

**Attachment B:
Analysis of the DCM-1 Zone and
Increased Density Yield Assumptions**

City of Encinitas staff prepared an inventory of medium and high density sites in the City that have the potential to accommodate moderate-, low-, and very low-income households. In addition to the land with residential zoning, many of the City's commercial districts allow for residential development. As noted in the Housing Element, it is generally assumed that half of that commercially zoned inventory is available for residential development in the 2013-2020 planning cycle. However, "potential" or realistic capacity the DCM-1 Zone of the Downtown Encinitas Specific Plan must be treated uniquely with regard to inventorying viability and suitability of sites.

Recycling of Sites

Underutilized sites may be less likely candidates than vacant sites for near-term residential development so additional analysis was performed to make sure that there is significant economic incentive for redevelopment in the DCM-1 Zone. Traditionally, a sites inventory with non-residential lands will discount the "potential" residential density of sites or parcels. These sites are discounted because the reality is that only some of the sites will redevelop in the short-term – and when they redevelop, they may be redeveloped as commercial-only uses. That is, there is more than residential development that is involved on these candidate sites.

Complex land use suitability analysis tools can aid the understanding of residential capacity. Regarding the sites inventory and capacity for new residential growth, in general, properties in the DCM-1 Zone are considered underutilized if their development potential has not been maximized. The Court of Appeal has recently indicated (albeit in the context of sites for homeless shelters and transitional housing) that an adequate and "available" site is one that is available for immediate development, which is located within reasonable access to transportation services; will not require unusually high site development costs; has available public services and facilities; etc. The City identified a number of properties within the Downtown Encinitas Specific Plan where the conditions of existing uses are conducive to redeveloping in the near-term. GIS analysis, staff knowledge, and field checks were used to identify and refine the sites selected to determine their suitability. The City also consulted with the for- and non-profit development community, stakeholders, and best practices in the industry for the purposes of soliciting information about site and zoning related factors. There was general concurrence regarding the approach to this suitability methodology.

Criteria used in this section include:

- Land-to-improvement value (where land is worth more than the improvements on-site);
- Common ownership;
- Age of structure (over 30 years, and in some cases more than 50 years); and
- Properties within ¼ mile of ½ mile of a transit center.

Where the site or zone meets at least two or three criteria the viability is stronger. As such the suitability is intrinsically linked to the extent of meeting the criteria. Since a strong case can be made that the downtown area will achieve and reasonably expect near term development, City staff concluded that approximately 75 percent of sites within the DCM-1 Zone inventory is viable for near term residential construction (from 2013-2020).

Much of the analysis provided herein supports high viability for sites in the DCM-1 and DCM-2 Zones. This Housing Element cycle is conservatively estimating a higher yield in the DCM-1 Zone only. Please note that the DCM-1 Zone contributes to housing needs of the moderate-income housing category based on having a realistic capacity of 15 units per acre. The resulting “potential” capacity determination has been adjusted downward if land use controls, development standards or site improvement requirements would preclude the development of that number of units; or if the probability for “realistic” development potential is less than the density assumption.

Downtown Location of the DCM-1

The First Street Corridor subdistrict in the Downtown Encinitas Specific Plan is generally defined as all the parcels fronting Coast Highway 101, south of Encinitas Boulevard and north of K Street. The First Street Corridor subdistrict focuses on what also is referred to as a “Main Street”. In fact, Coast Highway 101 and Second Street together comprise the project area of a *Main Street* demonstration project by the State of California. The goals for the First Street Corridor, and the DCM-1 Zone, include preserving and enhancing the unique “Main Street” character, maintaining small-scale commercial and providing for a mix of uses. Second Street includes The DCM-2 Zone and the associated development standards have been custom-tailored to function as a buffer zone from the DCM-1 Zone to the Residential West Subdistrict by integrating residential uses with commercial types of relatively lower intensity.

Accordingly, this downtown location has been heavily emphasized in the sites inventory of the Housing Element update. While conducting the site visits and interviews with developers, it also became clear that proximity to transit, diverse land uses, services, safety and other factors combine to make one location better or worse than another. Local developers also agree that residents (prospective homebuyers) often prize these places for the advantages created by the proximity to transportation and other amenities. Based on what developers and other stakeholders are seeing, one of the preliminary indications is that these trends will lead to a strong demand for multifamily housing and/or sites zoned for mixed-use near transit stations.

