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JIMMY AYALA  
Division President

January 7, 2016

Mr. Mike Westlake  
Assistant Deputy Director  
Development Services Department  
1222 First Avenue, MS 301  
San Diego, CA 92101-4101

Dear Mr. Westlake:

Please find enclosed herein an application package for a variance from the Inclusionary Housing Ordinance for Pardee Home's Castlerock project.

Castlerock is an approved development of a 203.64-acre project to be subdivided into a 415-unit residential community. Previously located in the City of San Diego's East Elliott Community Planning Area, the project was recently annexed into the City of Santee. Pardee is seeking to satisfy our inclusionary housing obligations for Castlerock by deed restricting and constructing 42 units at our Playa del Sol project located in the Otay Mesa Community Planning Area. Construction of the units would negate the need to pay an in-lieu fee.

A variance allowing the transfer of affordable housing units from Castlerock to Playa del Sol would meet the findings required in Municipal Code 142.1308(c) to assist in meeting the goals of providing economically balanced communities and transit-oriented development.

Castlerock is not an appropriate affordable housing site. It is not located in close proximity to the City of San Diego's employment centers. Furthermore, the project's detachment from the City of San Diego into the City of Santee means that the construction of affordable units on-site would not contribute to San Diego's affordable housing mix.

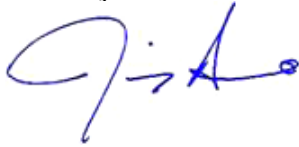
Alternatively, Playa del Sol is an ideal candidate to receive the affordable housing required through the Castlerock approval. It is close to San Diego's employment centers, and area residents are in need of new affordable housing options. According to 2010 Census data, approximately 50 percent of households in Otay Mesa make at or below the Area Median Income.

Additionally, the Playa del Sol project is not subject to the Inclusionary Housing Ordinance because the deemed complete date for its Vesting Tentative Map predates adoption of the Ordinance. As such,

granting of the requested variance would provide the area with affordable housing it would not otherwise receive.

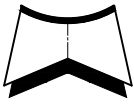
Thank you for your consideration of this application. I am available to answer any questions you may have and look forward to speaking with you soon.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jimmy Ayala". The signature is fluid and cursive, with a large initial "J" and a distinct "A".

Jimmy Ayala  
Division President  
Pardee Homes

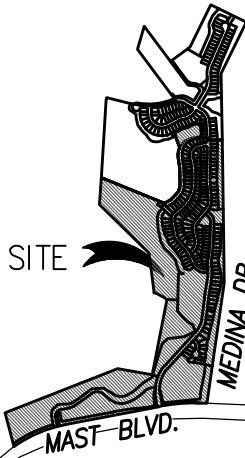
N



NOT TO SCALE

EAST ELLIOTT

CITY OF SAN DIEGO



SITE

MEDINA DR.  
CITY OF SANTEE

MAST-BLVD.



WEST HILLS HIGH SCHOOL

TO I-15 FWY

MISSION TRAILS REGIONAL PARK

CITY OF SAN DIEGO

**VICINITY MAP**

NO SCALE

PROJECT BOUNDARY

CASTLEROCK PER APPROVED TM# 1004468

**CASTLEROCK PROJECT INFO**

TOTAL AREA WITHIN SUBDIVISION	203.64 ACRES
RESIDENTIAL LOTS	41.39 ACRES
CONDOMINIUM LOTS	15.27 ACRES
OPEN SPACE LOTS	90.03 ACRES
H.O.A. LOTS	32.87 ACRES
STREETS AND PUBLIC PARK	22.16 ACRES
VERNAL POOL LOT	1.92 ACRES

PROJECT BOUNDARY

SDG & E  
366-090-24

7000A CT

MAST BLVD.

