Exhibit A



ATTACHMENT A PROJECT DISCUSSION

Las Palmas Ranch Specific Plan

The Las Palmas Ranch Specific Plan (LPRSP) was adopted by the Board of Supervisors on September 20,1983. Pursuant to Government Code section 65451, specific plans shall detail the distribution, location and extent of land use, infrastructure, open space and sets forth standards and criteria for development, conservation, and financing. The 4 main functions of the LPRSP are: to present the goals of the developer, describe and illustrate design construction concepts for Las Palmas which are consistent with policies of the General Plan, set forth procedures to be utilized by the County to implement the specific plan policies and concepts, and describe non-regulatory implementation tools needed to achieve the goals of the developer and the County.

The specific plan allowed up to 1,031 residential units to be built in 9 identified areas. Residential development was intended to be phased to allow the incremental provision of infrastructure, recreation and open space. LPR SP Chapter II, Section C Policy 11 states that "[A] Development Incentive Zone of ten acres shall be provided within the areas designated in the specific plan for medium density residential development. The density for this DIZ shall not exceed ten units per acre. This density may be and is encouraged to be dispersed throughout the medium density areas rather than being concentrated in a single ten-acre area." As illustrated in LRP SP Figure E, the subject property is designated as "Medium Density Residential" (see Figure 1 below). In accordance with this policy, could support up to 156 units.

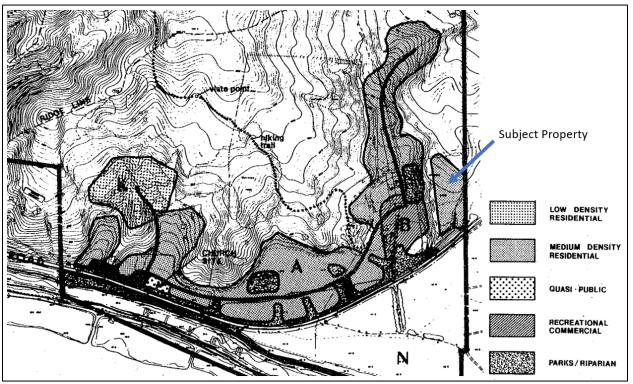


Figure 1. Blow Up of LPRSP Figure E

General Project Description

The project, as originally proposed, consisted of the establishment of an approximately 190,000 square-foot senior assisted living facility with multiple structures and site improvements and development on slopes in excess of 25% on an approximately 15.64-acre site, located south of River Road, approximately 0.5 mile east of State Route (SR) 68 and immediately north of existing residential development along Woodridge Court and Country Park Road, in unincorporated Monterey County. In 2021, the Board of Supervisors referred the application to staff to allow the applicant to explore development alternatives, such as providing housing.

The applicant considered this direction and modified the project scope. On November 8, 2023, the Planning Commission considered a proposed amendment to the Las Palmas Ranch Specific Plan (LPR SP) to allow an additional 30 residential units, a Vesting Tentative Map to allow a subdivision resulting in 26 residential lots and an open space parcel, and a Use Permit to allow development on slopes in excess of 25%. At the public hearing, the Planning Commission brought up concerns with the proposal, including lack of inclusionary housing opportunities, insufficient overriding considerations for the Project's unavoidable impact to SR 68 and the proposed subdivision's proximity to the adjacent Permanent Grazing zoned parcel and failure to seek a Variance to the 200 foot agricultural buffer. The Planning Commission continued the hearing to a date uncertain to allow the applicant the opportunity to address these concerns before making a recommendation to the Board of Supervisors.

With direction from the Planning Commission, the applicant has revised its scope of work to include four onsite moderate income units. The proposed project now includes a 27 lot residential subdivision, including four moderate income units, and an open space parcel as well as an amendment to the Las Palmas Specific Plan and development on slopes in excess of 25%. The proposed residential lot sizes vary between 3,400 square feet and 11,785 square feet; the median lot size would be 5,796 square feet. The proposed lots are clustered in the interior of the parcel pursuant to Section 21.12.060.A of the Monterey County Zoning Ordinance, Title 21. The subdivided parcels would encompass approximately 160,000 square feet of the project site. However, due to site coverage and setback limits, less than 160,000 square feet of the project site would be developed with residences with the remainder would be left as open space.

