

# 2425 Durant Avenue Project

## Applicant Statement

March 7, 2025

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### Overview and Project Introduction

The applicant team is pleased to submit this application package for a 5-story, 100% affordable housing development at 525 Water Street in Santa Cruz. This is an application for a development permit pursuant to Government Code § 65912.111, otherwise known as Assembly Bill 2011 (AB 2011). The project is also subject to the protection of Government Code § 65589.5, the Housing Accountability Act. Pursuant to State Density Bonus Law (SDBL), this project is eligible for a density bonus that includes concessions and waivers to support the proposed project's development (Government Code § 65915).



Figure 1. Rendering of Proposed Project

This Applicant Statement includes:

1. Project Background
2. Project Description
3. City of Santa Cruz General Plan & Zoning Ordinance
4. Project Analysis
5. Legislative Context
6. Project Team
7. AB 2011 Eligibility Memorandum

This application for 100% affordable housing development is submitted by Zen Development for a proposed project of 90 dwelling units. The project will have 89 below-market-rate units and 1 manager's unit, as well as associated residential amenities and onsite residential services. The units will be affordable to lower households earning less than 60% of the Area Median Income (AMI).

The proposed project will provide 112,589 square feet of gross floor area. The proposed project site at 525 Water Street is comprised of two parcels with one existing commercial building (developed across both lots) and associated surface parking

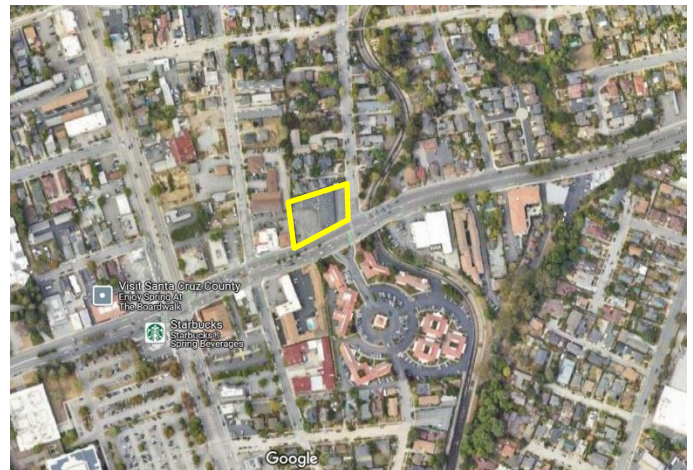


Figure 2. Neighborhood Vicinity Map

lots. The existing commercial building onsite is vacant and it is proposed to be demolished to allow the construction of the new residential building.

## 1. PROJECT BACKGROUND

The proposed 100% affordable housing project at 525 Water Street will be developed by Zen Development, which specializes in affordable and mixed-income housing development projects.

### ***Property Information***

APNs: 008-332-10, 008-332-35

Parcel Size: 32,582 SF (.75 acres)

General Plan: Community Commercial (C-M)

Zoning: Community Commercial (C-C) zone, however under AB 2011, only the density and development standards from the Residential Medium Density (R-M) zone are applied to the project.

Neighborhood Area Plan: [None]

The project site is located along Water Street, one of Santa Cruz's commercial corridors offering a range of retail, restaurants, office, mixed-use residential, and commercial services. There is a bus stop located along Water Street in front of the project site. The project site is located within a ½ mile of a major transit stop.

### ***Existing Conditions***

The proposed project site is a corner lot consisting of two adjacent parcels fronting Water Street. The site currently contains one vacant commercial structure which previously operated as a restaurant. The existing building and associated surface parking lots are all proposed to be demolished. There is no vegetation or trees onsite. There are no residential units onsite.

