

## CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT OFFICE  
725 FRONT STREET, SUITE 300  
SANTA CRUZ, CA 95060  
(831) 427-4863

F15b



**Prepared September 20, 2007 (for October 12, 2007 Hearing)**

**To:** Commissioners and Interested Persons

**From:** Charles Lester, Senior Deputy Director  
Daniel Carl, Principal Coastal Planner  
Susan Craig, Coastal Planner

**Subject: Santa Cruz County LCP Major Amendment Number 2-07 Part 2 (“R” Zoning District Overlay).** Executive Director’s determination that the amendment is de minimis, to be reported to the California Coastal Commission at its October 12, 2007 meeting at the Crowne Plaza Los Angeles Harbor Hotel at 601 S. Palos Verdes Street in San Pedro.

### Santa Cruz County’s Proposed Amendment

Santa Cruz County is proposing to amend its certified Land Use Plan (LUP) and Implementation Plan (Zoning Ordinance) to amend the Urban High Density Residential Designation and to add a new “R” combining district to allow a density of 20 residential units per acre in order to meet the requirements of the Regional Housing Needs Allocation as required by State Government Code Section 65584 (currently the maximum allowable density in the Urban High Density Residential Designation is 17.4 units per acre). See Exhibit #1 for the County’s proposed changes to LUP Objective 2.10, LUP Figure 2.3, LUP Policies 2.10.1 and 8.63, and for new LUP Policy 2.10.6. Please see Exhibit #2 for the County’s proposed changes to Chapter 13.10 of the certified Zoning Ordinance.

**The purpose of this notice is to advise interested parties of the Executive Director’s determination that this proposed LCP amendment is de minimis.**

### De Minimis LCP Amendment Determination

Pursuant to Coastal Act Section 30514(d), the Executive Director may determine that a proposed LCP amendment is “de minimis.” To qualify as a de minimis amendment, the amendment must meet the following three criteria:

1. The Executive Director determines that the proposed amendment would have no impact, either individually or cumulatively, on coastal resources, and that it is consistent with the policies of Chapter 3 of the Coastal Act;
2. The local government provides public notice of the proposed amendment at least 21 days prior to submitting the amendment to the Commission, by one of the following methods: posting on-site and off-site in the affected area, newspaper publication, or direct mailing to owners and occupants of contiguous property, and;
3. The amendment does not propose any change in use of land or water or allowable use of property.



California Coastal Commission

October 2007 Meeting in San Pedro

Staff: S. Craig Approved by:  
F15b-10-2007

If the Executive Director determines that an amendment is de minimis, that determination must be reported to the Commission. If three or more commissioners object to the de minimis determination, the amendment shall be set for public hearing; if three or more commissioners do not object to the de minimis determination, then the amendment is deemed approved, and it becomes a certified part of the LCP ten days after the date of the Commission meeting, i.e., in this case, on October 22, 2007.

Each of the de minimis criteria is discussed briefly below:

**1. No impact to coastal resources and consistency with Chapter 3 of the Coastal Act:** The proposed amendment would revise the Urban High Density Residential Designation and also add a new “R” combining district to allow a density of 20 residential units per acre in order to meet the requirements of the Regional Housing Needs Allocation as required by State Government Code Section 65584. The purpose of the proposed amendment is to increase the supply of affordable housing in Santa Cruz County, consistent with Sections 30604(f) and 30604(g) of the Coastal Act. Development projects on sites zoned with an “R” combining district overlay would be required to provide at least 40% of the units as affordable housing. The proposed amendment provides use and development standards in the “R” combining district, including criteria for site selection, development standards, and affordability requirements.

The LCP amendment request does not include rezoning of any property into the “R” combining district at this time. The County has selected a list of potential candidate sites for the “R” combining district, one of which is in the coastal zone. When the County wishes to rezone this site (or any other site in the coastal zone) with an “R” combining district overlay, the County will need to apply for a separate LCP amendment to do so. At that time, and based on the fact set that applies to any particular proposed “R” designation/zoning, the potential coastal resource issues due to the proposed rezonings will be evaluated. The proposed amendment also acknowledges that proposed development on any “R” combining district sites eventually located in the coastal zone will require a coastal permit and that the provisions of Chapter 13.20 (Coastal Zone Regulations) will apply.

