



SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

County of Santa Cruz

Housing Element Update

On June 7, Santa Cruz County held public meetings and debated the adoption of the County's Housing Element. Unlike other parts of the County General Plan, the Housing Element must be reviewed and updated on a regular basis. This document will serve as the County's general plan for housing and will attempt to address the critical housing issues faced by Santa Cruz County. Specifically, the Housing Element will deal with ensuring that there is enough housing for all income levels but most especially, the low-income communities. If adopted, the updated Housing Element would create the following provisions:

- The creation and expansion of an Affordable Housing Combined District
- Increased incentives, monitoring and public outreach for second unit programs
- Clarifications to the County's design review process

County Budget Meetings

The County held meetings on the annual budget for fiscal year 2005-2006 beginning on June 13. Budget discussions centered on maintaining a current level of services while coping with revenue that has become increasingly difficult to find. County officials and their respective agencies have presented a budget that maintains funding at last year's levels. As the *Legislative Watch* goes to press, the budget is expected to be adopted as soon as Thursday, June 23rd.

County Condominium Conversion Ordinance Changes

In their June 7 meeting, the County Board of Supervisors voted to extend their existing interim condominium conversion ordinance. The interim ordinance, which has been in effect since April 2005, prohibits condominium conversions unless they meet one of the following requirements:

- All of the units are restricted under enforceable covenants to be affordable to low and moderate income persons
- A conversion involving four or fewer units, with no fewer than one half of the units to be sold to persons who have resided in the project for at least three years
- A conversion involving a single unit
- A conversion involving four or fewer units and in conjunction with new units on the same property

The previous conversion ordinance specified that condominium conversions would be prohibited if the Federal Home Loan Bank of San Francisco reported a rental vacancy rate for the county of less than 3%. If the proposed conversion met one of the aforementioned criteria, it would be exempt from the 3% requirement. The discontinuation of calculation of the vacancy rate for Santa Cruz County by the Federal Home Loan Bank resulted in difficulties obtaining approval for condominium conversions, and spurred this ordinance change. While the board did pass an extension of their interim ordinance, staff was directed to develop a new permanent ordinance.

City of Capitola

Inclusionary Zoning Changes

Capitola is considering changes to its BMR program. Enacted last November, the current Inclusionary Zoning program makes the following requirements on new housing developments:

- Developments of 15 units or more must make 15% of the units affordable to moderate income buyers.
- Developments of less than 15 units must pay an in-lieu fee on a schedule to be determined by the city.

In their May meeting, the City held a public hearing on proposed changes to the ordinance in response to difficulties with the existing regulations. As the *Legislative Watch* goes to press, the city is planning to hold a meeting on June 23 to receive



a new draft ordinance from staff with possible changes to the in-lieu fees and the current affordable housing requirements.

Capitola Village and Wharf Business Improvement Area

In response to concerns raised by several local business owners, the city council discussed the formation of the Capitola Village and Wharf Business Improvement Area. An assessment would be added to each business's annual business license tax. If approved, this measure would create capital that the city can use to fund improvements in the Capitola Village Area.

City of Santa Cruz

August Ballot Measure

The City of Santa Cruz has declared a fiscal emergency. In order to overcome the expected shortfall in its budget, the City has placed a measure on the ballot, which will be voted on in August. The measure re-establishes a franchise tax on water, utility, and garbage rate users. The previous franchise fee was discontinued. Specifically, Measure X would impose

- A 3% tax on water utility rates
- A 3% tax on sewer utility rates
- A 12% tax on refuse utility rates

The vote will be held by mail-in ballot. Ballots will be sent to all voters in Santa Cruz who have registered to vote by August 15 and are due by August 30.

Design Plan Guideline Amendments

The city is considering changes to the Beach and South of Laurel Area design guidelines. Currently, the design guidelines require that all buildings constructed in the area conform to the current plan guidelines. These guidelines require that new buildings be built in the Spanish Colonial Revival, Victorian, or Fantasy Victorian architectural styles. This has caused problems for many property owners. Such restrictions have limited the

development of several properties because their plans did not meet the current design guidelines. The city will consider changes to the guidelines to better accommodate these issues.

City of Scotts Valley

Scotts Valley is experiencing structural budget deficit issues. According to the staff and the budget subcommittee, one-time sources of revenue are currently being used to fund continuing expenses. As a result, the city is projecting a \$400,000 budget shortfall by fiscal year 2006-2007. In order to bring the budget back into balance, the staff has proposed a study of several different types of taxes to fund their projected shortfalls. The proposals being studied are:

- A sales tax increase
- A utility users tax
- A public safety parcel tax
- 911 Fee

While staff has recommended the sales tax increase, each proposal carries advantages and disadvantages. Any tax increase passed by the council would require a vote of the people, and tax increases tend not to be popular. The 911 fee has been the subject of litigation in several cities and may prove difficult to implement. Updates on this issue will be forthcoming.

