



August 15, 2014

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Ms. Previsich:

The actions recently taken by the County of Santa Cruz to analyze, identify and address areas where the public-sector can support economic vitality efforts are a step in the right direction for our community. Placing emphasis on working collaboratively with business, academia, non-profits and fellow government agencies sends a clear message that the County is serious about working cohesively to ensure a strong economic future. The seven (7) goals and subsequent strategies (all 80+ of them) are comprehensive, ambitious and thoughtful in nature. While we appreciate the intention of being as inclusive as possible with the objectives outlined in the draft Economic Vitality Strategy (EVS), we also feel that certain items (outlined in sections 1 and 3 of this document) must be prioritized over others, at least initially, in order for real, tangible successes to be realized.

Over the past year, the Santa Cruz County Business Council (SCCBC) has made every effort to be involved in the development process of the draft EVS. Following its public release on May 20th, SCCBC has taken the time to thoroughly review the draft EVS in order to provide meaningful feedback on behalf of the countywide business community. In addition to our internal review, SCCBC also met multiple times with you and your staff to discuss the draft and share our initial thoughts on the plan and overall process. Based upon these efforts, SCCBC put together a portfolio of feedback for your consideration. The portfolio breakdown is as follows:

#### **EVS RESPONSE OUTLINE**

1. SCCBC Areas of Emphasis
2. General Assessment of Each EVS Goal Area
3. Comments on Selected EVS Recommendations
4. Appendix A - Recommendations Specific to the Sustainable Santa Cruz County Plan
5. Appendix B - Recommendations Specific to Affordable Housing Policy
6. Appendix C - Comments from Watsonville/South County EVS Study Session
7. Appendix D - Comments from San Lorenzo Valley Study Session

## 1. SCCBC AREAS OF EMPHASIS

### **Supporting Core Industries and Local Business**

An approach that emphasizes the importance of nurturing our current core industry sectors is of paramount importance to our county's continued vitality. With the limited economic development resources the County has at its disposal, allocation of time/funding should be directed at ensuring the industry sectors that supply a large portion of our local jobs are supported by programs and policy. Additionally, creating a climate of start-up business support for those in the unincorporated areas will see the County playing a role in helping many fledgling companies become future job providers. EVS efforts related to infrastructure improvements, housing availability and commercial investment will provide needed support in this area.

### **Adoption of the Sustainable Santa Cruz County Plan (Plan)**

Under Goal 2, the draft EVS specifically mentions adoption of the Plan as a key recommendation. The Plan's blueprint for sustainable development in the Soquel Drive corridor is something that could be applied to other (appropriate) areas within the County. Piecing together a long-range plan for land use, zoning, mobility, transit and infrastructure affords the County, and its private-sector partners, the ability to create a comprehensive and sustainable vision for development in our County. Additionally, the proposed "community benefit" incentive program could be the foundation for a more robust incentive program related to both commercial and residential development.

### **Emphasis on Infrastructure Improvements**

We cannot have economic vitality without a modernized, safe, and reliable infrastructure. When we refer to "infrastructure" we use a broad definition that includes transportation, water, broadband, housing and workforce development. The final EVS should place great emphasis on the need for renewed and continued focus on improving all aspects of our infrastructure. We need safer roads. We need more affordable and market-rate housing. We have to work collaboratively and decisively to alleviate our water issues. We need to train and retain a savvy, robust local workforce to meet the employment requirements desired by local businesses. All of these elements are critical to our future.

### **Collaborative Implementation and On-Going Success**

While the draft EVS outlines specific strategies to achieve this, we would recommend the establishment of an External Stakeholder Technical Advisory Committee (ESTAC):

- Purpose is to provide guidance/feedback on the progress of the work plan implementation. This Committee would be comprised of partnering organizations that are identified in the draft EVS document. This Committee would help to ensure that goals/benchmarks are being met in order to keep the adopted "work plan" on track.
- Committee will meet quarterly from 1.5 - 2 hours. There will be monthly updates on the EVS's progress provided to the Committee. Special sessions could be called, if necessary.



### **Streamlining Internal Processes**

The draft EVS, through Goal 2, demonstrates an understanding that enhanced economic vitality is dependent upon the County establishing more efficient, streamlined internal processes. We have heard from our members about unpredictability, lag time and the overall frustration they feel when dealing with the Planning Department. We realize that processes are in place for a reason, but if the County is serious about supporting the work of the private-sector, the opportunity for our members to directly advise about their experiences and what improvements need to be made would be a step in the right direction. We have a handful of private-sector leaders ready to work with you to audit and improve the process. Included in this improvement process is an audit of current County fees. Before additional fees are considered, we need to determine if what is currently in place is working to the benefit of the community.

Additionally, we support adopted use of technology to promote greater ease of use when working with the County. This includes, but is not limited to, the development of software applications for submitting permit applications or when registering a business.

