



City Council AGENDA REPORT

DATE: 12/1/2021

AGENDA OF: 12/14/2021

DEPARTMENT: Planning and Community Development

SUBJECT: **831 Water Street: CP20-0121 (APN 009-212-30, -31, -38)** – A Public Oversight Meeting to Assess Compliance with the City's Objective Standards Criteria and Accompanying Density Bonus Request for an Affordable Housing Project Proposed Pursuant to SB 35 (Planning and Zoning: Affordable Housing: Streamlined Approval Process). The Proposed Project Includes Demolition of Existing Commercial Buildings and Construction of a Five-story Mixed-use Building and a Four-story Residential Building Consisting of Approximately 5,012 Square Feet of Ground Floor Commercial and 140 Residential Units (With 50% of the Base Units as Affordable per SB35) with Shared Underground Parking. (Owner: Novin Development Corp.) (PL)

RECOMMENDATION: Review the objective standards table and Density Bonus information prepared by staff and refer the project to staff to complete a formal response letter to the SB 35 application, including an objective standards consistency determination and determination of the granting of a Density Bonus.

BACKGROUND: On October 12, 2021, the City Council conducted an oversight meeting to review the objective standards for the subject SB 35 project at 831 Water Street. Following public input and Council discussion, a motion passed to deny the project based on project's violation, or potential violation, of the following objective standards:

- The anti-segregation standard in the inclusionary ordinance and Density Bonus Ordinance that requires the dispersal of affordable units throughout a project, which also violates the City's Health in All Policies ordinance by creating segregated housing;
- The slope regulation that projects be located no closer than 20 feet from a 30% slope without a variance;
- The lack of a completed Stormwater Management Plan and a completed Drainage Plan that ensure the City's standards to prevent flooding on the property and in the neighborhood;

- The lack of a traffic study demonstrating that the City’s traffic standards protecting the public health and safety from the proposed driveway crossing a bike lane;
- The lack of a completed noise study documenting that the City’s objective noise standards will be met;
- Deem the density bonus application incomplete for not complying with the State Housing and Community Development's regulation that affordable units are distributed throughout the development, and for not showing the breakdown of Area Median Income (AMI) levels and density bonus unit locations.

On November 23, 2021 the City Council voted to rescind the October 12, 2021 motion to deny the project and directed staff to complete the SB 35 objective standards consistency review in light of the new information, and schedule a follow-up public oversight hearing for the December 14, 2021 City Council meeting.

DISCUSSION: Following the October 12, 2021 City Council oversight meeting, the applicants worked to address the objective standards called out by the Council as not being met. On November 10, 2021 an updated set of plans was submitted to the Community Development Department that addressed the items previously identified as deficient by the Council and in staff’s ensuing letter. A comprehensive list of materials submitted by the applicant and other related documents provided by and to the City is available online at <https://www.cityofsantacruz.com/831water>.

Of note, pursuant to the California Department of Housing and Community Development (HCD) SB 35 Guidelines (<https://www.hcd.ca.gov/policy-research/docs/sb-35-guidelines-update-final.pdf>) and the Housing Accountability Act, the City Council’s review will be limited to the consistency of the objective standards for which inconsistencies were previously identified.

HCD Guideline Section 301(b)(5) states that protections of the Housing Accountability Act apply to SB35 projects. The Housing Accountability Act, in Government Code Section 65589.5(j)(2), states that “If the local agency fails to provide the required documentation pursuant to subparagraph (A), the housing development project shall be deemed consistent, compliant, and in conformity with the applicable plan, program, policy, ordinance, standard, requirement, or other similar provision.” In other words, items not previously identified as inconsistent are deemed to be consistent; therefore, new inconsistencies not previously identified cannot be raised. An analysis of the current project’s compliance with the previously identified areas of inconsistency follows:

- **The anti-segregation standard in the inclusionary ordinance and Density Bonus Ordinance that requires the dispersal of affordable units throughout a project, which also violates the City’s Health in All Policies ordinance by creating segregated housing;**

