AGENDA

Meeting of the
Scotts Valley City Council
In-Person and Remote Access
Date: March 19, 2025
Time: 6:00 PM

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066 OR Zoom Video Conference https://us02web.zoom.us/j/83295730901	Agenda posted on 3-14-2025 at City Hall, SV Senior Center, SV Public Works Building, and on the Internet at: www.scottsvalley.gov

ELECTED OFFICIALS	CITY STAFF MEMBERS
Derek Timm, Mayor Allan Timms, Vice Mayor Steve Clark, Council Member Krista Jett, Council Member Donna Lind, Council Member	Mali LaGoe, City Manager Kirsten Powell, City Attorney Taylor Bateman, Community Development Director Sarah Wikle, Senior Planner Cathie Simonovich, City Clerk

MEETING NOTICE AND AGENDA PACKET MATERIALS

Notice regarding City Council Meetings:
The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 PM in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066, and via Zoom Webinar remote access.

Agenda and Agenda Packet Materials:
The City Council agenda and the complete agenda packet are available for review by 5:00 PM the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.gov and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.gov.

Public Participation:
The meeting will be available on Zoom and livestreamed to the City of Scotts Valley's YouTube channel: https://www.youtube.com/@cityofscottsvalley
For those wishing to participate via Zoom you can join the following ways:
Zoom Webinar meeting link: https://us02web.zoom.us/j/83295730901
Or dial one of these numbers: (669) 900-9128 or (669) 444-9171

Webinar ID: 832 9573 0901

Whether attendance is in-person or remote, you will be given opportunities to provide public comment at the appropriate times throughout the meeting. The time limit is up to 3 minutes for an individual, or 5 minutes for someone who is representing a group of three or more, at the discretion of the Mayor. Please note that this is not a question-and-answer time, but simply a time to provide comments to the Council. At the appropriate times during the meeting for public comment, on items not on the agenda, and on specific agenda items, the Mayor will announce that public comment will be accepted.

How to comment via in-person attendance:
Please proceed to the public comment podium when the Mayor opens the item for public comment.

How to comment via Zoom Webinar:
Use the webinar attendee option to "raise hand" when the Mayor opens the item for public comment. The Clerk will unmute you when it is your turn. If you have joined via Zoom phone call, dial *9 or your phone to "raise your hand", and the Clerk will unmute you when it is your turn.

CALL TO ORDER 6:00 PM

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

COMMITTEE REPORTS

Council members are appointed to committees which are either City committees or committees dealing with other jurisdictions. This portion of the agenda allows the committee member to present oral or written reports to the Council regarding their committee assignments. It also allows the Council to make comments and give the committee member direction, as required.

CITY MANAGER REPORT

PUBLIC COMMENT TIME

This is the opportunity for individuals attending in person to make oral comments to the Council on any items within the purview of the Council, which are NOT part of the Agenda. No action on the item may be taken, but the Council may request the matter be placed on a future agenda. Written public comment may be emailed to the City Clerk by 5:00 PM on the day of the meeting at csimonovich@scottsvalley.gov.

WRITTEN COMMUNICATIONS

1. Health Services Agency Reports on Expansion of Cannabis Access

ALTERATIONS TO CONSENT AGENDA

Council can remove or add items to the Consent Agenda.

CONSENT AGENDA

The Consent Agenda is comprised of items which are intended to be non-controversial and are approved without discussion. Persons wishing to speak on any item may request the item be moved to the Regular Agenda by raising their hand to be recognized by the Mayor. An item will only be moved from the Consent Agenda to the Regular Agenda if a City Council Member requests it to be moved and a majority of the Council agrees.

1. Approve City Council minutes of 03-05-2025
2. Approve check register dated 03-01-2025 through 03-14-2025
3. Town Center Land Purchase Supplemental Agreement
4. Approve Second Supplement to Amended and Restated Joint Exercise of Powers Agreement (JPA) for the Santa Cruz Libraries Facilities Financing Authority to increase the member allocations
5. Approve a resolution to give authority to add one Police Officer Trainee

ALTERATIONS TO REGULAR AGENDA

Council can remove or add items to the Regular Agenda.

REGULAR AGENDA

Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.

1. Consider approval of the Housing Element Annual Progress Report and authorize submittal of the Annual Progress Report to the Department of Housing and Community Development (HCD) Department
2. Future Council Agenda Items

ADJOURNMENT

ADA NOTICE

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5600 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk’s Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.

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County of Santa Cruz

BOARD OF SUPERVISORS

701 OCEAN STREET, SUITE 500, SANTA CRUZ, CA 95060-4069
(831) 454-2200 FAX: (831) 454-3262 TDD/TTY - Call 711

MANU KOENIG FIRST DISTRICT | **KIMBERLY DE SERPA** SECOND DISTRICT | **JUSTIN CUMMINGS** THIRD DISTRICT | **FELIPE HERNANDEZ** FOURTH DISTRICT | **MONICA MARTINEZ** FIFTH DISTRICT

March 14, 2025

SENT VIA EMAIL ONLY
Mayor Derek Timm
CITY OF SCOTTS VALLEY
1 Civic Center Drive
Scotts Valley, CA 95066
dtimm@scottsvalley.gov

Re: Health Services Agency Reports on Expansion of Cannabis Access

Dear Mayor Timm:

In appreciation of your role as a partner governing body or elected leader in Santa Cruz County, we are writing to share the attached *Health Impact Assessment: Expansion of Cannabis Access via Retailer Onsite Consumption Lounges, Farm Stand Retail, and Farm Stand Onsite Consumption,* as well as a related staff report titled *Recommendations on Preventing Underage Cannabis Use*. These reports authored by our County Health Services Agency (HSA) and were presented to the Board of Supervisors (Board) on March 11, 2025.

As newly seated members of the Board, we welcome your input on the analysis provided in these reports, especially recommendations made by HSA regarding preventing underage cannabis use, many of which, if pursued, would necessitate coordination among various education, law enforcement, and legislative partners. While we are not currently calling for a multi-jurisdictional effort to address these recommendations, we are interested in ensuring the diverse communities you serve have access to this information and therefore encourage you to share these reports broadly with your stakeholders.

By way of background, on March 11 the Board heard and approved on first reading a proposal to amend County code allowing for on-site cannabis consumption ("cannabis lounges") at the thirteen licensed dispensaries located within the County's unincorporated area. Although ultimately, the Board chose to move forward with this proposal, we voted against it after hearing from County Superintendent of Schools Faris Sabbah, who spoke on behalf of all school superintendents in the County to express concern about the potential impact on local youth, as well as two law enforcement officers who noted the potential for an increase in impaired driving.

The ordinance amendment is scheduled for a second reading on March 25, and if approved again by a majority of the Board, will be added to County code and go into effect after thirty days. Also on March 25, the Board is expected to review a proposal to allow cannabis consumption at farms and produce stands. If the City of Scotts Valley would like to take a position on these policies, I encourage you to communicate them to the Board of Supervisors at, or prior to, the March 25 meeting.

We believe it is more important now than ever to work collaboratively on discussing the potential community health and safety impacts of these policies, and we welcome your input as to how that can be achieved. Below, we have provided email addresses for our individual offices and the Board as a whole, and included information on how to participate in the March 25 Board meeting.

In community,

MONICA MARTINEZ
Fifth District Supervisor

KIMBERLY DE SERPA
Second District Supervisor

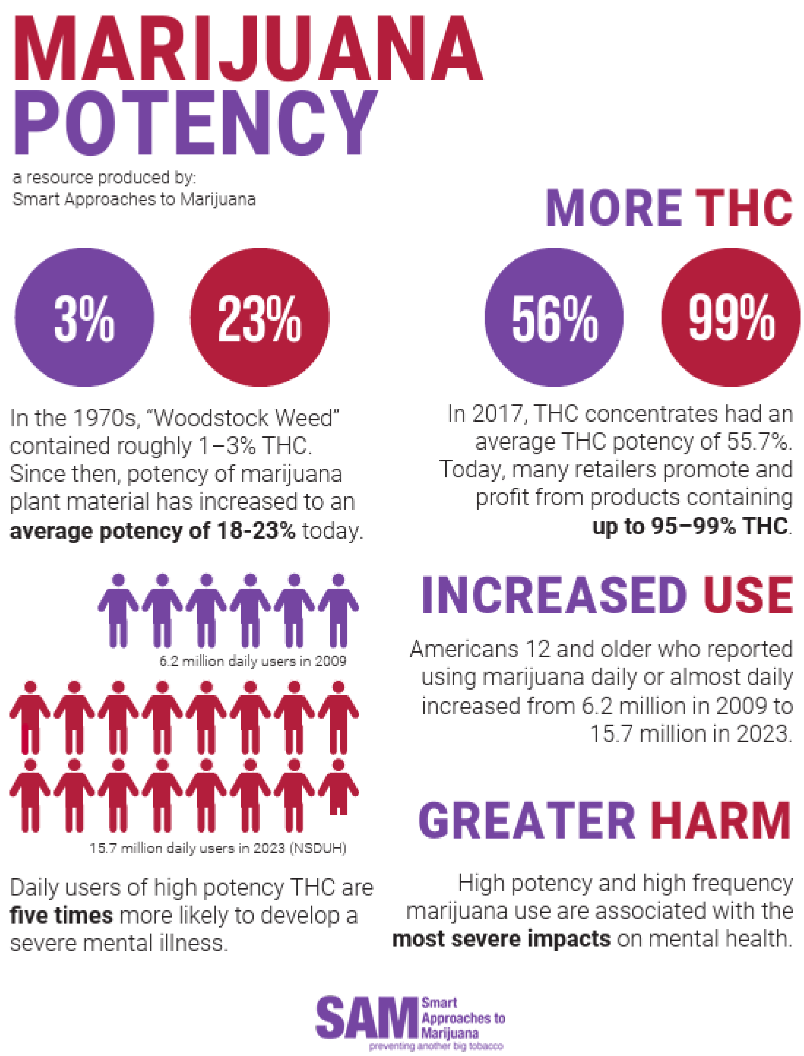
Office of Supervisor Martinez:	Fifth.District@santacruzcountyca.gov
Office of Supervisor De Serpa:	Second.District@santacruzcountyca.gov
Board of Supervisors:	BoardOfSupervisors@santacruzcountyca.gov

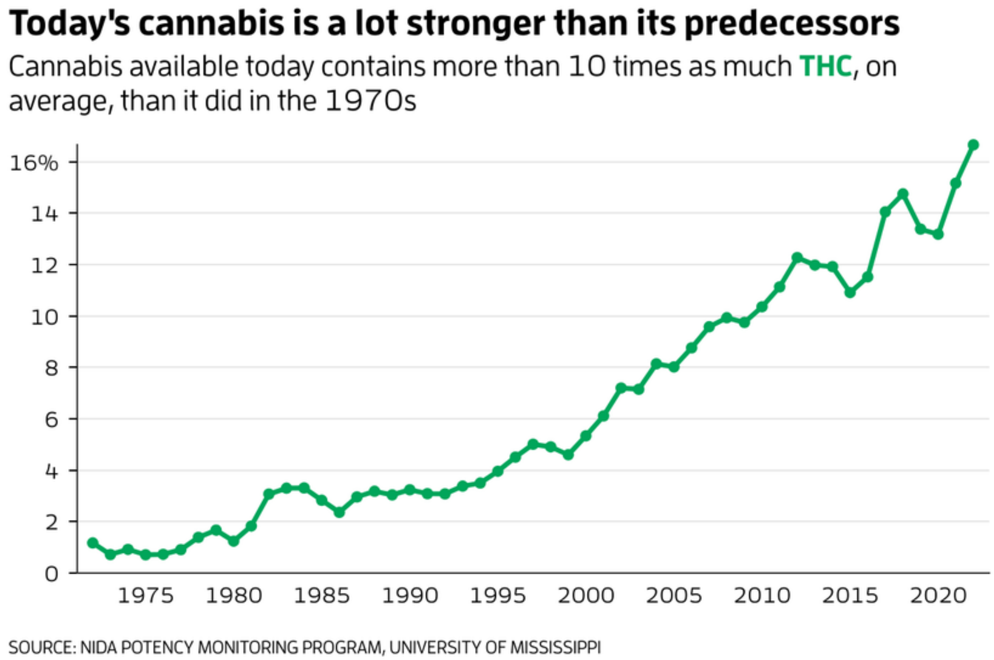
Board Meeting: 9 a.m. March 25, Santa Cruz County Governmental Center, 701 Ocean Street, Room 525, Santa Cruz, or via Zoom at https://us06web.zoom.us/j/85660318161 or by calling +1 669 900 6833, Webinar ID: 856 6031 8161

Enclosures

CC: Scotts Valley City Manager Mali LaGoe
Scotts Valley City Council

The Evolution of Cannabis Potency and Its Impact The potency of cannabis products has drastically increased over the past decades. Tetrahydrocannabinol (THC) concentration in cannabis plant material has raised from approximately *3% in the 1970s to approximately 23% today*.[1] The average cannabis product potency for concentrates (shatter, budder, waxes, etc.) was 57% in 2017, and is now as high as 99% THC. The widespread availability of highly potent concentrates, edibles, and vape products has contributed to higher-frequency use and increased risks of dependence and adverse mental health effects. Public awareness campaigns and potency regulations are necessary to help inform consumers about the potential dangers of high-THC cannabis.[2]





Mental and Physical Health and Cannabis Use The link between high-potency cannabis and mental health conditions such as psychosis and schizophrenia are increasingly evident. Teens and young adults up to age 25 are particularly vulnerable to the onset of serious mental illness, and research suggests that cannabis use can trigger severe mental health conditions in individuals who may not have otherwise developed them. Recent studies suggest that cannabis use during adolescence results in impaired neural connectivity in several areas of the brain and is associated with poorer performance in schools and higher dropout rates.[3] Emergency room visits due to cannabinoid hyperemesis syndrome (CHS), a condition characterized by cycles of nausea, vomiting and abdominal pain caused by chronic, high-dose cannabis use, have surged.[4] Furthermore, the financial burden on Santa Cruz County is significant: *for combined Fiscal Years 2022-2023 and 2023-2024, 910 clients sought treatment for a primary diagnosis of cannabis use disorder, resulting in a total cost of care of $7.7 million, of which the County (local) share was $3.1 million.*[5] Local share includes a mix of County General Funds and other local funds. These costs represent services provided through the County-administered Medi-Cal Specialty Mental Health Plan and the Drug Medi-Cal Health Plan, and do not account for clients presenting for treatment with secondary and tertiary cannabis use disorder diagnoses. Onsite cannabis consumption lounges also may result in an increase to calls for service from first responder agencies, creating a potential to additionally burden the public safety system, including Emergency Medical Services (EMS), with unfunded additional calls for service.

Youth and Cannabis Normalization: Understanding the Risks Environment plays a key role in adolescent substance use, including through exposure to retail outlets and advertising. The availability and visibility of cannabis retailers have been shown to correlate with increased youth consumption rates. Research has shown that youth who are exposed to cannabis retailers or lounges in their vicinity are more likely to experiment with cannabis themselves. When lounges are located near schools or places frequented by youth, it can normalize use and make consumption appear socially acceptable.[6]

In Santa Cruz County, California Healthy Kids (CHKS) data indicates a 7% decline in the perception of harm associated with cannabis use among 7th graders from 2019 to 2023. According to the most recent data from the CHKS Survey 2021-2023, 12% of all 11th grade Santa Cruz County students currently use cannabis. The percentage more than doubles to 24% for non-traditional/alternative education students. Latinx youth are disproportionately affected by proximity to cannabis retailers, increasing their risk of use and potential health consequences.[7]

Cannabis and Impaired Driving Driving under the influence of cannabis poses serious public safety risks. Santa Cruz County's 2024 DUI survey found that nearly 10% of individuals arrested for impaired driving had used cannabis on the day of their arrest.[8] Research from Canada has shown a 475.3% increase in cannabis-related traffic injuries following legalization.[9]

Santa Cruz County does not currently have practices in place for law enforcement to adequately detect and track cannabis impaired driving. In Washington State, among drivers involved in fatal crashes among drivers involved in fatal crashes between 2008 and 2016, 44% tested positive for two or more substances with alcohol and THC being the most common combination.[10] According to the Rocky Mountain High Intensity Drug Trafficking Area (RMHIDTA), in 2020, of drivers involved in fatal crashes, 24% of these drivers tested positive for cannabis and alcohol, 25% tested positive for cannabis and other drugs (no alcohol), and 13% tested positive for a combination of cannabis, alcohol, and other drugs .[11]

Strategies such as limiting on-site consumption, providing transportation options, expanding drug testing capacity for impaired drivers including oral fluid roadside test collection and law enforcement phlebotomy, and increasing law enforcement training in cannabis impairment detection can help mitigate these risks and enhance road safety.

Training and Oversight for Cannabis Lounges and Onsite Consumption Ensuring responsible cannabis consumption in onsite lounges requires proper staff training. Public Health experts nationally have many lessons learned from working successfully with responsible alcohol retailers and on-site alcohol consumption licensees to reduce risk – those harm reduction methods are evidence-based, such as license conditions on serving amounts and hours of operation, required responsible server trainings, clear enforcement and regulation, and other safety education.[12] Similar requirements should be considered in any cannabis ordinance amendments and regulatory practices**.**

Employees must actively monitor patrons, be trained to recognize signs of overconsumption and psychosis, and follow guidelines similar to alcohol server certifications to prevent overserving. Additionally, staff should be educated on the effects of different cannabis product potencies and clear limits on serving amounts. Establishing clear monitoring guidelines for consumer behavior and intervention strategies is essential in minimizing potential harm.

Secondhand Cannabis Smoke: A Public Health Concern Exposure to secondhand cannabis smoke presents significant health risks, comparable to those of tobacco smoke. In a recent study examining particulate matter in the air of in-use cannabis consumption lounges, researchers found that air pollution levels were significantly elevated in the consumption area compared to outdoor air. This indicates that on site consumption of cannabis can lead to increased indoor air pollution.[13] Studies have linked secondhand cannabis smoke exposure to respiratory issues and cardiovascular effects. Emergency responders, staff, and patrons in cannabis consumption lounges are particularly vulnerable to prolonged exposure. Strategies such as prohibiting indoor smoking and vaping in cannabis lounges, implementing strict ventilation requirements, designating outdoor consumption areas, and developing an accessible, clear, and transparent method for logging air quality complaints from patrons, workers, neighboring businesses, and residents can help reduce these risks and protect public health.

Endnotes

1. Cannabis Policy: Public Health and Safety Issues and Recommendations. Caucus on International Narcotics Control, United States Senate, March 3, 2021, Washington, D.C. Report
2. Prince, M. A., & Conner, B. T. (2019). Examining links between cannabis potency and mental and physical health outcomes. Behavior Research and Therapy, 115, 111–120. https://doi.org/10.1016/j.brat.2018.11.008
3. Jacobus, J., & Tapert, S. F. (2014). Effects of cannabis on the adolescent brain. Current Pharmaceutical Design, 20(13), 2186-2193.
4. Shimura, A., Yokoi, K., Sugiura, K., Higashi, S., & Inoue, T. (2022). On workdays, earlier sleep for morningness and later wakeup for eveningness are associated with better work productivity. *Sleep Medicine, 92*, 73-80. https://doi.org/10.1016/j.sleep.2022.03.007
5. Santa Cruz County Behavioral Health Division, Service Dates July 1, 2022 to June 30, 2024. Source: Avatar KPI. Data pulled February 19, 2025.
6. Albers, L., Rogers, C. J., Steinberg, J., Vos, R. O., Soto, D., Lee, R., … Unger, J. B. (2023). Proximity to Cannabis Retailers and Recent Cannabis Use among a Diverse Sample of California Adolescents. Substance Use & Misuse, 59(5), 643–650. https://doi.org/10.1080/10826084.2023.2294965
7. Santa Cruz County. California Healthy Kids Survey, 2021-2023: Main Report. San Francisco: WestEd for the California Department of Education
8. Applied Survey Research. (2024). Santa Cruz County DUI Place of Last Drink Survey Report. Santa Cruz County.
9. Myran, D. T., Gaudreault, A., Pugliese, M., Manuel, D. G., & Tanuseputro, P. (2023). Cannabis-Involved Traffic Injury Emergency Department Visits After Cannabis Legalization and Commercialization. JAMA network open, 6(9), e2331551. https://doi.org/10.1001/jamanetworkopen.2023.31551
10. Grondel, D., Hoff, S., & Doane, D. (2018). Marijuana Use, Alcohol Use, and Driving in Washington State: Emerging Issues with Poly-Drug Use on Washington Roadways. Olympia: Washington Traffic Safety Commission.

11. Rocky Mountain High Intensity Drug Trafficking Area. (2021). The Legalization of Marijuana in Colorado: The Impact. Volume 8. Retrieved from https://www.dfaf.org/wp-content/uploads/2021/09/RMHIDTA-Marijuana-Report-2021.pdf
12. Babor, T. F., & Higgins-Biddle, J. C. (2000). Alcohol screening and brief intervention: Dissemination strategies for medical practice and public health. Addictive Behaviors, 25(6), 887-897. https://doi.org/10.1016/S0306-4603(00)00121-0
13. Murphy, M. B., Huang, A. S., & Schick, S. F. (2022). Fine particulate matter (PM2.5) concentrations in a cannabis store with on-site consumption. Environmental Health Perspectives, 130

County of Santa Cruz Board of Supervisors
Agenda Item Submittal
From: Health Services Agency
Subject: Recommendations on Preventing Underage Cannabis Use
Meeting Date: March 11, 2025

Formal Title: Consider report on preventing underage cannabis use in Santa Cruz County, and take related actions

Recommended Actions

1. Accept and file a report on Preventing Underage Cannabis Use in Santa Cruz County; and

2. Direct the Health Services Agency and Cannabis Licensing Office to continue collaboration towards prevention of underage cannabis use.

Executive Summary

On January 28, 2025, the Board directed the Health Services Agency (HSA) to provide recommendations for reducing underage cannabis consumption in the community. Underage cannabis use poses significant societal, health and financial risks that have far-reaching consequences. The costs associated with cannabis use across all ages in the County and its subsequent treatment are alarmingly high, impacting both public health and the economy through crime, productivity losses, and health care costs. In the last Fiscal Year (2023-24), total cost of treatment was $4.3 million, of which the County (local) share was $1.7 million for all ages. To prevent these rising financial and health impacts on youth, it is essential to reduce youth access to cannabis, challenge the normalization of its use, and strengthen control measures. Without enhancing these efforts, the risk of further economic burden and the long-term effects of cannabis misuse on youth and society at large escalates. HSA Public Health Division (Public Health) is submitting this report for the Board's consideration that reviews local data on underage cannabis use, health and local financial impacts to cannabis use and misuse, presents current strategies to prevent underage cannabis use in Santa Cruz County, provides evidence-informed recommendations on reducing underage cannabis consumption, and recommendations for implementation.

Discussion

Local Data on Underage Cannabis Consumption

According to the most recent data from the California Healthy Kids Survey (CHKS) 2021-2023, 12% of all 11th grade Santa Cruz County students currently use cannabis. The percentage more than doubles to 24% for non-traditional/alternative education students.[1]

Historically, males have been shown to use cannabis at rates higher than females.[2] This trend is starting to reverse for youth, with more young people who identify as women reporting past 30-day use of cannabis. The 2021-2023 CHKS data shows that amongst Santa Cruz County 11th grade students:

- 11% of male-identifying students report current cannabis use
- 13% of female-identifying students report current cannabis use
- 17% of students who identify as something else report current cannabis use[1]

Cannabis use is higher among Santa Cruz County 11th grade students who have experienced chronic sadness. 25% of students who experience chronic sadness also reported past 30-day use of cannabis.[1]

In Santa Cruz County, lesbian, gay, bisexual, transgender, questioning or queer, intersex, and agender (LGBTQIA+) youth are at elevated risk for cannabis use. 21% of not-straight 11th grade students in Santa Cruz County report having used cannabis in the past 30 days compared with 11% of their straight peers.[1]

Broken down by race and ethnicity, Santa Cruz County 11th grade student past 30-day use of cannabis is below[1]:

- 7% of Latino/a students report current cannabis use
- 19% of White students report current cannabis use
- 21% of Mixed students report current cannabis use

Strong policies that prevent underage cannabis use have contributed to the decline in past 30-day use of cannabis amongst youth, with 27% of 11th grade students reporting past 30-day use in 2008 down to 12% in 2023, as seen in Table 1. Robust policies that prevent underage cannabis use and exposure will ensure this trend continues.

Table 1. California Healthy Kids Trend Data Santa Cruz County: Marijuana 30-Day Use 2008-2023

Santa Cruz County Student Marijuana 30-Day Use

	7th Grade	9th Grade	11th Grade	NT*
2008-2010	10%	26%	27%	40%
2009-2011	10%	23%	30%	50%
2014-2015	5%	17%	26%	46%
2016-2017	4%	14%	25%	47%
2017-2019	3%	12%	19%	42%
2019-2021	2%	3%	13%	26%
2021-2023	2%	7%	12%	24%
Net Change in Past 30-Day Use 2008-2023	**-8%**	**-19%**	**-15%**	**-16%**

*NT represents non-traditional students, also known as alternative education sites
Source: California Healthy Kids Survey (CHKS)

Despite the reduction in past 30-day use, the perception of harm of marijuana use amongst 7th grade students has decreased. In 2017, 40% of 7th grade students stated that occasional cannabis use causes great harm. In 2023, only 33% of 7th grade students stated that occasional cannabis use causes great harm, as shown in Table 2. Lower perception of harm is a risk factor for future cannabis use. Shifts in social norms showing a belief that cannabis use is not harmful for youth can lead to initiation of cannabis use.

Table 2. California Healthy Kids Trend Data Santa Cruz County: Perception of Marijuana Use Harm 2017-2023

Santa Cruz County Student Perception of Marijuana Use Harm

Marijuana- Use Occasionally		**7th Grade**	**9th Grade**	**11th Grade**	**NT***
2017-2019	Great	40%	29%	28%	19%
	Moderate	24%	28%	19%	21%
	Slight	12%	22%	27%	20%
	None	24%	20%	25%	40%
Marijuana- Use Occasionally		**7th Grade**	**9th Grade**	**11th Grade**	**NT***
2019-2021	Great	51%	38%	25%	17%
	Moderate	30%	37%	30%	27%
	Slight	11%	19%	25%	25%
	None	7%	7%	19%	31%
Marijuana- Use Occasionally		**7th Grade**	**9th Grade**	**11th Grade**	**NT***
2021-2023	Great	33%	29%	27%	24%
	Moderate	24%	28%	23%	21%
	Slight	14%	22%	24%	28%
	None	29%	21%	26%	26%
Net Change in Perception of Harm 2017-2023		**7th Grade**	**9th Grade**	**11th Grade**	**NT***
	Great	-7%	0%	-1%	5%
	Moderate	0%	0%	4%	0%
	Slight	2%	0%	-3%	8%
	None	5%	1%	1%	-14%

*NT represents non-traditional students, also known as alternative education sites
Source: California Healthy Kids Survey (CHKS)

While there is a lot of positive work in the community that contributes to the reduction in cannabis use among youth, the rates remain concerning given what is known about the impacts of cannabis on youth, which are discussed below. Any cannabis use by youth remains concerning given the high potency of many cannabis products available. Gaps in local data currently include where youth access cannabis products and the potency of cannabis products they used, which are critical compounding variables not yet measured and should be considered when assessing impacts on local youth.

Why do youth use cannabis?
Understanding why youth use cannabis is important for prevention efforts. There are a variety of reasons why youth may use cannabis:

- To experiment
  - Only 27% of 11th grade students in Santa Cruz County perceive that occasional cannabis use is greatly harmful.[1] This low perception of great harm of occasional cannabis use has been correlated with higher levels of cannabis use.[3]
- To fit in and be social

    - Perception of other youth use is high and is happening on school campuses - according to the 2023 California Youth Tobacco Survey (CYTS), 31.8% of surveyed students in Santa Cruz County saw another student use cannabis at school in the past 30-days.[4]
- To feel good
    - A recent study found that youth who use cannabis for enjoyment is significantly associated with being more willing to consume and spend more to consume.[5]
- To feel better
    - Cannabis use is higher amongst those who report feeling chronic sadness. This points to youth using cannabis to self-medicate.[1]

How do youth access cannabis?
According to the 2023 Santa Cruz County CHKS Survey, 55% of 11th grade students reported that it was fairly easy/very easy to obtain cannabis to get high.[1] There is currently no local data available on where youth access cannabis products. Anecdotally, Santa Cruz County healthcare and treatment providers as well as youth have shared with HSA Public Health that underage persons are accessing products that have been purchased legally at licensed retailers and redistributed to youth by "plugs" and through dealers found on social media sites like Snapchat and Instagram. Youth also report accessing cannabis through social and familial networks and non-monitored supplies in the home. HSA Public Health is currently developing a survey that includes a broad and systematic assessment of local youth access to cannabis products to inform prevention efforts, which will be administered to youth in community and in school settings beginning in Fall 2025.

Risk and Protective Factors
Several factors place some youth at a higher risk for initiating and continuing cannabis use. Conversely, there are protective factors that make a youth less likely to use cannabis. These can be understood by looking at the individual, family, school, and community levels.

<u>Individual Risk and Protective Factors:</u> Youth thinking that their peers are using cannabis is associated with their own decisions to use. However, the perceived level of peer use among students aged 12 to 17 is greater than the actual rate of use among peers. Alternatively, peer disapproval can be a protective factor.[6]

<u>Family Risk and Protective Factors</u>: Family factors associated with increased risk of youth cannabis use include home environments characterized by family conflict and poor relationships with parents/ caregivers.[7-8] Parental use and beliefs about cannabis use also strongly influence youth behavior; youth whose parents have ever used cannabis are about three times more likely to use cannabis than youth whose parents have never used cannabis. Youth whose parents do not believe cannabis use is risky are 1.5 times more likely to use when compared with youth whose parents hold more negative beliefs.[9-10] Conversely, families can play a protective role in preventing youth cannabis use by fostering a supportive family environment and monitoring and prohibiting youth cannabis use. Positive family factors such as identifying with one's parents/caregiver, maternal affection displayed toward child, and perceived parental trust have been found to play a protective role in preventing youth cannabis use.[10-11] No tolerance rules around youth cannabis use and greater parental monitoring are also associated with decreased cannabis use.[12]

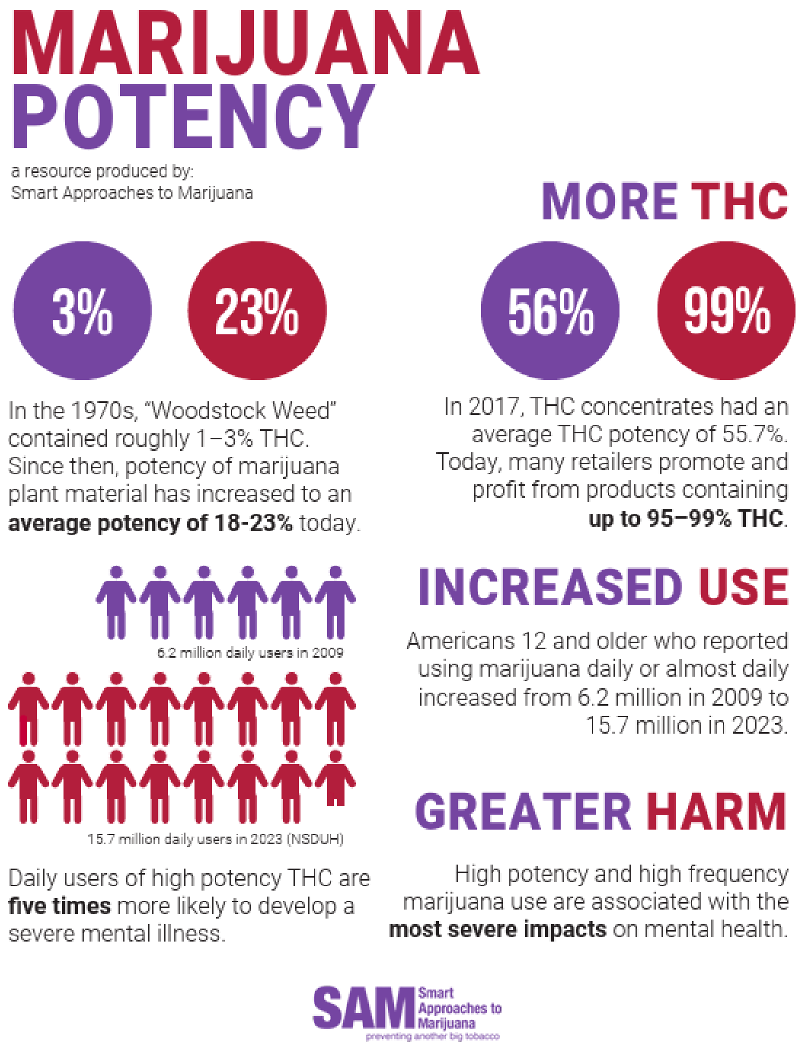
School Risk and Protective Factors: Authoritative school environments characterized by fair disciplinary practices and mutual respect between teachers and students have shown lower levels of cannabis use among students.[13-14] Less predictable school environments where rules are not clearly articulated nor consistently enforced tend to have higher rates of use.[14-15] A school's substance use disciplinary policies also influence cannabis use; more remedial approaches to violations, such as counseling, have been found to result in less cannabis use when compared with more punitive measures, such as expulsion.[15] It is also important to consider students' relationships to the school environment in understanding cannabis use risk. The level of connection students feel to their school, fellow students, and academics is associated with student cannabis use.[16] Researchers hypothesize that greater school connectedness creates a sense of shared identity and belonging that reduces the role of cannabis use in achieving social status, thereby decreasing students' likelihood of using cannabis.[16-17] A student's involvement in school activities, such as clubs and sports, also serves as a protective factor.[18]

Community Protective Factors: The laws and ordinances that govern a neighborhood, city, county, state, or tribal community have a direct effect on a youth's ability to access and use substances. Community-level risk factors include the availability of the product (either medically or illegally), product marketing (primarily relevant in states where cannabis is legal at the state or local level for non-medical or medical use), community disorganization, economic deprivation, and other social determinants of health.[19-22] For each of these risk factors, the opposite can be considered important as a protective factor that can reduce or prevent youth cannabis use.