### **Establishing and Maintaining a Culture of Economic Vitality**

It has been 20 years since the County embarked on a similar plan to play a pivotal role in economic development. While it is difficult to pinpoint exactly what went right or wrong with that plan, one thing for certain is that a re-imagining was necessary as many of the points raised in the 94 plan remain as cornerstones for the 2014 plan. That said, the past is the past. We ask that the County take into account what was envisioned in 1994 and determine how to ensure that we succeed now.

### **Prioritize Based Upon Community Feedback**

The County's implementation of the final EVS is going to rely heavily on community partners. These partners have provided a great deal of feedback through this public comment process. When deciding what to cut or add into the final EVS, please factor in the enthusiasm and willingness your key implementation partners have for certain goals and recommendations.

## 2. GENERAL ASSESSMENT OF EACH GOAL AREA

1. Communicating a shared vision for the County economy is something that has been lacking. That said, prior to creating this “vision” and the strategy around it, we must put policies/systems in place to strengthen our case and instill confidence around a shared vision. We have to have something to “sell” that we are all behind.
2. The County has a long history of modest, responsible growth. While our population has increased, our guiding policies have remained largely the same. In order to better utilize the available land we have for residential and commercial development, we must refine policies to allow for responsible, infrastructure oriented, sustainable growth.
3. Nurturing key economic strengths is the appropriate fundamental starting point. These industries define our economy through jobs, tax revenue and general promotion. They are the ambassadors for and stewards of our community’s brand. They prove to others that businesses can survive and thrive here. The County must support our established private-sector leaders through policies that encourage economic growth (infrastructure improvements, housing availability, incentivized commercial property modernization, etc.).
4. Putting systems in place to support and grow fledgling local businesses will set the stage for the future crop of thriving Santa Cruz County companies. Additionally, creating an environment that is conducive for starting, growing, and maintaining a business is a key consideration for policy decisions made at the County-level. Directly working with local entrepreneurs to better understand the issues they face and they needs they have will go a long way to keeping them local.
5. Assessing the condition of our infrastructure and identifying future needs is perhaps the biggest key for future prosperity. Our ability to have a modernized infrastructure will be the difference in retention, growth and recruitment of business. Our water systems, roadways and other key infrastructure elements (broadband, wireless, electrical, etc.) are deficient compared to many neighboring communities. The County must invest in infrastructure improvements if the EVS is to succeed.
6. Thriving town centers and commercial areas are vital to a community’s cohesiveness and economic longevity. Our County is unique in that our unincorporated area has a number of densely populated, highly urbanized areas, as well as a rural element. One key to revitalization of these areas is the availability of housing and improved infrastructure.
7. Promoting the County can be done concurrently with all activities undertaken in the EVS. Additionally, playing a supporting role to the work being done by the CVC, as well as the other organizations promoting the County, is the best strategy for the County’s efforts.

### **3. ANALYSIS OF SELECTED STRATEGIES**

#### **1.1 - Adopting Economic Vitality Strategy (EVS) and Two Year Work Plan**

Instead of adopting the Plan as is, the Board should consider simply “accepting” the plan, while instructing staff to move forward on certain key initiatives determined by the Board. Goals, strategies and metrics will likely change over time, thus requiring a re-imagining of many of the items in the draft.

There should be a two-year work plan developed and adopted with the following in mind:

1. The scope should be manageable, and thus achievable, with the resources currently available.
2. Many of the individual strategies that are listed in the draft could actually fall under actions taken by partnering (not the County) organizations. That said, the County should look at its role as one of support, while not feeling as if it needs to take the lead on everything.

#### **1.2 - Organize County Economic Vitality Staffing and Resources**

Since hiring a dedicated economic development staff member, the County has made great strides in supporting the efforts of private and public partners. We hope that the proposed Strategic Action Team (SAT) will be encouraged/allowed to take an active role in the implementation of the Plan. If we are reading Strategy 1.2 correctly, the SAT will be called upon to assist/advise specific projects related to permitting, fees and regulations. In particular, the SAT will focus on priority projects that have major economic implications. Having the SAT focus on making things run smoother for existing and new business should be the key focus. By running things in a more streamlined, efficient manner, the SAT will see their efforts spill over into business retention/expansion, an enhanced image of the County’s image and the creation of new employment opportunities.

#### **1.3 - Facilitate Regional Economic Vitality Partnerships and Support Systems**

**1.3.1.** - Encouragement of quarterly meetings with economic development professionals throughout the County. We would like to participate in these quarterly meetings to ensure that we are providing the proper level of support for the County to achieve the EVS’s goals.

**1.3.2** - We appreciate the participation that has taken place to this point, and we look forward to continuing that involvement.



**1.3.3.** - We are very interested in working with the County, and other local business organizations, to establish a framework that will strengthen our collective ability to retain local businesses, and to allow those that want grow the opportunity to do so.

