

CALIFORNIA COASTAL COMMISSION

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March 18, 2009

W13a

TO: COMMISSIONERS AND INTERESTED PERSONS

**FROM: SHERILYN SARB, DEPUTY DIRECTOR, SAN DIEGO COAST DISTRICT
DEBORAH LEE, DISTRICT MANAGER, SAN DIEGO COAST DISTRICT
TONI ROSS, COASTAL PROGRAM ANALYST, SAN DIEGO COAST DISTRICT**

**SUBJECT: REVISED FINDINGS ON CITY OF CARLSBAD MAJOR LCP AMENDMENT
1-07A (DKN Hotel) for Commission Meeting of April 8-10, 2009**

SYNOPSIS

At the Commission meeting of August 7, 2008, the Commission reviewed the City of Carlsbad LCP Amendment 1-07A addressing modifications made to the land use and zoning designations on a half acre site from Residential to Visiting-Serving Commercial to accommodate the demolition of an existing, non-conforming, 2-story 28 room hotel and a single family residence, and the subsequent re-construction of a new 3-story, 104 room hotel with underground parking.

In its action, the Commission approved both the land use plan and implementation plan modifications as submitted by the City of Carlsbad. However, Commission staff was recommending four suggested modifications. At the Commission hearing, revisions were made to the staff recommendation removing these suggested modifications, thus requiring revised findings. The removed suggested modifications include: a policy promoting the protection of lower-cost overnight accommodations; the elimination of the in-lieu fee requirements for all new high cost hotel/motel development, elimination of the in-lieu fee requirements for the demolition of existing lower cost overnight accommodation, and a policy defining lower- moderate- and high-cost overnight accommodations. The changes were intended to address the Commissions' recent concerns pertaining to the lack of adequate protection of affordable accommodations in the coastal zone, provide a method that accurately defines, and protects such amenities, as well as established a means to develop lower cost overnight accommodations. These changes were ultimately not necessary at this time because the proposed development that could be approved upon certification of this LCP Amendment will provide significantly more overnight accommodations than existing uses and the proposed rooms will be moderately priced and could be considered lower cost accommodations for families and larger groups.

DATE OF COMMISSION ACTION: August 7, 2008

COMMISSION VOTES

Commissioners Voting "Yes": Achadjian, Blank, Burke, Hueso, Kram, Neely, Shallenberger, Wan, and Kruer

Commissioners Voting "No": Reilly

SUMMARY OF AMENDMENT REQUEST

The subject LCP amendment proposes changes to the land use designation and zoning on a two parcel site totaling .84 acres located on the east side of Carlsbad Blvd. between Pine and Oak Avenues. This LCP amendment is a project-driven amendment for the City. The project includes the demolition of an existing 2-story 28 room hotel, 1,125 sq. ft. restaurant, and a single family residence to allow for the construction of a new three-story 104-room hotel with underground parking. The project site is located in an urbanized area, and no sensitive resources are present.

The LCP land use designation would be modified from Residential High Density (RH) to Travel/Recreational Commercial (TR) on the easterly portion of the project. The western portion of the project will remain as Village Redevelopment (V). The existing zoning on site would be modified from Residential Family Zone (R-3) to Tourist Commercial (C-T) on the easterly portion of the site. The western portion of the project will remain zoned as Village Redevelopment (V-R). The site is located in both the Village Redevelopment segment and the Mello II segment of the City's adopted Local Coastal Program (LCP) and is not within the Coastal Commission's appeal jurisdiction area of the Coastal Zone. The western portion of the site is located in the Village Redevelopment area, while the eastern portion of the site is located in the Mello II segment of the City, in an area designated for residential uses. The City of Carlsbad is not proposing any changes to land use or zoning within the Village Redevelopment area (western portion); therefore, the Village Redevelopment segment of the LCP is not being reviewed at this time. The changes proposed on the eastern portion of the site are within the Mello II segment of the City's adopted LCP. As such, all appropriate Mello II policies are under review by the proposed land use modification.

The appropriate resolutions and motions begin on Page 4. The findings for approval of the Land Use Plan Amendment as submitted begin on Page 8. The findings for approval of the Implementation Plan Amendment as submitted begin on Page 20.

ADDITIONAL INFORMATION

Further information on the City of Carlsbad LCP Amendment 1-07A may be obtained from Toni Ross, Coastal Planner, at (619) 767-2370.

PART I. OVERVIEW**A. LCP HISTORY**

The City of Carlsbad certified LCP contains six geographic segments as follows: Agua Hedionda, Mello I, Mello II, West Batiquitos Lagoon/Sammis Properties, East Batiquitos Lagoon/Hunt Properties and Village Redevelopment. Pursuant to Sections 30170(f) and 30171 of the Public Resources Code, the Coastal Commission prepared and approved two portions of the LCP, the Mello I and II segments in 1980 and 1981, respectively. The West Batiquitos Lagoon/ Sammis Properties segment was certified in 1985. The East Batiquitos Lagoon/Hunt Properties segment was certified in 1988. The Village Redevelopment Area LCP was certified in 1988; the City has been issuing coastal development permits there since that time. On October 21, 1997, the City assumed permit jurisdiction and has been issuing coastal development permits for all segments except Agua Hedionda. The Agua Hedionda Lagoon LCP segment is a deferred certification area until an implementation plan for that segment is certified. The subject amendment request affects only the Mello II segment of the LCP.

B. STANDARD OF REVIEW**B. STANDARD OF REVIEW**

The standard of review for land use plans, or their amendments, is found in Section 30512 of the Coastal Act. This section requires the Commission to certify an LUP or LUP amendment if it finds that it meets the requirements of and conforms with Chapter 3 of the Coastal Act. Specifically, it states:

Section 30512

(c) The Commission shall certify a land use plan, or any amendments thereto, if it finds that a land use plan meets the requirements of, and is in conformity with, the policies of Chapter 3 (commencing with Section 30200). Except as provided in paragraph (1) of subdivision (a), a decision to certify shall require a majority vote of the appointed membership of the Commission.

Pursuant to Section 30513 of the Coastal Act, the Commission may only reject zoning ordinances or other implementing actions, as well as their amendments, on the grounds that they do not conform with, or are inadequate to carry out, the provisions of the certified land use plan. The Commission shall take action by a majority vote of the Commissioners present.

In those cases when a local government approves implementing ordinances in association with a land use plan amendment and both are submitted to the Commission for certification as part of one LCP amendment, pursuant to Section 13542(c) of the Commission's regulations, the standard of review of the implementing actions shall be the land use plan most recently certified by the Commission. Thus, if the land use plan is

conditionally certified subject to local government acceptance of the suggested modifications, the standard of review shall be the conditionally certified land use plan.

C. PUBLIC PARTICIPATION

The City has held Planning Commission and City Council meetings with regard to the subject amendment request. All of those local hearings were duly noticed to the public. Notice of the subject amendment has been distributed to all known interested parties.

PART II. LOCAL COASTAL PROGRAM SUBMITTAL - RESOLUTIONS

Following a public hearing, staff recommends the Commission adopt the following resolution and findings. The appropriate motion to introduce the resolution and a staff recommendation are provided just prior to each resolution.

MOTION: *I move that the Commission adopt the revised findings in support of the Commission's action on August 7, 2008 concerning City of Carlsbad LCPA 1-07A.*

STAFF RECOMMENDATION OF APPROVAL:

Staff recommends a **YES** vote on the motion. Passage of this motion will result in the adoption of revised findings as set forth in this staff report. The motion requires a majority vote of the members from the prevailing side present at the revised findings hearing, with at least three of the prevailing members voting. Only those Commissioners on the prevailing side of the Commission's action are eligible to vote on the revised findings.

RESOLUTION TO ADOPT REVISED FINDINGS

The Commission hereby adopts the findings set forth below for City of Carlsbad LCP Amendment 1-07A on the ground that the findings support the Commission's decision made on August 7, 2008.

PART III. SUGGESTED MODIFICATIONS

~~Staff recommends the following suggested revisions to the proposed LCP be adopted. The underlined sections represent language that the Commission suggests be added, and the struck out sections represent language which the Commission suggests be deleted from the language as originally submitted.~~

1. Add new Policy 6.10 to the Mello II Land Use Segment as follows:

POLICY 6.10 – LOWER COST VISITOR-SERVING RECREATIONAL USES

Lower cost visitor and recreational facilities shall be protected, encouraged and, where feasible, provided.

Any proposal to demolish existing overnight accommodations shall be required to demonstrate that rehabilitation of the units is not feasible. Any coastal development permit for the demolition of existing lower cost overnight accommodations or new development of high cost overnight accommodations shall require the applicant to provide lower cost overnight accommodations. Fees in lieu of provision of lower cost overnight accommodations shall be required pursuant to Policy 6.11 and 6.12.

2. Add new Policy 6.11 as follows:

POLICY 6.11 – IN LIEU FEES FOR DEMOLITION OF EXISTING LOWER COST OVERNIGHT ACCOMMODATIONS AND REDEVELOPMENT OF EXISTING HOTELS/MOTELS.

A. In-Lieu Fees for Demolition of Existing Lower Cost Overnight Accommodations:

An in-lieu fee shall be required for any demolition of existing lower cost overnight accommodations, unless all those units are replaced by lower cost accommodations, in which case the in-lieu fee shall be waived. This in-lieu fee shall be required as a condition of approval of a coastal development permit, in order to provide significant funding to support the establishment of lower cost overnight visitor accommodations within the coastal area of North San Diego County, and preferably within the City of Carlsbad's coastal zone. The fee shall be \$30,000 per unit for the total number of existing lower cost units that are demolished and not replaced.

B. In-lieu Fees for Redevelopment with High-Cost Overnight Accommodations:

If the proposed demolition of existing lower cost overnight accommodations also includes redevelopment of the site with high cost overnight accommodations, the fee shall also apply to 25% of the number of rooms in excess of the number being lost. The in-lieu fee shall be required as a condition of approval of a coastal development permit, in order to provide significant funding to support the establishment of lower cost overnight visitor accommodations within the coastal area of North San Diego County, and preferably within the City of Carlsbad's coastal zone. The fee shall be \$30,000 per unit and all in-lieu fees required from Section A above and this Section B shall be combined.