Santa Cruz Municipal Code Section 24.16.025(2) states, “Inclusionary units shall be dispersed throughout the residential development to prevent the creation of a concentration of affordable units within the residential development.” Santa Cruz Municipal Code

Section 24.16.260(2) states, “Inclusionary units shall be dispersed throughout the housing development to prevent the creation of a concentration of affordable units within the residential development.” Furthermore, it was stated at the November 23, 2021 City Council meeting that Section 402(e) of the HCD SB35 Guidelines allow the local jurisdiction to impose all objective requirements in its inclusionary ordinance to an SB35 development project. Section 402(f) of the guidelines also requires that the affordable units “...shall be distributed throughout the development, unless otherwise necessary for state or local funding programs, and have access to the same common areas and amenities as the market rate units.” Thus, the local requirement to disperse inclusionary units throughout the development would apply to all affordable units in the development unless the applicant can provide evidence that it is necessary to concentrate the units for reasons related to state or local funding programs.

With a base density of 109 units, a minimum of 55 affordable units would be required to be provided for the project to qualify for SB 35 streamlining. The 55 units will be restricted to households at 80% AMI and restricted to rents at 60% AMI. The applicant is proposing to disperse 22 of these units throughout Buildings A and B, as depicted in a table submitted which includes that each of the 22 affordable units, a unit number, and an associated floorplan. The applicant has identified these 22 units as the inclusionary and density bonus affordable units. These numbers are consistent with the objective standards in the inclusionary ordinance, Density Bonus ordinance and state law, and SB35 legislation, which have been described in detail in the previous City Council report (Attachment 6) and are broken down in a table below. The applicant has also maintained the request for a Density Bonus incentive/concession to allow for the remaining 33 affordable units required by SB35, to be consolidated in one building based on funding requirements. (See further discussion below in the section titled *Incentives/Concessions and Waivers*.)

The original submittal proposed 71 affordable units, and the latest submittal is proposing 55 affordable units. The original submittal proposed 71 units (16 units more than required) due to the fact that the entirety of Building B (71 units) was proposed to be a consolidation of the affordable units. With the dispersal of the affordable units between the two buildings and the uncertainty of the funding source requirements, the 55 affordable units provided at 80% AMI and restricted to rents at 60% AMI meets the objective standards in the inclusionary ordinance, Density Bonus Law, and SB35 legislation. It is anticipated that funding sources may dictate the total number of affordable units, so there are several scenarios where the number of affordable units provided could exceed the required 55 units. But until those funding sources are determined, the project meets the minimum affordability requirements.

The proposal to consolidate the 33 SB35 affordable units in one building would be consistent with Section 402(f) of the HCD Guidelines if the applicant provides information showing that consolidation is “necessary for state or local funding programs...” The applicant indicates that the project has not received financing at this time and it is unknown if the consolidation of the 33 SB35 affordable units in one building will be deemed “necessary.” Additionally, the term “necessary” is not defined in SB 35 or the HCD SB 35 Guidelines, however, on November 9, 2021, the City received a letter from Shannan West, the Housing Accountability Unit Chief from the Department of Housing and Community Development (HCD) that specifically addresses this provision of the state law. The letter states:

“HCD’s SB 35 Guidelines do apply here, however, and would not prohibit the Project as proposed. The Guidelines state that “affordable units shall be distributed throughout the development, unless otherwise necessary for state or local funding programs, and have access to the same common areas and amenities as the market rate units.” (Updated Streamlined Ministerial Approval Process Guidelines, March 30, 2021, § 402(f), emphasis added.) As it appears that the Project will receive State Tax Credit Allocation funds for Building B and the affordable units have access to the same common areas and amenities in the development as market rate units, the Project is consistent with section 402(f).”

