



CITY COUNCIL AGENDA REPORT

MEETING DATE: MARCH 5, 2019

ITEM NUMBER: **NB-1**

SUBJECT: GENERAL PLAN SCREENING REQUEST (GPS-18-01) FOR A MIXED-USE DEVELOPMENT ON A 15.23-ACRE SITE LOCATED AT 1683 SUNFLOWER AVENUE NORTH OF THE I-405 FREEWAY

DATE: FEBRUARY 25, 2019

FROM: PLANNING DIVISION/DEVELOPMENT SERVICES DEPARTMENT

PRESENTATION BY: MINOO ASHABI, PRINCIPAL PLANNER

**FOR FURTHER INFORMATION CONTACT: MINOO ASHABI, PRINCIPAL PLANNER
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RECOMMENDATION

Direct staff whether or not to process a General Plan Amendment request for development of a 15.23-acre parcel with 1,057 residential units, 6,000 square feet of specialty retail space, a 25,000-square-foot office building, and 1.7 acres of park/open space. The General Plan Screening (GPS) is the first step to start the process of submittal for a General Plan Amendment, Specific Plan, and a Master Plan application for development of the site. Staff recommends the following factors be considered in evaluation of this request. The project would:

- Allow a mixed use development with a site-specific density of up to 80 dwelling units per acre in close proximity to the freeway
- Create a new mix of land uses which would provide more housing close to employment centers and improve the City's jobs/housing balance
- Allow additional housing opportunities to meet the City's housing needs and potential affordable housing requirements allocated with the next Regional Housing Needs Assessment (RHNA) cycle
- Reduce the City's overall industrial land use area by 15.23 acres

REQUEST

The applicant proposes to redevelop a site located within the Industrial Park (MP) General Plan land use district through a General Plan Amendment, along with accompanying entitlements described in the Project Description below. This General Plan Screening is the first step in the process of re-designating the General Plan land use designation of the site to Urban Center Commercial (UCC) to allow a mixed-use development with a site-specific density of 80 du/acre. This project is subject to Measure Y and, if directed to proceed on March 5 and ultimately approved, would require approval by the local electorate.

City Council Policy 500-2 establishes a procedure for processing privately-initiated General Plan amendments. This procedure involves a City Council screening of these

requests prior to their acceptance for formal processing. The General Plan Screening is not a public hearing but requires a majority vote by the City Council in order for the application to proceed.

BACKGROUND

The project site is currently developed with a 345,400-square-foot two-story industrial building that is occupied as follows:

1. Robinson Pharma, Inc. - 232,393 square feet
2. South Coast Baking - 78,500 square feet
3. Dekra-Lite Industries, Inc. - 35,000 square feet

The applicant has indicated that the site is partially occupied by Robinson Pharma as it prepares to relocate to a new location on Hyland Avenue. With the 2015-2035 General Plan update, which was completed in 2016, housing opportunities north of the I-405 Freeway were studied. At that time, the City Council was not supportive of residential development north of the I-405 other than development permitted under previously-approved development agreements and as reflected in the North Costa Mesa Specific Plan. Approved residential sites are generally bounded by Bristol Street on the west, Sunflower Avenue on the north and the SR-55 and I-405 Freeways on the south and east.



Project Site

The project site is located at the terminus of Sunflower Avenue where it connects to Cadillac Avenue and has approximately 1,338 feet of interface along the I-405 Freeway. The site is zoned Industrial Park (MP), located in the Industrial Park General Plan land use designation and within the boundaries of the Measure X area.

The project site is bordered to the north and west by industrial uses, to the south by the San Diego Freeway (I-405), and to the east by the South Coast Collection (SOCO) regional center, which includes retail and dining establishments.