**CASTLEROCK  
SITE PLAN**

latitude **33**  
 PLANNING & ENGINEERING  
 9968 Hibert Street 2<sup>nd</sup> Floor, San Diego, CA 92131  
 Tel 858.751.0633



# LEGEND

- 47'x72'
- 47'x85'
- 50'x100'
- 60'x100'
- PARKSIDE
- PARK
- PRIVATE DRIVEWAY
- PUBLIC STREET

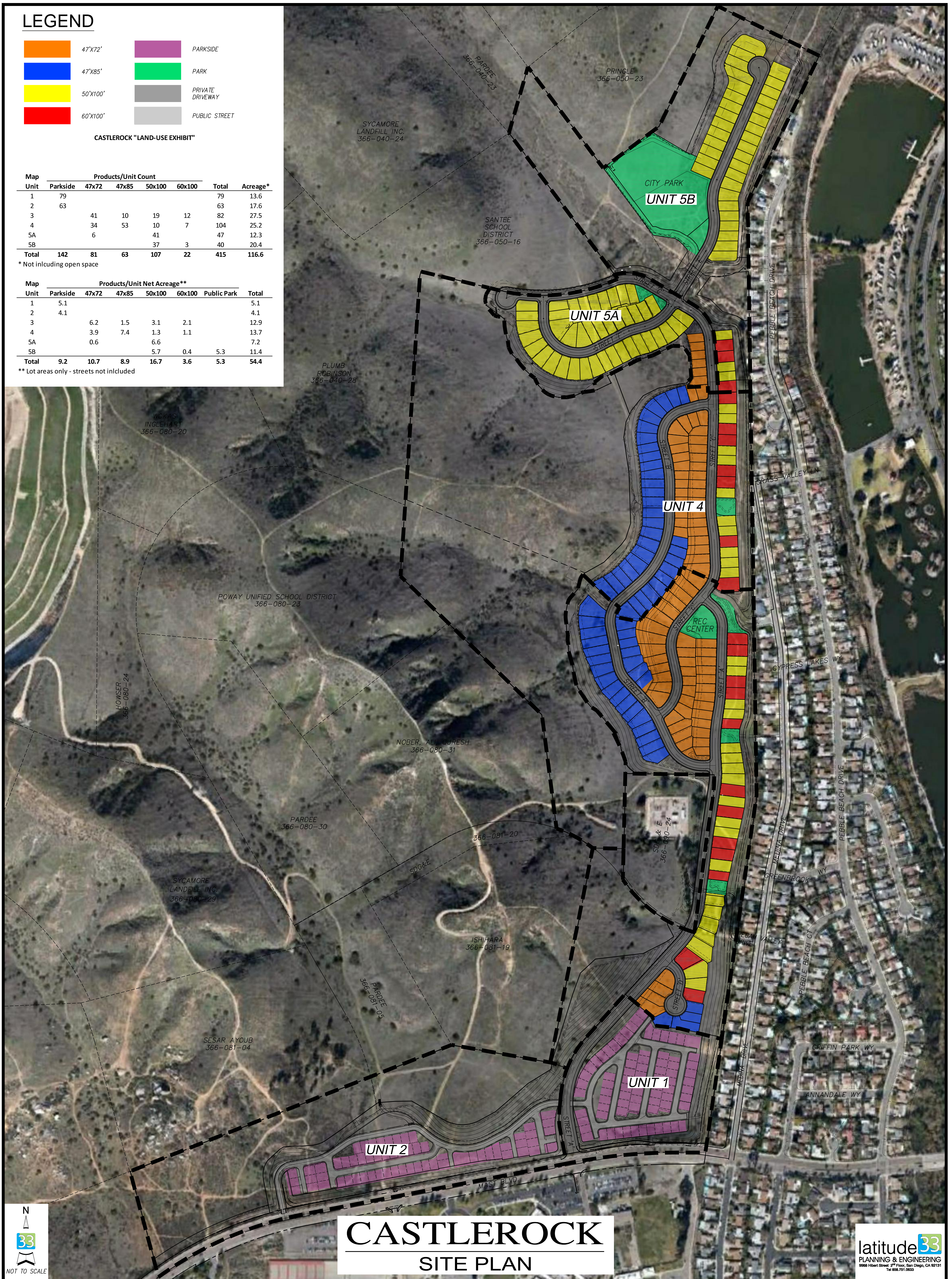
## CASTLEROCK "LAND-USE EXHIBIT"

Map Unit	Products/Unit Count					Total	Acreage*
	Parkside	47x72	47x85	50x100	60x100		
1	79					79	13.6
2	63					63	17.6
3		41	10	19	12	82	27.5
4		34	53	10	7	104	25.2
5A		6		41		47	12.3
5B				37	3	40	20.4
<b>Total</b>	<b>142</b>	<b>81</b>	<b>63</b>	<b>107</b>	<b>22</b>	<b>415</b>	<b>116.6</b>

