



Agenda Report

MEETING DATE: Tuesday, April 26, 2022

TO: City Council

FROM: COMMUNITY DEVELOPMENT DIRECTOR MERRIAM

SUBJECT: ORDINANCE ESTABLISHING A DEVELOPMENT AGREEMENT
FOR THE HILLCREST ESTATES SUBDIVISION LOCATED AT 511
OHLONE PARKWAY (APNS: 018-372-14 AND 018-381-01)

STATEMENT OF ISSUES:

The developers of the Hillcrest Estates subdivision have requested approval of a Development Agreement to allow the 144-unit housing project to be completed in phases extending to 2026.

RECOMMENDED ACTION:

Staff recommends that the Council introduce by title only and waive further reading of an Uncodified Ordinance of the City of Watsonville Adopting a Development Agreement for the Hillcrest Estates Subdivision Located at 511 Ohlone Parkway, based upon the findings in the staff report.

DISCUSSION:

On August 28, 2018, during a regularly scheduled public meeting, the Council adopted the following four resolutions.

- Resolution No. 139-18 (CM) certifying the Final Environmental Impact Report (EIR) for the Project;
- Resolution No. 140-18 (CM) approving the twenty-second (22nd) amendment to the *Watsonville 2005 General Plan* to re-designate the two parcels from (I) Industrial to (R-HD) High-density Residential.
- Resolution No. 141-18 (CM) approving a tentative map to subdivide an approximately 13 acre site into 150 residential lots and six common area parcels; and
- Resolution No. 142-18 (CM) approving a special use permit with design review and specific development plan to allow development of 23 single-family units, 40 duplex-style townhouse units and 87 row-style townhouse units for a total of 150 dwelling units.

During the same meeting, the Council conducted a first reading of Ordinance No. 1372-18 (CM), an uncodified ordinance to rezone and establish a Planned Development Overlay District

on Assessor's Parcel Number 018-372-14 from IG (General Industrial) to RM-3/PD (Multiple Residential High Density).

On September 11, 2018, the Council conducted a second reading and adopted Ordinance No. 1372-18 (CM).

On March 12, 2019, the City Council adopted Resolution No. 29-19 allowing an amendment to the EIR Mitigation Measure MM N-6 regarding construction noise mitigations, allowing modification to the construction sound wall placement and reducing construction hours to reduce noise impacts.

On May 18, 2021, an application for a Major Modification to the approved project known as Hillcrest Estates (formerly Sunshine Vista) was submitted for review. The proposed modifications included the reduction in the total number of units from 150 to 144, modification of the tentative map and grading plans, parking and project phasing, and minor modifications to landscaping, circulation, programming of common open space, building design and floor plans. In addition, an application to enter into a Development Agreement was submitted for review.

On July 6, 2021, the City Council adopted Resolution No. 210-21 (CM) amending the Tentative Map for Tract No. 1607, Hillcrest Estates Subdivision, Resolution No. 211-21 (CM) approving a Major Modification to the Special Use Permit with Design Review and Specific Development Plan, and Resolution No. 212-21 (CM) approving Addendum No. 3 to the previously certified Environmental Impact Report prepared for the Sunshine Vista (now Hillcrest Estates) subdivision.

During the July 6, 2021 Council meeting, significant concerns were raised regarding the treatment of contaminated soil on the property, specifically the burial of a portion of contaminated soil within the project site.

On July 13, 2021, the Planning Commission adopted Resolution No. 9-21 (CM), recommending that the City Council adopt an uncodified ordinance establishing a Development Agreement for the Hillcrest Estates development.

Since July, 2021, the applicant has been working with the City of Watsonville and the County of Santa Cruz in drafting and obtaining approval of a Remedial Action Plan (RAP) to ensure proper treatment and handling of the contaminated soil. A revised RAP was submitted to the County of Santa Cruz for review and approval on February 7, 2021, and was conditionally approved by the County of Santa Cruz on April 7, 2022.