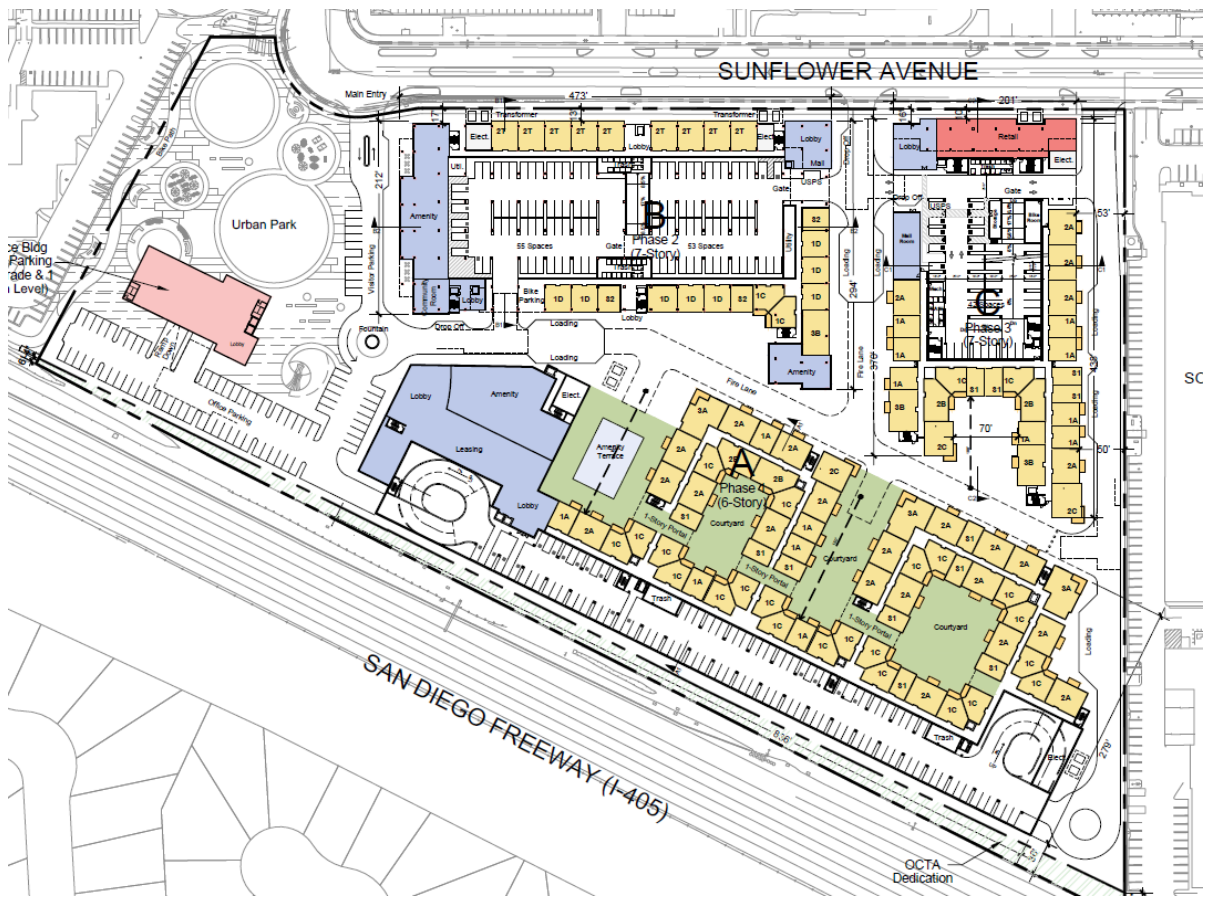
Project Description

The proposed One Metro West project involves a General Plan Amendment, Zone Change, Specific Plan, an Environmental Impact Report (EIR), a Development Agreement, and a potential Parcel Map. The proposed mixed-use development is comprised of residential, commercial, creative office and recreation components. The proposed site plan includes the following:

- 1) Three multi-family residential structures with integrated parking structures and tenant-serving commercial retail space; one office building; an open space area and an outdoor event plaza; landscaping; streetscape improvements; and an improved Class-I off-street bike trail system.
- 2) The multi-family residential buildings would contain approximately 1,057 apartment units within three buildings:
 - Building A – 445 Units, 7-story “wrap” style
 - Building B – 383 Units, 6-story “wrap” style
 - Building C – 229 Units, 7-story “podium” style
- 3) The residential component of the project is proposed to include 54,500 square feet of indoor amenities for exclusive use of the residents. These amenities may include a business center with meeting rooms; co-working space; an 18,000-square-foot fitness center with on-demand fitness programs, a yoga and aerobic studio, and wellness room with oxygen and cryotherapy; a club house/community room with a bowling alley, coffee bar, high-tech gaming center, and chef’s demonstration kitchen; an 11,000-square-foot lobby and leasing area; a private day-care facility; and three resort-style, saltwater, swimming pools (one Junior Olympic-size) with spas and cabana areas. The project will also include multiple rooftop amenity terraces and community/art exhibit spaces; and solar panels on south-facing roofs.
- 4) One podium and two wrap parking structures, providing a total of 1,850 parking spaces, would be integrated with the proposed residential buildings to serve residential parking needs. The larger parking structure, which would be located along the I-405 Freeway, would include a distinctive architectural design highlighting the project. Each parking area on the project site would contain electric vehicle charging stations (approx. 6-percent of total number) as required by the California Building Code and CALGreen.
- 5) The tenant-serving commercial retail component of the project would be comprised of 6,000 square feet of specialty retail, focused on providing service uses primarily for the needs of residents. Such uses may include a small boutique grocery, dry cleaners, and other service businesses. The commercial uses would be located on the ground floor of Building C facing Sunflower Avenue. Parking for the commercial businesses (24 spaces) would be accommodated within the building’s parking structure.
- 6) The proposed creative office space is 25,000 square feet in area and intended for one tenant occupancy. The building is integrated with the open space area as discussed below.

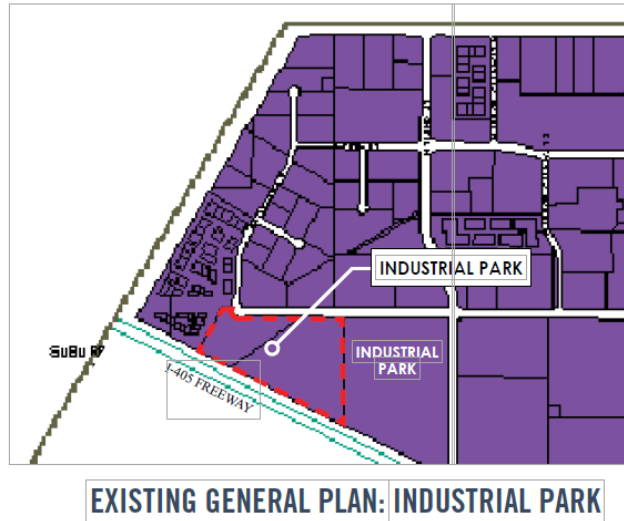
- 7) The project would include a 1.7-acre open space area. This area is intended as a passive open space area with seating and resting areas as well as creative landscaping/art pieces and shade structures. The applicant is proposing that the open space area be privately maintained but available to the general public through the dedication of a public access easement. The open space would be accessible to pedestrians from the nearby employment centers such as SOCO and The Press and by bicycles through the connection to the Santa Ana River Trail.

- 8) The proposal also includes major upgrades to Sunflower Avenue, such as undergrounding the utility lines along the project site and upgrading the sidewalk and public landscape area with a new sidewalk and a bike trail to improve pedestrian and bike access. The final design of Sunflower Avenue would be contingent on preparation of a thorough traffic study to determine the acceptable right-of-way width and median design/locations.



General Plan Land Use Designation

The proposal would change the General Plan land use designation from Industrial Park (MP) to Urban Center Commercial (UCC) to allow a mixed-use development with a site-specific density of 80 du/acre. The vision of the project is to create a mixed-use community that would provide housing near jobs in a campus-like setting with on-site amenities, a 1.7-acre open space area and connection to bike trails. The UCC designation allows development with densities of 20 to 80 du/acre.