While City staff agree with HCD’s analysis, the project did not receive a State Tax Credit Allocation in the latest tax credit round and is not guaranteed to receive State Tax Credit Allocation funds in an upcoming round. While the applicant has indicated that they plan to apply for a future tax credit round, they are simultaneously exploring different financing schemes. In order to ensure that the project funding necessitates the consolidation of affordable housing in one building for the 33 SB35 affordable units, a condition of approval is included that requires the applicant to submit evidence of such funding to the City for review of the funding requirements and a determination of necessity prior to building permit issuance. Additionally, a condition of approval is included that requires the affordable units in the project to be built prior to or concurrently with the market rate units to ensure that the final project is consistent with the inclusionary, density bonus, and SB35 affordability requirements.

The goals in the Health in All Policies (HiAP) ordinance are found to be subjective requirements that are not enforceable with this SB 35 project, however, the revisions proposed by the applicant described above are consistent with the HiAP goals to provide the same opportunities to everyone in the community regardless of need or circumstance.

- **The slope regulation that projects be located no closer than 20 feet from a 30% slope without a variance;**

As part of the initial review staff had indicated that there were no slopes greater than 30% on the project site. This was due to the interpretation that the retaining wall that abuts Water Street is not a slope. Santa Cruz Municipal Code Section 24.22.748 defines “Slope” as “An inclined ground surface, the inclination of which is expressed as a ratio of vertical distance to horizontal distance.” With the vertical concrete retaining wall not constituting an inclined ground surface, it is difficult to argue that the wall meets the definition of slope, particularly since SB 35 gives deference to consistency with objective standards. Section 301(a)(2)(C) of the HCD SB 35 Guidelines states, in part:

The local government may only find that a development is inconsistent with one or more objective planning standards, if the local government finds no substantial evidence in favor of consistency and that, based on the entire record, no reasonable person could conclude that the development is consistent with the objective standards.

That being said, the City's Geographic Information System (GIS) presents portions of the wall and adjacent areas as a slope greater than 30%. This is due to the City's use of Light Detection and Ranging (Lidar) for establishing the GIS slope layer, since the Lidar recognizes the ground elevation differences on either side of the wall. Given the identification of slopes greater than 30% in the GIS layer, staff cited this as support for the Council's October 12, 2021 motion. Santa Cruz Municipal Code Section 24.14.030(1)(d) states, "No building shall be located on a slope of thirty to fifty percent, or within twenty feet of a thirty to fifty percent slope, unless an exception is granted pursuant to Section 24.14.040 or a variance is granted pursuant to Section 24.08.810."

The proposed structures maintain a twenty foot setback from the wall, with the exception of the underground garage structure which abuts the Water Street property line. Instead of arguing consistency, to address this issue, the applicants are requesting a waiver of this objective standard pursuant to State Density Bonus Law:

***Waiver 5:** The project proposes a reduction to the twenty foot setback from a thirty to fifty percent slope, with the proposed underground garage abutting the existing retaining wall along Water Street. Complying with the twenty foot setback would significantly reduce the size of the garage and physically preclude providing the necessary off-street parking for residents.*

- **The lack of a completed Stormwater Management Plan and a completed Drainage Plan that ensure the City's standards to prevent flooding on the property and in the neighborhood.**

A Stormwater Management Plan, Storm Water and Low Impact Development Best Management Practices Requirement Worksheet, and Drainage Plan were submitted as part of the September 9, 2021 resubmittal, and a completed Stormwater Control Plan was submitted as part of the November 10, 2021 resubmittal. Public Works staff in addition to the City's contract stormwater reviewer have reviewed the plans and determined that they meet state and local stormwater requirements. A standard condition of approval has been included that the stormwater plans be implemented as part of the construction plans at the building permit stage of the project.

