



November 21, 2013

Mark Stilwell
Executive Vice President, Real Estate
Pebble Beach Company
PO Box 1767
Pebble Beach, CA 93953

**RE: PROPOSED INCLUSIONARY HOUSING PROJECT IN DEL MONTE
FOREST AREA D ("Project")**

Ladies and Gentlemen:

We are writing to you (the "Company") with regard to the above-referenced Project. The City and the citizens of Pacific Grove are not opposed to inclusionary housing, and support the goals of the Housing Element of the Monterey County General Plan, as well as of Monterey County's Inclusionary Housing Ordinance. Attached you will find a copy of a letter with concerns from an organized group of Del Monte Neighbors United, with their concerns regarding this proposed project. A significant number of Pacific Grove residents have expressed to us, the City Council, as their representatives, their vigorous opposition to the Project, for a number of reasons, including those set forth below.

- The Project, a high-density clustered apartment development, proposed for an area that is not zoned for such use, is not in keeping with the character of the adjacent neighborhoods, particularly the unique quiet country lane atmosphere in the streets of our City that dead-end into the Del Monte Forest, and is inconsistent with the single-family residences nearby.
- The Project constitutes a dramatic and fundamental change to the character of the neighborhood, both for Pebble Beach and Pacific Grove, and is more appropriate for a mixed-use neighborhood or for a neighborhood where high-density housing is already present.
- The Project will have a negative impact on property values of adjacent properties (in both Pebble Beach and Pacific Grove), to the detriment of individual property owners and the community (through a diminution of property taxes).
- The Project will place an undue burden on the adjacent neighborhoods, including overflow parking on streets that cannot accommodate additional vehicle loads.



- The proposed loss of more than 700 trees will diminish a scarce and imperiled natural resource in a concentrated area of the Del Monte Forest, and will have a detrimental impact on the environment, in terms of displacement of wildlife, increased pollution, noise and traffic.

It appears that Area D was not considered in the EIR prepared in 2011-2012 for the “final build out”, even though the area appears to have been a potential site for the Project as early as November 2011. Many of our citizens believe that Area D would have been eliminated as an option for the Project if it had appropriately been included in the previous EIR.

The recommendations and resolutions to date with respect to the Company’s proposed “final” build-out within Pebble Beach do not require that the Project be built within the Del Monte Forest. There are alternate locations for the Project that would not present the issues raised above.

We are concerned that the Project will have a harmful impact upon a significant number of the citizens of Pacific Grove (at least 25% of our constituents), who live in the Del Monte Park area, adjacent to the proposed Project site. We would like to understand what alternative sites have been considered for the Project. Therefore, we are asking the Company to please list all other sites that the Company considered for the Project, the reasons for rejecting each alternative site, and the Company’s position as to why it believes Area D is a better alternative for the Project than the sites that were considered and rejected. If studies were conducted on alternate sites, we ask that the Company share these with us.

We also suggest that additional environmental and forest ecologist reports be conducted after Area D has had a chance to recover from the deforestation of the forest floor by the routine use of goats for fire abatement.

We on the City Council share our citizens’ concerns regarding the Project. The Council, the City and our citizens want to work with the Company and with all stakeholders to achieve the goals of the legislation in a manner that maintains the quality of life not only in the Del Monte Forest area but also throughout the Greater Monterey Peninsula.

Thank you for your attention to the foregoing.

Very truly yours,

Bill Kampe

Bill Kampe
Mayor, City of Pacific Grove, for the City Council

Attachment: Del Monte Neighbors United Submittal (November 12, 2013)

cc: Monterey County Planning Commission – Members & Staff
Monterey County Board of Supervisors

**DEL MONTE NEIGHBORS UNITED
POST OFFICE BOX 51973
PACIFIC GROVE, CALIFORNIA 93950**

November 12, 2013

City of Pacific Grove
City Council
300 Forest Avenue
Pacific Grove, California 93950

Attention: Councilman Ken Cuneo
Councilman Daniel Miller

**RE: SUBMITTAL TO CITY COUNCIL AD HOC COMMITTEE ON PEBBLE BEACH COMPANY
PROPOSED INCLUSIONARY HOUSING DEVELOPMENT, AREA D, DEL MONTE FOREST**

Gentlemen:

Pursuant to the direction of the City Council at the October 16, 2013 meeting of the Council, and requests from you, as the ad hoc committee authorized by the Council to look into issues surrounding the inclusionary housing development proposed to be built by the Pebble Beach Company ("PBC") in Area D of the Del Monte Forest, we have assembled relevant documents and information for your review.

