

RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS) 2016 COMPETITION APPROVAL OF RESIDENTIAL BUILDING ALLOTMENTS

January 10, 2017

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BACKGROUND

As part of the implementation of the City of Morgan Hill's 2016 Residential Development Control System (RDCS), the Planning Commission is scheduled at the January 10, 2017 Planning Commission hearing to award residential building allotments for Fiscal Year 2018/19. Two hundred and fifty building allotments are available as discussed below for this distribution and 11 projects have qualified to receive allotments.

The Planning Commission approved Resolution No. 16-65 at the November 8, 2016 meeting, approving the final scores for the 2016 RDCS competition (Attachment 2). Presidio Evergreen, LLC. appealed their final scores for applications RDCS2016-0017 (Murphy-Presidio-Evergreen) and RDCS2016-0018 (Condit-Presidio-Evergreen) to the City Council on December 14, 2016 and after discussion, the City Council denied the appeals, without adjusting the 2016 RDCS scores.

Distribution of Building Allotments

Resolution No. 16-080 (Attachment 3), approved by the City Council on May 25, 2016, allowed for the total building unit allotment and distribution for FY 2018/19 to be as follows:

Fiscal Year 2017/18

<u>Competition Category</u>	<u>Allotment</u>
On-going Projects	15
Affordable Set-aside	50
Micro Projects	5
Small Projects	5
Multi-Family Rental	10
Multi-Family Rental (>150 units)	10* (85 allotments in 2015-16 RDCS competition)
Open/Market	65
Monterey Corridor Area Projects	5

<u>*Project</u>	<u>Allotment</u>
MC-15-18(San Pedro-Presidio)	85
Total	250

The City Council authorized a one year competition for FY 2018/19. In the past, the City Council has authorized allotments into a second or third year for higher scoring projects to be completed. However, due to concerns with placing constraints on a new RDCS process (Measure S) and the potential for unforeseen consequences, the City Council did not authorize a multiple year competition to complete projects. Subsequently, on November 8, 2016 the voters within the Morgan Hill community adopted Measure S, the replacement of the prior RDCS Ordinance. This ordinance repeals and replaces in its entirety the prior ordinances, previously codified in Division IV (Residential Development Code) of Title 18 (Zoning) of the Morgan Hill Municipal Code. The transition provisions specified in Section 18.78.030.C.1 (Previously Approved Allotments) of the Morgan Hill Municipal Code allows for allotments awarded and exercised prior to March 1, 2017 to remain valid and not affected by the new ordinance. To comply with the transition

provision, the 250 allotments set aside for FY 2018/19 must be awarded no later than March 1, 2017. All other actions and approvals relative to the RDCS must comply with the provisions of the new ordinance.

With this competition, the Planning Commission does have the ability to adjust the distribution of the allotments as deemed necessary to respond to changes in the housing market (change in the build-out rate for exiting projects, lack of applications in a set-aside category or increased demand for a particular housing type) provided that no less than 33 percent of the allotment is awarded to single-family dwellings. For the 2016 RDCS competition, 83 allotments are required to be awarded to single-family developments, as defined as:

- a. "Single-family attached dwelling" means a dwelling attached to another dwelling, sometimes called a townhouse, duet, or row house. One or more walls extend from foundation to roof, which separate it from adjoining structures and from a property line. For purposes of the City's Measure C competition, single-family attached also includes one and two unit condominium buildings.
- b. "Single-family detached dwelling" means a dwelling designed to contain a single dwelling unit situated on a single lot. For scoring purposes, attached and detached single family dwellings are considered the same housing type (single-family dwellings).

A project may be awarded fewer than the total number of allotments requested, if doing so would help create a more balanced and equitable distribution of allotments and help to achieve the goals of the General Plan.

For this competition year, 313 allotments have been requested with 250 allotments available. Staff has made recommendations considering housing demands, ordinance requirements and General Plan goals.

The following summary identifies the qualifying project applications and staff recommendations for allotment of building units within each RDCS Competition category.

A. On-going Projects

The City received 5 requests for allotments within the on-going project category (Attachments 4 through 8). City Council Policy CP-09-03 establishes requirements that must be met to be considered as an on-going project (Attachment 9). Projects typically have completed a phase, have pulled 50 percent of the building permits for a phase and are in compliance with the adopted development schedule, are partially built, or have completed all planning entitlements within one year of receiving allotments. An on-going project may receive up to 15 building allotments each fiscal year.

- 1. **RDCS2016-0013 Cochrane-Cal Atlantic** - The project has received Subdivision, Precise Development Plan, Development Agreement and Site Plan Review approval. The applicant has obtained 35 residential building permits for the project site which is more than 50 percent of the first phase. Building permits were required no later than October 30, 2016 for 41 of the allotments. Based on

the phasing of the project and the development schedule, the project would be eligible as an on-going project.