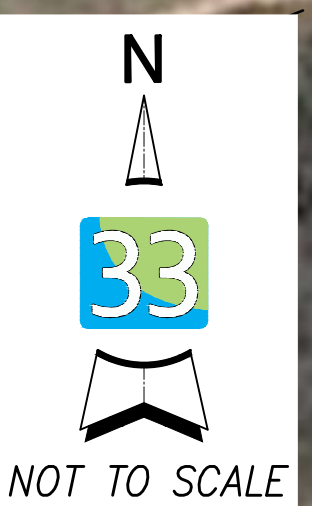
\* Not including open space

Map Unit	Products/Unit Net Acreage**					Total
	Parkside	47x72	47x85	50x100	60x100	
1	5.1					5.1
2	4.1					4.1
3		6.2	1.5	3.1	2.1	12.9
4		3.9	7.4	1.3	1.1	13.7
5A		0.6		6.6		7.2
5B				5.7	0.4	6.1
<b>Total</b>	<b>9.2</b>	<b>10.7</b>	<b>8.9</b>	<b>16.7</b>	<b>3.6</b>	<b>54.4</b>

\*\* Lot areas only - streets not included

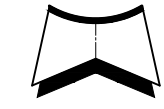


# CASTLEROCK SITE PLAN

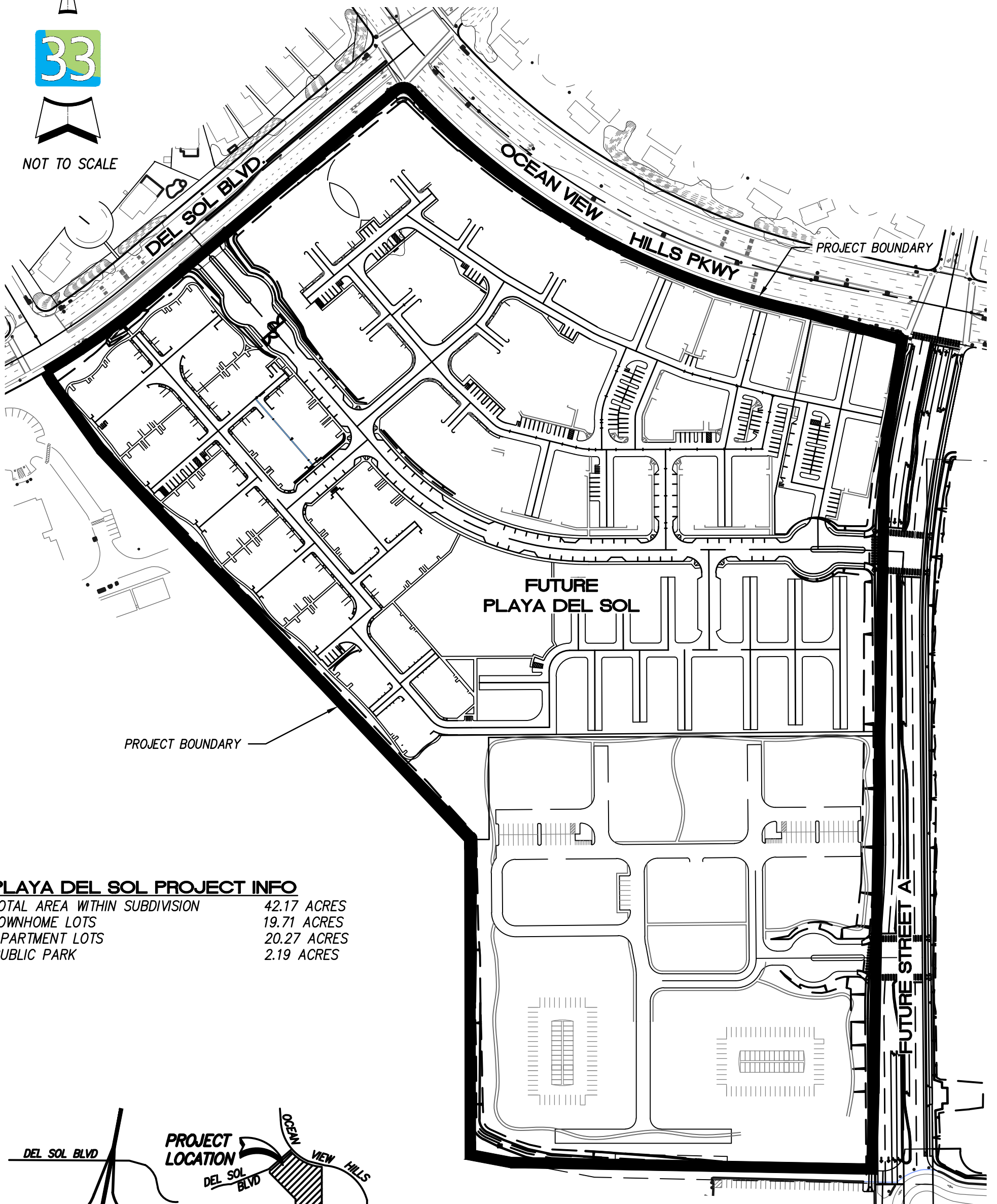




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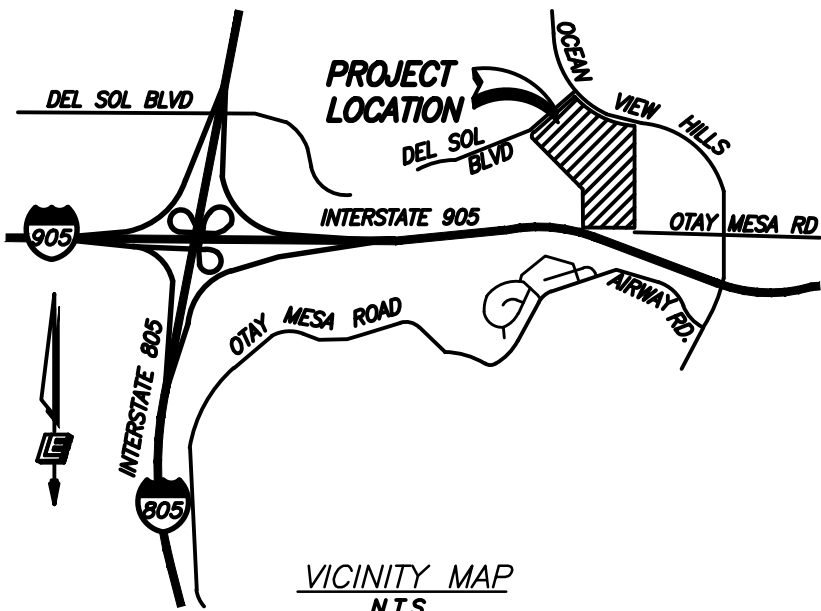


NOT TO SCALE



**PLAYA DEL SOL PROJECT INFO**

TOTAL AREA WITHIN SUBDIVISION	42.17 ACRES
TOWNHOME LOTS	19.71 ACRES
APARTMENT LOTS	20.27 ACRES
PUBLIC PARK	2.19 ACRES



VICINITY MAP  
N.T.S.

**PLAYA DEL SOL  
SITE PLAN**



- P1**  
 2/3-Story Motor Court Townhomes  
 • 96 Homes  
 • 13.54 homes/acre

- P4a**  