~~The fee (i.e. \$30,000 in 2007) shall be adjusted annually to account for inflation according to increases in the Consumer Price Index — U.S. City Average. The required in lieu fees shall be deposited into an interest bearing account, to be established and managed by one of the following entities approved by the Executive Director of the Coastal Commission: City of Carlsbad, Hostelling International, California Coastal Conservancy, California Department of Parks and Recreation or a similar entity. The purpose of the account shall be to establish lower cost overnight visitor accommodations, such as new hostel beds, tent campsites, cabins or campground units, at appropriate locations within the coastal area of North San Diego County. The entire fee and accrued interest shall be used for the above stated purpose, in consultation with the Executive Director, within ten years of the fee being deposited into the account. All development funded by this account will require review and approval by the Executive Director of the Coastal Commission and a coastal development permit if in the coastal zone. Any portion of the fee that remains after ten years shall be donated to one or more of the State Park units or non profit entities providing lower cost visitor amenities in a Southern California coastal zone jurisdiction or other organization acceptable to the Executive Director. Required mitigation shall be in the form of in lieu fees as specified herein or may include completion of a specific project that is roughly equivalent in cost to the amount of the in lieu fee and makes a substantial contribution to the availability of lower cost overnight visitor accommodations in Carlsbad and/or the North San Diego County coastal area.~~

3. Add new Policy 6.12 as follows:

POLICY 6.12 — IN LIEU FEES FOR NEW DEVELOPMENT OF OVERNIGHT ACCOMMODATIONS.

~~An in lieu fee shall be required for new development of overnight visitor accommodations in the coastal zone that are not lower or moderate cost hotel/motel rooms. This in lieu fee shall be required as a condition of approval of a coastal development permit, in order to provide significant funding to support the establishment of lower cost overnight visitor accommodations within the coastal area of North San Diego County, and preferably within the City of Carlsbad's coastal zone. The fee shall be \$30,000 per unit for 25% of the total number of proposed units that are high cost overnight visitor accommodations.~~

~~The fee (i.e. \$30,000 in 2007) shall be adjusted annually to account for inflation according to increases in the Consumer Price Index — U.S. City Average. The required in lieu fees shall be managed and allocated consistent with the provisions included in Policy 6.11.~~

4. Add new Policy 6.13 as follows:**POLICY 6.13 – DEFINITION OF LOWER-, MODERATE- AND HIGH-COST OVERNIGHT ACCOMMODATIONS.**

When referring to overnight accommodations, lower cost shall be defined by a certain percentage of the Statewide average room rate as calculated by the Smith Travel Research website (www.visitcalifornia.com). A suitable methodology would base the percentage on market conditions in San Diego County for the months of July and August and include the average cost of motels/hotels within 5 miles of the coast that charge less than the Statewide average or 82%. High cost would be room rates that are 20% higher than the Statewide average, and moderate cost room rates would be between high and low cost. The range of affordability of new and/or replacement hotel/motel development shall be determined as part of the coastal development permit process and monitored as part of the City's inventory of visitor overnight accommodations.

PART IV. FINDINGS FOR DENIAL OF CERTIFICATION OF THE CITY OF CARLSBAD LAND USE PLAN AMENDMENT, AS SUBMITTED**PART IIIV. FINDINGS FOR APPROVAL OF THE CITY OF CARLSBAD LAND USE PLAN, IF MODIFIED AS SUBMITTED****A. AMENDMENT DESCRIPTION**

The subject LCP amendment proposes changes to the land use designation and zoning on a two parcel site totaling .84 acres located on the east side of Carlsbad Blvd. between Pine and Oak Avenues. The project, supported by this LCP amendment, includes the demolition of an existing 28 room hotel, 1,125 sq. ft. restaurant and a single family residence to allow for the construction of a three-story 104-room hotel with underground parking. The project site is located in an urbanized area, and no sensitive resources are present. The LCP land use designation would be modified from Residential High Density (RH) to Travel/Recreational Commercial (TR) on the easterly portion of the project. The western portion of the project will remain as Village Redevelopment (V). The site is located in both the Village Redevelopment segment and the Mello II segment of the City's adopted Local Coastal Program (LCP) and is not within the Coastal Commission's appeal jurisdiction area of the Coastal Zone. The City of Carlsbad is not proposing any changes to land use or zoning within the Village Redevelopment area, and as such, the Village Redevelopment segment of the LCP is not being reviewed at this time. The changes proposed on the eastern portion of the site are within the Mello II segment of the City's adopted LCP. As such, all appropriate Mello II policies are under review by the proposed land use modification.

The project as proposed would include modifying a significant portion of the subject site to be designated and zoned for visitor-serving uses. As proposed, the project would demolish 28 existing motel units with an average nightly cost of \$99/night (per the project's agent) the new hotel project would increase the number of units by 76 to a total of 104 units, with an average nightly cost of \$125/night (per the project's agent). The project therefore does not propose to maintain the existing lower cost units nor develop new lower cost overnight accommodations.

B. NONCONFORMITY OF THE LAND USE PLAN WITH CHAPTER 3

Section 30210

In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.

Section 30213

Lower cost visitor and recreational facilities shall be protected, encouraged, and, where feasible, provided. Developments providing public recreational opportunities are preferred.

The commission shall not: (1) require that overnight room rentals be fixed at an amount certain for any privately owned and operated hotel, motel, or other similar visitor-serving facility located on either public or private lands; or (2) establish or approve any method for the identification of low or moderate income persons for the purpose of determining eligibility for overnight room rentals in any such facilities.

Section 30221

Oceanfront land suitable for recreational use shall be protected for recreational use and development unless present and foreseeable future demand for public or commercial recreational activities that could be accommodated on the property is already adequately provided for in the area.

Section 30222

The use of private lands suitable for visitor-serving commercial recreational facilities designed to enhance public opportunities for coastal recreation shall have priority over private residential, general industrial, or general commercial development, but not over agriculture or coastal-dependent industry.

Pursuant to the public access policies of the Coastal Act, and particularly Section 30213, the Commission has the responsibility to ensure that a range of affordable facilities be provided in new development along the coastline of the state. The expectation of the Commission, based upon several precedents, is that developers of sites suitable for overnight accommodations will provide facilities which serve people with a range of incomes. If development cannot provide for a range of affordability on-site, the Commission requires off-site mitigation.

Historically, the Commission has endorsed new hotel developments along the coastline. However, it has virtually all been exclusive, higher priced resort developments. In each of those actions, though, the Commission always secured offsetting public amenities, such as new public accessways, public parking or open space dedications, to address the Coastal Act priorities for public access and visitor support facilities.

In light of current trends in the market place and along the coast, the Commission is increasingly concerned with the challenge of providing lower-cost overnight accommodations consistent with the Coastal Act. Recent research in support of a Commission workshop concerning hotel-condominiums showed that only 7.9% of the overnight accommodations in nine popular coastal counties were considered lower-cost. Although statewide demand for lower-cost accommodations in the coastal zone is difficult to quantify, there is no question that camping and hostel opportunities are in high demand, and that there is an on-going need to provide more lower-cost opportunities along California's coast. For example, the Santa Monica hostel occupancy rate was 96% in 2005, with the hostel being full more than half of the year. State Parks estimates that demand for camping has increased 13% between 2000 and 2005. Nine of the ten most popular campgrounds are along the coast.

In general, many low to moderately priced hotel and motel accommodations tend to be older structures that are becoming less and less economically viable. As more recycling occurs, the stock of lower cost overnight accommodations tends to be reduced, since it is generally not economically feasible to replace these structures with accommodations that will maintain the same low rates. As a result, the Commission sees far more proposals for higher cost accommodations than for low cost ones. The loss of affordable overnight accommodations within the coastal zone has become an emerging issue for the Commission. If this development trend continues, the stock of affordable overnight accommodations will be depleted.

In an effort to stem this tide, and to protect lower cost visitor-serving facilities, the Commission has imposed in-lieu mitigation fees when development proposes only higher cost accommodations. By doing so, a method is provided to assure that some degree of lower cost overnight accommodations will be protected. In past actions, the Commission has imposed an in-lieu mitigation fee to be used to provide new lower cost overnight visitor accommodations. Examples include coastal development permit application #s 5-99-169 (Maguire Partners), 5-05-385 (Seal Beach Six), A-3-PSB-06-001 (Beachwalk Hotel), and A-6-ENC-07-51 (Surfer's Point). In-lieu fees were also adopted in the City of Huntington Beach's LCP Amendment for the Waterfront Hilton and Hyatt Regency

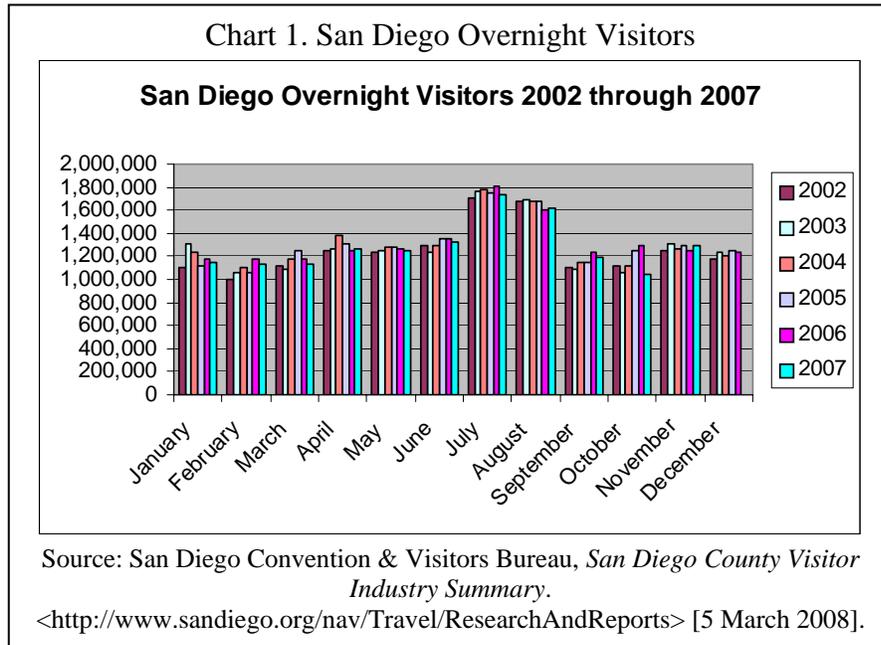
planning sub-area and the protection of lower cost visitor accommodations was also a critical element in the Commission's recent action on the City of Oceanside's LCPA #2-08 for the "D" Downtown District. It is the goal of the Commission to address the cumulative impacts that redevelopment and new development have on city, county, and statewide lower cost overnight facilities. By addressing the need for protection of lower cost overnight accommodations at the LCP level, it provides an opportunity for individual cities to be involved in how these fees will be determined, allocated, and managed; and will therefore create a program by which to manage, protect and encourage the development of lower cost overnight accommodations.

