



# STAFF REPORT

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March 2, 2022  
File Number 0600-15

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## SUBJECT

**DEVELOPMENT AGREEMENT AND MAJOR PLOT PLAN FOR THE VIA PORTOFINO APARTMENT PROJECT (ADM 18-0225 AND PL 22-0021) -**

## DEPARTMENT

Community Development Department, Planning Division

## RECOMMENDATION

Request the City Council (1) adopt Ordinance No. 2022-04, approving a Development Agreement for the Via Portofino apartment project and (2) Approve Resolution No. 2022-31, approving a Major Plot Plan for the Via Portofino apartment project.

Staff Recommendation: Approval (Community Development Department: Adam Finestone)

Presenter: Adam Finestone

## BACKGROUND

Portofino Holdings, LLC (“Applicant”), submitted an application for a Plot Plan for the development of two, two-story buildings (up to approx. 26 feet in height) to accommodate a total of 15 apartment units within the Southern Entry District of the SCCSP (“Project”). The design includes a mix of one-bedroom and two-bedroom units ranging in size from 597 square feet to 856 square feet. Twenty-nine parking spaces are proposed, which includes a combination of carports and uncovered spaces. The Project would result in a density of 30 dwelling units per acre. The applicant is seeking a 23% reduction in the onsite open space requirement and has requested a development agreement to allow for the payment of a fee in-lieu of the provision of the remaining open space.

A complete Project description and analysis of the Project, including its conformance with the General Plan, South Centre City Specific Plan, and Climate Action Plan, can be found in the January 25, 2022, Planning Commission staff report which is included with this report as Attachment “1”.



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### **FISCAL ANALYSIS**

As part of the overall decision-making process for a development project, it is important to evaluate the contributions and demands that development will place upon a public agency's general fund and the City or County's ability to provide ongoing public services. To avoid the need for a City or County to subsidize new development, cities and counties can establish or require special funding mechanisms to ensure that new development pays for itself.

In 2019, the City of Escondido hired a financial consultant who conducted a Fiscal Impact Analysis ("FIA") and determined that future ongoing revenue received as a result of new residential units throughout the City is less than the cost to provide municipal services, including police, fire and infrastructure maintenance, to those new units. In January 2020, the results of the FIA were presented to the City Council. On April 8, 2020, a Resolution was passed declaring the City's intent to form a Community Facilities District (collectively referred to herein as the "CFD") to offset the cost of governmental services associated with new development, as identified in the FIA.

CFD No. 2020-1, Citywide Services, was formed by the City Council on May 13, 2020, as one mechanism for offsetting additional public services required by a development project. The special tax that may be assessed on properties as a result of the development of new residential units is based upon the FIA that was prepared to support the creation of CFD No. 2020-01. Developers to whom these residential project entitlements are assigned are responsible for the establishment of a lawful funding mechanism to provide a source of funds for the on-going municipal services required for the project. The benefit of voluntarily entering into the CFD as the chosen funding mechanism is that the process is significantly streamlined, which saves staff time and costs to Developers.

Based on the Resolution adopting CFD No. 2020-1, the Project's density (>18 du/ac) would require assessment of a special tax of \$739.50 per unit, if the developer opted to utilize this mechanism to offset the ongoing costs of providing public services. Based on a 15-unit development, the current estimated annual amount for ongoing services is \$11,092.50, subject to annual adjustments.

Conditions have been included as Exhibit "D" to Resolution No. 2022-31 that require the Project to fund the ongoing costs of municipal services, in the amount determined by the City, through voluntarily annexing into the Citywide Services CFD or establishment of another lawful funding mechanism. All costs for forming and implementing an alternative lawful funding mechanism, including costs for consultants, elections, and any legal challenge, are expected to be at the Applicant's sole expense. If the Applicant chooses to pursue an alternative funding source rather than annexing into CFD No. 2020-01, the City needs to determine and ensure that the Project pays for any additional fiscal burdens placed upon the



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City's operational budget as a result of the future development. The voluntary annexation of the Project into the CFD or establishment of another lawful funding mechanism to fund public services (in addition to payment of development impact fees to pay for public facilities) is necessary to avoid or lessen the likelihood of future impacts related to the provision of public services, as well as to maintain General Plan conformance to enable Project approval.