 3-Story Stacked Flats  
 • 121 Homes  
 • 21.84 homes/acre

- P4b**  
 3-Story Affordable Apartments  
 • 42 Homes  
 • 23.33 homes/acre

- P2**  
 3-Story Townhomes  
 • 121 Homes  
 • 16.26 homes/acre

- P3**  
 3-Story Back-to-back Townhomes  
 • 107 Homes  
 • 20.66 homes/acre

- P5a**  
 3/4-Story "U" Flats  
 • 154 Homes  
 • 21.91 homes/acre

- P5b**  
 4-Story Wrap Flats  
 • 272 Homes  
 • 39.31 homes/acre

**Project Summary**

Net Site Area: ± 42.17 Acres

- Total Units: 913 Homes
- P1: 2/3-Story Motor Court Townhomes: 96 Homes, 13.54 homes/acre
  - P2: 3-Story Townhomes: 121 Homes, 16.26 homes/acre
  - P3: 3-Story Back-to-back Townhomes: 107 Homes, 20.66 homes/acre
  - P4a: 3-Story Stacked Flats: 121 Homes, 21.84 homes/acre
  - P4b: 3-Story Affordable Apartments: 42 Homes, 23.33 homes/acre
  - P5a: 3/4-Story "U" Flats: 154 Homes, 21.91 homes/acre
  - P5b: 4-Story Wrap Flats: 272 Homes, 39.31 homes/acre

