 Person/ Studio</b>	<b>2 Person/ 1-Bedroom</b>
STEP 1: Determine HUD Median Income (100% AMI) by Household Size	\$92,950	\$106,250
STEP 2: Multiply Step 1 by 50% for the Maximum Income Limit Maximum Allowable Household Income	\$46,475	\$53,125
STEP 3: Divide Step 3 by 12 for Maximum Allowable Monthly Income	\$3,873	\$4,427
STEP 4: Multiply Step 3 by 30% for Maximum Rent (Owner Pays all Utilities)	\$1,162	\$1,328

**Figure 2.** Very Low Income Rent Formula<sup>[26]</sup>

***Conflicting Measure O Allowable Income Levels On City Website***

The City website on Housing Assistance Information and Resources / Measure O has conflicting statements regarding allowable income levels for Inclusionary Housing. One

entry states that Measure O units are restricted to Very Low and Low Income households, or those households having a Housing Choice Voucher (Section 8). Another entry states that Measure O units are available to Moderate, Low or Very Low income households.

The City's website for the Measure O Rents and Incomes page does not include the Moderate income category and references only Low Income and Very Low income categories. However, the city's website referencing Measure O Inclusionary Housing does include Moderate Income.<sup>[27]</sup>

As stated earlier, all eight City Council Resolutions on Inclusionary Housing from 1985 through 2018 require Inclusionary units to be rented or sold only to Low, Very Low and Extremely Low income levels.

The most recent Resolution No. NS-29, 463 Exhibit A includes:

**C. INCOME ELIGIBILITY, MAXIMUM RENTS, AND MAXIMUM SALES PRICES**

1. Inclusionary Units: All affordable units shall be rented or sold to extremely-low, very-low, or low income households.<sup>[28]</sup>

In practice it appears the City is allowing the Moderate income level to be included for Inclusionary Housing projects. A currently proposed Inclusionary Housing project that includes the Moderate income category is the development for 831 Almar Street. Under the heading Affordable Units, it references nine (9) Very Low income and nine (9) Moderate Income units.<sup>[29]</sup>

Moderate Income level earnings and allowable rents are higher than the other three categories. The 2023 HCD annual allowable income for one person in the Moderate category is \$111,550 for Santa Cruz County.<sup>[30]</sup>

Requests were made to the City for the numbers of Inclusionary units occupied at the various income levels. The Grand Jury learned that the city does not track those metrics and no data is available.<sup>[31]</sup>

### ***Inclusionary Housing: The Process***

The City requires a project developer to sign an Affordable Housing Development Agreement before the developer begins the process of seeking a Building Permit. Page thirty-four of the forty page Development Agreement document includes the local resident and local worker preferences section.<sup>[32]</sup>

Once a project is built and ready for occupancy, the property manager is required to alert the City when a Measure O unit is available for rent. This availability is then listed on the City's website.<sup>[33]</sup>

The property manager retains discretion over the choice of tenants but is expected to follow the preferences. Once a property manager selects a prospective tenant for a specific unit, the property manager signs a Letter of Referral. This letter contains no information regarding residence or current workplace of the prospective tenant but it



does allow a prospective tenant to complete a Measure O Eligibility Application for submission to the Housing Authority.<sup>[34] [35]</sup>

The Measure O Eligibility Application includes the applicant's residence and workplace information. It also has boxes for the applicant to check off yes or no to the questions of living or working in the City of Santa Cruz. The Housing Authority does not verify the residence or workplace entries. It checks and verifies only the income eligibility based on the information supplied.<sup>[36]</sup>

If the prospective tenant is determined to be income-qualified for the specific unit, the Housing Authority sends a Measure O Eligibility Certificate to the tenant, the property owner, and the City.<sup>[37]</sup>

### ***Are Inclusionary Housing Preferences Implemented And Checked?***

The short answer is nobody knows. There are no checks, no tracking, and no records kept. The following are descriptions of documents involved in the process. None of the documents requires a submitted statement of compliance with the required City Code preferences.