Impacts of Cannabis Consumption

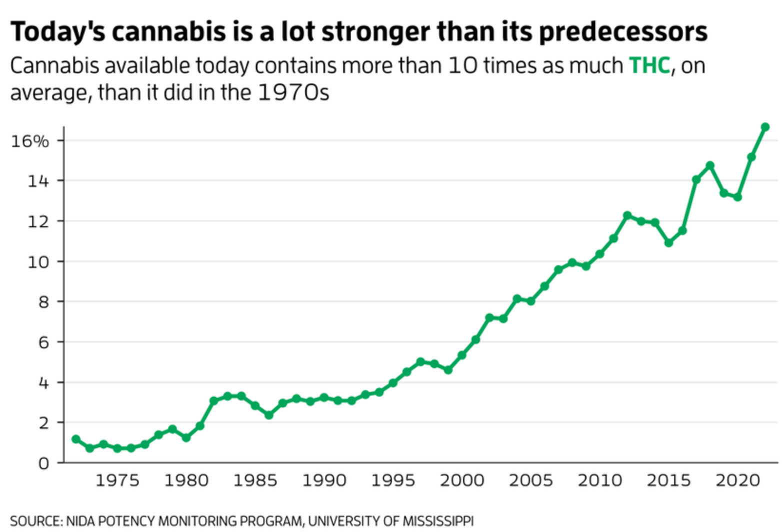
- Cannabis: Then and Now
    - The strength of cannabis products has dramatically increased in recent decades. Tetrahydrocannabinol (THC) concentration in cannabis plant material has raised from approximately *3% in the 1970s to approximately 23% today*.[23] The various products sold more recently concentrate THC potency. For example, average cannabis product potency for concentrates (shatter, budder, waxes, etc.) was 57% in 2017, and is now as high as 99% THC.[24]

Figure 1: Marijuana Potency Tool Demonstrating Increased THC, Use and Harm



Source: Marijuana Potency: A Resource produced by Smart Approaches to Marijuana

Figure 2: Increase in THC Potency since 1970s



- Health Impacts
  - Youth may experience substantial harm resulting from cannabis use, especially heavy and chronic use. Frequent or intensive (e.g., daily or near-daily) cannabis use is strongly associated with higher risks of experiencing many adverse health and social outcomes.
    - Impact on brain
      - Exposure to cannabis while the brain continues to develop (through mid-twenties) can alter the brain's communication function and development.[25] Some studies suggest that long-term cannabis use is associated with altered brain structure and impaired cognitive function.[26]
      - People who begin using cannabis at or before the age of 18 are four to seven times more likely to develop a cannabis use disorder than adults who did not use under age 18.[27]
    - Long-term health effects
      - Lung and breathing problems associated with chronic cannabis use.[28]
      - Cannabis use is associated with higher risk and worse outcomes for psychotic disorders.[29]
      - Cannabinoid Hyperemesis Syndrome (CHS) can affect youth who use cannabis long-term, a syndrome causing frequent severe nausea and vomiting. The only cure is to stop using cannabis.[30]
    - Social and Personal Harms
      - Cannabis use is associated with lower high school completion rates, and lower income at 25 years of age.[31]
      - Initiation of cannabis use before the age of 18 is a predictor of opioid use disorder in adulthood.[32]

- Financial Impacts of Cannabis Use in Santa Cruz County
  - Figure 3 (below) shows the Fiscal Year 2022-2023 and 2023-2024 cost of treatment data, representing youth and adult Medi-Cal beneficiaries who received behavioral health treatment services through the HSA administered Medi-Cal Specialty Mental Health plan and/or the Drug Medi-Cal Health Plan (services could be provided by county staff or through a county contracted provider). Recipients of these treatment services had a primary cannabis use disorder diagnosis documented as part of their problem list/treatment plan. These data do not account for clients presenting for treatment with secondary or tertiary cannabis use disorder diagnoses. The cost of treatment includes total costs, including reimbursed expenses and County share. County share of treatment costs represents a mix of County General Funds and other local funds.
  - Of those treated, 355 (out of a total of 1,108) were youth under the age of 25, resulting in $775,305 County share of treatments costs over two fiscal years. Cannabis use may begin during youth, but the impacts do not end during youth. Cannabis use continues to impact adult behavioral health, potentially exacerbating mental health conditions and/or functioning, with the County

share of treatments costs totaling $1.4 million in FY 2022-2023 and $1.7 million in FY 2023-2024 for Santa Cruz County residents.

Figure 3: Cost of Treatment for Primary Diagnosis of Cannabis Use Disorder in FY 2022-23 and FY 2023-24

Primary Diagnosis of Cannabis Use Disorder

Cost of Treatment in Santa Cruz County

Age Group	Cost of Treatment	County Share of Treatment Cost	Number of Clients
FY 2022-2023		-	
0-19	$ 549,705	$ 219,882	89
20-24	$ 323,698	$ 129,479	73
25+	$ 2,605,239	$ 1,042,096	374
All Ages:	**$ 3,478,643**	**$ 1,391,457**	**536**
FY 2023-2024		$ -	
0-19	$ 811,921	$ 324,768	108
20-24	$ 252,939	$ 101,176	85
25+	$ 3,189,932	$ 1,275,973	379
All Ages:	**$ 4,254,793**	**$ 1,701,917**	**572**

Source: Santa Cruz County Behavioral Health Division, Service Dates July 1, 2022 to June 30, 2024. Source: Avatar KPI. Data pulled March 4, 2025

- HSA also financially supports underage cannabis use prevention programming. Current HSA prevention programs are funded through a Proposition 64 grant of approximately $600,000 per year to prevent underage cannabis use, ending in October 31, 2028. These funds are required to focus on upstream prevention approaches and are not used to cover treatment costs. With this funding, HSA maintains the Thriving Youth and Community prevention program.

Substance Use Disorder Prevention Theory and Practice
Preventing underage cannabis use is one part of a larger effort to reduce the impact of substance use disorders on Santa Cruz County. This work is featured in a broader substance use disorder continuum that begins with the social determinants of health (SDOH) and primary prevention through recovery and healthcare systems support.

The Youth Empowerment and Action for Health (YEAH!) Unit of the HSA Public Health focuses its efforts to prevent underage cannabis use in the domains of SDOH & Primary Prevention and Early Intervention. These terms are defined as:

- **Social Determinants of Health**: non-medical factors that affect health outcomes including the conditions in which people are born, grow, work, live and age.[33] See image for the five social determinants of health:
- **Primary Prevention**: aims to prevent the onset of substance use disorder.
- **Early Intervention**: targets individuals with early signs or symptoms of substance use but do not meet the criteria for substance use disorder.[34]

By preventing youth cannabis use, incidence of later in life substance use disorder (SUD) and associated harms and costs to society are greatly reduced. Preventing underage cannabis use is most effective when interventions are matched to the target population's level of risk and needs. There are three broad categories of prevention intervention:

1. **Universal prevention interventions** are designed to reach all individuals within a particular population by reducing risk factors and promoting protective factors. These kinds of interventions include policies, systems, and environmental changes that impact entire populations of focus in schools, communities, or workplaces. This category of intervention is likely to have the broadest impact on SUD rates in a community.
2. **Selective prevention interventions** work to reduce risk factors and increase protective factors for groups that are at a higher risk than the general population.
3. **Indicated prevention interventions** aim to reach populations that are already involved in risky behaviors that put them at greater risk for substance use disorders.[35]

Current HSA-led Strategies to Prevent Underage Cannabis Consumption
The YEAH! Unit within HSA Public Health currently runs three programs that aim to reduce underage cannabis consumption:

- Santa Cruz County Friday Night Live Partnership (SCCFNLP) engages youth as leaders and provides youth resources to influence positive changes in their communities. SCCFNLP amplifies youth voice in spaces where decisions impact youth and promote health and wellbeing through primary prevention strategies.
- Thriving Youth and Community provides cannabis prevention, intervention, and cessation support to middle and high school students who are at risk of using cannabis or are currently using cannabis. The program aims to support youth wellbeing, foster connection between youth and their school and community, and reduce disciplinary incidents.
- Community Prevention Partners (CPP) is a coalition that aims to prevent substance use disorders and related consequences by reducing Santa Cruz

County youth substance use. CPP supports community member mobilization for policy and systems change to improve community health and safety in Santa Cruz.

Other Underage Cannabis Prevention Efforts in Santa Cruz County

Preventing underage cannabis use requires the expertise and efforts of many throughout Santa Cruz County. Partners in this work include Pajaro Valley Prevention and Student Assistance (PVPSA), the County Office of Education (COE), Community Action Board of Santa Cruz (CAB), the University of California Santa Cruz (UCSC), Cabrillo College, Salud y Cariño, and more. These organizations host family education nights, run youth substance use prevention coalitions, provide primary prevention education to underage persons, provide early intervention for underage people caught using cannabis, participate in HSA-led coalitions and more.

Evidence-Informed Recommendations on Reducing Underage Cannabis Consumption

To effectively prevent underage cannabis consumption, Santa Cruz County should aim to:

- Engage youth in decision-making processes related to cannabis exposure and access
- Reduce youth need to self-medicate using cannabis
- Increase community and stakeholder awareness of health impacts of cannabis on youth
- Improve data collection and increase knowledge of law enforcement and retailers on the health impacts of cannabis and cannabis impaired driving

In order to meet those objectives, the following evidence-informed recommendations are provided for the Board's consideration:

- Universal Prevention Recommendations
  - Establish a robust, community-informed Health in All Policies (HiAP) approach to any substance-related ordinance or policy change.
  - All youth and families in Santa Cruz County are provided with evidence-informed prevention programming at least once in elementary school, once in middle school, and once in high school.
  - All schools establish policies that promote diversion from punitive measures to supportive response for students caught using cannabis.
    - Improve connections to care for youth caught using cannabis.
  - Strengthening product regulations to reduce appeal and harm to underage persons.
    - Including but not limited to: implementing THC potency limits or tax; banning flavored cannabis products; disallowing product labeling that include claims that cannabis or cannabis products are healthy; imposing purchase limits.
  - Density limits
    - Establish license limits for retail locations and potential onsite consumption to ensure that retail density does not increase.
    - Through zoning requirements, ensure that dispensaries are not disproportionately located in low-income communities.
  - Promote policies that increase protective factors for youth

        - This includes any policies that improve the social determinants of health.
    - Address youth exposure to advertising on social media
        - Advocacy for state and federal protective policies around youth exposure to social media and to cannabis sales through social media.
    - Implement County-wide media campaigns to educate the general public about the health impacts of underage cannabis use.
    - Work with retailers
        - All cannabis retailers are trained annually on evidence-informed best practices related to preventing underage cannabis use and preventing resale to minors.
    - Work with Law Enforcement
        - Increase number of drug take back days.
        - Increase the number of law enforcement officers who are trained as Drug Recognition Experts.
        - Require two-pronged approach to traffic stop enforcement to include oral swab and Drug Recognition Expert (DRE) screening to improve data collection on cannabis impaired driving in the county
        - Implement compliance checks at retail and potential onsite consumption locations.
        - Develop complaint procedure for reporting illegal sales and exposure on social media platforms.
        - Develop a protocol for first responders to cannabis-related emergencies to document and investigate when an incident involves a person under 21 years of age and a cannabis product resulting in great bodily injury or death or when anyone regardless of age is charged with vehicular manslaughter while under the influence of cannabis.
            - Protocol to include process for suspending or revoking the business license for any County-licensed retailer or potential consumption site if investigation determines that the licensee sold or furnished cannabis or cannabis products to a minor or someone who was obviously intoxicated.
- Indicated Prevention Recommendations
    - Increase screening and early intervention services offered at all Alternative Education Sites.

Implementation Costs and Strategy Recommendations

The financial and societal impacts of cannabis use, and subsequent treatment are incredibly high. Preventing cannabis use by reducing access, reducing the perception of cannabis use as a norm and increasing control measures are needed to avoid increasing economic costs of cannabis use and misuse.

HSA estimates that enhancing prevention services beyond current prevention programming to include additional recommendations from those described above in “Evidence-Informed Recommendations on Reducing Underage Cannabis Consumption” could cost an additional $500,000 per year or more for staffing, education campaigns and community engagement. This would not include the resources outside agencies like law enforcement or schools would require for implementing strategies that typically fall in their scope.

Financing a comprehensive underage cannabis prevention program could begin with lessons learned from tobacco control and prevention, and alcohol abatement programs around the nation. Revenues from the recommendations below could be allocated to Primary Prevention programs for the purpose of supplementing youth substance use prevention programming.

- Increasing license fees where retailers are required to pay additional license fees and/or training
- Increase taxes on cannabis products at retail locations and potential consumption lounges
- Implement additional fines to be collected by the County for licensee violations[36]

An additional and ongoing strategy for implementing prevention activities is collaborating with County and community partners. These include community-based organizations, school-based, faith-based and community groups. Partnerships within County departments specifically provide opportunities to leverage resources and align priorities in mutually beneficial ways, such as continuing collaboration with Cannabis Licensing Office who regulates and licenses retail cannabis and potential cannabis consumption lounges. Partnering and coordinating supports integrating mitigating and protective guidance for cannabis licensees. HSA requests the board to direct staff to continue these efforts to prevent underage cannabis use and the subsequent negative health outcomes.

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Financial Impact

The recommended action has no financial impact.

Strategic Initiatives

Equity Framework - Communications & Education
Operational Plan - Comprehensive Health & Safety

Submitted By:

Monica Morales, Director of Health Services

Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.

MINUTES

Meeting of the
Scotts Valley City Council
Date: March 5, 2025
Time: 6:00 PM

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066 OR Zoom Video Conference https://us02web.zoom.us/j/83295730901	The agenda was posted on 2-28-2025 at City Hall, SV Senior Center, SV Public Works Building, and on the Internet at www.scottsvalley.gov.

CALL TO ORDER 6:00 PM

The City Council meeting was called to order at 6:00 PM.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

ELECTED OFFICIALS PRESENT:	CITY STAFF MEMBERS PRESENT:
Derek Timm, Mayor Allan Timms, Vice Mayor Steve Clark, Council Member Krista Jett, Council Member Donna Lind, Council Member	Stephanie Hill, Administrative Services Director Kirsten Powell, City Attorney Rodolfo Onchi, Public Works Director Scott Garner, Police Captain Cathie Simonovich, City Clerk

SPECIAL SET MATTER

1. Mayor's proclamation celebrating Alfred Hitchcock Week: March 10th through March 16th

Mayor Timm presented this proclamation celebrating Alfred Hitchcock Week, March 10th through March 16th.

Dave Hodgin mentioned that they are looking forward to seeing everyone March 14-16 at the beautiful performing arts center, now known as The Landing. Victor Alejandro, the Committee Chair of the Hitchcock Festival, gave highlights of the festival and invited the community to attend. Christina Dinwiddie, the scheduling coordinator for the Hitchcock Festival, noted that the International Baccalaureate (IB) Film students from Harbor High School were able to visit The Landing today to hear the Hitchcock history.

COMMITTEE REPORTS

CM Lind attended a Santa Cruz Metropolitan Transit District (METRO) Board of Directors meeting where they approved the line of credit which will help fund 53 hydrogen buses. This will be a bridge loan until grant funding is received in March 2026.

CM Lind attended a METRO tour with the Congressional staff from the offices of Senator Alex Padilla, Senator Adam Schiff, Congressmember Zoe Lofgren, and Congressmember Jimmy Panetta.

CM Lind attended a meeting with a local Pacific Gas & Electric (PG&E) representative where they discussed the seemingly sudden increase in rates over the last couple of months. The representative will possibly participate in a podcast with Robert Aldana to discuss this and other relevant topics.

CM Lind, along with CM Clark, attended the Polar Plunge event. She noted that, although there were teams from cities in other counties, Scotts Valley was the only city in Santa Cruz County who had a team participating in the event.

VM Timms attended the Consolidated Oversight Board Meeting where he was appointed Vice Chair.

CM Jett has been attending weekly meetings of the Youth Action Network where they are planning the Leaders Unite workshop to be held on March 29 from 11:00 AM to 3:00 PM at the Community Foundation in Aptos. The purpose of the event is to connect young people (aged 14-18) with their local elected officials.

CM Clark attended the annual Senior Center meeting where he heard what they are working on and what the future looks like. He acknowledged the staff for their hard work, particularly Recreation Division Manager Pfefferkorn and Darshana Croskrey. CM Clark announced that there is a vacancy on the Senior Center Advisory Commission, so an appointment will be made soon.

CM Clark announced that the Regional Transportation Commission (RTC) will host a virtual community forum on March 12 at 6:00 PM to discuss the Zero Emissions Passenger Rail-Trail. For more information on how to participate, visit the RTC website. The Passenger Rail Concept Report was due this spring but has been pushed to fall.

Mayor Timm met with staff members from the Planning Department and the Recreation Division to research grant funding as part of the Complete Streets Collaborative.

CITY MANAGER REPORT

Administrative Services Director, Stephanie Hill, gave the City Manager report as Acting City Manager.

Storm Updates: It has been a quiet week with only light rainfall, but the maintenance crew is preparing for potentially heavier rains next week and staff are monitoring the situation.

Wastewater Project: The Wastewater Division is preparing for the Aeration Basin project, which will result in greater efficiencies, cleaner water, reduced electricity bills, and more reliable functions, which all benefit the community and the environment.

Bocce Court Resurfacing: The resurfacing of the bocce court is scheduled for next week but will be dependent on the weather. This occurs approximately every five to eight years.

FEMA and State Reimbursement: There will be a $50K reimbursement check arriving soon and it is good to see that this funding continues to be processed and sent.

PUBLIC COMMENT TIME

Vivian expressed approval for the housing project at 4575 Scotts Valley Drive.

ALTERATIONS TO CONSENT AGENDA

M/S: Lind/Clark
To approve the Consent Agenda with no alterations.
Carried 5/0 (AYES: Timm, Timms, Clark, Jett, Lind)

CONSENT AGENDA

1. Approve City Council minutes of 02-19-2025
2. Approve check register dated 02-15-2025 through 02-28-2025

ALTERATIONS TO REGULAR AGENDA

M/S: Lind/Clark
To approve the Regular Agenda with no alterations.
Carried 5/0 (AYES: Timm, Timms, Clark, Jett, Lind)

REGULAR AGENDA

1. Guiding Budget Principles for Fiscal Year 2025-26

Administrative Services Director Hill presented this item. The Council Members thanked the staff for their hard work and noted that they have been involved in the budget development process by participating in the Budget Subcommittee and also the annual workshop which was held in early February 2025.

M/S: Timms/Lind
To approve Resolution No. 630.45 Adopting Guiding Budget Principles for use in preparing the FY 2025-26 Annual Budget.
Carried 5/0 (AYES: Timm, Timms, Clark, Jett, Lind)

2. Future Council Agenda Items

None.

ADJOURNMENT

The meeting adjourned at 6:29 PM.

Approved: ___________________________
Derek Timm, Mayor

Attest: ______________________________
Cathie Simonovich, City Clerk

Cash Account: 999-10100-000-000-000000

Check Number	Check Date	Vendor Name	Net Check Amount	Check Status	Check Type
133527	03/07/25	A SIGN ASAP	796.41	O	Regular
133528	03/07/25	A TOOL SHED, INC.	913.47	O	Regular
133529	03/07/25	A-1 FENCE, INC.	3,250.00	O	Regular
133530	03/07/25	ACE PORTABLE SERVICES	337.19	O	Payment Manager
133531	03/07/25	AMAZON CAPITAL SERVICES	1,274.03	O	Regular
133532	03/07/25	AQUATIC BIOASSAY &	5,840.00	O	Regular
133533	03/07/25	AT&T	2,248.67	O	Regular
133534	03/07/25	AT&T	1,410.17	O	Regular
133535	03/07/25	AT&T	57.70	O	Regular
133536	03/07/25	AUTO CARE LIFESAVER TOWING	114.00	O	Regular
133537	03/07/25	B & B SMALL ENGINE	1,383.99	O	Regular
133538	03/07/25	BARCODES LLC	123.70	O	Regular
133539	03/07/25	BARCODES LLC	592.65	O	Regular
133540	03/07/25	BARCODES LLC	9,054.38	O	Regular
133541	03/07/25	BARCODES LLC	856.05	O	Regular
133542	03/07/25	BATTERIES + BULBS #314	414.98	O	Regular
133543	03/07/25	C & N TRACTORS	883.90	O	Regular
133544	03/07/25	CAL-WEST LIGHTING & SIGNAL INC	2,751.14	O	Regular
133545	03/07/25	CENTRAL HOME SUPPLY	456.53	O	Regular
133546	03/07/25	COMCAST	420.55	O	Payment Manager
133547	03/07/25	COMCAST	1,050.55	O	Regular
133548	03/07/25	CORIE L. ASCANI, PSY.D.	225.00	O	Regular
133549	03/07/25	DANIEL GONZALEZ-GARCIA	58.00	O	Regular
133550	03/07/25	DEPT OF JUSTICE	32.00	O	Regular
133551	03/07/25	DUNCAN AUTO TECH	1,498.42	O	Payment Manager
133552	03/07/25	ECOLOGICAL CONCERNS	675.00	O	Regular
133553	03/07/25	FRANK A. OLSEN CO	14,716.38	O	Regular
133554	03/07/25	GRAINGER	216.21	O	Regular
133555	03/07/25	HINDERLITER, DE LLAMAS & ASSOC	300.00	O	Regular
133556	03/07/25	INTERSTATE SALES	649.36	O	Regular
133557	03/07/25	K & D LANDSCAPING, INC.	25,233.92	O	Regular
133558	03/07/25	LLOYD'S TIRE SERVICE INC.	587.25	O	Regular
133559	03/07/25	MID VALLEY SUPPLY	965.52	O	Payment Manager
133560	03/07/25	MISSION UNIFORM SERVICE	174.29	O	Payment Manager
133561	03/07/25	MIWALL CORPORATION	7,984.38	O	Payment Manager
133562	03/07/25	NICOLAS LIPARI	60.00	O	Regular
133563	03/07/25	PACIFIC GAS & ELECTRIC CO	87,686.37	O	Regular
133564	03/07/25	PALACE BUSINESS SOLUTIONS	203.83	O	Regular
133565	03/07/25	PHILLIP D NEUMAN	35,047.67	O	Regular
133566	03/07/25	PHOENIX GROUP	314.14	O	Regular
133567	03/07/25	PITNEY BOWES INC	145.74	O	Payment Manager
133568	03/07/25	PRIORITY 1 PUBLIC SAFETY	19,924.31	O	Regular
133569	03/07/25	PRODESSE PROPERTY GROUP	3,523.52	O	Regular
133570	03/07/25	RDO EQUIPMENT CO.	530.55	O	Regular

Check Number	Check Date	Vendor Name	Net Check Amount	Check Status	Check Type
133571	03/07/25	ROD MARKELL	1,974.00	O	Regular
133572	03/07/25	SAN LORENZO VALLEY WATER DISTR	70.94	O	Regular
133573	03/07/25	SCARBOROUGH LUMBER	1,620.72	O	Regular
133574	03/07/25	STEPHANIE HILL	129.62	O	Regular
133575	03/07/25	THE PIED PIPER INC.	155.50	O	Payment Manager
133576	03/07/25	TRITON CONSTRUCTION	1,865.00	O	Regular
133577	03/14/25	ALVAREZ IND INC CLEAN BLDG	5,572.42	O	Regular
133578	03/14/25	AMAZON CAPITAL SERVICES	3,112.14	O	Regular
133579	03/14/25	AT&T	8.86	O	Regular
133580	03/14/25	BARCODES LLC	823.13	O	Regular
133581	03/14/25	BATTERIES + BULBS #314	392.33	O	Regular
133582	03/14/25	BENJAMIN NOBLE	1,691.25	O	Regular
133583	03/14/25	BRASS KEY LOCKSMITH	32.87	O	Regular
133584	03/14/25	BRIGHTVIEW LANDSCAPE	4,155.12	O	Regular
133585	03/14/25	BRINK'S AWARDS & SIGNS	54.87	O	Regular
133586	03/14/25	BUSINESS WITH PLEASURE	3.28	O	Regular
133587	03/14/25	COMCAST	323.11	O	Payment Manager
133588	03/14/25	COUNTY OF SANTA CRUZ	43.00	O	Regular
133589	03/14/25	CRYSTAL SPRINGS WATER CO	109.75	O	Regular
133590	03/14/25	CSG CONSULTANTS, INC	2,310.00	O	Regular
133591	03/14/25	DAWN BANKS	16.00	O	Regular
133592	03/14/25	ENGAGE COMMUNICATION INC.	20,496.91	O	Regular
133593	03/14/25	ENTERPRISE FM TRUST	14,088.49	O	Regular
133594	03/14/25	EWING IRRIGATION PRODUCTS	3,037.88	O	Payment Manager
133595	03/14/25	FEDERAL EXPRESS	136.07	O	Regular
133596	03/14/25	FERGUSON ENTERPRISES, LLC #795	117.46	O	Regular
133597	03/14/25	GOLDFARB LIPMAN ATTORNEYS	948.00	O	Regular
133598	03/14/25	HERWIT ENGINEERING	10,148.50	O	Regular
133599	03/14/25	IDEXX LABORATORIES, INC.	1,678.14	O	Payment Manager
133600	03/14/25	INTERSTATE SALES	362.76	O	Regular
133601	03/14/25	INTERWEST CONSULTING GROUP	1,870.00	O	Regular
133602	03/14/25	KENNEDY-JENKS CONSULTANTS	14,240.99	O	Regular
133603	03/14/25	KING'S PAINT & PAPER	32.79	O	Regular
133604	03/14/25	LINDA KAEMPFER BAKER	150.00	O	Regular
133605	03/14/25	LOGAN & POWELL, LLP	17,012.09	O	Regular
133606	03/14/25	LORI GENTILE	198.23	O	Regular
133607	03/14/25	MARY LOUISE DEFALCO	136.80	O	Regular
133608	03/14/25	MISSION UNIFORM SERVICE	348.58	O	Payment Manager
133609	03/14/25	NATIONAL COMTEL NETWORK INC.	17.64	O	Regular
133610	03/14/25	NORTH CENTRAL LABORATORIES	379.90	O	Payment Manager
133611	03/14/25	OPENGOV, INC.	2,390.00	O	Regular
133612	03/14/25	PACIFIC GAS & ELECTRIC CO	845.52	O	Regular
133613	03/14/25	PALACE BUSINESS SOLUTIONS	142.20	O	Regular
133614	03/14/25	PHILLIP D NEUMAN	8,422.25	O	Regular
133615	03/14/25	PHOENIX GROUP	246.71	O	Regular

Check Number	Check Date	Vendor Name	Net Check Amount	Check Status	Check Type
133616	03/14/25	RANDALL KRUSEE	219.13	O	Regular
133617	03/14/25	SANTA CRUZ COUNTY CONFERENCE	19,727.43	O	Regular
133618	03/14/25	SCARBOROUGH LUMBER	599.81	O	Regular
133619	03/14/25	SHARRON BARTH	48.00	O	Regular
133620	03/14/25	SHAWN MOSLEY	750.34	O	Regular
133621	03/14/25	TRIAD ELECTRIC	1,575.00	O	Payment Manager
133622	03/14/25	TUBULAR FLOW, INC	639.29	O	Regular
133623	03/14/25	U.S. BANK CORPORATE	18,295.63	O	Regular

apadatecr2 City of Scotts Valley llambert 03/14/2025 09:13 Page 3
A/P Check Register
Checks from 03/01/2025 to 03/14/2025

83	Checks total:	379,724.17
0	ACH total:	
0	EFTPS total:	
0	Wire transfer total:	
14	Payment Manager total:	19,024.20
97	GRAND TOTALS	398,748.37

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 3/19/2025

TO: Honorable Mayor and City Council

FROM: Kirsten Powell, City Attorney

APPROVED: Kirsten Powell, City Attorney

SUBJECT: **Town Center Land Purchase Supplemental Agreement**

SUMMARY OF ISSUE

On December 4, 2024, the Scotts Valley City Council adopted Resolution No. 2057 approving a Purchase and Sale Agreement for three parcels known as the Town Center Land, to purchase these parcels from the City of Santa Cruz. The City of Santa Cruz approved the agreement on April 30, 2024 with Resolution No. NS-30,323. While finalizing the agreement, it was determined that an additional step was required to effectuate the loan portion of the agreement from the City of Santa Cruz. In order to comply with the State of California Constitutional Debt Limit for Cities, a Lease - Lease Back agreement is needed to support the original purchase agreement and the financing of this purchase. The terms of this supplemental agreement are consistent with the approved Purchase and Sale Agreement. Minor modifications of the Purchase and Sale Agreement are also needed to address the existence of the Lease-Lease Back agreement. Under the Lease-Lease Back agreement, the City will have full control and use of the property.

FISCAL IMPACT

There is no fiscal impact associated with approval of this supplemental Lease - Lease Back Agreement as the purchase was previously approved by the City Council on December 4, 2024.

STAFF RECOMMENDATION

Adopt Resolution No. 2057.1 authorizing the City Manager or her designee to execute the amended Purchase and Sale Agreement and the Lease- Leaseback AgreementApprove the minor modifications to the Purchase and Sale Agreement and the attached Lease - Lease Back agreement and and take any further action necessary to complete the purchase, lease and leaseback of the Town Center land.