## 2. PROJECT DESCRIPTION

The applicant, Zen Development, is pleased to bring this proposal for a 100% affordable (at 60% AMI or less) housing development to the City of Santa Cruz to help increase its supply of permanently affordable housing. The project proposes to build a new, 5-story residential development with 90 permanently affordable units with onsite resident services. Residents will access the building through the lobby fronting Water Street. The parking garage entrance is

| Table 1: Surrounding Uses and Zoning |  |                                 |
|--------------------------------------|--|---------------------------------|
| Direction                            | Use  | Zoning                          |
| Project Site                         | One vacant commercial building and parking lot                 | Community Commercial (C-C)      |
| North                                | Single Family Homes (Victorian Court) and Commercial (Offices) | Single Family Residence (R-1-5) |
| East                                 | Commercial (Offices, Restaurant/Bar)                           | Community Commercial (C-C)      |
| South                                | Commercial (Hotel, Offices, Retail)                            | Community Commercial (C-C)      |
| West                                 | Commercial (Offices, Personal & Household Services)            | Community Commercial (C-C)      |



Figure 3: View from across Water Street

located on Market Street. There is an open space courtyard on the podium level, fronting Water Street. The site is prime for re-development to a higher density use because it has good access to schools, public bus transit, grocery stores, and other urban services and amenities in Santa Cruz.

The project proposes to demolish the existing building, merge the two parcels, and develop 33 one-bedroom units, 24 two-bedroom units, 23 three-bedroom units, and 10 four-bedroom units. The ground floor will include residential parking spaces, a bicycle parking room, a common amenity room, and supportive service offices. The project will have a total of 5,803 SF of open space for future residents to enjoy, either on the 5<sup>th</sup> floor deck or on the south-facing courtyard on 2<sup>nd</sup> level.

The at-grade parking garage within the building includes 35 vehicle parking spaces. The residents will access the parking garage from the two-way driveway on Market Street. The proposed parking ratio for the project is 0.38 vehicle spaces per unit, which reflects the needs of future tenants. These spaces include two ADA accessible parking and two EV spaces.

The project is near a bus stop, located along Water Street. There will be secure bike parking for residents to encourage active modes of alternative transportation. The proposed project will include 123 total bicycle parking spaces in the ground-floor bicycle storage room.

The proposed project is a 100% affordable multifamily housing development, with all units available to lower-income households earning less than 60% AMI. Zen Development will explore options for providing a deeper range of affordability and housing options. The exact affordability levels will be determined through future anticipated funding and regulatory agreements. For the purposes of this AB 2011/Density Bonus Project application, the project requests approval for all units to be available to lower income households earning less than 60% AMI.



Figure 4: Pedestrian-level view

### 3. CITY OF SANTA CRUZ GENERAL PLAN & ZONING ORDINANCE

The project is compliant with the objective standards of the City of Santa Cruz General Plan and Zoning Ordinance, which also includes the Objective Development Standards. The General Plan designation, **Community Commercial (C-M)**, is intended for mixed use development. This General Plan designation allows a FAR of 0.25 to 1.75.

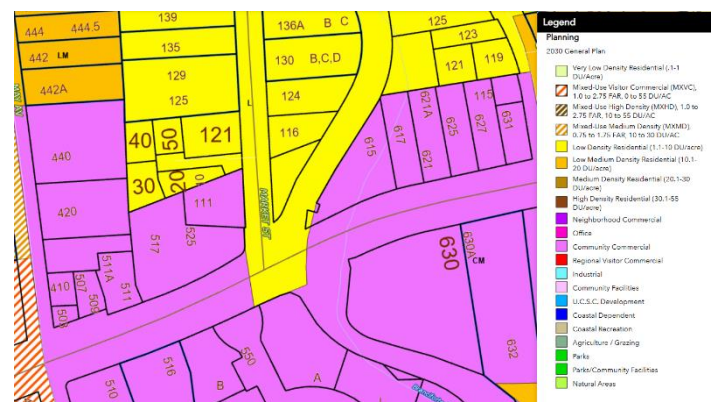


Figure 5: City of Santa Cruz General Plan



The project site is comprised of two parcels zoned **Community Commercial (C-C)**, which allows mixed-use (including residential) development. The CC zoning district purposes include “providing locations throughout the community for a variety of commercial and service uses”, and that “promote the policies of the General Plan”; and “encourages harmonious mixture of a wide variety of commercial and residential activities.”

Pursuant to AB 2011 (Government Code § 65912.113(b)), the proposed project will achieve a residential density suitable for accommodating lower-income housing, consistent with the density permitted in the R-M (Multiple Residence) zoning district. Additionally, under Government Code § 65912.113(e), the project is subject only to the applicable objective standards of the zoning district that most closely aligns with the proposed residential density, which is the R-M zoning district rather than the C-C (Community Commercial) zoning district.