PROCESS

A development agreement is a contract between a developer and the City that provides a roadmap directing how infrastructure, public spaces, amenities, and units will be built. Development agreements serve to reduce the risks associated with development because they clearly define how the project will be constructed.

California Government Code Section 65864¹ et seq. authorizes cities to enter into development agreements to minimize waste of resources, de-escalate the cost of housing and other developments to the consumer, and encourage investment in and commitment to comprehensive planning to maximize efficient utilization of resources at the least economic cost to the public and provide certainty to the project applicant.

[Resolution No. 9-85 \(CM\)](#), adopted by the City Council on January 8, 1985, established procedures for consideration of development agreements in the City of Watsonville. Section 1 in Article 3 (Standards of Review) of Resolution No. 9-85 requires that development agreements first be considered by the Planning Commission with recommendation made to the City Council. The five findings² that must be made to support adoption of a development agreement, by ordinance are that the development agreement:

1. Is consistent with the objectives, policies, general land uses and programs specified in the general plan and any applicable specific plan;
2. Is compatible with the uses authorized in, and the regulations prescribed for, the land use district in which the real property is located;
3. Is in conformity with public convenience, general welfare, and good land use practice;
4. Will not be detrimental to the health, safety, and general welfare;
5. Will not adversely affect the orderly development of property or the preservation of property values.

The development agreement is considered by the City Council at a public hearing, and final action is by adoption of an ordinance. The development agreement, if approved, is then recorded creating an encumbrance on title to the subject property, and the benefits and burdens of the agreement are binding upon the City, the owner and all successor owners. The project remains subject to the conditions of approval.

Development Agreement

The project is proposed to be constructed in 5 phases, beginning with soil remediation and environmental grading this spring, and construction of the last phase ending by April 2026. Given the size and scope of the project, the applicant has requested approval of a development agreement to clearly state what improvements will be required at each phase of development.

When the revised Tentative Map was approved in 2021, it identified 5 development phases, starting with the first phase at the northwestern portion of the property and moving backward up the hill toward Loma Vista Drive. The current phasing plan established in the Development Agreement proposes the opposite, with the first stage occurring near Loma Vista Drive and the last stage being at the northwestern portion of the site.

The benefits of the development agreement apply to the developer, the City, and adjacent property owners and residents because it gives certainty as to when each phase of development will begin and end, what improvements will be built at each phase, and the

¹ Added by Stat. 1979, Ch. 934; amended by: Stats. 1984, Ch. 143, Sec. 1; Stats. 1984, Ch. 1009, Sec. 26.); Stats 1986, Stats. 2018, Ch. 856, Sec. 11; Ch. 857, Sec. 3, Stats. 2020, Ch. 208, Sec. 1.

² Section 301 Resolution 9-85

process to approve modifications if necessary. The construction staging schedule is provided in Table 1 below.

Table 1: Construction Stages

| Construction Stage | Phase Per T. Map | Estimated Lots per Stage | Anticipated Duration | Anticipated Early Start | Anticipated Late Start |
|--------------------|------------------|--------------------------|----------------------|-------------------------|------------------------|
| 1 | 4 | 27 | 18 months | 5-1-22 | 7-15-22 |
| 2 | 3 | 27 | 12 months | 7-1-22 | 6-15-23 |
| 3 | 5 | 31 | 12 months | 7-1-23 | 6-15-24 |
| 4 | 2 | 29 | 12 months | 7-1-24 | 6-15-25 |
| 5 | 1 | 30 | 12 months | 7-1-25 | 6-15- 26 |
| Totals | | 144 | | | |

Table 2 below provides a list of the major items to be phased in the development, and in what phase each will be constructed.

