

MCINTOSH APPEAL

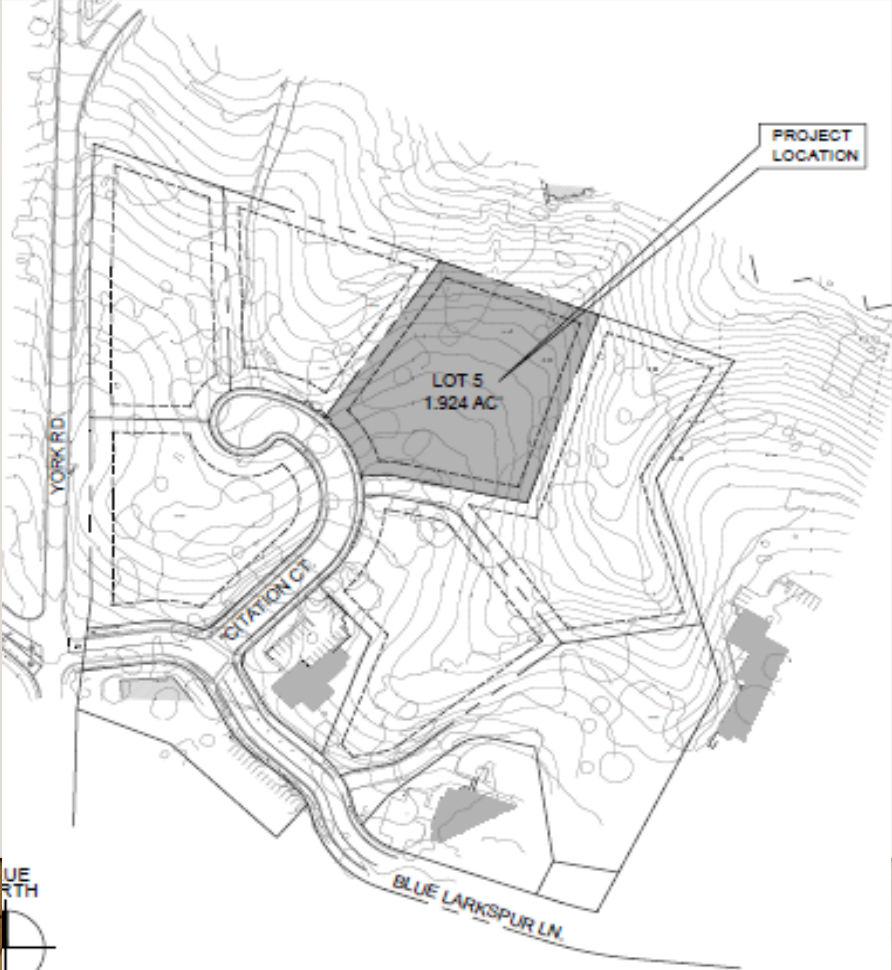
FEBRUARY 23, 2021

PLN 170765

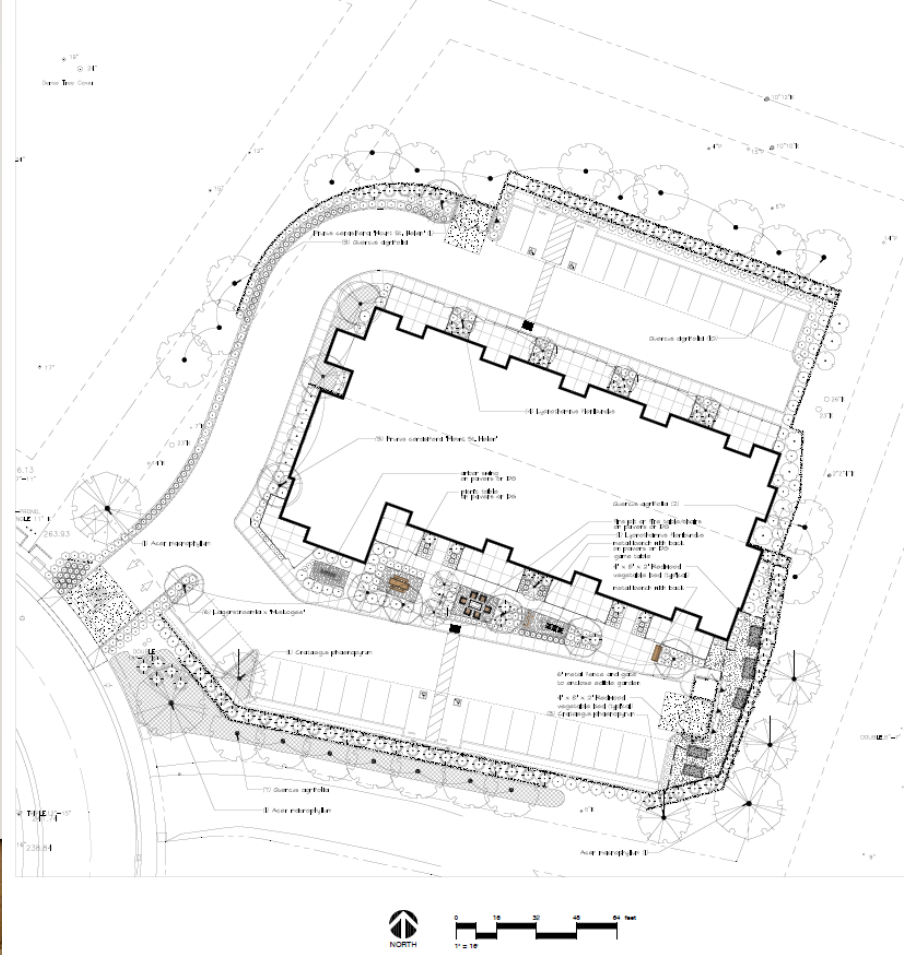
VICINITY



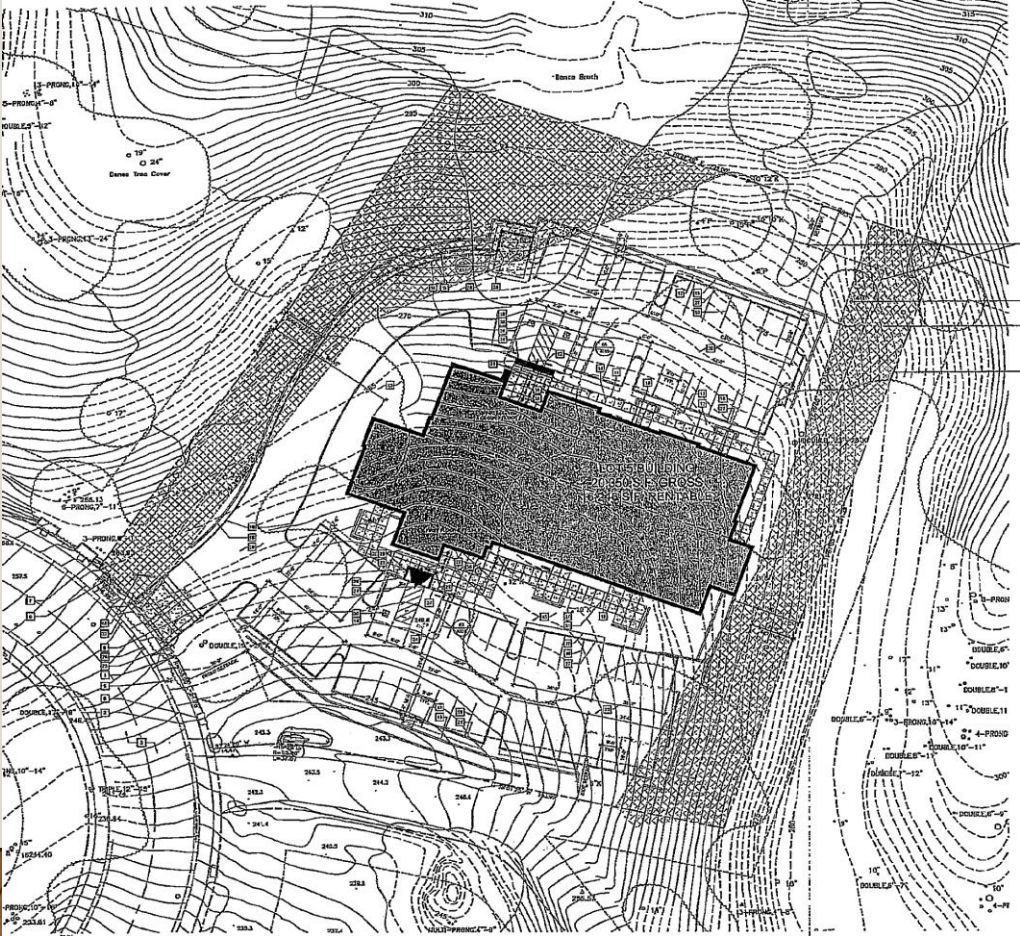
LOT 5



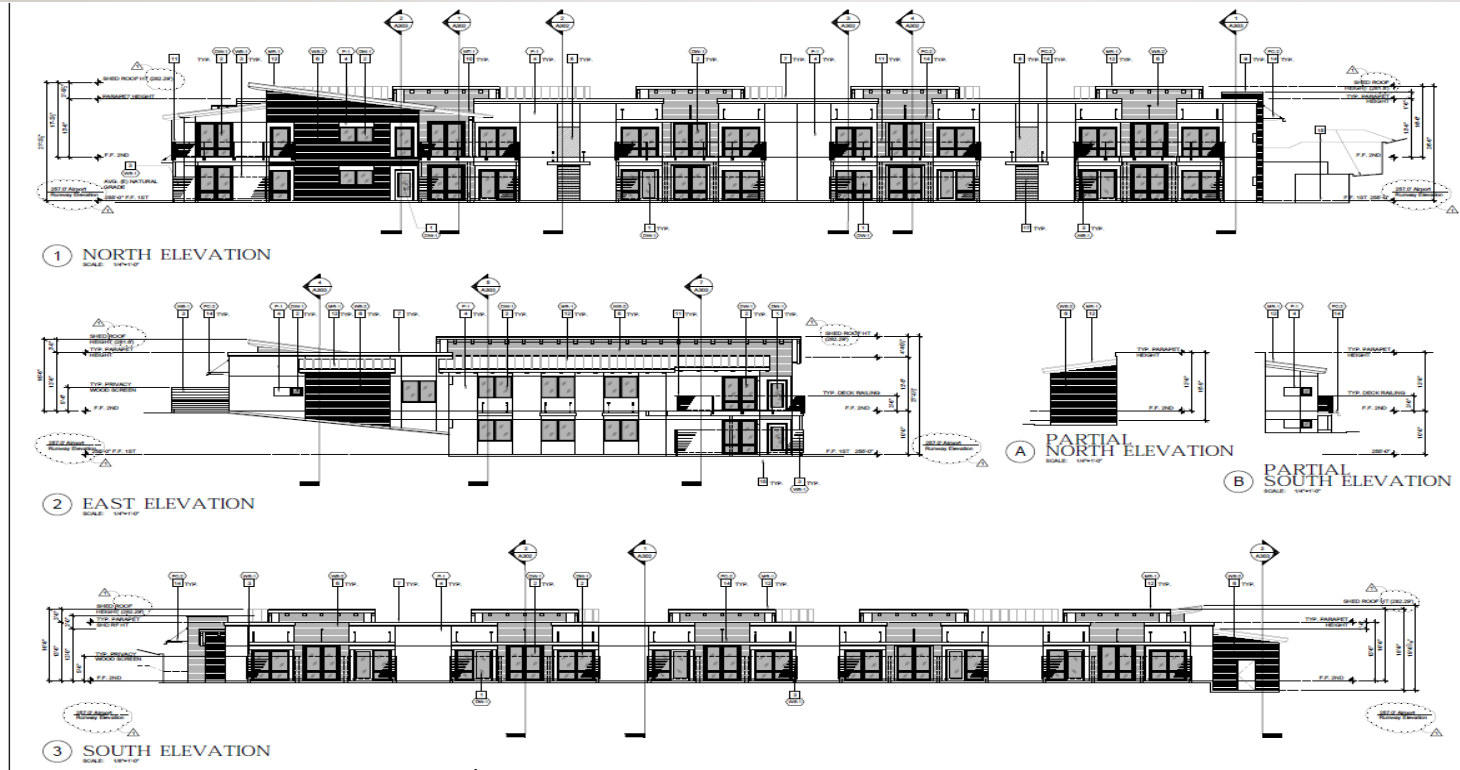
APARTMENT SITE AND LANDSCAPING PLAN



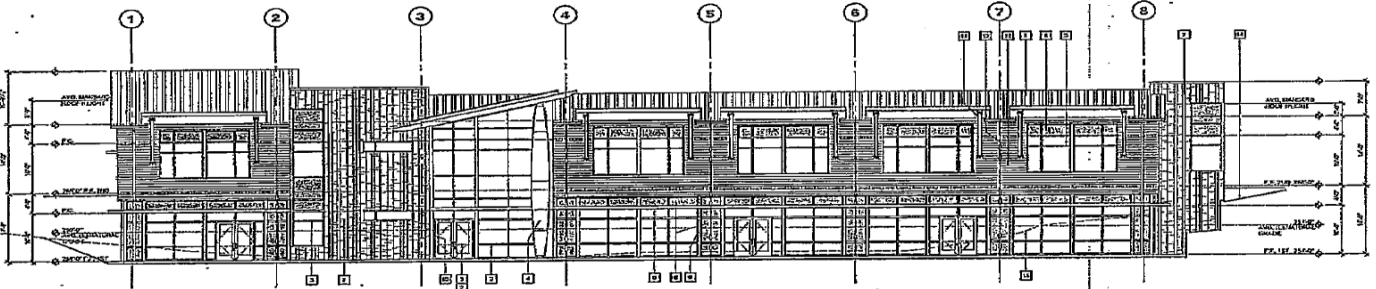
APPROVED OFFICE SITE PLAN



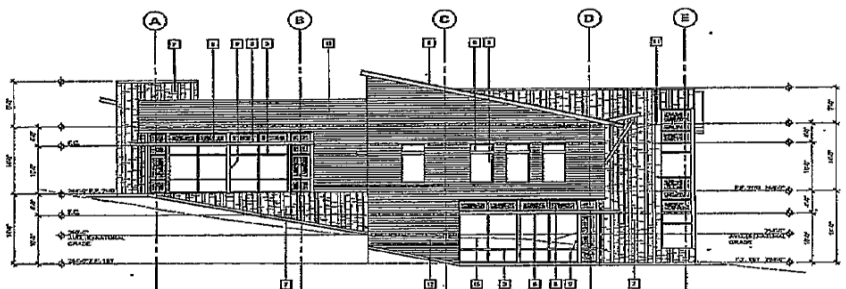
APPROVED APARTMENT ELEVATIONS



APPROVED OFFICE ELEVATIONS



1 SOUTH ELEVATION
SCALE: 1/8"=1'-0"



2 WEST ELEVATION
SCALE: 1/8"=1'-0"

CONDITION 18

The applicant/owner shall enter into an Affordable Housing Agreement with the County of Monterey to satisfy the obligation to provide affordable units as required by the Planning Commission in approval of the project on 9/30/2020. In accordance with General Plan Land