



# Council Agenda Report

From: Warren Frace, Community Development Director

Subject: Approval of Authorization to Execute Olsen–South Chandler Specific Plan Development Agreement Operating Memo No. 1 Modifying Timing of Certain Improvements

CEQA Determination: The Olsen–South Chandler Specific Plan and Development Agreement were analyzed as part of the Olsen–South Chandler Specific Plan Final Environmental Impact Report SCH#2019011065, the modifications to the Project detailed in the Operating Memo have been determined to be consistent with previously approved EIR and associated Mitigation Monitoring and Reporting Program and there are no additional environmental impacts. As such, no additional CEQA review is required.

Date: February 21, 2023

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## Facts

1. The Olsen–South Chandler Specific Plan (OSCSP) and Environmental Impact Report (EIR) were approved by City Council on [February 20, 2020](#).
2. Increasing the supply of both single-family residential (SFR) and multi-family residential (MFR) housing production is one of the [City Council Adopted Goals for Fiscal Years 2022-2024](#).
3. The OSCSP allows 1,293 SFR and MFR residential units to be built consistent with the EIR’s Mitigation Monitoring and Reporting Program (MMRP), which requires project impacts to be mitigated to a level of less than significant, including off-site traffic impact.
4. The OSCSP development agreement requires certain off-site traffic improvements to be installed prior to issuance of any residential building permits; similarly, the development agreement also calls for certain park improvements to be installed prior to the first certificate of occupancy.
5. The Master Developer, Olsen 212 has completed Phase 1 mass grading, and is in the process of selling planning areas to merchant builders for housing construction.
6. Olsen 212 is proposing a Development Agreement Operating Memo that would provide an alternative timing trigger for both off-site traffic improvements and public park improvements; this does not alleviate the improvements from being installed, only changing the timing on when they must be installed.
7. The City Manager is authorized to approve Operating Memo’s but is seeking City Council concurrence.

## Community Outreach

The OSCSP included a robust public outreach process including a weeklong public charrette, a 45-day public EIR circulation and public hearing at both Planning Commission and City Council.

## Options

1. Do nothing;
2. Authorize the City Manager to execute Olsen–South Chandler Specific Plan Operating Memo No. 1;
3. Provide alternative direction.

## Analysis and Conclusions

The Master Developer has been working since 2020 to start construction of the OSCSP. In order for housing construction to start, merchant builders must purchase individual tracts from the Master Developer. Unfortunately, the recent federal interest rate increases are impacting the housing construction market and creating uncertainty, which negatively affects project financing.

The Master Development has notified the City that merchant builder purchases of subdivision tract cannot be financed with the current timing triggers for off-site traffic and public park improvements. The project is conditioned that certain off-site traffic improvement be installed by the Master Developer prior to the Merchant Builders pulling the first building permit. Unfortunately, this creates a certain level of uncertainty that project lenders find unacceptable.

The Master Developer is proposing Operating Memo #1 (attachment 1) with alternative timing trigger that the improvements be completed within 12-months of the issuance of the first building permit. This would allow the off-site traffic and park improvements to be under construction concurrently with the construction of housing units. It is expected that the traffic and park improvement would be completed about the same time the first housing units are ready to be occupied.

The City tasked Central Coast Transportation Consulting (CCTC), who prepared the EIR Traffic Impact Study, with reviewing this request for consistency with the EIR and MMRP. CCTC prepared a Traffic Analysis Memo (attachment 2) and determined that 350 OSCSP units could be occupied prior to the completion of off-site traffic improvement without creating a significant impact. This is different from when the initial Traffic Impact Study Report was published because a number of “near term” projects that were analyzed have not been constructed. As such, the Master Developer has requested the flexibility to pull up to 350 builder permits during the 12-month off-site construction period.

In order to guarantee the off-site improvements will be completed during the 12-month period, the Operating Memo No. 1 includes interim milestone requirements as well as the Master Developer being required to hold construction financing funds in a dedicated account. Staff has analyzed the request and determined Operating Memo No. 1 is consistent with the EIR and a reasonable request that will help to facilitate the construction of much needed housing units.

### **Fiscal Impact**

All off-site traffic and park improvements will remain the responsibility of the Master Developer who will provide funding for these off-site public facilities in a dedicated account. No new fiscal impacts to the City would be created by Operating Memo No. 1.

### **CEQA Determination**

The Olsen–South Chandler Specific Plan and Development Agreement were analyzed as part of the Olsen–South Chandler Specific Plan Final Environmental Impact Report SCH#2019011065. The requested Operating Memo timing triggers have been analyzed by Central Coast Transportation Consulting and determined to be consistent with Mitigation Monitoring and Reporting Program. Therefore, the Operating Memo is consistent with the EIR. As such, no additional CEQA review is required.

### **Recommendation** (Option 1)

Authorize the City Manager to execute Olsen–South Chandler Specific Plan Operating Memo No. 1.

### **Attachments**

1. Olsen–South Chandler Specific Plan Operating Memo No. 1.
2. Central Coast Transportation Consulting Traffic Analysis Memo, dated January 30, 2023