In sum, the proposed amendment establishes an LCP combining district overlay that can be applied to sites that warrant a higher density (slightly higher than the upper limit of the LCP’s existing urban high density residential designation) as a means to increase affordable housing opportunities in the County. The proposed amendment does not include rezoning of any sites in the coastal zone with an “R” overlay. Potential coastal resource impacts from future proposed rezonings will be considered at the time that the County proposes rezoning to this district in the future. The “R” district overlay would allow for some minor relaxing of certain development standards (for parking, coverage, etc.). The appropriateness of such incentives and increased density will be considered by the County and the Commission during the course of any particular rezoning. Ultimately, it is likely that certain urban infill and redevelopment sites within the County’s coastal zone may be proposed for rezoning where increased densities can likely be accommodated without adverse resource impacts through good site planning and design. It is unlikely that such a rezoning will be pursued on more rural properties or those along the immediate shoreline where such densities (and other development incentives) may raise more significant coastal

resource issues. Thus, the proposed will not have an impact on coastal resources and it is consistent with the policies of Chapter 3 of the Coastal Act.

**2. Provision of public notice:** The County provided public notice in advance of both the Planning Commission hearing (held on May 9, 2007) and the Board of Supervisors hearings (held on June 5, 2007 and June 12, 2007). For the Planning Commission hearing, notices were mailed to interested parties on May 2, 2007 and newspaper publication notice was printed on April 24, 2007. For the Board hearings, notices were mailed to interested parties on May 31, 2007 and newspaper publication notice was printed on May 26, 2007. In addition, the proposed text was made available in advance of the Board of Supervisors hearings at the Planning Department front counter on May 31, 2007 and at the Santa Cruz County library on May 24, 2007; the text was also made available on the County's website in advance of the Board hearings. The amendment submittal was subsequently received by Commission staff on July 9, 2007, thus satisfying the 21-day requirement.

**3. No change in use of land or allowable use of property:** No change in use or allowable use of property is proposed by this amendment.

The Executive Director will report this de minimis determination, and any comments received regarding it, to the Coastal Commission at its October 12, 2007 meeting at the Crowne Plaza Los Angeles Harbor Hotel at 601 S. Palos Verdes Street in San Pedro. If you have any questions or need additional information regarding the proposed amendment or the method under which it is being processed, please contact Susan Craig at the Central Coast District Office in Santa Cruz. If you wish to comment in writing on the proposed de minimis amendment determination, please do so by October 5, 2007.

Exhibits:

Exhibit 1: Proposed Land Use Plan Amendments

Exhibit 2: Proposed Zoning Ordinance Amendments

Exhibit 3: Santa Cruz County Resolution Adopting "R" Designation & Zoning District Standards

PROPOSED AMENDMENTS TO GENERAL PLAN OBJECTIVE 2.10, FIGURE 2.3  
POLICY 2.10.1 AND POLICY 8.6.3, AND ADDITION OF POLICY 2.10.6

GENERAL PLAN AMENDMENTS

AMEND:

Objective 2.10 Urban High Density Residential Designation (R-UH)

To provide higher density residential development (10.9 to 17.4 units per net developable acre, except for those sites in the "R" Combining District where the density would be 20 units per net developable acre) in areas within the Urban Services Line (USL). These areas shall be located where increased density can be accommodated by a full range of urban services and in locations near collector and arterial streets, transit service, and neighborhood, community, or regional shopping facilities. Housing types appropriate to the Urban High Density designation may include: small lot detached houses, "zero lot line" houses, duplexes, townhomes, garden apartments, mobile home parks, and congregate senior housing.