The current General Plan land use designation of Industrial Park (MP) allows for development of office and industrial uses. The land use is characterized by large parcels in close proximity to major transportation routes for regional accessibility. The overall land area City-wide with this designation is 645 acres (the proposed site accounts for 2.4-percent of this land area). In comparison, the Urban Center Commercial (UCC) land use designation applies to 59.74 acres City-wide. The Urban Center Commercial designation includes The Automobile Club of Southern California site, Metro Pointe, South Coast Metro/Experian and Sakioka Lot 2 (vacant).

General Plan Policies

While the project meets the intent of many of the City's General Plan goals and policies as indicated by the applicant, the following General Plan goals and policies have been reviewed and should be considered by the City Council in the context of the overall project as it considers the proposed General Plan Screening.

Land Use

Policy LU-5.10: *Building densities/intensities for proposed new development projects shall not exceed the trip budget for applicable land use classifications, as identified in the Land Use Element. Building intensities for proposed new development projects shall not exceed the applicable floor area standards.*

The proposal exceeds the trip budget for the site and would require a General Plan Amendment. Based on the preliminary trip generation study for the project, there will be a net increase of 5,693 average daily trips (ADT), 400 AM peak hour trips and 501 PM peak hour trips. If accepted for processing, a more comprehensive traffic study and Vehicle Miles Traveled (VMT) analysis will be prepared that will evaluate several important intersections and mitigation measures to alleviate the project impacts.

Although the proposed high number of units on one site is not commonly built in Costa Mesa (most high-density projects are between 200-393 units), the proposed density of 80 du/acre is similar to recently approved or constructed high-density projects as follows:

- 580 Anton – 240 units at 125 du/acre (constructed completed)
- Symphony Apartments at 595 Anton Blvd. – 393 units at 80.9 du/acre (to be completed in 2020)
- Costa Mesa Motor Inn – 200 units at 40 du/acre and density bonus (to be completed in 2020)
- The Baker Block – 250 units at 58 du/acre (constructed completed)

Policy LU- 6.1: Encourage a mixed of land uses that maintain and improve the City's long-term fiscal health.

The loss of industrial land use may affect the City's revenue base. A preliminary fiscal impact analysis for the project submitted by the applicant refers to an annual recurring fiscal surplus of \$219,055 with the change in land use from industrial to mixed use with 1,057 residential units. A peer review of the study conducted by The Natelson Dale Group indicted that several of the assumptions were accurate; however, the net surplus is closer to \$44,000 per year because of disagreement with 0.5-percent factor, which significantly overstates revenue accruing to the City for Proposition 172 and the assumption related to Measure X tax. The applicant-submitted preliminary fiscal impact analysis is included in the binder (Attachment 2- 11e) and the memo from The Natelson Dale group is included as Attachments 3 of the staff report. Additional, detailed analysis, through the formal fiscal impact analysis, would be performed should the project move forward.

Policy LU-7.1: Endeavor to create mixture of employment opportunities for all economic levels of residents and businesses.

In keeping with this policy, the City will need to retain a sustainable level of industrial and commercial land uses to create mixture of employment opportunities for all economic levels of residents and businesses. Based on economic data, there will be fewer employment opportunities with the residential proposal in comparison with the current industrial use. However, given the housing shortage, it would be a positive gain for the City to improve the City's job/housing balance. Providing housing in proximity to major employment areas such as the area north of the I-405 Freeway is encouraged by urban planners and housing advocates to reduce the vehicle miles travelled and to contribute to the overall sustainability goals of the region in terms of reducing greenhouse gas emissions at regional and state level.

Policy LU-2.11: Ensure adequate noise attenuation in urban design, such as walls for sound attenuation, development of landscape greenbelt, landscape berms, etc.

There is not a sound wall between the project site and the I-405 Freeway. Because of the change in land use to residential, construction of a sound barrier may be required by OCTA that would improve the livability of the lower level units as well as the ground and second floor amenities. A noise study will be conducted with the project submittal to address noise levels for building interiors as well as private open spaces and on-site amenities. The applicant indicates it will retain a renowned architectural firm for aesthetic design of the project from the I-405 Freeway. Details of the parking structure wall, landscaping and sound attenuation would be determined during the master planning of the site.

