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January 23, 2018

Via Electronic Mail Only

Ms. Kristin Gaspar
Chair, and Members of the
Board of Supervisors
County of San Diego
County Administration Center
1600 Pacific Hwy, Room 335
San Diego, CA 92101
kristin.gaspar@sdcounty.ca.gov
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Re: Lake Jennings Marketplace Findings and Statement of Overriding Considerations (State Clearinghouse Number: 2014121089)

Dear Chair Gaspar and Members of the Board:

We submit this letter on behalf of Cleveland National Forest Foundation to provide comments to the Board of Supervisors on the County's recently-released Staff Report and Findings regarding the Lake Jennings Marketplace (the "Project"). Pursuant to the California Environmental Quality Act ("CEQA"), Public Resources Code sections 21000 et seq. the CEQA Guidelines, California Code of Regulations, title 14, sections 15000 et seq., and Government Code section 65863,¹ these Findings and Statement of Overriding Considerations are insufficient and preclude approval of the Project.

CEQA places several requirements on an agency's approval of a project. First, the agency must certify as adequate the environmental impact report ("EIR") prepared for the project. We have detailed the inadequacies of the EIR prepared for this Project in our previous submissions to the County dated January 4, 2016, September 12, 2016, and October 4, 2017, all of which are incorporated herein in their entirety by this

¹ Further references are to the Public Resources Code if not otherwise specified. References to "Guidelines" are to the CEQA Guidelines.

reference. As those letters make clear, the EIR may not be certified as adequate under CEQA.

I. San Diego County's Housing Crisis.

It is important to keep in mind the context of the Board's decision. San Diego County is experiencing a housing crisis. A report released last September showed that housing construction needs to triple to keep up with demand in the City of San Diego. See <http://www.sandiegouniontribune.com/business/real-estate/sd-fi-housing-plan-20170921-story.html>, attached as Attachment A. There is also evidence that job creation is outstripping housing production in the unincorporated county by as much as two-to-one.

The County spent more than a decade and millions of dollars preparing the General Plan. The Plan identifies the best locations for housing throughout the unincorporated county, including a variety of housing densities to meet the needs of home seekers of every income level. The Plan directs housing construction into existing towns and villages. This approach reduces the need to build and maintain additional services like water, sewer, schools and roads.

Here, the Project site runs counter to the County's planning efforts. The Project proposes to bypass the General Plan designation altogether by requesting a change in designation to commercial uses. The EIR and the Findings both acknowledge that the Existing General Plan Alternative would have reduced impacts relative to the Project. But rather than identifying the Existing General Plan alternative as environmentally superior, the EIR misleadingly labels it as a "no project" alternative so that it can dismiss it out of hand. FEIR, Response to Comment G-67. Moreover, the EIR presents overly narrow objectives for the Project that preclude approval of any project besides the proposed Project. This sleight-of-hand cannot mask the fact that a Project consistent with the General Plan, that has already undergone public review and been approved by the County, would provide much needed housing in Lakeside and would result in reduced environmental impacts as compared to the proposed Project.

The Project's proposed change to the site designation from multi-family housing (which would necessarily yield moderate-cost housing) to commercial would result in the loss of 160 much-needed residential units. Moreover, as indicated in the County's Housing Element, the other sites designated for housing in the Lakeside area are considerably smaller and have severe environmental constraints, such that their

development may prove too challenging. Therefore, the Project site should be preserved for the designated housing use.

II. The County's Approval of the Project Would Violate CEQA.

Under CEQA, if the project would have significant impacts on the environment, CEQA prohibits approval of the project unless the agency makes a series of findings. The agency must either impose mitigation measures to reduce the project's impacts to a less than significant level, or find that any such mitigation is infeasible. Similarly, the agency must find that environmentally superior alternatives that meet the project's objectives are also infeasible. Pub. Resources Code § 21081(a)(3); CEQA Guidelines § 15091(a)(3); *see also Citizens for Quality Growth v. Cit. of Mt. Shasta* (1988) 198 Cal. App.3d 433. Finally, if the project's significant environmental impacts cannot be mitigated, the agency must make a statement of overriding considerations finding "that specific overriding economic, legal, social, technological, or other benefits of the project outweigh the significant effects on the environment." Pub. Res. Code § 21081.

The County's proposed Findings Regarding Significant Effects Pursuant to State CEQA Guidelines Sections 15090, 15091 and 15093 ("Findings") purport to make all of these determinations, but are inadequate. The Findings regarding the Project's impacts on greenhouse gases and the adequacy of the proposed mitigation lack substantial evidence and cannot support certification of the EIR.² The Findings regarding the feasibility of implementing the No Project/General Plan Designation Alternative ("General Plan Alternative")³ are improperly constrained, illogical, and lacking in substantial evidence. Finally, the proposed overriding considerations identify alleged benefits to the community that are offered equally by the General Plan Alternative or that merely provide incomplete mitigation for impacts caused by the Project.