Table 2: Phasing of Major Project Elements

Pre-Site Improvement/Remediation Phase I(a), I(b), & I(c)

Description: Remediation Alternate #3 - Burial Envelope with Soil Cap & Total Site Rough Grading

Timing : Prior to start of Stage 1 construction of site improvements and Dwelling Units

Pubic Benefit: Clean-up of 11.3 acres of contaminated soil affecting the neighborhood community health

Description: Errington Road improved as a construction road

Timing: Prior to start of Phase I(a)

Public Benefit: Provides egress/ingress into the site for grading activities

Stage 1 Completions

Item #1 Description: Loma Vista Road- entry & exit road into Development
 Timing: Stage 1 Before 1st Occupancy of Residences in Stage 1
 Public Benefit: Roadway provides Fire Access Road #1

Item #2 Description: Road at Loma Vista tree- replacement at Sea View Ranch
 Timing: End of Stage 1 - Public Benefit: Improvement provides a 3:1 replacement w/ sidewalks

Item #3 Description: Install storm water controls.

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| | Timing : | End of Stage 1 - with outflows in Stage 3 - Item #6 |
| | Public Benefit: | Protects riparian area along Watsonville slough |
| Item # 4 | Description: | Emergency Access Road #2 [EVAE] |
| | Timing: | End of Stage 1 – |
| | Public Benefit: | Provides Fire Department alternate fire access to Stage 1 |
| Item #5 | Description: | Common Landscaped Area |
| | Timing: | End of Stage 1- |
| | Public Benefit: | Common area landscaping around units 17-30 |
| <hr/> | | |
| <u>Stage 2 Completions</u> | | |
| Item # 6 | Description: | Comply with Storm water requirements |
| | Timing: | End of Stage 2 – |
| | Public Benefit: | Enhancement and extends the riparian environment area |
| Item #7 | Description: | <u>Nature Trail</u> - bordering slough [north and east sides] Stage 3 [remediation encasement area] to Stage 4 [Bird Overlook “A”] Common Area Lots 1 and 6 per Tentative Map] |
| | Timing: | Partial completion in Stage 2 |
| | Public Benefit: | Extends recreation area along the slough |
| Item #8 | Description: | Adult Gathering & Bocci Ball Venue (Common Area – C) |
| | Timing: | End of Stage 2 [Common Area Lot 5 of T-Map] |
| | Public Benefit: | Provide a community recreation for project and neighbors to include bocce ball court, tables and benches, ADA accessible |
| <hr/> | | |
| <u>Stage 3 Completions</u> | | |
| Item #9 | Description: | Errington Road constructed as entry street |
| | Timing: | End of Stage 3 |
| | Public Benefit: | Provides an alternate entrance into the development. |
| Item #10 | Description: | Roundabout -Ohlone Parkway |
| | Timing: | End of Stage 3 |
| | Public Benefit: | Offers a traffic flow exiting from Hillcrest without causing a waiting for signal “standing time” from the Project onto Ohlone Parkway |
| Item #11 | Description: | Community Event Venue & Active Play Area |
| | Timing: | End of Stage 3 [Common Area Lot 1 of Tentative-Map] |
| | Public Benefit: | Provide a community recreation for project and neighbors to include a multi-activity area for volleyball, basketball or pickle ball, barbeque area with trellis |
| Item #12 | Description: | <u>Nature Trail</u> - bordering slough [north and east sides] Stage 3 [remediation encasement area] to Stage 4 [Bird Overlook “A”] Common Area Lots 1 and 6 per Tentative Map] |
| | Timing: | Complete in Stage 3 |
| | Public Benefit: | Extends recreation area along the slough |

Stage 4 Completions

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| Item #13 | Description: | Community Garden & Family Venue (Common Area - B) |
| | Timing: | End of Stage 4 [Common Area Lot 4 of Tentative-Map] |
| | Public Benefit: | Provide a community recreation for project and neighbors to include children's play equipment, family venue, shared community garden, picnic area, trees, tables, benches, see-saw and climbable turtle. |

Stage 5 Completions

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| Item #14 | Description: | All Public Improvements have been completed prior to the start of Stage 5 – Phase 1 Dwelling Unit construction. |
| | Timing: | Completed by the end of Stage 5 |
| | Public Benefit: | Project has less disruption from construction activities |
| Item #15 | Description: | <u>Bird Overlook</u> /Common Area "A" [Common Area Lot 2 per Tentative Map] |
| | Timing: | Completed by the end of Stage 5 |
| | Public Benefit: | Offers Nature Observation Station; community open area |
| Item # 16 | Description: | Common Landscaped Area |
| | Timing: | End of Stage 5 [Common Area Lot 3 of Tentative-Map] |
| | Public Benefit: | Common area landscaping between and surroundings units 17-30 |