TABLE OF CONTENTS

1. SantaCruzTownCenterPurchaseAmendReso3.14.25
2. SkyPark Purchase Sale Agreement_3.14.25FNL (1)
3. SkyPark Purchase Sale Agreement_Lease Exhibit_3.14.25FNL (1)

RESOLUTION NO. 2057.1

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE AN AMENDED PURCHASE SALE AGREEMENT BETWEEN THE CITY OF SANTA CRUZ AND THE CITY OF SCOTTS VALLEY AND LEASE-LEASEBACK AGREEMENT FOR THE SURPLUS SANTA CRUZ-OWNED PROPERTY LOCATED AT THE NORTHWEST CORNER OF MOUNT HERMON ROAD AND KINGS VILLAGE ROAD IN THE CITY OF SCOTTS VALLEY, APNS 022-721-07, 022-721-08, AND 022-721-09

WHEREAS, the City of Santa Cruz ("SC") owns certain real property located at the Northwest Corner of Mount Hermon Road and Kings Village Road in the City of Scotts Valley, APNs 022-721-07, 022-721-08, and 022-721-09 ('collectively referred to as the "Property"); and

WHEREAS, the Property has been an integral part of the City of Scotts Valley's ("SV") Town Center project since at least 2006; and

WHEREAS, SC previously declared the Property to be surplus property and offered for lease or sale to entities listed in Government Code Section 54222; and

WHEREAS, on December 4, 2004, SV approved Resolution No. 2057 authorizing the purchase of the Property and on April 30, 2024 SC approved Resolution No. Resolution No. NS-30,323 authorizing the sale of the Property; and

WHEREAS, since that time, it has been determined that alternate financing of the sale is necessary; and

WHEREAS, SV and SC desire to amend the Purchase Agreement and enter into a Lease-Leaseback Agreement to effectuate the sale of the Property.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley that the City Manager is authorized and directed to execute the amended Purchase Sale Agreement to replace the previously approved Purchase Sale Agreement and to execute the Lease-Leaseback Agreement between the City of Santa Cruz and the City of Scotts Valley for the City-owned property located at the Northwest Corner of Mount Hermon Road and Kings Village Road in the City of Scotts Valley, along with any necessary modifications of a non-substantive or conforming nature, in a form to be approved by the City Attorney, and the City Manager or her designee is authorized to take any further actions and execute any other related documents necessary to conclude the sale.

PASSED AND ADOPTED this 19th day of March, 2025, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED: ______________________________
Derek Timm, Mayor

ATTEST: ______________________________
Cathie Simonovich, City Clerk

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "**Agreement**") is made and entered into as of ______________, 2025 for reference purposes only, by and between the City of Santa Cruz, a California municipal corporation ("**Seller**"), and the City of Scotts Valley, a California municipal corporation ("**Buyer**"). The date upon which both Buyer and Seller have executed this Agreement and delivered the same to one another, shall hereinafter be referred to as the "**Effective Date**".

IN CONSIDERATION of the respective agreements hereinafter set forth, Seller and Buyer hereby agree as follows:

1. Purchase and Sale of Property. Seller hereby agrees to sell "AS-IS" and convey to Buyer, and Buyer hereby agrees to purchase from Seller, subject to the terms and conditions set forth herein, the following (collectively, the "**Property**"):

(a) That certain real property located at the northwest corner of Mount Hermon Road and Kings Village Road in the City of Scotts Valley, County of Santa Cruz, California, commonly referred to as Assessor's Parcel Numbers 022-721-07, 022-721-08, and 022-721-09, all as more fully described in **Exhibit A** (the "**Land**"), together with all rights, privileges, easements or appurtenances to or affecting the Land (collectively, the "**Appurtenances**").

(b) Vacant Property. The Land is vacant and does not contain any personal property.

2. Purchase Price.

(a) The purchase price for the Property ("**Purchase Price**") shall be Seven Million Seven Hundred Fifty Thousand Dollars ($7,750,000.00).

(b) The Purchase Price shall be paid as follows:

(i) Within three (3) days following the Effective Date, Seller and Buyer shall open an escrow in connection herewith ("**Escrow**") at First American Title, 4450 Capitola Road #103, Capitola, CA 95010, Attn: Joyce Avila ("**Escrow Holder**"), and Buyer shall deposit into Escrow the amount of One Hundred Thousand Dollars ($100,000.00) ("**Deposit**") in cash or other immediately available funds.

(ii) The Deposit shall be held by Escrow Holder in an interest-bearing account for the benefit of Buyer in accordance with this Agreement. Notwithstanding anything herein to the contrary, One Hundred Dollars ($100.00) of the Deposit (the "**Independent Consideration**") shall not be refundable to Buyer, but shall represent consideration for this Agreement and shall be paid to Seller. The Independent Consideration shall be paid to Seller within three (3) days of the Effective Date. The Independent Consideration shall serve as consideration for the granting of the time periods herein contained for Buyer to exercise Buyer's right to satisfy all of Buyer's conditions herein contained.

(iii) The Deposit (less the Independent Consideration) are referred to herein from time to time as the "**Earnest Money**." The Earnest Money shall be held by Escrow Holder in an interest-bearing account for the benefit of Buyer in accordance with this Agreement.

(iv) If the Closing (as defined herein) as contemplated hereunder should occur, then the Earnest Money will be paid by the Escrow Holder to Seller at the Closing, and the Earnest Money and any interest accrued thereon will be credited against the Purchase Price payable by Buyer to Seller at the Closing.

(v) If this Agreement is not terminated prior to the expiration of the Feasibility Period (as defined herein), the Earnest Money and any interest accrued thereon shall be nonrefundable to Buyer, except that if this Agreement is terminated prior to the Closing due to Seller's default or the failure of any of the Conditions Precedent (as defined herein) or as expressly set forth herein, then the Earnest Money together with any interest accrued thereon shall be returned to Buyer. The Earnest Money together with all interest accrued thereon shall be applied to the Purchase Price at the Closing.

(vi) On or before the Closing, if this Agreement has not been earlier terminated, Buyer shall deposit into Escrow cash or other immediately available funds in the amount of One Million Dollars ($1,000,000.00) (the "**Down Payment**"), which shall be payable to Seller at the Closing.

(vii) After Closing, Buyer shall pay the remainder of the Purchase Price, or Six Million Six Hundred Fifty Thousand Dollars and Zero Cents ($6,650,000.00) (also referred to as the "**Financed Rental Payments**"), in accordance with the schedule of requirements payments in an appropriate financing agreement. The financing agreement may be in a form substantially similar to the Lease-Leaseback Agreement between Buyer and Seller attached hereto as **Exhibit F** and incorporated herein by reference (the "**Lease-Leaseback Agreement**"), with the following terms:

(1) A term of eight (8) years from Close of Escrow;

(2) Total rental payments for the Financed Rental Payments, plus interest, in accordance with a schedule of payments to be set forth in the Lease-Leaseback Agreement.

(c) Buyer and Seller agree to the following regarding environmental remediation on the Property:

(i) The Purchase Price reflects Seller's agreement to a reduction in price from the appraised value of the Property in the amount of Two Hundred Fifty Thousand Dollars ($250,000.00). In consideration of this price reduction, Buyer agrees that Seller shall have no further responsibility for the cost of a vapor barrier and any other cost relating to remediation of underground contamination, including but not limited to all remediation of groundwater contamination (collectively, "**Underground Contamination**"). Buyer shall be solely and exclusively responsible for any and all costs of Underground Contamination, and shall comply with all legal requirements arising from or related to the underground contamination.

(ii) Buyer and Seller agree that the Property required surface-level environmental remediation that included: limited non-hazardous soil removal, off hauling and import of clean, quarry sourced fill ("**Surface Remediation**"). Prior to this Agreement, Buyer and Seller entered into an Agreement for Payment of Surface Remediation Between City of Scotts Valley and City of Santa Cruz, dated on or about September 20, 2023, as amended by the Parties ("Joint Surface Remediation Agreement"), for the purpose of jointly conducting the Surface Remediation and are currently awaiting a closure order from the County of Santa Cruz. Seller agrees to reduce the Financed Rental Payments based on Surface Remediation costs that are actually incurred and paid by Buyer pursuant to the Joint Surface Remediation Agreement, subject to Seller's review and approval of such Surface Remediation cost documentation, provided that the total reduction of the Financed Rental Payments shall not exceed Two Hundred Seventy Five Thousand Dollars ($275,000.00). If the estimated costs for Surface Remediation exceeds this amount, then Seller's written consent to any additional costs shall be a condition precedent to Closing for the benefit of Seller as set forth in Section 6 below.

3. Title to the Property. At the Closing, Seller shall cause to be conveyed to Buyer fee simple title to the Property by duly executed and acknowledged grant deed substantially in the form attached hereto as **Exhibit B** and incorporated herein by this reference (the "**Deed**") as well as a duly executed Bill of Sale for the Personal Property, if any. As used in this Agreement, Closing (the "**Closing**") shall be deemed to occur upon the recording of the Deed. Evidence of delivery of fee simple title shall be the issuance by Escrow Holder to Buyer of an ALTA standard coverage owner's policy of title insurance in the amount of the Purchase Price, insuring fee simple title to the Property in Buyer, subject only to such exceptions as Buyer shall have approved as provided below (the "**Title Policy**"). The Title Policy shall provide full coverage against mechanics' and materialmen's liens and shall contain such special endorsements as Buyer may reasonably require, including, without limitation, any endorsements required as a condition to Buyer's approval of any title exceptions (the "**Endorsements**"). Within five (5) business days following the opening of Escrow, Seller shall order the issuance of a preliminary title report with respect to the Property, together with copies of all underlying documents referenced therein and a map containing a plotting of all easements capable of being plotted (collectively, the "**Preliminary Report**"), to be prepared by the Escrow Holder and delivered to Buyer. No later than thirty (30) business days after receipt of the Preliminary Report, Buyer shall give written notice to Seller of any items contained in the Preliminary Report which Buyer disapproves ("**Buyer's Disapproval Notice**"). Failure of Buyer to notify Seller of Buyer's disapproval of all or any item on the Preliminary Report shall be deemed to be an approval by Buyer of such item(s). In any event, Seller covenants to remove as exceptions to title prior to the Closing, any mortgages, deeds of trust, and other monetary encumbrances (collectively, "**Disapproved Liens**") shown on the Preliminary Report except for real property taxes not delinquent. Seller shall notify Buyer no later than five (5) business days after receipt of Buyer's Disapproval Notice whether it elects to remove such other items disapproved by Buyer. If by the expiration of the Feasibility Period, there remain exceptions to title which have not been modified to the satisfaction of Buyer and/or removed prior to the Closing Date, then Buyer may elect to do either of the following by the expiration of the Feasibility Period: (i) accept such exceptions and proceed to take title to the Real Property subject to such exception(s); or (ii) this Agreement may be terminated in accordance with Section 4(b). In the event Buyer elects to terminate this Agreement pursuant to this Section 3, neither party shall have any further obligations to the other hereunder (except under provisions of this Agreement which specifically state that they survive termination).

4. Feasibility.

(a) From and after the Effective Date until the Closing or earlier termination of this Agreement, Seller shall afford authorized representatives of Buyer access to the Property, upon reasonable prior notice to Seller, and so long as such access does not unreasonably interfere with the conduct of business on or use of the Property, for purposes of conducting such physical inspections and investigations of the Property as Buyer deems necessary (the "**Inspections**"). Seller's representative shall be present with Buyer or Buyer's representative for any access to the Property. The Inspections and investigations may include, without limitation, (i) a review of existing zoning, entitlement, planning or similar issues applicable to the Property; (ii) a review of the physical condition of the Property and the systems serving the Property; (iii) a review of the environmental condition of the Property, including a Phase I environmental site assessment and any proposal regarding a Phase II environmental site assessment. Buyer agrees not to conduct or cause to be conducted a Phase II environmental site assessment without the prior written consent of Seller. Buyer's Inspections and investigations shall be governed by Section 14.

(b) As used herein, the term ("**Feasibility Period**") shall refer to a period of time to expire at 5:00 p.m., California time, on the thirtieth (30th) calendar day following the Effective Date; provided, however, that if the 30th day is a Saturday, Sunday or holiday on which banking institutions are closed in the State of California, then the Feasibility Period shall expire on the following business day. Buyer may elect, by written notice to Seller at any time prior to the expiration of the Feasibility Period, to terminate this Agreement, which election shall be in Buyer's sole and absolute discretion. If Buyer desires to terminate this Agreement pursuant to this Section 4(b) then before the expiration of the Feasibility Period, Buyer shall deliver written notice to Seller of Buyer's election to terminate (the "**Buyer's Notice to Terminate**"). If Buyer desires to proceed with the purchase of the Property subject to the remaining conditions set forth in this Agreement, then on or before the expiration of the Feasibility Period, Buyer shall deliver written notice to Seller of such election to proceed (the "**Buyer's Notice to Proceed**"), electing to waive Buyer's right of termination pursuant to this Section 4(b) and proceed with the Closing subject to the remaining conditions set forth in this Agreement. If Buyer fails to deliver either Buyer's Notice to Terminate or Buyer's Notice to Proceed to Seller prior to the expiration of the Feasibility Period, then Buyer shall be deemed to have elected to proceed with this Agreement and the Closing. In the event of the termination of this Agreement pursuant to this Section 4(b), neither party shall have any further obligations to the other hereunder (except under provisions of this Agreement which specifically state that they survive termination).

(c) In the event Buyer elects to terminate this Agreement pursuant to Section 4(b), or if Closing does not occur for any reason, Buyer shall return all Seller's Deliveries to Seller. Buyer further agrees that prior to Closing, Buyer shall provide Seller with copies of all studies, reports, appraisals and other materials commissioned by or prepared for Buyer relating to or regarding the Property ("**Buyer's Reports**"), at no cost to Seller.

5. Seller's Deliveries. Within five (5) business days following the Effective Date, Seller shall deliver to Buyer, whether electronically or otherwise, the materials described on **Exhibit E**, which shall contain copies of documents in Seller's possession or control, or to which Seller has access (collectively, the "**Seller's Deliveries**"). Seller makes no representation whatsoever about the content, accuracy, completeness or value of any of Seller's Deliveries. All Seller's Deliveries will be provided to Buyer without warranty from Seller regarding the accuracy or completeness of the information contained therein, and such documents may or may not be

assignable to Buyer. The delivery of such reports and studies shall be subject to the proprietary rights of any engineer or other consultant preparing the same and any limitations on use imposed by them. Buyer assumes all risk of reviewing and understanding any and all information contained in Seller's Deliveries. Seller shall deliver a Natural Hazards Disclosure Report with Seller's Deliveries.

6. Conditions to Seller's Obligations. Seller's obligations hereunder, including, but not limited to, its obligation to consummate the purchase transaction provided for herein, are subject to the satisfaction of each of the following conditions, each of which is for the sole benefit of Seller and may be waived by Seller in writing in Seller’s sole and absolute discretion:

(a) Buyer shall not be in default under this Agreement.

(b) Each representation and warranty made in this Agreement by Buyer shall be true and correct in all material respects at the time as of which the same is made and as of the Close of Escrow.

(c) Seller agrees to credit Buyer’s share of the cost of Surface Remediation to Buyer as required under Section 2(c)(ii) of this Agreement, unless Seller and Buyer mutually agree to an alternative cost sharing arrangement.

(d) Buyer and Seller agree to execute an appropriate financing instrument providing for a lease-leaseback transaction, pursuant to which Buyer shall lease the Property to Seller, and Seller shall lease the Property back to Buyer with Buyer paying the remaining balance of the Purchase Price under the lease arrangement, as set forth in Section 2(b)(vii) of this Agreement. A memorandum of lease in the form attached hereto as Exhibit G, or other evidence of the financing acceptable to Seller, shall be recorded in the official records of Santa Cruz County.

(e) Escrow Holder shall be unconditionally committed to issue a Title Policy to Seller upon the Closing in the form and with such exceptions and endorsements as have been approved, or are deemed approved, by Seller.

(f) Buyer shall have delivered a Certificate of Acceptance or documented authorization to execute the Certificate of Acceptance.

(g) Buyer shall have complied with all of Buyer’s duties and obligations contained in this Agreement and all of Buyer's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct as of the Closing Date.

(h) Buyer’s written consent that Seller may satisfy its obligations under the Joint Surface Remediation Agreement based on the costs Seller approves under Section 2(c)(ii) of this Agreement.

(i) Buyer’s written consent to record against the Property any covenant or deed restriction for purposes of complying with the California Surplus Land Act (Gov. Code § 54220 et seq.), and Buyer’s execution and delivery of the covenant or deed restriction to Escrow Holder prior to Closing.

(j) Seller waives the right of Termination Without Cause provided for in Section 8(f).

7. Conditions Precedent to Closing. The following are conditions precedent to Buyer's obligation to purchase the Property (the "**Conditions Precedent**"). The Conditions Precedent are intended solely for the benefit of Buyer and may be waived only by Buyer in writing in Buyer's sole and absolute discretion. In the event any Condition Precedent is not satisfied, Buyer may, in its sole and absolute discretion, terminate this Agreement, subject to the provisions of Section 8.

(a) Buyer's inspection, review and approval, within the Feasibility Period, of all of the following:

(i) The physical characteristics and condition of the Property (including without limitation the condition of the soils); and

(ii) Seller's Deliveries.

(b) Escrow Holder shall be unconditionally committed to issue the Title Policy to Buyer upon the Closing in the form and with such exceptions and endorsements as have been approved, or are deemed approved, by Buyer as provided in Section 3 above.

(c) Seller shall have complied with all of Seller's duties and obligations contained in this Agreement and all of Seller's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct as of the Closing Date.

(d) Buyer waives the right of Termination Without Cause provided for in Section 8(f).

(e) The governing body for each Party shall have approved an appropriate financing agreement to provide for the payments required by Section 2(b)(vii) of this Agreement.

(f) The memorandum reflecting the Lease-Leaseback Agreement is recorded against the Property in the official records of Santa Cruz County.

8. Default; Remedies; Termination.

(a) Default by Seller; Remedies. In the event any of the specific representations or warranties of Seller contained in this Agreement proves to be untrue in any material respect, or if Seller refuses to perform its obligations at Closing after Buyer tenders its performance of its obligations or to materially comply with any of the provisions hereof at or prior to Closing, then, at Buyer's option, Buyer may elect to: (a) terminate this Agreement, receive a refund of the Deposit and Down Payment, to the extent paid by Buyer, and payment for the remediation costs approved pursuant to Section 2(c)(ii), above, as liquidated damages (collectively, "Buyer's Liquidated Damages"), in which case the Escrow Holder shall release the Deposit within five (5) business days of written receipt of a written request from Buyer (with a copy going to Seller), and the Parties shall have no further liability to each other, or (b) proceed with the equitable remedies available to Buyer. If Buyer elects to receive Buyer's Liquidated Damages, and Seller has withdrawn the

Deposit from Escrow, Seller shall fund the withdrawn amounts to Escrow within three (3) business days of notice from Escrow Holder. Buyer's remedies for Seller's default shall be limited to the election of remedies as set forth in this Section 8.

(b) Default by Buyer; Remedies. If the sale of the Property pursuant to this Agreement is not consummated solely because of a default under this Agreement on the part of Buyer, Seller shall have the right to terminate this Agreement and receive the Deposit, and all Buyer's reports, as liquidated damages (collectively, Seller's Liquidated Damages").

(c) LIQUIDATED DAMAGES. THE PARTIES HAVE AGREED THAT THEIR ACTUAL DAMAGES, IN THE EVENT OF A DEFAULT BY THE OTHER PARTY, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY PLACING THEIR INITIALS BELOW, THE PARTIES ACKNOWLEDGE THAT BUYER'S LIQUIDATED DAMAGES AND SELLER'S LIQUIDATED DAMAGES, AS DEFINED, HAVE BEEN DETERMINED AFTER NEGOTIATION AS THE PARTIES' REASONABLE ESTIMATE OF THEIR RESPECTIVE DAMAGES AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY AGAINST THE OTHER PARTY, AT LAW OR IN EQUITY, IN THE EVENT OF A DEFAULT UNDER THIS AGREEMENT (EXCEPT IN THE INSTANCE OF BUYER ELECTING TO PURSUE SPECIFIC PERFORMANCE); PROVIDED, HOWEVER, THIS LIQUIDATED DAMAGES CLAUSE DOES NOT APPLY TO CLAIMS UNDER SUBDIVISION (G), BELOW. UPON THE OCCURRENCE OF ANY SUCH DEFAULT BY BUYER, BUYER SHALL DELIVER WITHIN TWO (2) BUSINESS DAYS OF SELLER'S REQUEST ALL BUYER'S REPORTS AND APPROPRIATE DOCUMENTS ASSIGNING SAME TO SELLER. EACH PARTY HEREBY WAIVES ANY AND ALL BENEFITS IT MAY HAVE UNDER CALIFORNIA CIVIL CODE SECTION 3389. FURTHERMORE, THE PAYMENT AND RETENTION OF THE DEPOSIT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 AND 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677.

(d) THE PARTIES HEREBY ACKNOWLEDGE THEY HAVE READ AND ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 ("SECTION 1542"), WHICH IS SET FORTH BELOW

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR"

(e) BY INITIALING BELOW, THE PARTIES HEREBY WAIVE THE PROVISIONS OF SECTION 1542 IN CONNECTION WITH THE WAIVERS SET FORTH IN THIS SECTION 8, AND AGREE TO THE LIQUIDATED DAMAGES AS STATED HEREIN.

INITIALS: Seller _________ Buyer __________

(f) Within ninety (90) days of the Effective Date, either Party shall have the right to terminate this Agreement, without cause ("Termination Without Cause"), if any legal proceeding is commenced by a third party, or a governmental entity (except one of the Parties) provides either Party with a notice of violation or issues a similar finding, that alleges a violation of any law, regulation, or ordinance regarding this Agreement and the contemplated conveyance of the Property. The Termination Without Cause shall be effective upon written notice from the Party terminating the Agreement to the other Party and Escrow Holder. Within ten (10) days of the written notice under this paragraph, Escrow Holder shall refund to Buyer the Deposit and Down Payment that has been paid to Escrow. Additionally, upon such termination, the Parties shall be obligated under the Joint Surface Remediation Agreement. The Party exercising the right to Termination Without Cause shall pay all costs owed to Escrow Holder. Except as otherwise expressly stated herein, upon a Termination Without Cause, the Parties shall have no further obligations towards each other under this Agreement.

(g) Remedies Under the Lease-Leaseback Agreement. This Agreement does not set forth or limit the remedies under the Lease-Leaseback Agreement.

9. Escrow; Closing, Prorations.

(a) Upon mutual execution of this Agreement, the parties hereto shall deposit an executed counterpart of this Agreement with Escrow Holder and this Agreement shall serve as instructions to Escrow Holder for consummation of the purchase contemplated hereby. Seller and Buyer shall execute such supplemental Escrow instructions as may be appropriate to enable Escrow Holder to comply with the terms of this Agreement, provided such supplemental Escrow instructions are not in conflict with this Agreement as it may be amended in writing from time to time. In the event of any conflict between the provisions of this Agreement and any supplementary Escrow instructions signed by Buyer and Seller, the terms of this Agreement shall control.

(b) The Closing shall take place (the "**Closing Date**") on or before the date that is ninety (90) days following the expiration of the Feasibility Period or as may be extended as provided below.

(c) At or before the Closing, Seller shall deliver to Escrow Holder or Buyer the following:

(i) the duly executed and acknowledged Grant Deed for the Property and the duly executed Bill of Sale;

(ii) a duly executed affidavit that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986 in the form attached as **Exhibit D** and incorporated herein by this reference together with a duly executed non-foreign person affidavit and evidence that Seller is exempt from the withholding obligations imposed by California Revenue and Taxation Code Sections 18805, 18815, and 26131;

(iii) evidence reasonably acceptable to Escrow Holder that the documents delivered by Seller have been duly authorized and executed on behalf of Seller and constitute valid and binding obligations of Seller.

(iv) any other documents which the Escrow Holder may reasonably require from Seller in order to close Escrow which do not increase Seller's liability or obligations hereunder;

(v) a closing statement in form and content satisfactory to Buyer and Seller (the “**Closing Statement**”) duly executed by Seller; and

(vi) any other instruments, records or correspondence called for hereunder which have not previously been delivered.

(d) At or before the Closing, Buyer shall deliver to Escrow Holder or Seller the following:

(i) the Closing Statement, duly executed by Buyer;

(ii) the balance owed for the Purchase Price, less the Financed Rental Payments; and

(iii) evidence reasonably acceptable to Escrow Holder that the documents delivered by Buyer have been duly authorized and executed on behalf of Buyer and constitute valid and binding obligations of Buyer.

(e) Seller and Buyer shall each deposit such other instruments as are reasonably required by Escrow Holder or otherwise required to close the Escrow and consummate the purchase of the Property in accordance with the terms hereof, including but not limited to: the Lease-Leaseback Agreement, and a Certificate of Acceptance executed by the duly authorized representative of the City Council for the City of Scotts Valley.

(f) The following are to be paid by Buyer or Seller or apportioned as of the Closing Date, as follows:

(i) General real property taxes for the year in which Closing occurs together with assessments, property operating expenses, utilities and other recurring costs relating to the Property shall be apportioned as of the Closing Date on the basis of a thirty (30)-day month.

(ii) Costs and expenses of Escrow incurred in this transaction shall be paid as follows:

(1) Seller and Buyer shall each pay one-half (1/2) shall pay all sales, use and documentary transfer taxes;

(2) Seller shall pay the cost for a standard Title Policy and any extended coverage if desired;

(3) Buyer shall pay the cost for a standard Title Policy and any extended coverage if desired;

(4) Seller and Buyer shall each pay one-half (1/2) of the Escrow fees, recording fees and related expenses;

(5) Seller and Buyer shall each pay one-half (1/2) of any city or county transfer taxes due;

(6) all other costs of escrow shall be paid equally by Buyer and Seller.

(iii) The provisions of this Subparagraph (g) shall survive the Closing.

10. Representations, Warranties and Covenants of Seller. As of the date hereof and again as of Closing, Seller represent and warrants to Buyer as follows:

(a) This Agreement and all documents executed by Seller which are to be delivered to Buyer at the Closing are and at the time of Closing will be duly authorized, executed and delivered by Seller, are and at the time of Closing will be legal, valid and binding obligations of Seller enforceable against Seller in accordance with their respective terms. Seller agrees to exercise reasonable and good faith efforts to obtain all necessary authorizations, approvals and consents to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(b) No Action. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending against Seller, nor are any such proceedings contemplated by Seller.

(c) No Representations as to Property. There are no representations, agreements, arrangements, or circumstances, oral or written, between the parties relating to the subject matter contained in this Agreement that are not fully expressed in the Agreement, and Seller has not made and does not make any representation or warranty concerning any matter or thing affecting or relating to the Property, including but not limited to its fitness for a particular use, its physical condition or any other matter.

(d) Seller's Obligations for Cost of Surface Remediation. During the Escrow Period, Seller will cooperate with Buyer in preparing for an updated estimate for the cost of the Surface Remediation, and that Seller agrees to the provisions of Section 2(c)(ii) of this Agreement regarding a reduction of the Financed Rental Payments.

(e) Sale "AS-IS". Except for Seller's express representations and warranties set forth in Section 10 herein, Buyer elects to purchase the Property "AS IS, WHERE IS, IN ITS CURRENT CONDITION, WITH ALL FAULTS" without any covenant, representation or warranty of any kind or nature whatsoever, express or implied. Buyer acknowledges that it assumes all responsibility for Buyer's independent investigation of the Property in making its decision to purchase the Property, including but not limited to its use, development potential and suitability for Buyer's intended use, including (without limitation) the following: the feasibility of developing the Property for the purposes intended by Buyer and the conditions of approval for any subdivision map; the size and dimensions of the Property; the availability, cost and adequacy of water, sewerage and any utilities serving or required to serve the Property; the presence and adequacy of current or required infrastructure or other improvements on, near or affecting the Property; any surface, soil, subsoil, fill or other physical conditions of or affecting the Property, such as climate, geological, drainage, air, water or mineral conditions; the condition of title to the Property; the existence of governmental laws, statutes, rules, regulations, ordinances, limitations, restrictions or requirements concerning the use, density, location or suitability of the Property for any existing or proposed development thereof including but not limited to zoning, building, subdivision, environmental or other such regulations; the necessity or availability of any general or specific plan amendments, rezoning, zoning variances, conditional use permits, building permits, environmental impact reports, parcel or subdivision maps and public reports, requirements of any improvement agreements; requirements of the California Subdivision Map Act, and any other governmental permits, approvals or acts (collectively "**Permits**"); the necessity or existence of any dedications, taxes, fees, charges, costs or assessments which may be imposed in connection with any governmental regulations or the obtaining of any required Permits; the presence of endangered plant or animal species upon the Property; and all of the matters concerning the condition, use, development or sale of the Property. Buyer acknowledges that Seller and Seller's employees, officers, officials, representatives, or agents have not at any time made any oral or written representations or warranties (express or implied) relating to the Property, as set forth in Section 10(c). Seller will not be liable for any loss, damage, injury or claim to any person or property arising from or caused by the use or development of the Property by Buyer.

Except with respect to a default by Seller hereunder (including a breach of Seller's warranties and representations), Buyer at the Close of Escrow expressly waives its rights granted under California Civil Code Section 1542, which provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Buyer's Initials: ________ Seller's Initials: ________.

11. Representations, Warranties and Covenants of Buyer. Buyer hereby represents and warrants to Seller as follows:

(a) This Agreement and all documents executed by Buyer which are to be delivered to Seller at the Closing are and at the time of Closing will be duly authorized, executed and delivered by Buyer, are and at the time of Closing will be legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms, and do not and at the time of Closing will not violate any provision of any agreement or judicial order to which Buyer is subject. Buyer agrees to exercise reasonable and good faith efforts to obtain all necessary authorizations, approvals and consents to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(b) Buyer warrants that Buyer is a sophisticated owner and buyer of real property, familiar and experienced with requirements for the development of real property. Buyer has examined the Property or will have done so by Closing, is or will be familiar with its physical condition, and accepts the Property in an "AS-IS" condition.

(c) Buyer has conducted or will conduct an independent investigation with respect to zoning and subdivision laws, ordinances, resolutions, and regulations of all governmental authorities having jurisdiction over the Property, and the use, disposition and improvement of the Property and is, or at Closing will be, satisfied with the results of such investigation.

(d) The Property is being sold "AS-IS" and with all faults. Buyer acknowledges and agrees that the Purchase Price reflects Seller's agreement to a price reduction in the amount of Two Hundred Fifty Thousand Dollars ($250,000.00) from the appraised value of the Property for the cost of remediation set forth in Section 2(c)(i) of this Agreement.

(e) Buyer acknowledges and agrees that the Surface Remediation has been completed and that Seller's financial responsibility for the Surface Remediation shall not exceed the amount set forth in Section 2(c)(ii), which shall only be satisfied as a reduction of the Financed Rental Payments in accordance with the Lease-Leaseback Agreement and as set forth in Exhibit C thereto.

(f) Buyer acknowledges and agrees that the Property will be subject to a deed restriction imposed by the County of Santa Cruz, or other responsible government agency, as a result of environmental contamination of the Property, including but not limited to the Surface Remediation, and that Buyer will take all necessary steps to comply with any requirement for a deed restriction imposed by the County of Santa Cruz or other responsible government agency with jurisdiction over any environmental remediation required at the Property. This obligation shall survive the expiration of this Agreement.

(g) If Buyer seeks to perform any additional remediation work on the Property prior to Close of Escrow, Buyer shall request Seller's written consent. Buyer shall make any such request in writing, and allow Seller at least ten (10) days to respond to the request. Seller shall have the sole and absolute discretion to approve or deny the request.

12. Environmental Matters/Release. As used in this Agreement, "**Hazardous Materials**" includes petroleum, asbestos, radioactive materials or substances defined as "“hazardous substances,” “hazardous materials” or “toxic substances” (or words of similar import) in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et seq.), and under the applicable laws of California. Buyer must rely on its own investigation and not on any representation by Seller regarding Hazardous Materials. Buyer shall rely solely upon its own investigation and inspection of the Property and the improvements thereon and upon the aid and advice of Buyer's independent expert(s) in purchasing the Property, and shall take title to the Property without any warranty, express or implied, by Seller or any employee or agent of Seller. Seller makes no representations regarding Hazardous Materials in, on or under the Property. Seller's knowledge and disclosures regarding Hazardous Materials are limited to the contents of Seller's Deliveries.

