



Good Neighbors

San Diego
Housing Commission

REPORT

DATE: For the Agenda of March 2, 2001 **Item 106**

REPORT NO: HCR 01-029

SUBJECT: Coastal Zone Affordable Housing Program - 310, 330, and 340 Playa Del Sur Replacement Unit Agreement (Council District 1 and 2)

SUMMARY

Issue: Should the Housing Commission authorize the Chief Executive Officer (CEO) to execute a Replacement Unit Agreement with Playa Del Sur L.L.C. for the provision of low-and moderate-income replacement units required with the proposed demolition of the property located at 310, 330, and 340 Playa Del Sur ?

Recommendation: That the Housing Commission authorize a proposed Replacement Unit Agreement for eight residential units located within the Coastal Overlay Zone at 2660 South Mission Boulevard, and direct the CEO to execute a Compliance Agreement and related documents approved to form by General Counsel.

Affordable Housing Impact: The developer is required to provide nine (9) replacement units for the proposed demolition of nine residential units at 310, 330, and 340 Playa Del Sur which were found to be occupied by low or moderate-income persons or families. With this recommendation, the developer will agree to provide eight of nine required replacement units in a property in South Mission Beach that the developer is currently in escrow to purchase. The developer also seeks to purchase a second property within the City's Coastal Zone to meet the entire nine-replacement unit requirement.

Previous Related Action: On January 1, 2000, the City's approved Land Development Code became effective, which codified Council Policy 600-3 into the Code as Sections 143.0810– 143.0860.

BACKGROUND

In 1981, the California Legislature adopted Senate Bill 626 (Mello Bill), which substantially altered the regulations regarding residential development in the Coastal Zone. This 1981 Statute amended the California Coastal Act to limit the jurisdiction of the California Coastal Commission to matters of physical development. Enacted as Government Code Section 65590, this legislation shifted the affordable housing opportunity provisions for low and moderate-income persons within the Coastal Zone from the Coastal Commission to local jurisdictions.



In response to the Mello Bill, on June 14, 1982 the City Council adopted Policy 600-3 (Coastal Housing Program). Council Policy provides that the conversion or demolition of existing dwelling units occupied by persons or families of low- or moderate-income shall not be authorized, unless and until, provision has been made for replacement of those dwelling units with units affordable to low- or moderate-income persons or families.

As an alternative to an applicant providing affordable replacement units, an in-lieu fee may be paid into the Housing Trust Fund. Council directed the Housing Commission to establish the amount of contribution required of developers who choose to pay a fee in-lieu of providing replacement units affordable to low- or moderate-income persons or families. On July 9, 1982 the Commission adopted an in-lieu methodology and schedule of fees. The in-lieu fee schedule is updated periodically, and on May 19, 2000 the Housing Commission approved the current in-lieu fee schedule.

Coastal Zone Affordable Housing Replacement Regulations - Municipal Code Sections
143.0810 – 143.0860

As part of the City's development review process, city staff evaluates all development projects in which an applicant proposes the demolition or conversion of existing residential units within the Coastal Zone. If the project is not exempt under Municipal Code (Attachment 1), city staff directs the applicant to the Housing Commission to perform a tenant income survey. The tenant income survey determines if any residential units are occupied by low- or moderate- income persons or families, and establishes the number and mix of any required replacement units.

With the completion of the tenant income survey, the Chief Executive Officer issues a Coastal Affordable Housing Compliance Permit Letter which notifies an applicant of any replacement unit obligation. Prior to proceeding with the project's discretionary hearing, the applicant must execute a Coastal Affordable Housing Compliance Agreement and provide performance security for either: 1) the one-for-one replacement of units occupied by low- or moderate-income persons or families, or 2) the payment of an in-lieu fee toward the provision of replacement units.