General - Completions

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| Item #17 | Description: | Open Space exceeds proportionate area for each Phase. |
| | Timing: | All phases |
| | Public Benefit: | Each Dwelling Unit has open space views, no lot line fence extends open spaces, and the one-way roads give more space between Dwelling Units, and walkways setbacks |
| Item #18 | Description: | <u>Tree-lined Streets</u> |
| | Timing: | Distributed equally throughout all Phases |
| | Public Benefit: | Enhances streetscape; creates a community environment |
| Item #19 | Description: | <u>Slough buffer</u> w/50ft setback |
| | Timing: | Stages 4 & 5 |
| | Public Benefit: | Offers all residents a view of the slough waterway and attractive open space views. |
| Item #20 | Description: | Provide twenty-nine (29) <u>affordable dwellings</u> disbursed throughout all Phases |
| | Timing: | All Phases |
| | Public Benefit: | Having units available for sale throughout all Phases |
| Item #21 | Description: | <u>Affordable dwellings disbursed</u> throughout the project in accordance with the Development Agreement, Exhibit E |
| | Timing: | All Phases |
| | Public Benefit: | Contributes to community diversify and social acceptance |

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|----------|-----------------|--|
| Item #22 | Description: | <u>Maximizing developable land</u> for more efficient land use and varied housing types. |
| | Timing: | All Phases |
| | Public Benefit: | More open spaces, more physically site layout for a livable community and neighborhood feeling |
| | | |
| Item #23 | Description: | Timely City Actions by Departments for Plan review, plan check, and field inspections. |
| | Timing: | [A] Plan Check -1 st review 30 calendar days [B] Correction Plan Check 10 calendar days [C] Field Inspection Request 24 hours [D] Change Order turnaround 3 days |
| | Public Benefit: | Minimal project delays and public inconvenience to assure timely delivery of dwellings for final City approvals. |
| | | |
| Item #24 | Description: | Exercise Par Course (throughout development- multiple Common Areas) |
| | Timing: | [Common Area Lots 1-7 per Tentative Map] Beginning with Lot 7 in Stage 1, completion with Stage 5 |
| | Public Benefit: | Provide a community recreation for project and neighbors |

The proposed staging/phasing plan for residential unit development is shown in Figure 1 below. This is also included as Exhibit D to the Development Agreement.

