

DATE ISSUED: April 14, 2005

REPORT NO. PC-05-152

ATTENTION: **Planning Commission, Agenda of April 21, 2005**

SUBJECT: MARKEY MIXED-USE - PROJECT NO. 37807. PROCESS FOUR

OWNER/

APPLICANT: P.B Del Rey, LLC (See Attachment 14)

SUMMARY

Issue: Should the Planning Commission Approve an application for the construction of a mixed-use building with 4,342 square feet of commercial space and 15 residential rental units, including 2 affordable units, on a 15,051 square foot site, located at 3509 Del Rey Street within the Pacific Beach Community Plan?

Staff Recommendation:

1. **Certify** Mitigated Negative Declaration No. 37807;
2. **Approve** Coastal Development Permit No. 105707;
3. **Approve** Site Development Permit No. 105708;
4. **Approve** Neighborhood Development Permit No. 203074;
5. **Approve** Planned Development Permit No. 203078; and
6. **Approve** Vesting Tentative Map No. 203075, including a waiver to the requirement to underground existing overhead utilities.

Community Planning Group Recommendation: On October 25, 2004, the Pacific Beach Community Planning Committee voted 18-1 to approve the project, with the condition that no signage is allowed on the rear of the building. See the Discussion section of the report for more information.

Other Recommendations: None with this action.

Environmental Review: Mitigated Negative Declaration Number 37807 was prepared, and finalized on March 10, 2005 in accordance with the State of California Environmental Quality Act (CEQA) Guidelines. A Mitigation, Monitoring, and Reporting Program will be implemented which will reduce, to below a level of significance, the potential environmental impacts identified from the environmental review process for Historical Resources (Archaeology).

Fiscal Impact: All costs associated with the processing of this project are paid from a deposit account maintained by the applicant.

Code Enforcement Impact: None with this action.

Housing Impact Statement: The subject property is designated for Regional Commercial use in the Pacific Beach Community Plan. The underlying CC-4-2Z one allows for a residential density of one dwelling unit per 1,500 square feet. The site is 15,051 square feet, which would allow up to 10 dwelling units. The project proposes fifteen residential units; ten are allowed under the CC-4-2Z one and five units would be provided through the density bonus provisions of the San Diego Municipal Code. The proposed development would be providing two residential units restricted for very low income households earning no more than 50 percent of Area Median Income, and thirteen market-rate units. The result would be a net increase of fifteen residential units within the Pacific Beach Community Plan area.

The project is subject to the Inclusionary Housing requirements of the Municipal Code which requires ten percent affordable units or payment of an in-lieu fee. The applicant plans to provide the affordable housing on site.

BACKGROUND

The project site is located at 3509 Del Rey Street in the CC-4-2 Zone within the Pacific Beach Community Plan, the Coastal Overlay Zone (Coastal Commission Non-Appealable Jurisdiction), Coastal Height Limit Overlay Zone, and Transit Overlay Zone.

The project site is currently undeveloped. Adjacent land uses include Interstate 5 to the east, existing apartment buildings to both the north and south, and single- and multi-family residential to the west. The immediate neighborhood is developed with a mixture of commercial and residential development in a wide variety of architectural styles, colors, heights, bulk, and scale.

Because the project proposes to set aside ten percent of the pre-bonus units (2 units) affordable to very-low income households (household income not exceeding 50 percent of Area Median Income), the land use approvals have been processed through the “Affordable/In-Fill Housing and Sustainable Buildings Expedite Program.”

DISCUSSION

Project Description:

The project proposes to construct a mixed-use building with 4,342 square feet of commercial space and 15 residential rental units, including 2 affordable units, on a vacant, 15,051 square foot site at 3509 Del Rey Street, within the Pacific Beach Community Planning area. The 15 rental units would consist of one four-bedroom unit, ten three-bedroom units, and four two-bedroom units. In order to meet the requirements of both the Affordable Housing Density Bonus Regulations, as well as the City's Inclusionary Housing Ordinance, the project would be required to set aside two residential units affordable to very-low income households at or below 50 percent area median income (AMI); one two-bedroom unit for a period of 55 years and one three-bedroom unit for a period of 20 years.

The project has requested deviations to the regulations of the underlying zone for rear yard setbacks and the Affordable Housing Density Bonus Regulations. Other than the requested deviations, the project conforms to regulations of the San Diego Municipal Code. Please see the Project Related Issues Section of the Planning Commission Report below for further discussion of the deviations.