Figure 2.3:

Figure 2-3 Allowable Densities for Urban Residential Land Use Designations		
Urban Designation	Density <sup>1</sup>	Lot Size Requirements <sup>2,3</sup>
Urban Very Low	1.0 – 4.3 units per acre	10,000 sf – 1 acre
Urban Low	4.4 – 7.2 units per acre	6,000 sf – 10,000 sf
Urban Medium	7.3 – 10.8 units per acre	4,000 sf – 6,000 sf
Urban High	10.9 – 17.4 <sup>4</sup> units per acre	2,500 <sup>5</sup> sf – 4,000 sf

<sup>1</sup> All densities are in units per net developable acre. Refer to the Glossary for a definition of net  
<sup>2</sup> All lot sizes are square feet of net developable parcel area per unit. Refer to the Glossary for a definition of net developable area.  
<sup>3</sup> The minimum lot size for the creation of new parcels for detached units is 3,500 square feet (see policy 2.10.2)  
<sup>4</sup> Except for sites designated with the "R" combining district which require a density of 20 units per acre.  
<sup>5</sup> Except for sites designated with the "R" combining district which may have an aggregate minimum lot size of 2,000 sf.

Policy 2.10.1 Minimum Parcel Size

Allow residential development at densities equivalent to 2,500 to 4,000 square feet of net developable parcel area per unit. Include increased density incentives for projects with a large percentage of very low or lower income housing and for senior housing projects in accordance with State law. For those sites in the "R" Combining District, allow residential development at densities equivalent to 2,000 square feet of net developable parcel area per unit. (See section 2.11)

Policy 8.6.3 Story Limitation

Residential structures shall be limited to two stories in the urban areas and on parcels smaller than one acre in the rural areas except where explicitly stated in the Residential Site and Development Standards ordinance or Combining District site standards

ADD:  
Policy 2.10.6 Addressing Regional Housing Need

Recognize that sites will be designated to meet the Regional Housing Need for the County. These sites also carry a 40% affordability requirement. Under certain circumstances, these sites may be subject to a reduced review process as required by State law.

8

ATTACHMENT 1  
EXHIBIT B

Ordinance No. 4878

ORDINANCE ADDING COUNTY CODE SECTIONS 13.10.475,  
13.10.476, 13.10.477, AND 13.10.478 TO CHAPTER 13.10 OF  
THE SANTA CRUZ COUNTY CODE REGARDING THE  
REGIONAL HOUSING NEED "R" COMBINING DISTRICT

The Board of Supervisors of the County of Santa Cruz ordains as follows:

SECTION I

The Santa Cruz County Code is hereby amended by adding Section  
13.10.475 through 13.10.478 entitled "Regional Housing Need Combining  
District" to read as follows:

13.10.475 Purposes of the Regional Housing Need "R" Combining District.  
The purpose of the Regional Housing Need " R Combining District is to increase  
the supply of affordable housing by designating sites for development at 20 units  
per acre in order to meet the requirements of the Regional Housing Needs  
Allocation as required by State Government Code Section 65584. Development  
projects on sites designated with the Regional Housing Need "R' Combining  
District shall be required to provide 40% of the units as affordable housing, as  
defined in section 17.10.030(b)(1) and 17.10.030(b)(6) of this Code.

13.10.476 Designation of the Regional Housing Need "R" Combining District.  
The Regional Housing Need "R" Combining District shall only be applied to those  
parcels designated by the Board of Supervisors in advance of housing element  
adoption, as part of the housing element or as part of the implementation of  
housing element policies.

13.10.477 Use and development standards in the Regional Housing Need " R  
Combining District.

(a) Site Selection Criteria. For sites to be designated under the Regional  
Housing Need "R" Combining District, the site must meet the following  
criteria:

- 1. Site must be identified by the County to satisfy the Regional  
Housing Need. A private landowner may not apply for designation  
under the Regional Housing Need " R Combining District without  
the concurrence of the Board of Supervisors prior to application.

36

Exhibit #2  
SCO-MAJ-2-07 (Part 2)  
Page 1 of 5

(b) Development Standards

1. Density. Sites designated under the Regional Housing Need "R" Combining District shall be developed at 20 units per acre. For the purposes of calculating density under these provisions, the developable area of each site designated under the Regional Housing Need "R" Combining District shall be determined at the time the site is designated. Such developable acreage shall be calculated in accordance with 13.10.700-D definition of "Developable Land" and 13.10.700-S definition of "Site Area, Net" except that roadways and driveways shall be included in the developable acreage calculation for the purposes of determining net developable acreage. The number of potential units will be determined by multiplying the developable acreage by 20. Where such calculation results in a fractional number, the number of units shall be determined by rounding down to the nearest whole number.