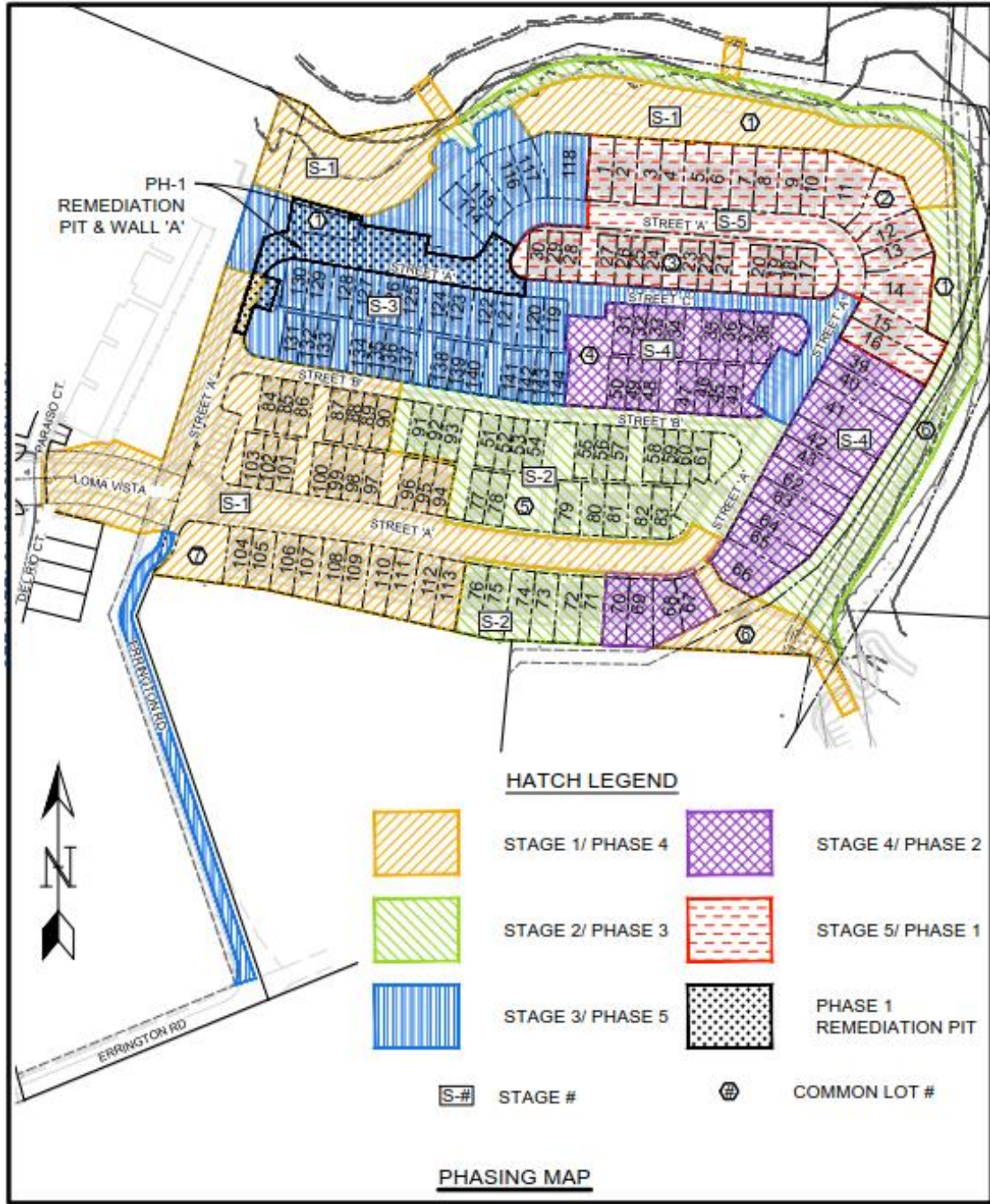


Figure 1: Hillcrest Estates Phasing Plan

As illustrated on the phasing plan (Figure 1), Stage 1 (Phase 4) will be developed beginning in 2022, and Stage 5 (Phase 1) will be finished in the Spring of 2026. Construction traffic will travel on Errington Road and through the southerly side of Street A. Once Stage 1 (Phase 4) is completed, construction traffic will use Errington Road and residents will utilize the Loma Vista extension. Construction will begin toward the front of the site, and move in a westerly and northerly fashion in phases. Stage 1 will also include the connection of an emergency access road to the Sunshine Gardens development.

Common Area Improvements

There are 6 common area parcels within the project, which are proposed to be improved in phases. The common area parcels will be owned and maintained by a new homeowner's association which will operate as a non-profit corporation. The common areas are described below, with phases to be constructed identified.