Similar to the originally proposed project, the residential subdivision would be accessible via Woodridge Court and a new residential roadway, portions of which would be constructed on slopes in excess of 25%. The internal roadway network includes 13 off-street guest parking spaces (not associated with a specific residence). Water, sewer, electricity, and natural gas would be provided by the same purveyors as proposed under the original project. Subdivision improvements would require the removal of approximately 70 eucalyptus trees. These trees are not protected and do not require a permit for their removal. Although vertical construction is not proposed at this time, future residences would be restricted to a maximum height of 20 feet from average natural grade, which is less than the maximum allowable building height of 30 feet from average natural grade pursuant to the development standards within Title 21 section 21.12.060.

Las Palmas Ranch Specific Plan Amendment

The proposed development was analyzed for consistency with the LPR SP. Overall, the project is consistent with the goals, objective and polices pertaining to housing and residential land use;

circulation; open space; energy conservation; preservation of significant agricultural land; design and sensitivity; erosion, drainage and flood control; public facilities and services. However, as discussed below, two topic areas of the LPR SP will need to be amended in order to achieve vertical consistency with the 2010 General and Monterey County Code.

Allowed Units

The Toro Area Plan Land Use Plan Figure LU10 designates the subject property as Residential – Medium Density 2.61 Units/Acre and zoning is Medium Density Residential, 2.61 units per acre. Therefore, subdivision of the 15.64-acre parcel into 27 residential lots and one open space parcel is consistent with the land use designation, zoning and allowed density. As discussed above, the LPRSP contemplated development on the subject property. However, due to reallocation of residential units within the different designated plan areas, only 3 units remain allowable. Therefore, in order to allow the proposed project, an amendment to the LPR SP is necessary. As described in the Draft Specific Plan Amendment Resolution (Exhibit B, Attachment 2), the applicant proposes to amend Chapter II, Section C, Policy 5 and Figures D (Las Palmas Ranch Specific Plan Land Use Table), E (Land Use Designation Map) and H (Frontal Slopes).

Inclusionary Housing Requirements

Appendix A of the LPR SP includes development criteria for the River Road Area of Development Concentration (ADC). Section C.4 of Appendix A states new residential subdivisions within the River Road ADC shall provide at least 15% of their units for families of low or moderate income. Although the applicant proposes to provide a combination of on-site inclusionary units and a payment of in-lieu fees which exceed the 15% required by the plan, language in the LPR SP should be amended to achieve vertical consistency between the 2010 General Plan, LPR SP, and Monterey County Code (MCC) Chapter 18.40 – Inclusionary Housing Ordinance of the County of Monterey.

Monterey County 2010 General Plan Policy LU-2.13 requires the assurance of the consistent application of an Affordable Housing Ordinance. This policy requires 25% of new housing units be affordable and that an Affordable Housing Ordinance include the minimum requirement to provide 6% of the units for very low-income households, 6% of the units to low-income households, 8% of the units for moderate income households, and 5% of the units for Workforce I income households.

As of this date, an Affordable Housing Ordinance implementing Policy LU-2.13 has not been adopted; the current ordinance is codified in MCC Chapter 18.40. MCC section 18.40.070.A requires that 20% of units approved by inclusionary and MCC section 18.40.110.B.1 requires that 8% be set aside for moderate income households, 6% be set aside for low-income households, and 6% be set aside for very low-income households.

As discussed in the **Inclusionary Housing** discussion below, the applicant proposes to provide 25% of the units as affordable, consistent with General Plan Policy LU-2.13 and in excess of the minimum requirement of the LPR SP (15%) and MCC Chapter 18.40 (20%). The applicant proposes to provide 4 moderate income units onsite and pay an in-lieu fee for the remaining 2.50 units. This distribution of unit type is inconsistent with General Plan Policy LU-2.13, consistent with the LRP SP, and inconsistent with MCC Chapter 18.40.

The discussion below also demonstrates that here, there is evidence to support modifying the distribution type within the subdivision. Due to land and construction costs in the area, and percentage of income allotted to housing by income type, the subsidy would increase by approximately 60% (from \$1,081,925 to \$1,734,968) to provide the necessary housing types based on distribution.

