



# Council Agenda Correspondence

**DATE:** December 10, 2024

**TO:** Mayor and Council

**FROM:** Timmi Tway, Community Development Director

**VIA:** Whitney McDonald, City Manager

**SUBJECT:** ITEM 6C – PUBLIC HEARING TO CONSIDER INITIATION OF A GENERAL PLAN AMENDMENT, SPECIFIC PLAN AMENDMENT, AND A MODIFICATION TO AN EXISTING DEVELOPMENT AGREEMENT TO ACCOMMODATE AN ADDITIONAL 276 RESIDENTIAL UNITS IN PLACE OF A PREVIOUSLY APPROVED COMMERCIAL DEVELOPMENT

This correspondence provides City staff responses, shown in *italics*, to questions received regarding the possible initiation of a General Plan Amendment, Specific Plan Amendment and modification to an existing Development Agreement to accommodate 276 residential units in place of a previously approved commercial development within the San Luis Ranch Specific Plan (Item 6c).

**1. Would the new proposed housing units count toward the City’s Regional Housing Needs Assessment (RHNA) or City growth cap?**

*The new market rate units would count toward the City’s 1% growth policy once developed and occupied, however they would not contribute to meeting the current State RHNA requirements applicable during the current housing element cycle because the City has already met its RHNA allocation for the “above moderate rate” category. Any deed restricted units would help the City make more progress on the allocations for lower income RHNA categories. Deed restricted affordable units are not counted toward the 1% growth policy.*

**2. What is the retail vacancy in the City?**

*As of October 2024, the functional retail vacancy rate in the City of SLO is 3%, which is low when compared to the 4.61% Los Angeles metro area retail vacancy and the 4.08% national retail vacancy rate ([Brookings](#)). This is the lowest retail vacancy rate in the City since 2015. Between 2019 and 2023, the vacancy rate has been around 5%. This data is compiled by McCarty Davis Commercial Real Estate and published each year on the City’s [website](#).*

**3. What is the current jobs to housing balance in the City?**

*The jobs-housing ratio is a ratio between a measure of employment and a measure of housing in a given area of analysis. The most basic measure is the ratio of the number of jobs to the number of housing units in an area. The recommended target ranges for jobs-housing unit ratios is 1.3-1.7, and is based on the assumption that the average number of workers per household is approximately 1.5 (Ewing, 1996). The most recent SLOCOG data on Jobs/Housing Balance is from 2019, indicating that San Luis Obispo has a Jobs/ Housing Ratio of 1.88. The 2014 LUCE was a housing focused update to specifically address the City's jobs-housing ratio and included several housing expansion areas (Avila Ranch, San Luis Ranch, Froom Ranch). Since then, major housing projects have been approved and the housing is being constructed. Based on recent housing construction activity, which includes hundreds of new units since SLOCOG data was last published in 2019, it is likely that the City has lowered the ratio of jobs to housing to be closer to the recommended target of 1.3-1.7, however, updated numbers are not available at this time.*

**4. Why do the “additional” affordable housing units have a range and not a set number? Did PSHH establish that “bonus” range in 2020, or did the developer come up with this number?**

*Consistent with what was described in the November 2020 Council Agenda Report for the previously approved project on Lot 7, the reason for the range is that People's Self-Help Housing (PSHH) has a number of different funding sources that use different matrices to determine award amounts. At the time the change was processed in 2020, the applicant proposed a range of additional housing units, as opposed to defining a specific number, in order to allow PSHH flexibility to present unit numbers that best qualify for each funding source in the future.*

**5. The Specific Plan included up to 77 affordable units on Lot 7 under the 2020 amendment. The current proposal doesn't seem to add more deed restricted housing for the City. Can the City request additional affordable units?**

*The additional market rate homes on Lot 7 result in a requirement for approximately 9 more deed restricted units than the previously entitled commercial project. The applicant is proposing to utilize the additional “bonus” units approved in 2020 to fulfill the increased requirement. Further details are provided on page 10 of the staff report (page 476 of the Council agenda packet), which addresses the deed restricted unit requirements. As part of this initiation process, the City Council may provide direction to staff and the applicant about the desired number of deed restricted housing units and may direct staff to negotiate with the developer for more affordable units as a benefit for the approval of this requested change and, for instance, preserving the 4 to 17 “bonus” affordable units approved in 2020.*