- 1) **Community Event Venue & Active Play Area**
(Common Area –1)
This area is to be built as part of Stage 3 and includes the entrance to the Nature Trail, visitor parking, and multi-activity area (volleyball- basketball -pickle ball - neighborhood barbeque with trellis shade). The HOA can set-up tents, seating, and a stage for events if needed.
- 2) **Exercise Par Course**
(Entire Development)
This is a ten (10) station exercise course located throughout the Development--(a) adjacent to the nature trail, (b) in the Common Areas, (c) throughout the interior Streets "B" and "C". It offers running and speed-walking course with varying exercising challenges within the neighborhood. The first portion of the par course will be developed on Common Lot
- 3) **Community Garden & Family Venue**
(Common Area - 4)
Separate from the children's play area but adjacent to the family venue shared with a community garden. Some might call it a picnic area. There are trees, tables with benches, "climbable" turtle, and a "see-saw" structure [4ft high]. To be built as part of Stage 2.
- 4) **Adult Gathering & Bocci Ball Venue**
(Common Area – 5)
This venue is designed for the pace of adults who can visit, watch, or play bocci ball, or just sit and relax. Tables with individual benches are designed for chess, checkers or card playing games. There is easy walker and wheelchair access. To be built as part of Stage 2.
- 5) **Nature/Slough Trail**
The nature borders the project site and Harkins Slough. It will be accessed through a switchback from Common Area E and will connect to the southeast to the Sunshine Gardens neighborhood. The development will provide a public access easement to and through the slough trail as a public amenity. Construction of the trail will begin with Stage 2 (Phase 3) and will be completed during Stage 3.
- 6) **Bird Overlook**
(Common Area – A)

Will offer a nature observation station and community open area. To be completed during Stage 2.

Street Improvements and Access

The extension of Loma Vista Avenue to Ohlone Parkway will be completed during Stage 1 and will remain as the primary ingress and egress road to the subdivision. The roundabout at Loma Vista and Ohlone Parkway will be constructed during Stage 3.

Errington Road will be improved as a 1-way, 12-foot wide, secondary ingress road to the development as part of Phase 3. Errington Road will be marked as 1-way only to the site.

Affordable Housing Agreement

The Development Agreement incorporates an Affordable Housing Agreement for the project. With 144 housing units, the project is required to provide 29 affordable units, which will be distributed throughout the project with each phase. The project proposes 1 affordable row-house unit type with several different exterior design elements. Each affordable unit will be 3 stories in height and will include a 2-car garage, 3 bedrooms, and 2 bathrooms.

Remediation of Contaminated Soils

At the time of the July 6, 2021 Council hearing, the County of Santa Cruz Environmental Health Agency was reviewing a renewed Remediation Action Plan (RAP) that addressed how contaminated soils on the property would be treated. As the property was used for approximately 60 years as an auto-wrecking, dismantling and storage yard, soil contamination exists onsite. The chemicals of potential concern evident onsite include arsenic, hexavalent chromium, lead, nickel, diesel and motor oil, and naphthalene. The goal of the remediation is to remove contaminated soil so that the soil leftover contains levels and concentrations that are safe for the residential development. There are established federal guidelines that direct safe levels of contaminants in soils and remediation plans are reviewed and approved by the County of Santa Cruz Health Services Agency.

The County of Santa Cruz directed the developer to make revisions to the Revised RAP in Fall, 2021. The renewed RAP was submitted back to the County of Santa Cruz in February, 2022, and the County of Santa Cruz conditionally approved the RAP on April 7, 2022. The approved RAP is not substantially different than the proposal reviewed in July, 2021. The RAP involves 33,195 cubic yards of contaminated soil. Of this, 5,500 cubic yards are construction/demolition debris that has been removed, and an additional 1,500 cubic yards consist of hazardous waste soils that will be removed to a hazardous waste landfill.

This leaves 26,195 cubic yards of contaminated soil. The RAP outlines that 18,111 cubic yards of this soil will be buried under portions of the street and parking lot within the project site. (See Figure 2). Clean soil would then be placed on top of the contaminated soil, and the entire area would be capped with concrete paving. The remaining 8,084 cubic yards of soil will be sent to an appropriate landfill.

This proposal will require the recordation of a land use covenant condition for the project to ensure that the thickness of the fill cover be regularly checked and maintained. The fill cover

should also not become eroded because the burial pit is proposed underneath a street and parking area.

