



The 2022–2023 Santa Cruz County Civil Grand Jury
Requires the

Capitola City Council

to Respond by August 31, 2023

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

Housing Our Workers

Essential Workers Need Affordable Housing!

Responses are **required** from elected officials, elected agency or department heads, and elected boards, councils, and committees which are investigated by the Grand Jury. You are required to respond and to make your response available to the public by the California Penal Code [\(PC\) §933\(c\)](#).

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 Packet as a PDF file attachment to both**

The Honorable Judge Syda Cogliati Syda.Cogliati@santacruzcourt.org and

The Santa Cruz County Grand Jury grandjury@scgrandjury.org.

If you have questions about this response form, please contact the Grand Jury by calling 831-454-2099 or by sending an email to grandjury@scgrandjury.org.

Findings

- F1.** While all city and county planning departments have demonstrated a good understanding of the new State housing laws and the need to facilitate more housing, the failure to do so in a timely manner has served to further decrease the availability of housing and further increase the need and cost of more housing.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

The City of Capitola has consistently updated the Capitola Municipal Code to comply with state housing law in a timely manner. With the many annual housing bills, cities and developers alike must be diligent in understanding the latest legislative changes. Even in doing so, the state Housing and Community Development Department and case law provide new interpretations and precedents.

The pace of entitlements and construction of ADUs in Capitola has increased in recent years, partly due to the changes in state legislation and the City's rapid incorporation of those changes into the daily narrative and development entitlement decisions. For example, for new ADU laws that came into effect on Jan 1, 2020, Capitola updated the ordinance by March of 2020. Capitola updated the ordinance again in 2022 due to additional modifications in ADU law.

The City's up-to-date understanding of housing legislation does and will continue to facilitate housing production. The City will continue to remain diligent in staying knowledgeable about the latest legislative changes, interpretations, and case law.

F4. Capitola has made little progress towards achieving housing goals, particularly for low income housing. Although the City identified sites for mixed use developments, they have made little progress towards developing those sites.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

Capitola has made great progress towards achieving housing goals, but has made little progress in developing low-income sites in the current housing cycle.

In terms of housing goals, Capitola had made great progress to enable more housing development citywide. Completed planning projects include:

1. Complete overhaul of Zoning Code to remove barriers to housing and ensure housing could be accommodated. (2014-2020)
2. Updated the ADU ordinance (2020 and 2022)
3. Created ADU guidance document (2022)
4. Created building permit ready ADU prototype designs (2022)
5. Completed a nexus study for affordable housing (2020/2021)
6. Completed feasibility analysis for affordable housing fees (2020)
7. Updated Chapter 18.02 Inclusionary Housing Ordinance (2020/2021)
8. Added Chapter 18.05 for Inclusionary Housing Impact Fees (2020/2021)
9. Added Chapter 17.82 establishing Objective Standards for Multifamily and Mixed-Use Developments (2022)

The City is not responsible for developing sites as the City is not a developer. Capitola is responsible for ensuring there are adequate sites to develop housing within the City and removing barriers. However, the City recently approved a 36 unit 100% affordable development at 4401 Capitola Road. The City will continue efforts to proactively reach out to affordable housing developers to increase interest in Capitola sites.

F5. Capitola has focused primarily on streamlining the construction of ADUs as a means to increase housing. However, there is little evidence that ADUs are prioritized for rental to local workers, and there is little chance that ADUs alone can meet the housing needs for the 6th Cycle Housing Element.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

ADUs are only a small portion of the work the City had done to meet housing needs. Of the nine tasks listed below toward housing, ADUs were the focus of three. The City agrees that ADUs alone cannot meet the housing needs for the 6th cycle.

