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ORDINANCE NUMBER O-	20779	(NEW SERIES)
OKDINANCE NOMBER O-	20110	-(NEW SERIES)

DATE OF FINAL PASSAGE JAN 1.0 2017

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING VARIANCE NO. 1633600 TO ALLOW THE INCLUSIONARY AFFORDABLE HOUSING OBLIGATION FOR THE CASTLEROCK PROJECT (PROJECT NOS. 10046 AND 388889) TO BE SATISFIED BY PROVIDING OFF-SITE AFFORDABLE HOUSING IN THE PLAYA DEL SOL PROJECT (PROJECT NO. 4925), WAIVING THE REQUIREMENT FOR ONE FINDING RELATED TO AN AFFORDABLE HOUSING VARIANCE APPROVAL, AND WAIVING THE REQUIREMENT OF A PLANNING COMMISSION HEARING AND RECOMMENDATION PRIOR TO THE PASSAGE OF THIS ORDINANCE.

WHEREAS, Pardee Homes, a California corporation, Owner/Permittee, filed an application with the City of San Diego pursuant to San Diego Municipal Code (SDMC) Section 142.0307(a) for an Inclusionary Affordable Housing Regulations Variance No. 1633600 to allow Owner/Permittee satisfy its inclusionary affordable housing obligation for the Castlerock project (Project), by providing off-site, for-rent inclusionary affordable housing by deed restricting forty-two (42) residential units within a previously approved multi-unit residential development known as Playa del Sol (Project No. 4925), also owned by Owner/Permittee, located south of Del Sol Boulevard between Ocean View Hills School and Ocean View Hills Parkway within the California Terraces Precise Plan (Planning Area 6) and the Otay Mesa Community Plan area; and

WHEREAS, the Castlerock project site is located on the north side of Mast Boulevard between Medina Drive and West Hills Parkway within the City of Santee (formerly within the RS-1-8 Zone of the East Elliott Community Plan area); and

-PAGE 1 OF 8-

WHEREAS, the Castlerock project site is legally described as portions of lots 4, 5, 8 and 9 of the re-subdivision of a part of Fanita Ranch, Map thereof No. 1703, filed February 28, 1918, in the Office of the County Recorder, County of San Diego, State of California; and

WHEREAS, under Charter section 280(a)(2), this ordinance is not subject to veto by the Mayor because this matter requires the City Council to act as a quasi-judicial body and where a public hearing was required by law implicating due process rights of individuals affected by the decision and where the Council was required by law to consider evidence at the hearing and to make legal findings based on the evidence presented; and

WHEREAS, the matter was set for public hearing on December 5, 2016, testimony having been heard, evidence having been submitted, and the City Council having fully considered the matter and being fully advised concerning the same; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That, notwithstanding San Diego Municipal Code section 142.1305, which permits an applicant to provide at least ten percent of the dwelling units in a development as affordable housing units on-site in lieu of paying the applicable Inclusionary Affordable Housing Fee, Permittee may satisfy its obligations set forth in Chapter 14, Article 2, Division 13 of the San Diego Municipal Code for its Castlerock Project by providing off-site, for-rent inclusionary affordable housing by deed restricting forty-two (42) residential units within the Owner/ Permittee's Playa del Sol Project.

Section 2. That, notwithstanding San Diego Municipal Code section 142.1308(a)(2) which requires the decision maker to make a finding that the development would not be feasible without the modification, no such finding is required related to the actions being authorized pursuant to this ordinance.

Section 3. That it adopts the following findings with respect to Variance No. 1633600:

Variance - Inclusionary Affordable Housing Regulations - SDMC Section 142.1308(a)