The Applicant has suggested that the Project should not be subject to conditions requiring voluntary annexation into CFD No. 2020-01 or establishment of another lawful funding mechanism, because the application was submitted and in-process prior to City Council adoption of the requirement to fund ongoing public services. City staff's recommendation to approve the Project is based, in part, on the inclusion of these conditions, and staff does not recommend that the conditions be removed.

### **NO NET LOSS**

The purpose of Government Code section 65863 ("No Net Loss Law") is to ensure development opportunities remain available throughout the planning period to accommodate a jurisdiction's regional housing need allocation ("RHNA"), especially for lower- and moderate- income households. Jurisdictions also cannot approve new housing at significantly lower densities or at different income categories than was projected in the Housing Element without making specific findings and identifying other sites that could accommodate these units and affordability levels "lost" as a result of the approval.

Because the Sixth Cycle Housing Element has not been certified by the California Department of Housing and Community Development, compliance with No Net Loss provisions are reviewed in relationship to the Fifth Cycle Housing Element. The City's Fifth RHNA Cycle consists of 4,175 total units, including 733 moderate-income units and 1,873 lower-income units. The Housing Element Residential Site Inventory identified a total capacity for 4,561 units to accommodate extremely/very low, low, moderate, and above moderate-income affordability levels. Since 2012, the City has produced 1,866 total housing units during the course of the Fifth RHNA Cycle. As of January 1, 2021, the total remaining RHNA obligation is 2,309 total units, including 655 moderate-income units and 1,634 lower-income units.

Government Code section 65583(a)(3) requires local governments to prepare an inventory of land suitable for residential development, including vacant sites and sites having the potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites. The City performed this analysis in March 2021, and identified suitable sites that can be developed for housing. Overall, vacant and underutilized properties in the South Centre City Specific Plan area are projected to accommodate 1,038 new moderate-income and lower-income units. The Project would result in no net loss because it will be developed at the maximum density permitted for the property as identified in the



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South Centre City Specific Plan, and total housing yield capacity exceeds the remaining RHNA obligations in the lower-income category.

### **ENVIRONMENTAL REVIEW**

California Environmental Quality Act (“CEQA”) Guidelines list classes of projects that have been determined not to have a significant effect on the environment and as a result are exempt from further environmental review under CEQA. The Project qualifies for an exemption under CEQA Guidelines section 15332 (In-Fill Development Projects). A CEQA Notice of Exemption will be filed for the Project upon approval by City Council. The Notice of Exemption demonstrates that the Project qualifies for the exemption and will not have a significant effect on the environment.

### **PREVIOUS ACTION**

On January 25, 2022, the Escondido Planning Commission recommended City Council approval the Project (6-0; one commissioner absent).

### **PUBLIC INPUT**

The Project was noticed consistent with the requirements of the Escondido Zoning Code and State law. One member of the public spoke in opposition of the Project at the January 25, 2022, Planning Commission meeting. The concerns raised by the commenter were primarily related to potential impacts to parking in the neighborhood to the east of the Project site. Staff has not received any further correspondence from the public regarding the Project as of the writing of this report.

### **RESOLUTIONS**

- a. Resolution No. 2022-31
- b. Resolution No. 2022-31 Exhibits “A” through “D”

### **ORDINANCES**

- a. Ordinance No. 2022-04
- b. Ordinance No. 2022-04 Exhibit “A”

### **ATTACHMENTS**

- a. Attachment “1” - January 25, 2022, Planning Commission Staff Report
- b. Attachment “2” -Zoning Map and Aerial Photograph