

## SANTA CRUZ, CALIFORNIA

### INTRODUCTION

On October 17, 1989 the Loma Prieta earthquake, measuring 7.1 on the Richter scale occurred beneath the earth's surface in the Santa Cruz Mountains. The epicenter was about 16 km northeast of Santa Cruz. Damage occurred throughout an 8,000 square km area including heavy damage in Santa Cruz.

Retail is the most important business sector in downtown Santa Cruz. In 1988, statistics indicated that about one tenth of the residents of Santa Cruz County worked in the eight block Pacific Garden Mall retail and business area. At the heart of this retail center is where the 1989 Loma Prieta earthquake inflicted the most damage. Earthquake damage to Santa Cruz has been estimated to be the most extensive of any U.S. earthquake in terms of property damage per capita. Fifty businesses were destroyed; a total of 25 buildings had to be demolished in the Pacific Garden Mall of which 7 were considered historic buildings; four major residential hotels in downtown Santa Cruz, which provided a substantial amount of the shelter to low-income populations, were lost. In addition the city demolished 75 single and multifamily dwelling units and identified an additional 150 units that had sufficient damage to be declared uninhabitable. In Santa Cruz County accumulated damage was estimated at \$57 million to public property and \$313 million to private property. Six persons died while 194 were admitted to health care centers; another 1,441 were treated and released for minor injuries. (Phillips, 1991)

This case study documents the urban redevelopment programs that have taken place in Santa Cruz in the aftermath of this recent major earthquake. It also highlights major damage to the community's social fabric, the approach of the community to undertake redevelopment, and how local governments strive to fund redevelopment costs.

### DEVELOPMENT OF SANTA CRUZ

The city of Santa Cruz, California began with the establishment of an old Franciscan Mission on the top of a small hill -- about a mile from the mouth of the San Lorenzo River -- in 1791. This Mission reached relative prosperity; for instance, when it was secularized in 1834 there were 20 buildings located within the Mission compound and another 15 in the periphery. Buildings were built of adobe, timber and limestone. This Mission -- the most important building of early Santa Cruz -- was demolished in 1857 (a replica was built in 1932) after being severely damaged by two earthquakes.<sup>17</sup>

The fact that the Mission was destroyed after being damaged by earthquakes is significant in the historical development of Santa Cruz. Since its foundation, Santa Cruz has repeatedly been impacted by disasters, namely, earthquakes, floods, and fires. In 1791 and 1797 the city was flooded by heavy rains causing severe economic losses. Between 1791-1887 it suffered from a succession of storms and earthquakes including the 1845 earthquake which destroyed the Mission tower, and the 1857 earthquake which destroyed most of its front walls. In 1887 a fire destroyed many downtown buildings; and in 1894 a fire destroyed large numbers of buildings, among them the old brick courthouse. The fire was so extensive that the downtown was simply moved over one street and entirely rebuilt.

In 1906 the San Francisco earthquake damaged several buildings, including the then 10-year-old Cooper Building which years later would be severely damaged by the 1989 Loma Prieta earthquake. In December 1955 the San Lorenzo River flooded Pacific Avenue to a depth of two feet. Over 100 residences and 39 buildings were destroyed and several streets completely vanished. (Koch, 1991 and Arnold, 1990)

---

<sup>17</sup> Most of the historical information has been extracted from "Santa Cruz County, Parade of the Past" by Margaret Koch, 1991.

The city of Santa Cruz is surrounded by the Pacific Ocean, the San Lorenzo River and the Redwood forests of the Santa Cruz Mountains; it has a pleasant temperate climate and beaches which have been an invaluable asset for the development of a relatively prosperous tourist industry. Until the 1960s the city remained a modest resort town and home to a number of working and retired people attracted by the pleasant climate and easy-going way of life. In 1966 the University of California opened a new campus in the hills, two miles north of the downtown area, causing great changes in the socio-economic composition of Santa Cruz.