² The County has published a Draft EIR, Recirculated Draft EIR ("RDEIR"), and Final EIR ("FEIR") for the Project, which are collectively referred to as "the EIR."

³ In 2009 the County approved, after comprehensive community input and environmental review, a 160-unit multifamily residential development on this site. This fully entitled project is the second largest on the County's Housing Element Inventory for Lakeside. *See* https://www.sandiegocounty.gov/content/dam/sdc/pds/advance/HousingElementUpdate/Lakeside_Site_Inventory.pdf.

In addition, the Findings violate recent amendments to the Government Code for the express purpose of addressing the statewide housing crisis. In short, the Project is not only detrimental to the environment, but also to local housing supply and the community. Each of these inadequacies are discussed in more detail below.

This letter is submitted along with the report prepared by Dr. Jun Onaka of Onaka Planning and Economics, attached as Attachment B. We respectfully refer the County to the attached report, both here and throughout these comments, for further detail and discussion of the inadequacies identified below and in our prior correspondence.

III. The County's proposed CEQA Findings are inadequate.

The proposed Findings are inadequate under CEQA. The Findings are not supported by substantial evidence and do not supply the logical step between the proposed decision and the facts in the record, as required by state law. Any benefits of the Project do not outweigh the significant environmental impacts associated with the Project, especially in comparison to the feasible, lower-impact General Plan Alternative.

A. The findings lack evidentiary support for the conclusion that impacts would be less than significant.

As explained in our prior comment letters, there is no substantial evidence to support the EIR's conclusions that certain impacts would be less than significant, or less than significant after mitigation. The Findings' conclusions lack substantial evidence for the same reasons. For example, the Findings' conclusions that the Project will not contribute to greenhouse gas emissions and thus will not have significant impacts is erroneous. The EIR's analysis of greenhouse gas emissions extends only to 2020, two years from now, even though the Project is likely to exist for decades past that date. The California Supreme Court recently rejected this approach in *Cleveland National Forest Foundation v. San Diego Assn. of Governments* (2017) 3 Cal.5th 497. Absent any meaningful analysis of this crucial impact, Finding IV.C, regarding Impact GHG-1, lacks substantial evidence in support.

Compounding this error, the mitigation measures on which the same Finding relies are flawed and inadequate. An agency must evaluate suggested mitigation measures in an EIR, Guidelines § 15126.4(a)(1)(B), and demonstrate that the mitigation measure will be either (1) effective in reducing a significant environmental impact, or (2) ineffective or infeasible due to specific legal, economic, environmental, social, or

technological factors, §§ 21002, 21081(a)(1)-(3), 21061.1; Guidelines §§ 15021(a)(2), (b), 15364. If the agency determines that the adoption of a mitigation measure is infeasible, it must make detailed findings supporting its determination, and those findings must be legally accurate and supported with substantial evidence. §§ 21081(a)(3), 21081.5; Guidelines §§ 15091(a)(3), (b); *Village Laguna of Laguna Beach, Inc. v. Orange County Bd. of Supervisors* (1982) 134 Cal. App. 3d 1022, 1034 (CEQA requires express findings of infeasibility). If commenters suggest mitigation measures, the agency must consider them and adopt them if feasible. *Sierra Club v. County of San Diego* (2014) 231 Cal.App.4th 1152, 1176.

Many of the measures listed in the EIR to address GHG emissions are vague, insubstantial, and nonbinding, and thus cannot be relied on to mitigate Project impacts. For example, M-GHG-9 requires the applicant to install electric vehicle charging stations without specifying how many, where, or when, while M-GHG-1 requires buildings in the Project to exceed Title 24 requirements by at least 20 percent, with no explanation of why 20 percent is appropriate or whether greater reductions are infeasible. RDEIR at 2.3-19, 2.3-30. Measures relied upon to mitigate impacts must be “fully enforceable” through permit conditions, agreements, or other legally binding instruments. Pub. Res. Code § 21081.6(b); CEQA Guidelines §15126.4(a)(2). Similarly, the mitigation must provide assurance that it will be implemented, and not merely adopted and then disregarded. *Anderson First Coalition v. City of Anderson* (2005) 130 Cal. App. 4th 1173,1186-87; *Fed’n of Hillside & Canyon Assn’s v. City of Los Angeles* (2000) 83 Cal. App. 4th 1252, 1261. M-GHG-9 is neither, and M-GHG-1 is insufficient without substantial evidence that further mitigation is infeasible.