Del Monte Neighbors United ("DMNU") is a group of concerned Pacific Grove and Pebble Beach citizens who -- surprised by PBC's proposal to build an inclusionary housing apartment complex in the small strip of forested land between the Del Monte Park neighborhood in Pacific Grove and Congress Road in Pebble Beach -- have joined together to seek answers about and develop a response to the proposed development (which is related to PBC's "final build-out" of Pebble Beach, approved by the Monterey County Board of Supervisors in June 2012).

However, answers have been difficult to come by. Public hearings do not lend themselves to fact-gathering, and the press has run almost no factual articles about the proposal, choosing instead to publish editorial after editorial denouncing opponents of the proposal as elitist bigots. While DMNU shares the press' revulsion at the widely reported comments of a few individuals, those isolated comments do not represent the majority view of DMNU; we support inclusionary housing and would welcome low-income residents into our neighborhoods and schools with open arms.

Inclusionary housing is an important public policy issue. We believe that decisions about the location of any inclusionary housing must be based primarily on a careful cost-benefit analysis of options, and not on emotion, politics, or corporate interests (though elements of each will be present in any review and decision-making process).

DMNU greatly appreciates your concern, and we thank you for sharing our interest in uncovering the basic facts necessary for all stakeholders to have an informed discussion about a suitable location for PBC's inclusionary housing proposal. DMNU has spent a great deal of time reviewing

planning ordinances, public records about the history of the PBC inclusionary housing proposal, and the details of the PBC plans. This package shares with you what we have learned.

We have divided the information into three parts; set forth, below, is an executive summary of each of those key points. Further discussion follows, and documentation of these points is provided with this letter.

EXECUTIVE SUMMARY

Part 1: History of the inclusionary housing requirement in connection with PBC's "final build out" of Pebble Beach

- The California Coastal Commission, the Monterey County Housing Advisory Committee ("HAC"), the Monterey County Planning Department staff, the Monterey County Planning Commission, and the staff of the Monterey County Board of Supervisors all recommended that the required inclusionary housing be built on PBC's Corporation Yard site. Despite this, the Board of Supervisors removed the Corporation Yard from the table when the "final build-out" project was approved in 2012.
- Significantly, a condition was put into the final Resolution adopted by the Board of Supervisors, pursuant to which Monterey County will receive title to 135 acres of PBC land (the "Old Capitol Site"), but only if PBC's proposal for inclusionary housing is approved. DMNU believes this creates a strong -- perhaps overwhelming -- incentive for a repeat of the same decision-making process as the first time around: regardless of HAC, Planning Commission, and staff recommendations, the Board of Supervisors will approve PBC's proposal. Any concerns about the suitability of Area D, no matter how legitimate they may be, will be outweighed by the indisputable gains, to wit: inclusionary housing constructed and 135 acres of land donated to the County.

Part 2: Additional Concerns About Process

- Area D was not included in the EIR prepared in 2011-2012 for the Pebble Beach "final build out" project, even though CEQA regulations require the inclusion of any action if: "(1) [such action] is a reasonably foreseeable consequence of the initial project, and (2) the future expansion or action will be significant in that it will likely change the scope or nature of the initial project or its environmental effects."
- The omission of Area D is understandable from the perspective of the planners: they believed that building at the Corporation Yard was the only foreseeable "consequence" of the project's inclusionary housing requirement.
- In stark contrast to this view, PBC quietly began to develop plans for inclusionary housing at Area D as early as November 2011 – *during the EIR process*. Not only was Area D a "reasonably foreseeable consequence" of the "final build-out" project, it was one that PBC actually did foresee and that PBC acted upon.
- DMNU believes that Area D would very likely have been eliminated as an option for inclusionary housing if it had appropriately been included in the 2011-2012 EIR. Building

the inclusionary housing at the Corporation Yard required that no trees would be cut, in contrast to the 716 trees identified for destruction in the Area D proposal.

Part 3: Unsuitability of Area D and Feasible Alternatives

- This section describes why DMNU believes Area D is unsuitable for a high-density apartment complex.
- In the first step of the planning process, the Pebble Beach Land Use Advisory Committee (LUAC) agreed that Area D did not make sense as a site for inclusionary housing. They urged that the project be built elsewhere, if at all possible.
- We show that all of the drawbacks of the Area D site could be avoided by building at the PBC property at 17 Mile Drive and Sunset.