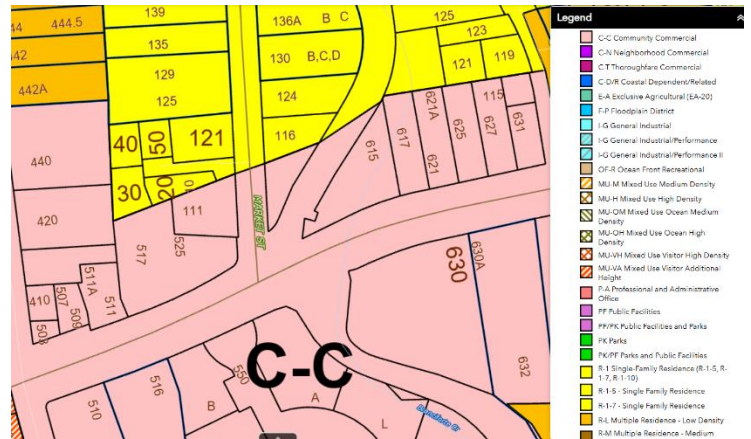


Figure 6. City of Santa Cruz Zoning Map

#### 4. PROJECT ANALYSIS

Table 2 below includes the major development standards that are applicable to the proposed 100% affordable housing project.

**Table 2: Major Development Standards for 525 Water Street Building**

| <b>Municipal Code Standards</b>   |  | <b>R-M Standard</b>   | <b>Proposed</b>  | <b>Compliance</b>  |
|-----------------------------------|--|---|------------------|--|
| <b>Building Height</b>            | Main Building Height, Maximum              | 35 feet   | 60 feet 6 inches | Compliant with SDBL waiver.  |
| <b>Residential Density</b>        | Minimum (du/acre)<br><br>Maximum (du/acre) | 20-40 du/acre<br><br>1,450 SF per unit<br><br>(32,582 SF/1450 SF = 22.47 units; 30 du/acre) | 120 du/acre      | Compliant with SDBL 80% density bonus (and inclusion of Flexible Dwelling Units (FDUs)). |
| <b>Lot Line Setbacks, Minimum</b> | Front                                      | 8 feet  | 3 feet 4 inches  | Compliant with State Density Bonus Waiver.   |

|                          |  |   |                                |  |
|--------------------------|--|---|--------------------------------|--|
|                          | Rear   | 10 feet   | 2 feet                         | Compliant with State Density Bonus Waiver. |
|                          | Exterior Side                                      | 5 feet  | 1 foot 8 inches                | Compliant with State Density Bonus Waiver. |
|                          | Interior Side                                      | 8 feet  | 1 foot 6 inches                | Compliant with State Density Bonus Waiver. |
| <b>Usable Open Space</b> | Common Open Space, Minimum                         | 400 SF per unit<br><br>200 SF per studio or 1-bed unit<br><br>[= 29,400 SF] | 5,083 SF of Common Open Space. | Compliant with State Density Bonus Waiver. |
| <b>Parking</b>           | Automobile Parking                                 | 0 (per AB 2097)   | 35 spaces                      | Compliant.                                 |
|                          | Bicycle Parking, Residential Class I (Long-Term)   | 1 space per unit<br>[= 90 spaces]   | 90 long-term spaces            | Compliant with State Density Bonus Waiver. |
|                          | Bicycle Parking, Residential Class II (Short-Term) | 1 space per 4 units<br>[= 23 spaces]  | 23 short-term spaces           | Compliant.                                 |

A comprehensive table analyzing the project's consistency with objective standards is included as an attachment with this application: Compliance with Objective Zoning and Design Standards Table.

**Project Design**

The ground floor of the 525 Water Street project includes the residential entry lobby, property management offices, conference rooms, and a residential community room. These residential amenities – the lobby, common amenity room, conference rooms, and property management office – are located adjacent to the sidewalk, creating connections that make for an active street frontage.

The proposed project is designed to activate the ground floor frontage by creating a visual connection between interior activities and the streetscape along Water Street and Market Street.