The Downtown Encinitas Specific Plan area is attractive not only in terms of natural beauty and community-character charm, but also in terms of its gravitational pull for people to become part of a livable community. In terms of long-range vision that was developed as part of the Downtown Encinitas Specific Plan, the downtown are is envisioned as a dynamic, attractive, pedestrian-oriented center providing social, cultural, economic, and residential focus while respecting its historic character. The

Downtown Encinitas Specific Plan promotes higher residential densities in key locations to support retail, employment, and cultural uses. The First Street and Second Street Corridor subdistricts (DCM-1 and DCM-2 Zones) provide residential development opportunities within close proximity to civic amenities (City Hall, the library, Moonlight Beach, Swami's Park, and Mildred MacPherson Neighborhood Park), pedestrian-oriented commercial and retail land uses, unique activities like La Paloma Theater, and the commuter rail station. This variety of uses allows for people to live, work, and shop in one place, which then becomes an attractive destination for people from other neighborhoods.

The community's long-term vision for this area bodes well for the near-term future of housing development. A Builder Online report noted that in communities where builders provide a mix of products while giving them access to the support they need, demand will be great (Claire Easley, *The Coming Senior Housing Crises*, 2012). And based on all the predictions of likely development patterns in the future and SANDAG's forecasted demand (of residential growth in the next few decades), the region can expect approximately 50 percent of future job and housing growth likely to occur in Smart Growth Opportunity Areas. Furthermore, the SANDAG forecast projects that more than 70 percent of future job and housing growth will likely occur within the Transit Investment Area, defined as being the area with highest priority for future transit investments (SANDAG, 2050 Forecast). (This location is listed as a Smart Growth Opportunity Area by SANDAG, which has the potential to receive planning funds.)

Prior Development in the DCM-1 and DCM-2 Zones

The Downtown Encinitas Specific Plan's development standards, such as building setback and lot coverage standards, are more flexible than similar standards for properties outside of the Specific Plan; and in some cases less stringent than other standards in other nearby cities. For example, the First Street and Second Street Corridors in the Downtown Encinitas Specific Plan have revised parking ratios for selected commercial and office uses, recognizing the prevailing small lot nature of the environment, as well as the occupancy sizes for uses in this area. Also, on-street parking may count towards the parking requirement for uses on an immediately adjacent site. Many local developers have stated that these factors are useful in helping reduce the per-unit development costs of projects. And these development standards have been proven to be influential over recent private development decisions. Since plan adoption in the mid- to late-1990s, ten mixed-use projects and 67 new residential units have been built in the DCM-1 and DCM-2 Zones.

Furthermore, the DCM-1 Zone does not specify a residential density. The zone allows the developer or property owner to configure the most efficient use of land based on the building envelope that can be crafted. The City tested the development standards, and based on recent project experience, a typical project can achieve 34 units per acre in these areas. The Pacific Station project, recently completed in the DCM-1 Zone, involved the construction of 47 housing units and 54,423 square feet of office/retail/restaurant uses on a 1.4 acre site. This is important in that the California

Government Code states that if a local government has adopted density standards consistent with the population based criteria set by State law, HCD is obligated to accept sites with those density standards (30 units per acre or higher) as appropriate for accommodating the jurisdictions share of regional housing need for lower-income households.

While mixed-use development is not a new concept, it has gained popularity as a development and revitalization strategy in recent years. At a 2013 Pacific Coast Builders Conference, it was noted by a spokesman for California Economic Forecast that the recent housing rebound/recovery has been led by multi-family housing in urban centers or near transportation hubs (James Palen at the Daily Tribune, PCBC Conference, 2013). To this point, deliveries have not kept pace with demand for multi-family spaces. This recent, capital market assessment reaffirms that being in transit oriented areas help make private reinvestment more likely; and there are preferential-market opportunities for residential development in the 2013-2020 planning period. The benefits often provide an added incentive for developers, neighborhood and local government representatives, and lenders to pursue mixed-use projects despite the added complexity of this kind of development. According to these market fundamentals, and what City staff has been hearing throughout the stakeholder interviews, we can expect to see much more mixed-use development in the DCM-1 and DCM-2 Zones in the coming years, especially at densities that have been proven to produce affordable housing opportunities.