#### **1.4. - Consider a Business License Program for Businesses in the Unincorporated Areas**

An assessment of current County fees should be conducted prior to the adoption of new fees. That said, we understand that the four (4) municipalities have business license fees, but we also understand that most local counties do not have license fees for their unincorporated areas. Additionally, if the purpose of this potential fee is to simply gather data, we would suggest looking at alternatives before formally considering an additional fee.

#### **1.5 - Create Communications Strategy to Educate and Promote the Vision**

**1.5.1** - We would recommend a complete redesign of the County's website. Many of the programs and services provided by the County directly impact our local economy and its ability to thrive. The current County website is difficult to navigate and displays information in an unorganized manner. The EVS is promoting a modernized face to County government. The County's website should reflect this.

**1.5.2.** - The County should not be expected to manage all of the information distribution channels. This is where the many external partners can come into play. The County should keep track of the groups that agree to disseminate information. From there, external groups can confirm that the County's information was distributed and to how many recipients.

#### **1.6 - Identify Appropriate Metrics to Track Economic Vitality**

The ability to measure/track EVS accomplishments will be imperative if it is to succeed. Additionally, having data that can demonstrate accomplishments will be useful in outreach messaging. Cabrillo College has shown interest in serving as clearinghouse for local economic data. Perhaps the County should partner with them to track metrics associated with EVS activities and the economic data that is/will be collected.

As mentioned earlier, in addition to the establishment of metrics to track success, we feel that there should be quarterly "partner" meetings convened by the County. These quarterly meetings will allow EVS partners to discuss progress being made, address voids that need to be filled and determine how best to fit in to each of our roles in the work plan. These meetings will hold all involved accountable for their responsibilities.



## **2.1 - Support Adoption of Sustainable Santa Cruz County Plan Study**

See Appendix A

## **2.2 - Update General Plan Elements with EVS goals/policies**

Ensuring that the County's General Plan incorporates elements of the Sustainable Santa Cruz County plan, and ideals expressed through the EVS, is important to maintaining consistent policy and messaging throughout all County efforts/departments.

## **2.3 - Modernizing County Codes, Zoning and Sign Ordinance**

Conducting a thorough review of County codes and making sure the language is consistent with the County's desire to promote sustainable economic vitality. The County has made strides related to analyzing and updating certain codes (60 in the past year) related to planning, housing, agriculture, etc. We welcome continued attention to making sure County codes encourage economic vitality.

Modernized zoning is somewhat addressed in the draft Sustainable Santa Cruz County plan, though the zoning discussed in the plan looks strictly at urban areas. The new zoning designations laid out in the Plan (height, arts, ag support, residential commercial, etc.) mixed with traditional zoning designations provides an opportunity to visualize and plan a diverse, modernized unincorporated area.

## **2.4 - Pursue "One Stop Development Services Center" Model**

SCCBC would be happy to provide expertise from our members that have had to navigate this process in the past (and currently). We can advise on what works well and what does not. Basically, we would propose the business community provide an audit of our experiences and work with the County to improve the process.

## **2.5 - Continue Removing Regulatory Obstacles/Streamlining Permit Process**

We are supportive of an effort to achieve positive direction in this area. Creating an environment that makes it easier for existing businesses to expand/grow is the fastest way to realize more employment opportunities. Our members possess years of experience with the County's permitting process. These members have expressed the desire to work as an advisory "task force" to suggest and implement changes that will make the process more efficient for all parties involved.





## **2.6 - Create “new tools” in Zoning Districts & Development Standards**

Allowing for more zoning flexibility will help with establishing a pattern of sustainable growth/development throughout the County. Less rigidity in land use practices will yield more mixed-use, high-density development, thus allowing for businesses to grow, and employees to have a place to call home. SCCBC would welcome providing input on what is feasible.

See Appendix A on the Sustainable Santa Cruz Plan for more information

## **2.8 - Review Affordable Housing Regulations & Programs for Efficacy**

See Appendix B

## **2.9 - Update County Housing Element**

Any update should incentivize/encourage the development of a diverse portfolio of housing (single-family, rental, mixed-use, etc.) throughout the unincorporated area. Incentives to encourage the development of housing would include: reduction in permitting/planning fee; reducing the affordable housing inclusionary rate; allowing for more density (on top of the allowances yielded through the State Density Bonus Law); allowing for taller buildings (case-by-case basis); and, adjustments to the setback regulations (case-by-case basis).

## **2.13 - Incentivize Second Units and Small Rental Units that are Affordable by Design**

Make fees nominal to permit secondary and small rental units. To encourage property owners with lots large enough to accommodate a second unit, allow for a property tax incentive for developing a new rental unit. Make it easy for un-permitted units to become legal.

## **3.2 - Coordinate with Partners to Convene AG Stakeholder Meetings**

SCCBC is refraining from too much feedback on the agriculture sector of the draft EVS. Our contributions in this area can be found in the comments that were submitted to the County from

the July 2nd Watsonville study session we co-hosted. Additionally, it will be important to include strong agriculture representation in (what will hopefully be) quarterly stakeholder meetings to gauge EVS successes.