Accordingly, Buyer hereby expressly waives and relinquishes any and all rights and remedies Buyer may now or hereafter have against Seller, whether known or unknown, with respect to any past present, or future presence of Hazardous Materials on, under or about the Property or with respect to any past, present or future violations of any rules, regulations or laws, now or hereinafter enacted, regulating or governing use, handling, storage or disposable of Hazardous Materials, including, without limitation (i) any and all remedies Buyer may now or hereafter have under the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("**CERCLA**"), as amended, and any similar law, rule or regulation, (ii) any and all rights Buyer may now or hereafter have against Seller under the Carpenter-Presley-Tanner Hazardous Substance Account Act (California Health and Safety Code, Section 25300 et seq.), as amended and any similar law, rule or regulation, and (iii) any and all claims, whether known or unknown, now or hereafter existing, with respect to the Property under Section 107 of CERCLA (42 U.S. C.A. § 9607).

BUYER HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 ("SECTION 1542"), WHICH IS SET FORTH BELOW

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR"

BY INITIALING BELOW, BUYER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

____
(Buyer's Initials)

13. Continuation and Survival. All representations, warranties and covenants by the respective parties contained herein or made in writing pursuant to this Agreement are intended to and shall be deemed made as of the date of this Agreement or such writing and again at the Closing, shall be deemed to be material, and unless expressly provided to the contrary shall survive the execution and delivery of this Agreement, the Deed and the Closing.

14. Indemnity.

Buyer agrees to indemnify, defend, and hold harmless the Seller, its officials, officers, and employees from, all claims, demands, suits, actions, damages, obligations, liabilities, losses, costs and expenses, including but not limited to attorneys' fees and court costs, in any way related to this Agreement, including those which arise as a result of the Inspections and any remediation work performed on the Property by Buyer, its agents, employees, contractors, or subcontractors; provided, however, that Buyer will not be obligated to indemnify Seller with respect to its own negligence. The foregoing indemnity shall survive termination of this Agreement. Buyer shall not suffer or permit any mechanic's or materialmen's or other lien to stand against the Property in connection with any labor, materials or services furnished or claimed to have been furnished by or on behalf of Buyer in connection with or as a result of any Inspections. If any such lien shall be filed against the Property, Buyer shall cause such lien to be discharged or bonded within thirty (30) days after such filing. Following any Inspections Buyer shall restore the Property to substantially its physical condition as existed prior to such inspection (except for any changes to the Property caused by Seller, or its agents or employees). Prior to any entry on the Property, Buyer or its consultant shall at its sole cost obtain a policy of liability insurance with a combined single limit in an amount not less than Two Million Dollars ($2,000,000); Seller shall be named an additional insured on said policy; and Buyer or its consultants shall furnish to Seller a certificate of insurance confirming such coverage.

15. Condemnation.

(a) In the event a governmental entity commences eminent domain proceedings to take any portion of the Property after the date hereof and prior to the Closing, then Buyer shall have the option to terminate this Agreement by written notice to Seller within ten (10) business days after Buyer first learns of such commencement. In the event of any such termination, the Earnest Money, together with all interest, shall be returned to Buyer. Buyer and Seller shall each be liable for one-half of any escrow fees or charges, and neither party shall have any further liability or obligation under this Agreement.

(b) In the event a governmental entity commences eminent domain proceedings to take any part of the Property after the date hereof and prior to the Closing and this Agreement is not terminated pursuant to Section 15(a), then the Closing shall occur as scheduled notwithstanding such proceeding; provided, however, that Seller's interest in all awards arising out of such proceedings (except for any award attributable to the loss of Seller's business or income, Seller's personal property, or the property of any tenant of the Property) shall be assigned to Buyer as of the Closing or credited to Buyer if previously received by Seller. Seller's obligations pursuant to this Section 15(b) shall survive the Closing.

16. Possession. Possession of the Property shall be delivered to Buyer on the Closing Date free of any occupant or property not being conveyed to Buyer as provided hereunder.

17. Seller's Cooperation with Buyer. At no cost to Seller, Seller shall cooperate and do all acts as may be reasonably required or requested by Buyer, at no additional cost to Seller, with regard to the fulfillment of any Condition Precedent. Seller hereby authorizes Buyer and its agents to make all inquiries with and applications to any third party, including any governmental authority, as Buyer may reasonably require to complete its due diligence and satisfy the Conditions Precedent.

18. Brokers and Finders. Neither party has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any real estate broker or other person who can claim a right to a commission or finder's fee in connection with the sale contemplated herein. In the event that any such broker or finder claims a commission or finder's fee based upon any contact, dealings or communication, the party through whom the broker or finder makes its claim shall be responsible for said commission or fee and all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the other party in defending against the same. The party through whom any such other broker or finder makes a claim shall hold harmless, indemnify and defend the other party hereto, its successors and assigns, agents, employees, officers and directors, and the Property from and against any and all obligations, liabilities, claims, demands, liens, encumbrances and losses (including, without limitation, attorneys' fees), arising out of, based on, or incurred as a result of such claim. The provisions of this Section 18 shall survive the Closing or termination of this Agreement.

19. Legal Fees. In the event legal action is commenced to enforce or interpret any of the terms or provisions of this Agreement, the prevailing party in such action shall be entitled to

an award of reasonable attorney's fees and costs incurred in connection with the prosecution or defense of said action.

20. Publicity and Confidentiality. Buyer acknowledges that Seller is a public entity and that this Agreement shall be a matter of public record and available to the public under the Public Records Act. Notwithstanding the foregoing, Buyer agrees to not make any public announcements regarding the Property prior to Closing.

21. Miscellaneous.

(a) Notices. Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon (i) hand delivery, (ii) one business day after being deposited with Federal Express or another reliable overnight courier service for next day delivery, or (iii) two business days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows (or such other address as either party may from time to time specify in writing to the other in accordance herewith):

If to Seller:	City of Santa Cruz 337 Locust Street Santa Cruz, CA 95060 Attn: Bonnie Lipscomb Email: blipscomb@cityofsantacruz.com
With a copy to:	Office of the City Attorney 333 Church Street Santa Cruz, CA 95060 Email: tcondotti@abc-law.com
If to Buyer:	City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 Attn: Mali LaGoe Email mlagoe@scottsvalley.gov
With a copy to:	City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 Attn: Kirsten Powell, City Attorney Email kpowell@scottsvalley.gov
To Escrow Holder:	First American Title Attn: Joyce Avila 4450 Capitola Road #103

Capitola, CA 95010, Attn: Joyce Avila
Phone:(831) 464-6444
Email: javila@firstam.com

(b) Successors and Assigns. Buyer shall have the right to assign this Agreement to any entity controlling, controlled by or under common control with Buyer without Seller's consent or approval, and otherwise Buyer shall have the right to assign this Agreement to any entity subject to Seller's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed. Any such assignee shall assume all obligations of Buyer hereunder; however, Buyer shall remain liable for all obligations hereunder. Seller shall have the right to assign this Agreement. Except as otherwise permitted by this paragraph, neither this Agreement nor the rights of either party hereunder may be assigned by either party. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators and assigns.

(c) Amendments. This Agreement may be amended or modified only by a written instrument executed by Seller and Buyer.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(e) Construction. Headings at the beginning of each Section and subparagraph are solely for the convenience of the parties and are not a part of the Agreement. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to Sections and subparagraphs are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference.

(f) No Joint Venture. This Agreement shall not create a partnership or joint venture relationship between Buyer and Seller.

(g) Merger of Prior Agreements. This Agreement and the exhibits attached hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof, including without limitation, any letters of intent previously executed or submitted by either or both of the parties hereto, which shall be of no further force or effect upon execution of this Agreement.

(h) Time of the Essence. Time is of the essence of this Agreement. As used in this Agreement, a "business day" shall mean a day which is not a Saturday, Sunday or recognized federal or state holiday. If the last date for performance by either party under this Agreement occurs on a day which is not a business day, than the last date for such performance shall be extended to the next occurring business day.

(i) Severability. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

(j) Further Assurances. Each of the parties shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties.

(k) Exhibits. All exhibits attached hereto and referred to herein are incorporated herein as though set forth at length.

(l) Captions. The captions appearing at the commencement of the sections and paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the section at the head of which it appears, the section and paragraph and not such caption shall control and govern in the construction of this Agreement.

(m) No Obligation To Third Parties. Execution and delivery of this Agreement shall not be deemed to confer any rights upon, directly, indirectly or by way of subrogation, nor obligate either of the parties hereto to, any person or entity other than each other.

(n) Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

(o) Interpretation. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law (including California Civil Code § 1654 and any successor statute) or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

(p) Counterparts/Facsimile/.PDF Signatures. This Agreement may be executed in counterparts and when so executed by the Parties, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument that shall be binding upon the Parties, notwithstanding that the Parties may not be signatories to the same counterpart or counterparts. The Parties may integrate their respective counterparts by attaching the signature pages of each separate counterpart to a single counterpart. In order to expedite the transaction contemplated herein, facsimile or .pdf signatures may be used in place of original signatures on this Agreement. Seller and Buyer intend to be bound by the signatures on the facsimile or .pdf document, are aware that the other party will rely on the facsimile or .pdf signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written below.

SELLER:

City of Santa Cruz. a California municipal corporation

By: ______________________________________

Name: Matt Huffaker

Its: City Manager

Date: ____________________________________

Approved as to Form

____

Tony Condotti, City Attorney

Date:_________________________________

BUYER:

City of Scotts Valley, a California municipal corporation

By:_______________________________________

Name: Mali LaGoe

Its: City Manager

Date: ____________________________________

Approved as to Form

City Attorney:_________________________

Date:_________________________________

EXHIBIT A

LEGAL DESCRIPTION

PARCEL ONE:

PARCEL 3, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

EXCEPTING THEREFROM ALL THAT PIECE OR PARCEL OF LAND CONVEYED TO THE CITY OF SCOTTS VALLEY IN THE GRANT DEED RECORDED OCTOBER 04, 1999 AS INSTRUMENT NO. 1999-0064562, OFFICIAL RECORDS.

PARCEL TWO:

PARCEL 4, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

PARCEL THREE:

PARCEL 5, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

APN: 022-721-07 (affects Parcel One); 022-721-08 (affects Parcel Two) and 022-721-09 (affects Parcel Three)

EXHIBIT B

FORM OF DEED

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO, AND
MAIL TAX STATEMENTS TO:

[buyer address or attorney]

A.P.N.: _________________________ (Space Above Line for Recorder's Use Only)

EXEMPT FROM RECORDING FEES AND TRANSFER TAX
GOV. CODE § 27383; R&T CODE § 11922

GRANT DEED

FOR VALUE RECEIVED, _______________________________________ ("**Grantor**"), grants to ____________________________ ("**Grantee**"), all that certain real property situated in the County of ________________, State of California, described on Schedule 1 attached hereto and by this reference incorporated herein (the "**Property**").

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of ________________, 20__.

GRANTOR:

____

By:_______________________________________

Name: ____________________________________

Its: ______________________________________

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF ________________)

On ___________________, before me, ______________________________, a Notary Public, personally appeared ____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________________ (Seal)

EXHIBIT C

PERSONAL PROPERTY

EXHIBIT D

TRANSFEROR'S CERTIFICATION OF NON-FOREIGN STATUS

This form is provided so that the Buyer and/or Seller in this transaction can certify compliance with the Foreign Investment in Real Property Tax Act to the Escrow Agent and/or Buyer. Buyer ("**Transferee**") must retain a copy of this document until after the fifth taxable year following the transfer.

Section 1445 of the Internal Revenue Code of 1986, as amended ("**Code**") provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform Transferee that withholding of tax is not required upon the disposition of a U.S. real property interest, the undersigned hereby certifies the following on behalf of ________________________________ ("**Transferor**"):

1. The Transferor is not a foreign corporation, foreign partnership, foreign trust, foreign estate or foreign person (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder).

2. The Transferor is not a disregarded entity as defined in Income Tax Regulation Section 1.1445-2(b)(2)(iii).

3. The Transferor's U.S. employer or tax identification number is ______________.

4. The Transferor's office address is

The Transferor understands that this Certification may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this Certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of the Transferor.

Date:______________, 20__

TRANSFEROR:

____

By:_______________________________________

Name: ____________________________________

Its: ______________________________________

EXHIBIT E

SELLER DELIVERIES

Natural Hazards Disclosure Report

EXHIBIT F

LEASE-LEASEBACK AGREEMENT

TO BE ADDED

EXHIBIT G

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
City of Santa Cruz)
337 Locust Street)
Santa Cruz, California 95060)
Attn: Economic Development Director)
)

Exempt from Recording Fees Pursuant to Government Code Section 27383

MEMORANDUM OF LEASE-LEASEBACK AGREEMENT

This Memorandum of Lease-Leaseback Agreement ("**Memorandum**") is hereby entered into as of _____________, 20__ by and between the City of Santa Cruz, a California municipal corporation and charter city, ("**Santa Cruz**"), and the City of Scotts Valley, a California municipal corporation ("**Scotts Valley**").

RECITALS

A. Santa Cruz and Scotts Valley have entered into that certain Lease-Leaseback Agreement (the "Lease Agreement") dated concurrently herewith for that certain parcel of real property which is legally described in Exhibit A attached hereto and incorporated herein by reference (the "Property"). A copy of the Lease Agreement is available for public inspection at Landlord's office at 337 Locust Street, Santa Cruz, California. The term of the Lease Agreement is eight (8) years, the Commencement Date of [________, 2025].

B. The Lease Agreement provides that a short form memorandum of the Lease Agreement shall be executed and recorded in the Official Records of Santa Cruz County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Scotts Valley, pursuant to the Lease Agreement, hereby leases the Property to Santa Cruz, and Santa Cruz leases the Property back to Scotts Valley upon the terms and conditions provided for therein. This Memorandum is not a complete summary of the Lease Agreement, and shall not be used to interpret the provisions of the Lease Agreement.

[*Signatures to appear on the following page*.]

CITY OF SANTA CRUZ, a California municipal corporation and charter city

By ___________________________________
Name: Matt Huffaker
Title: City Manager

ATTEST:

By:___________________________________
City Clerk

APPROVED AS TO FORM:

By:___________________________________
Tony Condotti, City Attorney

CITY OF SCOTTS VALLEY, a California municipal corporation

By ___________________________________
Name:
Title:

ATTEST:

By:___________________________________
City Clerk

APPROVED AS TO FORM:

By:___________________________________
Kirsten Powell, City Attorney

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

PARCEL ONE:

PARCEL 3, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

EXCEPTING THEREFROM ALL THAT PIECE OR PARCEL OF LAND CONVEYED TO THE CITY OF SCOTTS VALLEY IN THE GRANT DEED RECORDED OCTOBER 04, 1999 AS INSTRUMENT NO. 1999-0064562, OFFICIAL RECORDS.

PARCEL TWO:

PARCEL 4, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

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APN: 022-721-07 (affects Parcel One); 022-721-08 (affects Parcel Two) and 022-721-09 (affects Parcel Three)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

ACKNOWLEDGEMENTS

State of California
County of ________________

On ______________________ before me, ________________________________, notary public, personally appeared ____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing Section is true and correct.

WITNESS my hand and official seal.

Signature ____________________________ (Seal)

* * * * *

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

ACKNOWLEDGEMENTS

State of California
County of ________________

On ______________________ before me, ________________________________, notary public, personally appeared ____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing Section is true and correct.

WITNESS my hand and official seal.

Signature ____________________________ (Seal)

LEASE-LEASEBACK AGREEMENT

Dated as of [________], 2025

by and between the

CITY OF SANTA CRUZ,
as Lessor

and the

CITY OF SCOTTS VALLEY,
as Lessee

Relating to

$________________
Skypark Lease Acquisition

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LEASE-LEASEBACK AGREEMENT

THIS LEASE-LEASEBACK AGREEMENT ("Lease Agreement"), dated as of [April 1], 2025, is by and between the CITY OF SANTA CRUZ, a municipal corporation organized and existing under the laws of the State of California ("Lessor" or "Santa Cruz"), and the CITY OF SCOTTS VALLEY, a municipal corporation organized and existing under the laws of the State of California ("Lessee" or "Scotts Valley"). Lessor and Lessee may also be referred to collectively, as the "parties".

WI T N E S S E T H :

WHEREAS, Scotts Valley intends to purchase that certain real property located at the northwest corner of Mount Hermon Road and Kings Village Road in the City of Scotts Valley, County of Santa Cruz, California, commonly referred to as Assessor's Parcel Numbers 022-721-07, 022-721-08, and 022-721-09, all as more fully described in Exhibit A hereto, together with all rights, privileges, easements or appurtenances to or affecting such parcels (together, the "Leased Premises");

WHEREAS, as part of the Purchase and Sale Agreement dated ____________ (the "Purchase and Sale Agreement"), Scotts Valley agreed to: 1) pay a portion of the purchase price and, in connection with the delivery of the grant deed, 2) lease the Leased Premises to Santa Cruz, 3) lease the Leased Premises back from Santa Cruz, and 4) Scotts Valley will pay the remainder of the purchase price owed to Santa Cruz pursuant to this Lease Agreement; and

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. The terms heretofore defined in this Lease Agreement and the following terms defined in this Section 1.1 shall, for all purposes of this Lease Agreement, have the respective meanings herein specified.

"Applicable Environmental Laws" means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 USC Sections 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC Sections 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sections 1251 et seq.; the Clean Air Act, 42 USC Sections 7401 et seq.; the California Hazardous Waste Control Law ("HWCL"), California Health & Safety Code Sections 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), California Health & Safety Code Sections 25300 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), California Water Code Sections 1300 et seq.; the Air Resources Act, California Health & Safety Code Sections 3900 et seq.; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code Sections 25249.5 et seq.; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

(a) the existence, cleanup, and/or remedy of contamination on property;

(b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination;

(c) the control of hazardous wastes; or

(d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

"Event of Default" means any of the events of default defined as such in Section 9.1 hereof.

"Facilities" means all of the buildings, improvements and facilities at any time situated on the Site and described in Exhibit A attached hereto and by this reference incorporated herein.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period established by Scotts Valley as its fiscal year pursuant to written notice filed with Santa Cruz.

"Hazardous Substance" means any substance, pollutant or contamination included in such (or any similar) term under any federal, state or local statute, law, ordinance, code or regulation now in effect or hereafter enacted or amended, including but not limited to fireworks.

"Lease Payment Date" means as follows: (ii) for the first lease year, the earlier of April 1, 2026 or the first anniversary of date on which the grant deed conveying the Property to Scotts Valley was recorded; (ii) for each subsequent year, April 1 of the calendar year.

"Lease Payments" means the amounts payable by Scotts Valley pursuant to Section 4.3(a) hereof, including any prepayment thereof pursuant hereto and including any amounts payable upon a delinquency in the payment thereof. The Lease Payments represent the amount of the Financed Rental Payments required under the Purchase and Sale Agreement.

"Leased Premises" means, collectively, the Site and the Facilities, if any.

"Miscellaneous Rent" means the amounts of additional rental which are payable by Scotts Valley pursuant to Section 4.8.

"Permitted Encumbrances" means, as of any time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which Scotts Valley may permit to remain unpaid pursuant to Article V; (b) this Lease Agreement and any other agreement or other document contemplated hereunder to be recorded against the Leased Premises including any amendment to this Lease Agreement pursuant to Section 8.3(e) hereof; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist pursuant to the policy of title insurance obtained pursuant to Section 5.6 and which Scotts Valley certifies in writing will not materially impair the use of the Leased Premises for their intended purposes.

"Site" means all of the land described in Exhibit A attached hereto and by this reference incorporated herein.

"Term" means the time during which this Lease Agreement is in effect, as provided in Section 4.2 hereof.

Section 1.2. *Exhibits*. The following exhibits are attached to, and by this reference made a part of, this Lease Agreement.

Exhibit A: Description of the Leased Premises.

Exhibit B: Schedule of Lease Payments.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Scotts Valley. Scotts Valley makes the following covenants, representations, and warranties to Santa Cruz as of the date of the execution and delivery of this Lease Agreement:

(a) *Due Organization and Existence*. Scotts Valley is a municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority under the laws of the State to enter into this Lease Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action Scotts Valley has duly authorized the execution and delivery of this Lease Agreement.

(b) *Due Execution*. The representatives of Scotts Valley executing this Lease Agreement have been fully authorized to execute the same pursuant to a resolution duly adopted by the City Council of Scotts Valley.

(c) *Valid, Binding and Enforceable Obligations*. This Lease Agreement has been duly authorized, executed, and delivered by Scotts Valley and constitutes the legal, valid, and binding agreement of Scotts Valley enforceable against Scotts Valley in accordance with the terms hereof.

(d) *No Conflicts*. The execution and delivery of this Lease Agreement, the consummation of the transactions herein contemplated, and the fulfillment of or compliance with the terms and conditions hereof do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which Scotts Valley is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge, or encumbrance of any nature whatsoever upon any of the property or assets of Scotts Valley, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement or the financial condition, assets, properties or operations of Scotts Valley.

(e) *Consents and Approvals*. No consent or approval of any trustee or holder of any indebtedness of Scotts Valley or of the voters of Scotts Valley, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation*. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of Scotts Valley after reasonable investigation, threatened against or affecting Scotts Valley or the assets, properties or operations of Scotts Valley which, if determined adversely to Scotts Valley or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, or upon the financial condition, assets, properties or operations of Scotts Valley, and Scotts Valley is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement or the financial conditions, assets, properties or operations of Scotts Valley.

(g) *Status of Leased Premises*. The acquisition, construction, and equipping of the Facilities, if any, have been completed in accordance with all requirements of Scotts Valley, and any Facilities are fully functional, operational, and in sound condition, excepting only reasonable wear and tear. No event which constitutes, or which with the passage of time if not cured would constitute, an Event of Default has occurred and is continuing.

(h) *No Condemnation*. Scotts Valley hereby covenants and agrees, to the extent it may lawfully do so, that the Lessee will not exercise the power of condemnation with respect to the Leased Premises. Scotts Valley further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if Scotts Valley should fail or refuse to abide by such covenant and condemns the Leased Premises, the appraised value of the Leased Premises shall not be less than the sum of the remaining Lease Payments due hereunder.

(i) *Hazardous Substances.* The Property is free of all Hazardous Substances, and Scotts Valley is in full compliance with all Applicable Environmental Laws. Scotts Valley will comply with all Applicable Environmental Laws with respect to the Leased Premises and will not use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would cause any Hazardous Substance to flow, migrate, leak, leach, or otherwise come to rest on, under, or in the Leased Premises.

(j) *Fireworks.* While prohibited by definition as a Hazardous Substance, Scotts Valley may be permitted to use fireworks on the Leased Premises if Scotts Valley hereby agrees that it shall not allow fireworks to flow, migrate, leak, leach or come to rest on, under, or in the Leased Premises. Scotts Valley shall defend, indemnify, and hold harmless for any and all claims arising from or relating to fireworks on the Property in accordance with Section 7.3 of this Lease Agreement.

(k) *Essentiality*. The Leased Premises constitutes property that is essential to carrying out the governmental functions of Scotts Valley.

Section 2.2. Representations, Covenants and Warranties of Santa Cruz. Santa Cruz makes the following covenants, representations, and warranties to Scotts Valley as of the date of the execution and delivery of this Lease Agreement:

(a) *Due Organization and Existence*. Santa Cruz is a municipal corporation duly organized and existing under and by virtue of the laws of the State; has power to enter into this Lease Agreement; is possessed of full power to own and hold, improve and equip real and personal property, and to lease and lease back the same; and has duly authorized the execution and delivery of this Lease Agreement and such Lease Agreement constitutes the legal, valid and binding agreements of Santa Cruz, enforceable against Santa Cruz in accordance with their respective terms.

(b) *Due Execution*. The representative of Santa Cruz executing this Lease Agreement is fully authorized to execute the same pursuant to official action taken by the governing body of Santa Cruz.

(c) *Valid Binding and Enforceable Obligations*. This Lease Agreement has been duly authorized, executed, and delivered by Santa Cruz and constitutes the legal, valid, and binding agreement of Santa Cruz, enforceable against Santa Cruz in accordance its terms.

(d) *No Conflicts*. The execution and delivery of this Lease Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which Santa Cruz is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Santa Cruz, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement or the financial condition, assets, properties or operations of Santa Cruz.

(e) *Consents and Approvals*. No consent or approval of any trustee or holder of any indebtedness of Santa Cruz, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation*. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of Santa Cruz after reasonable investigation, threatened against or affecting Santa Cruz or the assets, properties or operations of Santa Cruz which, if determined adversely to Santa Cruz or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, or upon the financial condition, assets, properties or operations of Santa Cruz, and Santa Cruz is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement or the financial conditions, assets, properties or operations of Santa Cruz.

ARTICLE III

[RESERVED]

ARTICLE IV

LEASE; TERM OF THIS LEASE AGREEMENT; RENTAL PAYMENTS

Section 4.1. Lease by Santa Cruz and Lease-Back to Scotts Valley.

(a) *Lease by Santa Cruz*. Scotts Valley hereby takes possession of the Leased Premises on the date Scotts Valley and Santa Cruz close escrow on the Leased Premises under the Purchase and Sale Agreement ("Closing Date"). For good and valuable consideration, Scotts Valley hereby leases to Santa Cruz, the Leased Premises for the Term of this Lease Agreement.

(b) *Lease Back to Scotts Valley*. Santa Cruz hereby leases the Leased Premises to Scotts Valley, and Scotts Valley hereby leases the Leased Premises from Santa Cruz, upon the terms and conditions set forth in this Lease Agreement.

(c) The leasing by Santa Cruz to Scotts Valley of the Leased Premises under the terms of this Lease Agreement shall not effect or result in a merger of Scotts Valley's leasehold estate pursuant to this Lease Agreement nor its fee estate; and Santa Cruz shall continue to have and hold a leasehold estate in said Leased Premises pursuant to this Lease Agreement throughout the Term of this Lease Agreement. As to said Leased Premises, for the avoidance of doubt, the lease-back shall be deemed and constitute a sublease, with Santa Cruz as the Sublessor and Scotts Valley as the Sublessee. This Lease Agreement governs the lease and sublease arrangement.

Section 4.2. Term of Lease Agreement. The Term of this Lease Agreement shall commence on the Closing Date and shall end, and this Lease Agreement shall terminate, on the date that is eight (8) years from the Closing Date (the "Termination Date"), unless such term is extended as hereinafter provided or unless Lease Payments have been paid or prepaid in full. If on the Termination Date, the Lease Payments payable hereunder shall have been abated, then the Term of this Lease Agreement shall be extended until the earlier of ten (10) years from the Termination Date or the date on which all remaining Lease Payments are fully paid; for clarification, this provision for an extension only applies in circumstances requiring an abatement of rent as set forth in Article VI, and does not authorize an extension of the Term for failure to make Lease Payments that are not abated. The provisions of this Section 4.2 are subject to the provisions relating to the addition and/or substitution of property, the provisions relating to the release of property, and the provisions of relating to the taking in eminent domain of the Leased Premises or any portion thereof.

Section 4.3. Lease Payments; Security Deposit.

(a) *Obligation to Pay*. In consideration of the lease and lease-back by Santa Cruz of the Leased Premises, and subject to the provisions of Section 6.1 and Section 6.2 hereof, Scotts Valley agrees to pay to Santa Cruz, its successors and assigns, as rental for the use and occupancy of the Leased Premises during each Fiscal Year, the Lease Payments (denominated into components of principal and interest) for the Leased Premises in the respective amounts specified in Exhibit B hereto and incorporated herein. The annual Lease Payments shall commence in 2026 and be due and payable on the anniversary of the Closing Date. The Lease Payments coming due and payable in any Fiscal Year shall be for the use of the Leased Premises for such Fiscal Year.

(b) *Effect of Prepayment*. In the event that Scotts Valley prepays all remaining Lease Payments in full pursuant to Section 4.5 hereof, Scotts Valley's obligations under this Lease Agreement shall thereupon cease and terminate, and this Lease Agreement shall terminate, including, but not limited to, Scotts Valley's obligation to pay Lease Payments under this Section 4.3 . At such time of prepayment of all Lease Payments, Santa Cruz shall no longer have any interest in the Leased Premises. In the event that Scotts Valley prepays the remaining Lease Payments in part but not in whole pursuant to Section 4.5 hereof, Santa Cruz shall provide, or cause to be provided, to Scotts Valley a revised schedule of Lease Payments due after such partial prepayment which schedule shall represent an adjustment to the schedule of Lease Payments set forth in Exhibit B hereto after taking into account said partial prepayment.

(c) *Rate on Overdue Payments*. In the event Scotts Valley should fail to make any of the payments required in this Section 4.3, the payment in default shall continue as an obligation of Scotts Valley until the amount in default shall have been fully paid, and Scotts Valley agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum equal to ten percent (10%).

(d) *Fair Rental Value*. The Lease Payments and Miscellaneous Rent (described in Section 4.8 below) coming due and payable hereunder in each Fiscal Year shall constitute the total rental for the Leased Premises for each Fiscal Year and shall be paid by Scotts Valley in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Premises during such Fiscal Year. The parties hereto have agreed and determined that the net present value of such Lease Payments and the annual payment of Miscellaneous Rent for the Leased Premises do not exceed the fair rental value of the Leased Premises. In making such determination, consideration has been given to the obligations of the parties under this Lease Agreement, the replacement value of the Leased Premises, the uses and purposes which may be served by the Leased Premises, and the benefits therefrom which will accrue to Scotts Valley and the general public.

(e) *Source of Payments; Budget and Appropriation*. The Lease Payments shall be payable from any source of available funds of Scotts Valley, subject to the provisions of Section 6.1 and Section 6.2 hereof. Scotts Valley covenants to take such action as may be necessary to include all Lease Payments and Miscellaneous Rent due in a Fiscal Year hereunder in each of its budgets for such Fiscal Year during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Miscellaneous Rent. The covenants on the part of Scotts Valley herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of Scotts Valley to take such action and do such things as are required by law in the performance of the official duty of such officials to enable Scotts Valley to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by Scotts Valley.

Scotts Valley and Santa Cruz understand and intend that the obligation of Scotts Valley to pay Lease Payments, Miscellaneous Rent, and other payments hereunder constitutes a current expense of Scotts Valley and shall not in any way be construed to be a debt of Scotts Valley in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by Scotts Valley, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or moneys of Scotts Valley. Lease Payments and Miscellaneous Rent due hereunder shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments, Miscellaneous Rent, or other payments due hereunder as consideration for use of the Leased Premises during the Fiscal Year for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. This Lease Agreement shall not create an immediate indebtedness for any aggregate payments in future years which may become due hereunder. Scotts Valley has not pledged the full faith and credit of Scotts Valley, the State, or any agency or department thereof to the payment of the Lease Payments or any other payments due hereunder.

(f) *Security Deposit*. Notwithstanding any other provision of this Lease Agreement, Scotts Valley may, on any date, secure the payment of the Lease Payments in whole or in part by depositing with a third party escrow or trustee an amount of cash which, together with other available amounts, is either (i) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit B hereto, or (ii) invested in whole or in part in noncallable Federal Securities in such amount as will, in the opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due hereunder, as Scotts Valley shall instruct at the time of said deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

Section 4.4. Mandatory Prepayment. Scotts Valley shall be obligated to prepay the Lease Payments, in whole or in part, on any date from and to the extent of any Net Proceeds of an insurance award or condemnation award with respect to the Leased Premises theretofore deposited in the Insurance and Condemnation Fund for such purpose pursuant to Section 6.2 hereof. Scotts Valley and Santa Cruz hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, if any, shall be credited towards Scotts Valley's obligations under this Section.

Section 4.5. Optional Prepayment. Scotts Valley shall have the option to prepay the principal components of the Lease Payments in whole, or in part, on any date by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with accrued interest to the prepayment date, without premium or penalty. Scotts Valley shall give Santa Cruz written notice of its intention to exercise its option not less than fifteen (15) days in advance of the date of exercise.