The maximum percent of income allocated to housing also presents a hardship for home buyers. In order to qualify for very-low income, a family of 4 cannot earn more than 50% of the median income, or \$50,200, and for low-income, a family of 4 cannot earn more than 70%, or \$70,280. Based on the amounts listed in **Table 1**, very-low-income families would only have \$5,100 per year (or \$425/month) available to pay their mortgage after utilities, HOA fees, insurance, and property taxes. Low-income families would only have \$10,185 per year, or \$848. In the LPR SP area, other housing expenses make up more than 50% the income allocation, leaving less of their income to go towards equity and housing upgrades that would improve their quality of living.

As provided in Recital 9 of the draft LPR SP amendment resolution (Exhibit B, Attachment 2), staff proposes that Chapter II, Section C – Housing & Residential Land Use include a new Policy 12 specifying that Parcel Q shall require 25% of new housing units as affordable, 15% of which shall be on-site available to moderate-income households, and the remaining 10% shall be provided through payment of an in-lieu fee.

Site Access

Access to the project would be provided from the signalized intersection of River Road and Las Palmas Road to River Run Road, then Woodridge Court, which currently terminates at the project site boundary. River Road is a public road maintained by the County of Monterey. Las Palmas Road, River Run Road, and Woodridge Court are private roads maintained by the Las Palmas Homeowners Association (LPHOA). The project applicants, currently pay a monthly road maintenance fee to the LPHOA. Pursuant to a future private agreement between the applicant and the LPHOA, the applicant would pay a proportionate share for the use of the roads based on construction impacts and operation of the facility. Although the subject property is adjacent to River Road, there is no direct access from River Road to the site, and none is proposed.

Land Use

The 2010 Monterey County General Plan, Toro Area Plan, Las Palmas Ranch Specific Plan, and Title 21 designate the project site as Medium Density Residential (MDR). The MDR designation is appropriate for a range of residential uses and housing types, recreational, public, and quasipublic, and other uses that are incidental and subordinate to the residential use and character of the area (General Plan Policy LU-2.33a). The proposed subdivision is consistent with existing land use designation and zoning. However, construction of subdivision improvements require approval of a Use Permit to allow development on slopes exceeding 25%.

The MDR district (Title 21 section 21.12.060.A) requires a minimum building site of 6,000 square feet, unless otherwise approved as part of a condominium, planned unit development or similar clustered residential subdivision. As described earlier, there are proposed lots under

6,000 square feet, but the lots have been clustered so that the development and roadways would be located within the center of the lot, leaving a buffer of open space areas. In addition, the project has been conditioned requiring rezoning of the property to include a B-6 overlay, which would prevent lots to be further subdivided. Further, the project is similar in design and density to the Las Palmas Ranch residential neighborhood to the east.

Development on Slopes in Excess of 25%

The proposed development includes internal roadway improvements and underground utilities. Some of these improvements would be on slopes over 25%. The project site is on a plateaued area above, and to the east of, the existing subdivision within Las Palmas #1. The only way to access the site is by traveling up the side of a hillside that is sloped over 25%. The development on slopes has been minimized. It is limited to roadways and underground utilities. There are no feasible alternatives to access this site or provide utilities to the site without developing on slopes. There are no areas within the proposed residential lots that include slopes exceeding 25%. Due to the circumstances of this particular case, staff is able to recommend that the County make the findings necessary to allow the proposed development on slopes.

Design Review & Scenic Resources

The subject property is in a Design Control overlay zoning district. It is visible from a scenic-designated stretch of State Route (SR) 68 for approximately 3,000 feet (0.57 mile). The project site is adjacent to River Road but is minimally visible from this roadway and the River Road/SR 68 intersection, due to existing topography and vegetation. The site is also visible from portions of Reservation Road and the Las Palmas Ranch subdivision. The LPRSP EIR, adopted by the County on September 20, 1983, anticipated that views from River Road would become more urbanized, and that development would be visible from scenic-designated SR 68. The LPRSP EIR established mitigation measures to reduce aesthetic impacts associated with development of the Las Palmas Ranch Specific Plan Area. Those measures, such as tree planting and a River Road setback, are incorporated into the proposed project's plan. Development of the project site, therefore, does not represent a new aesthetic impact not previously been analyzed and found less than significant.

