

DALY CITY INTER-OFFICE MEMORANDUM

DATE: October 5, 2021

TO: Affordable Housing Committee
Mayor Juslyn C. Manalo
Councilmember Glenn Sylvester

FROM: Tatum Mothershead, Director of Economic and Community Development
Betsy ZoBell, Housing and Community Development Supervisor
Lenelle Suliguin, Housing Coordinator

SUBJECT: Serramonte Del Rey Redevelopment/Affordable Housing

Staff is seeking comments and direction from the Affordable Housing Committee on the proposed affordable housing elements of the Serramonte Del Rey redevelopment proposed by the Jefferson Union High School District.

Background

The JUHSD Precise Plan envisions a multi-phased project that will result in approximately 1,235 rental residential units. In April, and in anticipation of a development agreement stipulating the terms of the development, the Jefferson Union High School District proposed discussion points for a potential Development Agreement relating to the Precise Plan for the 22 - acre Serramonte Del Rey former high school site (See Attachment A to this report). In addition to a description of project phasing, parking ratios and the schedule for planning entitlements the discussion points for a potential Development Agreement describe how the project will provide affordable housing and meet the terms of the City's Inclusionary Housing Ordinance.

The City's Inclusionary Housing Ordinance requires that 10% of the units built in a residential project be designated as Inclusionary Units and made available to lower income households with incomes at or below 80 Percent of the area median. For the JUHSD Precise Plan this would be 124 affordable units..

Additionally, the Ordinance requires that the units shall be provided concurrently with the market rate units and be geographically disbursed in the Project. For a phased development, each phase would be required to include ten percent affordable units.

The provision of affordable housing described in the discussion points for a Potential Development Agreement has implications for the overall Serramonte Del Rey redevelopment site plan. If it is determined that affordable housing arrangements described in the discussion points for a Potential Development Agreement are infeasible or unacceptable to the City, an

overall revision of the proposed Precise Plan will be needed in order for the project to meet the requirements of the City's Inclusionary Housing Ordinance.

JUHSD Affordable Housing Proposal For Serramonte Del Rey

The discussion points for a Potential Development Agreement for the Serramonte Del Rey campus envision a total of 123 affordable units to be developed pursuant to the City's Inclusionary Housing Ordinance at build out. Twelve of these units will be provided within the District staff housing complex currently under construction on Parcel A and are subject to the terms of the Affordable Housing Agreement executed in October 2020. The affordable units provided on Parcel A and memorialized in the Affordable Housing Agreement fully comply with the City's Inclusionary Housing Ordinance.

The majority of the Serramonte Del Rey affordable units (100) would be provided on Parcel C and would be constructed after construction of 313 market rate units on Parcels A and B and prior to occupancy of units proposed for Parcels D, E or F. The affordable units on Parcel C would be provided as a stand-alone affordable housing development.

The remaining 11 affordable units would be provided on Parcels E and/or F. The discussion points for a potential Development Agreement indicate that a Certificate of Occupancy for the 100 affordable units on Parcel C would be issued prior to occupancy of any other units at Parcels D, E and F.

Discussion

Inconsistencies with Inclusionary Housing Ordinance

The affordable housing proposed by JUHSD for the Serramonte Del Rey site is not strictly consistent with the terms of the City's Inclusionary Housing Ordinance in two ways:

1. The City's Inclusionary Housing Ordinance requires that affordable units are phased in at the same time as the market rate units. Subsequent to the development of housing for District staff on Parcel A, the JUHSD proposal envisions completion of 201 market rate¹ units on Parcel B before any affordable housing units for the general public are developed. The result of this phasing is that the 20 inclusionary units required from the 200 units developed on Parcel B, would be delayed for an estimated two years until the 100 affordable units on Parcel C are constructed.
2. The City's Inclusionary Housing Ordinance requires that affordable units are physically distributed equally throughout a development. In the JUHSD proposal, the majority of the affordable units would be concentrated on one of six parcels.

Other Considerations

¹ The District's Discussion Points reference the possibility that the 201 units within Parcel B may be developed as Moderate Income housing. A decision about this will be made later in the development process.