~~It should be noted that the Commission would far prefer to see proactive efforts by local governments to address this need. To its credit, the City has indicated that it is undertaking a comprehensive general plan, zoning and LCP update and City staff has stated that funding commitments for such work have been made. However, that effort is proposed to be over two years just in the visioning and preparation of a detailed work program; it would be even longer before the Commission would review any comprehensive update. While the City has expressed its willingness to consider these policy issues in that work, they have no specific alternatives or options to present at this time. While the Commission does recognize the City's LCP update efforts, the loss of existing lower cost visitor accommodations in the companion project supported by this amendment and the prospective loss of other lower cost units over the next couple of years is more compelling and unacceptable.~~

~~The Commission has historically found that The suggested in-lieu fees will provide the funds necessary to develop and maintain visitor accommodations that are not exclusive to those who can afford to pay considerable rates to experience California's coast. Hostels, campgrounds, and cabins are just some of the developments that could furnish this goal. Given the current trend of proposed developments only including high cost facilities (recreational, overnight, residential, etc.), the City should review individual projects for the cumulative impacts associated with these trends and their conformity with the policies of the Coastal Act. Because the City failed to do so, in association with this project driven LCP amendment, the Commission has suggested several suggested modifications to address these issues. These modifications will serve to protect and provide current and future lower cost overnight accommodations within the Mello II segment of Carlsbad's coastal zone; thereby consistent with the applicable policies of the Coastal Act.~~

~~However, previously, Historically,~~ the Commission has not finalized the definition of "lower cost overnight accommodations". In past actions, lower cost was loosely considered to be less than \$100 per night. The Commission gave direction to staff to better define what accommodations can be considered lower cost. And, in response to this request, staff has been working on not only an appropriate definition of what price can be considered lower cost, but staff has also created a formula by which to determine what can be considered low, moderate, and high cost accommodations within a specific area, that will reflect the market, and any increase to costs, demand, etc.; thereby creating a dynamic tool for accurately determining what a feasible "lower cost overnight accommodation" is.

Currently, the formula by which to determine the absolute price of "lower cost" overnight accommodations is still in its infancy, and Commission staff is continuing to work to refine the formula. In order to determine what could be considered lower cost within the entire state, information was taken from Smith Travel Research website (www.visitcalifornia.com). The research data available from this website is widely used by public and private organizations. The information on the website was used to obtain the average room rate for hotel bookings made statewide. Commission staff isolated the rates of what could be considered "peak time" (July and August) so that an accurate assessment of what a member of the public would actually pay could be determined. Data was collected from 2003 to 2007. Based on these figures, an average rate for 2008 was projected. The projected price paid by visitors to hotels throughout California in the months of July and August for 2008 is \$132.90. This calculated number is then used as a baseline by which to compare specific coastal regions of the State. Staff researched San Diego region visitor data, and it was determined that July and August were the peak visitor months (ref. Chart #1) and as such, the hotel rates will be collected from those time frames, again to gain a more accurate assessment of what people are actually paying to visit San Diego County's coast.



Staff then used the AAA website to research hotel/motels stock within San Diego County. All hotels surveyed were required to meet a certain level of quality, safety, and cleanliness. This was accomplished by requiring that all hotel/motel developments inventoried meet the criteria of one or two diamonds as rated by AAA. According to the AAA website, One and Two Diamond rated facilities can be described as:

One Diamond - These establishments typically appeal to the budget-minded traveler. They provide essential no-frills accommodations. They meet the basic requirements pertaining to comfort, cleanliness and hospitality.

Two Diamond - These establishments appeal to the traveler seeking more than the basic accommodations. There are modest enhancements to the overall physical attributes, design elements, and amenities of the facility typically at a moderate price.

To develop a sample of lower cost hotels in the coastal zone, the AAA website was again used to obtain a stock of lower cost hotels within 5 miles of the coast. The sample resulted in identification of 55 One or Two Diamond hotel/motel developments within this research area. Of the 55 hotels originally surveyed, 25 were within the coastal zone and 8 of these charged room rates less than the state average. The rates charged for the months of July and August of these 8 developments (ref. Table #1) were then determined and averaged. The average charge for a room of One or Two Diamonds (as rated by AAA) that were found within the coastal zone and were charging less than the state average is \$108.35. This number was then used to determine how San Diego County's average room rates compare to the state wide average of \$132.90. By dividing the average for San Diego (\$108.35), by the State average (\$132.90), a percentage is given that can be used in the future. This percentage represents what a reasonable difference ($108.35/132.90 = .82$ or 82%) would be between the statewide nightly average rate and San Diego County's average for lower cost accommodation in the coastal zone. This formula represents a comparison between two averages that will both reflect the current market trend, so that the most appropriate definition of lower cost is utilized. Using this definition, lower cost overnight accommodations in the San Diego coastal area would be any establishment that costs less than 82% of the current peak, statewide average (\$132.90). This percentage can then be taken to find what the appropriate definition of "lower cost overnight accommodation" would be in the future. Any person wanting to determine whether or not the proposed development would meet the criteria of "lower cost" would simply access the Smith Travel website, obtain the current statewide average, and multiply this number by .82. If the development's proposed daily room rate is *less* than the computed number (current statewide average x .82), that development can be considered "lower cost". It may be appropriate to re-survey the entire county periodically to reflect any changes in the tourist market specific to San Diego County. This formula could be used for all coastal areas in the State, after an initial survey similar to the AAA survey discussed above has been completed.

Table 1.

**UNDER STATE
AVERAGE**

	Hotel Name	AAA Rating	Address	City	July Average	August Average
1	Ocean Inn	2 Diamonds	1444 N Coast Highway 101	Encinitas	\$109.65	\$108.68
2	Portofino Beach Inn	2 Diamonds	186 N Coast Highway 101	Encinitas	\$114.99	\$114.99
3	Days Inn Encinitas/Moonlight Beach	2 Diamonds	133 Encinitas Blvd	Encinitas	\$131.58	\$132.23
4	Southbay Travelodge	2 Diamonds	1722 Palm Ave	Imperial Beach	\$106.58	\$97.23
5	Motel 6	2 Diamonds	909 N Coast Hwy	Oceanside	\$83.89	\$84.54
6	Days Inn at the Coast	2 Diamonds	1501 Carmelo Dr	Oceanside	\$93.91	\$93.50
7	Days Inn Harbor View	2 Diamonds	1919 Pacific Highway	San Diego	\$126.84	\$107.39
8	Days Inn Mission Bay/Sea World	2 Diamonds	4540 Mission Bay Drive	San Diego	\$119.52	\$108.00
	AVERAGE				\$108.35	

When attempting to define "lower cost," it becomes apparent that some developments are innately lower cost, and some are higher cost; however, not everything that is not lower cost automatically becomes high cost. The policies of Chapter 3 of the Coastal Act require the Commission to protect a range of affordability and; as such, a definition for what can be considered moderately priced accommodations is also necessary. The above discussed statewide average is \$132.90. Again, this number was taken during the peak season for tourism. As such, this number represents what a *general populous* can and would be willing to pay. The San Diego County average for lower cost accommodation is 82% of the statewide average. Moderately priced overnight accommodations should reflect the local market, and as such, can be defined incorporating both of these averages. Because San Diego County rates are approximately 20% below that of the state, moderately priced accommodations would start at above this rate (statewide average x .82). At some point, a survey of hotels charging more than the statewide average could be undertaken. But for now, an estimate of "higher cost" can be defined as those hotels with daily room rates 20% (rounding up from the 18% baseline percentage to be conservative) higher than the statewide average of \$132.90, or \$159.48. Therefore, rates between \$108.35 and \$159.48 would be considered moderately priced and those above \$159.48 would be considered high cost.

It is important to note that staff utilized the AAA website to obtain site specific information on the hotel/motel inventory for San Diego County. Staff acknowledges that not all hotel/motel stock for the County of San Diego is represented on the AAA website; however, given that the survey included a total of 55 different establishments within the

survey boundaries, it can be fairly concluded that the AAA survey is a good representation of the types of and prices for hotel/motel units countywide.

The proposed development is a currently existing lower cost motel. While currently the establishment is only 28 units, these units represent one of the few lower cost overnight accommodations existing in the City of Carlsbad. The City has submitted an 11/2006 review/survey of their hotel/motel stock (~~see attached~~). The City presently has 32 establishments for a total of over 3,000 hotel rooms. Of these 32 establishments, eight developments have prices less than the State average during peak months ($\$132.90 \times .82 = \108.97). The City's survey for peak rates was for the month of July only; however, given the above findings, the rates charged in the month of July do represent the rates charged during peak times. Of the eight developments, four are located within the coastal zone; with a total of 346 rooms that can be defined above as lower cost. The proposed demolition represents 28 of these 346 units or 8% of the total lower cost units in the City of Carlsbad's coastal zone. The newly constructed rooms are proposed at an average nightly rate of \$125/night. As discussed above, moderately priced rooms for San Diego County can be defined as rates between \$108.97 and \$159.48; therefore, the newly constructed rooms cannot be considered lower cost. However, the projected average nightly rate is less than the identified high cost rate and can therefore be considered a moderately priced development.