Most egregiously, the Findings state that the Project will be carbon neutral—and thus have a less than significant impact on the environment—based primarily on the purchase of offsets from a program that does not even exist at the time of the Board’s consideration. *See Findings* pp. 9-10. This is both unenforceable in violation of Public Resources Code section 21081.6 and contrary to the County’s own General Plan Mitigation Measure CC-1.2, which requires the County to “achieve a 17% reduction in emissions from *County* operations from 2006 by 2020 and a 9% reduction in *community* emissions between 2006 and 2020.” Purchasing offsets from an unknown source in an unknown location is contrary to CEQA and the County’s own policy.

B. The findings' conclusion that the General Plan Alternative is infeasible is not supported by substantial evidence; CEQA precludes approval of a project where a feasible, environmentally superior alternative exists.

Under CEQA, an agency may not approve a proposed project if a feasible alternative exists that would meet a project's objectives and would diminish or avoid its significant environmental impacts. Pub. Res. Code § 21002; *Kings County Farm Bureau v. City of Hanford* (1990) 221 Cal.App.3d 692, 731; *see also* Guidelines §§ 15002(a)(3), 15021(a)(2), 15126(d); *Citizens for Quality Growth v. City of Mount Shasta* (1988) 198 Cal.App.3d 433, 443-45. CEQA mandates selection of the environmentally superior alternative if it can feasibly attain most of the project's objectives, "even if it would impede to some degree the attainment of the project objectives, or would be more costly." Guidelines § 15126.6(b). In addition, a "lead agency may not give a project's purpose an artificially narrow definition," to shape this determination but rather must "structure its EIR alternative analysis around a reasonable definition of underlying purpose and need." *In re Bay-Delta etc.* (2008) 43 Cal.4th 1143, 1166. In particular, using overly narrow objectives to dismiss reasonable and feasible alternatives constitutes prejudicial error. *See North Coast Rivers Alliance v. Kawamura* (2015) 243 Cal.App.4th 647, 669-70 (where the lead agency's overly narrow project purpose caused it to "dismiss[] out of hand" a relevant alternative, this error "infected the entire EIR").

1. The Findings rely on impermissibly narrow project objectives to dismiss the General Plan Alternative out of hand, in violation of CEQA.

The EIR and Findings concede that the General Plan Alternative would have reduced impacts relative to the Project. The EIR declined to recognize the No Project/Existing General Plan Alternative as environmentally superior because it labeled it as a "no project" alternative. FEIR, Response to Comment G-67. Now, the Findings adopt a new rationale, claiming that the General Plan Alternative is infeasible because it does not meet the overly narrow and self-fulfilling objectives of the Project. Findings p. 30.

The EIR lists six objectives, which together precisely circumscribe and mandate selection of the Project. In particular, Objective 1 requires "expansion of] an existing commercial node to further enhance and support the economic development of the Lakeside Village regional category." Objective 2 demands "a new commercial center . . . that will serve the retail shopping needs of the southwest corner of the Lakeside Community Plan area from Blossom Valley to Lake Jennings Park Road." And Objective

3 specifies “[d]evelop[ment of] commercial uses adjacent to a major freeway and close to existing residential uses.” FEIR p. 1-1. These objectives leave no room for consideration of anything other than development of a commercial project at this location. (And the applicant refused even to analyze alternative locations or a mixed use development on this site. FEIR p. 4-2 to 4-4.) Because the objectives leave no room to consider—and are used to justify dismissal without analysis of—relevant, feasible alternatives, they preclude consideration of a reasonable range of alternatives and violate CEQA. *North Coast Rivers Alliance*, 243 Cal.App.4th at 669-70. As a result, they cannot support the Finding that the General Plan Alternative is infeasible. Instead, the County should withdraw the EIR and proceed with the fully-entitled General Plan Alternative, or, at a minimum, recirculate the EIR for a complete and adequate environmental review.

2. The Findings have not justified rejection of the feasible and environmentally superior General Plan Alternative.

No evidence in the record supports the Finding that the General Plan Alternative is infeasible.⁴ To the contrary, based on a multi-year, multi-million dollar General Plan Update process, the County recently designated the project site as Village Residential (VR-15) in its General Plan and listed it as one of the largest sites in the inventory of properties that can meet the Lakeside area’s housing needs. *See* Housing Element Inventory; Lakeside p. 1. The EIR contains no explanation of what was in error with this process, or why VR-15 residential housing is no longer appropriate or feasible at the site. Rather, the alternatives analysis concedes that “it is assumed that the site could be developed with the previously-approved residential project.” *E.g.*, FEIR p. 4-6.

