

RESOLUTION NO. NS-XX,XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ CREATING
DOWNTOWN DENSITY BONUS FEES AND CHARGES FOR DEVELOPMENT
PROJECTS

WHEREAS, on May 13, 2025, the City adopted Resolution NS-XX,XXX amending the Downtown Plan, a specific plan, with policy to establish a Downtown Density Bonus available to certain properties in exchange for contributions to the City's below market rate housing stock; and

WHEREAS, projects pursuing use of the Downtown Density Bonus must meet one of five qualifying criteria, one of which is a fee in lieu of construction, one of which allows for off-site construction of below market rate housing, and one of which allows for dedication of land entitled for development of below market rate housing; and

WHEREAS, the development of housing affordable to households of all income levels is an important exercise of the City's police power; and

WHEREAS, the City contracted with Keyser Marston in 2024 to determine the appropriate level of fee to create when funds are provided in lieu of development of housing, based on market rate and below-market-rate rents; and

WHEREAS; the amount of the in-lieu fee is set at \$60 per square foot of leasable space, a rate sufficient to ensure that the housing created using funding will be provided at deeper levels of affordability than the below market rate housing that might otherwise have been built on site with the Downtown Density Bonus project; and

WHEREAS, paying of the in-lieu fee as described in the Downtown Plan will qualify a development proposal to receive the benefits of the Downtown Density Bonus; and

WHEREAS, development pursuing the option to dedicate land entitled for below-market rate housing to the City of Santa Cruz in order to qualify for the Downtown Density Bonus will be required to financially contribute to the cost of City staff needed to manage the development of the parcel with housing, and also to the payment of fees to further support the provision of affordable housing in the City; and

WHEREAS, City staff estimate that the amount of staff cost equivalent to the cost of one year of salary plus benefits for a Development Manager will be needed to manage the development of a housing project on land dedicated for that purpose; and

WHEREAS, analysis of recent housing developments has demonstrated that on average, each square foot of leasable space requires \$9.54 in development fees, which is a cost that must be borne by the project applicant pursuing the Downtown Density Bonus; and

WHEREAS, the City seeks to ensure compliance with the provisions of the Downtown Density Bonus Policy and has therefore included a clause authorizing the application of a penalty for non-performance by developers pursuing the option to develop below market rate housing off-site at a rate of the entire amount of in lieu fee that would otherwise have been required plus an additional penalty of ten percent (10%); and

WHEREAS, the Downtown Density Bonus Fees schedule will be adjusted annually to account for cost inflation, adjusting automatically on January 1 of each year, beginning in 2026, with the adjustment based on the year-over-year percentage change in the Consumer Price Index; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Cruz that the foregoing recitations are true and correct, and are included herein by reference; and

BE IT FURTHER RESOLVED that the City Council adopts the Downtown Density Bonus Below Market Rate Housing In Lieu Fee, the Downtown Density Bonus fee for Land Dedication; and the 10% penalty as detailed in subsection 14 of section K of Chapter 4 of the Downtown Plan, and incorporates said fee into the Citywide Fee Schedule, effective sixty (60) days after passing of this resolution.

PASSED AND ADOPTED this 27th day of May, 2025, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED:

Fred Keeley, Mayor

ATTEST: _____
Bonnie Bush, City Clerk Administrator