



Department: Community Development
Cost Center: 4008
For Agenda of: 4/2/2024
Placement: Business
Estimated Time: 45 minutes

FROM: Timmi Tway, Community Development Director
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SUBJECT: 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

RECOMMENDATION

Provide direction to staff on whether to proceed with processing the General Plan and Specific Plan amendments to change Business Park (BP) zoning to Service Commercial (C-S) zoning and allow mixed-use development at 365 Prado Road.

POLICY CONTEXT

Why is this coming to City Council?

Amendments to the General Plan require orderly processing consistent with the overall goals of the City's planning program and requirements of California state law. A General Plan Amendment is any change to General Plan maps or text. State law provides that each mandatory General Plan element (Land Use Element, Housing Element, etc.) may be amended no more than four times per year. Municipal Code Section [17.130.020](#) specifies that the Council may initiate General Plan amendments at any time by directing staff to prepare the necessary analysis and scheduling the proposed amendment for consideration at a hearing. On November 15, 2023, the City received an application from the applicant, Covelop, for a project at 365 Prado Road that requires General Plan and Specific Plan amendments. Staff is seeking City Council direction to proceed with this application.

DISCUSSION

Background

The Margarita Area Specific Plan (MASP) was adopted in 2004 to support the General Plan's goal for a compact urban form and to provide permanent open space and a mix of housing with supporting services and infrastructure. The MASP was envisioned on properties in the vicinity of the San Luis Obispo County Regional Airport, and any

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proposed development was subject to the 2002 Airport Land Use Plan (ALUP). The ALUP identified safety subareas that limited residential and non-residential density based on potential aviation hazards. Certain portions of the MASP were within these safety subareas that prohibited or significantly limited residential and non-residential development and required a close look at land use and density considerations to assure that new development would be compatible with the 2002 ALUP.

In 2021 the County of San Luis Obispo amended the 2002 ALUP. The size and shape of the safety subareas around the airport changed and now several areas of the MASP are either available for residential development (where not allowed before) or available for higher density residential development (see Attachments A and B).

2023-25 Financial Plan Margarita Area Specific Plan Update

As part of the City's 2023-25 Financial Plan (Housing & Homelessness MCG Task 3.1.b), Council identified the task to initiate amendments and an update to the entire MASP that would increase density on existing residentially zoned land and consider allowing mixed-use development on commercially zoned land, where appropriate and consistent with the updated ALUP. Staff has moved forward with this MCG task and a Request for Proposals (RFP) has been included as a consent item as a part of this April 2, 2024 Council Agenda. The RFP would allow the City to bring on a consultant to assist with the initiation and completion of the proposed amendments to the MASP. As proposed, a consultant would be selected in June 2024 to begin work on the update. 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.

SOBC	Description	Type	2023-24	2024-25	
5	Margarita Area Specific Plan Update*	MCG Task 3.1.b - Initiate an update to the Margarita Area Specific Plan to include more housing options of all types (affordable, multi-family, mixed-use) on undeveloped land, and work with property owners on a plan for the completion of the Prado Road extension to Broad Street.	One-time	\$100,000	\$200,000

Project Description

The applicant, Covelop, has submitted a request to amend the MASP and the General Plan Land Use Map to change 365 Prado Road from Business Park (BP) zoning to Service Commercial (C-S) zoning and allow mixed-use development (see Attachment C, Project Proposal) independent of the City's MASP Update described above. Along with the amendments, the applicant is proposing a mixed-use, common interest subdivision development that would include 224 residential units, approximately 30,000-60,000 square feet of commercial space, and a 1.2-acre Homeowners Association (HOA) managed and maintained park. The proposed residential units would be a mix of attached and detached units with one-bedroom, two-bedroom and three-bedroom configurations ranging in size from 630 square feet up to 2,002 square feet with an average dwelling unit

size of less than 1,300 square feet. The applicant has described their project as a “greenfield missing middle project” because it utilizes a vacant parcel to construct house-scale buildings with multiple units that are compatible in scale and form with detached single-family homes, while located in a walkable neighborhood.

The project proposal does not include an affordable housing plan but proposes the provision of a limited number of deed-restricted, below market rate (BMR) affordable housing units in conjunction with a density bonus and would request several concessions and waivers per State law (the number of units and affordability level has not yet been defined by the applicant, as the application is still conceptual in nature). Most of the proposed units would be market rate. If the project moves forward, it would require General Plan and Specific Plan Amendments, Rezoning, Major Development Review, Subdivision Review, and Environmental Review.

Site Data

Location	365 Prado Road	
Parcel Size	19.35 acres	
General Plan	Business Park	
Zoning	Business Park (BP)	
Site Condition	Vacant, relatively flat	
Surrounding Uses	<u>North:</u> Residential <u>South:</u> County (Chevron Property) <u>East:</u> Mini Storage / RV storage / Kennel <u>West:</u> Entitled Business Park Project	

Consistency with Community Goals and General Plan Goal, Policies, and Programs

Staff has provided a preliminary analysis of the proposed amendment’s consistency with the General Plan, the City’s Major City Goals, and the Airport Land Use Plan (ALUP). Additional analysis and consideration would be included as part of a full project analysis if Council provides direction to staff to move forward with processing the project.

