



City of Huntington Beach

File #: 23-147

MEETING DATE: 2/21/2023

REQUEST FOR CITY COUNCIL / HOUSING AUTHORITY ACTION

SUBMITTED TO: Honorable Mayor and City Council Members / Honorable Chairman and Board Members

SUBMITTED BY: Al Zelinka, City Manager / Executive Officer

VIA: Ursula Luna-Reynosa, Director of Community Development

PREPARED BY: Charles Kovac, Housing Manager

Subject:

Consider for approval Bonanni Development Company IV, LLC Affordable Housing Agreement for the development of 35 ownership units at 19070 Holly Lane

Statement of Issue:

It is recommended that the City Council approve an Affordable Housing Agreement ("Agreement") by and between the City of Huntington Beach ("City") and Bonanni Development Company IV, LLC ("Developer") associated with the previously approved development of a 2.11-acre site located at 19070 Holly Lane ("Project"). The Project consists of thirty-five (35) attached townhomes, of which, this Agreement will restrict five (5) units for moderate-income households for a period of 45 years.

Financial Impact:

There is no fiscal impact to approving this Agreement.

City Council and Housing Authority Recommended Action:

A) Approve the "Affordable Housing Agreement for 19070 Holly Lane, Huntington Beach by and Between the City of Huntington Beach, a California Municipal Corporation and Bonanni Development Company IV, LLC, a Limited Liability Corporation" for the development of 35 ownership units at 19070 Holly Lane; and,

B) Authorize the City Manager or their designee to implement and execute the Affordable Housing Agreement for the Project, including all necessary related documents; and,

C) Authorize the City Manager to execute an amendment to the Affordable Housing Agreement, as prepared by the City Attorney, should the Developer upon completion of the Project decide to rent instead of sell the townhomes due to market conditions; and,

D) Authorize the Housing Authority Executive Officer or their designee to execute all necessary implementing agreements and related documents.

Alternative Action(s):

The recommended Agreement was prepared by the City Attorney's Office pursuant to state and local regulations. The Project complies with Density Bonus Law (Government Code Section 65915) and Huntington Beach Zoning and Subdivision Ordinance, Chapter 230.14(B)(4), and the Agreement ensures the Project will comply with applicable requirements. For this reason staff does not recommend any alternatives.

Analysis:

The approved Project will redevelop a primarily vacant 2.11-acre site located at 19070 Holly Lane at the southwest corner of Main Street and Garfield Avenue with 35 attached townhomes. All of the townhomes will range from 1,300 square feet to 1,865 square feet, be three stories in height (under the maximum permitted height of 40 feet), and will have either two or three bedrooms with attached two-car garages. The Project is consistent with the Holly-Seacliff Specific Plan and will maintain the residential character of the area.

On May 24, 2022, the Developer received approval from the Planning Commission for the Project application (Attachment 2) consisting of the following: 1) General Plan Amendment (GPA) No. 20-003 to change the property General Plan designation from Commercial Neighborhood-Specific Plan Overlay to Residential Medium Density-Specific Plan Overlay; 2) Zoning Text Amendment (ZTA) No. 20-003 to change the zoning designation from Commercial to Residential Medium Density; 3) Tentative Tract Map (TTM) No. 19118 to consolidate 12 separate lots into one lot; 4) Conditional Use Permit (CUP) No. 20-025 to develop 35 three-story attached townhomes; and 5) Environmental Assessment No. 20-003, consisting of an Addendum No. 1 to the Holly-Seacliff Specific Plan Environmental Impact Report No. 89-1 (EIR) to analyze the potential environmental impacts of the proposed Project. On June 21, 2022, the City Council approved the GPA, ZTA, and Environmental Assessment No. 20-003 to the EIR.

The Developer has requested a ten percent (10%) density bonus for the Project pursuant to California Government Code Section 65915 (the "Density Bonus Law"). Under Density Bonus Law, the approved Project will consist of thirty-two (32) base residential units and three (3) density bonus units, for a total of thirty-five (35) units. In exchange for the increase in allowable density, the Developer must ensure that, pursuant to the terms of the Agreement, no less than five units will be affordable for moderate-income households as defined in Health and Safety Code Section 50093.