1. Special circumstance, unique to that development, justify granting the variance, waive, adjustment, or reduction.

The Castlerock project is a 424-unit residential development within the City of Santee, formerly within the East Elliott Community Plan (EECP) area of the City of San Diego. Castlerock was originally approved by the San Diego City Council on September 16, 2013, with an amendment to Unit 5 approved on August 4, 2015. In accordance with an annexation agreement between the City of San Diego, City of Santee, Pardee Homes, and Padre Dam Municipal Water District (Padre), the 117-acre Castlerock development footprint was annexed to the City of Santee in August 2016. The Castlerock project is required to comply with the Inclusionary Affordable Housing Regulations (Inclusionary Regulations) as set forth in Chapter 14, Article 2, Division 13 of the San Diego Municipal Code (SDMC) by paying an Inclusionary Affordable Housing Fee (Inclusionary Fee) or providing on-site, for-sale, affordable housing. The development of affordable rental housing off-site requires the approval of a Variance pursuant to SMDC Section 142.1308. This Variance request is to allow the Owner/Permittee satisfy its inclusionary affordable housing obligation for the Castlerock project by deed restricting 42 dwelling units as for-rent affordable housing within a previously approved residential development known as Playa del Sol, also owned by Pardee Homes, located within the Otay Mesa Community Plan (OMCP) area.

The Castlerock site has several physical and situational constraints that justify granting the Variance. The majority of the EECP area consists of open space. City of San Diego public infrastructure and services including water, sewer, fire, and police for a residential community are not located nearby, and it would have been costly to extend those services to the Castlerock site. The City of Santee's cooperation and support of the Castlerock development and annexation were essential to the feasibility of the project. An on-site multi-unit affordable housing component within the Castlerock development was initially considered; however, the applicant opted to pay the Inclusionary Fee after analyzing the economics of providing that component onsite, and due to the City of Santee's opposition to a multi-unit development as inconsistent to its neighborhood character.

The 42 affordable rental dwelling units are proposed within the previously approved Playa del Sol development located within the California Terraces Precise Plan (Precise Plan) in the Northwest District of the OMCP area. The Playa del Sol project was deemed complete prior to the Inclusionary Regulations, and therefore was not obligated to pay an Inclusionary Fee or provide affordable housing. Furthermore, the Northwest District is almost completely developed and as a result, there are limited opportunities to provide affordable housing. Including affordable housing at the Playa del Sol location presents a unique opportunity to fulfill OMCP's policies and recommendations of creating workforce housing near transit lines and major employment centers (page I-5), providing housing affordable to all income levels, and encouraging development of affordable housing (page LU-20) within an area of the community with limited opportunities for affordable housing. The Playa del Sol site is in close proximity to

services, transit and major employment centers. The OMCP area is a hub of industrial and manufacturing operations existing in south San Diego and the border region. The easterly and southeasterly parcels abutting the future Playa del Sol development are designated for Community Commercial. The proposed site is also served by nearby transit, including the Metropolitan Transit System (MTS) express and local bus service, with transit service provided along Otay Mesa Road/SR-905, adjacent to the southerly border of the project site.

Given the aforementioned circumstances unique to the Castlerock project, and the opportunity to provide affordable housing within a development that predates the Inclusionary Regulations, and in an area of the community that is almost completely built-out and with limited opportunities for affordable housing, granting the variance is justified to allow the affordable units to be located off-site.

2. The development would not be feasible without the modification.

This finding is waived by this ordinance.

3. A specific and substantial financial hardship would occur if the variance waiver, adjustment, or reduction were not granted.

The Castlerock project is required to comply with the Inclusionary Regulations as set forth in Chapter 14, Article 2, Division 13 of the SDMC by paying an Inclusionary Fee or providing on-site, for-sale, affordable housing. The development of affordable rental housing off-site requires the approval of a Variance pursuant to SMDC Section 142.1308. This Variance request is to allow the Owner/Permittee satisfy its inclusionary affordable housing obligation for the Castlerock project by deed restricting 42 dwelling units as for-rent affordable housing within a previously approved residential development known as Playa del Sol, located within the OMCP area.

Castlerock, formerly along the eastern edge of the City of San Diego within the EECP area, has been annexed to the City of Santee effective August 2016. The majority of the area consists of open space. City of San Diego public infrastructure and services for a residential community are not located nearby and it would create an economic hardship to construct public infrastructure and provide services from the City of San Diego. Therefore, the City of Santee's cooperation and support of the Castlerock development and annexation was and is essential to the feasibility of the project. An on-site multi-unit affordable housing component within the Castlerock development was initially considered; however, the applicant opted to pay the Inclusionary Fee after analyzing the economics of providing that component on-site, and due to the City of Santee's opposition to a multi-unit development as inconsistent to its neighborhood character.