Confirming this clear logic, the attached analysis provided by Dr. Jun Onaka documents the need for housing in the County, including multifamily residential developments, and demonstrates the financial feasibility of the fully entitled General Plan Alternative. *See* Attachment B. In doing so, Dr. Onaka summarizes the rate of population growth in the County from 2010 to 2017, which was more than double the rate of

⁴ In January 2018, counsel for the Cleveland National Forest Foundation requested from the County, pursuant to the Public Records Act, Gov. Code §§ 6250 et seq., all documents “submitted to the County and/or added to the project file since the October 6, 2017 Planning Commission hearing” for the Project, expressly including “any sort of market study.” The County’s response—and the EIR including all appendices—include no information on the financial feasibility of the General Plan Alternative.

increase in the County's housing stock and explains the significant and growing demand for the type of project already approved in the General Plan Alternative.

Because the record contains no information whatsoever regarding the cost to develop the General Plan Alternative, Dr. Onaka used data from the U.S. Census Bureau and Department of Housing and Urban Development's Building Permits Survey and data on current local market conditions to calculate likely development costs and sales price for the residential development allowed under the General Plan Alternative. *See* Attachment A, pp. 3-5 and Table A. After analyzing the costs and resulting revenues from two different versions of the General Plan Alternative, Dr. Onaka concluded that both are likely to be profitable for the developer, in addition to contributing to the County's and the community's need for housing to accommodate current population and projected growth. *Id.* p. 5.

In sum, there is no evidence whatsoever to support the Finding that the General Plan Alternative is infeasible. On the other hand, both the County's recent public planning process and the site-specific analysis provided by Dr. Onaka provide substantial evidence that residential development already entitled in the General Plan Alternative is both feasible and desirable.

IV. Overriding considerations do not justify approval of the project.

Because the EIR and the Findings have identified several significant and unavoidable environmental impacts from the Project, the County may not approve the Project unless it finds, based on substantial evidence, that the Project's benefits outweigh its environmental harms. Here, none of the rationales listed in the Statement of Overriding Considerations ("Statement") justify approval of the Project.

A. The General Plan Alternative is more consistent with the Community Development Model and Lakeside Community Plan than the Project, and would better serve Lakeside Village.

The Statement justifies selection of Project, despite its significant environmental impacts, by asserting that its provision of commercial space will implement the Community Development Model that is included in the Land Use Element of the General Plan. Findings p. 34. It similarly asserts that the Project would be compatible with the nature of the Lakeside community. *Id.* p. 35. Both statements ignore the direction in the Community Development Model component of the General Plan (LU-9) that encourages well planned, defined villages that balance residential and commercial

uses to serve local needs. This approach is reiterated in the Lakeside Community Plan, which again endorses thoughtful placement of high-density residential development in locations such as the Project site, and concentration of commercial uses in Lakeside Village. *See* Lakeside Community Plan, Land Use/Residential Findings and Policy 3, Land Use/Commercial Findings and Policies 3 & 11.

The preference for a mixture of land uses and conformity with the Community and General Plans is reflected in—and satisfied by—the General Plan Alternative. Developing 160 residential units on the Project site is consistent with existing planning and approvals, and reflects the careful scrutiny and input of both the County and the community. The Statement’s assertions that the Project is better for “community character” is unsupported and contrary to these existing decisions.

B. Claimed open space benefits are overstated, and no different than those in the already-approved General Plan Alternative.

The Statement claims the Project would “provide Los Coches Creek with a buffer from developed urban uses” and place 1.44 acres of forest in an open space easement. Findings p. 35. But the General Plan Alternative would occupy the same footprint and adopt the same relevant mitigation as the Project. FEIR p. 4-6 to 4-7; *see also* Findings p. 30 (General Plan Alternatives not inconsistent with project objectives 4 and 6 related to open space protections). Accordingly, the Project provides precisely zero open space benefit in comparison to the existing approvals for the lower-impact development of much-needed housing.

C. Any alleged traffic and circulation benefits would be overwhelmed by additional trip generation.

The EIR acknowledges that the Project would harm, not improve, local and regional traffic and circulation, citing numerous significant and unavoidable negative impacts, particularly along Olde Highway 80. *See* FEIR pp. 4-10 to 4-13. Thus, touting provision of “needed infrastructure improvements including roadway/intersection improvements,” is ironic at best and does not, on a net basis, constitute a benefit to the community or the County. Findings p. 35. The proposed project will add nearly 4,700 average daily trips to the community, wreaking havoc on and requiring major changes to Olde Highway 80 in particular. FEIR pp. 4-11 to 4-13. The County cannot rely on improvements made to decrease but not fully address (*see* Findings pp. 22-28) these impacts in a vacuum to justify selecting an environmentally inferior project. This approach is particularly inappropriate to justify selection of the Project over a fully

entitled residential development that will generate a small fraction of the traffic (1,600 average daily trips) and that will have far fewer and lesser impacts on local traffic. *Id.*