2. **RDCS2016-0014 Laurel-DeRose-** The project has received Subdivision and Development Agreement approval. Site Plan Review has been approved. The Final Map is pending City Council approval on January 18, 2017. The project is not eligible as an on-going project.
3. **RDCS2016-0015 Cochrane-Borello-** The project has received Subdivision, Precise Development Plan, Development Agreement and Site Plan Review approval. These approvals did not occur within one year of receiving allotments. The project has not completed a phase or pulled 50 percent of the building permits for a phase. The project is not eligible as an on-going project.
4. **RDCS2016-0017 Murphy-Presidio Evergreen-** The project has received Subdivision, Precise Development Plan, Development Agreement and Site Plan Review approval in compliance with the project development schedule. The project would be eligible as an on-going project.
5. **RDCS2016-0018 Condit-Presidio Evergreen-** The project has received Subdivision, Development Agreement and Site Plan Review approval in compliance with the project development schedule. The project would be eligible as an on-going project.

The City Council set-aside 15 building allotments for on-going projects for FY 2018/19. It is recommended that **15 building allotments** be awarded to RDCS2016-0013 Cochrane-Cal Atlantic, as the highest scoring project.

B. Affordable Set-Aside

The City Council set-aside 50 building allotments within the Affordable category for FY 2018/19. RDCS applications were not received for this competition category. Staff recommends that the set-aside allotments for the Affordable corridor be redistributed.

C. Micro Projects

The City Council set-aside 5 building allotments within the micro project category for FY 2018/19. Two micro RDCS applications were received, with a request for 8 building allotments. To facilitate development of these projects, staff is recommending that the set-aside for this competition category be increased from 5 to 8 allotments.

1. **RDCS2016-0008 Old Monterey-Vo**
Final Score: 153.5
Request: 5 Allotments
Build-out: 6 units

This is a new project competing within the micro project category. The project proposes six single-family units. It is recommended that the project be **awarded 5 building allotments** to complete the project.

2. **RDCS2016-0011 Llagas-Silvas**

Final Score: 150.5
Request: 3 Allotments
Build-out: 3 units

This is a new project competing within the micro project category. The project proposes three, single-family units. It is recommended that the project be **awarded 3 building allotments** to complete the project.

D. **Small Projects**

The City Council set-aside 5 building allotments within the small project category for FY 2018/19. One small project was received. Staff recommends that the set-aside for this category be reduced to 4 allotments and that one allotment be redistributed to the open/market category.

1. **RDCS2016-0012 Walnut Grove-Newland**

Final Score: 163
Request: 4 Allotments
Build-out: 9 units

The project was awarded 5 allotments in the 2015 RDCS competition. Rezone, Tentative Map and Development Agreement applications have been processed by the City to meet the required RDCS milestones. The applicant has requested 4 allotments for FY 2018/19 to complete the single-family development project. It is recommended that the project be **awarded 4 building allotments** to complete the project.

E. **Multi-family Rental (>150 units)**

The City Council set-aside 10 building allotments for a smaller multi-family rental project. RDCS applications were not received for this competition category. Staff recommends that the set-aside allotments within the multi-family rental category be redistributed.

F. **Multi-family Rental (<150 units)**

The City Council set-aside 95 building allotments for the multi-family rental (<150) category for FY 2018/19, with 85 allotments awarded in the 2015 RDCS Competition to MC-15-18 (San Pedro-Presidio). Two RDCS applications were received for this competition category. To facilitate development of these projects, staff is recommending that the set-aside for this competition category be increased from 95 to 98 allotments.

1. **RDCS2016-0016 Jarvis-MWest:**

Final Score: 182
Request: 10 Allotments
Build-out: 383 units

This is a new project competing within the multi-family (<150) project category. This is the highest scoring project within this category; therefore, allotments are required to be awarded to the project. Staff has reviewed the project site details and with the proposed award, two D buildings (5 units each) could be developed. The applicant did request additional allotments, if surplus allotments were available. The project development schedule has been attached (Attachment 10). With the City Council's goal to complete continuing projects, it is recommended that this new project be **awarded 10 building allotments**.

2. **RDCS2016-0018 Condit- Presidio Evergreen:**

Final Score: 178

Request: 17 Additional Allotments for FY 2018/19

Build-out: 182 units

This is a continuing project. The applicant was awarded two year allotments in the 2015 RDCS competition for a total of 165 allotments. As proposed, the project includes 12, seven unit buildings and seven, 14 unit buildings. It is recommended that the project be **awarded 3 additional building allotments for FY 2018/19**. This would increase the allotment award to 168, which would allow the project to be 92% allotted. The development schedule has been attached (Attachment 11). The project would need 14 Measure S allotments (or one building).