Providing on-site multi-unit affordable housing at Castlerock would require a redesign, and therefore a permit amendment, as it is approved for 277 single-family residences and 147 detached multi-family units clustered on larger lots. If such an amendment were proposed, the applicant expects City of Santee opposition and potential lawsuits. The Castlerock project has been the subject of a California Environmental Quality Act (CEQA) lawsuit from concerned

citizens in Santee. Further litigation would result in additional years of delay, and higher cost of homes. According to Public Resources Code Section 21061.1 and CEQA Guidelines Section 15364, "Feasible" means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, legal and technological factors. All of the abovementioned factors combine to create an economic hardship and inability to implement the project within a reasonable period of time, and therefore the development would not be feasible with an on-site affordable housing component.

A substantial financial hardship would also occur to the City of San Diego and the Housing Commission with the loss of 42 affordable housing dwelling units should the Inclusionary Fees be paid. The Inclusionary Fee is calculated based on the fee per square-foot in effect at the time the building permit application is filed multiplied by the aggregate gross floor area of all of the units within a development. With Castlerock's estimated gross floor area of approximately 1,528,724 square feet and the current Inclusionary Fee rate of \$9.36 per square-foot, Pardee Homes would be required to pay an approximate \$ 14.3 million. The Inclusionary Fees would be deposited in an Affordable Housing Fund for the construction of affordable housing dwelling units at an undetermined time and location.

According to a comparison of affordable vs. market rate construction costs provided in the San Diego Housing Commission's "Addressing the Affordable Housing Crisis" report dated November 25, 2015, the construction cost of affordable housing units is greater than market rate units. This difference is due to several factors including added costs associated with prevailing wage regulations, required sustainability enhancements, legal fees, rent reserves and operating reserves. The report includes the per unit construction cost of two affordable housing developments in San Diego: Imperial Apartments with an estimated per unit cost of \$324,127 and the Trolley Residential with an estimated per unit cost of \$441,597. Using a simple analysis based on these reported affordable housing construction costs, it can be estimated that the amount of Inclusionary Fee that would be due for Castlerock could support the construction of approximately 32 to 44 dwelling units at an undetermined time and location. Granting the Variance to allow the construction of off-site affordable housing at Playa del Sol in Otay Mesa would result in the construction of 42 affordable dwelling units at a known location and in close proximity to supportive land uses including services, employment centers and transit opportunities. Furthermore, Pardee Homes would be required to enter into an affordable housing agreement with the San Diego Housing Commission to provide the 42 for-rent affordable units at Playa del Sol prior to the issuance of any building permits associated with the Castlerock subdivision.

4. No alternative means of compliance are available which would be more effective in attaining the purpose of this Division than the relief requested.

The purpose of the Inclusionary Regulations per SDMC Section 142.1301 "is to encourage diverse and balanced neighborhoods with housing available for households of all income levels. The intent is to ensure that when developing the limited supply of developable land, housing opportunities for persons of all income levels are provided."

The on site development of affordable housing at the Castlerock site is infeasible as indicated in the findings above; see Findings No. 1, 2, and 3. The payment of an Inclusionary Fee is a less effective means to attain the purpose of SDMC Section 142.1301 than the construction of affordable housing in close proximity to services and employment centers well served by transit, and contribute to the establishment of diverse and balanced neighborhoods with housing available for households of all income levels in Otay Mesa. Furthermore, the "for-rent" alternative is a more effective means of providing affordable housing than a "for-sale" alternative for several reasons. According to the OMCP, the median household income in Otay Mesa based on the 2010 Census data is \$41,900 (page LU-16), with 50 percent of households' earnings in Otay Mesa at or below the Area Median Income (page LU-19). Obtaining shelter in an affordable "for rent" unit is less expensive than obtaining shelter in an affordable "for sale" unit, since the low income buyers generally need to accumulate a higher down payment to purchase a "for sale" unit, compared to the rental deposit required of low income renters.