City of Watsonville

Housing Market Study

Watsonville will be conducting a Housing Market Study in an attempt to assess its ability to develop and provide affordable housing. At their June 14 meeting, the City Council approved a resolution to solicit bids from consulting companies to conduct the study. The deadline for submitting proposals will be Monday, July 25 at 5pm. Bids may be sent to the City of Watsonville, care of the Redevelopment and Housing Agency. The goals of the



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Housing Market Study are:

- To assess current trends based on direction received from the City's proposed General Plan update
- To determine what kinds of housing product the city anticipates it will need in coming years
- To assess the potential for condominium conversions in the city

This study was motivated by City Council discussions on the viability of the vacancy surveys conducted by the Community Development Department. These surveys had been used in the past as part of the city's condominium conversion ordinance. With the adoption of a new ordinance, the Council felt it necessary to develop a more effective survey to assess actual market trends, which could then be used for better planning and decision-making on the city's housing and condominium conversion policies.

State of California

C.A.R. Legislative Day

On June 8, REALTORS® from all over California gathered in Sacramento to meet with legislators and discuss critical REALTOR® issues including affordable housing policy, private property rights, and regulatory reform. There were four hot issues this year topping C.A.R.'s lobbying list:

- **Opposing** SB 51 (Kuehl)

Termination of Tenancy

Rather than allowing the 60-day notice and requirements to sunset at the end of this year, SB 51 makes the 60-day notice and requirements permanent. After hearing that her bill was again on C.A.R.'s list of Hot Issues for Legislative Day, Senator Kuehl requested that the hearing for SB 51 be cancelled.

- **Supporting** SB 435 (Hollingsworth)

Density Bonus

SB 435 will expand the usability of the State's density bonus

law. Local governments need to provide increased incentives to builders to create desperately low to moderate rental and ownership housing. SB 435 is one of many critical bills needed to make homeownership a reality for more Californians.

- **Supporting** SB 530 (Kehoe)

Insurance Underwriting

SB 530 would allow real estate licensees to preserve an unblemished claims history by resolving any potential disputes within a 60-day "cooling off" period. In the long run, this could mean lower E&O premiums for REALTORS® statewide.

- **Opposing** SB 943 (Torlakson)

Mandatory Environmental Disclosures

SB 943 would require the purchase of a redundant, additional environmental survey in every home sale. This bill essentially subsidizes consulting companies at the expense of homebuyers.

National

Banks try to enter Real Estate

While California REALTORS® were preparing to meet with their state legislators to discuss important California issues in Sacramento, a large threat was brewing in Washington DC. Congressman Mike Oxley (R-OH) introduced legislation that would allow National Banks to operate real estate brokerage firms. If passed, HR 2660 would spell an end to the real estate industry as we know it. HR 111, the Community Choice in Real Estate Act, would make it clear that banks should stay out of real estate. The National Association of REALTORS® is encouraging all REALTORS® to oppose HR 2660 and to support HR 111.

NAR Action Center

All REALTORS® who are concerned about the future of their business and their industry are encouraged to sign up for NAR's Action Center. The Action Center will put REALTORS® in direct contact with their members of Congress. Through the center, REALTORS® can take action and make their voices heard by





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sending messages to members of congress, getting information about important legislation being considered in Washington DC, and accessing tools they can use to tell others about the importance of making their voices heard. If you have not already done so, sign up for the NAR Action Center today at www.naractioncenter.com. All you need to register is your NRDS number, your name and address. The future of your business and your industry may depend on it!

GOVERNMENT MEETING ASSIGNMENTS

Members of the Santa Cruz Association of REALTORS® Local Government Relations Committee pay special attention to the issues of particular governmental agencies and municipalities. Here is a list of this year's assignees:

CITY OF CAPITOLA

Assignee: Philip Scofield

CITY OF SANTA CRUZ

Assignee: Pam Myers

CITY OF SCOTTS VALLEY

Assignee: Peg Popken

CITY OF WATSONVILLE

Assignee: Nita Gonzalez, Overview by Rose Marie McNair

COUNTY OF SANTA CRUZ

Board of Supervisors

Housing Advisory Commission

Planning Commission

Environmental Coordinator

Zoning Administration

Assignee: Rose Marie McNair

Energy Commission 454-2709

Local Agency Formation Commission (LAFCO)

Assignee: Michael Lussier

Mobile Home Commission

Assignee: Sharon Lake

Regional Transportation Commission

Assignee: Mark Millenacker

Water Advisory Commission

Assignee: Tom Sanders

STATE OF CALIFORNIA

Coastal Commission 427-4863

Assignee: Gayle Topping

Reg. Water Quality Control Board

Assignee: Tom Sanders

FEDERAL

Fort Ord Reuse Authority (FORA)

Assignee: Dan Davis

OTHER ASSIGNMENTS

Santa Cruz County Business Council

C.A.R. Political Survival Campaign

Assignee: Philip Tedesco

Association of Monterey Bay Area Governments
(AMBAG)

Assignee: Gayle Topping

Property Management

Assignee: Rose Marie McNair & Dan Davis

Please Note: The Legislative Watch is prepared by the Santa Cruz Association of REALTORS®. The Legislative Watch is only a summary not intended to provide legal advice and should always be verified for accuracy. For more information on a local agency, please call SCAOR at (831) 464-2000 to contact the Local Governmental Relations Liaison assigned to that agency or municipality.