2. Master Planning. Where contiguous or adjacent parcels are designated under the Regional Housing Need "R" Combining District, any development proposal for one parcel may be required to include a Master Plan for development of all contiguous or adjacent parcels which are also designated under the Regional Housing Need "R" Combining District. The purpose of the Master Plan is to define interior circulation patterns, exterior site access, fire access to all parcels, infrastructure improvements, common area location and amenities.

3. Incentives and Concessions. Development projects proposed under the Regional Housing Need Combining District will be entitled to all of the following alternative development standards:

- (i) Parking requirements: 1.5 spaces per studio or one bedroom units; 2.0 spaces for two bedroom; 2.5 spaces for three bedroom units; 3.0 spaces per 4 bedroom unit. An additional 20% of the total number of parking spaces is required to accommodate guest parking. Modifications of these standards can be approved for individual sites in the "R Combining District as part of an approved PUD for each site, based on unique site and design factors.
- (ii) Height (up to 35 feet measured from pre-construction natural grade) and up to 3 stories exclusive of subsurface parking. Modifications of these standards can be approved for individual sites in the "R" Combining District as part of an approved PUD for each site, based on unique site and design factors.
- (iii) Lot coverage and Floor Area Ratio do not apply; and

- (iv) Reduced size of affordable units (see 17.10.032(a)(4)), and reduction in number of bedrooms (see 17.10.032(a)(3)).
- (v) Clustering of affordable units.
- (vi) Where garages are provided for market rate units, garages are not required for affordable units, but in such cases affordable units shall have a minimum of 90 cubic feet of private storage space per unit which shall be accessed from the outside of the unit.
- (vii) Maintain standard riparian buffer but eliminate 10 foot additional riparian construction buffer.
- (viii) For projects eligible for concessions under State density bonus law, a project developer may request additional concessions as set forth in Chapter 17.12.

4. Affordability Requirements under the Regional Housing Need "R" Combining District. All development proposals on parcels designated under the Regional Housing Need "R" Combining District shall be required to provide forty (40) percent of the total number of units as affordable: 15% shall be affordable under the requirements for all development projects in Chapter 17.10.030(b)(1) and an additional 25% shall be affordable under the requirements for Enhanced Affordable units as described Chapter 17.10.030(b)(6). The number of affordable units at each affordability level will be calculated upon determination of the developable acreage of a site. Where fractional numbers result, a fractional in lieu fee will be required for the fractional amount that is attributable to the 15% affordability requirement. For fractional numbers in the 25% Enhanced Affordable category, affordable housing obligation will be derived by rounding to the nearest whole number, such that 0.5 will be rounded up.

5. Encourage energy efficiency, and environmentally sensitive design and building materials.

13.10.478 By-Right Development. When required by State law, notwithstanding the requirements of the residential uses chart in Section 13.10.322, in the event that the current adopted Housing Element includes a program to rezone sites to appropriate densities to address the inadequacy of suitably zones sites required to meet the Regional Housing Need, those sites identified to fulfill that program shall be developed by-right, in that the use and density for the site are not discretionary. For these sites, following standards and alternative process shall also apply:

(a) The developable acreage of the site will be determined and the site will be assigned a number of units equivalent to 20 units per acre at the time

Exhibit #2  
SCO-MAJ-2-07 (Part 2)  
Page 3 of 5

the site is designated under the Regional Housing Need "R" Combining District.

(b) Environmental review, as required by the California Environmental Quality Act, will be completed as part of the process for rezoning of such sites into the Regional Housing Need "R" Combining District. No further environmental review is necessary except for development projects requiring a Coastal Permit or those requiring approval of a tentative map (see 13.10.478(e)(1) and (e)(2) below).

(c) A Planned Unit Development permit outlining site specific development standards and any CEQA mitigation measures will be adopted, in accordance with Section 18.10.180 et seq., for each site at the time the site is rezoned.

(d) Development proposals shall undergo a Design Review process and public hearing limited to design issues only. No discretionary permit is necessary for the density or use of the site. For development proposals under these "by-right" provisions, applicants must apply for a Level VII design review.

(e) If a Coastal Permit or tentative map approval is required, they must be included in the application.