The proposal would provide affordable rental dwelling units in lieu of paying the Inclusionary Fee or providing on-site affordable housing at the Castlerock site. The affordable housing is proposed within a development that predates the Inclusionary Regulations, and in an area of the community that is almost completely built-out, and therefore, has limited opportunities for affordable housing. This proposal offers a unique opportunity to provide affordable housing in this area of the community supporting the OMCP policies of encouraging affordable housing development, and recognizing affordable housing opportunities are needed to ensure a diverse mixture of incomes and households in Otay Mesa. In light of all of the above, there are no other alternative means of compliance that would be more effective in attaining the purpose of SDMC Section 142.1301.

SDMC Section 142.1308(c) – Supplemental Findings (Required for a Variance request to provide affordable housing on a site different from the proposed project site and outside the community planning area)

1. The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing economically balanced communities.

The OMCP acknowledges that affordable housing opportunities are needed to ensure a diverse mixture of incomes and households in Otay Mesa (page LU-16). The transfer of affordable housing from Castlerock to Playa del Sol would be consistent with the OMCP's policies and recommendations of creating workforce housing near transit lines and major employment centers (page I-5), providing housing affordable to all income levels, and encouraging development of affordable housing (page LU-20). The provision of affordable dwelling units at the Playa del Sol site is also consistent with the San Diego General Plan Housing Element Policy HE-B-5, which states emphasize the provision of affordable housing in proximity to emerging job opportunities through the City of San Diego" (page HE-48).

The applicant is proposing off-site rental affordable dwelling units within the Playa Del Sol project in the OMCP area. This is an approved multi-unit residential complex of 912 to 1,578 dwelling units located within Planning Area 6 of the Precise Plan area in the Northwest District

of the OMCP area. The Playa del Sol project was deemed complete prior to the Inclusionary Regulations, and therefore was not obligated to pay an Inclusionary Fee or provide affordable housing. Furthermore, the Northwest District is almost completely developed and as a result, there are limited opportunities to provide affordable housing. According to the OMCP, the median household income in Otay Mesa based on the 2010 Census data is \$41,900 (page LU-16), with 50 percent of households' earnings in Otay Mesa at or below the Area Median Income (page LU-19). The 42 affordable dwelling units would be for-rent affordable to households earning 65 percent or less of AMI. The affordable dwelling units would integrate into the Playa del Sol development, be of similar construction quality, unit type and bedroom count as the market rate units. These units would provide alternative housing options to the existing market rate dwelling units in the community, and will assist in meeting the goals of providing economically balanced communities.

2. The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing transit-oriented development.

The City of San Diego Transit-Oriented Development (TOD) Design Guidelines (Guidelines) define TODs as mixed use neighborhoods, up to 160 acres in size, developed around transit stops and core commercial areas (page 4). The development must be within an average 2,000-foot walking distance of a transit stop. The TOD Guidelines further establish standards that promote development conducive to pedestrian and transit travel.

The Playa del Sol site, located within the OMCP area, is in close proximity to commercial services, transit opportunities and major employment centers. The OMCP area is the hub of industrial and manufacturing operations existing in south San Diego and the border region. The easterly and southeasterly parcels adjacent to Playa del Sol are designated community commercial. Immediately to the west of the Playa del Sol site is a school, and further west a park. Otay's transit needs are currently served by Metropolitan Transit System (MTS) express and local bus service, with service generally provided along Otay Mesa Road/SR 905, between the Iris Avenue Trolley Station and the Otay Mesa Port of Entry. The Trolley Station is approximately 2.8 miles from Playa del Sol. The nearest existing bus stop to the Playa del Sol site is at SR 905 and Caliente Avenue, and within a ten-minute walk from many points within Playa del Sol.

While not a mixed use project, the provision of an inclusionary affordable housing component within a multi-unit residential development that abuts existing or designated institutional, park, and community commercial uses, and well served by transit, contributes to the fundamental purpose of a TOD, which is "to create land use patterns that would support transit" (Guidelines, page 9). Therefore, the proposed development of affordable housing outside of the EECP area, and at the Playa del Sol site within the OMCP area, supports the intent and purpose of a TOD and contributes to providing a TOD within the OMCP area.