Completed housing projects:

1. Complete overhaul of Zoning Code to remove barriers to housing and ensure housing could be accommodated. (2014-2020)
2. Updated the ADU ordinance (2020 and 2022)
3. Created ADU guidance document (2022)
4. Created building permit ready ADU prototype designs (2022)
5. Completed a nexus study for affordable housing (2020/2021)
6. Completed feasibility analysis for affordable housing fees (2020)
7. Updated Chapter 18.02 Inclusionary Housing Ordinance (2020/2021)
8. Added Chapter 18.05 for Inclusionary Housing Impact Fees (2020/2021)
9. Added Chapter 17.82 establishing Objective Standards for Multifamily and Mixed-Use Developments (2022)

The City agrees there is little evidence that ADUs are prioritized for rental to local workers. However, the City recently approved a 36 unit 100% affordable development at 4401 Capitola Road and included a condition of approval for local worker preference.

F6. Capitola and the County of Santa Cruz need to work together to facilitate significant housing in the mid-county area where a large percentage of jobs are located.

- AGREE**
- PARTIALLY DISAGREE**
- DISAGREE**

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

All jurisdictions in the County regularly collaborate during the Association of Monterey Bay Area Government (AMBAG) regularly scheduled meetings. Senate Bill 375 set forth consistency requirements between transportation planning processes and housing planning processes. More specifically, the regional housing needs allocation (RHNA) must be consistent with the Sustainable Communities Strategy (SCS) development pattern. For the Monterey Bay region, these requirements necessitate extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG, the region's metropolitan planning organization. The RHNA process considered the job/housing ratio of jurisdictions and assigned more units to areas with more jobs, including Capitola and the County of Santa Cruz. The increase allocation based on jobs will result in increased housing in the mid-county area where a large percentage of jobs are located.

Also, Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communications.

F7. The City of Capitola has made little progress towards facilitating the development of the Capitola Mall as a mixed-use project which could accommodate both business and housing.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

In the recent Zoning Code update, Chapter 17.88: Incentives for Community Benefits was added providing incentives of additional height and floor area ratio on the mall site. In 2019, the mall owner submitted an application for a mixed-use development which would accommodate 637 new residential units along with commercial uses. During the conceptual review, the applicant received favorable feedback from Planning Commission and City Council. Ultimately, the applicant withdrew the application in the summer of 2020 due to the pandemic. Capitola made progress with the adoption of the new Incentives for Community Benefits Zoning as there are now incentives in place for increased height and floor area, combined with underlying zoning that has no density limit.

However, the Capitola Mall is comprised of multiple parcels, owned by seven different entities. These seven property owners must all agree on any significant development on the Mall site. Unanimous agreement among these property owners has been a challenge for decades.

While the City has created incentives to facilitate development, and helped facilitate discussions among those property owners, the City is not able to compel private property owners to redevelop Capitola Mall.

F8. The City of Capitola claims to have significantly fewer resources to attract housing planners and builders than do the bigger municipalities of Santa Cruz, Watsonville and the County of Santa Cruz, but that does not mean the City should be exempt from the need to construct housing for local low income workers.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

The City agrees it should not be exempt from the need to construct housing for local low-income workers. However, it is a fact that Capitola has significantly less housing staff and financial resources than the City of Santa Cruz, City of Watsonville, and the County of Santa Cruz, which can make it more challenging to partner with housing developers toward construction of projects.

Two new housing fund sources recently became available through the payoff of a large housing loan and the recent award from the state of PLHA funds. Capitola intends to utilize the new funding source to assist MidPen Housing with plans for a 52-unit 100% affordable project at 1098 38th Avenue.

F12. While all local municipalities have voiced support for prioritizing housing for local workers, only some of them have clear local preference guidelines that give some priority to local workers. Without clear guidelines and incentives, new housing is more likely to be purchased by those who do not live and work here.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

Capitola's inclusionary housing ordinance (IHO) gives preference to local residents and workers. Within Capitola Municipal Code Section 18.02.080, the City's inclusionary ordinance gives preferences for ownership inclusionary units to households who live or work in Capitola.

Beyond the IHO, Capitola does not have requirements for prioritizing housing for local workers. However, during the review of a recent 36-unit, 100 percent affordable housing development project at 4401 Capitola Road, the project was conditioned to require local worker preference.

Prior to adopting a standard for local worker preference, the City would have to do more research on applicable laws and fair housing practices.