- **The lack of a traffic study demonstrating that the City's traffic standards protecting the public health and safety from the proposed driveway crossing a bike lane;**

The Public Works Department commissioned a *Site Ingress/Egress Evaluation and Conceptual Engineering Drawings* study (Attachment 3), prepared by *Kimley-Horn and Associates Inc.*, to evaluate the proposed development plans for the following engineering criteria:

1. General Plan Roadway Buildout
2. Right-of-Way Impacts
3. Sight Distance Evaluation
4. Fire Access

The traffic study evaluation was based on the plans dated September 9, 2021 and includes the following findings and recommendations:

Findings (based on September 9, 2021 plans):

1. Developers' plans do not account for the proposed southbound exclusive right turn lane along Branciforte Avenue. Relocation of traffic signal and storm drain facilities is required.
2. Sight distance along Branciforte Avenue meets the AASHTO minimum requirement of 250 feet. However, this will require the removal of on-street parking and landscape strip to be maintained with low height vegetation from the Project driveway to Belvedere Terrace.
3. Sight distance along Water Street is met based on AASHTO requirements.
4. The fire egress point on Water Street is sufficient based on AutoTURN analysis. The existing driveway on Water Street should be converted to a rolled curb and an access control system installed to prohibit other vehicular access.

Recommendations (based on September 9, 2021 plans):

1. The Applicant to revise the site plan to include the southbound right turn lane along Branciforte Avenue per the City General Plan. Revision shall include relocation of traffic signal equipment and catch basin.
2. A neighborhood permit parking program excluding 831 Water residents be established to help provide adequate parking for residents and offset the parking removal on Branciforte Avenue.
3. The applicant to remove the channelizers for the protected bike lane along the Water Street project frontage. The striped buffered bike lane median can remain.
4. The Applicant to work with the City Engineer to install warning signs along Water Street due to the retaining wall screening vehicles entering and exiting the driveway. Examples of MUTCD compliant signage are shown in the study.
5. The Applicant to install an electronically actuated warning device that will emit light and sound when vehicles exit the driveway on Water Street due to the limited vertical sight distance. The device should be placed high on the retaining wall so bikes and vehicles traveling westbound receive warning well before the slope in the roadway. In addition, the Applicant to install a rapid open-close gate system to minimize vehicle queuing on Water Street as they enter the garage.

Two of the recommendations have already been incorporated into the latest set of civil plans included in the November 10, 2021 resubmittal, including:

1. The southbound right turn lane along Branciforte Avenue, including relocation of traffic signal equipment and catch basin; and
3. Removal of the existing bike lane channelizers along Water Street.

A condition of approval is included that requires all recommendations identified in the study to be included in the building permit drawings and implemented in the construction of the project. It should be noted that the recommendation calling for establishment of a neighborhood permit parking program excluding 831 Water residents will be dependent upon the administrative procedure for adding permit parking described in Municipal Code Section 10.41.040 which involves input from the participating neighborhood areas.

- **The lack of a completed noise study documenting that the City’s objective noise standards will be met;**

Two preliminary noise studies were prepared by *Salter Inc.* and submitted as part of the latest resubmittal:

1. Preliminary Property Line Noise Analysis (Attachment 4)
2. Preliminary Environmental Noise Study (Attachment 5)

The Preliminary Property Line Noise Analysis evaluates the project’s mechanical equipment noise levels to adjacent property lines. The analysis concludes that the project’s noise-generating equipment will meet the City property line standards without the need for any atypical mitigation. As is standard practice at the building permit stage, the analysis recommends that a more refined analysis be conducted once the specific equipment has been selected and the mechanical equipment systems have been designed in greater detail.

The Preliminary Environmental Noise Study determines the noise environment at the site, compares the measured data with applicable standards, and proposes mitigation measure as necessary. This is a study that is normally required at the building permit stage to confirm that the indoor noise levels in residential units of multi-family projects do not exceed certain decibel levels pursuant to the California Building Code, CALGreen Code, and City Noise Standards. The study calculates the Sound Transmission Class (STC) ratings for window assemblies (glass and frame) needed to meet the required interior noise criteria (45 dB) contained in Policy HZ3.2.3 of the General Plan. Additionally, the study calculated expected noise levels at the ground floor open space and at the roof decks. Those spaces will be exposed to noise levels no greater than DNL 65 dB, which is within the City’s goal as articulated in General Plan Policy HZ3.2.2.