Use Policy LU-1.19 (Development Evaluation System) requirement of 35% inclusionary housing, the County Housing and Economic Development Office quantifies provision of the following minimum number of units (4.9 total) within each household income category as follows:

- (1) Very Low,
- (2) Moderate, and
- (1) Workforce 2,

all of which are to be built onsite; and waive the remaining 0.9 fractional unit in lieu fee obligation.

CURRENT INCLUSIONARY HOUSING ORDINANCE

18.40.070 - On-site units.

A. To satisfy its inclusionary requirement on-site, a residential development must construct inclusionary units in an amount equal to or greater than twenty (20) percent of the total number of units approved for the residential development (except to the extent a fraction of a unit would be required, for which the applicant may elect to substitute a fractional unit fee). Initial and subsequent affordability levels and eligible occupants of the inclusionary units shall conform to the requirements of Section 18.40.110, as applicable.

2015-2023 HOUSING ELEMENT (PAGE 68)

“The County also assures consistent application of an Inclusionary Housing Ordinance (Chapter 18.40 of the Monterey County Code), which requires that 20 percent of units/lots in new residential developments be affordable to very low, low, and moderate income households... When amending the original ordinance to increase the inclusionary housing requirement from 15 percent to 20 percent in 2002, the County conducted a feasibility analysis to assess the potential impacts of the policy on developers. That feasibility analysis concluded that most developers at the time would plan for at least a 20 percent return, with actual returns as low as 10 percent under adverse market conditions. The study concluded that the 20 percent requirement would allow a developer to achieve a return of 25 percent, above the typical 20-percent return.”

GOVERNMENT CODE SECTION 65589.5

“(K) The Legislature’s intent in enacting this section in 1982 and in expanding its provisions since then was to significantly **increase the approval and construction of new housing for all economic segments** of California’s communities by meaningfully and effectively **curbing the capability of local governments to deny, reduce the density for, or render infeasible housing development projects** and emergency shelters. That intent has not been fulfilled.”