### **3.9 - Work with Sutter/PAMF to Support Future Campus Development, and on Reuse Strategies for Existing Medical Buildings**

While Sutter/PAMF's future campus will expand and strengthen these services, it will also be important to support efforts taken by Dominican/Dignity to expand their services in the medical corridor. Ensuring that area zoning reflects the needs of both campuses, and their patrons, will be vital for our community's overall health. The Sustainable Santa Cruz County Plan draft provides guidance for traffic flow, land use/zoning and quality of live elements in this area of the County. Therefore, we refer back to our support of recommendation 2.1 for consideration in conjunction with this specific strategy.

### **3.10 - Work with Dominican/Dignity Health, Sutter/PAMF to Improve Access and Campus Mobility**

In order to accommodate future growth in the medical corridor, certain roadways will need to be reconfigured/re-routed, while consideration for new connections will be on the table. The County should have a seat at the table in all development discussions with local health care providers, and area residents, to ensure that a comprehensive, well-planned approach is taken when planning future traffic flow in the area.

For additional reference, see Appendix A

### **3.15 - Support and Facilitate Workforce Training Programs at Area Educational Institutions**

### **3.17 - Strengthen Youth Education and Training, and Improve Graduation Rates**

See response to recommendation 5.17 for both 3.15 and 3.17.

### **4.3 - Identify Locations and Encourage Adaptive Reuse for Innovation Sector Employment**

Refer to draft EVS recommendation 3.9 as a future reuse consideration.

### **4.4. - Seek to Retain and Attract Innovation and "Maker" Companies**

Allow for modernized work spaces to be constructed/located throughout the unincorporated areas. Provide infrastructure improvements that will allow these companies to grow in our community: better/safer roads; increased broadband connectivity/speed; increase in the overall housing stock (market-rate and affordable). These companies depend upon a supportive County government to have the space and the talent they need to operate.

#### **4.11 - Develop Financing Incentive Program and Assistance Tools**

Revenue that is generated through projects outlined in the EVS should be directed back into economic vitality efforts (i.e. for specific projects, personnel, incentive programs). Hopefully there will be fund generating sources identified in the final EVS draft.

As for specifics related to incentives, the Sustainable Santa Cruz County Plan draft document lays out a number of intriguing ideas that could serve as a basis for an incentive program. The most intriguing part is that the program is based upon “community benefit,” and how specific projects better our local community. We are supportive of the incentives suggested:

- On-site and off-site parking requirement flexibility
- Reduction of cost related to planning and permitting fees
- Possible increase (in addition to the State Density Bonus Law) in the allowed density for residential unit development
- Allowance for an increase in the floor area ration (FAR) for projects meeting certain criteria. This would ultimately allow for height variances where appropriate.

#### **5.1 - Support Expansion of High Speed Broadband Infrastructure throughout the County**

The County’s work to date on its broadband master plan includes several well-conceived steps which would lower barriers, and best of all, take an approach which considers the County's needs and resources as a whole -- rather than piecemeal, vendor by vendor and project by project. Considering broadband whenever planning to repave a street or construct or upgrade a facility will save time, effort and money. We would like to see continued efforts made to work with local ISPs to accomplish “last mile” projects when/where feasible.

#### **5.2 - Work with Regional Transportation Agencies to Achieve Balanced Funding for Improvements to All Modes**

Funding priorities for transportation should start and end with highway and road improvements, as all County residents and all modes of transportation use our roadways (personal vehicles, commercial trucking, cyclists, Metro users, etc.).

#### **5.3 - Prepare and Implement a Development Impact Fee Study to Support Adequate Infrastructure**

Prior to exploring new funding mechanisms (i.e. fees), we would like to ask that the County conduct an audit of the current fee structure to ensure that each fee is effective in accomplishing its intended purpose.

#### **5.4 - Maximize Grant Funding for Infrastructure Improvements**

The County must identify viable funding sources (state and federal) and partner with transportation agencies (and other appropriate groups) to apply for funding. Infrastructure priorities vary, for example the San Lorenzo Valley's septic issues impact local business and housing development, whereas the deteriorating condition of local roadways is a higher priority for Live Oak area businesses. The County needs to be mindful of the small needs, but should place emphasis on securing funding for infrastructure improvements that will be enjoyed by all County residents: local road repair/maintenance; high-speed broadband accessibility; water transfer capability between districts.

The RTC is exploring the possibility of seeking a 1/2 cent transportation-only sales tax measure for 2016. SCCBC has met with the RTC multiple times over the past six (6) months and shared detailed thoughts on the possible measure. If this were to become a reality (meaning that it is put before voters) we strongly encourage that revenue generated by a possible tax be steered toward road and highway projects, as the majority of County residents would benefit for work specific to these elements of our transportation infrastructure.