Inventory Viability of the DCM-1

There are 76 parcels in DCM-1 Zone sites inventory, which excludes the recent Pacific Station development site. The minimum parcel size counted is 0.05 acre, the largest is 1.25 acre, and the average size is 0.32 acre. The City understands the difficulty in developing on smaller parcels of less than 1.0 acre in size, but continues to successfully identify property owners and developers that are interested in smaller projects. Recent projects in the DCM-2 Zone have yielded 9 mixed-use projects and 20 new residential units. Counting a smaller minimum size is appropriate because the Downtown Encinitas Specific Plan standards, such as building setbacks and lot coverage, are more flexible and in some cases less stringent than standards for properties outside of the specific plan area and for “community center” or “town center” areas in the region.

As discussed below, the Downtown Encinitas Specific Plan area is a well-established, older neighborhood and consists of a number of properties that are absentee owned and underutilized. The following downtown district, corridor, and block descriptions further substantiate the reasons why sites in the DCM-1 Zone creates strong economic opportunities, demonstrating the viability of and need for revitalization (in that non-residential sites will be redeveloped into mixed-use sites). Furthermore, the connection between it and the commercial features of the downtown and public transit makes the area appropriate for more dense residential uses and redevelopment.

A. Improvement Values

The proportion of the value of the improvement to the value of the land is an important building/parcel characteristic. Sites available for redevelopment, from one of many economic perspectives, holds true for lands with the low improvement ratios (lower than 1 to 1 or less than 100 percent equivalent). For example, a vacant property with no improvement value will have a 0 to 1 ratio, or zero percent equivalent. That is, a better case can be made for redevelopment on sites with low improvement values. Financing improvements to existing structures, or the construction of new ones, can lead to more desirable tenants and higher rents, the potential for a higher return increases.

A1. DCM-1 Zone: 76 sites/parcels

1. Assessor's average land value is about \$572,800
 2. Assessor's average improvement value is approximately \$379,100
 3. Assessor's average total value is about \$951,900
 4. Improvement ratio is 3.7 to 5.7, or 60 percent equivalent
- Only 14 out of the 76 parcels in the DCM-1 Zone (18 percent) had improvement values that exceeded property values (or has ratios greater than 100 percent equivalent). These can be considered properties with substantial existing improvements relative to the land value, per the Assessor's database. Here, parcel-by-parcel improvement ratio analysis shows about 82 percent of the DCM-1 properties are viable and suitable for residential development most likely in the form of mixed-use development projects.

A2. DCM-2 Zone: 66 sites/parcels

1. Assessor's average land value is about \$331,700
2. Assessor's average improvement value is approximately \$247,300
3. Assessor's average total value is about \$579,000
4. Improvement ratio is 2.4 to 3.3, or 72 percent equivalent

B. Ownership

Diversity of land ownership makes land assemblage of property difficult. In many cases, roadblocks to land accumulation prevent urban renewal projects or new construction. Conversely, when contiguous parcels are "joined" or considered together, they present a stronger redevelopment potential. These pieces of land are easier to sell or otherwise develop, usually via a plat or site development plan.

The City will encourage the consolidation of small parcels in order to facilitate development opportunities. Some parcels may contain viable uses, but serve to connect the vacant and/or underutilized properties. Specifically, the City will make available an inventory of vacant land and underutilized properties throughout the City, particularly in the Downtown Encinitas Specific Plan, and meet with prospective developers to discuss opportunities.

B1. DCM-1 Zone

Relative to parcel/lot accumulation, as of this writing there are 76 parcels in the DCM-1 sites inventory (which excludes Pacific Station) and, already, 51 parcels have been accumulated under some form of ownership between 14 different property owners. This comprises 67 percent of the DCM-1 Zone inventory. The remaining 25 sites/parcels of the DCM-1 sites inventory are independently “owned-out” parcels. This comprises about 33 percent of the sites in the DCM-1 Zone inventory. In total, 39 title holders own the 76 parcels included in the sites inventory, or about 2 parcels average per property owner.