The opening of the University had a twofold consequence on the development of Santa Cruz. University students and faculty introduced a liberal element into a conservative community; and a range of new retail stores opened to fulfill the demands of a new market base. Before the opening of the Santa Cruz campus, the city's trade and service sectors responded basically to the limited demand generated by the tourism industry and the retirement community. The University succeeded in boosting Santa Cruz's economy since the University employs over 4,500 people and contributes \$170 million yearly to the city's economy. (Arnold, 1990)

At the time of the 1989 Loma Prieta earthquake, the population of Santa Cruz consisted of 51,000 people of whom 45,000 lived in single family homes. Santa Cruz housing and building inventories included some of the oldest structures in the county, dating from before the turn of the century. One third of the buildings were built before 1936 while another third were constructed before 1960. These units were primarily lower-cost rental units located in the beach area and around downtown. These were the structures severely damaged by the 1989 Loma Prieta earthquake.

## REDEVELOPMENT IN SANTA CRUZ

In Santa Cruz, redevelopment played a substantial role in the reconstruction of the downtown area following the earthquake. When the 1989 Loma Prieta earthquake devastated major portions of the downtown, the City recommended that the rebuilding of the downtown could take place as another redevelopment activity (Santa Cruz had already established a Redevelopment Agency and two redevelopment areas).

As mentioned above, major damage from the 1989 Loma Prieta earthquake was concentrated in downtown Santa Cruz. Large numbers of unreinforced masonry buildings were severely damaged. The demolition of damaged buildings became a very controversial issue in Santa Cruz after the earthquake. Many conservationists believed that some of the historic buildings demolished by the city could have been saved. Included in this group of buildings was the St. George Hotel, an historic landmark that prior to the earthquake provided over one hundred SRO residential units. The city found two major categories of buildings that were suitable for demolition. The first category included those buildings that were damaged beyond repair and the second were those that suffered severe damage but could be repaired given the owner's commitment. The owner of the St. George Hotel felt its only recourse was the demolition of the building in the light of high restoration costs.

Among the buildings that experienced major devastation was the seven story Palomar Hotel in the Pacific Garden Mall. The building suffered extensive cracking in all of the shear walls at the second story. Damage was especially severe in locations where storefronts consisted entirely of glass with little or no lateral load resistance. Where buildings had any structural and nonstructural walls to provide lateral resistance, damage was significantly reduced. New structures and structures located on firm ground (such as the campus of the University of California) suffered limited damage. (Mahin, 1989)

Another important building which was destroyed as a result of the earthquake was the Cooper Building, constructed in 1895. This building served as a court house for fifty years. This building had already been affected by the 1906 San Francisco earthquake when the entire tower of the building had to be removed due to severe structural damage. In 1969 the building began to serve as a county museum and was restored and remodeled with a grant from the Department of Housing and Urban Development whereby the original octagonal brick shell was reinforced with gunnite concrete.

After the earthquake the city of Santa Cruz was faced with a major housing problem. As the 1989 Loma Prieta earthquake damaged large numbers of affordable and low-income units, an already increasing demand for this type of housing sky-rocketed. Prior to the earthquake, downtown Santa Cruz had a substantial number of fixed and low-income elderly population living in various single room occupancy units (SROs). After the Loma Prieta earthquake a total of 187 SROs were demolished and a total of 404 were considered uninhabitable. A total of 500 low-income persons were displaced. (Bolin, 1991)

Furthermore, after the earthquake, the city of Santa Cruz experienced a new increase in its homeless population. This was not the first time that Santa Cruz was visited with this social phenomenon. During the seventies, as the atmosphere of San Francisco changed, much of the *hippie* population drifted to Santa Cruz in search, perhaps of a more benign climate and an easy-going life style. (Arnold, 1990) Local officials in Santa Cruz did not foresee a direct relationship between an apparent increase in the homeless population and the earthquake. Their reasoning was that the large amount of destruction from the earthquake affected mainly the SROs typically occupied by the elderly, thus there were no apparent reasons for an increase in the homeless population unless the homeless of the surrounding area became attracted to Santa Cruz because of potential government assistance. Whether the homeless population remained stationary after the earthquake or the devastation of downtown simply uncovered the large extent of this social problem, or whether the homeless were displaced from available shelter as other groups sought lodging when their own dwellings were destroyed, or whether new homeless arrived in search of potential government aid, the fact is that following the earthquake the city faced a problem for which it had limited solutions.