(1) Coastal Permit Requirements. Where a site is located in the Coastal Zone and requires a Coastal Permit for development, the provisions of Chapter 13.20 apply. Wherever possible, the environmental review performed at the time the site was designated under the Regional Housing Need "R" Combining District will be utilized in the processing of the Coastal Permit.

(2) Subdivisions. Development that includes approval of a Tentative Map is subject to the provisions of the Subdivision Map Act and Chapter 14.01. Where a tentative map is proposed, the public hearing may be expanded to address findings necessary under the Subdivision Map Act. Wherever possible the environmental review performed at the time the site was designated under the Regional Housing Need "R" Combining District will be utilized in the processing of the subdivision.

## SECTION II

This Ordinance shall take effect on the 31<sup>st</sup> day after the date of final passage outside the Coastal Zone and upon certification by the California Coastal Commission within the Coastal Zone.

PASSED AND ADOPTED this 12<sup>th</sup> day of June, 2007,  
by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES: SUPERVISORS Pirie, Stone, Coonerty and Beautz  
NOES: SUPERVISORS None  
ABSENT: SUPERVISORS None  
ABSTAIN: SUPERVISORS Campos

**GAIL T. BORKOWSKI**  
\_\_\_\_\_  
Chairperson, Board of Supervisors

I HEREBY CERTIFY THAT THE FOREGOING INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THE OFFICE ATTEST MY HAND AND SEAL THIS 12th DAY OF June 2007  
SUSAN A. MAURIELLO, COUNTY ADMINISTRATIVE OFFICER AND EX-OFFICIO CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA CRUZ, CALIFORNIA.  
BY Sharon Mitchell DEPUTY

ATTEST: **JANET K. BEAUTZ**  
\_\_\_\_\_  
Clerk of the Board

APPROVED AS TO FORM: [Signature]  
\_\_\_\_\_  
County Counsel

Copies to: Planning  
County Counsel

Exhibit #2  
SCO-MAJ-2-07 (Part 2)  
Page 5 of 5

BEFORE THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 190-2007

On the motion of Supervisor: Pirie  
Duly seconded by Supervisor: Stone.  
The following Resolution is adopted:

**RESOLUTION ADOPTING AMENDMENT TO GENERAL PLAN/LOCAL COASTAL PROGRAM LAND USE PLAN OBJECTIVE 2.10, FIGURE 2.3, POLICY 8.6.3. POLICY 2.10.1 AND THE ADDITION OF POLICY 2.10.6; AND ADOPTING COUNTY CODE SECTIONS 13.10.475, 13.10.476, 13.10.477, AND 13.10.478.**

WHEREAS, the availability of housing is of vital importance in the County of Santa Cruz (the "County"), and the attainment of decent housing and a suitable living environment is a priority of the highest order;

WHEREAS, attainment of this goal requires the cooperative participation of local government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of all economic levels of the community;

WHEREAS, housing prices continue to rise while the median income is not increasing at the same rate;

WHEREAS, the County of Santa Cruz has adopted a General Plan;

WHEREAS, State General Plan guidelines require that the state mandated Housing Element (the "Housing Element") be revised periodically to incorporate new information and reflect changes in community needs and values;

WHEREAS, the Housing Element of the General Plan adopted in November 2006, was certified by the California Department of Housing and Community Development, and includes a program by which the County will accommodate a shortfall of suitably zoned sites;

WHEREAS, the Board of Supervisors directed that General Plan/Local Coastal Program Land Use Plan ("LCP"), and County Code amendments be drafted and developed to create a policy framework to allow residential development at densities of 20 units per acre;

WHEREAS, in accordance with State law, these General Plan/LCP and County Code amendments will allow development "by-right" as to density and use where applicable;

WHEREAS, the General Plan/LCP and County Code must be amended to accommodate such density;

WHEREAS, amendments to the General Plan and County Code set forth the manner in which this program will be carried out;

WHEREAS, the Planning Commission held a public hearing on May 9, 2007, received and considered all concerns and comments of all segments of the community and staff, and considered the public record as a whole;

WHEREAS, public hearing notices for the Planning Commission hearing on the amendments to the General Plan and County Code were published in local newspapers as required by law and provided on the County's website; and