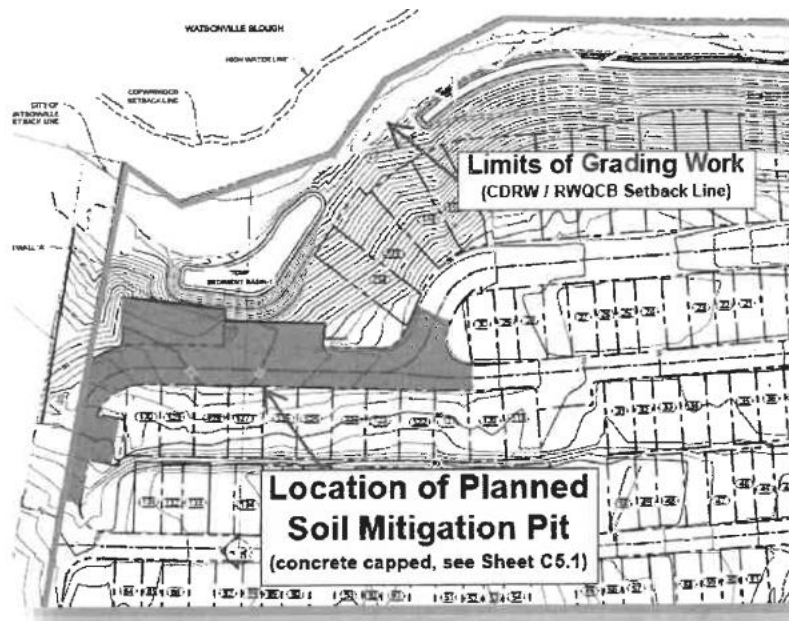


FIGURE 2 Location of contaminated soil burial site

Source: Updated Remedial Action Plan (Weber, Hayes & Associates, February 12, 2022)

Building Code Cycle

The California Building Standards Code is updated every 3 years. Because the developer wishes to construct the development under the same Code regulations despite the project extending into a new building code effective period, the Building Official has agreed to apply the 2019 California Building Code to all phases of the development, even though the project will be built under future building code cycles. If a significant modification to the Code occurs that, in the professional opinion of the Building Official, must be applied to the Hillcrest Estates project to protect the health, safety and welfare of City residents, the City will be required to provide 180 days notice to the developer prior to implementing a new code section to the project.

Process for Modifications

Often during construction of large projects such as Hillcrest Estates, project modifications become necessary. The Development Agreement provides a streamlined process for approval of minor and major modifications to the project.

Minor modifications are considered to be minor changes in building materials, color palettes, architectural detail elements, and changes to landscaping. These would be processed administratively and approved by the Zoning Administrator.

Major modifications would consist of anything not listed as a minor modification and would require approval by the Planning Commission. This is different than the standard process for

major modifications, which typically go to the final hearing body for approval, which is the City Council.

The Development Agreement also proposes a shorter appeal period of 10 calendar days rather than 14. These modifications provide a clear roadmap for handling project modifications and provides more certainty for the developer.

SUMMARY OF FINDINGS

The Development Agreement for Hillcrest Estates provides a clear roadmap for the phased development of Hillcrest Estates and provides certainty for the developer, the City, and the community regarding how, when, and what parcels, amenities, and public improvements will be constructed in the project.

The Development Agreement is consistent with the General Plan. Additionally, the conditions of approval and entitlement approvals associated with the project will ensure that the project is developed in a way that would not conflict with the public's health, safety or general welfare.

STRATEGIC PLAN:

Approval of the Development Agreement aligns with Goal #1 (Housing) of the 2021-2023 Strategic Plan. Goal 1 calls for the City to work proactively to remove barriers to accessing stable, quality, and affordable housing and to strive to create new opportunities to add housing to meet current and future needs.

FINANCIAL IMPACT:

The development of the Hillcrest Estates project and approval of the Development Agreement will provide increased property taxes for the City while also providing 144 high quality homes for Watsonville residents.

ALTERNATIVE ACTION:

The City Council could recommend modifications to the Development Agreement, or could choose to not approve the Development Agreement, however, denial of the Development Agreement would significantly diminish the ability of the developer and the City to coordinate a phased construction project. The City Council may also choose to refer the Development Agreement back to the Planning Commission to consider any modifications.

ATTACHMENTS AND/OR REFERENCES (If any):

1. Site and Vicinity Map
2. [Link to July 13, 2021 Planning Commission meeting documents](#)