V. The County has not made findings regarding the Project's elimination of housing, as required by the Government Code.

When a county permits the reduction of residential density of any parcel, it must make written findings supported by substantial evidence that (1) the "reduction is consistent with the adopted general plan, including the housing element" and (2) the "remaining sites identified in the housing element are adequate to accommodate the jurisdiction's share of the regional housing need pursuant to Section 65584." Gov. Code, § 65863(b). If the housing element is not adequate to accommodate the regional housing need allocation ("RHNA") at each income level, the county is only allowed to approve the development if it "identifies, and rezones if necessary to render the site adequate, sufficient additional, adequate, and available sites with equal or greater residential density in the jurisdiction so there is no net loss of residential unit capacity at each income level." *Id.* § 65863(c) This rezoning or additional site specification must be completed either prior to or contemporaneously with the development approval. *Id.*

A county's failure to make these findings and/or zoning changes violates state law. And the Government Code specifically authorizes the Department of Housing and Community Development to refer violations of Government Code section 65863 to the Attorney General. *Id.* § 65585(j). A referral to the Attorney General could possibly result in costly litigation for a county, fines, and a loss of planning autonomy.

The County identifies the Project site in the housing element inventory for its plan to meet the RHNA. *See* Housing Element Inventory; Lakeside p. 1. The site is identified for 160 units. *Id.* And the Project reduces the density from 11-12 du/ac to 0 du/ac since the Project includes no housing. *Id.* This reduction in density and the quasi-judicial action of approving such a project triggers section 65863. Therefore, the County must make the written findings required, including a finding of consistency with the general plan and a finding that the remaining sites adequately accommodate the RHNA. Gov. Code, § 65863(b).

The County has made no such findings and is thus in violation of section 65863. Its current findings do not mention housing a single time. Further, the Department of Housing and Community Development may choose to report this violation to the Attorney General under section 65585 unless the County makes the required findings.

Ms. Kristin Gaspar
January 23, 2018
Page 11

VI. Conclusion

For all of the foregoing reasons, we respectfully submit that the County cannot lawfully approve the Project. The EIR remains deeply flawed and fails to inform the public of the full impacts of the Project. It can support neither the findings required by CEQA nor a determination of General Plan consistency or compliance with Government Code section 65863.

Very truly yours,

SHUTE, MIHALY & WEINBERGER LLP



Sarah H. Sigman



Carmen J. Borg, AICP
Urban Planner

cc: John Everett, California Department of Justice
Paul McDougall, California Department of Housing and Community Development

Attachments:

Attachment A: San Diego Tribune, "Report: San Diego needs to triple annual housing production", September 21, 2017.

Attachment B: Letter from J. Onaka, Onaka Planning and Economics to C. Borg dated January 21, 2018.

Attachment A

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Report: San Diego needs to triple annual housing production



Officials present the "Addressing the Housing Affordability Crisis" report Thursday. Left to right: City Councilman David Alvarez, San Diego Housing Commission CEO Rick Gentry and Councilman Scott Sherman. (Phillip Molnar/San Diego Union-Tribune)



By **Phillip Molnar**

SEPTEMBER 21, 2017, 3:05 PM

San Diego needs to roughly triple the number of homes it builds each year to keep up with demand and keep prices down, said a San Diego Housing Commission report released Thursday.

The commission, which is the city's housing authority, produced the report with other government agencies to address rising rent and home costs. It said the city needs to take steps to increase the supply of homes — seen as **needed** parking spots and increasing density in some

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The report argued the city would need an additional 150,000 to 220,000 housing units — that’s apartments, condos and single-family homes — by 2028, or 17,000 to 24,000 a year. It’s a tall order because the city’s top annual production rate in the last five years was 6,400 units.

“Whether you are working a minimum wage job or have a college degree and working a full-time job making a decent amount of money, you still can’t afford to rent or buy in San Diego,” said Councilman David Alvarez at a press conference Thursday at City Hall. “That is alarming.”

Councilmen Scott Sherman and Alvarez contributed to the report, as did members of the city’s Smart Growth and Land Use committees. Report authors consulted with private home builders, business leaders and housing experts.

The report said expensive housing creates a financial loss for the city because of a reduction in construction and other jobs, harms employers’ ability to recruit workers and can hurt the environment because affordable housing is often far from job and education centers.