- Affordable Housing Finance - As general rule, affordable housing developments of the sort envisioned for Parcel C require significant local jurisdiction subsidy in order to be financially feasible, typically a minimum of \$50,000 per unit. Since the affordable units are required under the City's Inclusionary Housing Ordinance, it is not anticipated that the City would provide any forms of financial subsidy to the project. JUHSD and/or the developer selected to build the affordable units would be responsible for raising the necessary subsidy financing to complete the affordable housing development. The City may wish to emphasize this point in the development agreement.
- Selection of Affordable Housing Developer - The JUHSD has not selected a developer for the 100 affordable units on Parcel C. The City may wish, as a condition of the Development Agreement, to set basic criteria for the selection of the Parcel C developer as well as confirmation of the proposed project's overall development feasibility.
- Project Phasing - The phasing of units described in the discussion points for a potential Development Agreement does not specifically limit construction of Parcels D, E and/or F until the affordable units within Parcel C have a Certificate of Occupancy. The City may wish to impose stronger restrictions and conditions on the construction of Parcels D, E and or F relative to the development of affordable units on Parcel C. As drafted, the discussion points for a potential Development Agreement could permit construction of units on Parcels D, E and F before construction and occupancy of the affordable units on Parcel C are completed and/or occupied. Rather than linking *occupancy* of units within Parcels D, E and/or F to the Certificate of Occupancy for Parcel C, the City might want to link *issuance of building permit* for these latter phases to the Parcel C Certificate of Occupancy.
- Income Target Clarification - The discussion points to potential Development Agreement make reference to certain units affordable housing at moderate income, an income target not referenced in the City's Inclusionary Housing Ordinance for rental housing. The purpose of this income target needs clarification.
- Obligations and In Lieu Fee - It is not clear from the discussion points to a potential Development Agreement what will happen to the affordable housing obligation created by Parcel B development in the event the 100 percent affordable development envisioned for Parcel C does not go forward. Staff recommends the Development Agreement include language to ensure Parcel B affordable obligations are met regardless of the Parcel C development status. One option would be to require the developer to post a bond that would result in payment of the estimated \$9 million alternative in lieu fee associated with Parcel B in the event the 100 affordable are not built by a specified date.

Recommendation

When we meet on October 18 staff seeks the Committee's comments and direction on the proposed phasing and physical distribution of affordable units proposed plan for providing affordable units within the Serramonte Del Rey redevelopment project.

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Term

The Term of the Development Agreement (DA) shall be the latter of either:

1. 15 years from the date of the Approvals of the Precise Plan by the City Council of the City of Daly City ("City"), or
2. Upon the issuance of a Certificate of Occupancy by the City if a permit application has been submitted to the Planning Department for review and approval by the Design Review Committee (DRC) prior to 15 years from the date of the Approvals of the Precise Plan by the City Council of the City of Daly City.

This timeline may be extended due to exceptional and unanticipated circumstances that Jefferson Union High School District ("JUHSD") in collaboration with the City reasonably determines a materially negative impact to the Applicant's ability to develop the Project as contemplated in the DA, including, but not limited to, unfavorable market conditions, acts of God (such as pandemics or natural disasters), acts of war or civil unrest, labor stoppages, or boycotts or other limits on the availability of necessary building supplies, or upon mutual consent by both Parties to the Development Agreement.

Development Phasing

The Project is anticipated to be built in three phases:

Phase 1: Parcels A and B.

Phase 1 includes Overlook Park and Entry Plaza

Phase 2: Parcels C (Affordable Housing Parcel) and D.

The Certificate of Occupancy for Parcel C shall be issued concurrent with, or prior to, the issuance of the Certificate of Occupancy for Parcel D.

Phase 2 includes the Head Start Program relocation.

JUHSD, or its designated representative, shall coordinate in a reasonable manner with Head Start and make good faith efforts to work towards the start of operations of the Head Start Program at Parcel C concurrent with move-in of residential tenants at Parcel C. The City and JUHSD acknowledge and agree that their intent is that Head Start would occupy space in Parcel C as a tenant of the Affordable Housing developer, but that this is dependent on Head Start being able to secure funding to pay for such a move into Parcel C space. The City and JUHSD will collaborate to assist the Head Start program in applying for and receiving funding to pay for costs related to occupying space on Parcel C. Permits and certificates of occupancy for Parcels C and D shall not be dependent upon start-up of the Head Start Program at Parcel C.

