



November 19, 2020

Justin Meek, AICP, Principal Planner
Community Development Department
City of Watsonville
275 Main Street
Watsonville, CA. 95076

Re: The Residence at 558 Main Mixed-Use Project (PP2019-432) Density Bonus Housing Plan

Justin:

Pacific Coast Development is well underway with the entitlement process for our newest project known as The Residence at 558 Main. PCD originally submitted the Design Review and Environmental Assessment Application on 11-5-2019 for a five story 74 unit mixed-use project. PCD received an incomplete application response on 12-20-2019 citing twenty-five areas requiring attention. During the first half of 2020 PCD and the project team continued to work with City staff to address the original 25 issues raised from the original submittal. Throughout the first six months of 2020 PCD and the project team re-designed the project to reduce the overall size and scope. The re-designed project is now a four story 50 unit mixed-use project. On 8-21-2020 PCD re-submitted and received another incomplete letter on 9-23-2020 noting four items requiring attention. Over the past forty-five days PCD and the project team have worked with City staff to address and resolve the remaining items. PCD is re-submitting the application and including a Density Bonus Housing Plan for the project pursuant to [WMC Chapter 14-47](#). PCD's application and plan is being submitted in accordance with [WMC Chapter 14-47.130](#). The Residence at 558 Main is a mixed-use project and therefore is not required to include financial analysis pursuant to [WMC 14-47.130 \(a\) \(3\)](#).

The Residence at 558 Main project will identify and detail any Density Bonus, incentive, concession, waiver, modification or revised parking standard requested pursuant to [WMC Chapter 14-47 Section 130 \(a\)](#). The aforementioned provisions of the Density Bonus provide the opportunity to increase the number of rental units and provide affordable rental homes for Section 8, very low, lower income and moderate income households.

Our original application was submitted on November 5, 2019 with several design changes to the project over the past year. The changes to the project, which requires incentives from the Density Bonus Law as well as waivers and concessions, have been developed in collaboration with our development team and City staff. The State's Density Bonus Law provides for reductions in development standards, other incentives, concessions and waivers. The revised development proposal will now include a total of 50 units including 10 units of affordable housing owned and operated by Pacific Coast Development.



The affordable units at The Residence will provide an opportunity to increase the number of affordable homes in the City of Watsonville. The following are the relevant guidelines to be included in the project's Density Bonus Housing Plan:

A. Site plan showing total number of units, number and location of target units, and number and location of proposed density bonus units.

The residential development proposed by Pacific Coast Development provides for 20% of the total units to be affordable units serving low, very low and extremely low income households. The proposed development is located at 558 Main Street (APN #018-241-20). The Residence at 558 Main will provide Fifty (50) housing units in a four story mixed-use building. The ten affordable housing units will be located throughout the project and will be constructed using the same building materials, appliances, finishes and quality of construction of the market rate rental units. The Residence will not be adding any density bonus units to the project based on the site constraints.

B. A description of any requested density bonuses, incentives, concessions, waivers or modifications of development standards, modified parking standards, or commercial development bonus.

Requested Concessions

Per California Density Bonus Law, PCD is requesting two concessions for the project as currently designed. As a mixed-use project inclusive of 20% affordable housing units we meet the criteria of "at least 20 percent of the total units for lower income households". The first concession is a modification of the development standards relating to yard storage and the second concession is a variance to use an off-site parking lot within 150 feet of the site for commercial parking as per [WMC Chapter 14-17 Section 106 \(b\)](#).

Concession #1: Yard Storage for each unit concession

Section III.C.4 of the Residential Development Standards requires Sole Residential Developments to provide a minimum of 200 cubic-feet of storage per residential unit. The Residence is a mixed-use project and therefore not considered a Sole Residential Development. The Residence is located in the Central Commercial Core Area District CCA and therefore falls under [WMC Chapter 14-16 Section 1003\(e\)](#) referring to mixed-use projects. The past five projects in the CCA have not provided and have not been required to provide yard storage. Although the requirement is disputed the most appropriate resolution is to request said concession.

The Residence Project site is unique in several ways that constrain our ability to meet this Residential Development Standard. The site is limited to 30,000 sq.ft. and cannot provide ample parking and yard storage to be able to build fifty units. The ability to build



fifty units will further allow ten affordable units to be included in the project. Requiring the yard storage for a fifty unit mixed-use infill project would render the project financially unfeasible. Based on the above the applicant is requesting the concession for the yard storage requirement.