The exterior materials of the 15 residential units would include concrete block walls of various colors and textures, a mixture of open metal and solid hand railings at the balconies, stucco balcony sunshades/overhangs, an ornamental 24-foot wide gate at the garage entry, aluminum window systems, and private court patios for each unit. The structure, including all roof equipment, would not exceed the 30-foot Coastal height limit.

Per Land Development Code sections 142.0525 and 142.0530, the minimum parking requirement for the proposed 15 dwelling units (including one four-bedroom unit, ten three-bedroom units and four two bedroom units), and 4,342 square feet of commercial space located within the transit area is 38 automobile spaces (29 for the residential use and 9 for the commercial use), of which 1 space is an accessible parking space, 4 motorcycle spaces, and 11 bicycles spaces. The project includes the required 29 residential and 9 commercial spaces, two of which are tandem spaces, which would be reserved for employees of the retail use. As designed, the project is meeting all Land Development Code parking requirements.

The proposal consists of a request for a Coastal Development Permit, Planned Development Permit, Site Development Permit, Neighborhood Development Permit, and Vesting Tentative Map, including a request to waive the requirement to underground existing overhead utilities. A Coastal Development Permit is required because the proposed new construction constitutes coastal development. The Planned Development Permit is required due to a deviation request to the rear yard (east) setback requirement of the underlying zone. The Site Development Permit is required for the requested deviations to the Affordable Housing Density Bonus regulations, allowing the applicant to obtain more than a 25 percent density bonus and to allow the number of affordable units to be less than the number of bonus units. The Neighborhood Development

Permit is required for proposing tandem parking within the proposed commercial portion of the development. The Vesting Tentative Map is required in order to create 15 separate residential and six separate commercial ownerships on the site (for a total of 21 condominium units), and includes a request to waive the requirement to underground existing overhead utilities.

The applicant filed a Vesting Tentative Map application to retain future rights to sell the 13 market rate residential units, and 6 commercial condominiums, should they so desire. Although approval of the Vesting Tentative Map would allow the applicant to move forward towards the development of condominiums on the site, the applicant is required to retain two units as affordable rental units for 20 and 55 years respectively, due to conditions of the permit, and an agreement which will be executed with the San Diego Housing Commission (Attachment 12, Condition No. 17).

Undergrounding Waiver Request

As a part of the Vesting Tentative Map, the applicant is requesting a waiver to the requirement to underground existing overhead utilities. San Diego Municipal Code Section 144.0240 allows the subdivider to apply for a waiver from the requirement to underground the existing overhead utilities within the boundary of the subdivision or within the abutting public rights of way. City staff has determined the undergrounding waiver request qualifies under the guidelines of Council Policy 600-25, *Underground Conversion of Utility Lines at the Developer's Expense*, in that the proposal involves a short span of overhead facilities less than a full block in length. The applicant would be required to underground any new service run to any new or proposed structures within the subdivision per Condition No. 6 of the Draft Vesting Tentative Map Conditions and Subdivision Resolution (Attachment 11).

The neighborhood currently contains power poles and overhead utility lines. There are existing overhead utilities within the subdivision boundary at the rear of the property within easements. These easements abut the Interstate 5 right-of-way. The City's Undergrounding Master Plan for Fiscal Year 2004 designates the site within Block 2AA, and is proposed to be funded for future undergrounding in a fiscal year that has yet to be determined by the City Council (Attachment 17).

Community Plan Analysis:

The subject property is designated Regional Commercial in the Pacific Beach Community Plan. Regional Commercial is defined as a mix of large and small scale retail, wholesale, commercial service, hotel and business/professional uses. The proposed project consists of 4,342 square feet of commercial space and 15 residential rental units. The proposed development is along a transit corridor. The community plan allows for residential uses within a commercial designation when development occurs along a transit corridor as identified in the Pacific Beach Community Plan.

One of the goals of the community plan is to encourage mixed-use residential, office and commercial development along identified transit corridors. The Mission Bay Drive commercial

district is designated as a transit corridor in the community plan. The proposed development implements the goal of locating commercial and residential uses in the area. The Pacific Beach Community Plan has commercial and transit-oriented design standards to guide the development of mixed-use in Pacific Beach. The development proposal meets the intent of these design criteria in order to produce a more pedestrian and bicycle friendly development. Some of the proposed features of the development include a zero-foot setback, parking located behind the façade of the building and in a basement garage, and bicycle racks which have been located in the street and basement level parking areas. In addition, the project is proposing to install five street trees and provide additional landscaping in the public right-of-way to improve the streetscape in conformance with the goals of the Plan's Commercial Element. Overall, the proposed project implements the goals and objectives of the community plan for creating mixed-use commercial districts that are accessible for pedestrians, bicyclists, and motorists.