#### **Annual Compliance Form**

The City requires property managers to submit an Annual Compliance Form regarding Inclusionary Housing units. This form checks income level compliance only. It contains no reference to and requires no data for checking if the City Code preferences for local residents and local workers are being followed. The Housing Authority verifies income for Inclusionary units on first application. There is no annual verification of income. It is not clear how the city verifies and tracks ongoing income eligibility.<sup>[38] [39]</sup>

#### **Affordable Housing Development Agreement**

Although the City's Affordable Housing Development Agreement cites that the City requires a "Maintenance of records to demonstrate compliance with this chapter" and the chapter includes the City Code preferences, the City has no evidence of such records being available or checked.<sup>[40]</sup>

#### **Housing Choice Vouchers**

Forty-eight percent (48%) of the one hundred and forty-seven inclusionary rental units in the City are occupied by Housing Choice Voucher holders (formerly Section 8). Such tenants are not required to be City locals nor work in the City. There are limited resident/worker preferences under the Housing Authority, but they are County-wide preferences, not City based. Property managers receive full market rate rents for units occupied by Voucher holders with the difference subsidized by the Federal Government.<sup>[41] [42] [43]</sup>

## **Other Affordable Projects**

The One Hundred Percent (100%) Affordable projects in the City have their own preferences (priorities) for renting units based on the requirements of the funding sources used by developers to build the projects. For example, if there is a priority for people with disabilities, people at risk of homelessness or people with a Housing Voucher, those priorities do not necessarily include local resident or local worker preferences. There is no documentation or data available from the City showing how many of these units are occupied by local residents or local workers.<sup>[44] [45] [46]</sup>

## **Anecdotal Beliefs**

The Grand Jury learned from city officials that there is an assumption that Inclusionary units are occupied by locals and local workers based on conversations and anecdotes. There is no data available to support the assumptions.<sup>[47] [48]</sup>

## **Temporary Certificate of Occupancy Form**

During the course of this investigation, the City initiated a “brand new” Temporary Certificate of Occupancy (TCO), or TCO Projects Compliance Form. This new form defines local resident and local worker preferences to remind the property manager of said preferences to follow the rules. The manager of the new Cedar Street project is the first to receive this form.<sup>[49] [50]</sup>

## **Rental Housing And UCSC Students**

The impact of UCSC students on the local rental market is an ongoing issue. The 2022-23 Grand Jury Report stated: “F2. With the planned growth of UCSC to 28,000 students, the potential demand for off campus housing for students, faculty and staff has the potential to make the affordable housing problem even worse.”<sup>[9]</sup>

First-year UCSC students live on-campus with guaranteed housing. When they move off campus into rental housing for the rest of their UCSC education, income-eligible students qualify for Inclusionary Housing as City local residents, which is the top priority or preference for Inclusionary Housing. Each year, approximately fifty percent (50%) of students seek rental housing off-campus.<sup>[51] [52]</sup>

The provision of more rental housing on Campus is a key issue in legal negotiations between UCSC and the City of Santa Cruz. The Grand Jury believes it would be helpful for the City to know how much of its affordable housing supply is rented to UCSC students.<sup>[53]</sup>

The City could provide no data or documentation on the percentage of Inclusionary Housing units occupied by income-qualifying UCSC students. The Grand Jury learned that anecdotes and impressions substitute for data.<sup>[54] [55]</sup>

## Conclusion

The main function of the Civil Grand Jury is to improve transparency and accountability in local government.

If adopted, the four recommendations from the Civil Grand Jury will help the City clarify its Inclusionary Housing regulations. Doing so will provide the City and the community with clear data on which to base claims and conclusions about who occupies affordable housing in the City of Santa Cruz.

## Findings

- F1.** The contradictory entries on the City's website and in the City's legal documents on whether Inclusionary Housing is restricted to Low, Very Low and Extremely Low income levels or whether it includes the Moderate income level is a major discrepancy with consequences about who is eligible for and who obtains Inclusionary Housing.
- F2.** The City has no data on whether Inclusionary Housing is occupied by income-verified local residents and local workers. Both groups are given preference for housing as required by Ordinance. Without data, neither the City nor the community can be assured that such housing is meeting its intended purpose.
- F3.** The City has no data on the percentage of units in Inclusionary and 100% Affordable Housing projects that are rented to UCSC students. This leaves the City and the public unable to assess the impact of UCSC on the local affordable housing supply. Such data is important for the City's ongoing negotiations with UCSC to build more on-campus housing.