Concession #2: Off-street Commercial Parking Requirement

[WMC Chapter 14-17 Section 106 \(b\)](#) allows for off-street parking requirements to be satisfied if “The required parking for Commercial Districts is permanently provided within 150 feet of the site”. Several City Public Parking Lots are within 150 feet of the subject site. City Public Parking Lots #2, 4, 7 & 15 are all within 150 feet of the site as per the below map. The Residence is requesting a concession to allow for a variance of the commercial parking requirement as authorized under [WMC Chapter 14-17 Section 106 \(d\)](#). Section 106 (d) specifically states “Existing or proposed commercial buildings located in the Central Commercial District which do not meet the current parking requirements for new businesses may request a variance from the Redevelopment Agency or its successor agency.” Since the Redevelopment Agency no longer exists the CDD has the ability to have the successor agency waive this requirement. The Residence at 558 Main will be a 50 unit mixed-use housing project offering affordable housing for Section 8, very low, lower income and moderate income households. The Residence will provide an improved quality of life and great amenities for individuals and households.





C. Summary table showing the maximum number of units permitted by the zoning and general plan excluding any density bonus units, affordable units qualifying for the project for a density bonus, level of affordability of all affordable units, proposed bonus percentage, number of density bonus units proposed, and total number of dwelling units proposed on the site.

The Residence project is not applying for density bonus units and as such Section C is not applicable.

D. Tenure (rental versus for-sale) of target units and proposals for ensuring affordability.

The Residence project will provide rental units split 80/20 between market rate and affordable units. The 20% affordable rental housing units will serve Section 8, very low, lower income and moderate income households. The affordability restrictions for the project will be in place for at least 55 years, allowing for low-income households to access affordable housing for the foreseeable future in the Historic Downtown.

E. A description of all dwelling units existing on the site in the five-year period preceding the date of submittal of the application and identification of any units rented in the five-year period. If dwelling units on the site are currently rented, income and household size, if known, of all residents of currently occupied units. If any dwelling units on the site were rented in the five-year period but are not currently rented, the income and household size, if known, of residents occupying dwelling units when the site contained the maximum number of dwelling units.

The Residence is a redevelopment project formerly operating as a commercial bank. The bank building was built in 1968. The building was razed in April of 2019 in preparation of the mixed-use development project known as The Residence at 558 Main and as such Section E is not applicable.

F. Description of any recorded covenant, ordinance, or law applicable to the site that restricted rents to levels affordable to very low or lower income households in the five-year period preceding the date of submittal of the application.

There are currently no recorded covenants, ordinances, or laws applicable to the site that restrict or have restricted rents to levels affordable to very low or lower income households within the last five years. The subject development site was previously a commercial bank.



G. All incentives and concessions except those listed in Section 24.16.255(2), a pro forma demonstrating that the requested incentives and concessions result in identifiable and actual cost reductions and evidence that the cost reduction allows the applicant to provide affordable rents or affordable ownership costs. If a mixed-use building or project is proposed as an incentive, the applicant shall also provide evidence that nonresidential land uses will reduce the cost of the residential project and that the nonresidential land uses are compatible with the residential project and the existing or planned surrounding development.

The two requested concessions appear to be included in Section 24.16.255(2) as well as not being required for mixed-use projects pursuant to [WMC 14-47.130 \(a\)\(3\)](#). The Residence will not be requesting concessions requiring the financial pro-forma and as such Section G regarding financial pro-forma is not applicable.

In regards to compatibility Pacific Coast Development has been operating several properties in the Historic Downtown for over twenty-five years. One of the most recent projects is The Terrace at 445 Main project. PCD has operated The Terrace for the past 2 ½ years and The Terrace is a highly regarded neighbor by the surrounding retail businesses as well as the other residential apartment buildings and single family residences. The Terrace provides fifty-four residential housing units helping reduce the demand on our local housing market. The Terrace is a committed member of our local community supporting Police, Fire and local non-profits.

H. Any pro forma submitted to comply with paragraph (2) (f) of this section may not include the lost opportunity cost of any affordable units (i.e., the revenue that would have been generated had the units been rented or sold at market rate) and may include as an additional cost only those additional expenses that are required solely because of the proposed construction of the affordable units.

The Residence at 558 Main is a mixed-use project and therefore is not required to include financial analysis pursuant to [WMC 14-47.130 \(a\) \(3\)](#) and as such Section H is not applicable.

I. For concessions or modifications of development standards: the application shall provide evidence that each development standard for which the waiver is requested will have the effect of physically precluding the construction of the housing development at the densities or with the incentives or concessions permitted by this Part 3.