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Phase 3: Parcels E and F.

Phase 3 includes Central Green.

Phasing of the development may vary from the scenario noted above, but will comply with the criteria for the timing of the affordable housing outlined in Exhibit A.

Parks & Open Space Requirement

Projects submitted for DRC review and approval shall meet Daly City's current Open Space requirement by providing a minimum of 150 square feet of open space per dwelling unit. The requirement for open space is to be met parcel by parcel through any combination of the following:

1. Open space on-site, to include private balconies serving individual units, common area open space (such as the common area podium level courtyard, common area roof and deck terraces, applicable open space at grade), and
2. Allocation of open space that may be off-site from the specific parcel seeking approval, including the areas designated by easement that includes Overlook Park, Central Green, and the Recreation Trail at parcels B, C and D.

The Recreation Trail, Overlook Park, and Central Green will be counted towards satisfaction of the Open Space requirements for individual parcels as designated by the JUHSD. The allotted Open Space will be assigned to a specific parcel at the time the parcel is submitted for review and approval by the DRC.

The Open Space at the Retail Plaza at Entry Drive is allocated exclusively to Parcel B.

Land that does not meet the City's gradient criteria for usable space (e.g., excessive slopes at the Hillside Area) will not be counted toward satisfaction of Open Space requirements for any parcel.

Affordable Housing

The Affordable Housing Plan (Exhibit A, attached and incorporated by reference) establishes the requirements for the Project's Inclusionary Housing component. Exhibit A includes a detailed description of the phasing of the Project's Affordable Housing and the Plan's consistency with the intent of the City's Inclusionary Housing Ordinance.

Parking

Parking Ratios for Parcels B through F:

- The proposed parking ratio for the Project's market rate housing is at least 1.5 spaces per dwelling unit. By way of example, the Applicant will provide 302

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residential parking spaces for the 201 dwelling units that are proposed in the Project for Parcel B. The breakdown of units at Parcel B is as follows: 10.4% studio/junior one-bedroom units, 37.3% one-bedroom units, 43.3% two-bedroom units, and 9.0% three-bedroom units.

- At Parcel C, the parking ratio for the affordable housing to be provided pursuant to the Precise Plan and the Development Agreement is at least 1.0 parking space per dwelling unit. The affordable housing developer to be selected by JUHSD to develop Parcel C may choose to increase the parking ratio up to 1.5 spaces/unit, or reduce the parking ratio to 0.75 spaces/unit, with the final determination regarding the parking ratio to be included in the documents submitted to the City for the DRC review and approval for Parcel C.
- The parking ratio for retail to be at least 4.0 spaces per 1,000 square feet of rentable retail space.

The above-described parking ratios are based on current conditions and assumptions. The City and JUHSD acknowledge that future parking demand will be in considerable flux over the lifetime of this DA and may increase or decrease significantly. Therefore, JUHSD, or its designees, may request future adjustments to the applicable parking ratios to reflect parking trends and professional recommendations at the time of the individual parcel application and the City shall give reasonable consideration to such requests.

JUHSD, or its designees, may request a parking ratio up to 1.7 spaces per unit on any parcel without requiring additional studies.

If JUHSD requests a reduction in the parking ratios noted above, or to increase the parking ratio above 1.7 spaces per residential unit, the City may require a parking demand study be performed by a traffic engineering firm acceptable to the City that demonstrates the revised parking ratio will be appropriate to accommodate the parking demand to be generated by the Applicant.

When calculating the overall parking supply, the analysis for the residential parking may include parking provided on-street within the Plan Area, if recommended by a traffic engineering firm acceptable to the City and agreed to by City staff.

Parking for pick-up and drop-off for the Head Start Program at Parcel C may be accommodated by on-street parking marked by appropriate signage, with such signage reserving parking spaces for this use during the appropriate hours. Likewise, parking for Head Start Program staff may be accommodated with reserved on-street parking designated by appropriate signage.