## Recommendations

- R1.** The Grand Jury recommends that the Santa Cruz City Council state exactly which HCD Income Levels are covered by the City's Inclusionary Housing Ordinance and Resolutions, and make that information public by December 31, 2024. (F1)
- R2.** The Grand Jury recommends that the Santa Cruz City Council develop an ongoing system to track, document and verify within 30 days of occupancy whether a unit is occupied by an income-verified local resident or local worker as required by the Ordinance, specifying which category the renter fulfills, and have such a system in place by January 31, 2025. (F2)
- R3.** The Grand Jury recommends that the Santa Cruz City Council document the percentage of the City's Inclusionary and 100% Affordable Housing units that are rented to UCSC students, making that data public by February 28, 2025 with annual updates. (F3)

**R4.** The Grand Jury recommends that the Santa Cruz City Council create an Inclusionary Housing public dashboard that covers the data called for in this report by February 28, 2025. (F1, F2, F3)

## Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz City Council	F1–F3	R1–R4	90 Days September 19, 2024

## Definitions

- **Affordable housing:** a term in common use for housing that is affordable to lower income earners
- **AMI:** Area Median Income
- **HCD:** State Housing and Community Development Department
- **HUD:** U. S. Department of Housing and Urban Development<sup>[20]</sup>
- **Housing Choice Voucher:** formerly known as Section 8 Housing. Federally assisted housing operated through the Housing Authority
- **Inclusionary Housing:** The percentage of housing in projects that is required by Ordinance to be rented or purchased at below market rates
- **Mixed-use housing:** retail on ground floor with housing above, including the required Inclusionary units
- **One Hundred Percent Affordable Housing:** Public or private projects in which all units are offered at below market-rate
- **Preferences:** Priority order for rental Inclusionary units codified in Municipal Code 24.16.045 (6). See page 6 of report for priority listing.<sup>[15]</sup>

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## Appendix A – Low and Very Low Income Rent Formula Tables for Santa Cruz

<b>2023</b>								
<b>MAXIMUM ALLOWABLE <u>LOW INCOME</u> BY HOUSEHOLD SIZE &amp; MAXIMUM RENTS BY UNIT SIZE</b>								
<b>RENTAL OF AN INCLUSIONARY UNIT</b>								
<b>Per Resolution No. NS-16,452</b>								
EFFECTIVE JULY 1, 2023 <sup>1</sup>								
<b>Household/ Unit Size</b>	1 Person/ Studio	2 Person/ 1- bedroom	3 Person/ 2- bedroom	4 Person/ 3- bedroom	5 Person/ 4- bedroom	6 Person/ 5- bedroom	7 Person/ 6- bedroom	8 Person/ 7- bedroom
<b>STEP 1: Determine HUD Median Income (100% AMI) by Household Size - Note 1</b>	\$92,950	\$106,250	\$119,500	\$132,800	\$143,400	\$154,050	\$164,650	\$175,300
<b>STEP 2: Reduce Step 1 by 8.16% - Note 2</b>	\$85,365	\$97,580	\$109,749	\$121,964	\$131,699	\$141,480	\$151,215	\$160,996
<b>STEP 3: Multiply Step 2 by 80% for the Maximum Income Limit Maximum Allowable Household Income - Note 3</b>	<b>\$68,292</b>	<b>\$78,064</b>	<b>\$87,799</b>	<b>\$97,571</b>	<b>\$105,359</b>	<b>\$113,184</b>	<b>\$120,972</b>	<b>\$128,796</b>
<b>STEP 4: Divide Step 3 by 12 for Maximum Allowable Monthly Income - Note 4</b>	\$5,691	\$6,505	\$7,317	\$8,131	\$8,780	\$9,432	\$10,081	\$10,733
<b>STEP 5: Multiply Step 3 by 25% for Maximum Rent (Owner Pays all Utilities) - Note 5</b>	<b>\$1,423</b>	<b>\$1,626</b>	<b>\$1,829</b>	<b>\$2,033</b>	<b>\$2,195</b>	<b>\$2,358</b>	<b>\$2,520</b>	<b>\$2,683</b>