Concession #1 Yard Storage

The requested waiver to eliminate the yard storage requirement is a critical component to the development of the project. The elimination of yard storage allows for the utilization of 10,000 cubic feet to be used to facilitate parking and building mechanical systems. Requiring the yard storage would render the project financially unfeasible. The stated 10,000 cubic feet of yard storage would



require the development to use subterranean parking. Subterranean parking per parking spaces ranges between \$65,000 - \$90,000. The most recent estimate for forty-one parking spaces came in at \$3.2M equating to \$78,048 per parking space. Should the yard storage concession not be granted the project would not be able to be developed with fifty total rental units including ten affordable units to ease the demand on the local housing market. The Residential Development Standards are intended for Sole Residential projects in suburban areas not Downtown Urban infill projects. Requiring the yard storage is in direct conflict with past projects as well as the intent of Downtown Urban infill projects. The Residence is therefore requesting a concession for the yard storage requirement.

Concession #2 Off-street Commercial Parking Requirement

The requested waiver to eliminate the Off-street Commercial Parking Requirement is another critical component to the development of the project. The waiver to eliminate the off-street commercial parking requirement is required to allow the project to proceed. Requiring the off-street commercial parking would render the project financially unfeasible. Requiring off-street commercial parking on-site would also require the development to use subterranean parking. Subterranean parking, as previously discussed, ranges between \$65,000 - \$90,000 per parking space. The most recent estimate for forty-one parking spaces came in at \$3.2M equating to \$78,048 per parking space. Should the off-street commercial parking requirement waiver not be granted the project would not be able to be developed with fifty total rental units including ten affordable units to ease the demand on the local housing market. Off-street commercial parking creates an undue burden on the development and renders the project infeasible and therefore The Residence is requesting a concession for the off-street commercial parking requirement.

J. If a parking modification is requested, a table showing parking required by the zoning ordinance and proposed parking. If a parking reduction provided by Section 24.16.256.2 is requested, evidence that the project is eligible for the requested parking reduction.

The Residence Project is not requesting a parking modification in addition to the parking standards identified in the Density Bonus section of [WMC 14-47 Section 110 \(f\)](#) and as such Section J is not applicable.

K. In phased housing projects, for each construction phase, the affordable housing plan shall specify, at the same level of detail as the application for the housing development: the number, unit type, tenure, number of bedrooms and baths, approximate location, size, and design, construction and completion schedule of all affordable units, phasing of all other affordable units in relation to market rate units, marketing plan, and intended rent or sale price and basis for calculation.



The Residence Project will not be a phased housing development and as such Section K is not applicable.

L. If the affordable units will not be constructed concurrently with the market rate units, the affordable housing plan shall describe the proposed phasing and specify the security to be provided to the city to ensure that the affordable units will be constructed.

The mixed-use project, including 50 residential units, will be constructed at the same time. The 10 affordable units will be constructed simultaneously with the market rate units and as such Section L is not applicable.

M. If a density bonus or concession is requested for a land donation, the application shall show the location of the land to be dedicated and provide evidence that each of the findings included in Section 24.16.230 can be made.

The Residence Project is not proposing a concession for a land donation and as such Section M is not applicable.

N. If a density bonus or concession is requested for a child care center, the application shall show the location and square footage of the child care center and provide evidence that the each of the standards included in Section 24.16.235 has been met.

Residence Project is not proposing a concession for a child care center and as such Section N is not applicable.

O. If a density bonus or incentive is requested for a condominium conversion, the application shall provide evidence that all of the requirements found in Section 24.16.240 have been met.

The Residence Project is not requesting a condominium conversion and as such Section O is not applicable.

P. If a commercial development bonus is requested for a commercial development, the application shall include the proposed partnered housing agreement, the proposed commercial development bonus, and evidence that each of the standards included in Section 24.16.258 has been met.

The Residence Project is not requesting a commercial development bonus and as such Section P is not applicable.



The Residence at 558 Main will be the second large scale mixed-use housing project in our Historic Downtown during the past five years. The community has and will continue to benefit greatly from the additional housing supply these two projects provide. The affordable and market rate rental units of The Residence help to address the significant housing shortage in our community and provide access to quality housing without economic barriers.

If you have any additional questions concerning The Residence at 558 Main Project and the Density Bonus Housing Plan, please contact our office directly at (831) 724-7504 or bill@pacificcoastdevelopment.com. We look forward to completing the entitlement process and proceeding with the construction phase to deliver quality affordable housing to our community!

Sincerely,

A handwritten signature in black ink, appearing to read 'Will JH', is written over a light blue horizontal line.

William J. Hansen, Developer
PACIFIC COAST DEVELOPMENT

Resource Documents;

[Watsonville Municipal Code](#)

[WMC Chapter 14-16 District Regulations](#)

[WMC Chapter 14-17 Parking and Loading Facilities](#)

[WMC Chapter 14-47 Density Bonus](#)

[Guide to the California Density Bonus Law Meyers Nave](#)

[City of Santa Cruz Density Bonus Ordinance](#)

[State of California Government Code Section 65915](#)