Inclusionary Housing

The applicant proposes a subdivision with 27 new units. Pursuant to MCC section 18.40.050.A, the first by-right unit would be subtracted, resulting in 26 units used to calculate the required amount of affordable housing. Based on General Plan Policy LU-2.13, the minimum required amount would be 1.566 very low-income units, 1.566 low-income units, 2.08 moderate-income units, and 1.30 Workforce I units; totaling 6.50 required inclusionary housing units. The applicant has requested to provide 4 onsite inclusionary housing units and payment of in-lieu fees for the remaining 2.50 units. The onsite inclusionary housing units would be 1,500 square feet and be made available to moderate income households. HCD-Planning and Housing staff considered the proposal and the total percental required consistent with Policy LU-2.13 and the breakdown in units provided consistent with MCC Chapter 18.40.

Using the income levels codified in MCC Chapter 18.40, staff looked at the estimated construction and land cost, a fixed interest rate, utility costs and housing costs. First, staff determined the estimated total cost for a unit within the subdivision. As demonstrated in the

formula below, based on a construction cost of \$275 per square foot plus the approximate land cost, calculated at 20% of the construction cost, the total cost for each unit would be \$495,000.

Staff then calculated affordable sales prices of a 3 bedroom single family dwelling for very low-, low- and moderate-income levels (see **Table 1** below). The median income in the area for a 4-person household size is \$100,400 annually. In order to qualify as very low, the annual income earned could not exceed 50% of the median income, or \$50,200 and only 30% of their annual income can only be allocated to housing, or \$15,060. To qualify as low income, the income earned cannot exceed 70%, or \$70,280 annually and for moderate, income earned cannot exceed 110%, or \$110,440 annually. Only 30%, or \$21,080, of low-income annual earnings and 35%, or \$38,650, of moderate-income annual earning can be allotted for annual housing, respectively.

Affordable Sales Price Calculations for a 3-Bedroom Single Family Dwelling											
	Very	-low Income	Lo	w Income	Mode	erate Income					
<u>Income</u>											
Benchmark Household Size		4		4		4					
HCD Median Income By HH Size		\$100,400		\$100,400		\$100,400					
% of HCD Median Income		50%		70%		110%					
% of Income Allocated to Housing		30%		30%		35%					
Income Allotted to Housing		\$15,060		\$21,080		\$38,650					
Ongoing Expenses											
Utility Allowances ¹		\$5,400		\$5,400		\$5,400					
HOA/Insurance/Maintenance/Other		3,600		3,600		3,600					
Property Taxes @ 1.25% of Affordable Price		950		1,895		4,650					
Total Expenses		\$9,950		\$10,895		\$13,650					
Income Available for Mortgage		\$5,110		\$10,185		\$25,000					
Affordable Housing Price											
Supportable Mtg @ 6.64% Interest ²	\$	66,400	\$	132,300	\$	324,900					
Home Buyer Down Pymt @ 10% of Affordable Price	\$	7,600	\$	15,200	\$	37,200					
Maximum Purchase Price	\$	74,000	\$	147,500	\$	362,100					

¹ Based on the Housing Authority of the County of Monterey utility allowances for envery star detached houses effective as of 44927. Includes: electric, heating, electric cooking, other electric, electric water heating, water sewer, and trash.

Table 1. Affordable Sales Price Calculation

Ongoing annual housing expenses were then calculated (see Ongoing Expenses) based on the utility allowances from the Housing Authority of Monterey County, Las Palmas HOA fees, and property taxes. These amounts were subtracted from the income allotted to housing to determine

² Based on the Freddie Mac interest rate for the first week of the calendar quarter for a fixed rate mortgage with a 30-year term.

the housing income available for annual mortgage payments. As shown in **Table 1**, very low-income households would have \$5,100, low-income households would \$10,895, and moderate-income households would have \$25,000.

These numbers were then used to calculate the maximum purchase price of a home based on income levels. Using a mortgage constant¹ of 7.70% the supportable mortgage, at a 6.64% interest rate, very low-income households could afford to pay \$66,400 annually, low-income households could afford to pay \$132,300 annually, and moderate-income households could afford to pay \$324,900 annually.