Section 4.6. Quiet Enjoyment. During the Term of this Lease Agreement, Santa Cruz shall provide Scotts Valley with quiet use and enjoyment of the Leased Premises, and Scotts Valley shall, during such Term, peaceably and quietly have and hold and enjoy the Leased Premises without suit, trouble, or hindrance from Santa Cruz, except as expressly set forth in this Lease Agreement. Santa Cruz may exercise an option, at the request of Scotts Valley and at Scotts Valley's cost, to join in any legal action in which Scotts Valley asserts its right to such possession and enjoyment of the Leased Premises, to the extent Santa Cruz may lawfully do so. Notwithstanding the foregoing, Santa Cruz shall have the right to inspect the Leased Premises as provided in Section 7.2 hereof to determine compliance with this Lease Agreement or investigate a claim of default.

Section 4.7. Title. During the Term of this Lease Agreement, Santa Cruz shall hold a leasehold in the Leased Premises, and in any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Premises, except for those fixtures, repairs, replacements or modifications which are added to the Leased Premises by Scotts Valley or its assignees, permittees, sublessees or independent contractors at its own expense and which may be removed without damaging the Leased Premises and except for any items added to the Leased Premises by Scotts Valley pursuant to this Lease Agreement. All right, title and interest of Santa Cruz in and to the Leased Premises shall be transferred to and vested in Scotts Valley if: (a) Scotts Valley pays all of the Lease Payments and Miscellaneous Rent during the Term of this Lease Agreement as the same become due and payable, or if Scotts Valley posts a security deposit for payment of the Lease Payments pursuant to Section 4.3 hereof or prepays the Lease Payments pursuant to Section 4.5 hereof, and (b) Scotts Valley has paid in full all of the Miscellaneous Rent coming due and payable as of the date of such prepayment; and provided in any event that no Event of Default shall have occurred and be continuing. Santa Cruz agrees to take any and all steps and execute and record any and all documents reasonably required by Scotts Valley to consummate any such transfer of title.

Section 4.8. Miscellaneous Rent. In addition to the Lease Payments, Scotts Valley shall pay when due the following items of Miscellaneous Rent:

(a) all fees and expenses incurred by Santa Cruz in connection with or by reason of its leasehold estate in the Leased Premises as and when the same become due and payable;

(b) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by Santa Cruz to prepare audits, financial statements, reports, opinions or provide such other services required to enforce this Lease Agreement; and

(c) the reasonable out of pocket expenses of Santa Cruz incurred by Santa Cruz in connection with any litigation which may at any time be instituted involving this Lease Agreement, or any of the other documents contemplated herein, or otherwise incurred in connection with this Lease Agreement.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; USE LIMITATIONS; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Premises, all improvement, repair, and maintenance of the Leased Premises shall be the responsibility of Scotts Valley and Scotts Valley shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of Scotts Valley or any assignee or sublessee thereof. Scotts Valley waives the benefits of subsections 1 and 2 of Section 1932 and subsection 4 of Section 1933 of the California Civil Code, but such waiver shall not limit any of the rights of Scotts Valley under the terms of this Lease Agreement.

Scotts Valley shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to Santa Cruz or Scotts Valley affecting the Leased Premises or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Scotts Valley shall be obligated to pay only such installments as are required to be paid during the Term of this Lease Agreement, including any Term extensions, if any, as and when the same become due.

Scotts Valley may, at Scotts Valley's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless Santa Cruz shall notify Scotts Valley that, in the opinion of independent counsel, by nonpayment of any such items, the interest of Santa Cruz in the Leased Premises will be materially endangered or the Leased Premises or any part thereof will be subject to loss or forfeiture, in which event Scotts Valley shall promptly pay such taxes, assessments or charges or provide Santa Cruz with full security against any loss which may result from nonpayment, in a form satisfactory to Santa Cruz.

Section 5.2. Modification of Leased Premises. Scotts Valley shall, at its own expense, have the right to make additions, modifications, and improvements to the Leased Premises. All additions, modifications, and improvements to the Leased Premises shall thereafter comprise part of the Leased Premises and be subject to the provisions of this Lease Agreement. Such additions, modifications, and improvements must be consistent with the Lease, shall not render the property unusable or result in an abatement of Lease Payments or cause the Leased Premises to be used for purposes other than those authorized under the provisions of local, State and federal law; and the Leased Premises, upon completion of such additions, modifications, and improvements, shall be of a value which is not substantially less than the value of the Leased Premises immediately prior to the making of such additions, modifications, and improvements. Scotts Valley will not permit any mechanic's or other lien to be established or remain against the Leased Premises for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by Scotts Valley pursuant to this Section 5.2; provided that if any such lien is established and Scotts Valley shall first notify or cause to be notified Santa

Cruz of Scotts Valley's intention to do so, Scotts Valley may in good faith contest any lien filed or established against the Leased Premises, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide Santa Cruz with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in a form satisfactory to Santa Cruz. Santa Cruz will cooperate fully in any such contest, upon the request and at the expense of Scotts Valley.

Section 5.3. Insurance Requirements. Upon execution of this Lease, and, in any event, before Scotts Valley enters the Leased Premises (or any portion thereof) or commences any work on or at the Leased Premises, Scotts Valley shall, at its sole cost and expense, procure and maintain in full force and effect for the duration of this Lease, insurance as required by Exhibit C to protect against claims for injuries to persons or damages to the Leased Premises and to loss or damage to Scotts Valley's trade fixtures, personal property, and improvements, which may arise from or are in connection with the Scotts Valley's occupation or use of the Leased Premises. The cost of such insurance shall be borne by the Scotts Valley.

Section 5.4. Tenant's Failure To Maintain Insurance. In the event that Scotts Valley fails to maintain insurance coverages, as required in this Lease, and a loss or damage occurs that results in Santa Cruz's liability for copayments, deductibles, or other such charges to replace the loss under Santa Cruz's applicable insurance policy, Scotts Valley agrees to reimburse Santa Cruz for all such charges, including the deductible amount within thirty (30) days of Santa Cruz's notification to Scotts Valley.

Section 5.5 Recordation Hereof; Title Insurance. On or before the Closing Date, Scotts Valley shall, at its expense, (a) cause this Lease Agreement, or a memorandum hereof, in a form and substance approved by the respective counsel for Santa Cruz and Scotts Valley, to be recorded in the office of the Santa Cruz County Recorder; and (b) obtain a CLTA policy of title insurance insuring Santa Cruz's leasehold estate and Scotts Valley's sub-leasehold estate hereunder, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the total sum of Lease Payments.

Section 5.6 Net Proceeds of Insurance; Form of Policies; Advances. (a) Each policy of insurance maintained pursuant to Sections 5.3 shall name Santa Cruz as loss payee so as to provide that all proceeds thereunder shall be payable to Santa Cruz; provided, however, Scotts Valley shall have the rights set forth in Section 6.2. Santa Cruz and Scotts Valley shall be named insureds of the policy. Scotts Valley shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement.

(b) In the event that any insurance maintained pursuant to Section 5.3 shall be provided in the form of self-insurance, Scotts Valley shall file with Santa Cruz annually, within ninety (90) days following the close of each Fiscal Year, a statement of the risk manager of Scotts Valley or an independent insurance adviser engaged by Scotts Valley identifying the extent of such self-insurance and stating the determination that Scotts Valley maintains sufficient reserves with respect thereto.

(c) If Scotts Valley shall fail to perform any of its obligations under this Article V, Santa Cruz may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Scotts Valley shall be obligated to repay all such related costs and advances to Santa Cruz as soon as possible, with interest at the rate of 10% per annum from the date the costs or advances were incurred to the date of repayment.

(d) Scotts Valley shall annually (by June 30 of each fiscal year) certify in writing to Santa Cruz that all insurance policies required to be maintained under this Lease Agreement are in full force and effect.

Section 5.7 Installation of Personal Property. Scotts Valley may, at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Leased Premises. All such items shall remain the sole property of Scotts Valley, in which Santa Cruz shall have no interest, and may be modified or removed by Scotts Valley at any time provided that Scotts Valley shall repair and restore any and all damage to the Leased Premises resulting from the installation, modification, or removal of any such items. Nothing in this Lease Agreement shall prevent Scotts Valley from purchasing or leasing items to be installed pursuant to this Section 5.8 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Premises.

Section 5.8 Liens. Neither Scotts Valley nor Santa Cruz shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to any portion of the Leased Premises, other than the respective rights of Santa Cruz and Scotts Valley as provided herein and other than Permitted Encumbrances. Except as expressly provided in this Article V, Scotts Valley and Santa Cruz shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. Any party that breaches this Section 5.9 shall reimburse the non-breaching party for any expense incurred by the non-breaching party in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim caused by the party in breach.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain. If all of the Leased Premises shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently, or if all of the Leased Premises or any part thereof shall be taken temporarily under the power of eminent domain, (a) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments in an amount to be agreed upon by Scotts Valley and Santa Cruz such that the resulting Lease Payments for the Leased Premises, represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Premises.

Section 6.2. Application of Net Proceeds.

(a) *Deposit in Insurance and Condemnation Fund*. Net Proceeds of any insurance required by Section 5.3 hereof and the proceeds of the title insurance required by Section 5.5 hereof or eminent domain proceeds, shall be deposited in a separate account by Scotts Valley, called the "Insurance and Condemnation Fund" promptly upon receipt thereof.

(b) *Disbursement for Replacement or Repair of the Leased Premises*. Upon receipt of the certification described in paragraph (1) below and the requisition described in paragraph (2) below, Scotts Valley may disburse moneys in the Insurance and Condemnation Fund to the person, firm, or corporation named in a requisition.

(1) *Certification*. An Authorized Representative of Scotts Valley must provide to Santa Cruz a certificate stating that:

(i) *Sufficiency of Net Proceeds*. The Net Proceeds available for such purpose, together with any other funds supplied by Scotts Valley for such purpose, are sufficient to repair or replace the Leased Premises to a use which will have an annual fair rental value not less than the maximum annual Lease Payments and Miscellaneous Rent through the term of the Lease Agreement (assuming that the Miscellaneous Rent due in the future will equal the Miscellaneous Rent paid prior to such date) due hereunder, and

(ii) *Timely Completion*. In the event that damage, destruction, title defect or taking results in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds as described in Section 5.3 hereof, together with other legally available funds, will be available to pay in full all Lease Payments coming due during such period.

(2) *Requisition*. An Authorized Representative of Scotts Valley must state with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm, or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation.

(c) *Disbursement for Prepayment*. If an Authorized Representative of Scotts Valley notifies Santa Cruz in writing of Scotts Valley's determination that the certification provided in Section 6.1(b)(1) hereof cannot be made or replacement or repair of any portion of the Leased Premises is not economically feasible or in the best interest of Scotts Valley to repair or replace the Leased Premises, then Scotts Valley shall deposit with Santa Cruz an amount which when combined with the Net Proceeds will prepay enough Lease Payments and result in a corresponding prepayment of such that the fair rental value of the remaining portion of the Leased Premises is sufficient to provide for payment of the Lease Payments remaining under the Lease Agreement.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. The Lease Payments allocable to the Leased Premises shall be abated during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy of the Leased Premises or any portion thereof. The amounts of the Lease Payments under such circumstances may not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Premises not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and Santa Cruz waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there may be no abatement of Lease Payments to the extent that the proceeds of rental interruption insurance are available to pay Lease Payments.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1. Disclaimer of Warranties. Santa Cruz makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by Scotts Valley of the Leased Premises, or any other representation or warranty with respect to the Leased Premises. In no event shall Santa Cruz and its assigns be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Lease Agreement for the existence, furnishing, functioning or Scotts Valley's use of the Leased Premises.

Section 7.2. Rights of Access. Scotts Valley agrees that Santa Cruz and any Authorized Representative of Santa Cruz, and Santa Cruz's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Premises. Scotts Valley further agrees that Santa Cruz, any Authorized Representative of Santa Cruz, and Santa Cruz's successors or assigns shall have such rights of access to the Leased Premises as may be reasonably necessary to cause the proper maintenance of the Leased Premises in the event of failure by Scotts Valley to perform its obligations hereunder.

Section 7.3. Release and Indemnification Covenants. Scotts Valley shall and hereby agrees to indemnify and save Santa Cruz and its officials, officers, employees, agents, successors and assigns, harmless from and against all claims, liabilities, losses and damages, including legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of the Leased Premises, or from any work or thing done on the Leased Premises by Scotts Valley; (b) any breach or default on the part of Scotts Valley in the performance of any of its obligations under this Lease Agreement; (c) any act or negligence of Scotts Valley or of any of its agents, contractors, servants, employees, licensees, invitees, or trespassers with respect to the Leased Premises; (d) the use, presence, storage, disposal of any Hazardous Substances, on or about the Leased Premises; (e) any claim alleging violation of any Applicable Environmental Laws by Scotts Valley, or the authorization of payment of the costs thereof; and (f) any act or negligence of any sublessee of Scotts Valley with respect to the Leased Premises.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by Santa Cruz. Santa Cruz's rights under this Lease Agreement (other than Sections 7.3 and 9.4 hereof), including the right to receive and enforce payment of the Lease Payments to be made by Scotts Valley under this Lease Agreement, shall not be assigned to any other party without the prior written consent of Scotts Valley.

Section 8.2. Assignment and Subleasing by Scotts Valley. This Lease Agreement may not be assigned by Scotts Valley. Scotts Valley may sublease the Leased Premises or any portion thereof, but only with the written consent of Santa Cruz and subject to all of the following conditions:

(a) this Lease Agreement and the obligation of Scotts Valley to make Lease Payments hereunder shall remain obligations of Scotts Valley;

(b) Scotts Valley shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to Santa Cruz a true and complete copy of such sublease;

(c) no such sublease by Scotts Valley shall cause the Leased Premises to be used for a purpose other than as may be authorized under the provisions of the laws of the State; and

(d) Santa Cruz shall respond to Scotts Valley's request for a sublease within 30 days of the request and such response shall be limited to a determination of whether or not the proposed use is contrary to State or Federal law, or if the sublease would violate this Lease Agreement.

Section 8.3. Amendment Hereof. Santa Cruz and Scotts Valley may at any time amend or modify any of the provisions of this Lease Agreement with a written amendment signed by the parties hereto.

ARTICLE IX

EVENTS OF DEFAULT; REMEDIES

Section 9.1. Events of Default Defined. The following shall be "Events of Default" under this Lease Agreement:

(a) Failure by Scotts Valley to pay any Lease Payment required to be paid hereunder at the time specified herein.

(b) Failure by Scotts Valley to make any Miscellaneous Rent payment required hereunder and the continuation of such failure for a period of thirty (30) days.

(c) Failure by Scotts Valley to observe and perform any material covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to Scotts Valley by Santa Cruz; provided, however, that if in the reasonable opinion of Scotts Valley the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if Scotts Valley shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time.

(d) The filing by Scotts Valley of a voluntary petition in bankruptcy, or failure by Scotts Valley promptly to lift any execution, garnishment or attachment, or adjudication of Scotts Valley as a bankrupt, or assignment by Scotts Valley for the benefit of creditors, or the entry by Scotts Valley into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Scotts Valley in any proceedings instituted under the provisions of applicable federal bankruptcy law, or under any similar acts which may hereafter be enacted.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 above shall have happened and be continuing, it shall be lawful for Santa Cruz to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; provided, however, that there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or in default to be immediately due and payable or to terminate this Lease Agreement or to cause the leasehold interest of Santa Cruz or the subleasehold interest of Scotts Valley in the Site to be sold, assigned, or otherwise alienated. Each and every covenant hereof to be kept and performed by Scotts Valley is expressly made a condition and upon the breach thereof Santa Cruz may exercise any and all rights of entry and re-entry upon the Leased Premises. Santa Cruz shall have the right, but not the obligation, to re-enter the premises and exercise all rights and privileges under the sub-leasehold interests of Scotts Valley, including the right to re-let or sub-let the Leased Premises. In the event of such default and notwithstanding any re-entry by Santa Cruz, Scotts Valley shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained, and in any event such rent and damages shall be payable to Santa Cruz at the time and in the manner as herein provided, to wit:

(a) Scotts Valley agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse Santa Cruz for any deficiency arising out of the re-leasing of the Leased Premises, or, in the event Santa Cruz is unable to relet the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by Santa Cruz or any suit in unlawful detainer, or otherwise, brought by Santa Cruz for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by Santa Cruz. Notwithstanding anything to the contrary herein, and without limitation of any other remedies, Scotts Valley further agrees that it shall be subject to a writ of mandate proceeding filed by Santa Cruz to compel Scotts Valley to make Lease Payments required hereunder, and that no other optional remedies provided for herein would be adequate remedies at law to recover unpaid Lease Payments.

(b) Scotts Valley hereby irrevocably appoints Santa Cruz as the agent and attorney-in-fact of Scotts Valley to enter upon and re-lease the Leased Premises in the event of default by Scotts Valley in the performance of any covenants herein contained to be performed by Scotts Valley and to remove all personal property whatsoever situated upon the Leased Premises to place such property in storage or other suitable place in the County of Santa Cruz, for the account of and at the expense of Scotts Valley, and Scotts Valley hereby exempts and agrees to save harmless Santa Cruz from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Premises and the removal and storage of such property by Santa Cruz or its duly authorized agents in accordance with the provisions herein contained.

(c) Scotts Valley hereby waives any and all claims for damages caused or which may be caused by Santa Cruz in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to Scotts Valley that may be in or upon the Leased Premises.

(d) Scotts Valley agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of Santa Cruz to re-lease the Leased Premises in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of Santa Cruz in effecting such releasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

(e) Scotts Valley further waives the right to any rental, whether existing at the time of such re-entry or acquired thereafter, obtained by Santa Cruz in excess of the Lease Payments and hereby conveys and releases such excess to Santa Cruz as compensation to Santa Cruz for its services in re-leasing the Leased Premises.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Santa Cruz is intended to be exclusive and every such remedy shall be cumulative and shall, except as herein expressly provided to the contrary, be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Santa Cruz to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All written notices to be given under this Lease Agreement shall be given by first class mail, personal delivery, overnight mail or email pdf. to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication; (b) 48 hours after deposit in the United States mail, postage prepaid; or (c) otherwise, upon actual receipt. Santa Cruz or Scotts Valley may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to Santa Cruz:	City of Santa Cruz 337 Locust Street Santa Cruz, CA 95060 Attn: Bonnie Lipscomb Email: blipscomb@santacruzca.gov
With a copy to:	Office of the City Attorney 333 Church Street Santa Cruz, CA 95060 Email: tcondotti@ abc-law.com Attention: City Attorney
If to Scotts Valley:	City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 Email: mlagoe@scottsvalley.gov Attention: City Manager
If to Scotts Valley:	City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 Email: kpowell@scottsvalley.gov Attention: City Attorney

Section 10.2. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon Santa Cruz and Scotts Valley and their respective successors and assigns.

Section 10.3. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.4. Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and Scotts Valley hereby agrees that the Lease Payments shall be an absolute net return to Santa Cruz, free and clear of any expenses, charges or set-offs whatsoever.

Section 10.5. Further Assurances and Corrective Instruments. Santa Cruz and Scotts Valley agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Premises hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.6. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.7. Applicable Law; Venue. This Lease Agreement shall be governed by and construed in accordance with the laws of the State. Any action to enforce this Lease Agreement shall be brought in the Superior Court for the County of Santa Cruz or the federal district with jurisdiction over the County of Santa Cruz.

Section 10.8. Authorized Representatives. Whenever under the provisions of this Lease Agreement the approval of Santa Cruz or Scotts Valley is required, or Santa Cruz or Scotts Valley is required to take some action at the request of the other, such approval or such request shall be given for Santa Cruz by an Authorized Representative of Santa Cruz and for Scotts Valley by an Authorized Representative of Scotts Valley, and any party hereto shall be authorized to rely upon any such approval or request.

Section 10.9. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

(Signature page follows)

IN WITNESS WHEREOF, Santa Cruz has caused this Lease Agreement to be executed in its corporate name by its duly authorized officers; and Scotts Valley has caused this Lease Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

CITY OF SANTA CRUZ

By________________________________
Matt Huffaker, City Manager

ATTEST:

____
City Clerk

APPROVED AS TO FORM:

By:_________________________________
Tony Condotti, City Attorney

CITY OF SCOTTS VALLEY

By_________________________________
Mayor

ATTEST:

____
Cathie Simonovich, City Clerk

APPROVED AS TO FORM:

By:_________________________________
Kirsten Powell, City Attorney

EXHIBIT A

DESCRIPTION OF THE LEASED PREMISES

PARCEL ONE:

PARCEL 3, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

EXCEPTING THEREFROM ALL THAT PIECE OR PARCEL OF LAND CONVEYED TO THE CITY OF SCOTTS VALLEY IN THE GRANT DEED RECORDED OCTOBER 04, 1999 AS INSTRUMENT NO. 1999-0064562, OFFICIAL RECORDS.

PARCEL TWO:

PARCEL 4, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

PARCEL THREE:

PARCEL 5, AS SHOWN ON THAT MAP ENTITLED "TRACT NUMBER 1355 SKYPARK", RECORDED APRIL 07, 1995 IN BOOK 89 OF MAPS AT PAGE 14.

APN: 022-721-07 (affects Parcel One); 022-721-08 (affects Parcel Two) and 022-721-09 (affects Parcel Three)

EXHIBIT B

SCHEDULE OF LEASE PAYMENTS

Scotts Valley shall make lease payments for a period of eight (8) years based on the following Schedule of Payments. This Schedule of Payments is based on the following:

- Financing lease payments for a total amount of Six Million Six Hundred Fifty Thousand Dollars and Zero Cents ($6,650,000.00), based on a fifteen-year amortization schedule, and subject to the reduction in price for Surface Remediation in accordance with the Purchase Sale Agreement ($269,163.00).

- Annual payments equal to Five Hundred Ninety Four Thousand One Hundred Forty Four Dollars and Zero Cents ($594,144.00) for a period of eight (8) years, comprising of interest and principal as set forth in the table below.

- Beginning in 2026, the annual Lease Payments for each Lease Year are due on the anniversary of the Closing Date.

- For Lease Year 8, Scotts Valley shall make a final balloon payment in the amount of Four Million Ninety Five Thousand Two Hundred Fifty Seven Dollars and Zero Cents ($4,095,257.00), which is comprised of: (i) an annual Lease Payment of $594,144.00 (which includes annual principal of $417,793), plus (ii) all remaining deferred principal in the amount of Three Million Five Hundred One Thousand One Hundred Thirteen Dollars and Zero Cents ($3,501,113.00).

Purchase price	7,750,000	Reflects reduction		
Reduction in price	(269,163)	Surface remediation expenses		
Deposit	(100,000)			
Down Payment	(1,000,000)			
Financed amount	6,380,837			
Amortization	15			
Term	8			
Balloon payment	4,095,257	at year 8	3,501,113	Deferred Prin.
Interest max	4.5%			
	Payment	Interest	Principal	Balance
1	594,144	287,138	307,006	6,073,831
2	594,144	273,322	320,822	5,753,009
3	594,144	258,885	335,259	5,417,750
4	594,144	243,799	350,345	5,067,405
5	594,144	228,033	366,111	4,701,294
6	594,144	211,558	382,586	4,318,709
7	594,144	194,342	399,802	3,918,906
8	4,095,257	176,351	3,918,906	-
	8,254,265	1,873,428.35	6,380,837	

Balloon Loan Payment Calculator with Amortization Schedule (free-online-calculator-use.com)

Source: https://www.free-online-calculator-use.com/balloon-loan-payment-calculator.html

EXHIBIT C

INSURANCE REQUIREMENTS

Scotts Valley shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with Scotts Valley's operation on, access to, and/or use of the Property. The cost of such insurance shall be borne by Scotts Valley.

A. **Insurance Certificate Requirements.**

Santa Cruz will be issued a Certificate of Insurance (a Memorandum of Understanding will not be accepted) with the following minimum requirements:

- Certificate(s) will show current policy number(s) and effective dates,
- Coverage and policy limits will meet, or exceed, requirements below,
- The Certificate Holder will be City of Santa Cruz, Risk Management, 1200 Pacific Ave., Suite 290, Santa Cruz, CA 95060,
- Certificate will be signed by an authorized representative,
- An endorsement, if required below, will be provided to show Santa Cruz, its officers, officials, employees, and volunteers as additional insureds, and
- Coverages must be maintained during the term of the Agreement with Santa Cruz, unless a longer duration is required.

B. **Minimum Scope and Limit of Insurance.**

Scotts Valley acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. If Scotts Valley maintains broader insurance coverage and/or higher limits than the minimums shown below, Landlord shall be entitled to the broader insurance coverage and/or higher limits maintained by Scotts Valley. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to Landlord.

Scotts Valley shall maintain limits no less than the following:

1. Commercial General Liability (CGL): $2,000,000.00 per occurrence; $2,000,000 in the aggregate, including products and completed operations, property damage, bodily injury and personal & advertising injury insuring against all liability of Scotts Valley and its employees, agents, representatives, subtenants, assignees and concessionaires arising out of and in connection with Scotts Valley's use or occupancy of the Premises.

2. "All Risk" Property Insurance Coverage. Scotts Valley shall, at Scotts Valley's sole expense, obtain and keep in full force and effect an insurance policy covering all of Scotts Valley's personal property, trade fixtures, equipment and merchandise located in or upon the Premises in an amount sufficient to cover not less than one hundred percent (100%) of the replacement value thereof, providing protection against any peril included within including sprinkler damage, vandalism and malicious mischief endorsements ordinarily included in extended coverage casualty insurance policies. Scotts Valley shall be solely responsible for any uninsured loss or damage caused to Scotts Valley's personal property, trade fixtures, equipment and merchandise located in or upon the Premises for any reason.

3. Fire Insurance\Legal Liability Coverage. Scotts Valley, at its sole cost, shall procure and maintain in full force and effect at all times during the Term of this Agreement, fire and extended coverage insurance satisfactory to Landlord covering the Leased Premises to keep all leased property, Scotts Valley improvements therein (if any) in an amount not less than one hundred percent (100%) of the full replacement cost against loss or destruction by fire and all perils, including vandalism, malicious mischief, special extended perils ("special form"). The property insurance is to be endorsed to include Legal Liability Coverage (ISO Form CP 00 40 04 02 or equivalent) with a limit equal to the replacement cost of the leased property. Landlord shall be named as an additional insured and loss payee on the policies. Any loss payable under any policy described in this section shall be paid by the insurance company to Landlord or as otherwise agreed by the Parties to be used to fund the repair or replacement of the damaged Premises or improvement pursuant to this Agreement. "Full replacement cost," as used in this section, shall mean the actual cost of replacement for the building and other improvements on the Premises, as determined from time to time.

4. Business Interruption Insurance. Policy with adequate limits to cover a period of twenty four (24) months from the date of the interruption and shall contain an inflation endorsement if the Leased Premises or Scotts Valley improvements are destroyed or rendered inaccessible by a risk insured against by a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements. Insurance proceeds thereunder shall be payable to Landlord for loss of rents.

5. Workers' Compensation and Employer's Liability Insurance. Scotts Valley shall obtain policies as required by applicable law against liability arising on account of injuries or death to workers or employees on the Premises or any improvement of Scotts Valley. Such workers' compensation insurance shall be in amounts at least equal to the maximum liability of Scotts Valley, its agents, and contractors under the Workers' Compensation Insurance and Safety Act of the State of California and the Federal Longshore and Harbor Workers' Compensation Act, as applicable. Scotts Valley shall also maintain Employer's Liability insurance with limits no less than One Million Dollars ($1,000,000) per accident for bodily injury or disease, $1,000,000 disease – policy limit, $1,000,000 disease – each employee. Such insurance shall include a waiver of subrogation in favor of Landlord.

C. **<u>Other Insurance Provisions.</u>**

ADDITIONAL INSURED STATUS
Santa Cruz, its officers, officials, employees, agents, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of Scotts Valley, including materials, parts, or equipment furnished in connection with such work or operations, products and completed operations. General liability coverage will be provided in the form of an endorsement to Scotts Valley's insurance at least as broad as ISO Form CG 20 10 11 85, or if not available, through the addition of both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 (if a later edition is used).

PRIMARY COVERAGE

For any claims related to this Agreement, Scotts Valley's insurance coverage will be primary and non-contributory as respects Santa Cruz, its officers, officials, and employees. Any insurance or self-insurance maintained by Santa Cruz, its officers, officials, and employees will be excess of Scotts Valley's insurance and will not contribute with it.

NOTICE OF CANCELLATION
Each insurance policy required above shall state that the coverage shall not be canceled, except with notice to Santa Cruz

WAIVER OF SUBROGATION
Scotts Valley hereby grants to Santa Cruz a waiver of any right to subrogation, except as otherwise not applicable, which any insurer of said Scotts Valley may acquire against Santa Cruz by virtue of the payment of any loss, including attorney's fees under such insurance. Scotts Valley agrees to obtain any endorsement that may be necessary to effectuate this waiver of subrogation, but this provision applies regardless of whether or not Santa Cruz has received a waiver of subrogation endorsement from the insurer.

EXCESS LIABILITY/UMBRELLA INSURANCE POLICIES
Scotts Valley may use excess liability/umbrella policies to meet the required liability limits on the condition that they provide all of the insurance coverages required herein, including, but not limited to, primary and non-contributory, additional insured, Self-Insured Retentions (SIRs), indemnity, and defense requirements. The excess liability/umbrella insurance policies shall be provided on a true "following form" or broader coverage basis, with coverage at least as broad as provided on the underlying CGL insurance. No insurance policies maintained by the additional insureds, whether primary or excess, and which also apply to a loss covered hereunder, shall be called upon to contribute to a loss until Scotts Valley's primary and excess liability policies are exhausted.

SELF-INSURED RETENTIONS (SIR)
Self-insured retentions must be declared to and approved by Santa Cruz. Santa Cruz may require Scotts Valley to purchase coverage with a lower retention or provide proof of ability to pay losses and related expenses. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or Santa Cruz.

ACCEPTABILITY OF INSURERS
Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII, unless otherwise acceptable to Santa Cruz.

VERIFICATION OF COVERAGE
Scotts Valley will furnish Santa Cruz with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL, and any Excess Liability/Umbrella policies, as applicable, listing all policy endorsements to be approved by Santa Cruz before work commences. However, failure to obtain the required documents prior to the work beginning will not waive Scotts Valley's obligation to provide them. Santa Cruz reserves the right to require complete, certified

copies of all required insurance policies, including endorsements required by these specifications, at any time.

SUBCONTRACTORS

Scotts Valley shall include their subcontractor(s) as additional insured(s) under the policies or shall furnish separate certificates and endorsements for each contractor and subcontractor for any work related to the leased premises. Scotts Valley shall require and verify that all contractors and subcontractors maintain insurance meeting all the requirements stated herein, and Scotts Valley shall ensure that Santa Cruz, its officers, officials, employees, agents, and volunteers are named as additional insureds on insurance required from its contractor(s) and subcontractor(s).

SPECIAL RISKS/CIRCUMSTANCES

Santa Cruz reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances and provide notice to Scotts Valley.

AGENDA ITEM 4.
DATE: 3/19/2025

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 3/19/2025

TO: Honorable Mayor and City Council

FROM: Stephanie Hill, Administrative Services Director

APPROVED: Stephanie Hill, Administrative Services Director, Acting City Manager

SUBJECT: **Approve Second Supplement to Amended and Restated Joint Exercise of Powers Agreement (JPA) for the Santa Cruz Libraries Facilities Financing Authority to increase the member allocations**

SUMMARY OF ISSUE

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD), was formed for the purpose of levying a special tax to fund Library Facilities of each of the members. The CFD began levying the special tax in 2016-17.