Overflow parking for Parcel A may be accommodated within the Plan Area with surface parking, on-street parking, or within future parking podiums or structures on Parcels B through F. Alternatively, to the extent that JUHSD demonstrates that overflow parking is not needed for Parcel A, it will be eliminated as a requirement in the future.

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Parking stall and drive aisle dimensions for each buildable parcel may comply with either approach 1 or 2 below, or a combination of both approaches:

1. The then-current City standards for off-street parking (including the ratio of standard spaces to compact spaces) at the time of the Applicant's submittal for DRC review and approval, and/or
2. A "Uni-stall" standard size parking space which is based upon a stall dimension of 8' – 6" x 18' – 0", unless constrained by a wall on one or both sides, in which case the minimum stall width will be 9' – 0" minimum. The drive aisle shall maintain a minimum of 24' clear.

Residential parking may be accommodated in mechanical puzzle lifts.

No more than 10% of the parking spaces required for residential use may be tandem, and tandem spaces may only be assigned to users of the same dwelling unit. Tandem units may be designed as either front to rear spaces or mechanical lift spaces (stackers).

Unit Count

The Project may not exceed the total dwelling unit count of 1,235 units. Except as specifically set forth herein, JUHSD and selected developers will allocate the units across the parcels. The number of units within any parcel shall not exceed the limits outlined in the Precise Plan Guidelines on a parcel-by-parcel basis.

Fees

JUHSD will be charged administrative fees related to matters such as permit reviews, processing, and issuance at the then-current rate as development applications are submitted. The rates for water, sewer, parks, and other similar development impact fees that are currently assessed on development projects by the City will not increase over the term of the DA. No new fees not imposed by the City at the time that the DA is entered into will be assessed on any development within the scope of this DA for the term of the DA.

Fair Share Fees paid by JUHSD based on a pro rata commitment for utilities and streets will be based on the number of units that are built per parcel and shall be paid at the time of issuance of building permit, Certificate of Occupancy, or at such other time that is customary for the City, on a building-by-building basis.

Offsite Costs, Timing and Responsibilities

The City will serve as the liaison and the responsible party for designing and delivering offsite improvements, including traffic signalization, and water and sewer service capacity to the site. JUHSD will contribute a fair share to these costs as each parcel is built out, the payment for which to occur at the time of issuance of building permit or the Certificate of Occupancy of the units on a per unit basis of the overall unit count of the Project.

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Offsite Work at Serramonte Blvd. will be undertaken upon demolition of the existing H.S building and the construction of Parcel C, pending review of the TIA. Work required for Parcel A is underway and will be completed with the current construction at the site.

Subdivision Map Act Issues

The City and JUHSD agree that the tentative map submitted to the City for approval shall include each of the buildable Parcels A through F in the Precise Plan Area Update, as described herein, and shall reflect the maximum total number of residential units that may be developed in the Precise Plan Area and such subdivision map shall remain valid and fully vested during the full term of the DA. Subsequent to approval of the tentative map for the Precise Plan Area Update, and pursuant to Section 66456 of the Government Code and applicable provisions of the City's municipal code, JUHSD shall cause final subdivision maps to be prepared from time to time as the parcels in the Precise Plan Area are developed.

The City and JUHSD agree that, subject to the minimum and maximum residential unit counts for each parcel, as set forth in the Precise Plan, and the requirements set forth in this DA related to the development of below market rate ("BMR") and affordable units, JUHSD shall have discretion to determine the number of residential units to be developed on each parcel, provided that the maximum number of units authorized to be developed pursuant to the Precise Plan shall not be exceeded.

Timing of City Review and Approvals Process

When an Application for Planning Approvals on a parcel-by-parcel basis is required to be reviewed by the DRC, the application submitted will be reviewed by City staff and go to the DRC within four months of Initial Submittal, along with the staff's recommendations and conditions of approval.

A Planning Submittal will be considered complete and ready for review by the DRC if the checklist that is included in the Precise Plan documentation is completed in its entirety and addresses all items enumerated—both as guidelines and as requirements to be met by the Applicant.