2-Bedroom Affordable Sale Price												
700 Sq/Ft												
		Moderate-	Est Const. &	VL-Income	Low-Income	Income						
VL-Income	Low-Income	Income	Land Cost	Profit/(Loss)	Profit/(Loss)	Profit/(Loss)						
\$68,700	\$128,100	\$301,300	\$231,000	(\$162,300)	(\$102,900)	\$70,300						
2-Bedroom Affordable Sale Price												
			1200 Sq/Ft			Moderate-						
		Moderate-	Est Const. &	VL-Income	Low-Income	Income						
VL-Income	Low-Income	Income	Land Cost	Profit/(Loss)	Profit/(Loss)	Profit/(Loss)						
\$68,700	\$128,100	\$301,300	\$396,000	(\$327,300)	(\$267,900)	(\$94,700)						
3 Bedroom Affordable Sale Price												
	900 Sq/Ft Moderate-											
		Moderate-	Est Const. &	VL-Income	Low-Income	Income						
VL-Income	Low-Income	Income	Land Cost	Profit/(Loss)	Profit/(Loss)	Profit/(Loss)						
\$66,400	\$132,300	\$324,900	\$297,000	(\$230,600)	(\$164,700)	\$27,900						
3 Bedroom Affordable Sale Price												
			1500 Sq/Ft			Moderate-						
		Moderate-	Est Const. &	VL-Income	Low-Income	Income						
VL-Income	Low-Income	Income	Land Cost	Profit/(Loss)	Profit/(Loss)	Profit/(Loss)						
\$66,400	\$132,300	\$324,900	\$495,000	(\$428,600)	(\$362,700)	(\$170,100)						

Table 2. Affordable Sales Price Breakdown

In **Table 2** above, a comparison of 2- and 3-bedroom units, ranging from 700 to 1,500 square feet, is provided that includes the annual supportable mortgage amount relative to the estimated

¹ A mortgage constant is the percentage of money paid each year to pay or service a dept compared to the total value of the loan. It helps determine how much cash is needed annually to service a fixed-rate mortgage loan by dividing the annual debt service for the loan by the total loan value.

construction and land costs and identifying the profit or loss (shown in red) incurred per unit based on the income level. As shown in the table, the most profitable unit for the developer would be the 2-bedroom 700 square foot moderate-income unit (\$70,300 profit), the least profitable would be the 3-bedroom 1,500 square foot very low-income unit (\$428,600 loss), and the median would be between the 3-bedroom 1,500 square foot moderate-income unit (\$170,100) and the 3-bedroom 900 square foot low-income unit (\$164,700).

This information was analyzed to determine consistency with 2 specific sections of MCC Chapter 18.40. MCC section 18.40.050.A states that, except as expressly provided in its subsections B and C, all residential developments shall contribute to the provision of housing for very low, low, and moderate income households in the County. MCC section 18.40.050.B.2 exempts certain development from inclusionary requirements, including, that as to which the applicant demonstrates during consideration of a first approval that there is no reasonable relationship between the development and the requirements imposed by this Chapter, that the County's inclusionary housing would take property in violation of the Federal or California Constitution, or that as a result of unusual or unforeseen circumstances, it would not be appropriate to apply, or would be appropriate to modify, the inclusionary housing requirements, provided that the Appropriate Authority make written based on substantial evidence, supporting that determination.

The applicant has requested that the Appropriate Authority find that it is appropriate to modify the requirement to provide 6% low-income on-site units and 6% very low-income on-site units due to unusual (financial) circumstances, Pursuant to MCC section 18.40.070.B.2 and 3, on-site inclusionary units must be compatible in exterior appearance with the other units in the development and contain similar numbers of bedrooms overall as other units in the residential development, with total square footages suitable for the number of bedrooms. As such, the applicant has proposed to provide 4 on-site 3-bedroom 1,500 square foot moderate income housing units, resulting in a loss of \$170,100 per unit. As discussed above, for the applicant to meet their total 25% inclusionary housing contribution, they have proposed to pay the remaining 2.5 units in an in-lieu fee payment. Therefore, the total subsidy applied based on their proposal is \$1,081,925 (\$680,400 for onsite units and \$401,525 for in-lieu fee).

If an exception could not be made and the applicant was required to meet its 25% inclusionary housing obligation, the total subsidy could potentially increase to approximately \$1,734,968². On the other hand, at the November 8, 2023 Commission hearing, the applicant proposed to provide no onsite inclusionary housing units and pay an in-lieu fee of \$923,507.50. Based on the 3 scenarios herein described, the current proposal better meets the purpose and intent of Chapter 18.40, as it provides 4 moderate income housing units onsite and the payment of additional in-

² Using a waterfall calculation and adding the remaining 1.30% to the moderate income requirement, the following amounts were accounted for: 1 very low-income unit, 2 low-income units, 3 moderate-income units, and .44 units in an in-lieu fee.

lieu fees increases the availability of funds for very low, low, and moderate income housing projects (MCC section 18.40.020.F).