Section 4. That, notwithstanding San Diego Municipal Code section 112.0509, which provides for a Planning Commission hearing and recommendation prior to certain City Council

actions, no Planning Commission hearing or recommendation is required related to the actions being authorized pursuant to this ordinance.

Section 5. That a full reading of this ordinance is dispensed with prior to passage, a written copy having been made available to the Council and the public prior to the day of its passage.

Section 6. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By

Shannon M. Thomas
Deputy City Attorney

SMT:als 10/20/2016 Or.Dept:DSD

Doc. No.: 1377257

Attachment: Variance No. 1633600

RECORDING REQUESTED

CITY OF SAN DIEGO DEVELOPMENT SERVICES PERMIT INTAKE, MAIL STATION 501

WHEN RECORDED MAIL TO

CITY CLERK MAIL STATION 2A

SPACE ABOVE THIS LINE FOR RECORDER'S USE

INTERNAL ORDER NUMBER: 24006447

VARIANCE NO. 1633600 CASTLEROCK/PLAYA DEL SOL - PROJECT NO. 466863 CITY COUNCIL

This Variance No. 1633600 is granted by the City Council of the City of San Diego to PARDEE HOMES, a California corporation, Owner/Permittee, pursuant to San Diego Municipal Code (SDMC) sections 142.0307 and 142.0308. The 203.64-acre project site is located north of Mast Boulevard, between Medina Drive and West Hills Parkway, formerly within the RS-1-8 Zone of the East Elliott Community Plan area, and annexed to the City of Santee, effective August 2016. The project site is legally described as portions of lots 4, 5, 8 and 9 of the re-subdivision of a part of Fanita Ranch, Map thereof No. 1703, filed February 28, 1918, in the Office of the County Recorder, County of San Diego, State of California.

Subject to the terms and conditions set forth in this Permit, permission is granted to Owner/Permittee to satisfy its inclusionary affordable housing requirement for Castlerock, Project No. 10046, and amendment thereto pursuant to Project No. 388889, by providing for-rent inclusionary affordable housing off-site, within the Otay Mesa Community Plan area, in lieu of paying the inclusionary affordable housing fee or the provision of on-site affordable housing.

Specifically, the project shall include:

a. Variance from the Inclusionary Affordable Housing Regulations to allow Owner/Permittee satisfy its inclusionary affordable housing obligation required per Site Development Permit (SDP) No. 19032 and Planned Development Permit (PDP) No. 19031 (Project No. 10046), as amended for Unit No. 5 pursuant to SDP No. 1366477, PDP No. 1366476 (Project No. 388889), by deed restricting forty-two (42) dwelling units as affordable rental housing within the previously approved Playa del Sol project (Project No. 4925), located in the Otay Mesa Community Plan area, in lieu of paying an Inclusionary Affordable Housing Fee or providing for-sale on-site affordable housing at Castlerock.

STANDARD REQUIREMENTS:

- 1. Conditions for Planned Development Permit 19031, Site Development Permit No. 19032 and MHPA Boundary Line Adjustment, and as amended for Unit 5, conditions for Planned Development Permit No. 1366476, Site Development Permit No. 1366477, shall remain in effect except where modified by this Permit.
- 2. This Permit is a covenant running with the subject property and all of the requirements and conditions of this Permit and related documents shall be binding upon the Owner/Permittee and any successor(s) in interest.
- 3. The continued use of this Permit shall be subject to the regulations of this and any other applicable governmental agency.
- 4. Issuance of this Permit by the City of San Diego does not authorize the Owner/Permittee for this Permit to violate any Federal, State or City laws, ordinances, regulations or policies including, but not limited to, the Endangered Species Act of 1973 (ESA) and any amendments thereto (16 U.S.C. § 1531 et seq.).
- 5. All of the conditions contained in this Permit have been considered and were determined necessary to make the findings required for approval of this Permit. The Permit holder is required to comply with each and every condition in order to maintain the entitlements that are granted by this Permit.