Density: 21.65 Homes per Acre

Recreation Area  
 1.17 Ac.  
 (1.02 Net Ac.)

+ 14,480 S.F.

+ 14,970 S.F.

+ 15,150 S.F.



- Notes:**
1. Site plan is for conceptual purposes only.
  2. Site plan must be reviewed by planning, building, and fire departments for code/compliance.
  3. Base information per civil engineer.
  4. Civil engineer to verify all setbacks and grading information.
  5. Building Footprints might change due to the final design elevation style.
  6. Open space area is subject to change due to the balcony design of the elevation.
  7. Building setbacks are measured from property lines to building foundation lines.

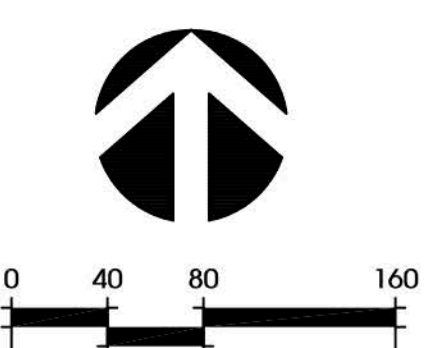
**Conceptual Site Plan**

**Ocean View Hills**

San Diego, CA

Pardee Homes

WILLIAM HEZMALHALCH ARCHITECTS, INC. © 2015



WILLIAM HEZMALHALCH  
 ARCHITECTS INC.  
 2850 REDHILL AVENUE SUITE 200 SANTA ANA CA 92705-5543  
 949 250 0607 www.wharchitects.com fax 949 250 1529  
 2015296 September 15, 2015





January 11, 2016

Mike Westlake  
Assistant Deputy Director  
City of San Diego  
1222 First Avenue, MS 301  
San Diego, California 92101  
Email: [mwestlake@sandiego.gov](mailto:mwestlake@sandiego.gov)

Re: Letter of Support – Proposed Inclusionary Housing Variance for Pardee Homes's ["Pardee"] Castlerock Development (Project No. 10046) ["the Pardee Variance"]

Dear Mr. Westlake:

The San Diego Housing Commission [the Housing Commission] is a public agency that is charged with certain duties and given certain rights under the provisions of the Inclusionary Affordable Housing Regulations ["the Inclusionary Regulations"], as you know. Those duties and rights are set for in San Diego Municipal Code Sections 142.1305, 142.1306, 142.1309, 142.1310 and 142.1311. In addition, the City of San Diego, through the Development Services Department [DSD], requests recommendations from the Housing Commission on all variance and waiver applications that come before the City of San Diego,

Pardee has been informed by DSD that a letter setting forth the Housing Commission's position on the Pardee Variance is required by DSD, as a condition to moving the requested variance forward. In that regard, Pardee has met with the Housing Commission and has discussed its request, which is described generally below. Thereafter, as part of the Housing Commission's due diligence concerning the requested Pardee Variance, the Housing Commission reviewed the request and sought input from the staffs of the two Council Districts involved in the proposed Pardee Variance. The staff from each affected Council District informed the Housing Commission of their conceptual support for the Pardee Variance.

After review of the Pardee Request the Housing Commission, the Housing Commission is pleased to present this letter of support, based upon the proposed variance conditions set forth within the attached Exhibit A.

The Pardee Variance request, as the Housing Commission understands it, is generally described as follows:

Pardee is the owner and developer of two residential developments in the City of San Diego: (i) the Castlerock development project ("Castlerock") in the East Elliott Community Plan area; and (ii) the Playa del Sol development project ("Playa del Sol") in the Otay Mesa Community Plan area.