The proposed LCP amendment would allow for the demolition of an existing lower cost overnight accommodation as defined above. The subsequent redevelopment of the site includes the construction of a 104 room moderately priced hotel. ~~The City did not address the need for the protection of existing lower cost overnight accommodations, nor did the City discuss the use of in lieu fees to allow for future development of lower cost overnight accommodations. It is important to note that the proposed amendment would result in additional lands being designated for visitor serving uses, something that the Coastal Act endorses. Under current land use and zoning designations, the site could have instead been redeveloped with a residential development. Thus, the proposed land use and zoning designations would result in additional lands being designated for visitor serving uses and can therefore be found to be an improvement to the City's LCP, and more consistent with the Coastal Act. Further, On the positive side, the redevelopment proposal will also provide almost four times the # of rooms than existing at present and the proposed room rates fall into the moderate cost range, which the Commission now recognizes as an "affordable" component. This increase will accommodate a greater number of visitors in general. Finally, the proposed 104 rooms are not single or dual bed rooms, they are suites. Thus, families will have the opportunity to have up to four (4) family members sleep in one room, effectively decreasing the total paid (two rooms, versus one suite). For a family, therefore, these rooms may actually be less expensive than two rooms at a lower cost accommodation. Because the project includes more appropriate land use designations, results in the increase in the number of hotel units located in coastal Carlsbad, and will potentially decrease the amount paid by families or larger groups due to the suite design; this LCP amendment can be found consistent with the Coastal Act.~~

However, the more general concerns regarding the lack of provisions in the City's LCP that are designed to protect lower-cost overnight accommodations remain. The City acknowledges these concerns and agrees that additional policies should be proposed to better carryout the intent of the Coastal Act. However, the most appropriate avenue for accomplishing this goal should be a cooperative effort between the City and the Commission. By including both parties, policies can be developed that are specifically designed for the City of Carlsbad, while addressing the concerns of the Commission. The City has indicated they are currently undertaking a large-scale update to their LCP. The City has further indicated that they are willing to develop policies to address the Commission's concerns during this review. The Commission agrees that a comprehensive review of the City's LCP is the most appropriate manner to develop such policies. However, the proposed amendment may take a number of years. Therefore, any amendments in the interim will need to be addressed based on their individual merits, such as the subject amendment. If the project raises substantial concerns regarding the protection of low- and moderate-cost accommodations, mitigation, and perhaps in-lieu fees, may be necessary in order for the Commission to find the proposal consistent with the Coastal Act. As discussed above, however, these issues are not raised by the project that is the subject of this project-specific LCP Amendment. This proposed project improves the land use and zoning designations on the site, will increase the number of total available rooms in the coastal zone, and provide moderately priced suites, affordable to a large percentage of potential visitors, and can therefore be found consistent with the Coastal Act.

~~However, these benefits cannot be independently endorsed in isolation given the lack of lower cost overnight hotel/motel proposals within the City of Carlsbad. Furthermore, the land use plan amendment as submitted, not only facilitates a development *not* including any lower cost accommodations, but also results in the demolition of 28 existing lower cost units; and, as a result of this amendment not only will lower cost accommodations not be provided, they will also be *removed*.~~

~~The City does not have policies mirroring sections 30210, 30213, 30221 or 30222; and, therefore, the certified LCP needs to be updated to address this emerging trend. As such, neither the current LCP nor the City has adequately protected a range of affordability within the visitor-serving developments in the City of Carlsbad. The City's LUP is not consistent with the previously mentioned Coastal Act policies; and, as proposed, the City would only further exacerbate the lack of affordable overnight facilities in the City of Carlsbad. Overtime and as policy issues arise, it is the responsibility of coastal jurisdictions to amend and update their LCPs rather than bringing forward individual project-driven LCP amendments. Such efforts are piecemeal and fail to address Coastal Act issues pro-actively and cumulatively. Therefore, the land use plan amendment as proposed cannot be found consistent with the Coastal Act.~~

PART V. FINDINGS FOR APPROVAL OF THE CITY OF CARLSBAD LAND USE PLAN, IF MODIFIED

A. SPECIFIC FINDINGS FOR APPROVAL

The proposed LCP amendment includes modifying the land use designation Residential High Density (RH) to Travel/Recreational Commercial (TR) on a two parcel site totaling .84 acres located on the east side of Carlsbad Blvd. between Pine and Oak Avenues. This LCP amendment is a project driven amendment for the City. The project includes the demolition of an existing 2-story 28 room hotel, 1,125 sq. ft. restaurant, and a single family residence to allow for the construction of a new three-story 104 room hotel with underground parking. As stated above, the proposed development includes the demolition of an existing lower cost motel and the subsequent development of a moderate cost 104 room hotel. The impacts of these modifications are two fold; the removal of existing lower cost overnight accommodations and the development of a site designated for visitor serving uses with new overnight accommodations that cannot be considered lower cost. However, the City does not have any policies reflective of Sections 30210, 30213, 30221, 30222 of the Coastal Act; thus, the City is not required to make findings to provide these types of projects. Therefore, the LUP and project specific amendment cannot be found consistent with the Coastal Act. Staff is suggesting modifications to the City's adopted LUP to incorporate provisions for the protection of lower cost visitor-serving facilities and overnight accommodations in the coastal zone. These modifications also serve to better protect and promote overnight accommodations with a range of affordability. The suggested modifications will result in a land use plan that is consistent with the applicable policies of the Coastal Act.

These modifications include the incorporation of the language of Coastal Act Section 30213 into the LCP and specific language pertaining to the protection of existing lower cost overnight accommodations, as well as the requirement for in-lieu fees when a proposed overnight accommodation does not include a lower cost component. In addition, modifications are recommended that provide how the in-lieu fee amount will be determined and managed.

Suggested modification #1 mirrors the language of Section 30213 of the Coastal Act. Section 30213 protects lower cost visitor serving and recreational facilities. As discussed above, as land becomes less available and more expensive, protection of coastally located facilities that provide recreation and accommodations to the general public become invaluable. It is important to protect those uses that best service the public in general, as opposed to members of the public that can afford certain luxuries.

Suggested modification #2 pertains to the demolition and possible redevelopment of existing lower cost overnight accommodations. As stated above, the City of Carlsbad does have a large stock of hotel/motel units: 3,076 units (based on the survey conducted by the City of Carlsbad [see attached]). However, only about 350 of these units can be defined as lower cost. Therefore, the protection of the existing stock of lower cost overnight accommodations is important. As mentioned previously, the general trend of redevelopment is removing existing lower cost accommodations and replacing them with higher end hotel/motel units. This will ultimately lead to far fewer affordable overnight accommodations in the coastal zone.

It is apparent that given current construction and land costs, the development of a new hotel/motel development may not be viable without some non-traditional financing. Recently, the trend has been for developers to seek individual investors to aid in the initial costs of construction and development. This often results in a development having a "private component" that limits the visitor serving use of the facility. These developments incorporate condominium hotel units or fractional ownership units, both of which give some priority to the individual owners, and diminishes the visitor serving use of such a facility.

Given this trend, the Commission is compelled to develop a method for protecting and ensuring the future development of lower cost facilities in the coastal zone. As discussed previously, the Commission has incorporated the requirement for in lieu fees as a method for off-setting the impacts of predominately higher cost visitor commercial development in the coastal zone. As more hotels are redeveloped or built, these in lieu fees could be combined to facilitate a viable lower cost accommodation project. Possible developments could be a coastal North County youth hostel, additions to current beach camping facilities, cabins, etc. These funds could be used, as approved by the Executive Director and the City Council, to provide funding to off-set the high costs associated with any development located near the ocean. As such, Suggested Modification #2 (Sub-section A) requires that any coastal development permit within the Mello II segment of the City of Carlsbad that is proposing to demolish existing lower cost hotel/motel units (as defined above) pay a fee for the total number of rooms demolished that go unreplaced. In this case, that number is 28. Of the four existing lower cost hotels in the City of Carlsbad's coastal zone, three of these are located within the Mello II Segment of the City's LCP, therefore this policy protects 186 lower cost hotel/motel units.

Suggested Modification #2 (Sub-section B) also requires that in lieu fees be paid if the subsequent development onsite does not include lower cost overnight accommodation as a component of the development. However, because the Commission has historically interpreted the protection of lower cost facilities to include a range of affordable facilities, requiring an in lieu fee for 100% of the units within a proposed development would be too high. It stands to reason that should the proposed development include a significant number of its rooms as lower cost, the protection of a range of affordability would still be possible. However, as stated above, the current trend for development is to include 0% of a proposed development's rooms to function as lower cost. Therefore, a significant portion of these developments would be required to pay fees in lieu of providing facilities at lower cost. The Commission has historically interpreted 25% as a reasonable amount of the total development to protect a range of affordability. Under the Coastal Act, each development on critical land reserved for visitor uses should provide some lower cost amenities to support public use and coastal access. As stated above, the current trend of development, and the project proposed, includes 0% of the units serving as lower cost accommodations; therefore, the suggested modification requires that an in lieu fee be paid for 25 % of the net increase for any higher cost units, to account for the lack of these priority uses provided on site.

The projected nightly room rate for DKN proposal is \$125/night. Using the formula developed in the preceding section, the proposed nightly rates would be considered moderately priced. Some relief needs to be allotted for those developments that keep the average nightly room rate at something reasonable as opposed to something very few members of the public can afford. As such, Suggested Modification #s 2 and 3 exempts the development of moderately priced hotel/motel projects from the calculation for in-lieu fees. The in-lieu fees required for demolition (100% of total units demolished and not replaced) would be required along with the in-lieu fees required for redevelopment of high cost overnight accommodation (net increase in # units). Again, in this case, the development proposed is 104 moderately priced hotel units; therefore, the applicant would be required to pay \$30,000 per room for the total number of demolished units that are going unreplaced ($\$30,000 \times 28$). Thus, the in-lieu fees required for this demolition and redevelopment project would be \$840,000.

The fee of \$30,000 was established based on figures provided to the Commission by Hostelling International (HI) in a letter dated October 26, 2007. The figures provided by HI are based on two models for a 100 bed, 15,000 sq. ft. hostel facility in the Coastal Zone. The figures are based on experience with the existing 153 bed, HI San Diego Downtown Hostel. Both models include construction costs for rehabilitation of an existing structure. The difference in the two models is that one includes the costs of purchase of the land and the other is based on operating a leased facility. Both models include "Hard Costs" and "Soft Costs" and start up costs, but not operating costs. "Hard" costs include, among other things, the costs of purchasing the building and land and construction costs (including a construction cost contingency and performance bond for the contractor). "Soft" costs include, among other things, closing costs, architectural and engineering costs, construction management, permit fees, legal fees, furniture and equipment costs and marketing costs.

In looking at the information provided by HI, it should be noted that while two models are provided, the model utilizing a leased building is not sustainable over time and thus, would likely not be implemented by HI. In addition, the purchase building/land model includes \$2,500,000.00 for the purchase price. Again, this is not based on an actual project, but on experience from the downtown San Diego hostel. The actual cost of the land/building could vary significantly; and, as such, it makes sense that the total cost per bed price for this model could be too high. In order to take this into account, the Commission finds that a cost per bed generally midrange between the two figures provided by HI is most supportable and likely conservative. Therefore, the in-lieu fee included in the suggested modifications is \$30,000.00 per bed. The suggested modification includes that the \$30,000 fee shall be updated based on the most current consumer price index. This fee was calculated in 2007; however, the LCP amendment was submitted by the City in 2007, therefore, the \$30,000 fee does not require an update.