Pursuant to the Amended and Restated Joint Exercise of Powers Agreement (“JPA”) the allocation of funding among members is $77,500,000. Each member receives their share of annual net special tax revenues as a funding source after the allocation of a prorata share of debt service relative to the bond proceeds that were raised for each member. After the 3rd series of special tax bonds being considered for the City of Santa Cruz’s downtown library project, the members will have received:

Member	Allocation	Received to Date	Proposed 3rd Series	Balance to be Funded	Total Allocation
County of Santa Cruz	41.94%	$32,500,000	-	-	$32,500,000
City of Scotts Valley	4.84%	$3,574,536	-	$175,464	$3,750,000
City of Capitola	12.90%	$10,000,000	-	-	$10,000,000
City of Santa Cruz	40.32%	$18,359,769	$12,890,231	-	$31,250,000
Total	100.00%	$64,434,305	$12,890,231	$175,464	$77,500,000

The Authority’s municipal advisor has prepared a projection of special taxes to remain after the issuance of the 3rd series of special tax bonds.

To summarize, the projections show an approximate $28 million in available special tax over 21 years after the 3rd series of bonds debt service is paid, or approximately $1.3 million annually. If the cap on the total allocation is increased, this annual special tax can be distributed to members to use for pay-go capital projects.

After the issuance of the 3rd series of bonds, approximately $14 million will remain of the original bond authorization. Based on today's interest rates, the remaining time available to collect the special taxes and the required debt service coverage, the CFD could raise a maximum of $11 million. After paying debt service on this additional series of bonds (assuming the maximum issuance), there would be $440,000 in remaining annual surplus to distribute to members for pay-go projects.

At a special meeting of the Libraries Facilities Financing Authority (LFFA) held on February 24, 2025, LFFA staff recommended that the total allocation among members be increased by $30 million, in the same percentages as the existing allocation. The allocation proposed is as follows:

Member	**Allocation**	**Original Allocation**	**Increase**	**Revised Allocation**
County of Santa Cruz	41.94%	$32,500,000	$12,582,000	$45,082,000
City of Scotts Valley	4.84%	$3,750,000	$1,452,000	$5,202,000
City of Capitola	12.90%	$10,000,000	$3,870,000	$13,870,000
City of Santa Cruz	40.32%	$31,250,000	$12,096,000	$43,346,000
Total	100.00%	$77,500,000	$30,000,000	$107,500,000

These modifications to the distribution table require an amendment to the existing Joint Exercise of Powers Agreement, which must be approved by the Capitola, Santa Cruz and Scotts Valley City Councils, and the Santa Cruz County Board of Supervisors. Accordingly, LFFA staff worked with bond counsel to prepare the attached Second Supplement to the Amended and Restated Joint Exercise of Powers Agreement, which provides that special tax revenues and net bond proceeds are to be distributed to the jurisdictions in the modified maximum amounts specified above using the percentages specified above.

As with the original allocation, the total can be funded with a combination of bond proceeds and special taxes. An updated Bond Expenditure Plan (referenced in the Second Supplement) that includes issuance of additional bonds for the City of Santa Cruz as a result of the revised allocation is attached.

FISCAL IMPACT

As noted in the table above, Scotts Valley's allocation will increase by $1,452,000, from the original allocation of $3,750,000 to the revised allocation of $5,202,000. In addition, the remaining $175,464 balance to be funded will be received in full during this process.

STAFF RECOMMENDATION

Approve a Second Supplement to Amended and Restated Joint Exercise of Powers Agreement increasing the maximum distribution to the parties by $30,000,000, in the same percentage as the existing distribution and Authorize the City Manager or her designee to execute the Second Supplement.

TABLE OF CONTENTS

1. LFFA Second Amendment

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

SECOND SUPPLEMENT TO AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT

This SECOND SUPPLEMENT TO AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT (this "Second Supplement"), dated ___________, 2025, is entered into by and among the CITY OF SANTA CRUZ, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, the CITY OF SCOTTS VALLEY, a general law city and municipal corporation duly organized and existing under the laws of the State of California, the CITY OF CAPITOLA, a general law city and municipal corporation duly organized and existing under the laws of the State of California, and the COUNTY OF SANTA CRUZ, a California county duly organized and existing under the laws of the State of California.

B A C K G R O U N D:

1 The Cities and the County previously entered into an Amended and Restated Joint Exercise of Powers Agreement dated February 28, 2017 (the "Original Agreement"), which governs the joint powers authority known as the Santa Cruz Libraries Facilities Financing Authority (the "Authority"), whose members are the Cities and the County, for the purpose of financing the acquisition, construction and improvement of public library facilities (the "Public Library Improvements") through the formation of a community facilities district under the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53311 of said Code (the "Mello-Roos Act") and the authorization and issuance of bonds under the Mello-Roos Act.

2. The Cities and the County previously amended the Original Agreement to modify certain terms regarding the distribution of Special Taxes and Net Bond Proceeds through the execution of a First Supplement to Amended and Restated Joint Exercise of Powers Agreement dated September 25, 2018 (the "First Supplement" and, together with the Original Agreement, the "First Amended Agreement").

3. The Cities and the County desire to further amend the First Amended Agreement to further modify certain terms regarding the distribution of Special Taxes and Net Bond Proceeds, as set forth in this Second Supplement.

4. This Second Supplement is entered into in accordance with Section 14 of the First Amended Agreement. Capitalized terms used but not defined in this Second Supplement have the meanings set forth in the First Amended Agreement.

A G R E E M E N T:

For and in consideration of the premises and the material covenants hereinafter contained, the Parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Amendment of First Amended Agreement*. The First Amended Agreement is hereby amended as follows:

(a) *Section 2(b)(ii)*. Paragraph of (b)(ii) of Section 2 of the First Amended Agreement is hereby deleted and amended in its entirety by the following:

(ii) Maximum Distributions to Parties. The Facilities Authority shall distribute the Special Taxes and Net Bond Proceeds to each of the Parties in the maximum amounts specified below using the percentages specified below (adjusted for rounding) in order to undertake and complete the construction of the Public Library Improvements:

Member	**Maximum Amount**	**Percentage**
City of Capitola	$13,870,000	12.90%
City of Santa Cruz	$43,346,000	40.32%
City of Scotts Valley	$5,202,000	4.84%
County of Santa Cruz	$45,082,000	41.94%
Total	$107,500,000	100.00%

The distribution of Special Taxes and Net Bond Proceeds among the Parties shall be governed by the Bond Expenditure Plan as adopted and amended by the unanimous affirmative vote of all of the Directors under Section 2(b)(i). Changes to the maximum amounts shown in the table above shall require an amendment to this Agreement executed by all of the Members, in accordance with the further requirements set forth in Section 14, and shall be subject to the requirements of the Mello-Roos Act and the Joint Powers Act.

(b) *Section 2(b)(iii)*. Paragraph of (b)(iii) of Section 2 of the First Amended Agreement is hereby deleted and amended in its entirety by the following:

(iii) Distribution of Special Tax Proceeds. Prior to issuance of Bonds, any net Special Tax collected in excess of amounts needed to administer the CFD shall be distributed twice annually in January and June, or as soon as practical upon receipt (but in no event less than twice annually), to each of the Parties in the percentages shown above.

After the issuance of Bonds, any net Special Tax collected in excess of amounts needed to pay each Party's allocable share of debt service on Bonds and to administer the Bonds and the CFD shall be distributed annually on September 2 to each of the Parties in accordance with the Bond Expenditure Plan.

When the total of net Special Taxes and Net Bond Proceeds distributed to the Parties equals the maximum amounts specified in Section 2 (ii) and a total of $107,500,000, further distribution of net Special Taxes to each of the Parties shall be made in accordance with the Bond Expenditure Plan subject to the unanimous affirmative vote of all of the Directors.

Each of the Parties shall deposit or cause to be deposited all Special Tax proceeds it receives into a separate account to track revenues, expenses and fund balance, which will also be subject to an independent audit every year during the term of this Agreement.

Each of the Parties shall spend all Special Tax proceeds in accordance with the JCFA, and will be required to execute and deliver certifications and make representations and covenants regarding the administration and expenditure of net Special Taxes, as may be required by bond counsel in order to ensure compliance with applicable provisions of Mello-Roos Act.

SECTION 2. *Authority*. This Second Supplement is being executed pursuant to and in accordance with Section 14 of the First Amended Agreement.

SECTION 3. *First Amended Agreement Continues in Effect*. Except as amended and supplemented by this Second Supplement, the First Amended Agreement shall remain in full force and effect.

SECTION 4. *Effective Date*. This Second Supplement shall become effective upon the date hereof.

Approved As To Form:

____
Jones Hall, A Professional Law Corporation

Date: ____________________

IN WITNESS WHEREOF, the Parties hereto have caused this Second Supplement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

CITY OF SANTA CRUZ

By: ______________________________

Attest:

____

CITY OF SCOTTS VALLEY

By: ______________________________

Attest:

____

CITY OF CAPITOLA

By: ______________________________

Attest:

____

COUNTY OF SANTA CRUZ

By: ______________________________

Attest:

____

Santa Cruz Libraries Facilities Financing Authority

Bond Expenditure Plan - 2025 Amendment

						Share of Surplus					
	Net Tax	Debt Service After $77.5M Allocation		FY 25 Special Tax Distribution	Surplus Before Increased				Santa Cruz		
FY	After Admin	2017 & 2020 Bonds	2025 Bonds	to Date*	Allocation	County	Capitola	Scotts Valley	Gross Share	2025 Debt Service	Net Share
						41.94%	12.90%	4.84%	40.32%		
2025	4,400,804	(2,215,031)	(267,000)	(1,622,832)	295,941	124,118	38,176	14,324	119,323	(92,000)	27,323
2026	4,400,804	(2,220,281)	(894,000)	-	1,286,523	539,568	165,961	62,268	518,726	(331,000)	187,726
2027	4,400,804	(2,217,531)	(898,000)	-	1,285,273	539,043	165,800	62,207	518,222	(330,000)	188,222
2028	4,400,804	(2,217,031)	(896,000)	-	1,287,773	540,092	166,123	62,328	519,230	(328,000)	191,230
2029	4,400,804	(2,215,181)	(898,000)	-	1,287,623	540,029	166,103	62,321	519,169	(325,000)	194,169
2030	4,400,804	(2,215,831)	(894,000)	-	1,290,973	541,434	166,535	62,483	520,520	(328,000)	192,520
2031	4,400,804	(2,220,431)	(894,000)	-	1,286,373	539,505	165,942	62,260	518,665	(320,000)	198,665
2032	4,400,804	(2,217,081)	(898,000)	-	1,285,723	539,232	165,858	62,229	518,403	(322,000)	196,403
2033	4,400,804	(2,219,681)	(896,000)	-	1,285,123	538,980	165,781	62,200	518,161	(318,000)	200,161
2034	4,400,804	(2,216,231)	(898,000)	-	1,286,573	539,589	165,968	62,270	518,746	(320,000)	198,746
2035	4,400,804	(2,215,863)	(894,000)	-	1,290,941	541,421	166,531	62,482	520,508	(315,000)	205,508
2036	4,400,804	(2,218,413)	(894,000)	-	1,288,391	540,351	166,202	62,358	519,479	(316,000)	203,479
2037	4,400,804	(2,213,669)	(897,000)	-	1,290,135	541,083	166,427	62,443	520,182	(316,000)	204,182
2038	4,400,804	(2,220,688)	(894,000)	-	1,286,116	539,397	165,909	62,248	518,562	(310,000)	208,562
2039	4,400,804	(2,216,075)	(895,000)	-	1,289,729	540,912	166,375	62,423	520,019	(310,000)	210,019
2040	4,400,804	(2,215,113)	(894,000)	-	1,291,691	541,735	166,628	62,518	520,810	(308,000)	212,810
2041	4,400,804	(2,216,631)	(893,000)	-	1,291,173	541,518	166,561	62,493	520,601	(304,000)	216,601
2042	4,400,804	(2,215,213)	(897,000)	-	1,288,591	540,435	166,228	62,368	519,560	(304,000)	215,560
2043	4,400,804	(2,217,094)	(894,000)	-	1,289,710	540,904	166,373	62,422	520,011	(299,000)	221,011
2044	4,400,804	(2,212,100)	(895,000)	-	1,293,704	542,579	166,888	62,615	521,621	(299,000)	222,621
2045	4,400,804	(2,214,250)	(894,000)	-	1,292,554	542,097	166,739	62,560	521,158	(299,000)	222,158
2046	4,400,804	(999,375)	(2,028,000)	-	1,373,429	576,016	177,172	66,474	553,767	(328,000)	225,767

*Includes $175,464 to SV

2 2025 S. Harrell

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

SECOND SUPPLEMENT TO AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT

This SECOND SUPPLEMENT TO AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT (this "Second Supplement"), dated ___________, 2025, is entered into by and among the CITY OF SANTA CRUZ, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, the CITY OF SCOTTS VALLEY, a general law city and municipal corporation duly organized and existing under the laws of the State of California, the CITY OF CAPITOLA, a general law city and municipal corporation duly organized and existing under the laws of the State of California, and the COUNTY OF SANTA CRUZ, a California county duly organized and existing under the laws of the State of California.

B A C K G R O U N D:

1 The Cities and the County previously entered into an Amended and Restated Joint Exercise of Powers Agreement dated February 28, 2017 (the “Original Agreement”), which governs the joint powers authority known as the Santa Cruz Libraries Facilities Financing Authority (the “Authority”), whose members are the Cities and the County, for the purpose of financing the acquisition, construction and improvement of public library facilities (the "Public Library Improvements") through the formation of a community facilities district under the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53311 of said Code (the “Mello-Roos Act") and the authorization and issuance of bonds under the Mello-Roos Act.

2. The Cities and the County previously amended the Original Agreement to modify certain terms regarding the distribution of Special Taxes and Net Bond Proceeds through the execution of a First Supplement to Amended and Restated Joint Exercise of Powers Agreement dated September 25, 2018 (the “First Supplement” and, together with the Original Agreement, the “First Amended Agreement”).

3. The Cities and the County desire to further amend the First Amended Agreement to further modify certain terms regarding the distribution of Special Taxes and Net Bond Proceeds, as set forth in this Second Supplement.

4. This Second Supplement is entered into in accordance with Section 14 of the First Amended Agreement. Capitalized terms used but not defined in this Second Supplement have the meanings set forth in the First Amended Agreement.

A G R E E M E N T:

For and in consideration of the premises and the material covenants hereinafter contained, the Parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Amendment of First Amended Agreement*. The First Amended Agreement is hereby amended as follows:

(a) *Section 2(b)(ii)*. Paragraph of (b)(ii) of Section 2 of the First Amended Agreement is hereby deleted and amended in its entirety by the following:

(ii) Maximum Distributions to Parties. The Facilities Authority shall distribute the Special Taxes and Net Bond Proceeds to each of the Parties in the maximum amounts specified below using the percentages specified below (adjusted for rounding) in order to undertake and complete the construction of the Public Library Improvements:

Member	Maximum Amount	Percentage
City of Capitola	$13,870,000	12.90%
City of Santa Cruz	$43,346,000	40.32%
City of Scotts Valley	$5,202,000	4.84%
County of Santa Cruz	$45,082,000	41.94%
Total	$107,500,000	100.00%

The distribution of Special Taxes and Net Bond Proceeds among the Parties shall be governed by the Bond Expenditure Plan as adopted and amended by the unanimous affirmative vote of all of the Directors under Section 2(b)(i). Changes to the maximum amounts shown in the table above shall require an amendment to this Agreement executed by all of the Members, in accordance with the further requirements set forth in Section 14, and shall be subject to the requirements of the Mello-Roos Act and the Joint Powers Act.

(b) *Section 2(b)(iii)*. Paragraph of (b)(iii) of Section 2 of the First Amended Agreement is hereby deleted and amended in its entirety by the following:

(iii) Distribution of Special Tax Proceeds. Prior to issuance of Bonds, any net Special Tax collected in excess of amounts needed to administer the CFD shall be distributed twice annually in January and June, or as soon as practical upon receipt (but in no event less than twice annually), to each of the Parties in the percentages shown above.

After the issuance of Bonds, any net Special Tax collected in excess of amounts needed to pay each Party's allocable share of debt service on Bonds and to administer the Bonds and the CFD shall be distributed annually on September 2 to each of the Parties in accordance with the Bond Expenditure Plan.

When the total of net Special Taxes and Net Bond Proceeds distributed to the Parties equals the maximum amounts specified in Section 2 (ii) and a total of $107,500,000, further distribution of net Special Taxes to each of the Parties shall be made in accordance with the Bond Expenditure Plan subject to the unanimous affirmative vote of all of the Directors.

Each of the Parties shall deposit or cause to be deposited all Special Tax proceeds it receives into a separate account to track revenues, expenses and fund balance, which will also be subject to an independent audit every year during the term of this Agreement.

Each of the Parties shall spend all Special Tax proceeds in accordance with the JCFA, and will be required to execute and deliver certifications and make representations and covenants regarding the administration and expenditure of net Special Taxes, as may be required by bond counsel in order to ensure compliance with applicable provisions of Mello-Roos Act.

SECTION 2. *Authority*. This Second Supplement is being executed pursuant to and in accordance with Section 14 of the First Amended Agreement.

SECTION 3. *First Amended Agreement Continues in Effect*. Except as amended and supplemented by this Second Supplement, the First Amended Agreement shall remain in full force and effect.

SECTION 4. *Effective Date*. This Second Supplement shall become effective upon the date hereof.

Approved As To Form:

____
Jones Hall, A Professional Law Corporation

Date: ____________________

IN WITNESS WHEREOF, the Parties hereto have caused this Second Supplement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

CITY OF SANTA CRUZ

By: ________________________________

Attest:

____

CITY OF SCOTTS VALLEY

By: ________________________________

Attest:

____

CITY OF CAPITOLA

By: ________________________________

Attest:

____

COUNTY OF SANTA CRUZ

By: ________________________________

Attest:

____

Santa Cruz Libraries Facilities Financing Authority

Bond Expenditure Plan - 2025 Amendment

				FY 25 Special Tax	Surplus Before	Share of Surplus					
	Net Tax	Debt Service After $77.5M Allocation		Distribution	Increased				Santa Cruz		
FY	After Admin	2017 & 2020 Bonds	2025 Bonds	to Date*	Allocation	County	Capitola	Scotts Valley	Gross Share	2025 Debt Service	Net Share
						41.94%	12.90%	4.84%	40.32%		
2025	4,400,804	(2,215,031)	(267,000)	(1,622,832)	295,941	124,118	38,176	14,324	119,323	(92,000)	27,323
2026	4,400,804	(2,220,281)	(894,000)	-	1,286,523	539,568	165,961	62,268	518,726	(331,000)	187,726
2027	4,400,804	(2,217,531)	(898,000)	-	1,285,273	539,043	165,800	62,207	518,222	(330,000)	188,222
2028	4,400,804	(2,217,031)	(896,000)	-	1,287,773	540,092	166,123	62,328	519,230	(328,000)	191,230
2029	4,400,804	(2,215,181)	(898,000)	-	1,287,623	540,029	166,103	62,321	519,169	(325,000)	194,169
2030	4,400,804	(2,215,831)	(894,000)	-	1,290,973	541,434	166,535	62,483	520,520	(328,000)	192,520
2031	4,400,804	(2,220,431)	(894,000)	-	1,286,373	539,505	165,942	62,260	518,665	(320,000)	198,665
2032	4,400,804	(2,217,081)	(898,000)	-	1,285,723	539,232	165,858	62,229	518,403	(322,000)	196,403
2033	4,400,804	(2,219,681)	(896,000)	-	1,285,123	538,980	165,781	62,200	518,161	(318,000)	200,161
2034	4,400,804	(2,216,231)	(898,000)	-	1,286,573	539,589	165,968	62,270	518,746	(320,000)	198,746
2035	4,400,804	(2,215,863)	(894,000)	-	1,290,941	541,421	166,531	62,482	520,508	(315,000)	205,508
2036	4,400,804	(2,218,413)	(894,000)	-	1,288,391	540,351	166,202	62,358	519,479	(316,000)	203,479
2037	4,400,804	(2,213,669)	(897,000)	-	1,290,135	541,083	166,427	62,443	520,182	(316,000)	204,182
2038	4,400,804	(2,220,688)	(894,000)	-	1,286,116	539,397	165,909	62,248	518,562	(310,000)	208,562
2039	4,400,804	(2,216,075)	(895,000)	-	1,289,729	540,912	166,375	62,423	520,019	(310,000)	210,019
2040	4,400,804	(2,215,113)	(894,000)	-	1,291,691	541,735	166,628	62,518	520,810	(308,000)	212,810
2041	4,400,804	(2,216,631)	(893,000)	-	1,291,173	541,518	166,561	62,493	520,601	(304,000)	216,601
2042	4,400,804	(2,215,213)	(897,000)	-	1,288,591	540,435	166,228	62,368	519,560	(304,000)	215,560
2043	4,400,804	(2,217,094)	(894,000)	-	1,289,710	540,904	166,373	62,422	520,011	(299,000)	221,011
2044	4,400,804	(2,212,100)	(895,000)	-	1,293,704	542,579	166,888	62,615	521,621	(299,000)	222,621
2045	4,400,804	(2,214,250)	(894,000)	-	1,292,554	542,097	166,739	62,560	521,158	(299,000)	222,158
2046	4,400,804	(999,375)	(2,028,000)	-	1,373,429	576,016	177,172	66,474	553,767	(328,000)	225,767

*Includes $175,464 to SV

2 2025 S. Harrell

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 3/19/2025

TO: Honorable Mayor and City Council

FROM: Stephanie Hill, Administrative Services Director

APPROVED: Kirsten Powell, City Attorney

SUBJECT: **Approve a resolution to give authority to add one Police Officer Trainee**

SUMMARY OF ISSUE

The Scotts Valley Police Department, as with other police agencies, faces challenges attracting and retaining police personnel. Unlike other employers, police departments have strict hiring practices governed by the State of California. An applicant is subject to a comprehensive and time-intensive testing process, including a pre-screening interview, oral board testing, background investigation and polygraph test, and medical and psychological assessments. Assuming the candidate passes the testing process, he/she must also successfully graduate from a six (6) month police academy. Upon graduation, the new officer participates in the Department's Police Field Training Officer (FTO) program for five (5) additional months to learn how to be an effective law enforcement officer for the City of Scotts Valley. At any time during the testing or training process, an applicant can be disqualified. The hiring process of one police officer, from the point of application to the completion of training, is approximately thirteen (13) months.

On several occasions, the Department was aware of anticipated turnover, but did not have a tool in place to proactively ensure appropriate staffing levels. As a result, the Department runs short-staffed until a new hire can be adequately trained to work as a solo police officer.

The Police Department continuously recruits for both sworn officers from other agencies and new trainees with the potential to be trained to become a Scotts Valley Police Officer. Due these efforts and the strong reputation of the Scotts Valley Police Department, the department has identified one strong Trainee candidate.

Given the history of turnover in the department and in law enforcement as a whole, it is recommended that the Council authorize the City Manager to overfill the Police Officer/Trainee classification by one position for no more than the remainder of the current fiscal year budget in order to pursue the opportunity to add an additional trainee to the training pipeline. Future fiscal year budgets will require a routine approval process from the Council and will have any of these in-process needs factored in.

FISCAL IMPACT

Assuming a 4-month duration, the FY 2024-25 fiscal impact of one Police Officer Trainee fully burdened position is approximately $40,000. Due to saving in the department, this cost will be absorbed within the current fiscal year budget.

STAFF RECOMMENDATION

It is recommended the City Council adopt Resolution No. 2061, approving the City Manager's authority to overfill one Police Officer Trainee position for FY 2024-25.

TABLE OF CONTENTS

1. Resolution No. 2061 - PD Officer Overfill FY24-25

RESOLUTION NO. 2061

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY APPROVING THE CITY MANAGER AUTHORITY TO OVER HIRE ONE POLICE OFFICER POSITION IN FISCAL YEAR 2024-25

WHEREAS, City staff continue to analyze the organization's evolving needs; and

WHEREAS, staff have identified the need to overfill one Police Officer position; and

WHEREAS, staff have identified the need in Fiscal Year 2024-25 to ensure continuity of operations; and

WHEREAS, the current Fiscal Year budget can absorb the estimated cost of $40,000 to add this additional position due to department savings; and

WHEREAS, the City manager has the appointing authority for the City; and

WHEREAS, City Council approval is needed to authorize the over hire in the Police Department.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the City Council of the City of Scotts Valley that the City Manager has the authority to overfill one Police Officer position for Fiscal Year 2024-25.

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a meeting held on the 19th day of March 2025 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Approved:__________________________
Derek Timm, Mayor

Attest:____________________________
Cathie Simonovich, City Clerk

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: 3/19/2025

TO: Honorable Mayor and City Council

FROM: Sarah Wikle, Senior Planner

APPROVED: Kirsten Powell, City Attorney

SUBJECT: **Consider approval of the Housing Element Annual Progress Report and authorize submittal of the Annual Progress Report to the Department of Housing and Community Development (HCD) Department**

SUMMARY OF ISSUE

California Government Code 65400(a)(2) requires the City to provide an annual report, titled an Annual Progress Report (APR), to the City Council, the State Office of Planning and Research (OPR), and the Department of Housing and Community Development (HCD) that includes the following:

(A) The status of the adopted Housing Element and progress in its implementation.
(B) The progress in meeting the City's share of regional housing needs and local efforts to remove governmental constraints to the maintenance, improvement, and development of housing. The housing element portion of the annual report is prepared using standards, forms, and definitions adopted by HCD.
(C) The number of housing development applications received in the prior year.
(D) The number of units included in all development applications in the prior year.
(E) The number of units approved and disapproved in the prior year.
(F) The degree to which the General Plan complies with the guidelines developed by OPR.
(G) A listing of sites rezoned to accommodate that portion of the city's or county's share of the regional housing need.
(H) The number of net new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy, thus far in the housing element cycle, and the income category, by area median income category, that each unit of housing satisfies.
(I) The number of applications submitted, approvals granted, building permits issued, and number of units constructed pursuant to Senate Bill 35 (2018).
(J) The number of Density Bonus applications received, approved, percentage of density bonus units requested and if the applicant requested any incentives or concessions

The 2024 Annual Progress Report includes the following tables:

Table A contains data on the number of housing development applications that were submitted and deemed complete in 2024. The number of proposed units that were deemed complete includes the 100-unit multi-family housing development at 4575 Scotts Valley Drive.

Table A2 contains data on the discretionary housing development applications that were approved (entitled), all building permits issued for housing development and housing construction completed. This data is identified by both household income level, street address and tenure. Table A2 data shows that:

- 9 units were entitled,
- 9 units were issued building permits, and
- 21 units completed construction. These units were primarily part of the Polo Ranch development, accessory dwelling units (ADUs), and the Encore condominium development.

Table B includes data on the household income levels of the units in 2024 that were issued building permits (9 units). Further, this table demonstrates the City's progress in meeting its share of the Regional Housing Needs Allocation (RHNA). Please note that only units that secured building permits in 2024 are counted towards meeting the RHNA. In 2024, there were building permits issued for 9 housing units, and are "credited" towards the City's RHNA goals. These units that were issued a building permit in 2024 were above-moderate income units.

Table C is not applicable to the City of Scotts Valley for the 2024 APR. Information will be included in this table once the City implements its mixed-use and residential rezones as outlined in Program H-1.1.

Table D contains information on the status and progress of the Housing Element program and policy implementation for all programs described in the 2023-2031 Housing Element.

Tables E, F, F2, G, H, I and J are not applicable to the City of Scotts Valley.

Table K is a new requirement for municipalities to report if there is a local "tenant preference ordinance". The City of Scotts Valley does not have a tenant preference ordinance.

LEAP Reporting Table provides reporting information on tasks and status of various projects funded by the City's LEAP grant.

The Summary Table provides a summary of housing units for which applications were submitted, and building permits issued in 2024.

Additional Housing Projects Approved Not Included in the 2024 Annual Progress Report
It is important to note that the 4575 Scotts Valley Drive Apartment project was deemed submitted and completed in 2024 and received entitlement approval in early 2025. The City will report this project as entitled under Table A2 in the City's 2025 APR. The City approved a 25-unit affordable housing project located at 4444 Scotts Valley Drive in early 2025, which will be included in the City's 2025 APR in Tables A and A2.

Additional Housing Projects Under Review and Not Included in the 2024 Annual Progress Report

The City continues to review multiple housing projects, including a 40 unit affordable housing project at 75 Mount Hermon Road, the Valley Gardens development project on Mount Hermon Road that includes 196 housing units, and additional housing projects with a mixture of market-rate and affordable housing units. These projects will be included in future APRs as they are deemed submitted and completed per HCD's reporting requirements for APRs.

FISCAL IMPACT

There is no fiscal impact as there is no cost to the City.

STAFF RECOMMENDATION

It is recommended that the City Council receive public comments and approve the 2024 Annual Progress Report and authorize the submittal of the 2024 Annual Progress Report (APR) to the Department of Housing and Community Development (HCD) and State Office of Planning and Research (OPR).