A specific problem faced by the elderly in the aftermath of the 1989 Loma Prieta earthquake was related to the high price of rental units in Santa Cruz. Limited incomes prevented them from moving from a \$300/month Palomar Hotel room to a \$900/month congregate care facility. Phillips (1991) in a study that researches the mobility of this population in the aftermath of the 1989 earthquake, established that some senior citizens left the county to live in less expensive housing while others moved in with family or to small apartments. FEMA paid for the relocation of some elderly to an improvised nursing home; however, this shelter only operated for a relative short period of time (from January 1990 to February 1991). According to Phillips the majority of these arrangements were usually not satisfactory and most of the elderly population were anxious to return to the Palomar, the only remaining SRO in downtown Santa Cruz.

Directly after the earthquake the homeless were first sheltered by the American Red Cross which kept its shelter facilities open 24 hours a day. Mass care emergency shelters remained open for 66 days, more than four times as long as in the Whittier Narrows earthquake. Homeless advocates, organized a Hotline where people in need of housing or with available units could call in and be matched up. The Hotline lasted until March 1990. In addition, the City was able to open two shelters, housing a total of 150 people near the downtown area; however this shelter remained open only for a short period of time as funding for recovery activities became scarce. (Phillips, 1991)

The Santa Cruz County Housing Authority reports that as a result of the earthquake they have added an additional 532 names to their existing waiting list of 6,000 households. At the current pace, to fulfill present needs for housing will require at least 6 years.

Santa Cruz carried out recovery and early reconstruction programs after the earthquake by involving large segments of the community in the decision-making process. As Wilson (1991) indicated, this process was very much in keeping with the *Santa Cruz way* of doing things. With the opening of the university in Santa Cruz, students and faculty were able to introduce a liberal element into the social fabric of Santa Cruz which increasingly became an accepted political element. A participatory process through which different groups could be heard and the community could voice its concerns about the future of downtown Santa Cruz was, perhaps, the only way in which the city could address its post-disaster planning activities given the social and political characteristics of the city.

The process began in January 1990, when the City Council along with the Chamber of Commerce, the Downtown Association, and a group of individuals established a non-profit organization as the key planning element for the redevelopment of downtown Santa Cruz. This multi-sectorial committee composed of members representing a wide range of business, institutional and private interests adopted the name the Vision Santa Cruz. The Board was co-chaired by the City Mayor, the Chamber of Commerce, and the Downtown Business Association.<sup>18</sup>

The primary purpose of the Vision Santa Cruz was to create a new planning process that leveraged the existing capabilities of the Planning Commission and the City Planning and Redevelopment Agency staff in light of future massive reconstruction programs. The objective was to find a *new vision* for future downtown Santa Cruz. To accomplish this objective the committee provided guidelines to attract a mix of retail businesses; maximize public grant resources; define criteria for transit, pedestrians and parking needs; and define the use of public spaces and the construction of housing in the downtown area. This committee was also to promote the involvement of major interest groups in the city, including neighborhood associations, investors, labor, historic conservationist, downtown business owners, housing groups, property owners, downtown SRO tenants, and governmental agencies. The Vision Santa Cruz was created to act as a mixed planning commission and redevelopment agency.

The formation of the Vision of Santa Cruz, however, was not applauded by all segments of the community. Many felt that a committee approach was unworkable, others felt excluded, and some believed that the process would cause substantial delays in post-disaster redevelopment. These objections eventually evolved into conflicts that affected the implementation of the Vision of Santa Cruz.