The ground floor is designed with pedestrian engagement in mind, featuring storefront glazing systems to invite pedestrian interest and interaction. The project proposes transparent features on 1,261 SF of the ground floor frontage (59% of the total). This transparency will make interior activities visible to pedestrians and enhance the streetscape experience.



Figure 7. View of Podium-level Courtyard (Level 2)



Figure 8. View of streetscape along Water Street

The ground floor program has been carefully curated to maximize public interaction, featuring a substantial multi-purpose amenity space that can host various community-oriented activities and a conference room. These flexible spaces can adapt to different uses throughout the day and evening, ensuring continuous activation rather than the limited hours typical of single-use commercial spaces. The ground floor program also includes a 657-square-foot space that will either be a dedicated fitness space for the residents or a potential café space/retail storefront.

Together, these elements create a vibrant, pedestrian-oriented ground floor frontage to activate this prominent corner along the Water Street corridor. The proposed project design extends activity into the public realm, beyond the building itself, with its thoughtfully designed corner plaza. The corner plaza features planters, bioswales, and seating areas to integrate into the streetscape along Water Street and Market Street. The building's articulated facade with varied materials, colors, and setbacks at ground level creates visual interest for pedestrians.

**Sustainability**

This project is inherently sustainable as it is a multifamily development on an infill lot with an accessible bus transit stop. The infill site will take advantage of the existing infrastructure that connects to the site, such as water, sewer, and utility lines. The landscape design for this proposed project is drought-tolerant with stormwater treatment on site. All the plants and trees chosen for

the project have low to moderate water needs, which minimizes the supply of water needed to maintain landscape health and appearance.

Additionally, the project plans for a relatively low vehicle parking supply of 35 spaces, for a vehicle parking ratio of 0.38 spaces per unit. There will be Electric Vehicle (EV) parking spaces. There are also 113 total spaces for secure bicycle parking to encourage active transportation. There are 90 Class I bike spaces and 23 Class II spaces. Furthermore, a convenient bus stop located in front of the proposed project will encourage higher public transit usage, compared to single-occupancy motor vehicles.

### **Transportation**

The proposed project site is located within ½ mile of a major transit stop, as shown in Figure 8: City of Santa Cruz Major Transit Stops Map. Per Assembly Bill 2097 (AB 2097), there are no parking minimums for a residential development project located within ½ mile of public transit (G.C. § 65863.2. (a)). This project site qualifies for AB 2097 because public transit is located 0.2 miles away. This bus stop is approximately 1 ½ blocks away (3-minute walk) from the project site. This bus stop at the intersection of Water Street and Ocean street is served by Bus Lines 17 and 35.

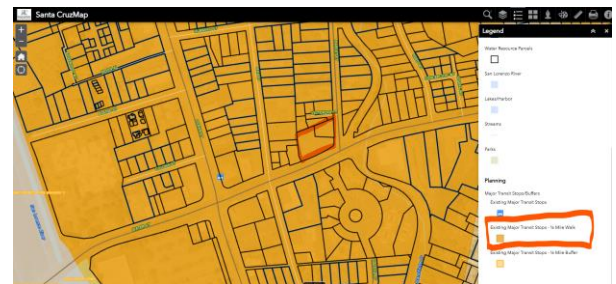


Figure 8. City of Santa Cruz Major Transit Stops Map

Please see the attached Transportation Screening Memo from Hexagon Transportation Consultants, Inc., for further information about the proposed project. The Project Trip Generation Estimates on page 4 of the attached Transportation Memo show a total of 47 PM Peak Hour Trips for the project. Though the 47 PM Peak Hour Trips is a net total, these estimates did not include any of the existing trips that would be generated by the existing land use (restaurant, currently vacant) approved for the project site. If a project generates 50 or more trips during the PM Peak Hour, a project is required to submit a Traffic Impact Study (TIS) with the development project application. Because this proposed project is not estimated to generate less than 50 PM Peak Hour trips, a TIS is not required for this application.

