

City Manager's Weekly Update

October 27, 2017

ECONOMIC DEVELOPMENT

MY HOUSE MY HOME

The NAACP hosted a morning landscaping blitz and afternoon BBQ to celebrate the progress that has been made on the first My House My Home ADU on Plateau Ave. This event was made possible through a grant from the AARP.



45 people attended this event and were able to see the great progress that has been made. The drywall is almost finished! We're counting down the days until we can celebrate the completion of our first My House My Home ADU! Below are two photos from the event:



AFFORDABLE HOUSING TROLLEY TOUR – A SUCCESS!

The City's Economic Development Department hosted an Affordable Housing Trolley Tour on Thursday October 26 from 9 – 11 am as part of the larger housing community engagement effort. We had a full trolley, including 5 City staff members (3 from Economic Development and 2 from Planning) as well as 2 of our City Councilmembers.

The tour covered 21 different projects (all projects included in the tour have 10 or more units) and staff provided information including the year the project was built, the amount of affordable units and some of the funding tools that made these projects happen. If you missed the tour you can still learn about what we covered when we post the tour handout on the City's website soon, so make sure to check the weekly updates for more information!

UPDATE ON THE CITY'S AFFORDABLE HOUSING TRUST FUND

Recently several questions have been raised about the City's Affordable Housing Trust Fund (AHTF). How and why was the AHTF created? What has it been used for to date? And, how much is available for funding affordable housing projects or programs in the future? The following update provides an overview of the fund as well as answering these questions.

AHTF ESTABLISHED

The AHTF was set up in 2003 in order to qualify for a state matching grant program for local housing trust funds that had been funded by Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. To qualify for the state grant the City had to have a minimum of \$1 million and a dedicated source of revenue for the fund. The City's AHTF revenue source was identified as housing in-lieu fees that developers paid as an alternative to building affordable units in their projects under the City's Inclusionary Program. It should be noted that given the relatively small quantity of in lieu fees that the City typically collects, these fees had never been used as a primary source of funding for affordable housing projects. The City usually places a higher importance on developers constructing the affordable inclusionary housing units within each development.

However, with the opportunity to leverage these funds with the new state grant, the City did designate housing in lieu funds as the dedicated funding source for the AHTF. At that time the City had less than \$500,000 of available or programmed in-lieu funds that could be counted toward this match. To make up the difference the City Council approved a loan of \$530,000 from the City's Public Trust Fund. This loan was later repaid by the AHTF from in-lieu fees from a development that were targeted for this purpose. The state local trust fund application was successful and in February 2004 the City received a grant of \$1,022,000 from the state. Operating and regulatory requirements for the state grant were incorporated in the City of Santa Cruz Affordable Housing Trust Fund Administrative Guidelines (Guidelines). These Guidelines were adopted in 2003 and have been amended twice; once to provide for administration costs and again to clear up language after the City's Redevelopment Agency was eliminated. The following is a list of the types of projects that are eligible for AHTF assistance:

- Creation of new affordable units.
- Preservation of existing affordable housing.
- Assistance with multi-family rehabilitation programs.
- Conversion of market rate units to affordable housing units.
- Construction of accessory dwelling units.
- Acquisition and rehabilitation of potential limited equity housing cooperatives.
- First time homebuyer loans.
- Predevelopment loans/grants to assist non-profit and for-profit developers with project feasibility studies, site acquisition and preliminary design studies for potential affordable housing projects.
- Administrative costs for affordable housing programs and projects

EXISTING PROJECTS AND PROGRAMS FUNDED BY THE AHTF

Initially the state grant funds and the City's matching in-lieu funds could not be used for any project that received federal Low Income Housing Tax Credit or state Multi Family Housing Program funding. Since all of the City's affordable housing projects used one or both of these funding sources, City staff reached out to the development community and initiated a private/public partnership with Easy Access Developers who later partnered with Barry Swenson Builders and Wilson Brothers to build Redwood Commons. Redwood Commons is a 36 unit, wheel chair accessible, single room occupancy (SRO) development located at 1606 Soquel Drive. Construction of 13 of the 36 units was funded by the AHTF which allowed these units to be affordable to extremely low income households in perpetuity. Two additional units are affordable to low income household for a total of 15 affordable units (42%) in the project. This project, which used the initial state grant and the City's local match, was able to meet the state grant time limits, which was another state requirement.

Since receiving and using this state matching grant, the AHTF has helped fund two additional affordable housing developments and a number of programs. Assisted affordable housing projects include:

- Nueva Sol, 111 Barson Street (\$65,500): This 14 unit SRO project for formerly homeless persons was a joint City and County project and our first "Housing First" model project. The Housing First approach is based on the concept that a homeless household's first need is to obtain stable housing, and that other issues that may affect the household can and should be addressed once housing is obtained. This is now a primary strategy of the regional "All In" Plan.
- Water Street Affordable Housing Project, 708, 712, & 718 Water Street (\$1.3 million): This proposed 41 unit 100% affordable project currently in the plan review/approvals stage with construction expected to start in March or April 2017. There will be 22 one and 19 two bedroom apartments. A community room will have a full kitchen and afterschool homework computer lab. AHTF was used to help purchase the three properties.