Circulation

Policy C-5.1: *Ensure that new development projects are consistent with the vehicular trip budgets, where adopted.*

Based on the preliminary trip generation study of the project, there will be an increase of 400 AM and 501 PM trips to the general area. If accepted for processing, a more comprehensive traffic study will be prepared that will evaluate several important intersections and mitigation measure to alleviate the project impacts.

Policy C-5.11: *Maintain balance between land use and circulation systems by phasing new development to levels that can be accommodated by roadways existing or planned to exist at the time of completion of each phase of the project.*

If accepted for processing, a more comprehensive traffic study will be prepared that will evaluate several important intersections and mitigation measure to alleviate the project impacts. All roadway capacities will be designed to General Plan built out levels in 2035.

Policy C-5.15: *Consider the needs of the transportation and infrastructure system early for large developments and coordinate with developers to design projects that minimize traffic impacts and infrastructure demands, and implement complete streets wherever feasible. Alternatively, address transportation and infrastructure system impacts through the implementation of development agreements.*

If accepted for processing, a specific plan will be required for the zoning of the site. The specific plan will include the allowable density and intensity of the project, bulk and massing of the structures, architectural styles as well and site improvements and all on-site and off-site infrastructure improvements. The specific plan will include provisions for roadway and infrastructure that need to be implemented with various phases of the project; terms and conditions of the required improvements will need to be negotiated through a Development Agreement. If accepted for processing, the applicant will be requesting a development agreement to vest its entitlement.

Policy C-6.12: *Require that every new development project pay its share of costs associated with the mitigation of project generated impacts.*

The project will be subject to development impact fees at the time of implementation of the project or as otherwise may be negotiated through a Development Agreement.

Housing Element

The City's 2013-2021 Housing Element recognizes that the City's has a higher proportion of rental units compared to ownership units as noted below. The proposed development will provide additional rental housing that will further the gap between ownership and rental housing in the City. The state has identified a statewide housing crisis. Given such, ownership housing may no longer be a priority of the City Council and the unit count and affordability aspects of the project may take on greater importance. Providing market rate and affordable rental housing at this location to improve the City's jobs/housing balance and potentially reducing Vehicle Miles Traveled (VMT) is a policy decision for consideration by City Council.

Table HOU-12: Households by Tenure Trends (2000-2010)

Tenure Type	2000		2010	
	Number	Percent	Number	Percent
Owners	15,800	40.5%	17,421	43.4%
Renters	23,406	59.5%	22,683	56.6%

Source: Bureau of the Census, 2000 and 2010 Census.

Open Space Element

Policy OSR-1.5: *Maximize public space by requiring plazas and public gathering spaces in private developments that can serve multiple uses, including recreation and social needs.*

The project includes a 1.7-acre open space area that could easily accommodate public gatherings. Details of potential public events that could be held on the open space site would be considered through the project master plan.

Policy OSR-1.14: *Consult with law enforcement agencies, surrounding cities, community policing groups, and OC Parks to create a safe and healthy environment at Talbert Regional Park, Fairview Park, and along the Santa Ana River.*

The applicant will need to work with the City’s Public Services, Fire Prevention and Police Departments regarding the details of the project and open space security measures in terms of access, lighting and visibility. If approved for processing, details will be provided considered through the project master plan.

Policy OSR-1.18: *Provide a minimum of 4.26 acres of parkland per 1,000 residents.*

The site will not include a dedicated park site and therefore, the project will be subject to payment of park in lieu fees in the amount of \$5,000 per unit for rental projects. If a condominium plan is proposed the applicable fee would be \$13,829 per unit.

Policy OSR-2.1: *Provide high-quality community services programs that are flexible and responsive to the community’s changing needs.*

The applicant proposes the open space be available for public use in general through a public access easement and to allow special events in this area as may be desired by the City subject to availability of parking, etc. The details of the program will be addressed through the project master plan.

Policy OSR-4.3: *Encourage additional indoor and outdoor facility spaces citywide to display public art and host arts and culture special events.*

Same as above, details of any art or cultural programs will be discussed in more detail through the project master plan.