TABLE OF CONTENTS

1. 2024 Annual Progress Report

Jurisdiction	Scotts Valley	
Reporting Year	2024	(Jan. 1 - Dec. 31)
Housing Element Planning Period	6th Cycle	12/15/2023 - 12/15/2031

Building Permits Issued by Affordability Summary		
Income Level		**Current Year**
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		9
Total Units		**9**

Note: Units serving extremely low-income households are included in the very low-income

Units by Structure Type	**Entitled**	**Permitted**	**Completed**
Single-family Attached	0	0	0
Single-family Detached	9	3	3
2 to 4 units per structure	0	0	0
5+ units per structure	0	0	16
Accessory Dwelling Unit	0	6	2
Mobile/Manufactured Home	0	0	0
Total	**9**	**9**	**21**

Infill Housing Developments and Infill Units Permitted	**# of Projects**	**Units**
Indicated as Infill	8	8
Not Indicated as Infill	1	1

Housing Applications Summary	
Total Housing Applications Submitted:	1
Number of Proposed Units in All Applications Received:	100
Total Housing Units Approved:	100
Total Housing Units Disapproved:	0

Use of SB 423 Streamlining Provisions - Applications	
Number of SB 423 Streamlining Applications	0
Number of SB 423 Streamlining Applications Approved	0

Units Constructed - SB 423 Streamlining Permits			
Income	**Rental**	**Ownership**	**Total**
Very Low	0	0	0
Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	**0**	**0**	**0**

Streamlining Provisions Used - Permitted Units	**# of Projects**	**Units**
SB 9 (2021) - Duplex in SF Zone	0	0
SB 9 (2021) - Residential Lot Split	0	0
AB 2011 (2022)	0	0
SB 6 (2022)	0	0
SB 423 (2023)	0	0

Ministerial and Discretionary Applications	**# of**	**Units**
Ministerial	1	100
Discretionary	0	0

Density Bonus Applications and Units Permitted	
Number of Applications Submitted Requesting a Density Bonus	1
Number of Units in Applications Submitted Requesting a Density Bonus	100
Number of Projects Permitted with a Density Bonus	0
Number of Units in Projects Permitted with a Density Bonus	0

Housing Element Programs Implemented and Sites Rezoned	**Count**
Programs Implemented	127
Sites Rezoned to Accommodate the RHNA	0

Jurisdiction	Scotts Valley	
Reporting Year	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field
Cells in grey contain auto-calculation formulas

Table A
Housing Development Applications Submitted

Project Identifier					Unit Types		Date Application Submitted	Proposed Units - Affordability by Household Incomes								Total Approved Units by Project	Total Disapproved Units by Project	Streamlining	Density Bo Applica
1					2	3	4	5							6	7	8	9	10
Prior APN+	Current APN	Street Address	Project Name+	Local Jurisdiction Tracking ID	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Date Application Submitted (see instructions)	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total PROPOSED Units by Project	Total APPROVED Units by project	Total DISAPPROVED Units by Project	Please select state streamlining provision/s the application was submitted pursuant to.	Did the housing development application seek incentives or concessions pursuant to Government Code section 65915?
Summary Row: Start Data Entry Below								0	0	17	0	0	0	83	100	100	0		
	022-481-21	4575 Scotts Valley Drive	4575 Scotts Valley Drive Apartments	PR24-003, DR24-005, CRA24-003	5+	R	12/11/2024			17				83	100	100	0	AB 2011 (2022)	Yes
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Jurisdiction	Scotts Valley	
Reporting Year	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

Project Identifier					Unit Types		Affordability by Household Incomes - Completed Entitlement									Affordability by Household Incomes - Building Permits									Affordability by Household Inco				
1					2	3	4							5	6	7							8	9	10				
Prior APN+	Current APN	Street Address	Project Name+	Local Jurisdiction Tracking ID	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low- Income Deed Restricted	Low- Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Entitlement Date Approved	# of Units issued Entitlements	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Building Permits Date Issued	# of Units Issued Building Permits	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted
Summary Row: Start Data Entry Below							0	0	0	0	0	0	9		9	0	0	0	0	0	0	9		9	0	0	2	0	0
	024-081-18	223 Sunset Terrace		BP-23-380	SFD	R									0							1	4/5/2024	1					
	024-081-18	223 Sunset Terrace		BP-23-380	ADU	R									0							1	4/5/2024	1					
	021-101-17	1025 Whispering Pines Drive		BP-23-359	ADU	R									0							1	4/26/2024	1					
	024-021-35	6 Timber Ridge Lane		BP-24-205	SFD	O									0							1	5/21/2024	1					
	022-861-20	307 Oak Creek Boulevard		BP-24-143	ADU	R									0							1	6/21/2024	1					
	024-321-13	603 North Navarra Drive		BP-23-294	ADU	R									0							1	7/16/2024	1					
	024-291-05	115 North Navarra Drive		BP-24-28	ADU	R									0							1	7/18/2024	1					
	021-073-23	561 Pinecone Drive		BP-24-194	ADU	R									0							1	10/24/2024	1					
	022-891-07	12 Blake Lane		BP-24-479	SFD	O									0							1	11/4/2024	1					
	023-113-36	Sandraya Heights Road		LD22-001	SFD	O							9	1/17/2024	9									0					
	024-183-03	116 Hidden Drive		37154-22	ADU	R									0									0					
	022-902-24	301 Coastal Oak Court		37108-22	SFD	O									0									0					
	022-902-25	300 Coastal Oak Court		37109-22	SFD	O									0									0					
	022-951-01	4104 Scotts Valley Drive, Unit 201	The Encore	37121-22	5+	O									0									0					
	022-951-02	4104 Scotts Valley Drive, Unit 202	The Encore	37122-22	5+	O									0									0					
	022-951-03	4104 Scotts Valley Drive, Unit 203	The Encore	37123-22	5+	O									0									0					
	022-951-04	4104 Scotts Valley Drive, Unit 204	The Encore	37124-22	5+	O									0									0					
	022-951-05	4104 Scotts Valley Drive, Unit 205	The Encore	37125-22	5+	O									0									0					
	022-951-06	4104 Scotts Valley Drive, Unit 206	The Encore	37126-22	5+	O									0									0			1		
	022-951-07	4104 Scotts Valley Drive, Unit 207	The Encore	37127-22	5+	O									0									0					
	022-951-08	4104 Scotts Valley Drive, Unit 208	The Encore	37128-22	5+	O									0									0					
	022-961-01	4104 Scotts Valley Drive, Unit 301	The Encore	37129-22	5+	O									0									0					
	022-961-02	4104 Scotts Valley Drive, Unit 302	The Encore	37130-22	5+	O									0									0					
	022-961-03	4104 Scotts Valley Drive, Unit 303	The Encore	37131-22	5+	O									0									0					
	022-961-04	4104 Scotts Valley Drive, Unit 304	The Encore	37132-22	5+	O									0									0			1		
	022-961-05	4104 Scotts Valley Drive, Unit 305	The Encore	37133-22	5+	O									0									0					
	022-961-06	4104 Scotts Valley Drive, Unit 306	The Encore	37134-22	5+	O									0									0					
	022-961-07	4104 Scotts Valley Drive, Unit 307	The Encore	37135-22	5+	O									0									0					
	022-961-08	4104 Scotts Valley Drive, Unit 308	The Encore	37136-22	5+	O									0									0					
	023-171-40	5 Nashua Drive		37107-22	SFD	O									0									0					

mes - Certificates of Occupancy					Streamlining	Infill	Housing with Financial Assistance and/or Deed Restrictions		Housing without Financial Assistance or Deed Restrictions	Term of Affordability or Deed Restriction	Demolished/Destroyed Units			Density Bonus				Notes
		11	12	13	14	15	16	17	18	19	20			21	22	23	24	25
Moderate-Income Non Deed Restricted	Above Moderate-Income	Certificates of Occupancy or other forms of readiness (see instructions) Date Issued	# of Units issued Certificates of Occupancy or other forms of readiness	How many of the units were Extremely Low Income?	Please select the state streamlining provision the project was APPROVED pursuant to. (may select multiple)	Infill Units? Y/N*	Assistance Programs for Each Development (may select multiple - see instructions)	Deed Restriction Type (may select multiple - see instructions)	For units affordable without financial assistance or deed restrictions, explain how the locality determined the units were affordable (see instructions)	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units	Demolished or Destroyed Units	Demolished/ Destroyed Units Owner or Renter	Total Density Bonus Applied to the Project (Percentage Increase in Total Allowable Units or Total Maximum Allowable Residential Gross Floor Area)	Number of Other Incentives, Concessions, Waivers, or Other Modifications Given to the Project (Excluding Parking Waivers or Parking Reductions)	List the incentives, concessions, waivers, and modifications (Excluding Parking Waivers or Parking Modifications)	Did the project receive a reduction or waiver of parking standards? (Y/N)	Notes*
0	19		21	0							0							
			0		NONE	Y												
			0		NONE	Y												
	1	9/15/2024	1		NONE	Y												
			0		NONE	N												
			0		NONE	Y												
			0		NONE	Y												
			0		NONE	Y												
			0		NONE	Y												
			0		NONE	Y												
			0		NONE	Y												
	1	1/30/2024	1		NONE	Y												
	1	3/1/2024	1		NONE	Y												
	1	3/1/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
		6/28/2024	1		NONE	Y	Other	INC		45								
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
		6/28/2024	1		NONE	Y	Other	DB		45				23.0%	0	Other	No	
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	6/28/2024	1		NONE	Y												
	1	8/15/2024	1		NONE	Y												

Jurisdiction	Scotts Valley	
Reporting Year	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.
Please contact HCD if your data is different than the material supplied here

Table B
Regional Housing Needs Allocation Progress
Permitted Units Issued by Affordability

		1	Projection Period	2									3	4
Income Level		**RHNA Allocation by Income Level**	**Projection Period - 06/30/2023-12/14/2023**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**Total Units to Date (all years)**	**Total Remaining RHNA by Income Level**
Very Low	Deed Restricted	392	-	-	-	-	-	-	-	-	-	-	-	**392**
	Non-Deed Restricted		-	-	-	-	-	-	-	-	-	-		
Low	Deed Restricted	257	-	-	-	-	-	-	-	-	-	-	-	**257**
	Non-Deed Restricted		-	-	-	-	-	-	-	-	-	-		
Moderate	Deed Restricted	154	-	-	-	-	-	-	-	-	-	-	-	**154**
	Non-Deed Restricted		-	-	-	-	-	-	-	-	-	-		
Above Moderate		417	1	1	9	-	-	-	-	-	-	-	11	**406**
Total RHNA		**1,220**												
Total Units			**1**	**1**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**1,209**

Progress toward extremely low-income housing need, as determined pursuant to Government Code 65583(a)(1).

		5											6	7
		Extremely low-Income Need		**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**Total Units to Date**	**Total Units Remaining**
Extremely Low-Income Units*		196		-	-	-	-	-	-	-	-	-	**-**	**196**

*Extremely low-income housing need determined pursuant to Government Code 65583(a)(1). Value in Section 5 is default value, assumed to be half of the very low-income RHNA. May be overwritten.

Please Note: Table B does not currently contain data from Table F or Table F2 for prior years. You may login to the APR system to see Table B that contains this data.

Note: units serving extremely low-income households are included in the very low-income RHNA progress and must be reported as very low-income units in section 7 of Table A2. They must also be reported in the extremely low-income category (section 13) in Table A2 to be counted as progress toward meeting the extremely low-income housing need determined pursuant to Government Code 65583(a)(1).

Please note: For the last year of the 5th cycle, Table B will only include units that were permitted during the portion of the year that was in the 5th cycle. For the first year of the 6th cycle, Table B will only include units that were permitted since the start of the planning period. Projection Period units are in a separate column.

Please note: The APR form can only display data for one planning period. To view progress for a different planning period, you may login to HCD's online APR system, or contact HCD staff at apr@hcd.ca.gov.

VLI Deed Restricted
VLI Non Deed Restricted

Jurisdiction	Scotts Valley	
Reporting Year	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table C

Sites Identified or Rezoned to Accommodate Shortfall Housing Need and No Net-Loss Law

Project Identifier				Date of Rezone	RHNA Shortfall by Household Income Category				Rezone Type	Sites Description							
1				2	3				4	5	6	7	8		9	10	11
APN	Street Address	Project Name+	Local Jurisdiction Tracking ID+	Date of Rezone	Very Low-Income	Low-Income	Moderate-Income	Above Moderate-Income	Rezone Type	Parcel Size (Acres)	General Plan Designation	Zoning	Minimum Density Allowed	Maximum Density Allowed	Realistic Capacity	Vacant/Nonvacant	Description of Existing Uses
Summary Row: Start Data Entry Below																	

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation

Jurisdiction	Scotts Valley	
Reporting Year	2024	(Jan. 1 - Dec. 31)

Table D
Program Implementation Status pursuant to GC Section 65583

Housing Programs Progress Report
Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.

1	2	3	4
Name of Program	**Objective**	**Timeframe in H.E**	**Status of Program Implementation**
Program H-1.1 6th Cycle Regional Housing Needs Allocation	Residential Rezones: Adopt a zoning ordinance and General Plan Land Use amendment to rezone 8.7 acres on 7 parcels (identified in Appendix F) to permit residential uses ranging up to a density of 40 dwelling units per acre. The rezoning would accommodate 264 units, including 103 lower income units. Adopt development standards (building height, lot coverage, setbacks, etc.) that facilitate achieving the proposed maximum densities.	December 2026 (3 years from Housing Element Statutory Deadline)	The City is on track to adopt Zoning Ordinance and General Plan Land Use amendments for the residential rezone strategy outlined in Appendix F of the Housing Element by December 2026.
Program H-1.1 6th Cycle Regional Housing Needs Allocation	Mixed-Use Rezones: Adopt a zoning ordinance and General Plan Land Use amendment to rezone 32.2 acres on 28 parcels (identified in Appendix F) to permit mixed-use developments ranging up to a density of 40 dwelling units per acre with up to 70 percent residential. The rezoning would accommodate 705 units, including 280 lower income units. Adopt development standards (building height, lot coverage, setbacks, etc.) that facilitate achieving the proposed maximum densities.	December 2026 (3 years from Housing Element Statutory Deadline)	The City is on track to adopt Zoning Ordinance and General Plan Land Use amendments for the residential rezone strategy outlined in Appendix F of the Housing Element by December 2026.

Program H-1.1 6th Cycle Regional Housing Needs Allocation	Town Center Specific Plan: Adopt a Specific Plan amendment to allow for residential development at the scale established in Appendix F: 1. The City is in contract to remediate surface soil contamination by December 2023. Remediation efforts have begun as of October 2023. 2. By December 2025, amend the Specific Plan to increase the density for residential uses on the City-owned sites identified in Appendix F. 3. By December 2026, complete the necessary rezonings to accommodate the increased density	Remidiation of Soil by December 2023, Amend the Town Center Specific Plan by December 2025, and complete necessary rezonings by December 2026	The City completed soil remediation in December 2023. The City is on track to amend the Town Center Specific Plan by December 2025 and complete any necessary rezonings by December 2026.
Program H-1.2 By-Right Development	Adopts and implement a By-Right Development Program to comply with the AB 1398 and 1397 requirements, as well as requirements established in Government Code section 65583.2 (c), (h), and (i).	Jan-25	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to allow for by-right development in compliance with the requirements of AB 1398 and AB 1397 as well as the requirements established in Government Code section 65583.2(c), 65583.2(h), and 65583.2(i).
Program H-1.3 Sites Inventory Monitoring Program	Establish and maintain a Sites Inventory Monitoring Program.	Jan-25	Program completed. The City has established and maintained a Sites Inventory Monitoring Program.
Program H-1.3 Sites Inventory Monitoring Program	Adopt findings with each City approval for residential projects identifying the breakdown of units by income category and establish whether 'no net loss' findings to be made, if either fewer units are developed than shown in the housing element, or if the units are being developed in different income categories than projected. If 'no net loss' findings must be made, the City must either find that it is maintaining enough sites to accommodate the remaining RHNA, or if there are not enough sites to accommodate the remaining RHNA. If there are not enough sites, the City has 180 days to make adequate sites available. Any rezoned site(s) will satisfy the adequate sites requirements of Government Code Section 65583.2 and will be consistent with the City's obligation to affirmatively further fair housing.	Adopt finidngs with each City approval for residential projects on a Housing Element site	The City continued to adopt findings with each City approval for residential projects on a Housing Element site.
Program H-1.3 Sites Inventory Monitoring Program	Annually monitor the progress of pending projects, ADU projections, and development on City-owned parcels, parcels with existing residential capacity, and rezoned parcels through the APR.	Annual throughout the Planning Period	The City continued to anually monitor the progress of pending projects, ADU projects, and development on City-owned parcels, parcels with existing residential capacity, and rezoned parcels through the APR.

Program H-1.3 Sites Inventory Monitoring Program	Implement proactive actions such as annual outreach with applicants and developers, coordinating with applications, providing technical assistance for any remaining entitlements, supporting funding applications, and expediting project review(s) as necessary.	Ongoing throughout the Planning Period	The City conitnued to implement proactive actions such as annual outreadh with applicants and developers, coordinating with applications, providing technical assistance for any remaining entitlements, supporting funding applications, and expediting project review(s) as necessary.
Program H-1.3 Sites Inventory Monitoring Program	If residential development is not sufficiently progressing towards building permits or if the City is not meeting the pro-rated share of the RHNA at all income levels by December 2027, the City will implement strategies to maintain adequate sites throughout the planning period, such as: streamline and/or assist projects through entitlement (including, but not limited to, technical assistance, expedited review, and/or support of funding applications), adopt amendments to the ADU development regulations, or implement other strategies, such as General Plan and zoning changes to allow for greater residential densities..	Dec-27	The City continued to monitor residential development and its progress towards issuance of building permit. If development is not sufficiently progressing towards building permits or if the City is not meeting the pro-rated share of the RHNA at all income levels, the City is is on track to implement strategies to maintain adequate sites throughout the planning period by December 2027.
Program H-1.4 Planned Development Unit Program	Continue to provide flexible design through the PD zoning district.	Project-by-Project basis; ongoing	The City continued to provide flexible design through the PD Zoning District on a project-by-project basis.
Program H-1.5 Accessory Dwelling Unit Program	Modify the current “Secondary Dwelling Unit Program” from the 5th Cycle Housing Element to comply with changes in State law regarding ADUs. This will include updating the City's “Secondary Dwelling Unit” Ordinance in compliance with State ADU laws. Submit revised ordinance to HCD in compliance with State law.	Jan-25	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendments for Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs) in compliance with state law. Ordinance revisions have been submitted to HCD for review.
Program H-1.5 Accessory Dwelling Unit Program	Establish and promote permit-ready ADU plans to minimize design costs, expedite permit processing, and provide development certainty.	Jan-26	The City is on track to establish and promote permit-ready ADU plans by January 2026.
Program H-1.5 Accessory Dwelling Unit Program	Establish and maintain an ADU Manual guiding applicants through the permitting and construction of an ADU.	Jan-26	The City is on track to establish an ADU Manual guiding applicants through the permitting and construction of an ADU by Janaury 2026.
Program H-1.5 Accessory Dwelling Unit Program	Establish and maintain an ADU webpage informing the community on ADU related codes, processes, and incentives.	Jan-26	The City is on track to establish an ADU webpage on ADU related codes, processes and incentives by January 2026.
Program H-1.5 Accessory Dwelling Unit Program	Establish an incentive program for deed-restricted affordable ADUs such as waived permitting fees and/or priority processing.	Jan-26	The City is on track to establish an ADU incentive program by January 2026.

Program H-1.5 Accessory Dwelling Unit Program	Establish an ADU monitoring program, and by the mid-cycle point of the planning period, if assumptions for production and affordability are not meeting what was assumed, then the City will implement changes within one year. Changes include, but are not limited to, additional outreach and incentives. If the gap between assumptions and production is "large" then the City will identify additional capacity in the inventory and rezone, if applicable.	Annual; implement changes within 1 year if production and affordability assumptions are not being met	The City established an ADU Monitoring Program and by the mid-cycle of the Planning Period, the City will review the assumptions for production and affordability of ADUs.
Program H-1.6 Removal of Residential Development Constraints	Conduct a comprehensive study of residential development standards applicable to developments in zones that permit residential uses to determine which standards are potential constraints to housing.	December 2024 (1 year from Housing Element statutory deadline)	Program completed. The City completed a study of residential development standards applicable to developments in zones that permit residential to determine what standards may be a potentail constraint to housing. The study was completed in December 2024.
Program H-1.6 Removal of Residential Development Constraints	Adopt a Zoning Ordinance amendment to residential development standards to address and reduce constraints, including 1) parking requirements for multi-family developments such as, but not limited to, a sliding scale based on the number of bedrooms or a set reduced requirement no greater than 2 spaces per unit; and 2) increasing maximum building coverage for C-S and C-SC zones to 50 percent.	Jan-26	The City is on track to adopt a Zoning Ordinance amendment to residential development standards and reduce constraints, including 1) parking requirements for multi-family developments such as, including but not limited to, a sliding scale based on the number of bedrooms or a set redcued requirement no greated than 2 spaces per unit; and 2) increaseing the maximum building coverage for C-S and C-SC zones to 50 percent by January 2026.
Program H-1.6 Removal of Residential Development Constraints	Annually review development trends and biennially meet with the development community to receive input and feedback. If constraints are identified that inhibit the development of affordable housing, adopt changes with two years.	Annually; implement changes within 2 years if constraints are identified	The City continued to review development trends and meet with the development community to receive input and feedback.
Program H-1.7 Mixed Use Development	Conduct a comprehensive study on identified mixed-use development standards and requirements ahead of adopting rezones.	Prior to adoption of rezones	The City is on track to conduct a comprehensive study on identified mixed-use development standards ahead of adopting the mixed-use rezone strategy.
Program H-1.7 Mixed Use Development	Adopt development incentives, such as, but not limited to, decreasing the commercial component for projects that include a greater number of affordable units, for candidate sites identified for mixed-use rezoning.	Adopt incentives in conjunction with rezones	The City is on track to adopt development incentives in conjuction with adopting the mixed-use rezone strategy.
Program H-1.7 Mixed Use Development	Annually meet with the development community and property owners to identify development opportunities and interest.	Annual throughout the Planning Period	The City continued to meet with the development community and property owners to identify development opportunities and interest.

Program H-1.8 Facilitation of Affordable Housing Development	Conduct a comprehensive study on expanding the Inclusionary Housing Ordinance to establish standards and requirements promote affordable housing development.	Jul-26	The City is on track to conduct a comprehensive study on expanding the inclusionary housing ordinance to establish standards and requirements to promote affordable housing development by July 2026.
Program H-1.8 Facilitation of Affordable Housing Development	Adopt an amendment to the City's Inclusionary Housing Ordinance to apply city-wide, restrict units based on affordability.	Jan-27	The City is on track to adopt an amendment to the City's Inclusionary Housing Ordinance to apply city-wide, restrict units based on affordability by January 2027.
Program H-1.8 Facilitation of Affordable Housing Development	Annually meet with the development community and property owners. Based on the feedback received, adopt changes, incentives, and seek funding to facilitate affordable housing development.	Annual throughout the Planning Period	The City continued to meet with the development community and property owners to seek feedback and considered the feedback to inform/adopt additional changes, and seek funding to facilitate affordable housing development.
Program H-1.8 Facilitation of Affordable Housing Development	Create and maintain information on the City's website on the development of affordable housing.	Jan-27	The City is on track to have information on the City's website regarding the development of affordable housing by January 2027.
Pogram H-1.9 Senate Bill 330	Continue to comply with SB 330 restrictions.	Through the end of the SB 330 10-year timeframe.	The City continued to comply with SB 330 restrictions and will continue to comply through the end of the SB 330 10-year timeframe.
Program H-1.10 Surplus Lands Act	By December 2026, declare City-owned sites (APNs 022-721-06, 022-212-19, 022-601-01) as surplus and approve a resolution making the findings that the project will be put out to competitive bid and will be larger than one acre mixed use development with a minimum of 300 residential units, at least 25% of which are reserved for lower income households as required by the Surplus Lands Act; however, the City intends for those parcels to be developed as 100 percent affordable. A successful bidder will be required to enter into a regulatory agreement establishing the minimum affordability requirements.	Dec-26	The City is on track to declare City-owned sites as surplus and and comply with the Surplus Lands Act as stated in the Housing Element by December 2026.
Program H-1.10 Surplus Lands Act	The City will facilitate development of City-owned sites by: 1. Issuing a Request for Proposals (RFP) by January 2026 on the City's website and distributing the RFP to any affordable housing developers who have requested notification. 2. If the City receives a satisfactory response, the City will select a developer by Fall of 2026. 3. Target exclusive negotiating agreements by 2027. 4. Target entitlements by 2028	January 2026 for issuing an RFP, Select developer by Fall 2026, target negotiation of agreements by 2027, and target entitlements by 2028	The City is on track to declare City-owned sites as surplus and and comply with the Surplus Lands Act as stated in the Housing Element.
Program H-1.10 Surplus Lands Act	In the event the RFP is not successful by Fall of 2026, the City shall either issue a new RFP in 2027 or conduct annual outreach to affordable housing developers in accordance with the Surplus Lands Act.	New RFP in 2027 if RFP is not successful	The City is on track to declare City-owned sites as surplus and and comply with the Surplus Lands Act as stated in the Housing Element.

Program H-1.10 Surplus Lands Act	The City shall provide assistance to a successful bidder by offering technical assistance; facilitating entitlements; assisting with funding, as available, and/or supporting funding applications.	Ongoing once a successful bidder is selected	The City is on track to declare City-owned sites as surplus and and comply with the Surplus Lands Act as stated in the Housing Element.
Program H-1.10 Surplus Lands Act	The City shall establish and implement a variety of incentives to facilitate development of City-Owned sites, including providing fee waivers, flexibility and reductions to development standards, priority processing, and financial assistance.	2 years from Housing Element Adoption	The City is on track to establish and implement a variety of incentives to facilitate the development of City-Owned sites within 2 years of Housing Element adoption.
Program H-1.11 Non-Vacant Sites Analysis	Provide additional incentives on a project-by-project basis such as, but not limited to, technical assistance, supporting funding applications, and reduced development standards.	Project-by-Project basis; ongoing throughout the Planning Period	The City continued to provide incentives on a project-by-project basis by providing technical assistance, supporting funding applications, amd considerations to reductions in development standards.
Program H-1.11 Non-Vacant Sites Analysis	Engage property owners annually to discuss development opportunities.	Annual throughout the Planning Period	The City continued to engage property owners to discuss development opportunities in the City of Scotts Valley.
Program H-2.1 Code Enforcement	Continue to implement an active code enforcement program through the Building Department and inform residents of rehabilitation assistance grants when available at City Hall and on the City's website. Also continue to offer online and physical forms for residents to submit Code Enforcement complaints through.	Ongoing; provide information online by January 2027	The City continued to implement an active code enforcement program through the Building Department. The City is on track to provide information online to inform residences of rehabilitation assistance grants when available in addition to providng the information at City Hall by January 2027. The City continued to offer online and physical forms for residents to submit Code Enforcement complaints through.
Program H-2.1 Code Enforcement	Conduct a biennial review of code enforcement cases to identify potential trends in the location or type of case. Adopt prevention and assistance programs if trends are identified, within one year, to proactively decrease future issues.	Biennial throughout the Planning Period	The City continued to review code enforcement cases to identify potential trends in the location and type of cases. No trends have been identified.
Program H-2.2 Design Review	Continue to review projects to ensure consistency with the General Plan Zoning Ordinance and area design guidelines. Priority processing will go to affordable housing projects	Project-by-Project basis; ongoing throughout the Planning Period	The City continued to review projects to ensure consistency with the Generla Plan, Zoning Ordinance, and design guidelines. The City continued to provide priority processing to affordable housing projects.
Program H-2.2 Design Review	Review the Residential Design Handbook, design review process, and Use Permit process for subjective language and adopt modifications to amend findings identified as a constraint.	Jan-25	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to remove subjective language from the Use Permit and Design Review findings for residential housing projects.
Program H-2.2 Design Review	Adopt objective design standards for all residential uses. Objective design standards, once adopted, will be used in place of design review findings for single-family, multi-family, and mixed-use residential projects.	Jan-25	Program completed. On November 1, 2023, the City Council adopted Resolution No. 2036 and Ordinance No. 16.140, adopting of objective design standards for all residential uses.

Program H-2.3 Monitor and Preserve Affordable Housing	Continue to maintain the Affordable Housing Opportunities Database with detailed information on all subsidized units, including those that have affordability covenants.	Ongoing throughout the Planning Period	The City continued to maintain the Affordable Housing Opportunities Database.
Program H-2.3 Monitor and Preserve Affordable Housing	Annually, or as available, pursue funding sources such as HUD Section 208/811 loans, HOPE II and II Homeownership Program funds, HOME funds, CDBG funds, Low-Income Housing Tax Credit Programs, California Housing Finance Agency single-family and multi-family programs, and other similar programs to stimulate private developer and non-profit entity efforts in the development and financing of housing for lower and moderate-income households.	Annually throughout the Planning Period	The City continued to pursue funding sources (as available) and support funding applications from funding sources such as HUD Section 208/811 loans, HOPE II and II Homeownership Program funds, HOME funds, CDBG funds, Low-Income Tax Credit Tax Programs, California Housing Finance Agency Single-family and multi-family porgrams, and other similar programs to stimulate private developer and non-profit entity efforts in the development and financing of housing for lower and moderate-income households.
Program H-2.3 Monitor and Preserve Affordable Housing	Annually pursue partnership opportunities with non-profits to preserve and expand affordable housing in the City, as well as provide educational opportunities and assistance for tenants.	Annually throughout the Planning Period	The City continued to pursue partnership opportunities with non-profits to preserve and expand affordable housing in the City, as well as provide educational opportunities and assistance for tenants.
Program H-2.3 Monitor and Preserve Affordable Housing	Pursuant to Government Code sections 65583.2(g)(3) and, 65915(c)(3), and 66300(d3), ensure that when existing housing is demolished, at least an equivalent number of units are created, and that lower income housing and relocation payments are required as specified by these statutes.	Ongoing throughout the Planning Period	The City will continue to ensure that when existing housing is demolished, at least an equivalent number of units are created, and that lower income housing and relocation payments are provided as required by Government Code Sections 65583.2(g)(3), 65915(c)(3), and 66300(d3).
Program H-2.3 Monitor and Preserve Affordable Housing	Immediately upon certification of the 6th Cycle Housing Element, begin coordinating with property owners to preserve affordable units at risk to maintain and extend affordability. This may include technical assistance, funding application support, and/or recommending agencies or organizations that may provide additional assistance. Continue to coordinate with property owners of at-risk units until affordability is maintained.	Upon certification of the 6th Cycle Housing Element	The City began coordinating with property owners to preserve affordable units at risk to maintain and extend affordability. The coordination has included technical assistance, funding application support and/or recommending agencies or organizations that may provide additional assistance to assist in maintenance of at-risk units.
Program H-2.3 Monitor and Preserve Affordable Housing	Comply with noticing requirements pursuant to Government Code section 65863.10.	Ongoing throughout the Planning Period	The City will continue to comply with noticing requirements as required by Government Code Section 65863.10.
Program H-2.4 Mobile Home Park Conversion Ordinance	Continue to implement the Mobile Home Park Conversion Ordinance in an effort to protect existing mobile home parks and the supply of affordable housing, subject to the limitations imposed by State law	Ongoing throughout the Planning Period	The City will continue to implement the Mobile Home Park Conversion Ordinance in an effor to protect existing mobile home parks and the supply of affordable housing, subject to the limitations imposed by State law.

Program H-2.4 Mobile Home Park Conversion Ordinance	Provide information on the Mobile Home Park Conversion Ordinance and other fair housing information on the City's website and at City Hall.	Jan-27	The City is on rack to provide information on the Mobile Home Park Conversion Ordinance and other fair housing information on the City's website and at City Hall by January 2027.
Program H-2.5 Mobile Home Park Rent Stabilization Ordinance	Continue to implement the Mobile Home Park Rent Stabilization Ordinance in an effort to promote and enhance fairness in the economic relationship between mobile home park owners and mobile homeowners.	Ongoing throughout the Planning Period	The City continued to implement the Mobile Home Park Rent Stabilization Ordinance in an effort to promote and enhance fairness in the economic relationship between mobile home park owners and mobile homeowners.
Program H-2.5 Mobile Home Park Rent Stabilization Ordinance	Provide information on the Mobile Home Park Conversion Ordinance and other fair housing information on the City's website and at City Hall.	Jan-27	The City is on track to provide informaton on the Mobile Home Park Conversion Ordinance and other fair housing information on the City's website and at City Hall by January 2027.
Program H-2.6 Development of Large Lots	Adopt and implement a program to facilitate the development of lots larger than ten acres.	Jan-26	The City is on track to implement a program to facilitate the development of lots larger than 10 acres by January 2026.
Program H-2.7 SB 35 Streamling	Establish SB 35 procedures and provide information online.	Jan-26	The City is on track to establish SB 35 procedures and provide information online by January 2026.
Program H-2.8 Lot Consolidation	Facilitate the consolidation of vacant and underutilized lots	Jan-26	The City is on track to facilitate the consolidation of vacant and underutilized lots by January 2026.
Program H-2.8 Lot Consolidation	Adopt and promote incentives online and at City Hall	Jan-26	The City is on track to adopt and promote incentives online related to Lot Consolidation by January 2026.
Program H-2.9 Transit Oriented Development	Coordinate with AMBAG and Santa Cruz METRO to provide recommendations and input on service availability.	Ongoing throughout the Planning Period	The City continued to coordinate with AMBAG and Santa Cruz METRO to provide recommendations and input on service availability.
Program H-3.1 Promoting Housing Choice Voucher (HCV) Program	Continue to participate in the Housing Authority of Santa Cruz County Voucher Rental Assistance Program.	Ongoing throughout the Planning Period	The City continued to participate in the Housing Authority of Santa Cruz County Voucher Rental Assistance program.
Program H-3.1 Promoting Housing Choice Voucher (HCV) Program	Annually host an informational workshop with the Housing Authority of Santa Cruz County for renters, property owners, and prospective homeowners to provide information on the voucher program and source of income discrimination, as well as increase participating properties.	Annually throughout the Planning Period	The City co-hosted an informational workshop with Housing Santa Cruz County and the Housing Authority of Santa Cruz.
Program H-3.1 Promoting Housing Choice Voucher (HCV) Program	Continue to refer residents to the County program and provide information at City Hall and on the City's website.	Ongoing throughout the Planning Period	The City continued to refer residents to the County program and provide information at City Hall.
Program H-3.1 Promoting Housing Choice Voucher (HCV) Program	Biennially outreach to property owners and landlords to market the voucher program, with a focus on RCAAs, and enforce State law banning source of income discrimination.	Biennial throughout the Planning Period	The City is on track to reach out to property owners and landlords regarding the voucher program biennially during the planning period.
Program H-3.1 Promoting Housing Choice Voucher (HCV) Program	Coordinate with the County and landlords to provide 20 new housing opportunities for low-income households by the end of the planning period, at least half of which will be located in RCAAs.	End of the Planning Period	The City continued to coordinate with the County and landlords regarding affordable housing opportunities.