The proposed development will aid in meeting overall General Plan and community plan objectives for increasing the supply of affordable housing. The project proposes to dedicate two of the fifteen residential units as very low income rental apartments available to households earning less than 50 percent of Median Area Income. This is in conformance with one of the primary goals of the community plan to provide affordable housing opportunities in the Pacific Beach community.

Environmental Analysis:

The City of San Diego conducted an Initial Study which determined that the proposed project could have a significant environmental effect in the area of Historical Resources (Archaeology), which is summarized below and further discussed in the Mitigated Negative Declaration and Initial Study documents.

Subsequent revisions in the project proposal created specific mitigation (monitoring during grading, et al) which is identified in Section V of the Mitigated Negative Declaration. The project as revised now avoids or mitigates the potentially significant environmental effects previously identified, and the preparation of an Environmental Impact Report was not required.

Mitigated Negative Declaration Number 37807 was finalized for the project on March 10, 2005 in accordance with the State of California Environmental Quality Act (CEQA) Guidelines. A Mitigation, Monitoring, and Reporting Program (MMRP) would be implemented which would reduce, to below a level of significance, the potential environmental impacts identified from the environmental review process for the following resource areas listed above and as summarized below.

Historical Resources (Archaeological)

City staff has determined through review of the City's Historical Resource Sensitivity Maps that the project site is located in proximity to a recorded archaeological site. No survey was conducted at the site because of the existing character of the site; however, the site has the

potential to have archaeological resources. The project would export approximately 6,680 cubic-yards of cut. Any disturbance to the project site has the potential to impact unknown buried archaeological resources. Therefore, implementation of the MMRP, contained in Section V of the Mitigated Negative Declaration, would mitigate potentially significant historical resource impacts to below a level significance.

Project-Related Issues:

Deviations – The project proposes to deviate from requirements for rear yard setbacks and to the Affordable Housing Density Bonus regulations of the San Diego Municipal Code (SDMC).

The CC 4-2 Zone allows for a rear yard setback of either zero feet or ten feet. The applicant is proposing a rear yard setback of six feet. The setback deviations are being requested so that the proposed development will not encroach into an existing six-foot San Diego Gas & Electric (SDG&E) easement along the Eastern (rear) property line. Staff supports the requested deviation and believes that the findings can be made because the six-foot setback:

1. Allows growth of plant material (vines) along the Eastern walls facing the freeway which would provide some additional visual interest from the Interstate that would not have occurred with a zero-foot setback.
2. Allows the underground basement walls to continue above grade which makes the structure more efficient and affordable to construct.
3. Allows a more efficient parking layout to accommodate all the required parking.

The project would provide for 15 infill rental units on a 15,051 square-foot site, which is currently vacant. The project’s design requires the proposed deviation to be able to develop the number of units allowed, which would require and allow for the development of the 2 affordable units.

Affordable Housing Density Bonus Regulations – The project proposes to utilize a 50% Density Bonus pursuant to the San Diego Municipal Code (SDMC) Density Bonus Regulations for Affordable Housing Projects. The 50 percent Density Bonus would permit the development of 5 additional units beyond the underlying zoning of 10 units for a total of 15 units.

The Density Bonus regulations applicable to this project allow the applicant to request a 50 percent density bonus for residential development by:

1. Entering into an agreement with the San Diego Housing Commission to ensure that at least 20% of the pre-bonus units (two units) in the development would be affordable to very low - income households at or below 50 percent Area Median Income for a period of 20 years and 55 years respectively (allows for a density bonus of 25 percent); and by

2. Requesting deviations to the applicable Affordable Housing Density Bonus Regulations [Sections 143.0730(a) *Density Bonus Provisions* , and 143.0740(a) *Affordable Housing Provisions*] in accordance with a Site Development Permit. Section 143.0760, *Deviations from Density Bonus and Affordable Housing Provisions*, allows an applicant to apply for, and the decision maker to consider and grant deviations to the aforementioned sections where “the development provides for the inclusion of dwelling units affordable by persons of very low income.” Staff believes that the Planning Commission can make the required Supplemental Site Development Permit findings [Section 126.0504(m)](Attachment 13) .