- 6. When it was approved, was there a requirement that the Ag Heritage Center project provide inclusionary affordable housing units? If not, why not?**

*The Development Agreement defines the amount of inclusionary housing required for the San Luis Ranch project. The Ag Heritage Center, as approved in 2021 with a variety of ag-related buildings, historical and interpretive displays, and retail uses, does not require inclusionary housing units per the Development Agreement. At the time of approval and per initial Development Agreement negotiations, this “Ag Center” use was exempt from inclusionary housing requirements because it is not considered the same as “commercial” uses.*

- 7. Please clarify the amount of park acreage required. Have in-lieu payments been paid instead of construction of parks in the San Luis Ranch development? Is staff satisfied that there will be sufficient park land as proposed?**

*The General Plan calls for 5.8 acres of parks in San Luis Ranch, but that assumed a buildout of 580 dwelling units, or 1 acre per 100 homes (which translates to about 5 acres per 1,000 population). The existing 2.8-acre central park in San Luis Ranch along with in-lieu fees has satisfied that initial requirement, as recommended by the Parks and Recreation Commission (PRC) and approved by City Council with the original SLR Specific Plan. With the current proposal, there would be 350 units (276 market rate units and 69-77 affordable units) more than anticipated by the General Plan and the originally approved San Luis Ranch Specific Plan in 2018. This would require an additional 3.5 acres of parkland within the Specific Plan area. The proposed development concept provides substantially less than that amount within Lot 7. If the Council provides direction to move forward with the processing of this project, the PRC would be asked to evaluate whether such a proposal, in combination with in-lieu fees, would be sufficient, or whether additional parkland would be required. In its initial evaluation of the 2.8-acre central park in 2018, PRC recommended a combination of parkland and in-lieu fees to improve existing community-serving parks such as Laguna Lake Park.*

*In addition, Staff would like to provide a related clarification. The Agenda Report indicates that the proposed park on Lot 7 would be nearly 2 acres, as originally described by the applicant in the materials provided to the City. The applicant team has since clarified that the park site is actually 0.82 acres.*

- 8. The project should include recreational amenities that are available for the benefit of the entire San Luis Ranch community in part to alleviate parking problems near the existing central park, which is currently the only community park. How will the project address this?**

*Please refer to the response to Question 7. The City Council could provide high-level direction regarding additional amenities that they would like to see incorporated into the project should it move forward. It is unclear from the*

*applicant's project description if the parks on Lot 7 would be for private use by the apartments or provided for use by the general public.*

**9. How does the commercial property on the freeway side of Froom Ranch Way (Lot 9) play into the amount of commercial space proposed or required under the Specific Plan?**

*The lot in question is shown in the accompanying graphic, which shows it ("Lot 9") in relation to the proposed project site.*



*While the parcel in question (4.2-acre Lot 9) is designated as NC (Commercial), it is intended for up to 100,000 SF of office uses under the Specific Plan (Table 2-3 of the Specific Plan). General Plan Policy 8.1.4 includes a performance standard of 50,000 to 150,000 SF of Office, which forms the basis of the Specific Plan requirement. While other commercial uses could be allowed on this site, it is currently intended as office use to comply with the General Plan policy. Therefore, it is not included in the applicant's proposal for total commercial square footage, but rather remains as intended for office in accordance with the original project entitlements.*

- 10. Correspondence received by the City raised concerns about the lack of detailed plans and studies related to the development at this time. Comments addressed a variety of issues, including noise, traffic, parking, housing design and number, airport safety, and fiscal issues, among others.**

*At this time, the City Council is providing direction as to whether work should be initiated on the applicant's proposed project. General Plan and Specific Plan amendments are proposed, which require City Council authorization prior to processing. If the project is initiated, and applications submitted, the development review and environmental review processes would commence. This would include detailed staff review of a formal project application, various technical studies to address key issues, and review under the California Environmental Quality Act (CEQA), which provides opportunity for public input. This would be followed by review from various City advisory bodies and the County Airport Land Use Commission before the project could ultimately be considered by the Planning Commission and City Council. At this time, it is premature for Council to provide detailed input on project design, but it is appropriate to provide "big picture" direction.*