#### **5.7 - Prioritize Funding to Increase Access and Mobility of People, Goods, and Services throughout the County**

See response to strategy 5.2.

#### **5.13 - Explore and Implement Funding Mechanisms to Stimulate Job Creation, Affordable Housing and Economic Vitality**

See response for strategy 5.3

#### **5.17 - Forge Partnerships and Linkages to Workforce Education and Training Organizations**

There has to be better understanding about where and how the business community can be involved with workforce education/training efforts. A centralized information clearinghouse for ongoing efforts throughout the County would be beneficial. Cabrillo College has shown an interest to serve in this capacity. SCCBC is supportive of considering their involvement as a lead organization in this effort.

SCCBC plans to conduct its own, internal workforce needs assessments amongst its member institutions. Following this assessment, we are open to partnering with the County (and other key stakeholder groups) to conduct a countywide workforce needs assessment. The intended outcome is for there to be a better understanding of the job skills that are sought after by Santa



Cruz County employers. From there, the intent is for the education community to work hand-in-hand with the private-sector to ensure students have the skill sets necessary to fill current and future voids in our local workforce.

**5.20 - Encourage Youth Mentorship and Apprenticeship Programs (Change language to focus on internships)**

Serving as a partner to establish new, and strengthen existing “internship” (rather than mentorship/apprenticeship) programs is welcomed. SCCBC will be devoting time and resources to play a role in establishing a better community-wide infrastructure behind programs such as the ones described in this strategy. Ensuring that benefits are realized for the participating youth, and participating businesses, is of equal importance. While the youth are the intended beneficiaries of such programs, having local business partners that are willing to support such efforts is of equal importance. Without business partners that see the positive impact from such programs, there will be fewer opportunities for youth.

**6.5 - Modify Land Use Regulations to Allow for Flexible Work Space Uses**

Changes in land use designations to encourage “mixed-use” and “workplace flex” commercial development, in addition to zoning changes for the same uses, will encourage a diverse portfolio of commercial space throughout the unincorporated area. Much of this is outlined in the “next steps” section of the draft Sustainable Santa Cruz County Plan. While the “Plan” is geared more toward a certain geographic area of the County, there are opportunities to take these recommendations and apply them to other areas as appropriate.

#### 4. APPENDIX A - RECOMMENDATIONS SPECIFIC TO THE SUSTAINABLE SANTA CRUZ COUNTY PLAN (PLAN)

1. **Emphasize the goal of “ensuring that regulations encourage private investment.”**  
Through flexibility, simplification and predictability, the review process in the Plan area can encourage private investment by working to make projects both economically and functionally viable.
2. **Encourage the development of market-rate and affordable housing through mixed-use, high-density projects.** The Plan area is the most densely populated unincorporated area. To meet current and future needs of the County, future policy changes must encourage housing development of all kinds to meet market demand. Therefore, mixed-use development must have more flexibility when it comes to the percentage of housing allowed in a specific project. Current regulations can make mixed-use projects financially infeasible due to constraints on housing.
3. **Re-focus the design review process in a constructive and efficient way.** Identify the most important design issues in the Plan area. Focus on a few priorities with specific rationale and in enough detail so as to provide real guidance to the overall process. Pay particular attention to the interface between the public and private space in key areas where design can catalyze sustainable change. Simplify the overall review process if the zoning and design criteria meet established, previously communicated County standards.
4. **Create ways to address the interface between Plan corridors and adjacent areas.** Sustainable development demands greater height and scale in urban corridors, but also must transition to adjacent areas used to a lower scale. Analyze conditions and understand where/how to implement a workable design and regulatory framework for making transitions. Identify future Plan area expansion options on the periphery.
5. **Address traffic/mobility issues holistically.** Emphasize and use the General Plan and Circulation Element for long range traffic planning. Use project level review in Plan areas to fine-tune implementation of transportation objectives and traffic measures. Ensure that piece-meal approach is not taken when it comes to mobility planning. Address traffic flow issues on Highway 1.
6. **Incentivize projects that are sustainable and provide a “community benefit.”** Set forth a clear, incentive laden strategy for development in the area. Allowing for flexibility in parking requirements, reduction in permitting/planning fees, expediting County review processes and allowing for increased density are possible incentive cornerstones.

## **5. APPENDIX B - RECOMMENDATIONS SPECIFIC TO AFFORDABLE HOUSING**

The following are comments specific to the recent recommendations put forth by the County (and Keyser Marston Associates-KMA) for changes to the Affordable Housing Program:

### **KMA Report Recommendation 2 - Requirements for Ownership Units**

The option to pay an in-lieu fee as an alternative to meeting existing inclusionary requirements is a step in the right direction; however, we feel the recommended fee level of \$15.00 per square foot is cumbersome and not reflective of what the market will bear. Looking at the additional cost of developing a single family home at 3,200 square feet will result in an additional charge of \$48,000.00, a non-trivial amount. The business community plans to conduct research to reach consensus on a feasible in-lieu fee for ownership units; one that will encourage construction.