One of the main objectives of the Committee was to establish the *first principles* under which downtown Santa Cruz should be rebuilt. Two consultants firms were awarded contracts to prepare urban/commercial planning recommendations, accelerate the revitalization process, and establish redevelopment priorities that would aid the successful rebuilding of the Pacific Garden Mall.

The resulting report included details for the reconstruction of the Pacific Garden Mall, as well as a criteria for building heights, circulation elements, retail spaces, housing, parking, SROs, infrastructure systems, architectural design, and open spaces. They recommended the preparation of a new plan for Pacific Avenue that would create a rebirth and renewal while incorporating landscape groupings that had remained and employing desirable aspects of the city's previous character. The second report recommended that height limits of three stories should be established, that the direction of traffic should be reversed, and that the Mall should be developed as the primary center for shopping and socializing but that open spaces should remain under the control of private owners.

The Vision Santa Cruz reached an agreement on the *first principles*. These principles were presented to the City Council and were approved. These principles, with slight variations, served as basic guidelines for the redevelopment of downtown Santa Cruz.

While the Vision Santa Cruz worked at establishing the first principles for the recovery and reconstruction of downtown Santa Cruz, other volunteer actions were initiated. A citizens group named Santa Cruz Tomorrow emerged as a community clearinghouse for collecting rebuilding ideas from the public at large and helping property owners to incorporate those ideas during the redevelopment process.

<sup>18</sup> Steve Arnold (1991) prepared an excellent chronology on the early stages of this participatory process which has been used as a background information for this section

Santa Cruz Tomorrow co-sponsored a workshop with the local chapter of the American Institute of Architects (AIA). The purpose was to involve local citizens in the urban design process, to prepare a rapid analysis of the design situation, and to graphically illustrate some of the design possibilities. In a three-day charette, some 650 local citizens, and over 50 architects, planners, landscape architects, and architectural students participated in the event. The group formed ten separate teams, each of which worked on key design issues. The result was a 100 page document that illustrated and described the teams' ideas which included the identification of site opportunities, open spaces that could be made into plazas or courtyards, and new set backs for the Pacific Mall to accommodate outdoor stands and cafes. This effort was presented to the Vision Santa Cruz and later to the City Council. The output was accepted as valuable effort which allowed for the education of the public in some issues and opportunities offered by the Mall; however the plan was never implemented or fully accepted.

The Urban Land Institute (ULI) also conducted a site investigation to address specific issues of the rebuilding and revitalization of the downtown, focusing on the Pacific Garden Mall area. The team evaluated the potential for retail, office, and residential development in the downtown area. They estimated square footage development in each category, and recommended the creation of a full range of housing opportunities. The panel encouraged the construction of housing as an element for downtown vitality. It also featured the downtown as a cultural hub; and pointed out the creation of courtyards and other open spaces as a means to increase downtown vitality. As far as the redesign of the Mall, the panel recommended that it should be rebuilt in the tradition of the predominant architectural heritage of the mall circa 1890-1910.

The *first principles* approved and endorsed by the Vision Santa Cruz included four consensus statements in defining criteria for building height, circulation, housing mix and affordability, accessibility, parking, policy on SROs, infrastructure, architectural design, and open space.

With the establishment of the *first principles* the role of the committee began to change. It became obvious that the committee had reached the end of its usefulness and that a smaller board could provide a more workable approach. The committee decided to establish a small planning group to develop an economically viable recovery plan for downtown which would be directed at attracting investors and serve as a master environmental impact report. The Technical Advisory Group (TAG) was created as the leading advisory group for the redevelopment of downtown Santa Cruz.

Among the early tasks undertaken by the TAG was to complete the strategy and recovery planning for the rebuilding of downtown Santa Cruz. Two firms were selected to prepare the Downtown Recovery Plan, and the streetspace plan. These two studies would lead the recovery and redevelopment process.