Pardee is approved to construct 283 detached single family homes and 147 attached single family units for a total of 430 units at Castlerock, but are currently revising the project down to 415 units. Rather than paying the affordable housing fee under the Inclusionary Affordable Housing Regulations (SDMC §§142.1301, et seq.) ("Inclusionary Ordinance"), Pardee is seeking a variance which would allow Pardee to satisfy the Inclusionary Ordinance with respect to Castlerock by providing 42 affordable housing units at Playa del Sol ("the Pardee Variance").

As referenced above, the application for an affordable housing variance requires a signed letter from the Housing Commission recommending approval of the Pardee Variance. While the ultimate decision on the variance is within the sole discretion of the City Council, the Housing Commission believes that the findings required under the Inclusionary Regulations can be made with respect to the Pardee Variance. The Housing Commission supports the proposal to provide 42 affordable housing units at Playa del Sol, rather than paying the affordable housing fee in this instance, and supports the granting of the Pardee Variance.

Sections 142.1308 (a) and (c) of the San Diego Municipal Code permit the City to grant a variance from the Inclusionary Regulations for offsite inclusionary housing provided the following six findings are made:

1. The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing economically balanced communities;
2. The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing transit-oriented development;
3. Special circumstances, unique to that development, justify granting the variance, waiver, adjustment, or reduction;
4. The development would not be feasible without the modification;
5. A specific and substantial financial hardship would occur if the variance, waiver, adjustment, or reduction were not granted; and
6. No alternative means of compliance are available which would be more effective in attaining the purposes of this Division than the relief requested.

The Housing Commission believes that these findings can be made with respect to the Inclusionary Housing Variance for the reasons described in the attached Exhibit B.

### **Conclusion**

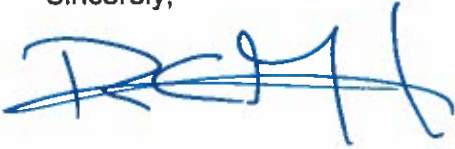
Based on the foregoing, the Housing Commission supports Pardee's Variance. The Pardee Variance proposal serves the City's goal of providing economically balanced communities,



makes workforce housing available near employment centers, and the Housing Commission believes that the required variance findings can be made, although the ultimate decision upon the requested variance rests with the City Council, in its sole discretion.

Please do not hesitate to contact the undersigned if there are questions or concerns regarding the information provided herein or if the Housing Commission can be of additional assistance.

Sincerely,



Richard C. Gentry  
President and Chief Executive Officer

Enclosure

cc: Charles B. Christensen, Esq.  
Allen Kashani  
John Ponder, Esq.  
Gio Posillico  
Alan Zieagus  
Elizabeth Hansen



## Exhibit "A"

### EXHIBIT "A"

#### DRAFT VARIANCE CONDITIONS

Pardee desires to satisfy its inclusionary housing obligations for its approved Castlerock project by deed restricting and constructing units at its Playa del Sol project instead of paying an in-lieu fee. Below is the background of the request and draft Housing Commission variance conditions that the Housing Commission will support.

#### Draft Variance Conditions and Background

- Proposal Background
  - Castlerock is a development in the East Elliott Community Plan area of the City of San Diego.
    - As currently approved, the 203.64 acre project would be subdivided into a 415-unit residential development
    - The City of San Diego, City of Santee, Pardee Homes and Padre Dam Municipal Water District have entered into an Annexation Agreement dated August 26, 2013. Pursuant to the terms of the Annexation Agreement, the City of San Diego regulations govern Castlerock's inclusionary housing obligations. The City of San Diego also issued Site Development Permit No. 19032 and Planned Development Permit No. 19031, both of which require compliance with "the affordable housing requirements of the City of San Diego."
    - Pardee proposed to set aside 42 units at its Playa del Sol development to satisfy Castlerock's inclusionary housing requirements pursuant to the City of San Diego's Inclusionary Housing Ordinance.
  - Entering into Affordable Housing Agreement is in consideration of not paying in-lieu fees.
- Castlerock is not an ideal affordable housing site.
  - Castlerock project is far from the City of San Diego's employment center.
  - Annexation Agreement would remove Castlerock from the City of San Diego and would not contribute to the City's affordable housing numbers if built on-site.
    - Under the Annexation Agreement, the Castlerock project would be detached from the City of San Diego, except for the 94-acres of dedicated open space, and would be annexed into the City of Santee's territory.