- 11. The roundabouts as currently designed in San Luis Ranch create pedestrian safety concerns. How will this be addressed in the context of the proposed project? Would replacing the roundabouts with traffic lights improve safety at these intersections?**

*Staff appreciates the concerns raised in the comment regarding public safety related to pedestrians and roadway design. These issues will be studied in detail and reviewed by City staff if an application is initiated and ultimately submitted for review.*

- 12. There is a note on page 479 of the packet that references the ability of the hotel in the development to provide hotel room via "points." When this happens, it implies that there is no TOT collected. Is that the case? Can you provide an explanation?**

*Per Municipal Code section 3.04.030, a transient occupancy tax (TOT) of 10% is charged by hotel operators to transient guests based on the "rent" charged for hotel stays. For most loyalty programs, customers do not pay taxes on points redeemed. If guests book hotel rooms using points or other loyalty program benefits, the amount of "rent" charged to the guest decreases or may be eliminated in addition to any associated taxes that would have been collected.*

**13. There is already a CFD in the San Luis Ranch area. Will the properties on Lot 7 become part of that CFD, or is that possible?**

*A CFD for the San Luis Ranch area was adopted in April 2019. Its provisions apply within the boundaries of the Specific Plan, including Lot 7. In the Council Agenda Report of April 2, 2019, staff recommended that commercial development be exempted from the special tax associated with the CFD, “unless a change of use is subsequently approved.” The City Council adopted this recommendation. Upon initial review, it appears that the new market rate units proposed in Lot 7 would be eligible for assessment under the existing CFD. There is a cap on the annual assessment amount per residential unit, however, there is not a cap on the total amount collected annually within the overall assessment area. It should be noted that the purpose of this CFD is for the financing of public improvements, not ongoing City services to serve the development. Funds from the annual assessments are used to make bond payments and cover costs related to public infrastructure. Staff could explore the creation of a new CFD that would be created for the purpose of providing public services to the units in Lot 7 should the project move forward.*

**14. Does the City Council have discretion to request that the developer include a higher minimum square foot of commercial space above what is currently proposed? Is it possible to raise that minimum while still maintaining the currently proposed number of residential units? Does the Specific Plan have requirements related to the size of commercial developments within the NC designation, or does it just present a maximum square footage without specifying the design or number of buildings/retailers?**

*Yes, one of the fundamental items staff is seeking direction from Council relates to the amount of commercial development that is appropriate within Lot 7 and the overall Specific Plan, should the project move forward. As part of the Amendments that are required to be processed for this project (or a version of this project) the City could establish General Plan and zoning regulations to allow a certain number of units and specific minimum amount of commercial space. Accommodating more commercial with the same amount of residential can be accomplished through modification to the site design. If the Council chooses not to initiate the proposed amendment, existing commercial development requirements would remain in place.*

*The Specific Plan does not include any requirements related to how large individual commercial tenant spaces must be, but only specifies a target maximum square footage, as well as the General Plan performance standards for maximum and minimum square footage.*

**15. What designs would be more viable for the commercial structures? What is the minimum size that is workable? If Council would like to see childcare/healthcare, etc. does that need to be called out as a specific desire?**

*In the staff report, staff raises a concern that the commercial development, as currently designed in the proposal, may not be viable. To elaborate, in general, successful retail is on the ground-floor, and is a building of a size that provides flexibility for various types of tenants that can be subdivided or combined as tenants change over time. It is more difficult to find commercial uses that desire non-ground-floor space, especially if they are outside a downtown core or other dense area. If the Council has specific comments about other uses or specific types of commercial uses that are of interest, those comments would be helpful if the project moves forward.*

**16. Does the proposed new cap of 930 residential units for San Luis Ranch include the greatest number of affordable units proposed? (including the 26 original, 15 for commercial, 28 from the 276 new market rate units AND the highest number of “bonus” units – 17 – for a total of 86)**

*No, the 930 units includes the applicant’s current proposal: the 577 already built in San Luis Ranch, the 276 market rate units proposed in Lot 7, and up to 77 affordable units proposed in Lot 7. Any additional units in Lot 7, such as the entirety of the bonus units previously approved, would increase the maximum unit count accordingly, and the project would be processed and evaluated based on the actual number of units described in the application.*