These in-lieu fees are required to be managed in an interest bearing account, until a project has been approved by the City of Carlsbad and the Executive Director of the Commission to develop a lower cost visitor serving overnight accommodation. Developments such as campgrounds and youth hostels are both considered desirable

projects to be funded by the in-lieu fees. The suggested modification includes provisions to ensure that if the fees are not used within 10 years, the funds will need to be donated to one or more of the State Park units or non-profit entities providing lower cost visitor amenities in a Southern California coastal zone jurisdiction or other organization acceptable to the Executive Director. The suggested modification also includes the opportunity for an applicant to propose a specific lower cost overnight accommodation project to complete or contribute to, as opposed to payment of fees, subject to the approval of the City of Carlsbad and the Executive Director of the Commission.

Suggested Modification #3 pertains to new development on land that isn't currently developed with any type of lower cost overnight accommodation. As stated above, the Commission has previously required that new development that cannot be considered lower cost provide in-lieu fees for 25% of the proposed number of units. Therefore, any new development that includes only higher cost overnight accommodations would be required to pay the above-stated \$30,000 for 25% of the total proposed rooms. This fee will offset the loss of land that may have been more appropriately used to provide a visitor serving facility that the general public can afford. Further, as discussed above, this in-lieu fee will establish or add to a "bank" reserved to subsidize lower cost overnight developments within either the City of Carlsbad or within the coastal area of northern San Diego County. Again, the Commission now recognizes that moderately priced overnight accommodations would likely serve to provide affordable overnight accommodations during the off-peak season, or at least provide less expensive overnight accommodations than those of higher-end hotels, thereby making more hotel/motel units available to a wider variety of incomes. As such, no fees should be imposed on the new construction of moderately priced units. Suggested Modification #3 also incorporates the language for how the in-lieu fees will be managed and allocated, by reference to Suggested Modification #2.

Lastly, Suggested Modification #4 incorporates the methodology for determining how room rates are classified into the LCP. The recommendation utilizes the same methodology developed by the Commission in looking both at statewide travel data but then also considering it in a regional context and market conditions.

In conclusion, the addition of the above-stated four policies will 1) set priorities for the types of development within lands suitable for visitor-serving uses; 2) protect those visitor-serving recreational and overnight uses that can be considered lower cost; 3) protect the current stock of lower cost overnight accommodations by requiring in-lieu fees associated with any demolition of existing lower cost overnight accommodations that go unreplaced and 4) promote the future development of overnight accommodations with an adequate range of affordability. These suggested modifications will serve as incentives to include lower cost accommodations within future projects, or to allocate funds to potential lower cost overnight accommodation projects, thereby promoting lower cost visitor-serving accommodation within Carlsbad's coastal zone. The result of these provisions is that development in areas suitable for visitor-serving uses will be used as such and will be accessible to the highest proportion of the public feasible, and thereby consistent with the Coastal Act.

**PART IV. FINDINGS FOR APPROVAL OF THE CITY OF CARLSBAD
IMPLEMENTATION PLAN AMENDMENT, AS SUBMITTED**

A. AMENDMENT DESCRIPTION

The subject LCP amendment proposes changes to the land use designation and zoning on a two parcel site totaling .84 acres located on the east side of Carlsbad Blvd. between Pine and Oak Avenues. The project, supported by the LCP amendment, includes the demolition of an existing 28 room hotel, 1,125 sq. ft. restaurant, and a single family residence to allow for the construction of a new three-story 104-room hotel with underground parking. The project site is located in an urbanized area, and no sensitive resources are present. The existing zoning on site would be modified from Residential Family Zone (R-3) to Tourist Commercial (C-T) on the easterly portion of the site. The western portion of the project will remain zoned as Village Redevelopment (V-R). The City of Carlsbad is not proposing any changes to zoning within the Village Redevelopment area, and as such, the Village Redevelopment Segment of the LCP is not being reviewed at this time. The changes proposed on the eastern portion of the site are within the Mello II segment of the City's adopted LCP and are being modified to reflect the visitor-serving use of this site. Currently, the site is zoned residential; and therefore, the hotel is considered an existing non-conforming structure. The zoning changes proposed with this implementation plan amendment would better reflect the current use onsite.

B. FINDINGS FOR APPROVAL

The standard of review for LCP implementation submittals or amendments is their consistency with and ability to carry out the provisions of the certified LUP, or the LUP, as conditionally certified herein.

a) Purpose and Intent of the Ordinance. The purpose of the C-T Commercial Tourist Zone is to provide for the development and use by certain types of commercial businesses near transportation centers, recreation areas or in close proximity to highways and freeways used by inter-regional traffic. It is the intent of the C-T Zone to insure that tourist-oriented uses will be coordinated with compatible accessory uses, protect surrounding properties, insure safe traffic circulation and promote economically viable tourist-oriented areas.

b) Major Provisions of the Ordinance. The major provisions of the ordinance include a list of permitted uses and accessory uses, as well as design standards for all permitted development. The provisions of this ordinance ensure that all proposed developments would meet the intent and purpose of the Commercial Tourist Zone, thereby promoting well located tourist-oriented uses.

c) Adequacy of the Ordinance to Implement the Certified LUP Segments. The proposed rezoning would promote additional lands designated for visitor-serving uses. The Mello II LUP has provisions promoting the necessity of additional lands being designated for visitor-serving uses.

Land Use Plan Mello II Policy 6-6

Approximately 40 acres of additional visitor-serving (hotel-motel and restaurant) uses should be established. Assuming a density of approximately ten hotel-motel rooms per acre, the estimated need of 200 additional rooms can be achieved. Restaurants and other visitor-serving facilities also need to be provided. Suggested locations are the intersections of I-5 with Palomar Airport Road and/or Poinsettia Lane. Not all of this demand needs to be met with land immediately within the coastal zone.

The proposed zoning would be modified to designate the eastern parcel of the project site from Residential Family Zone (R-3) to Tourist Commercial (C-T). Currently, the site includes a 28 room motel (Surf Motel), a restaurant (The Armenian Café) and a single family residence. The existing zoning on the site does not allow for the development of a motel; and, as such, the City is proposing to modify the zoning to better reflect the current and proposed use. The Commercial Tourist (C-T) zone allows for such developments and better reflects the goals of the subject site. The location is directly inland of Carlsbad Boulevard (Old Highway 101) and the ocean and is surrounded by a mix of uses, many of which are visitor-serving developments and are zoned C-T. As such, modifying the site to allow for visitor-serving uses will not only promote future visitor uses, encouraged by both the Coastal Act and the above cited LUP policies, it will also better reflect the goal for development in this region.

At the time this item was first scheduled for Commission action, the City had also filed an LCP amendment for a comprehensive revision to the CT zone. Commission staff had identified the same policy concerns, along with other access and recreational needs, in that submittal. Although it would have been an opportunity to comprehensively review the citywide visitor commercial zoning, the City has withdrawn that amendment request. The City has now indicated that it may incorporate that work into the LCP update effort discussed above. For this amendment, though, the companion development supported by the land use redesignation and rezoning are consistent with all required design standards, setbacks, parking requirements; and, therefore, the implementation plan amendment can be found consistent with the adopted LUP as proposed. ~~Further, the proposed rezoning can be found consistent with the above stated suggested modifications proposed by staff, and therefore, can be found consistent with the land use plan if modified.~~

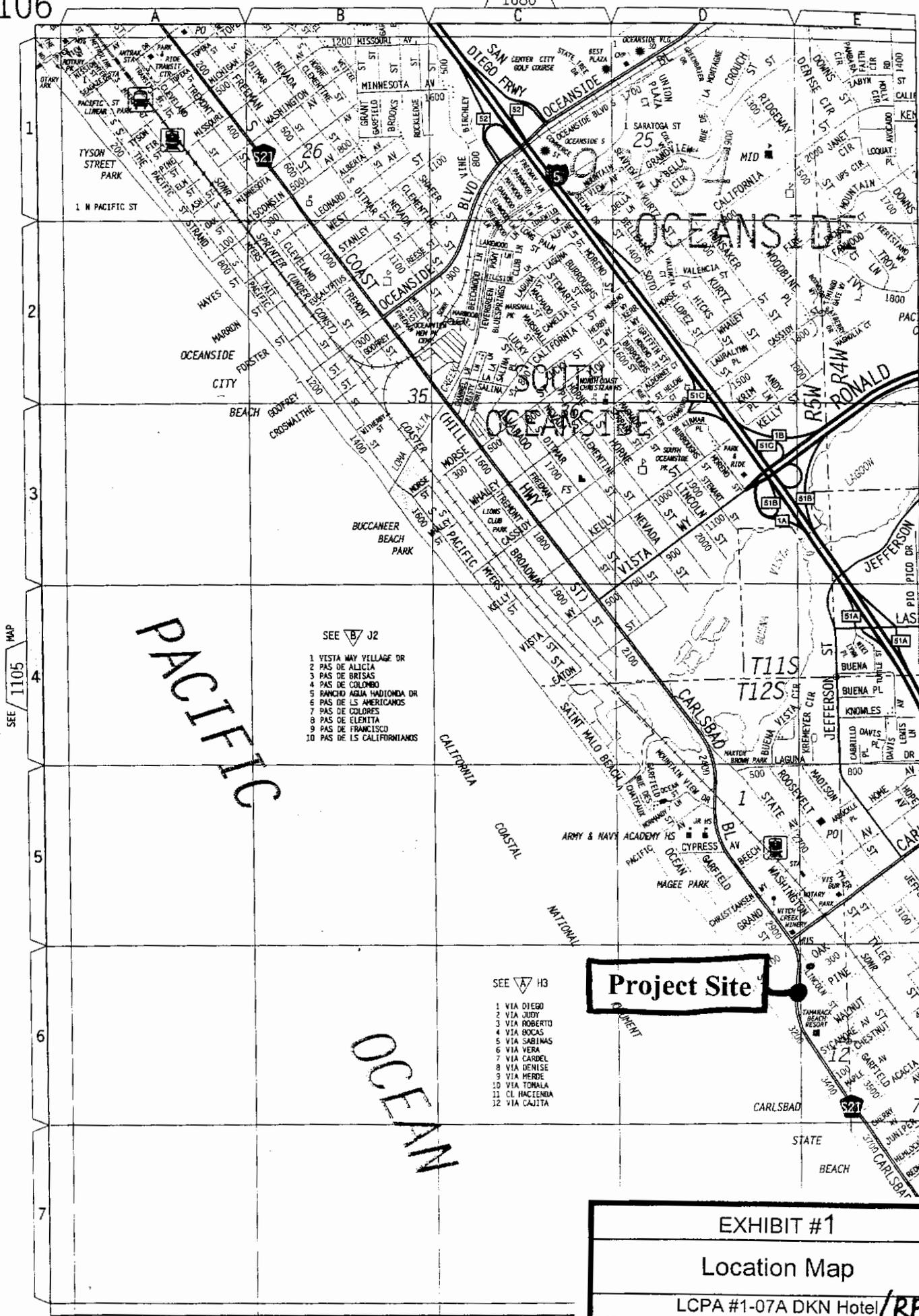
PART VIII. CONSISTENCY WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Section 21080.5 of the California Environmental Quality Act (CEQA) exempts local government from the requirement of preparing an environmental impact report (EIR) in connection with its local coastal program. The Commission's LCP review and approval program has been found by the Resources Agency to be functionally equivalent to the EIR process. Thus, under CEQA Section 21080.5, the Commission is relieved of the responsibility to prepare an EIR for each LCP.