- **Deem the density bonus application incomplete for not complying with the State Housing and Community Development's regulation that affordable units are distributed throughout the development, and for not showing the breakdown of AMI levels and density bonus unit locations.**

As noted above, the applicant has agreed to disperse the 22 inclusionary and density bonus affordable units throughout the project, and the applicant submitted a breakdown of these unit locations. The applicant has also provided a breakdown of the affordability levels of all affordable units which indicates that all 55 affordable units will be provided at 80% AMI and with rents at 60% AMI. These numbers are consistent with the objective standards in the inclusionary ordinance, Density Bonus ordinance and state law, and SB35 legislation. A breakdown of the affordability requirements is provided in the following table.

Base Project Total Units	109				
Required Density Bonus Units at Low Income Level	22				
Proposed bonus percentage	35%				
# of density bonus units proposed	31				
Total # of dwelling units proposed	140				
Total # of units allowed with density bonus	148				
	% of base	Income	# of	Max	Rent
	units	Target	units	Household	Level
				Income Level	AMI
City Inclusionary Requirement	20%	Low-Income	22	80% AMI	80%
Density Bonus Requirement*	20%	Low-Income	22	80% AMI	60%
Affordable Units Required Per SB 35*	50%	Low-Income	55	80% AMI	60%
TOTAL PROPOSED AFFORDABLE UNITS:	50%	Low-Income	55	80% AMI	60%

* affordable rent is calculated pursuant to Health and Safety Code Section 50053, however if the actual household's income is between 60-80% AMI, the rent may be set at 30% of that particular household's gross income.

The applicant continues to propose the use of an incentive/concession to allow for the 33 remaining SB35 affordable units to be consolidated within one of the two buildings in the development. This request for consolidation of units, if needed for project funding, is consistent with Section 402(f) of the HCD SB35 Guidelines given the conditions of approval that will require the applicant to submit evidence of such funding to the City for confirmation that the specific funding mechanism necessitates the consolidation, prior to building permit issuance, and the condition of approval that requires the affordable units in the project to be built prior to or concurrently with the market rate units to ensure that the final project is consistent with the inclusionary, density bonus, and SB35 affordability requirements and objective standards. If evidence of such funding requirements is not provided, then all 55 affordable units would need to be dispersed throughout the two buildings.

The project is found to be consistent with applicable objective standards based on the new information/materials submitted and the conditions of approval imposed on the project.

State Density Bonus – Incentives/Concessions

The project is entitled to up to three (3) incentives/concessions that provide actual and identifiable cost reduction for the affordable units. The applicant originally requested two (2) incentives/concessions for the project, one to locate all affordable units together in a single building, and the other to provide less than the required number of electric vehicle charging stations on site. Concession 1 has been revised to request that only 33 SB35 affordable units are located in one building while the 22 inclusionary and density bonus units are dispersed throughout the development. Concession 2 regarding electric vehicle charging station requirements has been eliminated, as it has been noted on the plans that all mechanical parking spaces will be EV ready, and a condition of approval has been added requiring that seventeen (17) EV charging stations be installed to meet Zoning Code Section 24.12.241, which specifies that 12% of the provided parking include an electric vehicle (EV) charging station.

***Concession:** The revised project is consistent with SCMC Sections 24.16.025(2) and 24.16.260(2) which requires that inclusionary and affordable density bonus units are dispersed throughout the residential development. The applicant has proposed to disperse 22 inclusionary and Density Bonus affordable units throughout the development, as shown in*

the revised materials. Section 402(f) of the HCD Guidelines calls for the remaining 33 SB35 affordable units to also be dispersed throughout the building; however, the applicant is requesting an incentive/concession to allow the 33 SB35 affordable units to be located in one building. This incentive/concession is consistent with SB35 requirements if the consolidation of affordable units is necessary for state or local funding programs.