Specific proposals in the report:

- Increase density limits around transit areas (47,000 to 146,000 units)
- Redevelop underutilized parcels of land (56,000 to 73,000 units)
- Adapt industrial zones and city sites (11,000 to 20,000 units)
- Infill vacant lots (5,000 to 6,000 units)
- Encourage detached accessory dwelling units, or “granny units” (2,700 to 5,500 units)

If suggestions are implemented, roughly 40 percent of potential housing is in the neighborhoods of Mira Mesa, Mission Valley, City Heights, North Park and Uptown, the report said.

The political willpower for increasing density in neighborhoods is likely to be tested. Sherman said the community needs to come together on the issue, and the report was the first step.

“People are going to have to understand that for the greater good they have to do what’s needed,” he said.

Also, the report does not include the rest of San Diego County. Research [last summer](#) from London Moeder Advisors predicted the city would be the only place producing a significant amount of housing while places like Poway add jobs but no housing. The scenario would flip the script on the traditional commute — workers living downtown and going to the suburbs to work.

Sherman said there isn’t anything they can do about neighboring communities, but city planners can counteract the disparity by producing more housing near transit hubs.

[RELATED: Would you leave San Diego because of housing costs?](#)

In the short-term, the report recommends several suggestions that may struggle to pass politically — loosening of parking requirements, hire a citywide grants coordinator and speed up the land-use approval in key community planning areas.

Regardless, the councilmen said the report armed them with numbers to get changes made. Among the finding: During 2007 to 2015, the city grew by roughly 15,000 people each year but only averaged 3,000 new houses annually.

There was also a business argument. San Diego's gross domestic product has a yearly loss of \$2.4 billion in excess disposable income diverted to housing costs, the report said.

“What this report does is it pinpoints exactly what the needs are for San Diego to remain competitive,” Alvarez said. “We are losing young, talented individuals to other places because they can no longer afford to live here.”

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ALSO

The vanishing San Diego single-family home

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Attachment B

ONAKA PLANNING & ECONOMICS

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January 21, 2018

Ms. Carmen J. Borg, AICP
Shute, Mihaly & Weinberger
396 Hayes Street
San Francisco, CA 94102

Re: Lake Jennings Market Place (SCH No. 2014121089)

Dear Ms. Borg:

As requested, Onaka Planning & Economics (OP/E) reviewed the proposal to amend the County of San Diego General Plan land use of the subject property from residential (Village Residential, VR-15) to commercial (General Commercial, C-1) and to rezone the site from Urban Residential (RU-15) to General Commercial (C36). Project description and alternatives, including the alternative to develop multifamily housing under the current land use designation, are contained in the project's final environmental impact report (FEIR, SCH No. 2014121089).¹

In summary, as described below, the proposed reclassification of land use and associated rezoning would run counter to meeting the housing needs of the San Diego region and the County's housing goals, as documented in its General Plan. Residential development of the subject property would likely provide positive economic benefit to the landowner and/or developer; hence it would not be considered as economically infeasible.

a. San Diego needs new multifamily residential development to house its increasing population. Converting land designated for multifamily residential use to commercial would worsen the lack of affordable housing.

Between 2010 and 2017, San Diego County's population grew 7.1%, from 3.1 million to 3.3 million persons. Excluding those living in group quarters (such as dormitories), household population in the county increased by 7.3% (see table below).

During the same period, the county's total housing stock increased by only 3.2%, or less than one-half the increase in household population, resulting in additional "crowding" of housing units by raising the average number of persons per household from 2.75 to 2.83 persons.

¹ "Final Environmental Impact Report: Lake Jennings Market Place" (SCH No. 2014121089).

Change in Population and Housing of San Diego County, 2010-2017

	2010 Census	Jan. 1, 2017	Change 2010-2017
Total Population	3,095,313	3,316,192	7.1%
Household Population	2,991,515	3,209,893	7.3%
Total Housing Units	1,164,028	1,201,517	3.2%
Single Family Detached	603,441	616,128	2.1%
Attached/Multifamily	560,587	585,389	4.4%
Persons/Household	2.75	2.83	+0.08 pers/HH

Source: California Department of Finance, Demographic Research Unit, Table E-5, "Population and Housing Estimates for Cities, Counties, and the State: 2010-2017."

Furthermore, the new housing consisted of many more attached or multifamily units than single family detached units. Attached/multifamily units increased by 4.4% over the 2010-2017 period, while single family units increased by only 2.1%.