Nevertheless, the Commission is required, in a LCP submittal or, as in this case, a LCP amendment submittal, to find that the approval of the proposed LCP, or LCP, as amended, conforms to CEQA provisions, including the requirement in CEQA section 21080.5(d)(2)(A) that the amended LCP will not be approved or adopted as proposed if there are feasible alternative or feasible mitigation measures available which would substantially lessen any significant adverse impact which the activity may have on the environment. 14 C.C.R. §§ 13542(a), 13540(f), and 13555(b). ~~The Commission finds that approval of the proposed LCP amendment, as submitted, would result in significant impacts under the meaning of the California Environmental Quality Act. However, with the inclusion of the suggested modifications, implementation of the revised land use plan provisions, land use re-designation, and zoning ordinance would not result in significant impacts to the environment within the meaning of the California Environmental Quality Act.~~ The proposed zoning amendments will not result in adverse impacts on coastal resources or public access. The Commission finds that there are no feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse effect which the LCP amendment may have on the environment. Therefore, in terms of CEQA review, the Commission finds that approval of the LCP amendment will not result in any significant adverse environmental impacts.

SAN DIEGO CO.

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SEE 1105 MAP

PACIFIC

OCEAN

- SEE B J2
- 1 VESTA WAY VILLAGE DR
 - 2 PAS DE ALICIA
 - 3 PAS DE BRISAS
 - 4 PAS DE COLOMBO
 - 5 RANCHO AGUA MADRONA DR
 - 6 PAS DE LOS AMERICANOS
 - 7 PAS DE COLORES
 - 8 PAS DE ELENITA
 - 9 PAS DE FRANCISCO
 - 10 PAS DE LOS CALIFORNIANOS

SEE H3

- 1 VIA DIEGO
- 2 VIA JUDY
- 3 VIA ROBERTO
- 4 VIA BOCCAS
- 5 VIA SABINAS
- 6 VIA VERA
- 7 VIA CARDEL
- 8 VIA DENISE
- 9 VIA MERDE
- 10 VIA TONALA
- 11 CL HACIENDA
- 12 VIA CAJITA

Project Site

EXHIBIT #1

Location Map

LCPA #1-07A DKN Hotel/RF

California Coastal Commission

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RESOLUTION NO. 2007-096

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARLSBAD, CALIFORNIA, ADOPTING A NEGATIVE DECLARATION AND APPROVING A GENERAL PLAN AMENDMENT, LOCAL COASTAL PROGRAM AMENDMENT, AND COASTAL DEVELOPMENT PERMIT, FOR THE DEMOLITION OF AN EXISTING HOTEL, RESTAURANT, AND SINGLE FAMILY RESIDENCE, AND THE CONSTRUCTION OF A 3-STORY, 104-ROOM HOTEL PROJECT ON PROPERTY LOCATED AT 3136 CARLSBAD BOULEVARD ON THE EAST SIDE OF CARLSBAD BOULEVARD BETWEEN PINE AVENUE AND OAK AVENUE IN LAND USE DISTRICT 9 OF THE CARLSBAD VILLAGE REDEVELOPMENT AREA, IN THE VILLAGE REDEVELOPMENT AND MELLO II SEGMENTS OF THE LOCAL COASTAL PROGRAM AND IN LOCAL FACILITIES MANAGEMENT ZONE 1.

CASE NAME: DKN HOTEL
CASE NO.: GPA 05-05/LCPA 05-02/CDP 05-14

WHEREAS, pursuant to the provisions of the Municipal Code, the Planning Commission did, on March 7, 2007, hold a duly noticed public hearing as prescribed by law to consider a Negative Declaration and General Plan Amendment; Local Coastal Program Amendment and Coastal Development Permit and

WHEREAS, the City Council of the City of Carlsbad, on the 1st day of May, 2007, held a duly noticed public hearing to consider said Negative Declaration and General Plan Amendment, Local Coastal Program Amendment and Coastal Development Permit and at that time received recommendations, objections, protests, comments of all persons interested in or opposed to the Negative Declaration and/or GPA 05-05/ LCPA 05-02/ CDP 05-14; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Carlsbad, California, as follows:

1. That the above recitations are true and correct.
2. That the findings and conditions of the Planning Commission as set forth in Planning Commission Resolutions No. 6254, 6255, 6257 and 6258 on file with the City Clerk and made a part hereof by reference, are the findings and
3. That the application for a Negative Declaration, Local Coastal Program Amendment, and Coastal Development Permit

EXHIBIT #2
Resolution of Approval
LCPA #1-07A DKN Hotel R/F
California Coastal Commission 1 of 4 pages

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located at 3136 Carlsbad Boulevard on the east side of Carlsbad Boulevard between Pine Avenue and Oak Avenue is approved as shown in Planning Commission Resolutions No. 6254, 6255, 6257 and 6258.

4. That the application for a General Plan Amendment to change the Land Use designation from Residential High Density (RH) to Travel/Recreation Commercial (T-R) on a .49 acre property generally located at 3136 Carlsbad Boulevard on the east side of Carlsbad Boulevard between Pine Avenue and Oak Avenue as shown in Planning Commission Resolution No. 6255, is hereby accepted, approved in concept, and shall be formally approved with GPA Batch No. 2 of 2007.

5. That the approval of LCPA 05-02 shall not become effective until it is approved by the California Coastal Commission and the California Coastal Commission's approval becomes effective.

6. This action is final the date this resolution is adopted by the City Council and is subject to the approval of the LCPA 05-02 by the California Coastal Commission. The Provisions of Chapter 1.16 of the Carlsbad Municipal Code, "Time Limits for Judicial Review" shall apply:

"NOTICE TO APPLICANT"

The time within which judicial review of this decision must be sought is governed by Code of Civil Procedure, Section 1094.6, which has been made applicable in the City of Carlsbad by Carlsbad Municipal Code Chapter 1.16. Any petition or other paper seeking review must be filed in the appropriate court not later than the nineteenth day following the date on which this decision becomes final; however, if within ten days after the decision becomes final a request for the record of the deposit in an amount sufficient to cover the estimated cost or preparation of such record, the time within which such petition may be filed in court is extended to not later than the thirtieth day following the date on which the record is either personally delivered or mailed to the party, or his attorney of record, if he has one. A written request for the preparation of the record of the proceedings shall be filed with the City Clerk, City of Carlsbad, 1200 Carlsbad Village Drive, Carlsbad, CA. 92008."

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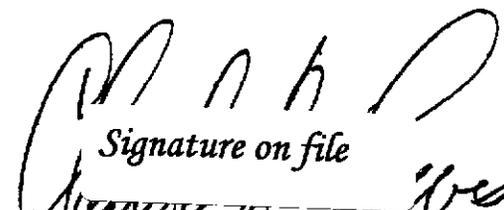
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PASSED, APPROVED AND ADOPTED at a Joint Special Meeting of the City Council of the City of Carlsbad and the Housing and Redevelopment Commission on the 1st day of May 2007, by the following vote:

AYES: Council Members Lewis, Kulchin, Packard and Nygaard

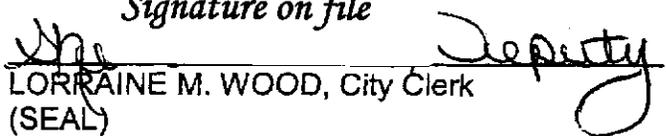
NOES: None

ABSENT: Council Member Hall

Signature on file


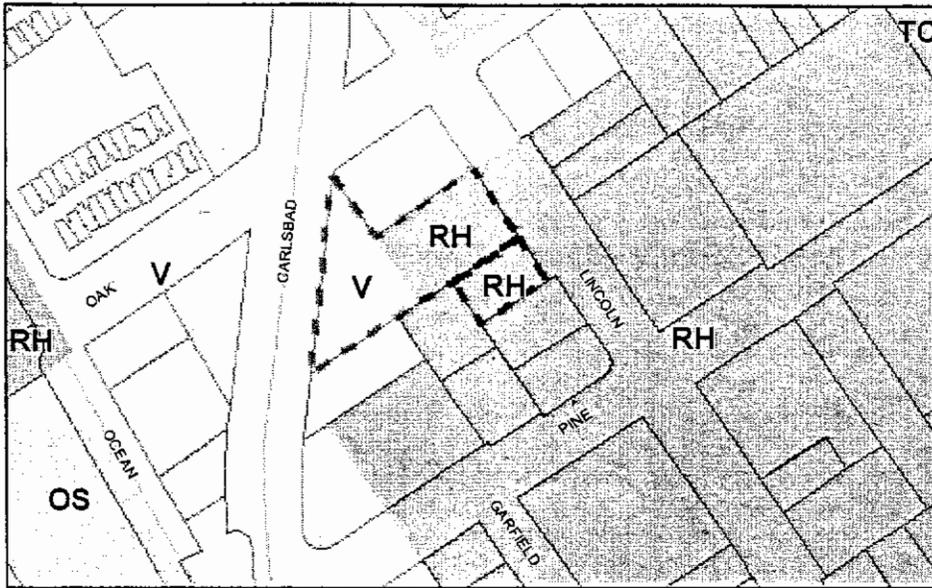
CLAUDE A LEWIS, Mayor

ATTEST:

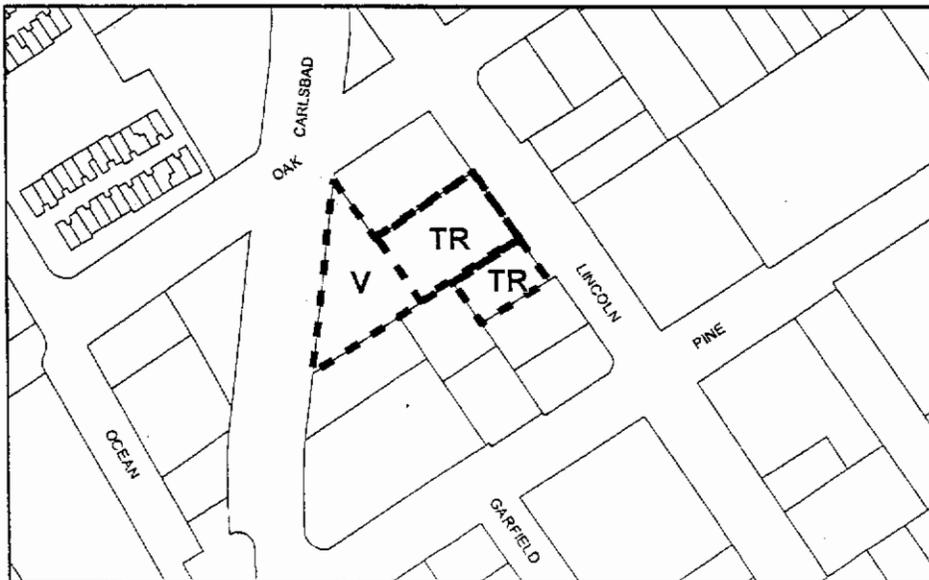
Signature on file


LORRAINE M. WOOD, City Clerk
(SEAL)





EXISTING



PROPOSED

Related Case File No(s): ZC 05-02/LCPA05-02/SDP 05-04 /CDP 05-14/RP 05-03		
G.P. Map Designation Change		
Property	From:	To:
A. 203-250-08-00	RH	TR
B. 203-250-26-00 Por	RH	TR
C.		
D.		

Exhibit 1

ORDINANCE NO. NS-840

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CARLSBAD, CALIFORNIA, AMENDING SECTION 21.05.030 OF THE CARLSBAD MUNICIPAL CODE BY AN AMENDMENT TO THE ZONING MAP TO GRANT A ZONE CHANGE, ZC 05-02, FROM MULTIPLE-FAMILY RESIDENTIAL (R-3) TO TOURIST COMMERCIAL (C-T) ON A .49-ACRE PARCEL GENERALLY LOCATED WEST OF LINCOLN STREET BETWEEN PINE AVENUE AND OAK AVENUE IN LOCAL FACILITIES MANAGEMENT ZONE 1.

CASE NAME: DKN HOTEL

CASE NO.: ZC 05-02

The City Council of the City of Carlsbad, California, does hereby resolve as follows:

SECTION I: That Section 21.050.30 of the Carlsbad Municipal Code, being the zoning map, is amended as shown on the map marked Exhibit "ZC 05-02," dated March 7, 2007 attached hereto and made a part hereof.

SECTION II: That the findings and conditions of the Planning Commission as set forth in Planning Commission Resolution No. 6256 constitute the findings and conditions of the City Council.

EFFECTIVE DATE: This ordinance shall be effective no sooner than thirty days after its adoption but not until Local Coastal Program Amendment LCPA 05-02 is approved by the California Coastal Commission, and the City Clerk shall certify to the adoption of this ordinance and cause it to be published at least once in a publication of general circulation in the City of Carlsbad within fifteen days after its adoption.

Received

AUG 29 2007

California Coastal Commission
San Diego Coast District

EXHIBIT #3
Ordinance of Approval
LCPA #1-07A DKN Hotel /RF
 California Coastal Commission

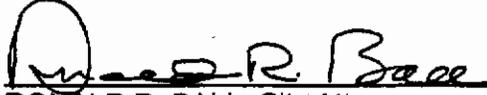
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INTRODUCED AND FIRST READ at a regular meeting of the Carlsbad City Council on the 1st day of May, 2007, and thereafter.

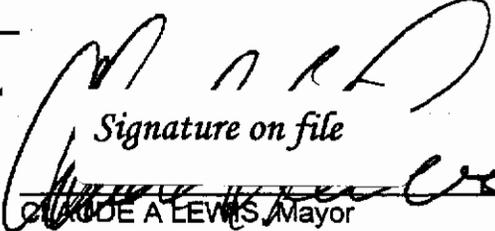
PASSED, APPROVED AND ADOPTED at a Regular Meeting of the City Council of the City of Carlsbad on the 8th day of May, 2007, by the following vote:

- AYES: Council Members Lewis, Kulchin, Packard and Nygaard
- NOES: None
- ABSENT: Council Member Hall
- ABSTAIN: None

APPROVED AS TO FORM AND LEGALITY

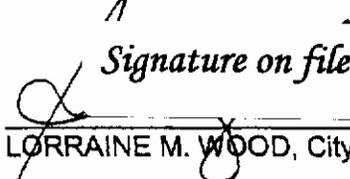


 RONALD R. BALL, City Attorney
 5/9/07



 WADE A. LEWIS, Mayor

ATTEST:

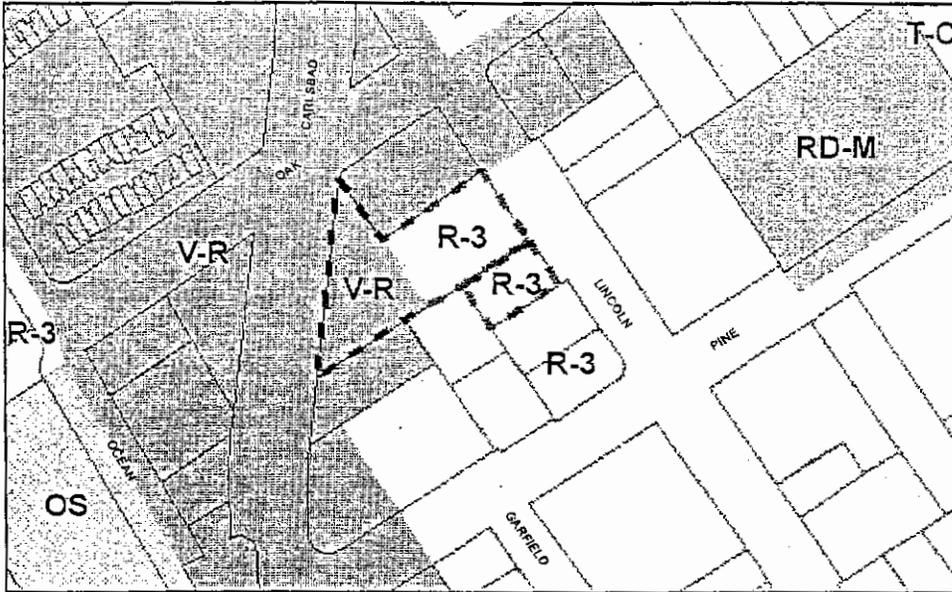


 LORRAINE M. WOOD, City Clerk
 (SEAL)

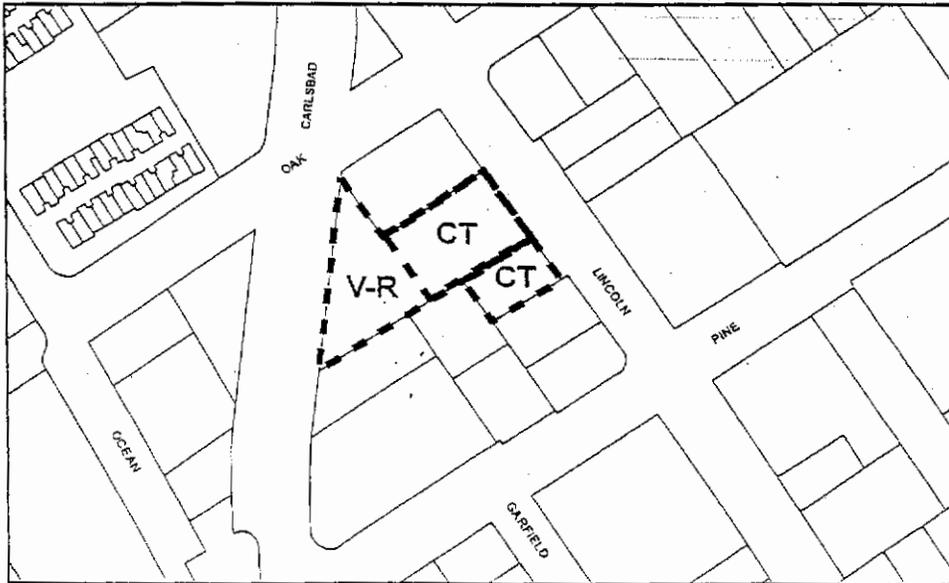


LCPA 05-02 DKN Hotel
ZONING

DRAFT
MARCH 7, 2007



EXISTING



PROPOSED

Related Case File No(s): GPA 05-05/ZC 05-02/SDP 05-04 /CDP 05-14/RP 05-03		
G.P. Map Designation Change		
Property	From:	To:
A. 203-250-08-00	R-3	CT
B. 203-250-26-00 Por	R-3	CT
C.		



August 7, 2008

Mr. Patrick Kruer, Chairman
California Coastal Commission
45 Fremont Street, Suite 2000
San Francisco, CA 94104

**Re: CITY OF CARLSBAD LCP AMENDMENT (LCPA #1-07A) – DKN HOTEL
Hand Distributed to Commission Members at August 7, 2008 Hearing**

Dear Chairman Kruer:

As the official destination marketing organization for Carlsbad, the Carlsbad Convention and Visitors Bureau comes before you today to express its support for LCPA #1-07A, as submitted by the City of Carlsbad.

In short, we believe that the City of Carlsbad currently offers a very good range of affordable lodging accommodations that provide visitors with choice on where they want to stay, based on any number of issues, including price. The City has done an excellent job detailing this issue in Mayor Lewis' letter of July 22, 2008 to you and members of this Commission.

The Carlsbad Convention and Visitors Bureau operates a Visitor Information Center, staffed with seasoned volunteers who field questions by phone, e-mail and from those who walk into the Center. Interestingly, most of these inquiries are lodging specific, and rarely do we ever hear of visitors choosing other destinations because of price, regardless of the season.