The applicant must demonstrate that the incentive/concession will result in an actual and identifiable cost reduction to provide for the affordable units. The applicant indicates that financing with State affordable housing tax credits necessitates the separation of 33 SB35 affordable units due to the requirement for recordation of a regulatory agreement against the property awarded with the tax credits. Additionally, the applicant asserts that evenly dispersing the 33 units throughout the two buildings would render the projects infeasible for tax credit lenders and the project would be unable to obtain financing sufficient to allow the project to move forward. A letter prepared by HCD, dated November 9, 2021, concurs with this argument and supports the position that the separation of units is consistent with SB35 based on state tax credit funding. City staff agree with this position, however, the project was not awarded tax credits in the latest tax credit round and it is not guaranteed to receive a tax credit award in an upcoming round.

It is evident that the consolidation of the 33 SB35 affordable units would result in actual cost reductions due to the ability for the applicant to utilize state tax credit financing for the development, and it is evident that the requested incentive/concession would not create a specific adverse impact on health and safety or the physical environment that cannot be mitigated, or adversely impact real property listed on the California Register of Historical Resources; therefore, the City is required to grant the requested incentive/concession. However, in order to ensure that the development is consistent with SB35 requirements, project conditions of approval are included that require the applicant to submit evidence of such funding to the City to confirm that the specific funding mechanism necessitates the consolidation of 33 SB35 affordable units, prior to building permit issuance, and that the affordable units in the project are built prior to or concurrently with the market rate units. There is no mechanism that prevents the applicant from selling this property after entitlement approvals and the opting for an entirely different financing scheme. Therefore, staff has included a condition of approval to ensure the applicant is using a specific funding mechanism that necessitates the consolidation of the 33 affordable housing units in a separate building.

State Density Bonus – Waivers

The project applicant is allowed to request as many waivers from development standards as needed if the development standard would preclude the density bonus project from being built at the proposed density. The applicant originally requested four waivers of development standards, and has added a fifth waiver to allow the underground garage structure within 20-feet of a slope greater than 30%. The requested waivers are required to be granted if they would preclude construction of the project, and the city must grant these waivers unless they violate state or federal law, create a specific adverse impact on health and safety or the physical environment that cannot be mitigated, or adversely impact real property listed on the California Register of Historical Resources. There is no evidence that the following waivers requested should not be granted as required by the State Density Bonus Law:

Waiver 1: *The project proposes to exceed the maximum height of 3 stories and 40 feet as required in the C-C zone district, proposing a four story building at approximately 48 feet, and a five story building at approximately 59 feet. Complying with the 3 story and 40-foot standard would require the building to reduce the number of floors and eliminate a substantial number of residential units (See Density Bonus Calculations Plan Page G02.0). This would physically preclude the construction of the project that would include the number of residential units allowed under the State Density Bonus Law.*

Waiver 2: *The project proposes a reduction to the private open space requirements. The Zoning Code requires 100 square feet of private open space for each unit. With 140 units proposed, 14,000 sf of private open space is required, and 6,510 sf is proposed. Setbacks and easement areas which prohibit the encroachment of balconies limit the amount of space for providing private open space for each unit. Therefore, the constrained site physically precludes the inclusion of the required private open space which would require reducing the size and or number of residential units.*

Waiver 3: *The project proposes a reduction to the common open space requirements. The Zoning Code requires 150 square feet of common open space for each unit. With 140 units proposed, 21,000 sf of common open space is required, and 19,830 sf is proposed. Common open space has been maximized on the site by taking advantage of the roof decks and at-grade areas, whereby the common open space requirement is very close to being met. However, the constrained site physically precludes the inclusion of the required common open space which would require reducing the size and or number of residential units.*

Waiver 4: *The project proposes to exceed the maximum 1.75 FAR as outlined in the MXHD designation of the General Plan. With a 2.28 FAR, the project proposes an FAR in excess of the allowable maximum prescribed by the General Plan. Reducing the floor area to meet the 1.75 FAR standard would require reducing the unit count and physically precludes the number of residential units that are allowed under the State Density Bonus Law.*