Policy OSR-4.17: *Develop incentives or programs that encourage art in new developments.*

The project includes a 1.7-acre open space area with areas accommodating public art in sculpture form as well as a potential for public graphics and art for the pedestrian and bicyclists along Sunflower Avenue.

Community Design Element

Policy CD-3.2: Reinforce a sense of arrival into the City by promoting architecturally significant development and significant landscape plantings at key nodes. Undertake a visioning process to develop specific design guidelines that articulate the desired character for each node within Costa Mesa.

Policy CD-8.5: Ensure that site access, parking, and circulation for commercial uses are designed in a logical, safe manner. Parking should not dominate the site in areas adjacent to streets, and should be well landscaped with a clear hierarchy of circulation. Wherever possible, parking lots should be divided into a series of connected smaller lots utilizing walkways and raised landscape strips. Parking lots should also include landscaping that accents the importance of driveways from the street, frames the major circulation aisles, and highlights pedestrian pathways.

The parking structure for two of the buildings would be wrapped with the building at least on three sides. The main and largest parking structure would be abutting the I-405 Freeway and would be enhanced and accented with extensive architectural design and landscaping to create an iconic gateway to Costa Mesa from the I-405 Freeway. The applicant will hire a consultant exclusive to this feature. If accepted for processing, details of the design and parking treatment would be considered through the project master plan. The ultimate setback from the OCTA right-of-way and the fire access along this edge would need to be further studied with the project application. The applicant will also need to consider adequate space for the architectural enhancement and maintenance access along this setback.

Policy CD-9.2: Provide adequate parking, open space and recreational facilities to serve residents in mixed-use development projects. Design parking and other areas to acknowledge different users (residents versus shoppers) and to be compatible with the architectural character of the building(s).

The parking design details such as separation of the visitor, guest and resident parking would be considered through the project master plan. The proposal includes parking to accommodate the specialty retail uses of up to 6,000 square feet and open guest parking for the visitors at each parking structure.

Policy CD-9.5: Promote new types of urban housing that could be target-marketed to people seeking alternative housing choices in proximity to a major commercial area.

The site is located in proximity to major commercial centers (SOCO, South Coast Plaza, Metro Pointe, etc.). However, because it is located within an industrial area, it is not in close proximity to major commercial corridors, such as Harbor Boulevard or Baker Street, where neighborhood scale centers (e.g. groceries, neighborhood markets, etc.) are in within walking distance (roughly one-half mile). The proposal includes a small market in the specialty retail portion to address the immediate needs of the residents. Commercial

centers in the City of Fountain Valley (e.g. Costco) are approximately one and half miles from the site.

Policy CD-12.2: *Continue to implement and refine development standards and/or guidelines based on Crime Prevention through Environmental Design (CPTED) principles for new development and redevelopment with emphasis on site and building design to minimize vulnerability to criminal activity.*

If accepted for processing, the applicant would need to work closely with the Police Department regarding site access and security; additional lighting will need to be provided along the bikeway connection to the Santa Ana River Trail and any pedestrian and/or bikeway(s) along Sunflower Avenue.

Proposed Parking

As proposed, each building would be self-contained in terms of parking. Building A (Phase 1) and Building B (Phase 2) would include a wrap parking design with the parking structure located in the middle or on the side of the building. Building C (Phase 3) would include residential and the ancillary retail component and would be designed as a podium structure with below ground level parking as well as a ground level parking lot. The applicant is proposing the following parking ratios:

Land Use	Code Parking Ratio	Proposed Parking Ratio	Code Required Parking	Provided Parking
Apartment Units	Studio: 2 spaces One bedroom: 2.5 spaces Two and three bedrooms: 3 and 4 spaces*	1.75 spaces per unit – in general **	2,354 spaces	1,057 units at 1.75 = 1,850 spaces
Office (25,000 SF)	4/1000	4/1000	100	100
Ancillary Retail (6,000 SF)	4/1000 (Could include small food establishment with 300 max. SF of public area)	4/1000	24 spaces	24 spaces
Open Space Area	N/A if not used as a public park with amenities	The site plan shows 2,478 surface parking spaces that could be jointly used by the open space users and visitors, in general	N/A	No spaces
Total			2,478 spaces	1975 spaces

* The zoning code allows a 0.25 space reduction for one bedroom and larger units if a parking structure is provided.