- Castlerock, without affordable housing units, would offer the City of Santee “move-up” housing.
- Variance
  - Under Section 142.1308(c) of the City of San Diego’s Inclusionary Housing Ordinance, Pardee is permitted to develop affordable housing units offsite with a variance.
    - Findings
      - The portion of the proposed development outside the community planning area will assist in the meeting the goal of providing economically balanced communities;
      - The portion of proposed development outside the community planning area will assist in meeting the goal of providing transit-oriented development;
      - Special circumstances, unique to that development, justify granting the variance, waiver, adjustment or reduction;
      - The development would not be feasible without the modification;
      - A specific and substantial financial hardship would occur if the variance, waiver, adjustment or reduction were not granted; and
      - No alternative means of compliance are available which would be more effective in attaining the purposes the Inclusionary Housing Ordinance that the relief requested.
- Receiver Site
  - Location: Otay Mesa Community Plan area - Playa del Sol (PA6)
  - Close to the City of San Diego’s employment center
  - Currently entitled for 1,578 multi-family units. Pardee is currently applying for a reduction via an SCR to 912 units.
  - This project is not subject to the Inclusionary Housing Ordinance because the deemed complete date for the Playa del Sol Vesting Tentative Map predates adoption of the Ordinance.
  - According to the 2010 Census data, approximately 50% the households in Otay Mesa are at or below the Area Median Income (AMI).
  - Development of the affordable housing units at Playa del Sol will not require density bonus, deviations, and/or incentives.
- Affordable Units



- Total Number of Units: 42 units (under the revised 415 project proposal) (the Affordable Units)
    - The Affordable Units shall be comprised one, two and three bedroom units in the same proportionate unit mix (bedroom numbers) and type (family) as the market rate units.
  - The Affordable Units shall be rental units.
  - The Affordable Units shall be affordable for 55 years measured from the Commencement Date as defined below.
  - The Affordable Units shall be affordable to and occupied by households earning 65% or less of AMI as determined from time to time by the United States Department of Housing and Urban Development (HUD).
  - The Affordable Units shall be of substantially similar construction quality as the market rate units.
- Construction Schedule
    - Pardee to pull permits on Castlerock and Playa del Sol (PA6) approximately the second quarter of 2016.
    - Construction of the Affordable Units shall occur no later than the earlier of: (i) December 31st, 2018; or (ii) issuance of building permits for construction of market rate units in a number greater than 50% of the market rate units within the first phase of the Castlerock project. The construction of the Affordable Units shall be completed no later than 18 months after issuance of the first building permit for the Affordable Units. Rental of the Affordable Units to eligible tenants shall commence immediately after the issuance of a certificate of occupancy for the Affordable Units, but no later than three months after completion (the Commencement Date).
    - If building permits have not been issued for the Affordable Units on or before December 31, 2018, the Housing Commission may require the payment of the inclusionary fee, based upon rates in effect at the time of the notice from the Housing Commission to Pardee. This trigger would not be effective in the case of Force Majeure or in the event that the Housing Commission and Pardee agree to extend the deadline, for good cause shown, as determined by the President and CEO of the Housing Commission, in his reasonable discretion. Payment shall be made by Pardee within 60 days of notification from the Housing Commission to Pardee Homes of the Housing Commission's election.
- Security
    - Pardee to post bonds and/or record deed restriction securing obligations to provide 42 units at Playa del Sol.