2023-25 Major City Goals

Housing and Homelessness has been identified as one of the 2023-25 Major City Goals. As such, the 2023-25 Financial plan includes efforts to support housing development including a task to update the MASP to consider more housing options, as discussed above. One benefit of the MASP update is to create additional residential capacity ahead of the RNHA allocation for the 7th Cycle Housing Element, which is expected in 2026. Currently, the City has sufficient inventory of zoned land for the purpose of accomplishing build-out as anticipated by the Land Use Element and the 6th Cycle Housing Element. The applicant is requesting to move forward independent of the City’s MASP update and introduce a new land use to 365 Prado that currently does not exist in the MASP. Staff

has planned for work on the MASP Update to begin in June 2024 and anticipates that the two projects would be reviewed and processed with similar timeframes. 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.

Reginal Housing Needs Allocation (RHNA)

The City has been allotted 3,354 residential units that it must be able to accommodate within the City limits as part of the 2020 Housing Element. The City has made significant progress toward meeting its RHNA mandate, meeting 54% of the total RHNA halfway through the 2020-2028 6th Cycle Housing Element period. However, while the City has issued permits for Above Moderate dwelling units in excess of its requirement for this income category (Above Moderate RHNA target is 1,406 and 2,143 have been completed), more progress is needed in the BMR income categories (RHNA target 1,948; completed 407). The proposed project at 365 Prado is conceptual in nature and does not provide sufficient details on all aspects of the project, including affordable housing. 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.

General Plan Goals, Policies and Programs

Housing Element Policy 5.3 states “Encourage the development of a variety of ‘missing middle’ housing types and Housing Element Program 5.4 states “Evaluate and implement ‘missing middle’ housing types (e.g., duplex, quadplex, cottages, etc.) to increase housing options in the City within three years of adopting the Housing Element.” The different unit types within the project would be designed and constructed in clusters rather than in homogenous pods as is typical of product-segmented neighborhoods. The various unit types would be connected and organized through a central walkway in the “Mews” portion of the project. Overall, the proposed project would include 159 for-sale single family attached and detached units and 65 for-rent apartments.

Land Use Element Policy 8.1.3 states in part that “The City shall consider this area [MASP] as potentially appropriate to accommodate additional housing. Revisions to the Margarita Area Specific Plan will be required if residential development in excess of that accommodated in the plan is proposed.” The proposed project would amend the MASP to introduce a new land use (Service Commercial) to the Plan to allow a mixed-use development on property that currently does not allow such development.

Airport Land Use Plan (ALUP)

Most of 365 Prado Road parcel is not located within any safety zones of the 2021 ALUP. However, one portion, the southwestern corner of property, is located within Safety Zone 3 and shown with a red line in Attachment C, page 5, Figure 1. The project is proposing

park space and commercial development in this area of the property and appears to be consistent with the lower density development requirements for Safety Zone 3.

Impacts on Adjacent Areas and Shared Resources

Impacts of the proposed amendment and associated development on adjacent parcels and resources would be analyzed in detail as part of the project if Council provides direction to staff to proceed with processing the project. However, as noted above, analysis of the proposed General Plan and Specific Plan amendment would be focused on 365 Prado and would not include a comprehensive review of the entire MASP, as included in Council’s MCG work plan for Housing & Homelessness.

Next Steps

Staff is requesting that Council provide direction to staff and the applicant regarding next steps based on the following menu of actions:

1. Direct staff to initiate and move forward with the proposed amendments to the MASP and associated development plan for 365 Prado as described in the applicant’s project proposal (Attachment C).
2. Direct staff to move forward with the proposed amendments and associated development plan but with direction to staff and the applicant on Council’s desired revisions to the development plan.
3. Direct staff to not move forward with the proposed project. 365 Prado, along with the other Business Park zoned parcels along Prado Road, will be considered for additional housing options as part of the City’s MASP update.

Public Engagement

This item is on the Council Agenda for April 2, 2024, and staff has provided all required notifications. The public may have an opportunity to comment on this item at or before the meeting.

CONCURRENCE

This staff report was reviewed and approved by the Community Development Department, Finance Department, City Attorney and City Administration.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378. If the project moves forward, the project would be subject to the appropriate environmental review as required per the California Environmental Quality Act (CEQA) for the proposed amendments.

FISCAL IMPACT

Budgeted: No
 Funding Identified: No

Budget Year: 2023-25

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$0	\$0	\$0	\$0
State				
Federal				
Fees				
Other:				
Total	\$0	\$0	\$0	\$0

There will be no net fiscal impact related to initiating the proposed project. If directed to proceed, the applicant will be required to fund the review and processing of the proposed amendments and associated analysis (including a fiscal analysis of the proposed project and if there are any impacts to the City).

ALTERNATIVES

1. *Direct staff to initiate and move forward with the proposed amendments to the MASP and associated development plan for 365 Prado.*
2. *Direct staff to move forward with the proposed amendments and associated development plan but with direction to staff and the applicant on Council desired revisions to the development plan.*
3. *Direct staff to not move forward with the proposed project.*

ATTACHMENTS

- A - MASP zoning map with 2021 ALUP safety zones
- B - MASP zoning map with old 2002 ALUP safety zones
- C - Project Proposal – 365 Prado Residential Mixed-Use Project, General Plan and MASP Amendment Initiation Request