ITEMS FOR COUNCIL CONSIDERATION

In light of the above information, and the discussion following as well as the appendices forwarded to you with this letter, we request that the City Council support having the City Planning Department:

- Work with DMNU and other appropriate parties to explore the feasibility of the property at 17 Mile Drive and Sunset as an alternative to the Area D site (e.g., zoning, water, other issues of concern to Pacific Grove).
- Participate in the identification of alternatives during the public scoping phase of the new Environmental Impact Report that will be required for the Area D development. Our understanding is that the Notice of Preparation for this new EIR has not yet been issued.

Thank you for your consideration. We look forward to working with you on this important project.

Very truly yours,

DEL MONTE NEIGHBORS UNITED

Encls.

DISCUSSION

Part 1: History of the Inclusionary Housing Requirement for PBC's "final build out"

To the extent the press has mentioned the history of the inclusionary housing proposal, it has presented the June 2012 Board of Supervisors meeting that approved the "final build-out" plan for PBC lands in Del Monte Forest as a victory for inclusionary housing advocates, because the PBC's bid to pay an in-lieu fee, instead of constructing inclusionary housing, was rejected and PBC was required to build the inclusionary housing.

However, a review of the public record reveals a different story.¹

- As part of the final build-out plan, PBC proposed building 90-100 homes; in turn, PBC was required to build at least 18 affordable housing units. (In California, all developers are required to build inclusionary housing units for any developments of five or more homes/units as a kind of tax; this is set forth in the Housing Element of the Monterey County General Plan and the Monterey County Inclusionary Housing Ordinance.)
- The California Coastal Commission determined that PBC's Corporation Yard site was the only appropriate location for on-site inclusionary housing required as part of the overall "final build-out" plan.
- PBC argued that it should be allowed to pay an in-lieu fee, instead of building the inclusionary housing on the Corporation Yard site, where PBC had plans for luxury homes. PBC presented evidence and arguments to attempt to show that the Corporation Yard site was unsuitable for inclusionary housing.
- The Housing Advisory Committee, Planning Department Staff, Planning Commission, and the staff of the Board of Supervisors all examined this evidence and found it unconvincing. They all recommended that inclusionary housing be built on the Corporation Yard site.
- The Planning Commission and the staff of the Board of Supervisors offered a compromise in their separate recommendations: PBC would be allowed to look for alternate sites for the inclusionary housing, but if PBC could not find and build on an alternate site within five years, PBC would be required to build the inclusionary housing at the Corporation Yard site.
- Despite these unanimous recommendations, the Board of Supervisors took the Corporation Yard off the table at the June 19, 2012 meeting -- even though no new evidence or logic was presented about the site's unsuitability.
 - In addition, they took the definitive requirement to build affordable housing off the table, allowing PBC to pay an in-lieu fee of \$5 million dollars instead.
- The Board of Supervisors did require PBC to use the in-lieu fee to work with the County "to attempt to identify, acquire, entitle, and finance an affordable housing project or projects of

¹ This section is based on information contained in the recommendations of the HAC, Planning Department, and Planning Commission and the Final Resolution of the Board of Supervisors meeting on June 19, 2012. See Appendix A, Inclusionary Housing Recommendations, for the text of these documents.

at least 18 units in the Greater Monterey Peninsula Planning Area within five (5) years of the recordation of the first residential subdivision Final Map.”

- In addition, the Board of Supervisors agreed that:
 - If PBC fails to identify and finance a project within the five-year time period, it must pay a \$2 million penalty. But, if PBC succeeds in finding an alternate site, PBC must transfer title to 135 acres of land (the Old Capitol site) to Monterey County, presumably for open space and parkland.

How should this rather unusual clause – essentially a 135-acre penalty for *complying* with requirements -- be interpreted?