Table B1 shows three important things: 1) if a person or company owns multiple parcels within the DCM-1 Zone; 2) how many (number of parcels); and 3) the total parcels owned by the title holders in the particular zone. For example, in Table B1, 25 title holders independently “own-out” one parcel of land each, but three different persons or companies own five parcels each, resulting in 15 total parcels under common ownership.

Table B1: Parcel Ownership in DCM-1 Zone

Number of parcels that could be owned (min. to max.)	Number of property owners owning that number of parcels	Total parcels owned
1	25 title holders	25
2	5 title holders	10
3	3 title holders	9
4	1 title holder	4
5	3 title holders	15
6	1 title holder	6
7	1 title holder	7
	39 title holders/ property owners	76 parcels*

** No substantial physical or environmental characteristics exist that would preclude their development.*

B2. DCM-2 Zone

There are 66 parcels in the DCM-2 sites inventory and 23 parcels are under some form of common ownership (i.e. 35 percent of the DCM-2 inventory). The remaining 43 sites/parcels are independently “owned-out”. As noted previously, when contiguous parcels are considered together, they present a stronger redevelopment potential. That is, contiguous parcels or multiple sites under common ownership typically facilitates development by permitting greater flexibility and coordinated planning. The table below shows three important things: 1) if a person or company owns multiple parcels within the DCM-2 Zone; 2) how many (number of parcels); and 3) the total parcels owned by the title

holders in the particular zone. As an example, in Table B2 one title holder (person or company owns for parcels of land in the DCM-2 Zone.

Table B2: Parcel Ownership in DCM-2 Zone

Number of parcels that could be owned (min. to max.)	Number of property owners owning that number of parcels	Total parcels owned
1	43 title holders	43
2	8 title holders	16
3	1 title holders	3
4	1 title holders	4
	53 title holders/ property owners	66 parcels*

** No substantial physical or environmental characteristics exist that would preclude their development.*

C. Age of Structures

Another important aspect of a site's viability is the condition of the stock. In general, the age of housing can be indicative of housing condition and quality, as well as the likelihood that it will be redeveloped. Older housing (over 30 years) can have higher costs and needs to remain functional and habitable. Although 2010 US Census data is not available for housing statistics in Encinitas, 2000 US Census data, presented in Table B3, shows the median year and age of housing in different census tracts of the City. Census Tract 175.01 consists of the Downtown Encinitas Specific Plan area.

Table B3: Median Year Built Per Census Tract

Census Tract	Median year structure built
Census Tract 171.04, San Diego County (part), Encinitas city, California	1978
Census Tract 171.05, San Diego County (part), Encinitas city, California	1985
Census Tract 171.06, San Diego County (part), Encinitas city, California	1980
Census Tract 171.07, San Diego County (part), Encinitas city, California	1986
Census Tract 171.08, San Diego County (part), Encinitas city, California	1978
Census Tract 174.01, San Diego County (part), Encinitas city, California	1974
Census Tract 174.03, San Diego County (part), Encinitas city, California	1978
Census Tract 174.04, San Diego County (part), Encinitas city, California	1975
Census Tract 175.01, San Diego County (part),	1965

<i>Encinitas city, California</i>	
Census Tract 175.02, San Diego County (part), Encinitas city, California	1972
Census Tract 176.01, San Diego County (part), Encinitas city, California	1976
Census Tract 176.03, San Diego County (part), Encinitas city, California	1978
Census Tract 176.04, San Diego County (part), Encinitas city, California	1982
Census Tract 177.01, San Diego County (part), Encinitas city, California	1973
Census Tract 177.02, San Diego County (part), Encinitas city, California	1966

Properties within Census Tract 175.01 have a median year built of 1965. This is the oldest or earliest median year built of any census tract in Encinitas. In Census Tract 175.01, 198 properties (as of 2000) were built prior to 1939. Additionally, 84 properties were built between 1940 and 1949 and 342 properties were built between 1950 and 1959, as observed in Table B4 below. As of 2000, only 60 properties in this census tract were built after 1990. Therefore, based on the available US Census data, it can be calculated that 76 percent of the properties in this census tract are over 30 years old.

Compared to the rest of the City, Census Tract 175.01 has a large proportion of older structures/units. At fifty or sixty years and older, many of these existing structures are substandard and need rehabilitation or replacement.