EMAIL FROM STEVE WOTHERSPOON – SEPTEMBER 25, 2020

Dear Mr. Lombardo,

My name is Steve Wotherspoon. I am the senior vice president and commercial real estate and construction loan manager for Pinnacle Bank. I have been provided with a copy of the financial analysis for the proposed McIntosh 15 unit apartment project in the Laguna Seca office park. Neither Mr. McIntosh nor any of his family are clients of our lending institution. Based on the summary analysis received, I believe that the financial analysis is an accurate estimation of the cost of constructing the project and the revenue that it will likely generate. Based on my experience and the lending policies of our institution we would not be able to finance this project with over 20% inclusionary housing because the project is not financially feasible and would not meet our minimum underwriting standards. Even at the 20% level, the project would require higher than typical cash injection from the developer to avoid the early year(s) negative cash flow.

Sincerely,

Steve Wotherspoon
SVP/Senior Relationship Manager
Pinnacle Bank

STATE HOUSING AND COMMUNITY DEVELOPMENT - JANUARY 20, 2021

“In sum, if the County intends to implement Program LU-1.19, the County will need to analyze [the] DES system, including the 35-percent inclusionary mandate, as potential constraints on the development of housing for all income levels, specifically on housing supply and affordability, prior to its adoption. However, if the Program LU-1.19 is not implemented prior to revision of the County’s 6th cycle housing element, which is due on or about December 15, 2023, at a minimum the policy must be included and analyzed at that time for potential constraints to the development of housing.”

TWENTY YEAR PROJECTION @ 20%, 25%, 35%

20 Year Cash Flow Snapshot Every 5 Years	SHOWING 2% INCREASE IN RENTS AND OP EX				
20 % INCLUSIONARY	Year 1	Year 5	Year 10	Year 15	Year 20
(1VL, 1 MOD)					
ANNUAL GROSS RENTS	\$ 619,128	\$ 683,369	\$ 769,361	\$ 849,437	\$ 937,847
OPEX + Vacancy Factor	\$ 198,500	\$ 214,863	\$ 237,226	\$ 261,917	\$ 289,177
ESTIMATED NET OPERATING INCOME	\$ 420,628	\$ 468,506	\$ 532,135	\$ 587,520	\$ 648,670
DEBT SERVICE @ 70% FINANCING	\$ 454,476	\$ 454,476	\$ 454,476	\$ 454,476	\$ 454,476
ESTIMATED CASH FLOW	\$ (33,848)	\$ 14,031	\$ 77,660	\$ 133,045	\$ 194,194
25% INCLUSIONARY	Year 1	Year 5	Year 10	Year 15	Year 20
(1VL, 2 MOD)					
ANNUAL GROSS RENTS	\$ 607,074	\$ 657,116	\$ 725,510	\$ 801,021	\$ 884,392
OPEX + Vacancy Factor	\$ 198,500	\$ 214,863	\$ 237,226	\$ 261,917	\$ 289,177
ESTIMATED NET OPERATING INCOME	\$ 408,574	\$ 442,254	\$ 488,284	\$ 539,105	\$ 595,215
DEBT SERVICE @ 70% FINANCING	\$ 454,476	\$ 454,476	\$ 454,476	\$ 454,476	\$ 454,476
ESTIMATED CASH FLOW	\$ (45,902)	\$ (12,222)	\$ 33,808	\$ 84,629	\$ 140,740
35% INCLUSIONARY	Year 1	Year 5	Year 10	Year 15	Year 20
(1VL, 2 MOD, 1 Wfil)					
ANNUAL GROSS RENTS	\$ 603,930	\$ 653,713	\$ 721,752	\$ 796,873	\$ 879,812
OP EX + Vacancy Factor	\$ 198,500	\$ 214,863	\$ 237,226	\$ 261,917	\$ 289,177
ESTIMATED NET OPERATING INCOME	\$ 405,430	\$ 438,850	\$ 484,526	\$ 534,956	\$ 590,635
DEBT SERVICE @ 70% FINANCING	\$ 454,476	\$ 454,476	\$ 454,476	\$ 454,476	\$ 454,476
ESTIMATED CASH FLOW	\$ (49,046)	\$ (15,625)	\$ 30,051	\$ 80,481	\$ 136,159
NOTES	<ol style="list-style-type: none"> 1. Expenses stay constant and are not dependent on the income but are increased by 2% annually 2. Debt Service is at 70% of the cost of construction at 4.5% amortized over 25 years 3. Both income and expenses are increased annually by 2% for each year 4. This shows that in both the 25% and 35% scenario the project will not be able to sustain itself. 5. At 20% more housing units will be built which will help be part of the solution to the local housing problem. 6. The market rate units are essentially not significantly higher than comparable WF II Housing units. 				