1. U.S. Dept. of Housing and Urban Development (HUD limits) <https://www.huduser.gov/portal/datasets/il/II2022/2022summary.odn> effective May 15, 2023, and the California Dept. of Housing and Community Development memo (HCD limits) <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf> effective June 6, 2023. HCD adds extremely low, median and moderate incomes adjusted for household size and area housing costs.  
 2. Percentage difference between the 1980 City and County median family incomes as determined in the 1980 census (8.16%)  
 3. Maximum allowable annual gross income and assets for below-average/low-income households (80%)<sup>5</sup>  
 4. Maximum allowable monthly income and assets<sup>6</sup>  
 5. Maximum allowance for housing cost, including utilities. Utility costs are those established by the Santa Cruz County Housing Authority in conjunction with the Section 8 Rent Subsidy Program and are available online at [https://hacosantacruz.org/wp-content/uploads/2022/12/050705\\_SC-UA\\_eff.1.01.23.pdf](https://hacosantacruz.org/wp-content/uploads/2022/12/050705_SC-UA_eff.1.01.23.pdf). If the tenant pays for any utilities, the maximum allowable rent must be reduced in accordance with the current Utility Allowance schedule.  
 6. The maximum allowable assets for households seeking to rent inclusionary units shall be those limits established periodically by the Santa Cruz Housing Authority for the Section 8 Rental Assistance Program or its successor.

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Figure 3: Complete Low Income Rent Formula<sup>[26]</sup>

**2023**  
**MAXIMUM ALLOWABLE VERY-LOW INCOME BY HOUSEHOLD SIZE & MAXIMUM RENTS BY UNIT SIZE**  
**RENTAL OF AN INCLUSIONARY UNIT**  
**Per Resolution No. NS-22,400**

EFFECTIVE JULY 1, 2023<sup>1</sup>

<b>Household/ Unit Size</b>	1 Person/ Studio	2 Person/ 1-bedroom	3 Person/ 2-bedroom	4 Person/ 3-bedroom	5 Person/ 4-bedroom	6 Person/ 5-bedroom	7 Person/ 6-bedroom	8 Person/ 7-bedroom
<b>STEP 1: Determine HUD Median Income (100% AMI) by Household Size - Note 1</b>	\$92,950	\$106,250	\$119,500	\$132,800	\$143,400	\$154,050	\$164,650	\$175,300
<b>STEP 2: Multiply Step 1 by 50% for the Maximum Income Limit Maximum Allowable Household Income - Note 2</b>	<b>\$46,475</b>	<b>\$53,125</b>	<b>\$59,750</b>	<b>\$66,400</b>	<b>\$71,700</b>	<b>\$77,025</b>	<b>\$82,325</b>	<b>\$87,650</b>
<b>STEP 3: Divide Step 3 by 12 for Maximum Allowable Monthly Income - Note 3</b>	\$3,873	\$4,427	\$4,979	\$5,533	\$5,975	\$6,419	\$6,860	\$7,304
<b>STEP 4: Multiply Step 3 by 30% for Maximum Rent (Owner Pays all Utilities) - Notes 4 &amp; 6</b>	<b>\$1,162</b>	<b>\$1,328</b>	<b>\$1,494</b>	<b>\$1,660</b>	<b>\$1,793</b>	<b>\$1,926</b>	<b>\$2,058</b>	<b>\$2,191</b>

- 1 U.S. Dept. of Housing and Urban Development (HUD limits) <https://www.huduser.gov/portal/datasets/il/il2022/2022summary.odn> effective May 15, 2023 and the California Dept. of Housing and Community Development memo (HCD limits) <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2023.pdf> effective June 6, 2023. HCD adds extremely low, median and moderate incomes adjusted for household size and area housing costs.
  - 2 Maximum allowable annual gross income and assets<sup>5</sup> for very-low income households (50%) per Zoning Ordinance Section 24.22.527
  - 3 Maximum allowable monthly income and assets<sup>5</sup>
  - 4 Maximum allowance for housing cost, including utilities. Utility costs are those established by the Santa Cruz County Housing Authority in conjunction with the Section 8 Rent Subsidy Program and are available online at [https://hacosantacruz.org/wp-content/uploads/2022/12/050705\\_SC-UA\\_eff.1.01.23.pdf](https://hacosantacruz.org/wp-content/uploads/2022/12/050705_SC-UA_eff.1.01.23.pdf). If the tenant pays for any utilities, the maximum allowable rent must be reduced in accordance with the current Utility Allowance schedule.
  - 5 The maximum allowable assets for households seeking to rent inclusionary units shall be those limits established periodically by the Santa Cruz County Housing Authority for the Section 8 Rental Assistance Program or its successor.
  - 6 For single-room occupancy units (SRO) with shared kitchen and/or bathroom, the maximum rent shall not exceed 75% of the maximum studio/1-person rent = **\$871**  
 For single-room occupancy units (SRO) with kitchen and bathrooms in each unit, the maximum rent shall not exceed 85% of the maximum studio/1-person rent = **\$988**
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**Figure 4: Complete Very Low Income Rent Formula<sup>[26]</sup>**