The reason for this imbalance between attached/multifamily and single family detached housing is clear: It is much more expensive to develop single family detached homes in San Diego than multifamily housing. As of October 2017, median sales price of a newly built single family home was \$671,500, median price of resale single family home, \$580,000, and median price of resale attached or condominium unit, \$408,000.²

SANDAG (San Diego Association of Governments) has projected that between 2010 and 2050 the San Diego region's population would increase 973,000 persons to nearly 4.1 million. In order to shelter this population growth, 333,000 new housing units would need to be constructed.³ Of the new housing, 84% is expected to be multifamily. In its forecast, SANDAG assumed that lands currently (as of 2013) designated for multifamily residential would be available for new construction, including existing villages in unincorporated areas such as Lakeside, Valley Center, Ramona, and Alpine (SANDAG, Series 13 Forecast). Thus, redesignating multifamily residential land to non-residential use, would, over time, make it difficult to meet the region's housing needs.

The Housing Element of the County of San Diego General Plan is intended to meet the statewide goal of providing "decent and affordable housing for every Californian . . . through the provision of appropriately designated land . . . and through policies and programs designed to assist the development of housing for all income levels and special needs."⁴ Having a sufficient supply of land designated for multifamily residential is key to this approach, and the Housing Element states: "To meet the State's required RHNA,⁵ the supply of vacant land zoned at high densities has been increased and this limited supply must be efficiently used" (Housing Element, p. 6-10).

² San Diego Union-Tribune, November 29, 2017; data from CoreLogic Credco, LLC, San Diego, CA.

³ SANDAG, Series 13: 2050 Regional Growth Forecast.

⁴ County of San Diego, General Plan, Chapter 6, Housing Element, p. 6-2.

⁵ Regional Housing Needs Assessment.

Thus, reducing the supply of land designated for multifamily residential contradicts the goal of the General Plan.

b. Developing multifamily residential would likely result in a positive financial outcome for the landowner and/or developer.

According to the project's final environmental impact report (FEIR), the site has been previously approved by the County of San Diego Board of Supervisors for 160 multifamily residential units (SCH No. 2005111013), consisting of eight (8) 20-unit buildings, which would indicate a rental apartment project.⁶ The FEIR's alternatives analysis states that the required buffer zone adjacent to onsite riparian habitat could reduce the number of residential units, but does not calculate the number of units that would be eliminated (FEIR, p. 4-7). The general plan and zoning designations, however, also allow a for-sale, attached condominium project, for example, with up to forty (40) 4-unit buildings, which could also be reduced to accommodate a riparian buffer zone.

Example financial analysis of these alternative residential plans is shown in attached Table A. At buildout and based on current cost and sales data, both plans (rental apartments or for-sale condominiums) could be profitable for the landowner and/or developer. More detailed analysis is required to determine the probable rates of market absorption for these alternatives. Over time, however, the San Diego region's growth eastward should improve prospects for successful implementation of either alternative.

Example 1. Multifamily / Apartment

The project proponent did not provide cost estimates of a multifamily development consisting of 8 buildings of 20 units with 2 bedrooms for each unit. Given the size of these buildings, this is likely to be a rental, apartment complex. A review of apartments for rent in El Cajon (zip code 92021) and Lakeside (zip code 92040) indicates that a typical 2 bedroom apartment in this area range from 750 to 850 square feet (SF). For this example, average size of 800 SF is assumed.

Construction cost for multifamily housing may be estimated from a survey of building permits conducted by the U.S. Census Bureau and Department of Housing and Urban Development (U.S. Census Bureau, "Building Permits Survey"). The survey shows that in San Diego County 177 permits were issued for multifamily residential buildings during the first 11 months of 2017 (January to November), with an average permit value (i.e., construction cost) of \$163,641 per unit.⁷ Assuming an average unit size of 1,100 SF, net-to-gross building ratio of 85%, and additional 15% for costs not reflected in permit value, estimated average construction value is

⁶ FEIR, Section 4.4, "Analysis of the No Project/Existing General Plan Designation Alternative", p. 4-6.

⁷ U.S. Census Bureau, Building Permits Survey, Permits by County or Place, January to November 2017. Data for 3-4 multifamily units for San Diego County have been used, since they correspond more closely to the type of construction appropriate to this site.

\$145 per SF for a 3-4 unit attached housing. For a large multifamily housing, such as the proposed 20-unit structure, average cost is expected to be slightly less, at \$140 per SF.

Based on this value, estimated construction cost of the entire 160-unit project is approximately \$21.1 million. Construction cost represents only a part of total development cost, which includes site improvement, landscaping, financing, and overhead. The share of construction cost varies from 50% to 60% for single family developments, with an average value of 55% in 2017.⁸ For a multifamily development with large buildings, 60% is assumed. Accordingly, total development cost for the 160-unit apartment project is estimated to be \$35.1 million (see Table A).