### **KMA Report Recommendation 3 - Requirements for Rental Units**

In updating the requirements for new rental units, the report states that under current conditions the development of new rental housing, even at market rate, is not economically feasible. Imposing a nominal fee of \$2.00 per square foot does nothing to incentivize the development of more rental housing, and generates reduced revenue. The EVS does mention incentivizing second units and ADUs. We are supportive of encouraging property owners to do so, perhaps through property tax incentives or a waiver/reduction in ADU/second unit permitting fees.

### **KMA Report Recommendation 4 - Requirements for Non-Residential Development**

The report recommends that a fee of \$2.00 per square foot be imposed upon all new commercial development. This should be looked at on a case-by-case basis. If a project provides a “community benefit,” the provision laid out in the draft Sustainable Santa Cruz County Plan could factor in to incentivize development (therefore, no fees or additional burdens).

### **KMA Report Recommendation 5 - Obligations for Properties Rezoned from Commercial to Residential**

In response to the recommendation that addresses the rezoning of commercial properties to residential, we applaud the forward thinking shift towards loosening the existing requirements of Measure J, which has proved ineffective at generating more affordable housing. A more flexible approach that includes potential public benefits, while reducing the on-site inclusionary percentage from 40% to 15% is a positive step forward.

In summary, we have concerns about an approach that relies entirely on imposing fees on new development, as opposed to a plan that creates more flexibility and incentives (similar to those outlined in the Sustainable Santa Cruz County Plan draft). Furthermore, we worry that the message conveyed through the KMA report is inconsistent with the economic vitality messaging that has been strongly put forth through the County’s Sustainable Santa Cruz County Plan and Economic Vitality Strategy (EVS).

## **6. APPENDIX C: COMMENTS FROM THE WATSONVILLE/SOUTH COUNTY STUDY SESSION**

**Host organizations: Santa Cruz County Business Council, El Pajaro Community Development Corporation, Santa Cruz County Farm Bureau and Pajaro Valley Chamber of Commerce & Agriculture**

The following notes were transcribed from the breakout groups at the July 2nd meeting on the County Economic Vitality Strategy (EVS) that took place at Watsonville Community Hospital. The notes have been edited for clarity with supplemental changes to content.

### **Group 1 - Create a shared vision and organize for action (EVS Goal 1)**

- In regards to recommendation **1.2**, there is a greater need for dedicated economic development resources and staff across the County for a more comprehensive vision. South County needs to have adequate representation when creating the “strategic team” envisioned in this recommendation.
- For recommendation **1.3**, regional meetings with other economic development staff, both within the county and the cities, should take place quarterly, as opposed to twice a year. These meetings should also be placed on public calendars. Existing economic plans, including the EVS, could serve as the basis for these meetings to evaluate progress.
- In regards to recommendation **1.4 and the consideration of a county business license**, this group recommends the “exploration” of a business license process, while not wholly endorsing a fee. This group recognizes the importance of having access to data that is both up-to-date and accurate, but the process of soliciting this data should be streamlined as much as possible. One potential model could be a voluntary submission of data through an open web portal, like OpenCounter, which was developed in partnership with the City of Santa Cruz and Code for America by Peter Koht. Additionally, both the County and the cities need to have more constant contact with businesses, and perhaps these collective databases could include contact information (business license databases).
- For recommendation **1.6**, as previously mentioned, OpenCounter could be a software solution to help with this process, however other computer programs should also be explored.

### **Group 2 - Support sustainable development and the affordability of housing (EVS Goal 2)**

- In general, everyone wants more affordable housing, it’s just how we get there. Are we going to levy more fees on development to help makeup for the loss of redevelopment funds, or are we going to work with business stakeholders to create market incentives for the development of more affordable housing. This group prefers the latter approach and feels that more fees would punish further development.



- In general we are happy with the initial progress being taken to shift the mindset of the County, in that they seem to be more willing to work with us than against us, however this needs to continue.
- There was widespread agreement concerning further sustainable development (mixed use and transit oriented) as talked about in recommendation **2.1 and the Sustainable Santa Cruz County Plan, General Plan updates (2.2) the modernization of county codes (2.3), the creation of a “one stop shop” development services center” model (2.4), and streamlining the permitting process (2.5).**
- Another recommendation area of broad support was **2.13**, which would encourage and incentivize the development of secondary units and units that are affordable by design.
- This group also stressed the need for the adoption of more policies that would encourage the development of more market rate housing, which would in turn put more pressure on existing homeowners and landowners to compete more. There is a general shortage of housing stock, not just affordable housing stock.
- Additional options for incentivizing more affordable housing (as opposed to more fees), include: greater density bonuses, lifting height restrictions, lower interest rate loans, small ownership unit (SOU) programs, income tax credits for equity, and property tax incentives. One thing that everyone in this groups wants is more flexible zoning, and higher density zoning!