### **AB 2011 Eligibility**

This project is eligible for AB 2011 ministerial approval because it is 100% permanently affordable housing, meets the City's objective zoning and design criteria, and meets the locational criteria from Government Code § 65912.111. This application includes an AB 2011 eligibility screening that shows the project site complies with the site restrictions of the AB 2011 legislation. The site is not located in any of the following zones which would render it ineligible: severe fire zone, important farmland, wetlands, conservation areas, species of concern habitat, FEMA Special Flood Hazard Area, FEMA Regulatory Flood Area, earthquake fault zones, or historic structures. The project site also does not appear on the California Environmental Protection Agency (CalEPA) Cortese List of contaminated sites. The project does not appear on the Department of Toxic Substances Control List for hazardous materials contamination or on the State Water Resources groundwater cleanup sites.

**Project Residential Affordability**

The proposed project is subject to two different residential affordability criteria per the State of California statutes as follows:

1. Gov. Code § 65912(a): AB 2011 requires 100% of the units in an eligible housing project to be affordable units to lower income households (excluding the manager's unit).
2. Gov. Code § 65915(b)(1)(G): State Density Bonus Law requires a rental project to provide 100% of its units to low-income households with incomes of less than 80% AMI to be eligible for an 80% density bonus, unlimited waivers, and up to five incentives (see Gov. Code Sections 65915(f)(3)(D)(i), 65915(e)(1), and 65915(d)(2)(D)).

The project as proposed complies with all these affordability requirements. It will enter into a regulatory agreement with the City to dedicate approximately 100% of units to Low Income households earning less than 80% AMI (except for managers' units as permitted by AB 2011 and SDBL).

**State Density Bonus Law Concessions and Waivers**

The project proposes to use the 80% density bonus provision in Government Code § 65915(b)(1)(G). The project is requesting to following waivers and concessions to comply with the Medium Density Residential (RM) zoning development standards.

| <b>Table 3: FDUs in SDBL Projects</b> |                      |                                       |
|---------------------------------------|----------------------|---------------------------------------|
| <b>Unit Mix</b>                       | <b>Base Project</b>  | <b>Density Bonus Project (80% DB)</b> |
| Dwelling Units (DUs)                  | 23 DUs (maximum)     | 41 DUs                                |
| Flexible Dwelling Units (FDUs)        | 27 FDUs (54.0% FDUs) | 49 FDUs (54.44% FDUs)                 |
| Total                                 | 50 units             | 90 units                              |

**Waiver Requests:**

1. **City of Santa Cruz 2030 General Plan** – Permitted FAR in the CM zone
2. **SCMC § 24.10.550.1** – Maximum Height of Buildings
3. **SCMC § 24.10.550.1** – Usable Open Space
4. **SCMC § 24.10.550.1.a** – Setback (Front Yard)
5. **SCMC § 24.10.550.1.b** – Setback (Rear Yard)
6. **SCMC § 24.10.550.1.c** – Setback (Interior Side Yard)
7. **SCMC § 24.10.550.1.e** – Setback (Exterior Side Yard)
8. **SCMC § 24.12.110** – Setback Requirements Modifications (Front Lot Yards)
9. **SCMC § 24.12.110** – Setback Requirements Modifications (Corner Lot Yards)
10. **SCMC § 24.12.185.8.c.iii** – Landscaping in Open Space
11. **SCMC § 24.12.185.10.b.v** – Roof Form
12. **SCMC § 24.12.185.12.a** – Corridor Frontage (setback)
13. **SCMC § 24.12.185.12.a.i.2** – Corridor Frontage
14. **SCMC § 24.12.185.14.c** – Open Space Open to the Sky

| <b>Table 4: Average Unit Size (AUS) for SDBL</b> |                     |                                       |
|--|---------------------|---------------------------------------|
| <b>Project Feature</b>                           | <b>Base Project</b> | <b>Density Bonus Project (80% DB)</b> |



**Concession Requests:**

1. **SCMC § 24.12.185.5.d.iv** – Active Frontage:  
Commercial Space Requirement
2. **SCMC § 24.12.185.15.c** – Utilization of Vinyl  
Windows
3. **SCMC § 24.12.241** – Electric Vehicle Charging Station (EV Spaces)
4. **SCMC § 24.12.250** – Bike Parking Requirements (Fix-it Station)

|                        |           |           |
|------------------------|-----------|-----------|
| Residential Floor Area | 72,924 SF | 91,419 SF |
| Dwelling Units (DUs)   | 50 DUs    | 90 DUs    |
| Average Unit Size      | 1,016 SF  | 1,458 SF  |

Please see the Density Bonus Statement included in this application for more details regarding the concession and waiver requests.