In order to meet the requirements of the City’s Inclusionary Housing Ordinance, the applicant is required to provide one affordable unit to households at or below 65 percent of the Area Median Income for a period of 55 years. To meet the Affordable Housing Density Bonus Regulations, the applicant is required to provide two units affordable at 50 percent Area Median Income for a period of 20 years. The Inclusionary Housing Ordinance is more restrictive regarding number of years that a unit must remain affordable, and the Affordable Housing Density Bonus regulations are more restrictive regarding number of units which must be provided.

Rather than have all of the affordable units affordable at the lowest level (50 percent Area Median Income) for the longest term (55 years), the City’s goal is to have the highest number of affordable units and a balance of affordability and the term of the affordability. Therefore, the combined affordability provisions of the Inclusionary Housing Ordinance and the Affordable Housing Density Bonus regulations require the project to set aside two residential units affordable to very-low income households at or below 50 percent Area Median Income; one two-bedroom unit for a period of 55 years and one three-bedroom unit for a period of 20 years. The applicant has agreed to meet that requirement and the permit has been so conditioned.

	Density Bonus	Inclusionary	Combined
Term	20 years	55 years	<i>20 and 55 years</i>
% Affordable Required	20 percent	10 percent	<i>20 percent</i>
Units Required	2 Affordable	1 Affordable	<i>2 Affordable</i>
AMI Required	50 percent	65 percent	<i>50 percent</i>

Community Planning Group Recommendation – On October 25, 2004, the Pacific Beach Community Planning Committee voted 18-1 to approve the project, with the condition that no signage is allowed on the rear of the building. The applicant wishes to reserve the right to request signage for the rear of the building that is currently allowed by the San Diego Municipal Code.

Critical Project Features to Consider Should a Substantial Conformance Review Be Requested

- **Intensity of Development**: The site shall be limited to 150 percent of the density (with Density Bonus) allowed by the underlying zone.
- **Site Design**: The project design should not increase the amount of deviation from the regulations of the development regulations of the underlying zone, unless the Planned Development Permit findings could still be made with those additional deviations.
- **Environmental Documents**: The project design should remain within the parameters of the scope of the Mitigated Negative Declaration.
- **Affordable Housing**: The affordable housing units must meet the requirements of the Housing Commission agreement.

Conclusion

Other than the requested deviations, for which staff believes that findings can be made, staff finds the Markey Mixed-Use project consistent with the recommended land use, design guidelines, and development standards in effect for this site per the San Diego Municipal Code, the adopted Pacific Beach Community Plan and Local Coastal Program, and the City of San Diego Progress Guide and General Plan.

The proposed development would provide 15 for-rent residential units, 2 of which would be affordable to very-low-income families at a time when the City of San Diego has declared a Housing State of Emergency. One two-bedroom and one three-bedroom unit would house small and large families earning 50 percent of the Area Median Income for periods of 20 and 55 years.

ALTERNATIVES

1. **Certify** Mitigated Negative Declaration No. 37807 and **Approve** Coastal Development Permit No. 105707, Site Development Permit No. 105708; Neighborhood Development Permit No. 203074, Planned Development Permit No. 203078, and Vesting Tentative Map No. 203075, including the request to waive the requirement to underground existing overhead utilities, **with modifications**.
2. **Do not Certify** Mitigated Negative Declaration No. 37807 and **Deny** Coastal Development Permit No. 105707, Site Development Permit No. 105708; Neighborhood Development Permit No. 203074, Planned Development Permit No. 203078, and Vesting Tentative Map No. 203075, including the request to waive the requirement to underground existing overhead utilities, **if the findings required to approve the project cannot be affirmed**.

Respectfully submitted,

**Marcela Escobar-Eck, Deputy Director
Customer Service & Information Division
Development Services Department**

**Daniel Stricker
Development Project Manager
Development Services Department**

HALBERT/DES

Attachments:

1. Aerial Photograph/Project Location Map
2. Community Plan Land Use Map
3. Project Data Sheet
4. Project Title Sheet
5. Grading Plan
6. Site Plan
7. Floor and Roof Plans
8. Elevations and Sections
9. Landscape Development Plan
10. Vesting Tentative Map
11. Draft Vesting Tentative Map Conditions and Subdivision Resolution
12. Draft Permit with Conditions
13. Draft Resolution with Findings
14. Ownership Disclosure Statement
15. Affordable Housing Density Bonus Regulations, Section 143.0760, Approved by the California State Coastal Commission
16. City's Undergrounding Master Plan – Map 2AA
17. Project Chronology