Based on the *first principles* and further analysis, a number of redevelopment guidelines were established that finally became the design framework for downtown Santa Cruz. The established principles were:

- o Form and Character. New buildings should be allowed to develop individual character while retaining qualities of the historic townscape. Issues of articulation, material, signage, setbacks, scale, massing, form, bulk, solar access and height were critical.
- o Building Height. Two to three-story buildings should maintain the scale and character of the existing downtown, with explicit criteria for additional height up to five stories and provision to ensure that buildings do not shade key public open spaces.
- o Housing. Significant new housing opportunities should be targeted throughout the downtown. Housing should be comprised of a mix of apartments and condominiums. SRO housing should be replaced and dispersed throughout the downtown area.

- o **Accessibility.** A downtown that aesthetically integrates access as a primary design criterion for all improvements to ensure increased opportunities for the public to participate in commercial, governmental, residential, social and cultural activities.
- o **Open Space and Streetscape.** A strong network of public and private open spaces (streets, sidewalks, public parks, plazas, passageways and courtyards) that creates a socially active and pedestrian-oriented downtown core should be emphasized.
- o **Circulation.** Downtown should be predominantly pedestrian in nature; movement should be carefully structured to reinforce the character of the downtown. Pedestrian, bicycle, and transit access to the downtown should be enhanced.
- o **Parking.** Parking in the downtown core should continue to be provided by the Parking District in a centralized fashion, to maximize shared use and minimize the quantity of parked vehicles.

Typically, major earthquakes -- due to the instant devastation that occurs in highly concentrated areas - can allow redevelopment to improve the physical and economic characteristics of urban sites.

In theory, a similar potential existed for Santa Cruz. A study had been prepared that reviewed the opportunities for downtown Santa Cruz to become a regional trade and retail center. The study evaluated household incomes and identified that almost one-third of Santa Cruz County households enjoyed an annual income of over \$50,000. In addition the study showed that Santa Cruz County customers spent less than two-thirds of their disposable income in local retail stores when compared to other areas of the region. Lacking any upscale retail chains, Santa Cruz customers were spending their money in the San Jose market and beyond.

When analyzing the reasons this new spacial and economic structure for Santa Cruz did not occur several elements were identified that hindered any changes. In the case of more successful redevelopment, such as Santa Rosa, California, redevelopment activities took place when federal funding was still available. Federal grant programs devoted to housing and community development took place from the 1940s to the early 1980s. In 1989 when the Loma Prieta earthquake occurred, federal funding for redevelopment activities had been phased out and were no longer available. In addition, reconstruction activities in Santa Cruz were planned in the midst of a severe fiscal crisis as the city's tax revenues decreased in the aftermath of the Loma Prieta earthquake and the national and state economies were exhibiting strong recessionary patterns. Because of these constraints, loans to private individuals to rehabilitate and rebuild were practically non-existent in Santa Cruz.

Furthermore, in retrospect the opportunities for downtown Santa Cruz to become a large regional retail center were limited. In the first place, the primary market for downtown retail includes the residents who live near the surrounding areas, students and faculty from the University of California Campus, and tourists. After the earthquake this market remained stationary and real evidence of any changes in the future did not occur. By comparison, Santa Rosa prior to the earthquake, exhibited a booming economy and a strong growth rate. Second, to convert Santa Cruz to a regional retail-fashion center, required a national anchor store. Downtown Santa Cruz has failed in its efforts to attract such a type of store since most national chains avoid smaller central business districts. Moreover, when the earthquake occurred, the Pacific Mall had already lost its role as the central retail district for Santa Cruz. With the recent creation of Capitola Mall, a new environment for retail shopping was created at the edge of the city, which has been successful in drawing former downtown customers in spite of the fact that this new center in itself did not develop into a regional retail center.

