



Council Agenda Report

From: Darcy Delgado, Associate Planner

Subject: Reservation of General Plan Surplus Density Units for “Ardmore Townhouses” a Proposed Mixed Use Commercial Overlay for a Residential Development at 2930 Union Road

CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act pursuant to State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Date: November 4, 2025

Facts

1. The City has received an application from Covelop, Inc. and MD3 Investments for the Ardmore Townhouses, a development of a 154-unit residential development (“project”) located at 2930 Union Road (see Attachments 1 and 2, Location Map and Site Plan).
2. The subject site is currently zoned C3, PD (Commercial-Light Industrial, Planned Development Overlay). This zoning does not allow residential uses by-right.
3. The applicant is proposing a rezone of the property to include the Mixed-Use (“MU”) Overlay zoning designation, which would allow the property to be developed with residential uses.
4. In addition to the rezoning request, the project will require an allocation of 154 General Plan surplus density units in order to move forward.
5. In 2020, as part of the City’s Housing Element update, the City Council adopted amendments to the Zoning Code related to fractional density units, which collectively raised the number of dwelling units that could be built within the 44,000-population planning threshold by 345 surplus units (see Attachment 3, City Council Resolution 20-186). These units are referred to as Cycle 2 Surplus Density Units.
6. The City Council is empowered to allocate these surplus density units. Thus far, the following Cycle 2 Surplus Density Units have been assigned by City Council to the following projects:

<u>Project</u>	<u>Assessor’s Parcel Number (APN)</u>	<u>Council Resolution</u>	<u>Units Allocated</u>
Highlands Center Site	009-814-044	20-186	20 units
Woodlands Plaza Pad	009-814-052	20-186	79 units

7. There are currently 246 remaining surplus density units that have yet to be assigned from the Cycle 2 Surplus Density Units.
8. The City Council is being asked to “reserve” 154 unallocated surplus residential density units for this project. Should these units not be incorporated into the project (as a result of the public participation process and the proposed Mixed-Use Overlay entitlement), they would remain unallocated and available for other development projects.
9. In consideration of the 154 units, City staff and the applicant are coordinating on an affordable housing component with the overall project that will be part of the Mixed-Use Overlay entitlement that will require a future City Council hearing and approval.

Options

1. Take no action;
2. Approve Draft Resolution A, reserving 154 surplus density units for the project site;
3. Provide alternative direction to staff.

Analysis and Conclusions

The applicant is proposing a residential development to construct 154 semi-attached, for sale townhouse dwelling units. The proposed project aligns with General Plan and Economic Strategy objectives by providing new housing opportunities within an urbanized area, increasing the City's housing supply, and promoting community development in a compact and potentially walkable form.



However, for the project to be processed by the Planning Department, the project requires a reservation of 154 General Plan surplus density units that would be drawn from the City's surplus residential dwelling unit pool established by City Council Resolution 20-186. The City Council retains discretion in

allocating these units to projects that meet the broader intent of the General Plan, Housing Element, and Economic Strategy.

Reserving units at this stage—prior to the entitlement application being deemed complete and considered for approval—will allow the project applicant to proceed with certainty in preparing application materials and studies required for formal review.

Staff has reviewed the request and determined that the proposed project meets the intent and criteria of the City's planning framework. Moreover, reservation at this stage will not constitute a project approval, nor does it preclude further environmental review and public input required under CEQA and the City's entitlement procedures. Lastly, should these units not be incorporated into the project, they would remain unallocated and available for other development projects.

As part of the entitlement project, City staff and the applicant are coordinating on an affordable housing component. The applicant proposes to model it after the County of San Luis Obispo's Regional Housing Incentive Program, a point-based system designed to simplify access to development incentives similar to the State Affordable Housing Density Bonus Program. The applicant has proposed to contribute an in-lieu fee equivalent to two points in the County system, payable to the City for use in a future tax-credit affordable housing project. This structure would allow the contribution to be leveraged through state, federal, and tax-exempt financing programs, significantly amplifying available nonprofit housing funds. While staff recognizes that the City Council has not formally adopted the County's incentive plan, it provides a useful framework to advance the Council's goals and objectives for increasing affordable housing until a more detailed Council policy is established. The proposal aligns with the City's Multifamily Development Accelerator Program, and final details will be included in the Mixed-Use Overlay entitlement requiring future City Council approval.

Fiscal Impact

There is no immediate fiscal impact associated with the reservation of dwelling units. Fiscal impacts related to the development itself will be evaluated during the entitlement process.

CEQA

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines, §§ 15060, subd. (c)(2)-(3), 15378 as the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment.

Recommendation (Option 2)

Approve Resolution 25-XXX, reserving 154-units from the Cycle 2 Surplus Density Units established by General Plan Amendment 19-01 for the "Ardmore Townhouse" project.

Attachments

1. Location Map
2. Site Plan
3. Resolution 20-186
4. Resolution 25-XXX reserving 154-units to the project site
 - a. Exhibit A – Surplus Density Units Cycle 2