G. **Open/Market Rate Housing**

The City Council set-aside 65 building allotments within the open/market category for FY 2018/19. To facilitate the development of several projects in this category, staff is recommending full and partial allotments as requested, and that the set-aside for this competition category be increased from 65 to 125 allotments by transferring unused allotments from other set-aside categories (small multi-family, affordable and Monterey corridor)

1. **RDCS2016-0009 E. Dunne-Mana**

Final Score: 180

Request: 16 Allotments

Build-out: 32

The project received 16 building allotments in the 2015 RDCS competition. The applicant is requesting 16 building allotments to complete the project. The project is amongst the highest scoring projects. It is recommended that the project be **awarded 16 building allotments** to complete the project.

2. **RDCS2016-0010 Monterey-Dynasty**

Final Score: 163.5

Request: 2 Allotments

Build-out: 131

The project has 128 building allotments. The Tentative Map, Precise Development Plan and Development Agreement have been approved for the project. Although not amongst

the highest scoring projects, the project is under construction with all building permits issued and the award would complete the project. It is recommended that the project be **awarded 2 allotments** to complete the project.

3. **RDCS2016-0013 Cochrane-Cal Atlantic**

Final Score: 182.5
Request: 52 Allotments
Build-out: 135

The project has 83 building allotments, has obtained all entitlements, and obtained 35 residential building permits. The applicant has requested 52 allotments to complete the project. As the highest scoring project, 15 allotments have been recommended as an on-going project. It is recommended that the project be **awarded 37 additional building allotments** to complete the project.

4. **RDCS2016-0014 Laurel-DeRose**

Final Score: 176.5
Request: 45 Allotments
Build-out: 65 units

The project was awarded 5 allotments in the 2014 RDCS competition and 15 allotments in the 2015 RDCS competition. The applicant has requested 45 allotments; however, the project is not amongst the highest scoring projects. In reviewing the project Phasing plan, with the recommended allotments, Phase A (11 units), Phase B (15 units) and the single family detached portion of Phase C (5 units) could be completed or the construction phasing could be modified to complete Phase E (5 units). The proposed award would allow the project to continue without a break in the construction cycle. The construction phasing schedule has been attached (Attachment 12). It is recommended that the project be **awarded 11 building allotments**.

5. **RDCS2016-0015 Cochrane-Borello**

Final Score: 180.5
Request: 30 Allotments
Build-out: 244 units

Toll Brothers has acquired Phase 1A and 1B of the project comprising 55 building allotments. Toll Brothers expects to commence construction of the first phase early 2017. The Borello family retains ownership of the remaining San Sebastian project, with negotiations to continue with Toll Brothers for additional phases of the project as allotments become available. The applicant has stated in their request that if full allotments are not available 12 to 18 allotments would continue to make the project feasible. The development schedule has been attached (Attachment 13). The project is a high scoring project within the category; therefore, it is recommended that the project be **awarded 15 allotments**.

6. **RDCS2016-0017 Murphy-Presidio Evergreen**

Final Score: 180
Request: 44 Allotments
Build-out: 74

The project was awarded 30 allotments in the 2015 RDCS competition. The applicant is requesting 44 allotments to complete the project. The project is amongst the highest scoring projects and has received Subdivision, Precise Development Plan, Development Agreement and Site Plan Review approval. It is recommended that the project be **awarded 44 building allotments** to complete the project.

H. **Monterey Corridor**

The City Council set-aside 5 building allotments within the Monterey corridor category for FY 2018/19. RDCS applications were not received for this competition category. Staff recommends that the set-aside allotments for the Monterey corridor be redistributed.

CONCLUSION

For FY 2018/19, 250 building allotments are available. The recommended distribution would utilize 250 building allotments by redistributing the allotments as follows:

Fiscal Year 2018/19

<u>Competition Category</u>	<u>Allotment</u>	<u>Proposed Allotments</u>
On-going Projects	15	15
Affordable Set-aside	50	0
Micro Projects	5	8
Small Projects	5	4
Multi-Family Rental	10	0
Multi-Family Rental (>150 units)	95	98
Open/Market	45	125
Monterey Corridor Area Projects	5	0
Total	250	250

A spreadsheet has been prepared demonstrating the score of each project and the proposed building allotments within each category (Attachment 14).

In accordance with Section 1.20.010 of the Morgan Hill Municipal Code, an applicant may appeal the final building allotments to the City Council within 15 days after notice of the final allotments issued by the Planning Commission. Any appeal filed would be heard at the February 15, 2017 City Council meeting.

Attachments:

1. Resolution
2. Planning Commission Resolution No. 16-65
3. City Council Resolution No. 16-080
4. Cochrane-Cal Atlantic on-going request
5. Laurel-DeRose on-going request

6. Cochrane-Borello on-going request
7. Murphy-Presidio Evergreen on-going request
8. Condit-Presidio Evergreen on-going request
9. City Council Policy CP-09-03
10. Jarvis-MWest Development Schedule
11. Condit-Presidio Evergreen Development Schedule
12. Laurel-DeRose Phasing Schedule
13. Cochrane-Borello Development Schedule
14. FY 2018-2019 RDCS Proposed Building Allotments