We further believe that if the DKN Hotel project is allowed to proceed, and I am quoting from the Mayor's June 22nd letter, "*The proposed project will provide significantly more affordable visitor accommodations for families and/or larger groups due to its configuration and larger room size.*" Again, Mayor Lewis has explained in fine detail why there are so many pluses with this proposed project and why it will expand, not diminish, visitor-serving facilities in Carlsbad.

On behalf of the Carlsbad CVB Board of Directors, this organization respectfully asks the California Coastal Commission to move ahead by approving LCPA #1-07A.

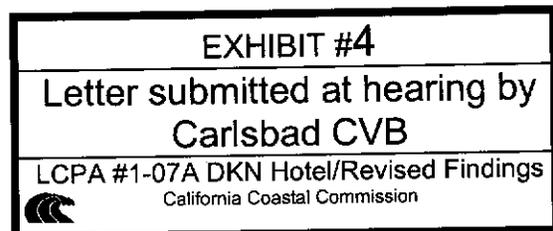
Sincerely,

Signature on file

Kurt Burkhart
Executive Director

cc: Commission Members, California Coastal Commission
Mayor Bud Lewis & Council Members Kulchin, Hall,
Packard, Nygaard
Carlsbad CVB Board of Directors

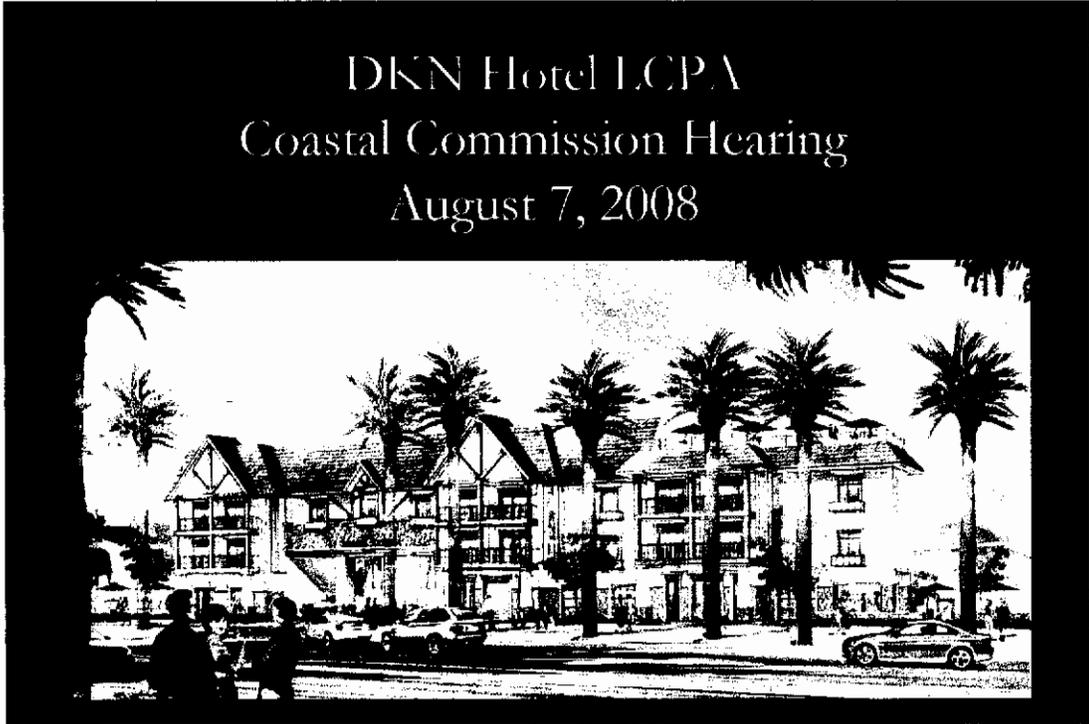
Carlsbad Convention & Visitors Bureau
400 Carlsbad Village Drive, Carlsbad, California 9200
(760) 434.6093 • FAX (760) 434.6056 • www.visitcarlsbad.com • info@carlsbadcvb.com
"The Official Destination Marketing Organization of Carlsbad"



Survey ①

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11/10/2011



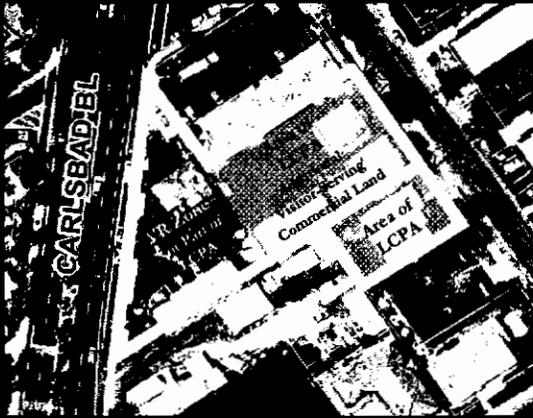
DKN Hotel LCPA
 Coastal Commission Hearing
 August 7, 2008

Project Location

- .84 acre site
- East side of Carlsbad Blvd between Pine & Oak Avenues
- Across street from beach

EXHIBIT #5
 Powerpoint presented to
 Commission by applicant
 LCPA #1-07A DKN Hotel/Revised Findings
 California Coastal Commission

Project Description



- LCPA area - .49 acres (shaded) w/in Mello II LCP Segment
Change from residential to visitor-serving commercial
- Area not part of LCPA - .35 ac w/in Village Redev. (VR) Zone
No CCC action on this portion
- Project associated w/LCPA
New 104 room, all-suite hotel & 2 levels underground parking
Demo 28 room hotel, small restaurant (1100sf), & SPD
No CCC action on hotel project

Coastal Commission Staff Recommendation

- Staff Premise: Loss of low cost visitor-serving accommodations in Coastal Zone
- Can't support LCPA unless City adds 2 key impact fee policies to its Mello II LCP segment (only 1 of 6 segments):
 - \$30,000/unit for demo of existing low cost hotel units
 - Fee for DKN = \$840,000
 - \$30,000/25% of rooms for any new high cost hotel
 - N/A to DKN project
 - Impacts future hotel development in Mello II LCP segment

City Recommendation

4 key points

- Project increases visitor-serving accommodations
 - Increases visitor serving comm. land
 - Increases # of visitors served
 - Increases # of hotel rooms
 - Increase affordability on per. on/night basis.
- Carlsbad's existing hotel inventory provides full range of affordability, including low cost (no imminent threat)
- Piecemeal vs. comprehensive approach to issue
- Significant Redevelopment benefits from project

Increase in Visitor-Serving Accommodations

- The City's proposed LCPA:
 - Increases visitor-serving commercial land (+.49 acres)
 - Increases visitor accommodations (+76 rooms)
 - Increases # of visitors served (360 more visitors)
 - Increases affordability on a person/night basis
 - Proposed hotel = \$31.25 pp/night
 - Existing hotel = \$49.50 pp/night
 - Allows for a 104 room, all-suite, moderately priced, conventionally financed hotel (not a time share or condo hotel)

Accommodations in Carlsbad

Accommodations in Carlsbad (as of May 1, 2008)				
Location	Total	Low Cost	Moderate Cost	High Cost
Within Coastal Zone	2511	578 (23%)	424 (17%)	1509 (60%)
Within One mile of Coast Line	2281	821 (36%)	530 (23%)	930 (41%)
Citywide	2792	821 (29%)	1184 (42%)	787 (28%)

Highlights:

- Carlsbad is 2nd only to City of San Diego in # of visitor accommodations
- Full range of affordability in Coastal Zone & citywide
- 2199 visitor accommodations provided in Coastal Zone since 1980
CCC approved LCP only requires 200 to be added
- Carlsbad provides more low cost accommodations (578) than neighboring coastal cities to the north & south: Oceanside (516) & Encinitas (213)

General Plan/LCP Update

- CCC staff recommendation - “piecemeal”, “one-size-fits-all” approach
 - Affects only 1 of 6 Carlsbad LCP Segments
- City’s Comprehensive Update currently underway
 - \$1.8 million budget
 - Consultants hired
 - Public outreach started
 - Three (3) year program
 - Will comprehensively update LCP, General Plan, & Zone Code (city/coastal zone wide)

Redevelopment Benefits

- Elimination of blighted building/underutilized use
- Revitalization of Village businesses (more customers)
- New jobs
- Increased redevelopment revenues
 - Total of \$128,000/yr for public improvement projects
 - Total of \$32,000/yr for affordable housing
- New, recognized brand hotel

What do you get with CCC Recommendation?

If City ACCEPTS the policies:	If City DOES NOT ACCEPT the policies:
Fees with no assurance of new visitor accommodations	No additional visitor-serving land
Piecemeal approach <ul style="list-style-type: none"> ■ Affects only 1 of 6 LCP segments 	No new hotel development
“One size fits all” approach	Maintain non-conforming bldg at \$49.50 pp/night (vs. \$31.25)
Financial infeasibility & no new construction	Project redesign w/high cost hotel & condos

What do you get with City Recommendation?

Approve LCPA as Submitted by City

Increase in visitor-serving land
(+ .49 acres)

Increase in # of hotel rooms
(+76 moderate price hotel suites)

Increase in # of visitors served
(360 more visitors than ex. hotel)

Increase in affordability
(\$31.25 pp/night vs. \$49.50)

Elimination of blighted bldg

Revitalization of Village
businesses (more customers)

New jobs

Increased redevelopment \$\$
for public improvements &
affordable housing

Conventional financing (no
time shares/condo-hotels)

What do you get?

CCC Recommendation



City Recommendation



Summary

- City asks that the Commission approve the LCPA as submitted by the City with no modifications
- Increase in visitor-serving accommodations
- Moderately priced, all-suite hotel with substantial redevelopment benefits
- City to comprehensively address the issue of affordable visitor accommodations in its General Plan/LCP/Zone Code update

MOTION FOR APPROVAL AS SUBMITTED
City of Carlsbad LCPA #1-07A

I. MOTION: *I move that the Commission certify the Land Use Plan Amendment for the City of Carlsbad, as submitted.*

CITY RECOMMENDATION OF CERTIFICATION AS SUBMITTED:

The City recommends a **YES** vote on the motion. Passage of the motion will result in certification of the land use plan amendment as submitted. The motion passes only by an affirmative vote of a majority of the appointed Commissioners.