Given the first of its kind nature of this undertaking by the District, having a clear and specific timeframe that the development community can rely upon is necessary to attract development interest—thereby benefiting both the District and the City to the greatest extent.

This four-month timeline is based upon one month for staff review upon receipt of planning application, one month of revisions as needed by the Applicant, one month for a second review by staff, one month for the staff report and scheduling of hearing with the DRC.

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EXHIBIT A – PHASING FOR INCLUSIONARY HOUSING
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This **Exhibit A** to the Development Agreement describes how the phasing of the Project's Affordable Housing Plan ("AHP") meets the intent of the City's Inclusionary Housing Ordinance requirements for the 1,113 units of housing--the maximum allowable total number of units on Parcels B through F.

The proposed phasing approach for development of affordable housing on these parcels is designed to accomplish the following:

- Provide the necessary financial flexibility in the timing of the development of affordable housing for JUHSD to provide the overall proposed program of affordable housing, below market rate ("BMR") housing, and faculty and staff housing, in addition to the market rate housing.
- Exceed the City's requirements for the number of BMR units, contribute to Daly City's regional share of housing, and implement the goals/objectives of the City's General Plan and housing element.

Exhibit A addresses the following:

- The synchronization of development of affordable and BMR units and market rate housing units,
- the distribution of the housing types throughout the Project parcels, and
- ensuring the same access to common amenities throughout the Plan Area and bedroom count of affordable/BMR units as the market rate units.

The BMR/Affordable Housing component of the Precise Plan does the following:

1. Exceeds Requirement. The Project, at build-out, will provide more BMR units (@ 70% AMI) than required by the City's Inclusionary Housing Ordinance. With the buildout of the proposed 1,113 dwelling units--representing the maximum number of units that will be developed at Parcels B through F, 111 BMR units (10%) will be provided pursuant to the City's Inclusionary Housing Ordinance at 70% AMI.

The AHP proposes that if the maximum 1,113 dwelling units are built at Parcels B through F, then the obligation for the additional 14 affordable units (@80% AMI) would be provided, bringing the total number of affordable units and BMR Units to 125 over the course of the DA (excluding the units provided at Parcel A)

2. Accelerates development of BMR Units within the City. JUHSD proposes to build 100 BMR Units (@ 70% AMI) at Parcel C as the next component of the Project following the development of Parcel B.
3. Offset of Parcel B Timing. The phasing anticipated per the AHP outlines the requirement that at a minimum, 100 BMR Units will receive their Certificate of Occupancy at Parcel C prior to the occupancy of any other units at Parcels D, E and F. Although this approach postpones the construction of 20 BMR units during the work at Parcel B, this accelerates the

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construction of 100 BMR units anywhere from three to ten years (depending on the ultimate buildout schedule) than if incorporated on a pro-rata basis with each of the parcels.

In 2027, at the completion of the stand-alone affordable housing project at Parcel C, the build-out of the plan at that time will have 26% of the units being BMR (or 17% if Parcel D is completed at the time that Parcel C is completed), not including the additional affordable housing units provided by the Faculty and Staff housing. In the event that the affordable housing development at Parcel C is delayed or not built during the term of this DA, but the market rate units contemplated for Parcel B are built, JUHSD, at its option, will either cause to be built 20 BMR units, or pay an in-lieu fee corresponding to the number of market rate units built on Parcel B at the rates set forth in the City’s then-current Inclusionary Housing Ordinance.

(Table 1 below reflects the percentage of BMR Units that will be built as a percentage of all the units over the timeframe of the full buildout.)