Table B4: Year Built – Housing in Census Tract 175.01

Year Built	Census Tract 175.01, San Diego County, Encinitas city, California	Percent of Total
Total:	1,448	
Built 1999 to March 2000	0	0%
Built 1995 to 1998	0	0%
Built 1990 to 1994	60	4.14%
Built 1980 to 1989	291	20.10%
Built 1970 to 1979	291	20.10%
Built 1960 to 1969	182	12.57%
Built 1950 to 1959	342	23.60%
Built 1940 to 1949	84	5.80%
Built 1939 or earlier	198	13.67%

Relative to site viability, the high number of older properties in this census tract indicate a need for extensive renovation or replacement, thus (as a whole) strengthening the position that the DCM-1 and DCM-2 Zones (as well as other lands in the Downtown Encinitas Specific Plan area) have strong near-term redevelopment potential.

Improvement and replacement could improve underutilized properties and provide a variety of housing in Encinitas.

It is important to acknowledge that the redevelopment of older properties in this census tract has occurred in the last 15 years and those recent improvements are not evident from the 2000 U.S. Census data conveyed in Table B4. Even though 2010 US Census data is not available; however, work performed in non-residential buildings requires a building permit. As the regulatory and enforcement agency, the City of Encinitas is able to track building permits for any given time period. This includes documenting the type and intensity of work performed. But, even when factoring recent construction and/or property improvements, the percent of structures more than 30 years old is still significant – and there are many candidates for redevelopment.

Relative to more recent permit activity, added improvement values to a property may make the site/parcel less likely to be redeveloped in the near-term. And the nature and extent of rehabilitation or renovation may best be reflected by the value of improvements. Therefore, in order to determine the amount of sites/parcels that are less viable for near-term redevelopment (and have lost residential capacity since 2000), it is only necessary to consider major rehabilitation projects that achieve significant improvements to a structure or building. For assessor valuation purposes, in the City of Encinitas, alterations or repairs to existing commercial buildings have a value multiplier range of \$31.00 to \$42.00 a square foot depending on intended use so that improvement values associated with more expensive construction is more than less expensive construction. And the valuation multiplier associated with new construction is substantially higher on a per square foot basis. While there may be many factors that reflect relative value of one classification group to another, a total improvement valuation threshold of \$75,000 seems to capture most types of projects where the scope of work limits near-term, on-site redevelopment.

1. Since 2000, there have been 99 total building permits issued in the DCM-1 and DCM-2 Zones (mostly tied to commercial activity).
2. Of these 99 building permits, only 51 are unique (i.e. tied to separate permitting activity under separate addresses)
3. Nine demolition permits were issued (about 18 percent of the 51 permits)
4. Sixteen permits were issued that resulted in substantial tenant improvements or new construction (about 32 percent of the 51 permits), where the total improvement value exceeded \$75,000. A valuation less than \$75,000 is not considered substantial in this exercise.
5. Over this same time period, 11 mixed-use projects have been developed in the Downtown Encinitas Specific Plan (10 projects in the DCM-1 and DCM-2 Zones and 1 project in the D-OM Zone). See Table B5.
6. In relation to substantial tenant improvements or new construction in the DCM-1 and DCM-2 Zones, approximately 63 percent (10/16) from 2000 to 2013 resulted in new mixed-use residential development projects, showing a strong consideration and preference for this type of redevelopment.

Table B5: Units Built in the Downtown Encinitas Specific Plan in the Last 20 Years

Address	Zoning	Project Density	Type of Units	# Units/SF	Year
416-418 2nd St	DCM-2	18.2 du/ac	Residential & Office	2 Res units, 1,499 SF office	2002
550-580 2nd St	DCM-2	3.6 du/ac	Residential & Office	2 Res units, 13,979 SF office	2002
631 3rd St	D-OM	9.1 du/ac	Residential & Office	1 Res unit, 1,500 SF non- residential	2003
848-854 2nd St	DCM-2	30 du/ac	Residential & Office	4 Res units, 1,020 SF office	1998
904-906 2nd St	DCM-2	8.7 du/ac	Residential & Office	1 Res unit, 2,480 SF office	2001
681 2nd St	DCM- 2	16.6 du/ac	Residential & Retail	2 Res units, 1,426 SF retail	2007
687 S. Coast Hwy	DCM-1	33.6 du/ac	Residential, Commercial Retail, Restaurant, Office	47 Residential units, 60,548 SF Office/Retail/Restaurant	2012
751 2nd St	DCM-2	4.3 du/ac	Residential & Auto Repair	2 Res units, no SF added to auto repair shop	2009
761-763 2nd St	DCM-2	2.7 du/ac	Residential & Office	1 Res unit, 2,006 SF office	2007
841-859 2nd St	DCM-2	8.6 du/ac	Residential & Fitness	3 Res units, 6,330 SF fitness training	2006
901 2nd St	DCM-2	5.9 du/ac	Residential & Auto Repair/Retail	2 Res units, 7,810 SF auto repair & retail	2000