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SANTA CRUZ  
COUNTY  
GRAND JURY

Grand Jury <grandjury@scgrandjury.org>

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## Civil Grand Jury Required Responses: (1) Housing for Whom & (2) Preventing Rape & Domestic Violence

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**Gina Liebig** <gliebig@santacruzca.gov>

Mon, Oct 14, 2024 at 9:17 AM

To: Santa Cruz Grand Jury <grandjury@scgrandjury.org>, Matt Huffaker <mhuffaker@santacruzca.gov>

Hello Santa Cruz Grand Jury,

At the Santa Cruz City Council meeting on October 8, 2024, the attached two reports/responses were approved by the Council:

1. Housing for Whom
2. Preventing Rape and Domestic Violence

Thank you, Gina



**Gina Liebig**

Principal Management Analyst

City of Santa Cruz | City Manager's Office

[809 Center Street, Santa Cruz, CA 95060](https://www.cityofsantacruz.com)

Phone: 831-420-5044

Email: [gliebig@santacruzca.gov](mailto:gliebig@santacruzca.gov)

Web: [www.cityofsantacruz.com](http://www.cityofsantacruz.com)

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### 2 attachments



**Housing for Whom.pdf**  
257K



**Preventing Rape and Domestic Violence.pdf**  
333K



The 2023–2024 Santa Cruz County Civil Grand Jury  
Requires the

## Santa Cruz City Council

to Respond by September 19, 2024

to the Findings and Recommendations listed below  
which were assigned to them in the report titled

### Housing For Whom?

An Investigation of Inclusionary Housing  
in the City of Santa Cruz

Responses are **required** from elected officials, elected agency or department heads, and elected boards, councils, and committees which are investigated by the Grand Jury. The California Penal Code (PC) [§933\(c\)](#) requires you to respond as specified below and to keep your response on file.

Your response will be considered **compliant** under [PC §933.05](#) if it contains an appropriate comment on **all** findings and recommendations **which were assigned to you** in this report.

Please follow the instructions below when preparing your response.

## Instructions for Respondents

Your assigned [Findings](#) and [Recommendations](#) are listed on the following pages with check boxes and an expandable space for summaries, timeframes, and explanations. Please follow these instructions, which paraphrase [PC §933.05](#):

1. **For the Findings, mark one of the following responses with an “X” and provide the required additional information:**
  - a. **AGREE with the Finding**, or
  - b. **PARTIALLY DISAGREE with the Finding** – specify the portion of the Finding that is disputed and include an explanation of the reasons why, or
  - c. **DISAGREE with the Finding** – provide an explanation of the reasons why.
2. **For the Recommendations, mark one of the following actions with an “X” and provide the required additional information:**
  - a. **HAS BEEN IMPLEMENTED** – provide a summary of the action taken, or
  - b. **HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – provide a timeframe or expected date for completion, or
  - c. **REQUIRES FURTHER ANALYSIS** – provide an explanation, scope, and parameters of an analysis to be completed within six months, or
  - d. **WILL NOT BE IMPLEMENTED** – provide an explanation of why it is not warranted or not reasonable.
3. **Please confirm the date on which you approved the assigned responses:**

We approved these responses in a regular public meeting as shown  
in our minutes dated \_\_\_\_\_.

4. **When your responses are complete, please email your completed Response Request as a PDF file attachment to both**

The Honorable Katherine Hansen, Grand Jury Supervising Judge  
[Katherine.Hansen@santacruzcourt.org](mailto:Katherine.Hansen@santacruzcourt.org) and

The Santa Cruz County Grand Jury [grandjury@scgrandjury.org](mailto:grandjury@scgrandjury.org).