In recounting the positive aspects of the participatory process undertaken by Santa Cruz, the creation of the Vision of Santa Cruz did change and improve the nature of land-use planning in the city. (Wilson, 1991) In addition, there are indicators that most residents of Santa Cruz agree that the creation of a process where people could be heard and different options could be assessed was important for the community. It allowed different segments of the society to review a range of options available and to avoid a strict top-down approach

in which local authorities have unilateral decision-making power. Thus it is fair to conclude that participation creates the institutional capacity through which the voice and aspirations of the community can be integrated into the existing decision-making process, and thus, is an important and valuable tool for disaster recovery and redevelopment.

When a disaster strikes a need exists to improve pre-existing conditions or at least return to the status quo as soon as possible. In this sense, the institutional framework of any participatory process should identify the economic options available and provide for implementation in a manner to avoid unnecessary delays. The participatory process undertaken by Santa Cruz proved to be too long; too expensive; and did not have effective control in the supervision of the large number and varied nature of required tasks. Community participation should be a dynamic and inclusionary process through which a large number of institutions and community groups can secure representation for planning and implementing redevelopment. Community participation can be achieved through a series of techniques that involve different segments of the community, such as frequent town meetings, workshops, etc., and even informal voting on key issues; however, the creation of a large institutional framework to govern a participatory process can result in an unfortunate waste of community resources. Nevertheless, it is important to indicate that the negative elements that may have affected the participatory process in Santa Cruz can be counterbalanced by the many positive outcomes; and certainly they can be avoided by other communities who view community participation as a key approach for community recovery and redevelopment.

The City's direct revenue loss for the fiscal year in which the Loma Prieta earthquake occurred was estimated at \$2 million. These losses included a reduction in property and sales taxes of about \$1,000,000 during the first year (with a projected \$500,000 loss thereafter until the business section is fully rebuilt and occupied), as well as other revenues, including parking meter collection and parking citations, which amounted to approximately \$300,000. The city did have a \$350,000 emergency reserve fund which was turned over to the redevelopment agency to initiate the recovery programs (before the earthquake, redevelopment has been a subordinate activity of the Office of City Manager).

The post-earthquake situation of Santa Cruz was best summarized by its city Manager, Richard Wilson<sup>19</sup> in his publication entitled *The Loma Prieta Earthquake* (1991). *"In this period, in the downtown alone, we have completed search and rescue; provided access for contents removal to downtown hotel residents; boarded up buildings to protect contents; supervised nearly 5,000 entrances to the cordoned off area for contents removal, engineering assessments, etc.; and of course, completed the demolition of those buildings where the structural condition left no alternative; as well as relocated businesses into the pavilions, worked to provide interim and long-term housing for those displaced from the downtown, moved the fencing around the downtown to open all those areas that can be safely accessed...."*

One of the strategies adopted by the city officials for redeveloping downtown Santa Cruz was to use tax increment financing (TIF). The difference between the old assessed value of downtown and the future assessed value of new development will translate new dollars for the city that can be used for the implementation of key urban programs.

During the first year of redevelopment activities the impact of TIF was limited. The lower assessed value of property in heavily damaged areas allows the community to recuperate from property losses, but, on the other hand, reduces revenues to the local government. As the downtown is rebuilt and the tax base improved, revenues from redevelopment activities will increase substantially.

<sup>19</sup>City Manager of Santa Cruz

As redevelopment takes place, the city and the redevelopment agency are increasing property and sales tax revenues through new commercial construction in the downtown area. The goal of this phase is to bring retail sales and associated sales tax revenues back to pre-earthquake levels and then to exceed them through the provision of increased retail space.

It is also planned that redevelopment in the long run will increase the inventories of affordable housing. California law requires communities to use at least 20 percent of these proceeds to support the development of affordable housing for low and moderate income households.

As this report was written, Santa Cruz celebrated the official reopening of downtown (April of 1993). Approximately 50,000 square feet has been leased through the Redevelopment Agency. Many of the damage downtown buildings have reopened. However, there are still large numbers of buildings either demolished or destroyed by the earthquake that have not been rebuilt. The city estimates that the full reconstruction of downtown will take 15 to 20 years.