If any condition of this Permit, on a legal challenge by the Owner/Permittee of this Permit, is found or held by a court of competent jurisdiction to be invalid, unenforceable, or unreasonable, this Permit shall be void. However, in such an event, the Owner/Permittee shall have the right, by paying applicable processing fees, to bring a request for a new permit without the "invalid" conditions(s) back to the discretionary body which approved the Permit for a determination by that body as to whether all of the findings necessary for the issuance of the proposed permit can still be made in the absence of the "invalid" condition(s). Such hearing shall be a hearing de novo, and the discretionary body shall have the absolute right to approve, disapprove, or modify the proposed permit and the condition(s) contained therein.

6. The Owner/Permittee shall defend, indemnify, and hold harmless the City, its agents, officers, and employees from any and all claims, actions, proceedings, damages, judgments, or costs, including attorney's fees, against the City or its agents, officers, or employees, relating to the issuance of this permit including, but not limited to, any action to attack, set aside, void, challenge, or annul this development approval and any environmental document or decision. The City will promptly notify Owner/Permittee of any claim, action, or proceeding and, if the City should fail to cooperate fully in the defense, the Owner/Permittee shall not thereafter be responsible to defend, indemnify, and hold harmless the City or its agents, officers, and employees. The City may elect to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification. In the event of such election, Owner/Permittee shall pay all of the costs related thereto, including without limitation reasonable attorney's fees and costs. In the event of a disagreement between

the City and Owner/Permittee regarding litigation issues, the City shall have the authority to control the litigation and make litigation related decisions, including, but not limited to, settlement or other disposition of the matter. However, the Owner/Permittee shall not be required to pay or perform any settlement unless such settlement is approved by Owner/Permittee.

7. Prior to the issuance of any building permits associated with the Castlerock subdvision, the Owner/Permittee shall enter into an affordable housing agreement with the San Diego Housing Commission (SDHC) to provide 42 for-rent affordable dwelling units off-site and within the Playa del Sol project in the Otay Mesa Community Plan area.

INFORMATION ONLY:

- Any party on whom fees, dedications, reservations, or other exactions have been imposed as conditions of approval of this Permit, may protest the imposition within ninety days of the approval of this development permit by filing a written protest with the City Clerk pursuant to California Government Code-section 66020.
- This development may be subject to impact fees at the time of construction permit issuance.

APPROVED by the City Council of the City of San Diego on	JAN 1:0 2017	and
Ordinance No. 0-20779.		

Permit Type/PTS Approval No.: Variance No. 1633600

Date of Approval: JAN 1 0 2017

AUTHENTICATED I	3Y THE CITY	OF SAN DIEGO	DEVELOPMENT	SERVICES
DEPARTMENT				

Firouzeh Tirandazi Development Project Manager

NOTE: Notary acknowledgment must be attached per Civil Code section 1189 et seq.

The undersigned Owner/Permittee, by execution hereof, agrees to each and every condition of this Permit and promises to perform each and every obligation of Owner/Permittee hereunder.

PARDEE HOMES, a California corporation Owner/Permittee

Jimmy Ayala

Division President – San Diego

NOTE: Notary acknowledgments must be attached per Civil Code section 1189 et seq.

Passed by the Council of The City of San Diego		go on	so on JAN 1.0 2017		by the following vote:	
Councilmembers	Yeas	S	Nays	Not Present	Recused	
Barbara Bry	\mathbb{Z}			П		
Lorie Zapf		•				
Chris Ward	Z	•				
Myrtle Cole	Ź	•				
Mark Kersey						
Chris Cate	Ø					
Scott Sherman	Ø	<i>*</i>				
David Alvarez		,				
Georgette Gomez	$ ot\!$					
Date of final passage	JAN 1 0 2017					
AUTHENTICATED BY:			Ma	KEVIN L. FA	AULCONER f San Diego, California.	
	(Seal) ELIZABETH S. MALAND City Clerk of The City of San Diego, California. By Lyndon Maland, Deputy I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days					
had elapsed between the d	•	on and the	day of its fi	nal passage, to wit	c, on	
DEC 0 5	2016	, and	on	JAN 1:0	2017	
I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage. ELIZABETH S. MALAND City Clerk of The City of San Diego, California.						
		Office of the City Clerk, San Diego, California Ordinance Number O-				