**If you have questions about this request form, please contact the Grand Jury by calling 831-454-2099 or by sending an email to [grandjury@scgrandjury.org](mailto:grandjury@scgrandjury.org).**

# Findings

**F1.** The contradictory entries on the City’s website and in the City’s legal documents on whether Inclusionary Housing is restricted to Low, Very Low and Extremely Low-income levels or whether it includes the Moderate-income level is a major discrepancy with consequences about who is eligible for and who obtains Inclusionary Housing.

**AGREE**

**PARTIALLY DISAGREE**

**DISAGREE**

**Response explanation** (required for a response other than **Agree**):

The process for determining income eligibility depends on the governing resolution that was approved by the City Council at the specific point in time that the affordable housing agreement between the City and the Developer was executed. This does not change over time for units in a specific project, so a project approved in 2007 would have different requirements and governing resolutions than a project approved in 2024. On the City’s Measure O Resolutions and Ordinances web page, eight resolutions are posted that govern the calculation of income eligibility for Inclusionary Housing /Measure O units in the City of Santa Cruz. Measure O is a voter-approved initiative originally adopted in 1979 that requires developers of residential projects to provide a certain percentage of the total number of units as affordable to income eligible households. The City’s Inclusionary Ordinance (Municipal Code Chapter 24.16, Part One) codifies the requirements of Measure O. Each resolution was approved by Santa Cruz City Council at different times to establish the income, monthly housing cost guidelines, and asset limits for the inclusionary units throughout the City of Santa Cruz. Additionally, each project has specific requirements related to the affordability threshold depending on the project type. The applicable resolution for an available Inclusionary Unit is noted when a unit is available either under the “AVAILABLE MEASURE O UNITS FOR PURCHASE” or “AVAILABLE MEASURE O UNITS FOR RENT” lists respectively.



**F2.** The City has no data on whether Inclusionary Housing is occupied by income-verified local residents and local workers. Both groups are given preference for housing as required by Ordinance. Without data, neither the City nor the community can be assured that such housing is meeting its intended purpose.

**AGREE**

**PARTIALLY DISAGREE**

**DISAGREE**

**Response explanation** (required for a response other than **Agree**):

Generally, the intended purpose for inclusionary housing is to serve low-income households (with exceptions allowing moderate-income housing for some projects). Local preferences are not required by Measure O; they were initially adopted in October 2006, and some projects are not subject to the preferences.

Our annual compliance monitoring verifies income eligibility of occupants of rental inclusionary housing. We also confirm eligibility of homebuyers when a for-sale unit is purchased. The Santa Cruz Housing Authority reviews the actual applications and confirms income eligibility for Measure O units, and the City reviews the Housing Authority's determination and associated documentation. However, in 100 percent affordable projects, the City's agreements generally allow the property manager to review and certify tenant applications, because those projects are subject to the requirements of multiple funding sources and then the property manager sends this reporting to the City for annual review and verification. In some cases, conditions placed on federal, or state funds may not be consistent with the City's preferences. However, at initial lease-up, where permitted, typically the developer establishes a lottery system with rankings based on the required preferences.

Staff has recently initiated a new compliance form for developers/property managers to sign prior to Temporary Certificate of Occupancy, when the units are getting ready to be leased up or sold, verifying that the developer or property manager is complying with the City's local preference policy. In addition, the affordable housing agreements entered into between the City and the Developer at the time of building permit issuance require the Developer to comply with the City's local preferences, and these agreements are recorded on title.

The City believes that the mechanisms in place effectively enforce the City's preferences to the extent possible given existing agreements and state and federal laws, while avoiding excessive administrative burdens on property managers.

**F3.** The City has no data on the percentage of units in Inclusionary and 100% Affordable Housing projects that are rented to UCSC students. This leaves the City and the public unable to assess the impact of UCSC on the local affordable housing supply. Such data is important for the City's ongoing negotiations with UCSC to build more on-campus housing.

