

✓ Santa Cruz growth lags behind limits set by city

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SANTA CRUZ — Because building activity has fallen behind the development quotas of the city's growth-management program, the slow-growth initiative passed by voters in 1979 has never been fully tested.

The initiative, called "Measure O," required City Council members to set a target for the number of building permits to be issued each year. The measure caps growth, tying the limit to the state census.

The initiative's aim was to regulate "the character, location, amount and timing of future residential development and other developments."

But each year since 1979, the number of permits issued has fallen below the target figure.

For those years, Planning Department figures show only 43 percent of the target number of units were actually built.

From 1980 to 1985, the number of permits allowed was 2,054. The

actual number of permits issued during the same period was only 860, according to Planning Department figures.

Breaking down the totals by category during the same years, the figures show:

- For single-family house permits, the target number was 440; the actual number, 296.

- For multiple-family units, the target figure was 1,614; the actual number, 564.

The city's affordable-housing program was mandated by Measure O. Fifteen percent of all new residential developments of five or more units must be sold or rented to persons with average or below-average incomes.

But, from 1980 through 1985, the total number of permits for affordable units fell far below the targeted amount. The target figure was 306; the actual number, 172.

No permits for affordable housing units were issued in the years 1981 and 1984.

There were two years — in 1980

and 1982 — in which the number of affordable-housing permits surpassed the target figures for those years.

In 1980, six more permits were issued than the target of 44.

And, in 1982, 57 more permits were than the target of 55.

In the meantime, the city's "affordable housing fund" has swollen to \$230,000. This is the amount of affordable-housing fees paid since 1979 by subdividers of single-family lots.

The money is to be used for affordable-housing projects.

An additional \$121,000 was tapped from the fund by the City Council this year to finance a first-year budget for a new housing-development corporation. The money was earmarked to set up administrative offices for the Housing and Community Development Corporation. The corporation has proposed to

stimulate building activity for affordable housing.

Since the city's affordable-housing program was started in 1980, 70 units were built on Blaine Street (approved in 1981); five on Broadway (1981); five on Frederick Street (1986); 66 in three separate projects on Grandview Avenue (1980, 1982 and 1986); 12 on La Fonda Avenue (1981); six on Market Street (1982); two on Potrero (1986); three on Pryce Street (1983); six on River Street (1985) and one on Spruce Street.

City planner Bill Raffo said federal housing subsidies in the early 1980s stimulated the development of affordable units, but those subsidies have since dropped off. Also, about 30 of the units are county Housing Authority projects.

Mostly due to high interest rates in the post-Measure O years, Chief Building Official Dave Steeves says the slow-growth initiative "has never had a chance to work.

"When it's lifted (in 1990, unless renewed by voters), there won't be

any impact at all. The market determines construction activity," said Steeves.

Measure O puts several hundred acres into a "greenbelt" zone, areas that are off-limits to significant development.

The effect, according to Steeves, has been increased land values and housing costs.

"Because of limiting the amount of land that can be developed, you have to build more expensive houses to accommodate the cost of the property.

"You can't spend \$100,000 for a lot and put a \$40,000 house on it."

Raffo cites several causes for the fact housing production has fallen short of the target figures.

The causes are both governmental and non-governmental, he says.

The most obvious cause is cost. Since the boom years of the 1970s, the costs of labor, materials, land and money have all "reached new plateaus that remain beyond the reach of a great percentage of the buying and renting public in Santa

Cruz," he says.

Another cause for shortfalls in housing production is "the changing perception of the market," added Raffo.

For instance, he noted some projects are approved but never built. This is partly due to inadequate financing, but also due to a change in the developers' perception of the market, the planner believes.

From 1980 to 1984, about one-third of the target number of permits were approved but not built, according to Planning Department figures.

Raffo acknowledges the "most significant" cause for this phenomena is "the cost of money to both builder and buyer (interest rates)."

In any case, Raffo agrees with others that the demand for housing in Santa Cruz seems to be almost insatiable.

"I don't think we'll ever have enough room for everyone who wants to live here," he said.