- If the Board of Supervisors’ resolution had included the 135-acre land transfer up front, this would be a simple *quid pro quo*: that is, the Board of Supervisors takes the Corporation Yard off the table in return for the (conditioned) transfer of the 135 acre Old Capitol site.
- PBC would be able to increase the lot size of its ten luxury homes planned for the Corporation Yard site from one-quarter acre to one-half acre each, and these homes would no longer have an inclusionary housing complex in their backyard, greatly increasing their value and profit to PBC.
- The County would have the Old Capitol Site preserved as open space and parkland. (The site has proven too controversial to develop in the past; PBC has regularly offered it up as potential “mitigation” for various development proposals. Note that the site was offered up, but ultimately not needed, as part of the “final build-out” plan.)
- Significantly, however, under the June 2012 Board of Supervisors resolution, the transfer will be “pursuant to terms and conditions acceptable to the Applicant, including the County’s agreement that preservation of the natural resources on the Old Capitol Site shall be applied or credited as mitigation if needed for any affordable housing or other project identified by the Applicant.”
- Unfortunately (in our opinion), the Board of Supervisors gave PBC what they wanted, removing the requirement to build inclusionary housing next to the planned luxury homes at the Corporation Yard site -- without requiring donation of the 135 acres of the Old Capitol site, up front. Instead, the County will receive title to the land only if PBC’s proposal for inclusionary housing is approved and the housing is built.

This stands in stark contrast to the Planning Commission/staff of Board of Supervisors’ proposed compromise: PBC can explore alternative sites but if PBC is unable to find an alternative site, PBC must build the inclusionary housing at the Corporation Yard. This scenario would have created the appropriate incentives for PBC to identify a site that gave proper consideration to the impact of the proposed development on the site’s neighbors, rather than selecting the site most convenient for PBC.

While DMNU would like to put our faith in the processes that exist for reviewing projects, it is difficult to do so in this circumstance, given all that has occurred to date. It is hard to imagine any issues that can be raised by neighbors, or by the HAC, the Planning Commission, or the Board of

Supervisors own staff, that will not be outweighed by the indisputable gains of approving the proposal: inclusionary housing actually constructed and the donation to the County of 135 acres of open space and parkland.

Given the above, DMNU believes it is absolutely essential for the review and approval process for the inclusionary housing to focus on a comparison of the costs and benefits of alternative sites. While there are provisions in place for this as part of producing the Environmental Impact Report (EIR), this required consideration can often be *pro forma* -- unless stakeholders help develop feasible alternatives and bring pressure to bear so that such alternatives are seriously considered.

Part 2: Additional Concerns About Process

DMNU believes that Area D would very likely have been eliminated as a site for inclusionary housing if it had appropriately been included in the EIR prepared in 2011-2012 for the "final build out" project. The decision calculus would have been fairly simple: building inclusionary housing at the Corporation Yard site would have required almost no trees to be cut, in contrast to the 716 trees identified for destruction under the Area D proposal.²

California Environmental Quality Act (CEQA) regulations provide that "an Environmental Impact Report (EIR) must include an analysis of future expansion or other actions if: (1) [such expansion or other action] is a reasonably foreseeable consequence of the initial project, and (2) the future expansion or action will be significant in that it will likely change the scope or nature of the initial project or its environmental effects."

The omission of Area D from the 2011-2012 EIR is understandable from the perspective of the planners: for them, the only foreseeable "consequence" of the project's inclusionary housing requirement was for PBC to build at the Corporation Yard.

However, as noted above, we have learned that PBC quietly began to develop plans for inclusionary housing at Area D as early as November 2011 – *during the EIR process*. The draft EIR was issued in November 2011 and was not finalized until April 2012.

A letter from Zander Associates to PBC VP Mark Stilwell, dated March 7, 2012, reveals that planning to place the inclusionary housing project in Area D began as early as November 2011:

*"Dear Mark: At your request, I visited Del Monte Forest Land Use Plan Area D on December 14, 2011, to conduct a reconnaissance level biological resource assessment and consider potential biological resource constraints to use of the area for inclusionary housing. Prior to my visit, I obtained and reviewed a conceptual plan for development of an 18 unit inclusionary housing project on the site, prepared by Fletcher + Hardoin Architects, dated December 1, 2011."*³

² See Appendix B: Trees Table, taken from the Draft EIR for the final build-out project, November 2011. Note that the new 235-car parking lot across from Spanish Bay "only" required the removal of 175 trees (less than a quarter of the number to be cut in Area D).

³ See Appendix C: Zander Letter, which was included in the Biological Assessment submitted by PBC as part of their application to the Monterey County Planning Department for the Area D project (PLN 130477).

In short, not only was Area D a “reasonably foreseeable consequence” of the “final build-out” project – it was actually foreseen by PBC as far back as November 2011.

We believe this is a violation of at least the spirit of the CEQA prohibition against “piecemealing”.