Program H-3.2 Affirmatively Furthering Fair Housing	Create and promote informational materials on the location of participating voucher properties and availability of voucher programs/financial assistance. See Action H-3.1	January 2026; ongoing throughout the Planning Period	The City is on track to create and promote informational materials on the location of participating voucher properties and availability of voucher programs/financial assistance by January 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	Annually outreach to landlords to expand the location of participating voucher properties.	Annually throughout the Planning Period; provide 20 new housing opportunities for low-income households by the end of the Planning Period, at least half of which will be located in RCAAs	The City continued to reach out to landlords to expand the location of participating voucher properties.
Program H-3.2 Affirmatively Furthering Fair Housing	Partner with the Santa Cruz Housing Authority to host an annual educational workshop on voucher programs and source of income discrimination.	Annually throughout the Planning Period	The City co-hosted an informational workshop with Housing Santa Cruz County and the Housing Authority of Santa Cruz.
Program H-3.2 Affirmatively Furthering Fair Housing	Extend housing choice voucher search times for particular groups, such as larger families with children or persons with disabilities. Aim to assist 20 households with special needs access housing choice vouchers.	Jan-26	The City is on track to extend the housing choice voucher search times for particular groups, such as larger families with children or persons with disabilities by January 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	Affirmatively market government assistance and new affordable housing units, as available, to community organizations and agencies assisting lower income households in the region. Promote the information in multiple languages on the City's website and at City Hall.	Throughout the Planning Period as new units become available	The City continued to affirmately market government assistance and new affordable housing units, as available, to community organizations and agencies assisting lower income households in the region as units become available.
Program H-3.2 Affirmatively Furthering Fair Housing	Continue to implement the inclusionary zoning regulations and promote the creation of affordable units over the payment of in-lieu fees.	Annually throughout the Planning Period; See Program H-1.8; City will conduct a Study of Inclusionary Fee Program and identify/make changes as appropriate	The City continued to implement the City's Inclusionary Zoning Regulations and promote the creation of affordable units over the payment of in-lieu fees. The City is on track to adopt an amendment to the City's Inclusionary Housing Ordinance to apply city-wide, restrict units based on affordability by January 2027.
Program H-3.2 Affirmatively Furthering Fair Housing	Affirmatively further fair housing for Black, Indigenous, and other People of Color, particularly those with disabilities by facilitating the development of extremely low-income units. Aim to develop 20 new extremely low-income units.	Throughout the Planning Period	The City continued to affirmatively further fair housing for Black, Indigenous, and other People of Color, particularly those with disabilities by continuing to support the development of exteremly low income units.
Program H-3.2 Affirmatively Furthering Fair Housing	Implement a number of actions listed in Program H-1.5 to facilitate the development of at least 40 ADUs throughout the planning period.	Throughout the Planning Period	The City continued to implement a number of actions listed in Program H-1.5 to facilitate the development of ADUs, with the focus on facilitating the development at least 40 ADUs throughout the Planning Period.

Program H-3.2 Affirmatively Furthering Fair Housing	The City will adopt amendments to the Zoning Code to facilitate SB 9 – State law authorizing duplexes in single family zones – projects. Create and promote an SB 9 factsheet with information on State law authorizing duplexes in single-family zones. The City will conduct a mid-cycle evaluation to examine progress and will take additional actions to facilitate and promote SB 9 projects if the City is not on track to meet the objective. This may include expanding outreach efforts to homeowners in target areas, conducting annual information sessions, or offering incentives such as waiving application fees for SB 9 projects.	Adopt Zoning Code Amendments by January 2026; Post information on SB 9 to City's website by January 2026; Support development of 50 housing units through SB 9 projects by January 2031, at least half of which will be located in RCAAs. Conduct a mid-cycle evaluation by December 2027 and take additional actions within 6 months if the City is not on track to meet the objective.	The City adopted Ordinance No. 16.141 on May 1, 2024 which include zoning and subdivision ordinance amendments to facilitate SB 9 projects. The City is on track to post information on its website by January 2026 and will be conducting a mid-cycle evaluation by December 2027 on the number of housing units developed utilizing the City's SB 9 Ordinances.
Program H-3.2 Affirmatively Furthering Fair Housing	Adopt a Zoning Code amendment to facilitate SB 9 development, as permitted by State law, to facilitate the development of affordable housing opportunities in existing lower density neighborhoods.	Jan-26	The City adopted Ordinance No. 16.141 on May 1, 2024 which include zoning and subdivision ordinance amendments to facilitate SB 9 projects. The City is on track to post information on its website by January 2026 and will be conducting a mid-cycle evaluation by December 2027 on the number of housing units developed utilizing the City's SB 9 Ordinances.
Program H-3.2 Affirmatively Furthering Fair Housing	Research and establish homesharing program(s), and coordinate with relevant organizations (such as Senior Network Services) and interested residents to annually present information to prospective homeowners – this may serve as an opportunity to create affordable housing options within existing single-family homes and in lower density neighborhoods. Through homesharing program outreach, promote the development of Junior ADUs (JADU) by sharing information, available City resources and incentives to support JADU development.	Establish program by January 2026. Provide 20 affordable housing opportunities through home sharing program by January 2031.	The City is on track to reasearch and establish a homesharing program by January 2026 and present information to interested residents annually after establishment of program.

Program H-3.2 Affirmatively Furthering Fair Housing	To increase housing opportunity and mobility beyond identified RHNA sites, the City will implement land use strategies for providing “missing middle” housing, particularly in lower density areas and RCAAs. The targeted area includes 1,309 acres. The City will conduct outreach to the development community to identify strategies to allow conversion of existing single-family residences into missing middle housing typologies (i.e., duplexes, triplexes, fourplexes, and multiplexes) and establish suggested policy changes by July 1, 2025. Facilitate the development of 50 missing middle housing units. (new units in duplexes, triplexes, fourplexes, and multiplexes converted from existing single-family homes) throughout the planning period.	Conduct missing-middle outreach by July 1, 2025, and amend the zoning ordinance to establish suggested policy changes by July 1, 2025. Post information on the conversion units program to the City's website by July 1, 2025. Provide opportunities to facilitate the development of 50 missing middle housing units by January 2031, at least hafl of which will be located in RCAAs. Annually review progress. If the City is not on track to meet its 50-unit goal by 2027 (i.e., 25 affordable units built or in progress), the City will implement alternative land use strategies to encourage missing middle zoning within 6 months.	The City is on track to conduct missing middle outreach by July 1, 2025 and amend the zoning ordinance to establish suggested policy changes by July 1, 2025.
Program H-3.2 Affirmatively Furthering Fair Housing	To contribute to increased opportunities for lower-income households, the City will collaborate with local religious institutions to provide opportunities for affordable residential development. The City will conduct outreach to religious institutions with a letter informing them of AB 1851 and other relevant laws related to housing on religious properties as well as available City resources and programs to support such projects. In addition, provide 1) technical assistance (including assisting partnerships with nonprofit developers) and 2) incentives and/or flexibility, such as, but not limited to, permit streamlining, flexibility in development standards, etc.	January 2026; facilitate 30 affordable housing units on religious institution sites, at least 20 of which will be in RCAAs or single-family zones, by 2031. If not application for housing on a religious institution site is received by December 2027, the City will expand outreach effors to be conducted annually.	The City is on track to conduct outreach to religious institutions with a letter information them of AB 1851 and other relevant laws related to housing on religious properties as well as available City resources and programs to support such projects by January 2026. If an application for housing on a religious insitution site is not received by December 2027, the City will expand outreach efforts to be conducted annually.

Program H-3.2 Affirmatively Furthering Fair Housing	Review Zoning Code Development Standards, and provision to determine if lot size, setbacks and other applicable standards are provisions have the potential to constrain affordable housing development and/or feasibility. Meet with developers to provide input into appropriate revisions. Based this analysis, adopt Code amendments as necessary.	July 1, 2026; conduct at least one meeting with affordable housing developers and other parties and comprehensive review of development standards and provisions by July 1, 2026. Adopt any recommended amendments withon one year of completion of comprehensive review.	The City is on track to review Zoning Code Development and provisions to determine if lot size, setbacks and other applicable standards have the provision to constrain affordable housing development and/or feasibility by July 1, 2026. The City is also on track to conduct at least one meeting with affordable housing developers and other parties to provide input on any proposed revisions by July 1, 2026. If any recommended amendments are proposed, the City is on track to adopt the recommended amendments within one year of completion of the Zoning Development Standards review process.
Program H-3.2 Affirmatively Furthering Fair Housing	Remove CUP requirements for condominiums and townhomes within the R-1 zones which are identified as RCAAs.	January 2026; develop 10 such housing types within this zone throughout the Planning Period.	The City is on track to remove CUP requirements for condominiums and townhomes within the R-1 zones which are identified as RCAAs by Janauary 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	In addition to the unit development allowed under state law (SB 9), the City will allow for an enhancement to properties eligible for SB 9 unit development provisions which would permit the development of triplexes in single-family neighborhoods identified as RCAAs with the inclusion of at least 1 deed-restricted unit affordable to low-income households.	January 2026; Facilitate the development of at least 20 deed-restricted affordable housing thorughout the planning period	The City is on track to adopt a Zoning Ordinance amendment to allow for an enhancement to SB 9 unit development provisions which would permit the development of triplexes in single-family neighborhoods identified RCAAs with the inclusion of at least 1 deed-restricted unit affordable to low-income housholds by January 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	Continue to implement the Inclusionary Housing Below Market Rate (BMR) Program. See Action H-1.8.	Ongoing throughout the Planning Period as project applications are submitted	The City continued to implement the Inclusionary Housing Below Market Rate (BMR) program.
Program H-3.2 Affirmatively Furthering Fair Housing	Facilitate the development of ADUs at affordable rates. See Action H-1.3.	Ongoing throughout the Planning Period	The City continued to facilitate the development of ADUs.
Program H-3.2 Affirmatively Furthering Fair Housing	Facilitate the development of affordable housing units for special housing needs population. This may include, but is not limited to, technical assistance, support for funding applications, permitting fee waivers, and development standards concessions, and other similar actions.	Ongoing throughout the Planning Period and as project applications are submitted	The City will continue to facilitate the development of affordable housing units for special housing needs popluation as project applications are submitted.
Program H-3.2 Affirmatively Furthering Fair Housing	Review future policies and programs for potentially restrictive practices that would limit diversity in the Racially Concentrated Areas of Affluence (RCAAs).	Annually throughout the Planning Period	The City will continue to review future policies and programs for potentially restrictive practices that would limit diversity in the Racially Concentrated Areas of Affluence (RCAAs).

Program H-3.2 Affirmatively Furthering Fair Housing	Establish specific incentives for the development of affordable units in the RCAAs including, but not limited to, permit streamlining and reduced fees.	Jan-26	The City is on track to establish incentives for development of affordable units in RCAAs by January 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	See Program H-1.1 for rezone strategies.	December 2026 (3 years from Housing Element Statutory Deadline)	The City is on track to adopt Zoning Ordinance and General Plan Land Use amendments for the residential and mixed use rezone strategies outlined in Appendix F of the Housing Element by December 2026. The City is on track to amend the Town Center Specific Plan by December 2025 and complete any necessary rezonings by December 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	Create and promote informational materials on housing accessibility, rehabilitation, and maintenance resources. Materials to be distributed at the senior center, library, Civic Center, and at community events. Aim to provide home repair and rehabilitation assistance for at least 20 households.	January 2026; materials to be distributed and promoted annually	The City is on track to create and promote informational materials on housing accessibility, rehabilitation, and maintenance resources by Janauary 2026. The City is also on track to distribute these materials at the senior center, library, Civic Cener, and at community events by January 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	Annually hold a community workshop or webinar with relevant community organizations and agencies to discuss and promote available resources.	Annually throughout the Planning Period	The City co-hosted an informational workshop with Housing Santa Cruz County and the Housing Authority of Santa Cruz.
Program H-3.2 Affirmatively Furthering Fair Housing	Annually hold a community workshop with relevant community organizations and agencies to discuss the needs of persons with disabilities and identify whether additional resources and development concessions are needed. If necessary changes are identified, adopt amendments within 6 months.	Annually throughout the Planning Period; adopt changes within 6 months	The City co-hosted an informational workshop with Housing Santa Cruz County and the Housing Authority of Santa Cruz.
Program H-3.2 Affirmatively Furthering Fair Housing	Continue to refer fair housing discrimination issues to the Civil Rights Department (CRD), including inquiries regarding landlord-tenant mediation and tenant rights.	Annually throughout the Planning Period	The City will continue to refer fair housing discrimination issues to the Civil Rights Department, including inquires regarding landlord-tenant mediation and tenant rights if they are received.
Program H-3.2 Affirmatively Furthering Fair Housing	Establish an accessibility program to improve access to housing, transit, public buildings and facilities, sidewalks, pedestrian crossings, and businesses for persons with disabilities.	Jan-26	The City is on track to establish an accessibility program to improve access to housing, transit, public buildings and facilities, sidewalks, pedestrian crossings, and businesses for persons with disabilites by January 2026.
Program H-3.2 Affirmatively Furthering Fair Housing	Pursue at least 2 funding opportunities to address accessibility for persons with disabilities.	Annually throughout the Planning Period	The City applied for two funding opportunities to address accessibility for persons with disabilities.
Program H-3.2 Affirmatively Furthering Fair Housing	Provide information and educational materials on fair housing services for property owners, apartment managers, and tenants at City Hall and online.	Annually throughout the Planning Period	The City continued to provide information and educational materials on fair housing services online and at City Hall.

Program H-3.2 Affirmatively Furthering Fair Housing	Continue participation in the Community Grants Program as funding allows, with a focus on funding programs that continue to focus on maintaining the quality of life for residents of Scotts Valley and special needs populations.	As funding allows throughout the Planning Period	The City continued to participate in the Community Grants Program, with a focus on funding porgrams that continue to maintain the quality of life for residents of Scotts Valley and special needs populations.
Program H-3.2 Affirmatively Furthering Fair Housing	Monitor and respond to complaints of discrimination and refer tenants to the California Department of Fair Employment and Housing for proper intake, investigation, and resolution of fair housing complaints.	As complaints are submitted	The City will continue to montior and respond to complaints of discrimination and refer tenants to the California Department of Fair Employment and Housing for proper intake, investigation, and resolution of fair housing complaints as complaints are submitted.
Program H-3.3 Childcare and Daycare Facilities	Continue to work with childcare providers and the County to promote adequate childcare facilities within the community.	Ongoing throughout the Planning Period	The City will continue to work with childcare providers and the County to promote adequate childcare facilities within the community.
Program H-3.3 Childcare and Daycare Facilities	Provide information at City Hall and on the City's website on current zoning regulations that apply to childcare and daycare facilities.	Jan-27	The City is on track to provide information at City Hall and on the City's website on current zoning regulations that apply to childcare and daycare facilities.
Program H-3.3 Childcare and Daycare Facilities	Encourage new development to provide childcare and daycare facilities through a variety of activities, including outreaching to developers; providing financial assistance, when available; providing expedited processing; identifying grant and funding opportunities; and providing information on the City's Density Bonus Ordinance.	Ongoing throughout the Planning Period on a project-by-project basis	The City continued to encourage new development to provide childcare and daycare facilities through a variety of activities.
Program H-3.4 Reasonable Accomodation	Maintain updated information online on the reasonable accommodation ordinance, including information on the application process, fees, and requirements.	Jan-26	The City is on track to maintain updated information online on the reasonable accomodation ordinance, including information on the application process, fees, and requirements.
Program H-3.4 Reasonable Accomodation	Revise reasonable accommodation process to ensure that reasonable accommodation requests may only be denied in accordance with findings required by applicable fair housing laws.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to reivse the reasonable accommodate process to ensure that reasonable accomodation requests may only be denied in accordance with findings required by applicable fair housing laws.
Program H-3.4 Reasonable Accomodation	Amend the reasonable accommodations findings to remove subjective language.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to reivse the reasonable accommodate findings to remove subjective language.
Program H-3.5 Housing for Persons with disabilities	Review and identify regulatory incentives that will encourage the construction or rehabilitation of housing for persons with developmental disabilities with necessary supportive services.	Jan-27	The City is on track to review and identify regulatory incentives that will encourage the construction or rehabilitation of housing for persons with developmental disabilities with necessary support services by January 2027.
Program H-3.5 Housing for Persons with disabilities	Seek and apply for State and Federal funding to support housing construction for persons with developmental disabilities.	Annually throughout the Planning Period	The City continued to seek state and federal funding to support housing construction for persons with developmental disabilities.

Program H-3.5 Housing for Persons with Disabilities	Collaborate with housing developers and local organizations to identify the needs of local persons with developmental disabilities.	Biennially throughout the Planning Period	The City is on track to collaborate with housing developers and local organizations on a biennially basis.
Program H-3.6 Housing for Lower Income Households	Annually coordinate with housing developers, property owners, and local organizations to identify development opportunities, funding resources, and incentives. Aim to engage at least 5 stakeholders annually.	Annually coordinate and meet with developers, property owners, and local organizations	The City continued to coordinate with housing developers, property owners, and local organizations to identify development opportunities.
Program H-3.6 Housing for Lower Income Households	Annually meet with housing developers to discuss available programs and fundings sources to develop housing units affordable to lower income households.	Annually coordinate and meet with developers, property owners, and local organizations	The City continued to coordinate with housing developers, property owners, and local organizations to discuss available programs and funding sources to develop units available to lower income households.
Program H-3.6 Housing for Lower Income Households	Continue to offer streamlining for affordable housing development.	Annually coordinate and meet with developers, property owners, and local organizations	The City continued to coordinate with developers and property owners to streamline affordable housing development.
Program H-3.6 Housing for Lower Income Households	City to maintain up-to-date information about financial resources on its website for residents and developers.	Annually coordinate and meet with developers, property owners, and local organizations	The City continued to provide information on financial resources on its website for residents and developers.
Program H-3.6 Housing for Lower Income Households	The City is to investigate additional incentives and annually seek funding opportunities to encourage development of housing for extremely low-income households. The City will also support funding applications for affordable housing developments that include units affordable to extremely low-income households (to be paired with Program H-3.2 with the aim to facilitate 20 units affordable to extremely low-income households).	Annually coordinate and meet with developers, property owners, and local organizations	The City continued to coordinate with developers and property owners to streamline affordable housing development and supported funding applications for affordable housing development.
Program H-3.7 Definition of Family	Adopt a zoning ordinance amendment to update the definition of "family" in compliance with State law.	Dec-24	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to modify parking requirements for emergency shelters in complaince with AB 139.
Program H-3.8 Agricultural and Employee Housing	Adopt a zoning ordinance amendment to permit employee housing in single-family residential zones, consistent with the requirements of Health and Safety Codes Section 17021.5 and 17021.6 as it relates to agricultural and employee housing.	Jan-25	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to allow for employee housing in ssingle-family residential zones, consistent with the requirements of Health and Safety Codes Section 17021.5 and 17021.6 as it relates to agricultural and employee housing.
Program H-3.9 Emergency Shelters	Amend the City's Zoning Ordinance for parking requirements for emergency shelters in compliance with AB 139.	Dec-24	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to modify parking requirements for emergency shelters in complaince with AB 139.
Program H-3.9 Emergency Shelters	Within one year, identify a zone, and amend development standards as appropriate, that will allow emergency shelters by-right (without discretion). The City will ensure that zone also allows residential uses in compliance with AB 2339 (statutes of 2022).	Dec-24	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to allow emergency shelters by-right in a zone that also allows residential uses, incompliance with AB 2339 (statues of 2022).

Program H-3.9 Emergency Shelters	Adopt a Zoning Ordinance amendment to expand the definition of "emergency shelters" to include other interim interventions, including, but not limited to, navigation centers, bridge housing, and respite or recuperative care.	Dec-24	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment to update the City's definition of emergency shelts to include other interim interventions including, but not limied to navigation centers, bridge housing, and respite or recuperative care.
Program H-3.9 Emergency Shelters	Create and monitor an inventory of sites appropriate to accommodate emergency shelters and work with the appropriate organizations to ensure the needs of homeless and extremely low-income residents are addressed.	Dec-24	Program completed. The City has created an inventory of sites appropriate to accommodate emergency shelters through the City's Housing Element Update process. Additional information can be found in Appendix C.
Program H-3.9 Emergency Shelters	Prioritize available funding and other available incentives for projects that provide housing for homeless and extremely low-income residents.	Ongoing on a project-by-project basis	The City continued to prioritize available funding and other available incentives for projects.
Program H-3.10 Density Bonus Ordinance	Adopt a Density Bonus Ordinance amendment to bring polices into compliance with State density bonus law (Gov Code Section 65915 et seq).	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendement to update the City's Density Bonus Ordinance in order to bring policies in compliance with State density bonus law (Gov Code Section 65915 et seq).
Program H-3.10 Density Bonus Ordinance	Promote the Density Bonus Ordinance to multi-family developers on a project-by-project basis to promote affordable housing unit development.	Ongoing throughout the Planning Period; project-by-project basis	The City continues to promote the use of Desnity Bonus Ordinance to multi-family developers on a project-by-project bases to promote affordable housing unit development.
Program H-3.11 Low Barrier Navigations Centers	Adopt a zoning ordinance amendment to approve low-barrier navigation centers that meet State requirements by-right in mixed-use and non-residential zones permitting multifamily uses.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment that allows for low-barrier navigation centers that meet State requirements by right in mixed-use and non-residential zones permitting multifamily uses.
Program H-3.12 Condominimum Conversion Ordinance	Adopt a Condominium Conversion Ordinance to preserve the existing, and future, rental housing stock by establishing a maximum percent of the City's total housing stock that can be converted over a certain period of time.	Jan-26	The City is on track to adopt a condominium conversion ordinance to preserve the existing, and future, rental housing stock by establishing a maximum percent of the City's total housing stock that can be converted over a certain period of time.
Program H-3.13 Single Room Occupancy Units	Define SRO in the Municipal Code.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment defining SROs.
Program H-3.13 Single Room Occupancy Units	Adopt zoning and processing procedures for SROs.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment defining SROs and processing procedures for SROs.
Program H-3.13 Single Room Occupancy Units	Collaborate with local organizations and agencies to discuss the needs of persons who previously experienced homelessness.	Annually throughout the Planning Period	The City continues to collaborate with local organizations and agencies to discuss the needs of persons who previosly experienced homelessness.
Program H-3.13 Single Room Occupancy Units	Support, and when possible, fund local and regional efforts to address the housing needs of persons in Scotts Valley who have or are experiencing homelessness.	Annually throughout the Planning Period	The City continued to support local and regional efforts to address the housing needs of persons in Scotts Valley who have or are experiencing homelessness.
Program H-3.14 Replacement Unit Program	In order to mitigate the loss of affordable housing units, require new housing developments to replace all affordable housing units lost due to new development.	January 2026 adopt local policy; ongoing throughout the Planning Period as applications are received	The City continued to require affordable housing units be replaced with new residential development proposals. The City is on track to adopt a local policy regarding replacement units by January 2026.
Program H-3.15 Supportive Housing	Adopt a Zoning Ordinance amendment to approve supportive housing developments that meet State requirements by-right in mixed use zones.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment approving supportive housing developments that meet State requirements by-right in mixed use zones.

Program H-3.16 Group Homes	Adopt a Zoning Ordinance amendments and update applicable application procedures for group homes in compliance with state law and to promote objectivity and greater approval certainty similar to other residential uses.	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance amendment and updated application proceudres for group homes in compliance with state law.
Program H-3.16 Group Homes	Adopt a Zoning Ordinance definition for "group home."	Jan-26	Program completed. On December 4, 2024, the City Council adopted Ordinance No. 16.142 which adopted a Zoning Ordinance definition of "group home".
Program H-4.1 Hillside Development and Design	Maintain information online and at City Hall on hillside development and design.	January 2027; ongoing throughout the Planning Period on a project-by-project basis	The City is on track to update the City's website to include information related to the Hillside Development and Design by January 2027.
Program H-4.2 Resource Conservation	Encourage energy conservation measures and devices to be incorporated in the development and improvement of housing. Review such requirements through the Design Review and Building Permit process.	Ongoing throughout the Planning Period on a project-by-project basis	The City reviews energy conservatio measures and devices through the Design Review Permit and Building Permit review processes.
Program H-4.3 Water and Sewer Service Providers	Submit the adopted 6th Cycle Housing Element, and any subsequent amendments, to local water and sewer providers for their review and input.	Upon adoption of the 6th Cycle Housing Element	The 2023-2031 Housing Element has been submitted to local water and sewer providers. Future amendments to the 2023-2031 Housing Element will also be submitted to local water and sewer providers.
Program H-4.4 Cultural Resources	Continue to review cultural resources through the Cultural Resource Review process.	Ongoing throughout the Planning Period on a project-by-project basis	The City continues to monitor proposed development in areas designated as "moderate or high cultural resource sensitivity zones" in the General Plan.

Jurisdiction	Scotts Valley	
Reporting Period	2024	(Jan. 1 - Dec. 31)
Planning	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

(CCR Title 25 §6202)

Note: "+" indicates an optional field
Cells in grey contain auto-calculation formulas

Table E									
Commercial Development Bonus Approved pursuant to GC Section 65915.7									
Project Identifier				Units Constructed as Part of Agreement				Description of Commercial Development Bonus	Commercial Development Bonus Date Approved
1				2				3	4
APN	Street Address	Project Name+	Local Jurisdiction Tracking ID+	Very Low Income	Low Income	Moderate Income	Above Moderate Income	Description of Commercial Development Bonus	Commercial Development Bonus Date Approved
Summary Row: Start Data Entry Below									

Jurisdiction	Scotts Valley	
Reporting Period	2024	31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table F
Units Rehabilitated, Preserved and Acquired for Alternative Adequate Sites pursuant to Government Code section 65583.1(c)

Please note this table is optional: The jurisdiction can use this table to report units that have been substantially rehabilitated, converted from non-affordable to affordable by acquisition, and preserved, including mobilehome park preservation, consistent with the standards set forth in Government Code section 65583.1, subdivision (c). Please note, motel, hotel, hostel rooms or other structures that are converted from non-residential to residential units pursuant to Government Code section 65583.1(c)(1)(D) are considered net-new housing units and must be reported in Table A2 and not reported in Table F.

Activity Type	Units that Do Not Count Towards RHNA+ Listed for Informational Purposes Only				Units that Count Towards RHNA + Note - Because the statutory requirements severely limit what can be counted, please contact HCD at apr@hcd.ca.gov and we will unlock the form which enable you to populate these fields.				The description should adequately document how each unit complies with subsection (c) of Government Code Section 65583.1+. For detailed reporting requirements, see the chcklist here:
	Extremely Low-Income+	Very Low-Income+	Low-Income+	TOTAL UNITS+	Extremely Low-Income+	Very Low-Income+	Low-Income+	TOTAL UNITS+	https://www.hcd.ca.gov/community-development/docs/adequate-sites-checklist.pdf
Rehabilitation Activity									
Preservation of Units At-Risk									
Acquisition of Units									
Mobilehome Park Preservation									
Total Units by Income									

Jurisdiction	Scotts Valley	
Reporting Period	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table F2
Above Moderate Income Units Converted to Moderate Income Pursuant to Government Code section 65400.2

For up to 25 percent of a jurisdiction's moderate-income regional housing need allocation, the planning agency may include the number of units in an existing multifamily building that were converted to deed-restricted rental housing for moderate-income households by the imposition of affordability covenants and restrictions for the unit. Before adding information to this table, please ensure housing developments meet the requirements described in Government Code 65400.2(b).

Project Identifier					Unit Types		Affordability by Household Incomes After Conversion							Units credited toward Moderate Income RHNA		Notes
1					2	3	4							5		6
Prior APN+	Current APN	Street Address	Project Name+	Local Jurisdiction Tracking ID	Unit Category (2 to 4,5+)	Tenure R=Renter	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low- Income Deed Restricted	Low- Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total Moderate Income Units Converted from Above Moderate	Date Converted	Notes
Summary Row: Start Data Entry Below							0	0	0	0	0	0	0	0		

Jurisdiction	Scotts Valley	
Reporting Period	2024	(Jan. 1 - Dec. 31)
Period	6th Cycle	12/15/2023 - 12/15/2031

element sites inventory contains a site which is or was owned by the reporting jurisdiction, and has been sold, leased, or otherwise disposed of during the reporting year.

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table G						
Locally Owned Lands Included in the Housing Element Sites Inventory that have been sold, leased, or otherwise disposed of						
Project Identifier						
1				**2**	**3**	**4**
APN	**Street Address**	**Project Name+**	**Local Jurisdiction Tracking ID+**	**Realistic Capacity Identified in the Housing Element**	**Entity to whom the site transferred**	**Intended Use for Site**
Summary Row: Start Data Entry Below						

Jurisdiction	Scotts Valley	
Reporting Period	2024	(Jan. 1 - Dec. 31)

NOTE: This table must contain an invenory of ALL surplus/excess lands the reporting jurisdiction owns

Note: "+" indicates an optional field
Cells in grey contain auto-calculation formulas

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation

For Santa Cruz County jurisdictions, please format the APN's as follows:999-999-99-9999

Table H						
Locally Owned Surplus Sites						
Parcel Identifier				Designation	Size	Notes
1	2	3	4	5	6	7
APN	Street Address/Intersection	Existing Use	Number of Units	Surplus Designation	Parcel Size (in acres)	Notes
Summary Row: Start Data Entry Below						

Jurisdiction	Scotts Valley	
Reporting Period	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

NOTE: STUDENT HOUSING WITH DENSITY BONUS ONLY. This table only needs to be completed if there were student housing projects WITH a density bonus approved pursuant to Government Code65915(b)(1)(F)

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table J

Student housing development for lower income students for which was granted a density bonus pursuant to subparagraph (F) of paragraph (1) of subdivision (b) of Section 65915

Project Identifier				Project Type	Date	Units (Beds/Student Capacity) Approved							Units (Beds/Student Capacity) Granted	Notes
1				2	3	4							5	6
APN	Street Address	Project Name+	Local Jurisdiction Tracking ID+	Unit Category (SH - Student Housing)	Date	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low- Income Deed Restricted	Low- Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total Additional Beds Created Due to Density Bonus	Notes
Summary Row: Start Data Entry Below														

Jurisdiction	Scotts Valley	
Reporting Period	2024	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	12/15/2023 - 12/15/2031

ANNUAL ELEMENT PROGRESS REPORT

Table K

Tenant Preference Policy

Local governments are required to inform HCD about any local tenant preference ordinance the local government maintains when the jurisdiction submits their annual progress report on housing approvals and production, per Government Code 7061 (SB 649, 2022, Cortese). Effective January 1, 2023, local governments adopting a tenant preference are required to create a webpage on their internet website containing authorizing local ordinance and supporting materials, no more than 90 days after the ordinance becomes operational.

Does the Jurisdiction have a local tenant preference policy?	
If the jurisdiction has a local tenant preference policy, provide a link to the jurisdiction's webpage containing authorizing local ordinance and supporting materials.	
Notes	

ANNUAL ELEMENT PROGRESS REPORT
Local Early Action Planning (LEAP) Reporting
(CCR Title 25 §6202)

Please update the status of the proposed uses listed in the entity's application for funding and the corresponding impact on housing within the region or jurisdiction, as applicable, categorized based on the eligible uses specified in Section 50515.02 or 50515.03, as applicable.

Total Award Amount	$65,000.00	*Total award amount is auto-populated based on amounts entered in rows 15-26.*

Task	$ Amount Awarded	$ Cumulative Reimbursement Requested	Task Status	Other Funding	Notes
Develop and Release RFP for Housing Element	$2,000.00	$2,000.00	Completed	None	
Approval of Contract with Consultant	$40,000.00	$40,000.00	Completed	None	
Outreach, CEQA Doc, & Adoption of Housing Element	$23,000.00	$23,000.00	Completed	None	

Summary of entitlements, building permits, and certificates of occupancy (auto-populated from Table A2)

Completed Entitlement Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		9
Total Units		**9**

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		9
Total Units		**9**

Certificate of Occupancy Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	2
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		19
Total Units		**21**