**5. LEGISLATIVE CONTEXT**

The legislature enacted AB 2011 in 2022 as a response to California’s housing crisis and, specifically, the negative impact that the lack of housing production is having on the State’s human health, economic vitality, environmental goals, and socio-economic diversity. This AB 2011 project is applying under Article 2. Affordable Housing Developments in Commercial Zones and therefore must have “one hundred percent of the units within the development project, excluding the manager’s unit, shall be dedicated to lower income households” (G.C. § 65912.112(a)).

The AB 2011 streamlined ministerial approval process requires cities to approve projects based only on whether an eligible project complies with “objective planning standards.” (G.C. Section 65912.122(a)(1); paying prevailing wage for construction labor; and meeting all objective zoning and design review standards. Additional eligibility criteria are discussed in a comprehensive checklist of AB 2011 requirements included as Attachment #1 of this Applicant Statement.

The terms “objective zoning standards” and “objective design review standards” are narrowly defined to mean,

“...standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal.”

Because the statute mandates that the process is ministerial and that projects are considered purely on objective standards that do not involve the exercise of discretion, CEQA does not apply to projects eligible for the AB 2011 process. See 14 Cal. Code Regs. 15268(a) (“Ministerial projects are exempt from the requirements of CEQA”); see also Pub. Res. Code 21080(b)(1).

The project is also subject to the benefits and protections of State Density Bonus Law because of its commitment to permanently affordable housing units and its base project compliance with the City’s objective development and design standards. The proposed project utilizes the 80% density bonus and several waivers and concessions as allowed by SDBL.

These same affordability and standards consistency also apply to the project's consistency with the Housing Accountability Act, Government Code Section 65589.5. The project's consistency with each of these provisions of State law is discussed in detail below. All three of these Government Code sections are state legislative efforts that recognize the severity of California's housing crisis and the difficulties associated with developing new housing at appropriately zoned, transit-oriented and urbanized locations. The following legislative findings (from Government Code section 65589.5(a)(2)) are instructive of how, and why, the City must interpret and implement these laws:

*California has a housing supply and affordability crisis of historic proportions. The consequences of failing to effectively and aggressively confront this crisis are hurting millions of Californians, robbing future generations of the chance to call California home, stifling economic opportunities for workers and businesses, worsening poverty and homelessness, and undermining the state's environmental and climate objectives...*

*The Legislature's intent in enacting this section in 1982 and in expanding its provisions since then was to significantly increase the approval and construction of new housing for all economic segments of California's communities by meaningfully and effectively curbing the capability of local governments to deny, reduce the density for, or render infeasible housing development projects and emergency shelters. That intent has not been fulfilled... It is the policy of the state that this section should be interpreted and implemented in a manner to afford the fullest possible weight to the interest of, and the approval and provision of, housing.*

As set forth in this Applicant Statement, the project is entitled to streamlined ministerial approval under AB 2011. The project is protected under the Housing Accountability Act (Gov. Code § 65589.5) because it complies with the City's objective standards and criteria, as demonstrated in this application. The Housing Accountability Act also requires the City of Santa Cruz to approve the project because it is consistent with all applicable objective standards. The City is only permitted to reject a project under these circumstances if it can make findings based on a *preponderance* of evidence that the project would have a significant, unavoidable, and quantifiable impact on "objective, identified written public health or safety standards, policies, or conditions." (Gov. Code § 65589.5(j)). The Legislature recently affirmed its expectation that these types of conditions "arise infrequently." (Ch. 243, Stats. 2018, § 1 (adding subdivision (a)(3) to Gov. Code § 65585.5)). Here, there is no evidence, let alone a preponderance of evidence, that the project would have any impact on public health and safety.

### ***Environmental Review***

AB 2011 specifies that the approval process is "ministerial", and approval will be granted if the project complies with "objective standards," meaning standards for which no subjective judgment is exercised. Because CEQA does not apply to ministerial approvals such as this, environmental review is not required for the project (G.C 65912.124(h)).

## **6. PROJECT TEAM**

| DEVELOPER   |
|---|
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