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Affordable housing: The problem that won't go away

(This is the first of a two-part series by staff writer Lane Wallace on the issue of affordable housing in Santa Cruz County. The second part will appear in tomorrow's Register-Pajaronian.)

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EVERYBODY AGREES THAT Santa Cruz County is severely short of housing that is affordable, not only for poor people but for much of the working middle class.

It is a problem with which the county and its cities have been struggling with only modest suc-

cess for a decade or more.

The city of Watsonville, for instance, adopted an ordinance in 1991 requiring 25 percent of all units in housing developments within the city be "affordable."

The definition of affordable is based on the "median income" range of families in the county. This so-called "inclusionary" ordinance in Watsonville is no more popular with builders and supporters of a "free market" approach to the housing problem than is Measure J, Santa Cruz County's pioneering growth-management ordinance that includes an affordable-housing mandate.

When Measure J was approved by the county's voters in 1978, it represented one of the first comprehensive efforts at growth control in the nation, and its affordable-housing clause — which mandates that at least 15 percent of all units in new housing developments in the unincorporated areas of the county be "affordable" to low- and moderate-income families — became a model for other inclusionary ordinances.

Measure J was vigorously opposed by developers and builders at its birth, not only for its affordable-housing provisions but for its growth-restricting effects, which opponents said would increase the cost of land and housing. They took their challenge to court, but lost there.

They eventually came to accept the ordinance because its growth-control features were obviously attractive to most residents, and since Measure J was a voter-approved ordinance it could only be overturned or amended by another vote of the people.

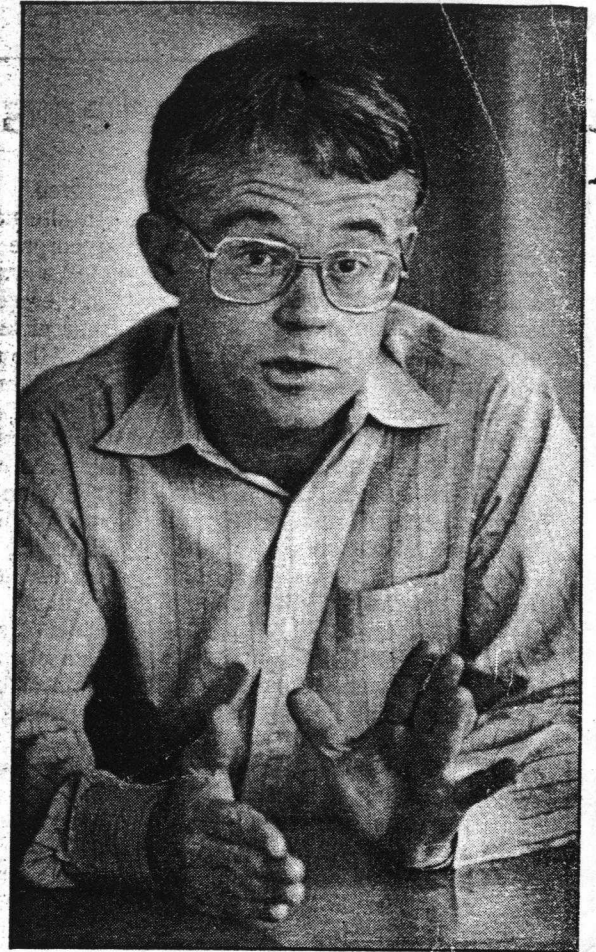
So how has Measure J's affordable-housing mandate worked? It depends on whom you ask, but all sides agree on one thing: It has done little to solve the housing problem of the working poor.

Even Gary Patton, the county supervisor who wrote Measure J, agrees that the problem of housing for those at the bottom end of the income ladder requires other solutions. But he stoutly insists that, within the limits of its mandate, the Measure J housing requirement has worked.

The law has produced 365 affordable units, or 24 a year, since its inception.

"It certainly has been a success," Patton said. "There's been more affordable housing built than there would have been without Measure J."

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Mike McCollum

Gary Patton: Father of Measure J

Learning from Live Oak example

Santa Cruz County Supervisor Ray Belgard knows what he doesn't want for his Watsonville-area district — another Live Oak.

"I've learned from looking at that area (Live Oak) that I would not like to see that in South County," said Belgard, referring to the rapid growth and concentration of affordable housing in that area.

In the 1980s, Live Oak absorbed a third of the county's unincorporated growth — 2,113 building permits — and 70 percent of the affordable housing — 692 of 975 units. The figure includes subsidized housing and

those built under the county's Measure J affordable-housing law.

Live Oak residents complained their area was becoming a dumping ground for growth, that densities were too high, and requirements for roads, sidewalks and drainage were insufficient.

A key reason Live Oak got an unusually high percentage of the affordable housing was a policy allowing builders a "transfer of credits" for the affordable units required under Measure J, approved by county voters in 1978.

Builders were building af-

fordable units in Live Oak, where land prices are generally lower than the surrounding area, so they wouldn't have to build them for market-rate projects elsewhere.

The county had a policy that affordable housing should be spread out, said Jan Beautz, county supervisor for Live Oak since 1988.

"It wasn't adhered to," said Beautz, who worked in community groups opposing the rapid development of Live Oak before her election in 1988.

