



Council Agenda Correspondence

DATE: April 2, 2024

TO: Mayor and Council

FROM: Timothea Tway, Director of Community Development
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VIA: Derek Johnson, City Manager

SUBJECT: ITEM 6L – AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR THE MARGARITA AREA SPECIFIC PLAN AMENDMENT

ITEM 7B – INITIATION OF GENERAL PLAN AND SPECIFIC PLAN AMENDMENTS TO CHANGE BUSINESS PARK ZONING TO SERVICE COMMERCIAL ZONING AND ALLOW MIXED-USE DEVELOPMENT AT 365 PRADO ROAD LOCATED WITHIN THE MARGARITA AREA SPECIFIC PLAN

Staff received the following questions regarding the proposed initiation of amendments to the General Plan and the Margarita Area Specific Plan for a mixed-use development located at 365 Prado. The questions are below with staff's response shown in italics:

1) If Council authorizes Item #6l (MASP Update), what will be the impact on Item #7b (365 Prado)?

Item 6l would authorize staff to move forward with updating the Margarita Area Specific Plan (MASP) as planned in the City's Housing and Homelessness Major City Goal (MCG) in the 2023-25 work plan. The update to the MASP would evaluate increasing density on existing residentially zoned land and consider rezoning the Business Park zone to Service Commercial in order to allow mixed-use development. This update would also include consideration of rezoning 365 Prado from Business Park to Service Commercial, as it is part of the MASP. This is the same zoning that is being requested by the applicant for 365 Prado in its currently proposed application. As currently envisioned, the MASP update would rezone the 365 Prado site to the same zone as being requested by the developer, however, it is possible that through the MASP update process it is determined that the rezoning from Business Park to Service Commercial is not the best path forward for the MASP, which could impact the property at 365 Prado. Ultimately, the MASP and the land use and development plan for the 365 Prado property must be consistent with one another.

2) In the staff report for Item #7b (365 Prado), it states: “*The applicant, through this initiation, is requesting to move forward on the rezoning of 365 Prado Road independent of the City’s update of the MASP.*” Later in the report, it also states: “*It should be noted that if both efforts move forward, they will include support from consultants to assist staff with processing of the projects, however, concurrent processing will take time and resources away from each other.*”

- a. Since the two items are complimentary, can you further explain the time/resources statements above?

The two items address similar issues (rezoning land to allow housing) in the same geographic area but would be two separate projects running parallel with each other. The MASP Update will look at the entire Area Plan and conduct analysis based on all the land uses, improvements, resource needs, and fiscal impacts to the City, etc. related to a land use change of this magnitude. The 365 Prado project will focus on one parcel’s land use and the needed improvements, resource needs, etc. for that one parcel. Each project will require a consultant to manage the project, independent environmental review, and City staff to oversee the project. It will take time and resources for staff to ensure that throughout the processing of the two projects the two work products are complementary and are not inconsistent with one another. As currently envisioned, the goal of both projects would be to rezone the MASP and 365 Prado to allow additional housing capacity in this area by rezoning land from Business Park to Service Commercial. There is a risk that at some point, the two projects may not be consistent with one another. For example, it is possible that after completing some background work it is determined that there is a different rezoning strategy that is more appropriate for the MASP as a whole. This could require changes to the 365 Prado project. Working on the two projects at one time is possible, however, there is increased coordination needed to move both forward at the same time, and, at the end, the two projects cannot be inconsistent with one another.

- b. What is the proposed completion date for the consultant to complete the scope of work defined in Item #6l (MASP Update)?

Staff estimates that the MASP Update (described in Item #6l) would be completed early 2026.

- c. If Council initiates work on Item #7b (365 Prado Project) alone, or in addition to Item #6l (MASP Update), what would the timeframe be on next steps for 365 Prado?

If Council directs staff to move forward on item #7b (365 Prado project) alone, then staff would not move forward on a work item in the City’s work

plan that was identified to support the City's MCG for Housing and Homelessness. This would mean that the City would not complete this work plan item at this time.

If Council directs staff to move forward on both item #7b (365 Prado project) and item #6I (MASP Update), then staff would move forward working on both of these items concurrently. Assuming both projects move forward with no anticipated or unexpected changes, staff anticipates that both projects would have roughly the same completion time of early 2026. Should there be changes to the scope of either project, this could impact the timeline to ensure consistency between the two projects. Should Council decide to initiate 365 Prado, the next steps would be for the applicant to submit an application with a detailed project description and plans. Once received, the City would bring on a consultant to work with staff to review the submittal for completeness and once complete, move forward on environmental review and processing the General Plan and Specific Plan Amendments, Rezoning, Major Development Review, and Subdivision Review for the proposed project.

- 3) On page 586 of the packet, the Covelop proposal uses the term "Type V construction." Can you please explain what this means?

Type V construction is building code terminology for wood-framed construction.

- 4) Please explain the following underlined section below a little more (from packet page 572, second paragraph). How is it determined whether a 5% or 10% figure is used for the deed-restricted units?

However, the proposal does state that the project will include a density bonus. If the project requests a 20% density bonus, for example, it would be required to provide 5% of the base density as very low-income deed restricted units. Based on the project proposing 224 dwelling units, 212 units would be market rate and 12 units would be very low-income. If the 224-dwelling unit project provides 10% of the base density as low-income units to receive a 20% density bonus, 25 would be low-income deed restricted units and the remaining 199 units would be market rate.