As described in chapters 4 and 5, funding for capital expenditure projects is available from federal, state, and private sources. To fund an estimated budget of \$21,500,000 (see exhibit 15) Santa Cruz used a range of available funding sources.

- o With voter approval a sales tax was initiated to assist the implementation of post-earthquake urban redevelopment programs. Through *Measure E* a 1/2-cent county-wide sale tax is being applied for six years. It has been estimated that this sales tax will generate over \$15,000,000. So far, funds have been used to rebuild major infrastructure in downtown Santa Cruz, thus supplementing the funds obtained from FEMA. Sales taxes are increasingly obtaining importance in post-disaster reconstruction (see chapter 5) due to the fact that they have low visibility, can be collected in small increments over a large number of transactions, and allows governments to tax a broader range of activities as well as a larger number of tax payers.
- o FEMA cash grants were available for renters. Typically, grants are determined at the prevailing rates for available rental units. For Santa Cruz this was estimated at \$960 per month, which is relatively high for the area. Victims who could demonstrate that the money, once granted, was actually used for temporary housing were eligible for further assistance when longer temporary housing was needed.
- o FEMA vouchers were provided to those who lost their housing as a result of the earthquake. These vouchers were used to obtain replacement housing on the rental market. In Santa Cruz, due to the scarcity and high price (units costs much more than the sums provided by FEMA vouchers) of affordable rental housing there were serious difficulties with the relocation of disaster victims. Initially, FEMA provided rental assistance payments equal to two months rent to qualified households, but assistance was extended up to 18 months when needed.
- o Large numbers of disaster victims were provided with temporary housing. As the lack of temporary housing became more apparent and after significant political pressure by local congressional representatives, FEMA agreed to provide mobile homes to victims unable to find short-term rental housing. In Santa Cruz, 87 percent of the residents who were entitled to receive housing assistance received rent support, while 13 percent of the residents received mobile homes. The mobile homes were located in special camps prepared by the county. Individuals were able to remain in the mobile homes provided they were either rebuilding a damaged home or actively searching for new permanent housing.
- o FEMA extended cash advances and provided assistance for disaster clean-up, the demolition of buildings damaged beyond repair (rubble removal), fencing and security services, and other disaster costs. In



addition, FEMA also covered certain direct costs incurred by the City of Santa Cruz, such as salaries and overtime for city personnel and the cost of equipment supplies, and other components.