### **Group 3 - Strengthen key economic sectors: agriculture, health, education, leisure & hospitality (EVS Goal 3)**

- Recognition that agriculture is one of the top 2 industries in the County and that most of this is centered in South County.
- This groups supports changes to the county code that would promote more agricultural tourism, specifically recommendation **3.23**, which applies to creating bed/breakfasts on site. This recommendation would help promote Santa Cruz as an ag-tourism destination, and would specifically help the Gizdich and Glaum Egg ranches.
- Agriculture is directly connected with all sections of the workforce, including but not limited to childcare, technology/innovation, education, retail, hospitality, etc. More workforce development is necessary to find qualified people in all lines of work.
- In regards to recommendation **3.15** more collaboration is needed with regional educational institutions, including evaluating the needs of local industries and tailoring educational programs to meet those needs. We need specific education tracks for the most needed positions, specifically for those in agriculture and healthcare (**3.14**).
- This group strongly supports the development of a hotel in the medical corridor (**3.11, 3.22**).
- In regards to recommendation **3.13**, concerning the housing needs of medical workers, this group strongly encourages the County to further analyze the gap in affordable housing with specific focus on the medical corridor. As Sutter/PAMF continues to grow, it is estimated that 50-60% of newly created jobs will lower earning jobs, meaning that affordable housing is

essential. One potential way to deal with this shortage, which would also facilitate the growth of these centers more sustainably would be allowing for the development of taller buildings/easing current height restrictions. As it stands now, you can only have 2 stories for new developments within the County. The current restrictions make a lot of needed development financially infeasible.

- This group supports the recommendations **3.9, 3.10, and 3.12**, all of which deal with the expansion and future needs of the community healthcare centers, allowing healthcare to become more affordable.

#### **Group 4 - Enhance growth opportunities for emerging sectors of technology/innovation and the arts; support small business (EVS Goal 4)**

- In regards to recommendation **4.11** financing incentives are essential for supporting newer, high growth industries.
- This group strongly supports partnership with the Small Business Development Center (**4.19**) to expand training programs for small business owners.
- This group also strongly supports the expansion of more broadband infrastructure and greater access to high speed internet (**4.21**).
- This group does not feel that recommendation **4.5** is very feasible as most Santa Cruz tech commuters who work over the hill do not work together, therefore it is unlikely that creating satellite offices would be very appealing. Instead the County should work to promote telecommuting amongst this section of the workforce and support more co-working spaces like Cruzio and NextSpace.
- This group is also highly skeptical of recommendation **4.8**, which relates to reuse of the CEMEX site to foster job creation. The CEMEX location revitalization represents a very expensive proposition, that may not prove to be viable in the end.
- For recommendation **4.7**, which describes a live/work incubator for technology, this group is unsure as to whether or not this is necessary, though the idea is intriguing. They have confidence that the technology sector is managing just fine, and that the real problem is keeping local talent here. To this end more affordable housing in general is needed.

#### **Group 5 - Expand public sector capacity and infrastructure (EVS Goal 5)**

- Of critical importance is the improvement and maintenance of local roads. Farmers, who represent one of our largest industries, depend on these roads. This action item is not wholly addressed in any of the listed recommendations.
- In regards to tax credits and incentives for new businesses (**5.21**), this group strongly supports the use of tax credits to incentivize local hiring. From personal experience these types of hiring incentives have proven to be effective. However, more outreach and education is necessary to inform more businesses about the availability of these incentives. This could also be a part of

the OpenCounter online portal for new businesses, with a prompt that asks if the company is hiring, and if so, displaying links to related incentives.

- In regards to recommendations **5.16, 5.17, 5.18**, which relate to the Workforce Investment Board (WIB), this group strongly supports continued and expanded County support for this organization and its initiatives. This group discussed the connection between labor shortages, lack of affordable housing and the need for educating students for the career ladders within major sectors such as agriculture. Many of the mid – to longer- term priorities related to workforce, education and training were important to this group. This group further recommends the implementation of a workforce needs assessment to identify the positions most in need by local businesses, so that workforce training and vocational programs can be tailored to meet these needs, effectively creating career tracks for specific industries. Furthermore, this process would work best if the businesses involved agreed to hire those who had participated in these tracks.
- Concerning recommendation **5.15**, which relates to new zoning tools, there was some question about whether this action item meant developing mixed use with higher housing density in town centers in order to make more development viable. If so, the County needs to be conscious of limited water resources when considering all new development. This group suggests the County convene with the cities to collaboratively address resource and infrastructure issues, such as water and roads.
- With regard to recommendations **5.2, 5.12 and 5.13**, which all concern funding mechanisms for infrastructure, this group agreed that any fees would have to show results. For example, it wouldn't make sense to farmers for there to be a county business license fee with no improvements of rural roads.
- This group strongly supports the continued development and expansion of broadband infrastructure (**5.1**). In particular, internet infrastructure is widely used by those in the agricultural community because they do their business online.