The properties listed in Table B5 are mixed-use projects, featuring residential, office, retail, auto repair, and other uses. For the most part, these developments went through a process of new construction or reconstruction of the residential/commercial premises by demolition of the existing on-site structure. However, in some instances commercial tenancy/occupancy was maintained and a small residential component was added. These improvements were conducted in a manner that allowed the business to stay open during construction. Based on this recent redevelopment project experience in the downtown district, approximately 12.8 new residential units were added with each development project (un-weighted average). While this is below the capacity calculations for future development potential of the area, the City addresses minimum densities in this Housing Element update.

As noted previously, redevelopment can increase employment, economic opportunity, and provide high quality, lower-income housing. As previously noted, through the incentives and flexibility offered by the Downtown Encinitas Specific Plan, the City has already experienced a steady pace of redevelopment activities in the area, recycling

from aging commercial developments, older single-family or small multi-family homes, or parking lots into higher intensity developments. The evidence presented in this section demonstrates that a significant number of sites within the DCM-1 and DCM-2 Zones have great redevelopment opportunities in general.

D. Proximity to Transit

As noted Section 3.6.A.1.b, if current socio and demographic trends continue, the demographic profile of the San Diego region will change dramatically by the middle of this century. A rise in the overall population, as well as in particular age groups, will place very different demands for services and goods that our earlier younger populations did. A growing elderly population generates demand for housing near transit centers and where older adults can get what they need without getting in a car. Also, typically, income decreases with age this reflects a willingness to live in smaller spaces to be able to afford their lifestyle. As boomers start to retire, many more will be seeking more of a senior-friendly lifestyle and housing. Because this senior-aged generation is so large, the impact on the built environment will be equally large. According to national real estate research firm Roberts Charles Lesser & Company (RCLCO), three-quarters of retiring boomers want to live in mixed-age amenity-rich communities with walkability and access to public transit (SACOG, Changing Demographics and Demand for Housing Types, 2011). Also, a 2004 study commissioned by Federal Transportation Administration estimates that the demand for housing near transit will increase to 4.6 million households by the year 2025, more than double the six million households that currently reside within a half mile of transit. This means that 14.6 million households will be looking to rent or buy near transit (Center for Transit Oriented Development, Capturing the Demand for Housing Near Transit, 2004).

Really, what we have going forward is a much more diverse housing market and new housing stock that is supplied will need to change. Evolving demographics and preferences held by specific demographic groups, or generational cohorts will drive the change. Local agencies are looking at innovative solutions to create unique places where people can live, work, play and meet everyday shopping and lifestyle needs within a single neighborhood, often prizing places for the advantages created by the proximity to transportation.

1. Approximately 60 parcels (79 percent) in DCM-1 Zone sites inventory, and 57 parcels (86 percent) in the DCM-2 Zone, are within ½ mile of the NCTD rail transit station and bus transfer station.
2. About 54 percent of sites in the DCM-1 Zone and 46 percent of sites in the DCM-2 are within ¼ mile radius of the transportation stations.
3. All parcels are within walking distance of bus stops and the bus route that services Coast Highway 101.
4. This location is listed as a Smart Growth Opportunity Area by SANDAG, which has the potential to receive planning funds and transit-oriented grants.

**Attachment C:
Interview Summaries of
Affordable and Market Rate Developers**

Developer questions are provided in bold typeface. Developer responses are summarized as bullet points.

What is the key density you typically look for to support projects?