A review of 2 bedroom (BR) apartments advertised for rent in the El Cajon and Lakeside areas showed monthly rents from \$1300 to \$1500, or \$1.50 to \$2.00 per SF per month. Assuming \$1.75 per SF, monthly rent for the proposed 800-SF unit could be \$1400, which would be highly competitive with existing units. Estimated gross rental revenue for the project is \$2.7 million a year.

One common method of estimating the sales value of an apartment project is to apply the gross rent multiplier, or the ratio of sales price to gross annual rent, assuming no additional revenues and no vacancy. Recent sales and current listings of large (over 20 units) apartment buildings report gross rent multipliers between 13 and 14. Using a multiplier of 13.5, the estimated sales price of the completed project is \$36.3 million, or nearly \$1.2 million over total development cost.

Example 2. Attached / Condominium

San Diego County's land use designation and zoning for the project site would also permit construction of for-sale, attached condominium or townhouse units. Similar projects are located north of I-8 on Pinkard Way (built in 1992) and along Pepper Drive near Highway 8 Business (built in 1981), both in El Cajon zip code 92021. At least 4 2-BR units and 1 3-BR unit in the Pinkard Way project were sold in 2017 at prices ranging from \$275,000 to \$350,000.⁹ On a per SF basis, sales prices ranged from \$239 per SF (for a 3-BR unit) to \$296 per SF (for a 2-BR unit). 4 2-BR units were sold in 2017 on Pepper Drive at prices from \$258,000 to \$290,000, with unit prices from \$267 to \$312 per SF.

The present example assumes an average size of 1,200 SF for an attached, condominium unit. With average construction cost of \$145 per SF (see discussion of Example 1 above) and net-to-gross building ratio of 90%, total building area is estimated to be 213,333 SF and total construction cost, \$30.9 million. Assuming 55% construction-to-development cost ratio, estimated total development cost, including site improvements, landscaping, financing, sales, and overhead, is \$56.2 million (see Table A).

⁸ National Association of Home Builders (NAHB), "Cost of Constructing a Home," December 1, 2017.

⁹ Data from Redfin Real Estate, redfin.com. Data accessed on January 15-18, 2018.

Ms. Carmen Borg
January 21, 2018
Page 5

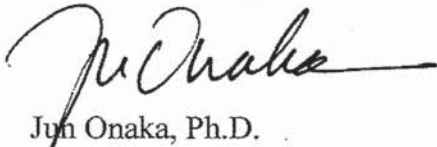
Average unit sales price is assumed to be \$300 per SF, or \$360,000 for a 1200-SF unit. This is consistent with sales of attached units in El Cajon and Lakeside areas. Total sales revenue for 160 units would be \$57.6 million, or around \$1.4 million more than the estimated development cost.

If it is necessary to reduce the number of units to meet riparian buffer requirements, the condominium development would still provide a profit, though the amount would be reduced. For example, at 120 units, profit would be reduced to \$1.0 million.

In conclusion, there is a need for multifamily housing to support the growth of San Diego region, and lands designated for multifamily use, such as the subject property, are key to supplying such housing. While the need would grow over time, current market data on construction cost, rents, and sales indicate that both residential development alternatives should be able to cover costs and provide profits to the landowner and/or developer.

Sincerely,

Onaka Planning & Economics

A handwritten signature in black ink, appearing to read 'Jun Onaka', with a horizontal line extending to the right.

Jun Onaka, Ph.D.

Attachment: Table A

Table A
LAKE JENNINGS MARKET PLACE PROJECT
EXAMPLE FINANCIAL ANALYSIS OF RESIDENTIAL DEVELOPMENT

	Example 1 Multifamily / Apartment	Example 2 Attached / Condominium
Estimated Development Cost		
Construction Cost Per Square Foot (SF)	\$140 /SF	\$145 /SF
Number of Residential Units	160 DU	160 DU
Average Size of Unit	800 SF	1,200 SF
Average Ratio of Net to Gross Building Area	85%	90%
Total Building Area	150,588 SF	213,333 SF
Total Construction Cost	\$21,082,400	\$30,933,300
Construction Cost as Percent of Total Development Cost	60%	55%
Total Development Cost	\$35,137,300	\$56,242,400
Estimated Sales Value (Apartment)		
Average Rent Per SF	\$1.75 /SF/MO	
Average Rent Per Unit	\$1,400 /DU/MO	
Total Annual Rent	\$2,688,000 /YR	
Gross Rent Multiplier	13.5	
Total Sales Value	\$36,288,000	
Profit or (Loss)	\$1,150,700	
Estimated Sales Value (Condominium)		
Average Sales Price Per SF		\$300 /SF
Average Sales Price Per Unit		\$360,000 /DU
Total Sales Value		\$57,600,000
Profit or (Loss)		\$1,357,600