#### **Group 6 - Revitalize and strengthen town centers and commercial areas (EVS Goal 6)**

- This group wanted the El Pajaro Community Development Corporation to also be listed as a resource with other local economic development organizations.
- In terms of recommendation **6.4**, and the development of new office and workspace in mid-county, this group felt that the same recommendation can also be applied to areas in South County.
- This group felt the same about recommendation **6.11**, with regards to revitalizing small town centers, in that this could also be applied to Watsonville and its surrounding communities, some examples include Day Valley, Interlaken, Corralitos and Aromas.
- In general this group felt that many of the non-location specific recommendations could and should be applied to areas in South County, which has been traditionally underrepresented in the planning process. Many questions were raised about how the EVS will intersect with efforts to revitalize downtown Watsonville.



**Group 7 - Promote Santa Cruz County to local, regional, statewide, national and global markets (EVS Goal 7)**

- This group felt strongly that Santa Cruz County needs to be promoted as a whole and not just the City of Santa Cruz. (7.3, 7.4, 7.5)
- Additionally, this group encourages the County to support more cross county promotions, including partnerships with Monterey and San Benito.
- This group suggests that a potential way to fund more promotional efforts is to levy higher transportation occupancy taxes (TOT) on visitors.
- Sample slogan for the region: “Santa Cruz County, the Sunny Side of Monterey Bay”.



## **7. APPENDIX D: COMMENTS FROM THE SAN LORENZO VALLEY STUDY SESSION**

On Monday, August 11th, members of the Santa Cruz County Business Council sat down with the San Lorenzo Valley Chamber of Commerce to discuss the County's draft Economic Vitality Strategy (EVS). Additionally, representatives from the County Planning Department and Supervisor Bruce McPherson's office were in attendance.

The discussion was both helpful and constructive in understanding the broad and unique interests of the San Lorenzo Valley. Keeping in mind the countywide scope of the draft EVS, the group spent significant time conversing about each of the seven (7) goal areas. The group discovered that most felt these seven (7) key areas do a good job addressing support for key local industries, creation and retention of local jobs, and taking into account our collective infrastructure needs. More specifically, the group applauded the County's recent efforts to update outdated codes (agriculture, recreation, cottage industries, technology and small business to name a few specific industries), and expressed encouragement by the future plans laid out in the draft EVS to review other codes and streamline processes within the Planning Department.

While most of the hour (plus) session was spent talking about the positive aspects of specific EVS goals, and the cohesiveness it will take between the County and external partners to accomplish them, there was discussion about how little is mentioned regarding public safety, health and human services, support for at-risk and homeless populations, and law enforcement resources for transient offenders. Like other areas of the County, issues related to those listed in the previous sentence have had a negative impact on economic vitality in SLV. Specifically, those in attendance expressed concern that residents and visitors alike, at times, do not feel safe. Furthermore, and again in keeping with other areas of the County, it was commented that many transient individuals disproportionately contribute to local public nuisance crimes, such as public intoxication and property damage in the area. The consensus around the table was that the final EVS must weigh the impact social issues have on our local economy. Ignoring this would leave a void in a final plan should it be adopted by the Board of Supervisors.

In terms of tourism and general promotion, participants expressed a desire for consistent, unifying messaging in the promotion of the County as a whole. The San Lorenzo Valley has a number of world class campsites, wineries, festivals and art shows that represent a unique offering to tourists and should be promoted to a greater extent than they are currently. The County should work closely with all local promotional groups, including the Santa Cruz County CVC, from around the County to ensure that all of our unique aspects are packaged under one, unifying "umbrella."



Out of the seven (7) core goals outlined in the EVS, goal six (6), which focuses on revitalizing town centers in the unincorporated area, was of particular importance to the conversation due to 4 smaller towns of Felton, Brookdale, Ben Lomond and Boulder Creek residing in SLV. While those in attendance were quick to acknowledge the work of Supervisor Bruce McPherson in facilitating likeminded discussions aimed at improving these central spaces, they also noted that the current limitations related to septic treatment prevented further development and limited expansion. For instance, in some instance, current septic limitations constrain the number of onsite bathrooms a facility may have. Additionally, in terms of meeting the goals of the EVS, and the County's affordable housing program, these infrastructure constraints pose a challenge for new housing and remodels. However, amendments in how the County defines Accessory Dwelling Units (ADUs) would be a positive step toward alleviating the housing shortfall.

In terms of general feedback, participants acknowledged positive steps taken by the County at all levels, but cautioned that the EVS, while beneficial in much that it outlines to accomplish, must be focused and results-driven. Additionally, those in the room commented on benefit of different business groups sitting down together to explore one another's priorities, interests and concerns.