Parcel	Estimated Year of Occupancy	Proposed Market Rate Units	Affordable Units (including Faculty and Staff)	BMR Units (including Faculty and Staff)	Total Residential Units on Parcel(s)	Plan Area Max. Total	BMR as Percent of Total Provided
A	2022	0	110	12	122	122	10%
B	2025	201(*)	0	0	201	323	4%
C	2027	0	0	100	100	423	26%
D	2027	240	0	0	240	663	17%
E	2030	547	14(**)	11	572	1,235	10%
F	2030						

(*) Refer to Item 10
(**) Refer to Item 11

Additional Considerations:

- Geographic Distribution. Residents of affordable/BMR units and market rate units will have equal access to all common amenities and features of the neighborhood, regardless of which parcel the affordable dwelling units are built on. Affordable housing is distributed in the Plan Area, at Parcels A and C, (as well as possibly Parcels E and/or F) consistent with the City goal for affordable housing to be distributed.
- Equivalency. BMR units will provide the same ratio for bedroom count per dwelling unit (or exceed the bedroom count per dwelling unit) as the ratio for the market rate units.
- Initial Parcel C Buildout. JUHSD anticipates building out not less than 100 units of BMR housing in Phase II at Parcel C. The additional 25 affordable units (at 70% AMI and 80% AMI will be built at Parcels E and/or F.

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7. Pro-rata Buildout of BMR and Affordable Housing. If JUHSD ultimately builds fewer overall dwelling units than the maximum number of dwelling units allowed pursuant to the Precise Plan and the Development Agreement, the Applicant will provide BMR and Affordable Units (at 70% AMI and at 80% AMI) consistent with the ratio utilized as though the Plan Area is fully built out. With the phasing as planned, a minimum of 100 BMR Units will be built at Parcel C prior to other market rate housing. Therefore, the District can build out fewer dwelling units on the remaining parcels than the maximum up to that consistent with the Inclusionary Housing Ordinance.

8. State Housing Waivers. Per the City’s BMR Ordinance and the intent of the State’s Density Bonus Legislation, an applicant may submit to the City a request for specific incentives, concessions, or variances based on the percentage and income level of affordable units proposed in a development, with the purpose of decreasing the cost of developing affordable housing and increasing the supply of affordable housing. Given the overall number of affordable housing units that are being proposed in the Precise Plan Area, JUHSD is proposing that the phasing of the affordable/BMR housing and the distribution of the affordable/BMR housing be modified from the City’s Inclusionary Ordinance.

The unit mix for the Parcel A that will be owned and operated by JUHSD, or its assignee is 12 units at or below 70% AMI, 49 units at or below 80% AMI (low income) and 61 units at or below 120% AMI (moderate income).

The proposed low and moderate-income units qualify for state density bonus incentives to reduce barriers to affordable housing. Although these units are restricted to faculty and staff of the District, they do qualify for the State’s density bonus and concessions. Consolidating affordable housing to two sites--Parcel A and C (plus Parcels E and/or F rather than concurrent buildout with each market rate housing development utilizes the State’s density bonus legislation.

Table 2 Serramonte Del Rey Plan Area Housing Program						
	% of AMI	Parcels A - F Market Rate Units	Parcel A	Parcels B - F	Total	% of Total
Low Income (BMR per City Ordinance)	Up to 70%	0	12	111	123	10%
Low Income (per State RHNA)	Up to 80%	0	49	14	63	5%
Moderate Income	Up to 120%	0	61	0	61	5%
Market Rate (*)	N/A	988	0	0	988	80%
TOTAL		988	122	125	1235	100%

(*) Refer to Item 10

(Table 2 above provides an overall breakdown of the Affordable, Workforce, and BMR Housing planned for the entire Serramonte Del Rey Neighborhood by percentage as outlined above.)

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9. RHNA Contribution. The City may apply both the BMR and affordable units that will be provided towards meeting the City's Regional Housing Needs Assessment (RHNA).
10. Moderate Income Units. Rather than build 201 market rate units at Parcel B, at JUHSD's discretion, Parcel B may be financed as an Affordable Housing Parcel at the Moderate Income Level (i.e. at or below 120% AMI). Although this decision will not have been made at the time of the Entitlements and Planning Approvals, a determination will be made by JUHSD based on available capital sources prior to submitting the Project for Building Permit Application.
11. In-lieu Alternative. In lieu of constructing fourteen (14) Affordable Units (at 80% AMI) proposed for Parcels E or F, JUHSD, at its discretion, may contribute to the City's affordable housing Inclusionary In-lieu fund for the development of these units.