Waiver 5: *The project proposes a reduction to the twenty-foot setback from a thirty to fifty percent slope, with the proposed underground garage abutting the existing retaining wall along Water Street. Complying with the twenty-foot setback would significantly reduce the size of the garage and physically preclude providing off-street parking for residents. Further, potential health and safety impacts related to the garage entrance adjacent to a protected bike lane and downhill from the Water Street and N. Branciforte Street intersection have been addressed based on the findings and recommendations of the traffic study commissioned by the City and accepted by the applicant. Standard building code requirements will ensure that development in proximity to the retaining wall and slopes*

Objective Standards

The Planning and Community Development Department and other City departments, including Public Works, Water, Fire, and Housing and Economic Development have reviewed the City's codes and adopted plans and policies to identify the objective standards that apply to the project. The Objective Standards Assessment Table (Attachment 1) has been updated based on the applicant's latest submittal and is provided for the Council's review.

Health in All Policies (HiAP)

HiAP is a collaborative approach to improving the health of all people by incorporating health considerations into decision-making across sectors and policy areas. HiAP is based on 3 pillars: *equity, public health, and sustainability*. The goal of HiAP is to ensure that all decision-makers

are informed about the health, equity, and sustainability impacts of various policy options during the policy development process. With 55 of the proposed residential units deed restricted for moderate income and lower individuals and families, the project meets equity goals by providing housing for a range of income levels. With the project located along a major commercial corridor and within 1/3 mile from the Ocean Street corridor, 2/3 mile from the downtown, and less than 1/2 mile to five different grocery stores, it encourages a sustainable and healthy lifestyle allowing residents to walk and ride to the job centers and commercial uses in the downtown and vicinity. This also supports equity goals by reducing transportation costs. The site is also located along a major transit corridor allowing residents to use public transit to gain access to other areas of the city, thereby further promoting sustainable transportation use.

Summary and Recommendation

SB 35 is designed to remove barriers to the development of affordable residential urban infill projects and to limit certain types of discretionary home rule oversight that the state legislature determined has prevented the development of an adequate supply of housing within the state. A public oversight meeting is an optional component of a SB 35 project's review. If a public oversight meeting is conducted, the Council's role is to review the objective standards table and assess compliance with the identified objective criteria. Based on the process established by SB 35, staff recommends that the City Council review the objective standards table and the standards necessary to grant the requested density bonus, concession, and waivers. Staff has found the project consistent with the City's objective standards and with the standards necessary to grant the requested density bonus, concession, and waivers, and staff recommends that the Council refer the project to staff for preparation of the formal response letter to the SB 35 application in advance of the December 16, 2021 deadline.

FISCAL IMPACT: The planned development would generate a property tax increase due to the proposed improvements to the property, in addition to revenues from associated permits and City fees that cover costs for providing those plan review and inspection services. Provision of broader City services to residential units generally exceeds the service level demand of commercial uses, so City service costs are expected to increase with the new residential units. With the reduction in commercial square footage, the project could result in an accompanying sales tax reduction, though this will ultimately depend on the future use and the comparison of those sales tax revenues with those existing.

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ATTACHMENTS:

1. Objective Standards Assessment Table and Exhibits A - E
 - Exhibit A City Standard Details
 - Exhibit B City Standard Specifications
 - Exhibit C Master Fee Schedule 2019 NS-29,484
 - Exhibit D TIF Program Resolution NS-28,574
 - Exhibit E Refuse Container Design Standards
2. Project Plans and Materials – Submitted November 10, 2021; Available for review on the city website at:

<https://www.cityofsantacruz.com/home/showpublisheddocument/86837/637737871050570000>

3. Traffic Memo and Site Ingress/Egress Evaluation and Conceptual Engineering Drawings study prepared by Kimley-Horn and Associates Inc., dated November 3, 2021
4. Preliminary Property Line Noise Analysis prepared by Salter Inc., dated November 11, 2021
5. Preliminary Environmental Noise Study prepared by Salter Inc., dated November 11, 2021
6. October 12, 2021 City Council Agenda Report
7. Conditions of Approval