Las Palmas Ranch Specific Plan

Appendix A of the Las Palmas Ranch Specific Plan (Exhibit C) is the River Road Area of Development Concentration (ADC) General Plan Amendment. The River Road ADC (Board Resolution 83-121) establishes development criteria. Section C.4 states that new residential subdivisions within the River Road ADC shall provide at least 15% of their units for families of low or moderate income. As discussed above, 26 is the base units used to calculate the required amount of affordable housing and the applicant proposes to provide 4 onsite moderate income housing units, which equates to 15%, consistent with the River Road ADC requirement.

Environmental Review

As summarized in the cover staff report, a Draft Subsequent Environmental Impact Report (DSEIR) and a Final SEIR was prepared in accordance with the California Environmentally Quality Act (CEQA). These documents analyzed and addressed potential and unavoidable impacts of the proposed senior assisted living facility. Pursuant to CEQA Guidelines section 15126.6, the DSEIR/FSEIR also identified feasible project alternatives and analyzed their environmental impacts compared to the originally proposed project. As directed by the Monterey County Board of Supervisors on October 12, 2021, the project scope was modified and an augmentation to the FSEIR was prepared to update the project objectives and include and analyze "Alternative 3b" – a residential subdivision for up to 30 residential lots. Although the project before the Commission includes 27 residential lots, including four moderate income units, and an open space parcel, Alternative 3b analyzed up to 30 lots to ensure adequate environmental analysis should construction of onsite inclusionary housing units occur (see the Affordable Housing discussion in the cover staff report). Together, the Augmentation and the FSEIR concluded that Alternative 3b would result in less environmental impacts than the senior living facility project and would meet most of the objectives of the proposed project. Indeed, the FSEIR's analysis of the augmentation did not reveal any new environmental impacts or required mitigations. Staff therefore recommends that Alternative 3b be considered the proposed project.

Project Objectives

The objectives of the original project that would be fulfilled by Alternative 3b (as provided by the applicant) are the following:

- To provide housing in a geographic location where it is clearly needed and where adequate public facilities currently exist or can be readily provided.
- To provide housing in and near an established community so that residents in the facility can feel a sense of connection with local residents.
- To address the critical need for housing for residents of the community in need of suitable housing options.

Aesthetics

The applicant proposes that future single-family dwellings built onsite would not be taller than 20 feet high. To ensure the resulting lots would be subject to a 20-foot height restriction, a non-standard condition of approval has been incorporated requiring a rezone of the property to

include the 20-foot height limitation. The eucalyptus trees retained on the western portion of the property under Alternative 3b are within the critical viewshed (see Toro Area Plan Policies T-1.7 and T-3.3). Although eucalyptus trees are not considered protected within Monterey County, the trees aid in shielding the potential development from the viewshed of SR 68, River Road, and Las Palmas #1. Alternative 3b would potentially impact scenic vistas and the visual character of the site and would introduce new sources of light and glare to the project site and vicinity. However, implementation of identified Mitigation Measures AES-1, AES-2, AES-3, and AES-4, as well as the non-standard condition for the 20-foot height limit, potential aesthetic and viewshed impacts (from State Route 68 and other nearby public viewing areas) would be reduced to less-than-significant.

Biological Resources

The proposed subdivision encompasses approximately 160,000 square feet; with a maximum building site coverage of 35%, less than 60,000 square feet of the subdivision would be covered. To ensure avoidance of potential impacts to special status species, biological mitigation measures, including MM BIO-1 – MM BIO-6, have been incorporated to ensure pre-construction surveys for multiple special status species are conducted prior to construction.

Traffic

The updated traffic report determined that the proposed project would result in an unavoidable significant impact to SR 68 as the roadway currently operates at a Level of Service "F". Adding a single trip to this highway would continue an unavoidable impact. Implementation of traffic mitigation measures (MM TRA-1 and MM TRA-2) included in the FSEIR prepared for the senior living facility would reduce overall traffic trips and during peak traffic hours resulting from employee travel to and from the facility. These mitigations require implementation of a shuttle service plan and a specific employee schedule to ensure shift changes are not during peak traffic hours. Alternative 3b would not be an employee intensive use and these mitigations would not be applicable in this case. Therefore, they have been removed from the proposed conditions of approval.