In addition, \$325,000 from the AHTF has been set aside for the proposed affordable housing project at 350 Ocean Street as a match for a state grant. Funding is conditional upon the project receiving the grant. Fee deferrals make up the remainder of the matching funds from the City. The future development schedule for this project is unknown at this time.

Programs funded through the AHTF include:

- Inclusionary Housing Affordability Preservation Program (IHAPP) (\$500,000): In 2010, funds were borrowed from the Redevelopment Agency for this Program in order to be able to purchase inclusionary units that were threatened by foreclosure and risked losing their affordability during the recession. Only one unit was purchased and there is currently \$184,758 remaining in this fund. The purchased unit is now being rented and will be resold when the current tenant moves. At that time it is expected that the remaining funds plus the sales proceeds will be used to pay back the loan.
- Riverfront Apartment Fund (\$43,506 + up to a \$10,000/year commitment): As part of the City's negotiation with the owners of the Riverfront Apartments at 49 Blaine Street

for continued renewal of their Section 8 contract with HUD, the City provides funds to construct handicapped modifications requested by tenants in the complex.

- My House My Home (\$240,000): This program is a partnership between the City, Habitat for Humanity, and Senior Network Services to allow senior homeowners on fixed incomes that may be at risk of losing their homes an opportunity to build an ADU and age in place on their property. The City Council has approved matching funding assistance for up to three projects under a 2 year pilot program.
- Landlord Incentive Program (\$22,277): This County-wide program offers landlords and property managers a risk mitigation fund that would cover up to \$2,500 for unpaid rent or damages in exchange for renting to HUD Section 8 Voucher holders. Total program funding is \$100,000 with each jurisdiction contributing in proportion to populations.

AHTF FUNDS AVAILABLE FOR FUTURE PROJECTS AND PROGRAMS

The AHTF currently has a fund balance of \$832,035. All but a little over \$1,000 of this is committed to projects and programs as follows:

CURRENT AHTF FUND BALANCE		\$832,035
CURRENT AHTF COMMITMENTS		
Projects	• 350 Ocean Street Affordable Housing	\$325,000
	• My House My Home Program	\$240,000
Programs	• Landlord Incentive Program	\$22,277
	• IHAPP	\$184,758
	• Riverfront Apartment Fund	\$10,000
Administration	• Staff & Consultant Costs (Budgeted Amount)	\$50,000
Total AHTF Funding Commitments		\$646,210
Remaining/Available Uncommitted AHTF \$		\$1,067

Although the AHTF as funded from housing in lieu fees is still not considered a major funding source for larger affordable housing projects, when combined with other funds such as the City's federal HOME Investment Partnership Program grant they can be leveraged to help make a project feasible. Furthermore, it is expected that in lieu fee revenue for the AHTF will increase over the next decade. In 2006/2007 the City amended the Inclusionary Ordinance to require partial in lieu fee payments for 2-4 unit developments. Previously there were no inclusionary requirements for these small projects. In addition, when calculating the number of inclusionary units for larger projects, a partial in lieu fee is now required for any partial unit that remains after unit calculations are completed. At this time, we don't have a sense of what impact these changes will have in terms of AHTF revenue because so little development has occurred since 2007 as a result of the recession. However, this is changing.

In addition to these partial in lieu fees, as part of the negotiated agreement that allows the developer of 555 Pacific Avenue to rent all of the units in the project, the developer will annually contribute \$46,760 to the AHTF each year the units can be rented. Staff will also

continue to look for other opportunities to augment AHTF revenue. Furthermore, if the SB3 state bond measure is approved in 2018, there may be additional state funding for local affordable housing trust funds.

PARKS AND RECREATION

Wharf

13 Days of Halloween continues at the **Santa Cruz Wharf!** A festivity highlight is **Zombie Night on Saturday, Oct. 28.** The living dead will infiltrate the Wharf stage and dance to Michael Jackson's famous "Thriller" at 5 p.m. Apocalypse Specials will be offered by Wharf restaurants and shops 4-7 p.m. **The 13 day celebration concludes with grand finale of Trick-or-Treating on the Wharf on Tuesday, Oct. 31, 4-6 p.m.** Special guests Spiderman, Princess Elsa and Moana will hand out candy and provide photo opportunities while businesses offer sweet surprises.



DeLaveaga Golf Course

The golf course restrooms are open for business. This project started in late June and was a joint effort between contractor Selden and Sons, sub-contractor Montano Plumbing and City staff. Special thanks to Mike Hopper of Public Works for his help with project management, as well as members of his staff who provided building maintenance efforts and lighting upgrades. During construction, discovery was made of several plumbing cracks and perforations in the vents and pipes within the walls which are believed to be the long time culprits of odor issues experienced in the restrooms.