If replacement units are proposed, Code Section 143.0860 identifies that the replacement units shall be similar to those being demolished. The Code requires replacement units with at least the same bedroom mix as the demolished units, but it does not preclude a developer from proposing replacement units with more bedrooms than those being demolished. The replacement units shall be acceptable to the CEO of the Housing Commission. The priority for location of the replacement units is: 1) on the site of the demolished units, 2) elsewhere in the Coastal Overlay Zone within the same community plan area, 3) elsewhere in the Coastal Overlay Zone, or 4) within three miles of the Coastal Overlay Zone, if not feasible within the Coastal Overlay Zone.

DISCUSSION

The applicant, Rod McPherson of Playa Del Sur L.L.C., has submitted plans to the City of San Diego for discretionary permits to demolish 37 existing residential units located at 310, 330, and 340 Playa Del Sur, and to develop eight (8) single-family homes on the site. In September 1999, the applicant was referred to the Housing Commission for compliance with the City's Coastal Housing Replacement Unit Regulations. Commission staff performed a tenant income survey for these units in October 1999.

On October 27, 1999, the CEO issued to Playa Del Sur L.L.C. a Coastal Affordable Housing Compliance Permit Letter (Attachment 2) identifying the applicant's obligation to provide for the nine replacement units affordable to low – or moderate- income families (four low income and five moderate income replacement units). The minimum bedroom mix required for the low-income units is three studios and one one-bedroom unit. The minimum bedroom mix required for the moderate-income units is three studios and two one-bedroom units.

During the last year, Mr. McPherson has worked with City staff to prepare this project (No. 99-0135) for docketing with the City of San Diego Planning Commission for its discretionary development approvals. The Playa Del Sur project is expected to be docketed for one of the Planning Commission's March 2001 meetings. The applicant seeks the Housing Commission's approval to provide the replacement units required by Municipal Code rather than pay the in-lieu fee. In his letter of February 6, 2001, Mr. McPherson is seeking Housing Commission approval to meet his replacement unit obligation with the provision of nine replacement units within the Coastal Zone (Attachment 3).

The Playa Del Sur L.L.C. has entered into escrow to purchase eight residential units located at 2660 South Mission Boulevard in South Mission Beach. The units are located at the end of Mission Boulevard just north of the Mission Bay Channel (Attachment 4). The property is identified as Parcel 6, a triangular shaped property, at the intersection of Strandway and Mission Boulevard (Attachment 5). The purchase of a second Coastal Zone residential property is also being sought by the applicant to provide two residential properties to meet the full 9-unit replacement obligation. All the replacement units would be one-bedroom units.

Housing Commission staff and General Counsel met with Mr. McPherson and discussed the form of a Replacement Unit Agreement and related instruments required to secure the provision of the replacement units. It is anticipated that a Replacement Unit Agreement and junior deed of trust securing its timely performance will be executed and recorded against the Del Sur Property. Upon acquisition of the South Mission Boulevard property by the Playa Del Sur, L.L.C., a Declaration of Covenants, Conditions and Restrictions (Declaration) and a junior deed of trust will be recorded against the South Mission property, assuring the required affordability for the requisite time periods.

The Agreement will also restrict the recordation of the City's development permit prior to the Playa Del Sur L.L.C.'s purchase of the South Mission property and recordation of the Declaration and deed of trust described above.

RECOMMENDATION

Staff recommends that the Commission approve the proposed replacement units at 2660 South Mission Boulevard and authorize the CEO to execute such documents. It is also recommended that, if the second property proposed for replacement units by Playa Del Sur L.L.C. is found acceptable, the Commission authorize the CEO to amend the Replacement Unit Agreement and related documents to incorporate these additional units into the Agreement.

ALTERNATIVE

If the Commission finds the units unacceptable, the Commission may deny the proposed replacement units.

Respectfully submitted,

Pat Duplechan
Director, Housing Programs

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

Attachments:

- 1: Land Development Code – Sections 143.0810-143.0860
- 2: CEO's Coastal Housing Compliance Letter
- 3: Playa Del Sure L.L.C. Letter dated February 6, 2001
- 4: Proposed Replacement Units @ 2660 South Mission Blvd.
- 5: County Assessor's Map for 2660 Mission Blvd. – Parcel 6