- Typically looking for lands that already have approve maps on them. Not interested in taking on risk until they know some level of entitlement.
- Before Proposition A, DCM 1 Zone (i.e. Coast Highway 101) can achieve higher densities. DCM 2 Zone would be good, but would have to aggregate sites and be more selective.
- Multi-family zones, approximately 20 units per acre and above.
- Parking requirements make it difficult – no difference between studios and 1 bedroom units. Huge market for studios, but parking requirement makes it less feasible/profitable to build studio units.
- Smaller units cost less to build than larger units.
- State density bonus law says you need 2 spaces for a 2 bedroom unit – double the parking and cost.
- Have to consider the extent to which existing (active) uses may constitute an impediment to additional development potential.
- Look for projects that can yield 50 units or larger – depends on what allowed to do in City of Encinitas. Typically we look for development with a density of 25-26 units/acre.
- Densities over 30 units per acre will trigger the need for podium parking, parking garages, or subterranean parking.
- Density helps drive down land costs. The more the better in terms of absorbing per unit cost.
- 20-25 units per acre.
- Any density will work if project funding pencils it out.
- Densities in Encinitas are appropriate to facilitate the production of affordable housing. You can see this with Iris Apartments, even though that was a unique circumstance. The problem is that there aren't enough of these opportunities.

What type of projects have you completed recently?

- Iris Apartments, Encinitas.
- Single family row homes. Finishing up Nantucket 1 and 2. Transferred low income thru Iris (Encinitas).
- Condos in San Diego County.
- Condos in Carlsbad.
- Master plan community in Chula Vista.
- Built 120 single-family detached homes in Escondido.
- Mixed use on Second Street, Encinitas.
- Quail Garden offices – Encinitas Blvd., Encinitas.
- Apartments in San Diego.
- Mixed-use development in San Diego.
- Commercial development in San Diego.
- Apartments/Condos in Lake Elsinore.

- Garden Style Apartments (affordable housing project) in San Marcos.
- Affordable housing project in Carlsbad.

What factors are most influential when determining whether a site is suitable to build on?

What are some challenges?

- SF of lot – many lots here are very small. Also, number of units that can fit.
- Marketability.
- Neighborhood issues, political history with a site. Anything that can help in minimizing risk.
- Supposed to do mixed-use live/work type housing in Chula Vista, but market doesn't support it there. It might be appropriate downtown Encinitas.
- Most lenders have problems with mixed-use and it is hard to finance. Chase has great multi-family and commercial programs, but mixed-use is somewhere in the middle.
- No great financing programs.
- Coastal Zone.
- Market timing.
- Funding – loss of redevelopment money. New state and local resources very important – they have been making some new funding sources at the state level. SB 391 CA Homes & Jobs Act – bill would create permanent source of revenue for affordable housing. At local level, having a housing trust fund.
- As development occurs along where transit serves (initially lower income households), new market rate housing comes in and it prices out lower income residents. As a result, transit ridership actually goes down. Market rate consumers still use cars. Zoning regulations actually encourage car ownership, reducing the need for better transit access. TOD there are host of other benefits – helps achieve GHG goals, reduce parking requirements.
- Price per unit cost of podium, stacked, or subterranean parking gets expensive.
- Site amenities or proximity to neighborhood goods and services (LIHTC).
- Prop A and building height limitations restrict development in downtown now.
- Environmental clearances.
- Displacement issues and retaining numbers – taking stock of your affordable housing and what development may be at risk of converting to market rate (i.e. having affordability covenant expire). Take a look and see if deed restrictions nearing expiration – work with owner, city, nonprofit to ensure that deed restriction remains and affordability still there.
- Building height pad certification.
- Neighborhood accessibility.
- How strong is the market for mixed use projects?
- Topography issues.

What can help make projects more feasible?