PBC was undoubtedly aware of the CEQA regulations. Interestingly, attorneys for PBC wrote an unusually strongly worded letter, dated February 24, 2012, (the same month Zander was preparing his report on Area D) denouncing suggestions that PBC’s proposal for inclusionary housing included an offsite housing proposal that should be included in the EIR (Area D is “offsite” -- i.e., not on the same site where the market-rate housing would be developed):

- “It appears that some persons have gone to great lengths to misconstrue the [PBC proposal for an in-lieu fee, dated April 18, 2011] by asserting that the Pebble Beach Company Proposal includes an offsite housing project and that it proposes to transfer ‘water credits’ which are not available. They have then asserted that these circumstances must be included in the analysis of the Draft Environmental Impact Report. *We do not know what the motivation of such persons is, other than perhaps to oppose the creation of affordable housing for the greatest benefit of the community* [italics added].”⁴

The letter accompanies a new PBC proposal for inclusionary housing that makes it clear the PBC is proposing the payment of in lieu fees. In this way, according to the letter, PBC hopes to “avoid the continued twisted mischaracterization that some people have chosen to put forth” about PBC’s plans for inclusionary housing in the Del Monte Forest.

While the attorneys were careful not to deny the existence of any alternative plans– they limited their comments to the contents of PBC’s formal submission on inclusionary housing – the strong wording seems to suggest the issues that would be raised, and the damage that would be done to PBC’s development plans, if there were an alternate inclusionary housing site contemplated.

Part 3: Unsuitability of Area D – and Feasible Alternatives

PBC is proposing a high-density apartment complex in an area zoned Medium Density Residential (4 units per acre). The current plans show that there will be 10.8 units per acre (24 units in a 2.6 acre complex), with 80-136 tenants, shoehorned into the small strip of forested land between Del Monte Park and Congress Road.

In the only hearings held to date on the proposed development in Area D, the Pebble Beach Land Use Advisory Committee (LUAC) agreed that Area D makes little sense for the proposed apartment complex. They urged that the project be built at an alternative site, if at all possible. As one LUAC member commented in explaining his vote: “The plans for the apartment complex are very well done. But a rational land use planner would never have picked Area D as an appropriate location for this complex....”

DMNU believes there are a number of significant drawbacks to the proposed development in Area D, which would be nearly impossible to mitigate at the current site:

⁴ See Appendix D, Fenton and Keller letter to Ms. Marti Noel, Monterey County Resource Management Agency, February 24, 2012.

- The development, a high-density clustered development, is not in keeping with the single-family zoning and rural-lane, forested character of adjacent neighborhoods.
- By eliminating the current “forest enclave” atmosphere of the neighborhood, the apartment complex will have a negative impact on property values of adjacent properties to the detriment of individual property owners and the community (through a diminution of property taxes).
- The proposal does not provide for adequate parking for tenants and their guests.⁵ The very narrow streets in adjacent neighborhoods cannot accommodate any overflow parking to offset this deficiency. However, providing adequate parking would increase the overall footprint of the project and its environmental impact, which is unacceptable.
- The loss of more than 700 trees will diminish a scarce natural resource in a concentrated area of the Del Monte Forest, and will constitute a material diminution of the quality of life for surrounding neighborhood.
- The proposed apartment complex site is located on a blind curve on Congress Road, where speeding is already an issue, and where there are no sidewalks, presenting a hazard for pedestrian traffic.

Alternative sites must be examined. For example, the PBC property at Sunset and 17-Mile Drive has none of the drawbacks of the Area D site:

- The proposed apartment complex would have little impact on the character of the existing neighborhood, which is a mixed-use neighborhood with a church and commercial sites, in addition to homes.
- The site itself is already paved and houses large structures; an apartment complex would not change the current character of the site.
- Given the location and layout of the site – and its current use – an apartment complex would have little impact on neighbors. (For example, neighbors will not find cars parked 20 yards or less from their homes in what was previously a beloved forest.)
- There is safe access to the site from the road; sidewalks; enough room on the site to provide for adequate parking; wide streets with on-street parking spots for the occasions when overflow parking might be necessary; and easily accessible public transportation.
- Few, if any, trees would need to be cut down to build the complex.

In short, this site would be better for neighbors, the environment, and future tenants.

⁵ PBC’s proposal for inclusionary housing at the Corporation Yard site included 54 spots for 18 units. (See Appendix E.) The Area D proposal includes only 53 spots for 24 units. Presumably, PBC is less concerned about overflow parking when it is not the neighbor of the apartments. The need to minimize the footprint of the Area D proposal in a forested area also likely plays into this decision.