**17. In the Development Agreement, has the developer been given any reduction to the standard development impact fees?**

*The 2018 Development Agreement included provisions to lock in development impact fees for construction of the units approved at the time of original entitlement. These fees were based on the impact fees in place in 2018, and are substantially lower than impact fees identified in the 2024/2025 fee schedule for projects entitled today.*

**18. What if there were a requirement for the new development to provide a transit hub? How would that be defined, do we have base requirements for what is outlined somewhere?**

*Bus shelters are currently provided along Froom Ranch Way and Dalidio Drive on the project frontage. A transit hub typically includes multiple bus stops and shelters, and would serve as a transfer location for multiple bus routes, such as the transit hub located downtown adjacent to City Hall. A transit hub at SLR would need to be evaluated by the City's Transportation division to ensure routes can be adequately served and ongoing funding provided for increased bus service and infrastructure. If the City Council is interested in exploring a transit hub in this area, Council could direct staff to research an appropriate location and identify City costs that would be associated with the increased service.*

**19. What is the "early residential development fee" referred to in the Agenda Report?**

*This is a mechanism in the existing San Luis Ranch Development Agreement (DA) to address potential revenue shortfalls if the commercial development does not occur. The fee is paid per residential unit built until commercial development occurs, and this fee has been assessed by the City. The fee was negotiated in 2018 based on the estimated cost of City services to serve the residential units, given that, as an annexation area, only one-third of the property tax increment is provided to the City and property taxes alone do not cover the cost of City services for residential projects. A version of this fee, or something similar, could be renegotiated in the Development Agreement should this project amendment move forward.*

**20. Is the proposed Lot 7 development "connected" to the existing single-family development in SLR?**

*Detailed site plans have not yet been submitted for processing, however, review of initial site plans submitted for the initiation process indicates that the Lot 7 development would not be integrated with the existing single-family neighborhood. The existing single-family development backs up to Lot 7 with solid walls along the entire rear property line, preventing through connection for most of the Lot 7 development. At the initiation meeting, City Council may provide high level direction regarding interconnectivity and increased active transportation routes through the development if the project moves forward.*



**21. What were the original affordability requirements at the time of the previous approval? Were there variances from the requirements provided to the applicant at that time?**

*The staff report includes several tables that describe the affordable housing requirements. Attachment P (memo from CDD Director) includes the following table outlining the 2020 affordability requirements:*

2020 Approval	Number of Affordable units	Location & Requirement	Status
	4 low-income units	Required in single-family Zoning NG-23	completed
	4 moderate income units	Required in single-family Zoning NG-10	completed
	26 very-low-income units	Previously required within multi-family development - Transferred in 2020 from multi-family to Lot 7	Not constructed * Planned to be developed by PSHH
	34 inclusionary housing units or payment of in-lieu fees	Required to fulfill commercial inclusionary requirement	Not constructed * Planned to be developed by PSHH
	<i>Between 4 to 17 <u>additional</u> very-low-income units</i>	<i>Project benefit in exchange for transfer of 26 very-low-income units from multi-family site to Lot 7</i>	Not constructed * Planned to be developed by PSHH
<b>2020 Total:</b>	<b>72-85 affordable units (total units within SLR) Of this total, 64-77 are to be constructed on Lot 7 by PSHH</b>		<b>- 8 constructed - 64-77 units unfulfilled</b>

*When the previous project on Lot 7 was approved in November 2020, the affordability requirement identified for Lot 7 was between 30 to 43 very-low-income units and approximately 34 commercial inclusionary units or payment of in-lieu fees (based on the total amount of commercial ultimately constructed) for a total of 64-77 units planned for construction on Lot 7. These calculations were based on the Inclusionary Ordinance in place in 2020 and did not include any variances from those requirements. The 2020 amendment did include a provision for 4 to 17 additional “bonus” units beyond code requirements, which were offered as a project benefit by the developer in exchange for relocating the 26 originally required very-low-income units from throughout the multifamily portion of the San Luis Ranch project to a 1.88 site on Lot 7.*