- The security for performance shall include the posting of bonds, reservation of the real estate to construct the Affordable Units, free and clear of monetary encumbrances, and the property shall be encumbered by an Affordable Housing Rental restriction.
- Payment of In-Lieu Fees
  - In Lieu Fees shall be in the amount being charged by the City of San Diego, per square foot of the development, as calculated and determined, at the time of the written notice from the Housing Commission to Pardee, but only in the event of the failure of Pardee to timely commence construction of the affordable units, as referenced in the next bullet point
  - Trigger in agreement if units not commenced by certain date, Housing Commission can, at its option, require payment of in-lieu fees at rates in effect at the time of the notice from the Housing Commission to Pardee.
    - Exception - Force Majeure occurrence
    - Parties can mutually agree to timing extension
- Approval
  - Pardee Homes shall provide the Housing Commission a letter of support from Councilmembers Sherman and Alvarez for the Pardee Homes proposal.
  - The Housing Commission's support for the Pardee Homes proposal shall not constitute a pre-commitment for any level of financial support for the construction of Affordable Housing Units from the Housing Commission, Housing Authority and/or the City of San Diego. Any affordable developer seeking to develop the Affordable Units will be required to apply for financial support for the project, if any is desired. There is no promise that the Housing Commission will support any financial support for the Affordable Housing Project, however. Each Affordable Housing proposal will be evaluated on its own merits.



## EXHIBIT B

### Variance Findings

**1. *The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing economically balanced communities;***

Castlerock is in the East Elliott Community Plan Area and Playa Del Sol is in the Otay Mesa Community Plan Area. Development of Castlerock contributes towards development of an economically balanced community by providing a variety of housing types, including move up housing for residents in the eastern part of the City and the Santee area. By providing inclusionary housing offsite, at Playa Del Sol in Otay Mesa, Castlerock can further contribute to a balanced community by providing much needed workforce housing to serve the substantial industrial and manufacturing lands planned and existing in south San Diego and the border region. Furthermore, allowing Castlerock to satisfy the Inclusionary Ordinance by providing 42 affordable units at Playa Del Sol in Otay Mesa assists in meeting the goal of providing economically balanced communities because Playa Del Sol is exempt from the Inclusionary Ordinance and is therefore not required to pay the affordable housing fees or provide affordable units.

**2. *The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing transit-oriented development;***

Playa Del Sol is near existing public transportation systems, such as the MTS express and local bus service on Otay Mesa Road/SR 905, which provides a rapid and reliable connection between Playa Del Sol and either Otay Mesa's employment center or downtown San Diego's employment center (See Otay Mesa Community Plan at ME-4 and Figure 3-1; Exhibit G.) Castlerock, in contrast, is not located near substantial employment lands in the City of San Diego. Therefore, providing additional affordable housing at Playa Del Sol advances the goal of providing transit oriented development.

**3. *Special circumstances, unique to that development, justify granting the variance, waiver, adjustment, or reduction;***

The Castlerock project is unique because it will be annexed into the City of Santee. So if Pardee were required to develop 42 affordable units on-site, then it would not benefit the City of San Diego. The Playa Del Sol site also has unique circumstances for new residential development because its vesting tentative map application's deemed complete date pre-dates the City's inclusionary housing ordinance and the Otay Mesa Community Plan. Playa Del Sol is therefore not required to pay the affordable housing fee or provide affordable units and is not required to satisfy the Otay Mesa Community Plan affordable housing goals and policies. Accordingly, special circumstances unique to the projects justify granting the variance.

**4. *The development would not be feasible without the modification;***

Requiring the development of affordable housing units by the applicant on a site controlled by the applicant in Otay Mesa would not be feasible without the modification allowing off-site construction because the applicant's existing permit conditions for Castlerock allow Pardee to pay the affordable housing fee instead of constructing affordable units and the Playa Del Sol project is exempt from the Inclusionary Ordinance.



**5. A specific and substantial financial hardship would occur if the variance, waiver, adjustment, or reduction were not granted;**

Potential future Playa Del Sol residents would suffer a specific and substantial financial hardship without the variance because there would be no deed-restricted affordable housing units available for purchase or rent at the 912 to 1578-unit Playa Del Sol site in Otay Mesa. Furthermore, we have been advised that Pardee has not been able to finance the Playa Del Sol project site at the higher density levels so allowing more affordable housing options provides Pardee with a larger pool of applicants to sell or rent to that can make the project financial viable.

**6. No alternative means of compliance are available which would be more effective in attaining the purposes of this Division than the relief requested.**

Pardee can also fulfill its Castlerock Inclusionary Ordinance obligations by paying the affordable housing fee. Allowing Pardee to provide the affordable units at Playa Del Sol is a more effective means of meeting the City's goal of providing affordable units. Accordingly, there are no alternative means of compliance which would be more effective than granting of the variance.