WHEREAS, the Planning Commission found that the proposed General Plan/LCP amendments and proposed amendments to the Santa Cruz County Code will be consistent with the policies of the General Plan/LCP and other provisions of the County Code, and will contribute to the provision of affordable housing throughout the community;

WHEREAS, the Board of Supervisors held public hearings on June 5, 2007 and June 12, 2007, received and considered all concerns and comments of all segments of the community and staff, and considered the public record as a whole;

WHEREAS, public hearing notices for the Board of Supervisors hearing on the amendments to the General Plan and County Code were published in local newspapers as required by law and provided on the County's website;

WHEREAS, the Board of Supervisors finds that the proposed General Plan/Local Coastal Program amendments and proposed amendments to the Santa Cruz County Code will be consistent with the policies of the General Plan and Local Coastal Program and other provisions of the County Code, and will contribute to the provision of affordable housing throughout the community;

WHEREAS, Chapter 13.10 of the County Code is an implementing ordinance of the Local Coastal Program (LCP) and the proposed amendments to Chapter 13.10 constitute an amendment to the Local Coastal Program;

WHEREAS, the proposed amendments are consistent with the California Coastal Act;

WHEREAS, the adoption of the amendments to the General Plan/LCP and County Code are exempt from the California Environmental Quality Act because no direct environmental impact will result from the adoption of these textual changes, which are not applied to any particular property and do not cause any change to the physical environment and therefore do not constitute a "project" under CEQA;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Supervisors hereby finds this action exempt from the California Environmental Quality Act and applicable State and County Guidelines;

Exhibit #3  
SCO-MAJ-2-07 (Part 2)  
Page 2 of 3

BE IT FURTHER RESOLVED, that the Board of Supervisors hereby adopts amendments to Objective 2.10, Policy 2.10.1, Figure 2.3, Policy 8.6.3 and the addition of Policy 2.10.6 to the Santa Cruz County General Plan (Exhibit A) to be effective outside the Coastal Zone immediately and effective inside the Coastal Zone upon certification by the California Coastal Commission;

BE IT FURTHER RESOLVED, that the Board of Supervisors hereby adopts the addition of Sections 13.10.475, 13.10.476, 13.10.477 and 13.10.478 to the County Code (Exhibit B) to allow development at 20 units per acre,

BE IT FURTHER RESOLVED, that the Board of Supervisors hereby certifies the Notice of Exemption from the California Environmental Quality Act as set forth in (Exhibit C), and incorporated herein by reference; and

BE IT FURTHER RESOLVED, that the Board of Supervisors hereby directs that amendments to Objective 2.10, Figure 2.3, Policy 8.6.3, Policy 2.10.1 and the addition of Policy 2.10.6 to the Santa Cruz County General Plan (Exhibit A), and the addition of Sections 13.10.475, 13.10.476, 13.10.477 and 13.10.478 to the County Code (Exhibit B) be submitted to the California Coastal Commission as part of the Local Coastal Program Update.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 12th day of June, 2007 by the following vote:

AYES:	SUPERVISORS	Pirie, Coonerty, Stone and Beautz
NOES:	SUPERVISORS	None
ABSENT:	SUPERVISORS	None
ABSTAIN:	SUPERVISORS	Campos

**JANET K. BEAUTZ**  
Chairperson of the Board of Supervisors

ATTEST: GAIL T. BORKOWSKI  
Clerk of the Board

APPROVED AS TO FORM:

  
COUNTY COUNSEL

cc: County Counsel  
Planning Department

STATE OF CALIFORNIA	)	ss
COUNTY OF SANTA CRUZ	)	
I, SUSAN A. MAURIELLO, County Administrative Officer and ex-officio Clerk of the Board of Supervisors of the County of Santa Cruz, State of California do hereby certify that the foregoing is a true and correct copy of the resolution passed and adopted by and entered in the minutes of the said board. In witness whereof I have hereunto set my hand and affixed the seal of the said Board on <u>June 12</u> 20 <u>07</u> .		
SUSAN A. MAURIELLO, County Administrative Officer		
By <u>Stacy Mitchell</u> Deputy		

Exhibit #3  
SCO-MAJ-2-07 (Part 2)  
Page 3 of 3