State Density Bonus Law allows the applicant / developer to choose what level of Below Market Rate (BMR) income category they would like to build for their deed-restricted units. An applicant / developer can choose to build units for very low, low or moderate household incomes. Based on the total percentage of BMR units to market rate units, the project then receives additional density through a percentage density bonus. For example, dedicating 10% of a project to low-income units would provide an applicant / developer with a 20% density bonus (this is on top of the base density allowed for the site). The paragraph above provides real numbers of the total number to BMR units that the 365 Prado project would be required to

produce through a density bonus. Ultimately, however, the number of affordable units and affordability level is determined by the developer as part of their application. At this time, the development team has not indicated exactly what they would be proposing.

- 5) What is the policy justification for the applicant's getting preferential treatment, i.e. being processed earlier than the MASP update and proposing a new land use not contemplated by our MCG work plan for Housing and Homelessness?**

The applicant, per MC Section 17.130.020, has the ability to request a change to the General Plan, but it is up to the Council to determine if the amendment is consistent with overall policy direction in the General Plan and if staff should move forward with processing the requested change.

- 6) Is there precedent for this kind of "spot zoning" just before the update of a specific plan?**

Staff has clarified with the City Attorney's office that the proposed request is not considered spot zoning. However, the 365 Prado Project is proposing new zoning that is not currently found in the MASP. The MASP Update includes review of all the parcels that are currently zoned Business Park and consideration of changing them to Service Commercial. Staff cannot recall a similar instance when a project on a parcel in a portion of a Specific Plan area was proposed at the same time as a Specific Plan update.

- 7) How would timing work in the following scenarios?**

- a. If processing the 365 Prado Project went forward at the same time as the MASP Update, how long would the 365 Prado Project be delayed?**
- b. If processing the 365 Prado Project went forward at the same time as the MASP Update, how long would the MASP Update be delayed?**
- c. If processing the 365 Prado Project went forward after the MASP Update, how long would the 365 Prado Project be delayed?**
- d. If processing the 365 Prado Project went forward before the MASP update, how long would the MASP Update be delayed?**

It is difficult to address each of these scenarios because it is currently unknown when the components of each of the projects (365 Prado and the MASP Update) will be complete. . As stated above, the 365 Prado Project and the MASP Update are two separate and different projects, however, they will ultimately need to be consistent with one another. If the MASP Update is completed before the 365 Prado Project moves forward, there would be no need for a General Plan Amendment, Specific Plan Amendment, and rezoning for the 365 Prado Project, and the project would only require Major Development, Subdivision, and Environmental reviews.

8) Questions regarding costs:

- a. How much would “General Plan and Specific Plan Amendments, Rezoning, Major Development review, subdivision review and environmental review” cost? Who would pay—the developer or the City?

For the 365 Prado application, amendments to the General Plan and Specific Plan, Rezoning, Major Development review, subdivision review and environmental review would require City fees of \$94,343.74¹ plus environmental review of 30% + Contract Cost. The applicant / developer would be required to pay these fees.

- b. How would the costs of this development be impacted (decreased or increased) if it were included in the MASP update and processed after the update?

If the 365 Prado Project is processed after the MASP Update, staff would complete work on the Major Development Review and Subdivision. As with all development projects, a consultant would complete the Environmental Review with staff oversight. The project, if processed after the MASP update, would not require General Plan and Specific Plan Amendments or Rezoning and therefore the applicant would not be charged for those entitlements (savings of \$41,955.82).

- c. What if any impact fees would be required?

Not enough information has been provided at this time to determine what all the impacts fees may be, however, impact fees will be required from the development regardless of whether it is processed concurrently with, or after the MASP. It should be noted that if the 365 Prado Project moves forward before the MASP Update and the MASP Update determines new impact fees are needed for higher density development to address needed infrastructure or services, the 365 Prado Project would not be assessed this new fee because it moved forward before the MASP Update was adopted. It is possible that a development agreement could address potential impact fee updates that would apply to the 365 Prado Project, however, the applicant has not applied for a development agreement at this time.

¹ GP Map (includes rezoning) = \$21,421.60
 Specific Plan Amendment = \$20,534.22
 Subdivision 21+ lots (deposit \$20,000) = \$31,811.07
 Environmental Review = 30% + Contract Cost
 Major Development Projects = \$20,576.85

9) Could the City require “all electric” units?

Currently, the City cannot require all electric housing units absent a Development Agreement.

10) What is staff's “preliminary analysis of the proposed amendment's consistency with the General Plan, the City's Major City Goals and the ALUP?”

Based on a preliminary analysis by staff, the proposed 365 Prado Project appears to be consistent with the General Plan, the City's Major City Goals, and the Airport Land Use Plan (ALUP). Detailed discussion is provided on Agenda Report pages 571 – 573. Additional analysis and consideration would be included as part of a full project analysis if the 365 Prado Project is to move forward.

11) What further details regarding affordable housing in this conceptual plan are needed to comport with RHNA requirements for affordable housing?

The applicant of the 365 Prado Project has indicated that they would like to utilize a density bonus for this project. By doing so, they would have to provide a certain number of BMR units as required by the state (see response to question 4 above). The 365 Prado property was not included in the 6th Cycle Housing Element Inventory and was not anticipated to support the City's current RHNA. At this time, there is not enough information from the developer to determine the percentage or total number of affordable units/market rate units that will be included in the project.

12) Could the 65 for-rent units be designated affordable and managed by HASLO or People's self-help?

The applicant would only be required to provide the number of affordable units required as a part of the density bonus. However, City Council could provide direction to the applicant and staff regarding the number of affordable housing units they would like to see in the project.

13) Are there bike paths proposed?

Not enough information has been provided at this time regarding proposed bike paths. The project will be required to be consistent with the City's Circulation Element.

14) Will there be charging stations for the multifamily complex?

Not enough information has been provided at this time regarding parking. The project will be required to comply with the City's parking requirements including Electric Vehicle (EV) Parking for Multi-Unit Residential with 5 or more units (see Municipal Code [Section 17.72.040](#)).