- Dedicating general fund revenues towards fund using revenues collected from transit oriented taxes applied to hotels, etc.
- In terms of affordable housing, using an inclusionary housing policy – certain portion of development reserved for affordable housing. State Bill AB 1229 – provide clarity on Palmer ruling allows jurisdictions to implement rental housing. Important for cities to demonstrate support for state support.
- Off street parking credits made projects possible.
- Height limitation is a big deal in DCM -2
- Tons of demand for rental/condo here in coastal zone. Anything to support this building type will help.
- Flexibility in the inclusionary program would be good. Off-site mitigation is a good step (building deed-restricted units in areas that make more sense)
- Permits expedite programs. Anything the city can do in terms of requirements.
- Be more flexible on parking requirements. Off-street only commercial – doesn't allow shared parking between commercial/residential. Leucadia – can only create residential housing if condo – can't build rental.
- Looser regulations. City is good about deferred impact fees, which has been helpful. Building permit fees are high.
- Address political risk and have more predictability
- Making land available. If there is something that can be built, there will be people interested in the opportunity. City owned land or upzone new sites so existing uses can have capacity to expand. Is there enough value in knocking something down and building back? Take out commercial or city block? Deed-restrict occupancy.
- Land costs are difficult. Partnerships that help promote land acquisition or lot consolidation programs (incentives) will help.
- All developers looking for money. Want their project to fit into neighborhood
- Parking reduction – depending on AMI. If by transit they go for parking reduction. A lot of their projects have more parking than needed. Really, with a low AMI you normally don't need as much parking. Large family development – need parking. Studios/1 bedrooms – parking depends on building.
- Permit streamlining. Having affordable housing expedited program for rent plan checks. Lot of times they are notified.

What is the unit development cost range? Excluding non-residential components and land acquisition costs?

- Iris replicated? One acre site with 20 units. No parking garages. Less space. Successful concept. Securing subsidized funding TCAC credits helped build it as co-op.
- Everything is based on cost of land. Subterranean parking – cost that you will incur. Structural engineering, retaining, plumbing. Adds cost. Something has to come out. Market will dictate what you can sell for. Price pay for land is only thing that can be adjusted. More complicated...
- Entitlement process in Chula Vista is very complicated to weave thru and comes with high demands. Time is money when building.

- Cost per unit varies. Bigger project – lower cost/unit.
- Per square foot basis is more accurate.
- Related to affordable housing development, the per unit financing gap on 20 unit per acre development is \$10,000 to \$125,000 depending on AMI and affordable rents amount.
- Wood-frame construction of up to four stories.
- Land in the DCM-2 zone is about \$1 million for 5,000 square foot lot. – 2 residential units built, which results in a \$500,000/unit for land. Adding commercial helps spread cost of construction. \$650,000 construction & soft costs. \$1,750,000 – two residential units.
- More cost effective to do mixed use.
- \$150,000 to \$190,000, excluding land. Land costs are the big variable, which in Encinitas is already high and is increasing.
- \$175,000 for three story development, excluding land

How can we replicate/encourage downtown Encinitas mixed-use projects? How can we show someone that this will work?

- Was Pacific Station successful?
- A common criticism of mixed use is that it doesn't work because people don't actually live/work in the unit. However, it is like how builder used to build separate living/family rooms and now it is being combined into a great room. People will catch on.
- Market is changing and there will be more demand for these types of developments in town centers, like Downtown Encinitas. Other cities in California are encouraging this and it is transforming their communities in such a positive way.
- Transit-oriented development incentives.
- Pursue grant funding to add public investment. Additional public investment draws more appeal for private investment.
- Promote the opportunities in the DCM-1 Zone. There is a lot of good potential to do good projects here. Building heights will need to be addressed before anyone does anything exciting there.
- Existing development in downtown, and much of the Coast Highway 101, is dated. Incremental improvements have added some value. Most of it has been restaurants adding space or improvement value. One or two more mixed-use projects along 101 will establish good synergy.
- Commercial vacancies in Leucadia are a challenge. This portion of the 101 is generally a weak commercial corridor. There are nice uses and areas of activity, but it is difficult to stretch it out. Mixed-use should not be required along the whole 101 segment. Downtown much better.
- Looked at existing building to work with or expand – convert to retail with residential above.
- Loans and financing will get easier. This will help make people take advantage of the development opportunities downtown.

- I haven't built anything downtown, but there seems to be good community character there with a small beach town feel. People would want to live there and pay to live there.
- Something between the Lumberyard and Pacific Station (on east side would help)
- Figure out how much mass commercial/residential can work on lot.
- Some sites will not be mixed use – construction costs. Most likely to stay as commercial because of strong commercial corridor appeal and low opportunity cost delta.