Two years before Beautz was elected, supervisors banned

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Housing solution eludes efforts to solve

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Only a limited number of Measure J units are rental property; most are sold to people who meet certain income restrictions. They include homes and condominiums.

A family of four can make up to \$60,000 (120 percent of the county's median income) and still qualify for Measure J units, which sell for about 60 percent of market value.

Measure J units have gone to such people as teachers, lab technicians, nurses, secretaries, construction workers, mechanics and county planners. There has been some criticism over the years that these people don't need assistance.

Patton disagrees. "We should have housing for ordinary people," he said. "There are lots of people who need assistance."

The presence of Measure J shows the county has a commitment to affordable housing, Patton said, which has probably helped in securing state and federal government grants for subsidized housing for the working poor.

Developers who build subsidized housing can get credits that allow them to reduce (sometimes to zero) the affordable units required in another project.

The subsidized units have also helped the county reach, or almost reach the Measure J goal of 15 percent affordable housing since it went into effect. If the county was well below the goal, Patton said, a building ban could be imposed until the goal is met.

Patton said he wants to see more subsidized rental housing for the working poor who can't afford to buy.

"Unfortunately, Measure J is not going to solve the problem of the very-low income" people, Patton said. "I wish I could take all the people living in garages now and put them in (apartments)."

Builders, who take in money from the initial sale, almost always build the highest-priced af-

fordables Measure J will allow.

Patton said he realizes all housing problems can't be solved, but he's optimistic things will get better now that George Bush is out of office.

"The real hope (for housing for the working poor) is the Clinton administration," Patton said.

Although the affordable-housing requirement is a key part of Measure J, other parts of it are at least as important, if not more so.

Measure J prohibits building on prime agricultural land, and says the county can't allow development where "urban services" such as sewers and roads wide enough to handle the traffic have not been extended.

The urban-services rule doesn't stop construction of a house or two in the hills, but it does stop large subdivisions in such areas. Patton said he proposed the rule after a subdivision was approved in the mid-1970s on Big Basin Highway, several miles from Boulder Creek.

After their initial opposition, builders learned to live with the Measure J affordable-housing requirements, mostly because of the red-hot real estate market of the 1980s, when the market-rate units they built were readily sold for gaudy prices. Today, builders say they are facing not only a depressed housing market, but the possibility the affordable percentage will be raised to 20 percent.

County supervisors were scheduled to discuss the Planning Department's proposal for a 20 percent requirement in December, but delayed it until this year. The Housing Advisory Commission has been discussing the issue and will bring it up again March 24. It will then go the Planning Commission and on to supervisors for a final decision, probably in summer or fall, said Cherry McCormick of the county planning staff.

Aptos developer Steve Mills said, "The housing market is cyclical. We're in a horrible down

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transfer of affordable-housing credits into Live Oak. There's now a ban on transferring credits outside the county's 14 designated "planning areas." That ban has stalled a plan to build market-rate homes in Rio del Mar and the affordable units in Aptos Village.

By the time credit transfers were banned, the damage had been done in Live Oak. Two thirds of the development in Live Oak in the '80s came in the first half of the decade.

"It was poor planning," said Beautz, who is quick to add that such development "doesn't

make Live Oak a bad place to live."

Beautz emphasized that the controversy in Live Oak was not just over affordable housing, but growth in general.

"Live Oak was zoned high density," she said. "It's not what people wanted."

The county, Beautz said, "had a whole bunch of land-use policies that singled out one area" for growth.

Beautz is confident the county's rules will prevent anything like the Live Oak growth of the '80s happening anywhere else in the county.

"I certainly hope so," Beautz said. "I don't want to pick on some other area of the county."

—Lane Wallace

cycle. You don't want to kick somebody when he's down."

Affordable housing worked in the '80s, Mills said, because housing prices were steadily rising, and builders could build 15 percent affordable and still make money.

Now, Mills said, with real estate prices in the doldrums and the demand for housing reduced, the 15 percent requirement becomes a burden for the would-be developer.

It's not just the affordable-housing requirements that are making it difficult to build, Mills said — it's the fees that developers must pay for water meters, sidewalks, streets, and a "school impact fee."

Those fees have been steadily rising since state voters passed the tax-limiting Prop. 13 (at the same June 1978 election that Measure J was approved) and now average \$15,000 a unit in Santa Cruz County.

Mark Holcomb, of the Holcomb Corp., a major developer in Aptos, doesn't believe the county could get more affordable housing by restructuring the rules for Measure J.

"Raising it from 15 to 20 percent

isn't going to do it," said Holcomb, whose firm is building the hotel on the Seascapes benches and is proposing 140 upscale homes on the Seascapes uplands.

Instead, Holcomb suggests, the county could get more affordable housing by giving developers incentives. Instead of making 15 percent of a single-family-home project affordable, for instance, the developer could build a higher percentage of condominiums, possibly in a separate location.

Patton said he's willing to listen to any such suggestions, as long as a developer is not trying to skirt Measure J, but is proposing something that will benefit both sides.

An affordable-housing home doesn't have to be quite as fancy on the inside as the market-rate units, but its outside appearance must be the same.

That policy has drawn some objections.

"I don't think the intent of Measure J was to require developers to build \$400,000 homes and sell them (at a fraction of that)," Mills said.