**AGREE**

**PARTIALLY DISAGREE**

**DISAGREE**

**Response explanation** (required for a response other than **Agree**):

The City does not currently track the percentage of UCSC students occupying Inclusionary Units or 100% affordable housing projects. The City does recommend that UCSC track where their students live. The impact of UCSC students on the availability of inclusionary units is likely fairly limited as the income eligibility requirements would disqualify UCSC students who are claimed as dependents by their parents.

At this time, the City is unaware of UCSC students renting inclusionary units. Most undergraduate students (nearly 90% of USCS students) are likely to be claimed as dependents. If the students are dependents, then the entire household's income must be shown on the Measure O application and all household members must reside in the unit as their principal place of residence. This likely excludes most students from being deemed eligible for inclusionary housing. The City recommends that UCSC track where their students live, which would allow the City to determine if they are residing in inclusionary unit

## Recommendations

**R1.** The Grand Jury recommends that the Santa Cruz City Council state exactly which HCD Income Levels are covered by the City’s Inclusionary Housing Ordinance and Resolutions, and make that information public by December 31, 2024. (F1)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

### Required response explanation, summary, and timeframe:

The HCD income is listed in each linked resolution on the City’s Measure O Rents and Incomes webpage. Please note that State HCD updates the income limits annually and these are the incomes that the City uses to determine the City’s Measure O calculations as specified by each resolution.

Additionally, the specific resolution for an available inclusionary unit is noted when a unit is available either under the “AVAILABLE MEASURE O UNITS FOR PURCHASE” or “AVAILABLE MEASURE O UNITS FOR RENT” lists respectively.

The chart below summarizes the number of units monitored by affordability level in the City of Santa Cruz since 1964. Staff will post a more comprehensive breakdown by project to the City’s website during the current calendar year.

	Total Units	Afford. Units	Ex Low	Very Low	Low	Mod
<b>TOTALS:</b>	5769	2642	117	1275	996	254

**R2.** The Grand Jury recommends that the Santa Cruz City Council develop an ongoing system to track, document and verify within 30 days of occupancy whether a unit is occupied by an income-verified local resident or local worker as required by the Ordinance, specifying which category the renter fulfills, and have such a system in place by January 31, 2025. (F2)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Required response explanation, summary, and timeframe:**

The City local preference only applies to the following resolutions: NS-29,463, NS-27,885, NS-27,629, and NS-27,383; the earliest resolution was adopted in October 2006. The City’s practice is generally not to reveal personally identifiable information for residents of inclusionary units and so does not provide preference information for a specific unit address that is rented or sold. Please refer to the City’s response to Finding #2 for more information on the City’s compliance monitoring.

Please note per the previous response which included the breakdown of affordable units by affordability level that staff will post a comprehensive breakdown of affordable units by project to the City’s website during the current calendar year.

**R3.** The Grand Jury recommends that the Santa Cruz City Council document the percentage of the City's Inclusionary and 100% Affordable Housing units that are rented to UCSC students, making that data public by February 28, 2025 with annual updates. (F3)

—

**HAS BEEN IMPLEMENTED** – summarize what has been done

—

**HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe

—

**REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)

**\_x\_**

**WILL NOT BE IMPLEMENTED** – explain why

**Required response explanation, summary, and timeframe:**

As previously stated in the response for F3, at this time, the City is unaware of UCSC students renting inclusionary units. Most undergraduate students (nearly 90% of UCSC students) are likely to be claimed as dependents. If the students are dependents, then the entire household's income must be shown on the Measure O application and all household members must reside in the unit as their principal place of residence. This likely excludes most students from being deemed eligible for inclusionary housing. The City recommends that UCSC track where their students live, which would allow the City to determine if they are residing in inclusionary units.

**R4.** The Grand Jury recommends that the Santa Cruz City Council create an Inclusionary Housing public dashboard that covers the data called for in this report by February 28, 2025. (F1, F2, F3)

- \_x\_ HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain the scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

**Required response explanation, summary, and timeframe:**

The City does not want to stigmatize tenants of Inclusionary/Measure O units by publicly releasing their addresses. Specific units available for rent or sale are listed on the City’s Measure O website. The City currently curates an interactive map, which notes the inclusionary requirement for larger projects, but does not directly display which specific units are affordable. Please refer to the website link here: <https://www.choosesantacruz.com/resources/affordable-housing-projects-map>