FIRST 5 YEARS PROJECTION @ 20% AND 35%

FIVE YEAR PROJECTED CASH FLOWS 20% VERSUS 35% AS PROPOSED BY COUNTY OF MONTEREY							
20% INCLUSIONARY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL 5 YEARS	
(1Low, 1 Moderate) .8 in Lieu							
ANNUAL GROSS RENTS	\$ 630,540	\$ 643,151	\$ 656,014	\$ 669,134	\$ 682,517	\$ 3,281,355	
OPEX + VACANCY FACTOR	\$ 204,484	\$ 208,574	\$ 212,745	\$ 217,000	\$ 221,340	\$ 1,064,143	
ESTIMATED NOI	\$ 426,056	\$ 434,577	\$ 443,269	\$ 452,134	\$ 461,177	\$ 4,345,498	
DEBT SERVICE at 65%	\$ 431,565	\$ 431,565	\$ 431,565	\$ 431,565	\$ 431,565	\$ 2,157,824	
ESTIMATED CASH FLOW	\$ (5,509)	\$ 3,012	\$ 11,704	\$ 20,569	\$ 29,612	\$ 59,389	
AS A PERCENTAGE ON \$3.5M INVESTED	-0.16%	0.09%	0.33%	0.59%	0.85%	0.34% Avg	
35% INCLUSIONARY with COUNTY OFFER	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL 5 YEARS	
(1 Very Low, 2 Mod) 1.9 in lieu fee waived							
ANNUAL GROSS RENTS	\$ 610,926	\$ 623,145	\$ 635,607	\$ 648,320	\$ 661,286	\$ 3,179,283	
OPEX + VACANCY FACTOR	\$ 204,484	\$ 208,574	\$ 212,745	\$ 217,000	\$ 221,340	\$ 1,064,143	
ESTIMATED NOI	\$ 406,442	\$ 414,571	\$ 422,862	\$ 431,320	\$ 439,946	\$ 4,243,426	
DEBT SERVICE at 65%	\$ 422,013	\$ 422,013	\$ 422,013	\$ 422,013	\$ 422,013	\$ 2,110,065	
ESTIMATED CASH FLOW with Loss Carry	\$ (15,571)	\$ (7,442)	\$ 849	\$ 9,306	\$ 17,933	\$ 5,075	
AS A PERCENTAGE ON \$3.5M INVESTED	-0.44%	-0.21%	0.02%	0.27%	0.51%	0.012% Avg	
Based on Loan at 65% of Construction and land acquisition costs Construction costs estimated at \$9.9 Million							
Based on Cash Investment of approximately \$3.5 Million							
Operating Cost Estimates taken from a MAI appraisal of the project							

CONDITION 14

- Condition 14. Condition 14 which prohibits flags, pennants, banners and other attention getting devices is taken from the previous office permit. The marketing of a new office building is substantially different from an apartment project. It is common practice for housing projects to use such devices as a means of attracting and directing prospective tenants. We request that the condition be modified to allow for such devices to be used for a period not to exceed six months from the time the units may be first occupied.

CONDITION 22

- Condition 22. Condition 22 requires a biological consultant to educate construction workers and monitor construction, especially during grading operations, to limit impacts to any biological resources on-site. We have asked the staff to identify what species of concern might exist on the site. They did not respond. The project biological report found there were no special species, plant or animal, on the construction site. *This requirement, which is not necessary, will simply add cost to the project with no discernible benefit. We request that this condition be deleted.*

CONDITION 23

- Condition 23. **Condition 23 places substantial restrictions on the days and hours of construction and would limit** the use of heavy equipment and certain tools to 3:00 pm to 7:00 pm weekdays when school is in session and 7:00 am to 7:00 pm on Saturdays and when school is not in session. These restrictions will increase construction time and will further increase the cost of the project. It will also add more construction traffic to the subdivision, York Road and Highway 68 due to the need to bring equipment, materials and workers to the site for a longer period of time due to the reduced hours allowed for construction. This condition is unnecessary in that construction noise limits are already addressed in the General Plan and County Code. Remedies exist for violations of those already adopted standards. We request that this condition be deleted.

SUMMARY

Mr. McIntosh respectfully requests that the Board grant his appeal to:

- Amend Condition 18 to require the applicant to make a 20% inclusionary housing contribution by either building the units on site or contributing in-lieu fees, whichever the Board of Supervisors feels most appropriate.
- Delete Condition 19 in its entirety as recommended by the staff;
- Amend Condition 14 as requested; and,
- Delete conditions 22 and 23.