- o After the 1989 Loma Prieta earthquake, FEMA had difficulty establishing the eligibility of the disaster victims. Technically many groups did not qualify for disaster aid since they had been *pre-earthquake homeless*. Funding from the voucher program stipulates that assistance can only be designated to disaster victims who were previously sheltered. The League of California Cities initiated a lawsuit against FEMA for discriminating against low-income temporary housing applicants. The court decision resulted in the provision of \$23 million being assigned to three localities, of which \$6 million went to Santa Cruz county, and \$2 million were dispersed in three projects in the City of Santa Cruz. Funds were used for the construction of low-income housing or to issue new vouchers. This has been the only instance, in which FEMA provided money for permanent housing; generally, it has no statutory authority to do so. This action taken against FEMA uncovered the need to clarify and rank the eligibility of disaster victims -- including those with special needs -- for federal and state reimbursements and shelter provision.
- o Following the 1989 Loma Prieta earthquake, HUD made Section 8 vouchers available to earthquake affected communities. In addition, the Department received congressional approval for using the Moderate Rehabilitation Program for responding to the needs of earthquake victims. As such, the local Housing authority which coordinated the Permanent Housing Committee, issued vouchers to qualified elderly residents.
- o The city of Santa Cruz requested funding to assist in the rehabilitation of the Palomar and St George hotels, and 400 units that exhibited moderate damage. The city also requested \$1.2 million of increased block grant funding in order to construct the drainage project needed to complete the 130 unit Neary Lagoon project.
- o The State of California has several programs that can assist in the repair of housing, although their funding is limited. For example, legislation created the California Disaster Assistance Act Program (CALDAP) which provided \$32 million for the rehabilitation of owner occupied housing, and \$32 million for rehabilitation or rental housing. These loans are deferred payment, 3 percent loans with 20-30 years terms. The program requires that after rehabilitation, rents be set no higher than the rent level charged prior to the earthquake. In addition, if the owner maintain rents at affordable levels for a minimum of ten years, the State will forgive at least half the loan. The State provides even more favorable terms if non-profit organizations will own and manage property. The main limitation of these programs is that while they attempt to maintain housing affordability, their funding is limited and they do not give any preference or priority to repairing housing that serves low- and moderate-income households.
- o To assist localities that were affected by the 1989 Santa Cruz earthquake the State of California levied a special quarter-cent tax to raise funds for disaster assistance after the Loma Prieta earthquake. Much of this was used to cover the 25 percent local share for disaster costs (after FEMA's 75 percent contribution). Monies were also allocated to state agencies for grants and assistance to local entities, and for seismic upgrades to state-owned buildings and structures.
- o The California Department of Commerce assisted Santa Cruz with several grants. For instance, an Emergency Grant was awarded for the amount of \$150,000 to assist in the construction of six temporary pavilions to house businesses dislocated as a result of Loma Prieta earthquake. A Rural Economic Development Grant provided \$33,000 for funding the retail and marketing strategy element of the downtown recovery plan. An Emergency Assistance Grant provided matching funds of \$25,000. Federal EDA funds provided \$2,000,000 for the construction of the Cedar/Locust Parking commercial structure.

The California Rural Infrastructure Program provided \$600,000 to assist in the construction of the Cedar/Locust parking structure.

The Small Business Administration provides a Loan Guaranty Loan Program that be used for owners who can qualify for a loan but who have been unable to find a bank. It also applies to damage not covered by insurance. Homeowners are eligible for loans up to \$100,000 for real estate and up to \$20,000 for personal property. Renters are similarly eligible for up to \$20,000 personal property loans. Business entities including owners of rental property, may apply for loans of up to \$750,000. These loans carry terms of either 8 percent for three years, or 4 percent for 30 years, depending on the financial capability of the applicant. However, if SBA concludes that an individual or property owner is unable to repay a loan, then the only assistance that FEMA offers is a grant of up to \$10,400. The State of California may support this amount with a Supplemental Grant of \$10,000.

CAPITAL EXPENDITURE PROJECTS ESTIMATED BY THE CITY OF SANTA CRUZ	
Exhibit 15	
PROJECT	AMOUNT US\$
Infrastructure reconstruction	5,000,000
Streetscape Reconstruction	6,000,000
Cedar/Locust Street Parking Structure	7,000,000
Parking District's Improvements	1,500,000
Commercial Development	1,500,000
Total	21,500,000
Source: Earthquake Recovery Plan of the City of Santa Cruz	

- o After the 1989 Loma Prieta earthquake many private volunteer organizations became active in Santa Cruz and were able to provide assistance in housing low-income families and individuals. For instance, the Salvation Army purchased with private donations and other contingency funds six apartment complexes at Capitola at a cost of \$6.5 million. The units were prepared as typical SROs. These units are currently providing shelter for people with special needs and disaster victims.
- o The American Red Cross received \$74 million in donations after the Loma Prieta earthquake to assist disaster victims which was initially used to support multi-service centers for the low-income and homeless, and provide up-front loans to residents who had no other source of housing assistance. (NCEER, 1992) The Red Cross received donations above its expenditures in disaster relief. Intense political pressure was placed on the Red Cross to channel these funds to disaster reconstruction. As a result, millions of dollars were allocated by the Red Cross to local government and local non-profit institutions for earthquake recovery purposes. (Wilson, 1991)
- o The city received several major donations. It received \$500,000 from the public across the country and \$1.2 million from the Red Cross. (Phillips, 1991)