The project updated the men's and women's restrooms to be ADA compliant. The project included installation of new plumbing (vents and pipes), plumbing fixtures, partitions and sink areas, flooring, LED lighting and the addition of energy efficient hand dryers aimed at reducing paper waste.



Loudon Nelson Community Center

Fri. Oct. 27: Haunted House Preview. Beat the crowds and come check out LNCC's haunted house "dress rehearsal", 6:00-8:00pm.

Sat. Oct. 28: "The Lost Loudeneers" Haunted House and Mask Making Festival, 12:00pm – 4:00pm. Thrill the World dance in Laurel Park at 3:00pm.

The Lost Loudeneers 2017



Bay Street Median Improvements

In coordination with CalFire Crews, staff removed several truckloads of invasive plants and trees in the Bay Street Median. Once the invasive materials were removed, staff planted 30 Redwood trees to create a more consistent plant pallet throughout the median corridor.



PUBLIC WORKS

Engineering

This week's 2017 Overlay Project work demolished non-ADA complaint curb ramps and installed ADA complaint curb ramps along Escalona Drive from Bay Drive to Laurel Street. Construction hours are extended to Saturdays, Oct. 28 and Nov. 4, to ensure that the work is completed before the rainy season begins. The location of the Saturday work will be on Goss Avenue and Morrissey Boulevard. A map with these and other project locations is available at www.cityofsantacruz.com where the construction schedule is updated weekly.



Traffic Engineering/Community Relations

The long version of this week's Street Smarts traffic safety message below can be read [here](#).




220 Street Smarts yard signs have been distributed to City residents. The SLOW DOWN and DRIVE NEIGHBORLY messages have been most popular. We are having more of these produced. They will be available for pick up at our Public Works office at City Hall by Nov. 1 and also available at City Hall to YOU East of the River on Nov. 15.



We are preparing for City Hall to YOU East of the River which will be held on Weds., Nov. 15, at Santa Cruz Bible Church, 440 Frederick St. Residents and business owners in Midtown, Seabright, East Morrissey, Prospect Heights, Ocean Street and the Harbor area are invited to come ask questions and voice concerns with City leaders and staff regarding the future of housing and other priority/neighborhood issues. We hope to see you there! More information: www.cityofsantacruz.com/cityhalltoyou.

ALL NEIGHBORHOODS EAST OF THE RIVER



Midtown, Seabright, East Morrissey, Prospect Heights, Ocean Street and Harbor area residents and business owners: Come ask questions and voice your concerns with City leaders and staff about the future of housing and other priority issues in Santa Cruz.

Wednesday, Nov. 15
6:30 to 8:30 pm
Santa Cruz Bible Church • 440 Frederick Street



Wastewater Treatment Facility

Clarifier 1 has been released back to Operations from painting contractors who had recoated the metal components. Mechanics completed the finishing touches of repairing the movable components on the clarifier before placing it back into service for wet weather. Operations placed a fourth primary sedimentation basin into service, also in preparation for the wet weather season. Mechanics fabricated a stainless steel pipe and replaced a corroded one used for aeration in the Solids Contact Tanks, utilized to flocculate solids after biological treatment in the Trickling Filters, before the water is sent to the clarifiers for settling. Mechanics are currently installing a brand new influent pump.



WATER

As Council Members are aware, the Water Department is looking at \$300M in infrastructure rehabilitation and replacement projects over the next ten years. The scale of this investment is unprecedented in recent history, with perhaps the only time work of a similar nature occurred being the 1960s when the Newell Creek Dam and Loch Lomond Reservoir and the Graham Hill Water Treatment Plant were built. The scale and complexity of work before us demands that Water Department staff be as prepared as possible to plan, problem solve and create together.

With that in mind, we have been working on developing tools, processes and protocols, what you might call “process infrastructure” to help us work together and to approach water system infrastructure projects more efficiently and effectively. This week we worked together as a department on a problem solving method that gives us a consistent, organization wide approach to problem solving. At our quarterly “all hands” meeting yesterday, staff were walked through the methodology and then worked in teams on solving real departmental “problems.” The experience proved very successful.

The Water Department is a close-knit group in spirit, but geographically we are distanced from each other. So it’s always time well-spent when we can get together to build common skills and practices.



Teams working together on problem solving

This week the Santa Margarita Groundwater Agency Board of Directors meeting was held on Wednesday. The Agency is made up of Scotts Valley Water District, San Lorenzo Valley Water District and the County of Santa Cruz. While the City of Santa Cruz is not a member agency, we do have a seat on the board of directors as we do have a stake in the Santa Margarita groundwater basin. Thus we are now involved in the development of both the Mid-County groundwater sustainability plan as well as the Santa Margarita plan. (The Mid-County agency is about a year ahead of the Santa Margarita agency in their work.) You can read more about the Santa Margarita Groundwater Agency at <http://smgwa.org/about/>.

This weekend is the community's last chance to visit Loch Lomond Recreation Area before it completely closes for the season. A "loch walk" on migratory birds that use the lake as a way-station takes place tomorrow from 11:00am – 1:00pm.