F13. All municipalities are trying to identify and facilitate the building of housing projects, but most of that is done independently of the other municipalities or with outside partners. Since workforce housing and transportation gridlock is a county-wide problem, all county municipalities need to work more closely together and with property owners to develop housing solutions.

AGREE

PARTIALLY DISAGREE

DISAGREE

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

While representatives from the different jurisdictions can and do regularly learn from one another and collaborate on the best ways to grow across the region, particularly when it comes to planning for and requiring increased densities in areas close to transit and other daily needs, individual projects are typically best handled by the jurisdiction in which they are located.

All jurisdictions in the County regularly collaborate during the Association of Monterey Bay Area Government (AMBAG) meetings. Senate Bill 375 set forth consistency requirements between transportation planning processes and housing planning processes. More specifically, the regional housing needs allocation (RHNA) must be consistent with the Sustainable Communities Strategy (SCS) development pattern. For the Monterey Bay Area, these requirements necessitate extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG, the region's metropolitan planning organization. The RHNA process assigned more units to Capitola and the County of Santa Cruz due to the number of jobs in mid-county to facilitate significant housing in the mid-county area where a large percentage of jobs are located.

Also, Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communications.

Recommendations

R1. By the end of 2023 the City of Capitola should identify enough parcels of land, zoned appropriately, to meet the new RHNA housing allocations for all income levels, especially low income housing. (F4 – F6, F8)

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 6th cycle draft housing element, as submitted to HCD, identifies more than the required parcels of land, zoned appropriately, to meet the new RHNA housing allocations for all income levels, including low-income housing.

R2. By the end of 2023 the City of Capitola should show significant progress towards planning and facilitating the construction of mixed use businesses and housing on identified parcels of land in the City. (F4, F6 – F8)

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 updated the Zoning Code to allow mixed-use in all commercial zones (2014-2020); updated Chapter 18.02 Inclusionary Housing Ordinance (2020/2021); added Chapter 18.05 for Inclusionary Housing Impact Fees (2020/2021); and added Chapter 17.82 establishing Objective Standards for Multifamily and Mixed-Use Developments (2022). The draft 6th cycle housing element includes many properties within Capitola’s mixed-use zoning district. These accomplishments create significant progress towards planning and facilitating the construction of mixed-use businesses and housing citywide.

R3. By the end of 2023, the City of Capitola should demonstrate a plan to work with the County of Santa Cruz as well as other for profit and non-profit agencies to develop housing close to transportation corridors along Hwy 1 and 41st Avenue. (F6, F7, F13)

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:

Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams. Specific development projects typically are handled by the specific jurisdiction where they are located.

In terms of regional planning, all jurisdictions in the County regularly collaborate during the Association of Monterey Bay Area Government (AMBAG) meetings. Senate Bill 375 set forth consistency requirements between transportation planning processes and housing planning processes. More specifically, the regional housing needs allocation (RHNA) must be consistent with the Sustainable Communities Strategy (SCS) development pattern. For the Monterey Bay Area, these requirements necessitate extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG, the region's metropolitan planning organization. The regional coordination encourages housing development near transportation corridors along Hwy 1 and 41st Avenue. Also, Capitola's Draft 6th Cycle Housing Element includes numerous sites along 41st Avenue due to existing transit and jobs.

R4. By the end of 2023 the City of Capitola should develop clear, measureable guidelines to ensure that local preference is given to local workers in the construction of ADUs as well as low income housing. (F12)

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 cannot legally require private homeowners to hire local workers for construction of ADUs. Further, this requirement would be an impediment to housing development due to limited construction workers at the local level, and increased development costs which would make development of new housing less feasible.

R5. By the end of 2023 the City of Capitola should demonstrate that they have reestablished regular meetings of a workgroup or entity that would allow planners from all 5 county jurisdictions to share ideas on housing development and develop joint projects. (F13)

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:

As stated in R3, Planning Directors from throughout the County meet regularly to collaborate on housing and other related issues. The Planning Department staff from the countywide jurisdictions also collaborate through AMBAG meetings, trainings, discussions of state legislation, joint presentations, and various other communication streams. Specific development projects typically are handled by the specific jurisdiction where they are located.