Pursuant to State Density Bonus Law, developers of housing projects that include specified levels of affordable housing are entitled to apply for and receive up to four different benefits. These include 1) an increase in density, 2) concessions, 3) waivers, and 4) reduced parking requirements. A concession is an exception from an otherwise applicable development standard that results in cost savings for the project. A waiver is an exception from a development standard that would physically preclude the project from being built (Government Code Section 65975(e)(1) provides that a city may not apply a development standard that would have the effect of physically precluding the construction of the density bonus units at the density permitted under Density Bonus Law).

In exchange for providing five units of the 32 total base units affordable to moderate-income

households, the Developer is eligible to receive up to one concession and unlimited waivers. The Developer did not request a concession and is utilizing two waivers to existing development standards: 1) 15-foot front yard setback, as the approved Project consists of a 10-foot yard setback along Holly Lane; and 2) 20-foot building separation, as the approved project consists of 15-16 feet separation of the onsite buildings. Imposing these two standards would have physically precluded the construction of the density bonus units.

As authorized pursuant to Density Bonus Law, the Project is eligible for parking requirements calculated in accordance with Government Code Section 65915(p); two-bedroom and three-bedroom units are required to provide one and a half onsite parking spaces per unit. The proposed Project provides 82 parking spaces, which is 18 spaces less than required by the City's parking standards but 29 more parking spaces than required by Density Bonus Law.

In order to be eligible for the waivers and parking reduction described above, the Developer must ensure that five units of the total 32 base units remain affordable to moderate-income households for 45 years. The proposed Agreement memorializes this requirement, and covenants implementing the Agreement will be recorded on the property title ensuring that five units will be owned and occupied by moderate-income households, as defined in Health and Safety Code Section 50093, for 45 years. The Developer will build the Project in a multiple phases and sell individual units to eligible homebuyers. The maximum moderate-income sales prices for the five units will be set in accordance with the Agreement. The proposed Agreement included in Attachment 1 was prepared by the City Attorney's Office and is consistent with Density Bonus Law and the Holly-Seacliff Specific Plan.

Currently, the Developer anticipates selling the individual units in accordance with the terms and conditions set forth within the Agreement. However, due to future housing market uncertainties as it relates to potentially higher interest rates and a softening real estate market that may hinder the ability for the Developer to sell the units, the Developer has requested the option to rent the units, including both the market rate and affordable units, until such time that the housing market supports converting the Project back to home ownership. Should the City Council approve this option, the Developer may make this request prior to completion of construction and the sale of any units. The City Attorney would then prepare an amendment to the Agreement incorporating the necessary provisions for a rental project for execution by the City Manager.

Upon completion of the Project and occupancy of the affordable units, the Housing Authority will administer and oversee the implementation of the five moderate-income affordable units to ensure that the affordability covenants remain in place throughout the duration of the 45-year term.

Environmental Status:

The City certified Program Environmental Impact Report (EIR) No. 89-001 for the Holly-Seacliff Specific Plan in 1990, which evaluated environmental impacts associated with development approved as part of the Specific Plan. The Holly-Seacliff Specific Plan identified the subject property as a Commercial (C) land use and the EIR evaluated environmental impacts associated with up to 117,612 square feet of commercial uses on the property. The EIR provides the environmental setting and analysis to serve as the first-tier California Environmental Quality Act (CEQA) document for the proposed Project.

Although the Holly-Seacliff Specific Plan considered the impacts of commercial development on the subject property, a residential use (such as the proposed Project) would result in a less intense project than what was evaluated under the EIR, and therefore would not result in new significant impacts or an increase in the severity of a previously identified impact in the EIR. The Project will also be required to comply with City standards and existing mitigation measures outlined in the EIR to ensure that development of the proposed Project and approval of the GPA, ZTA, TTM, and CUP would not result in an action that requires further evaluation pursuant to CEQA.

Strategic Plan Goal:

Economic Development & Housing

Attachment(s):

1. Affordable Housing Agreement by and between the City of Huntington Beach and Bonanni Development Company IV, LLC
2. Planning Commission staff report for the May 24, 2022 meeting
3. PowerPoint Presentation