** This parking ratio could be approved with development standards of the specific plan which would make the development conforming

The following parking ratios have been approved for high-density apartments in the past five years:

- a. 125 E. Baker - 1.92 per unit,
- b. 580 Anton - 1.75 per unit
- c. 2277 Harbor Boulevard - 2.25 per unit
- d. 595 Anton - 1.8 per unit

Trip Generation and Traffic Study

The General Plan assigns a specific trip generation rate to land uses north of the I-405 Freeway, with certain sites (such as Home Ranch and The Press) having a precise number of trips assigned. The applicant submitted a trip generation study that has been reviewed by the City's Transportation Division. The following summarizes the study:

- The rate applied to the apartment use is 6.72 ADT. This rate is consistent with other similar apartment proposals in mixed-use settings approved by the City.
- The study assumes a 10 percent internal capture rate
- The net increase in trip generation from proposed project would be 5,693 ADT, 400 AM peak hour trips and 501 PM peak hour trips compared to that assumed in the General Plan.

If accepted for processing, a full environmental review including a detailed traffic analysis would be prepared. The traffic impacts of the project would be fully analyzed through the project EIR.

Fire and Emergency Access

The project site is proposed at 15.23 net acres, which reflects a recent dedication along the I-405 Freeway to OCTA for the freeway widening project. Per the applicant, there is potentially a 48-month temporary construction easement (TCE) for OCTA access to the I-405 freeway improvements. The TCE may be 10-feet wide and would be located along the southerly edge of the project site. A typical fire access road would require a 20-foot separation from the freeway right-of-way where the proposed site plan shows a 10-foot separation. The applicant has the option to work with the Fire Chief for an acceptable fire master plan including alternate means and methods, which could allow the project to deviate from the 20-foot requirement. However, if an acceptable design solution is not reached, the 20-foot fire access would be required and the site design would need to be modified to meet this standard. The modification may lead to fewer units at the ground level.

In addition, with the change in use from industrial to residential, a freeway sound wall would most likely be required by OCTA. Details, location and timing of this development would need to be coordinated with any improvements along the I-405 Freeway.

Proposed Building Height and Architecture

The proposal includes one seven-story podium-style building and two “wrap”-style buildings that are six and seven stories in height. There are no multiple story buildings in proximity to the site; however, the Home Ranch site and the Sakioka site, which are both located north of the I-405, have a maximum allowable height of five stories (75 feet) and eight stories, respectively (currently no development is proposed on either of these sites). In addition, the following building heights have been approved for multiple family residential construction in recent years:

Table 1

Project Name	Project Address	Approved Building Height
580 Anton	580 Anton Boulevard	7 stories (5 levels over podium)
Baker Block Apartments	125 E. Baker Street	5 stories – apartment building 6 stories – parking structure
Symphony Apartments	595 Anton Boulevard	6 stories (66 feet)
Vivante	1640 Monrovia Avenue	4 stories (56 feet)

The applicant has provided several exhibits of potential architectural styles that are contemporary and include a variety of offsets, articulation and construction materials to enhance the aesthetic qualities of the buildings. Details of the architectural style, materials, and building facades, along with shade and shadow analysis, would be reviewed with the project application, if the project is accepted for processing.

Project Phasing

As noted by the applicant, the build out will be phased over time, subject to market conditions. The first phase would be Building A located along the I-405 Freeway, which will create a sound and noise barrier to the freeway for the subsequent phases and face the building inward to the rest of the community. The second phase would be Building B, while the third would be Building C. The 1.7 acre open space area is planned to be used as a construction staging area for the first three phases. Both the open space area and the creative office building would be the final phases.

Off-Site Improvements

The project site is bounded by Sunflower Avenue on the north and Hyland Avenue on the east. Sunflower Avenue is on the Master Plan of Arterial and Highways (MPAH), but the MPAH designation terminates at Hyland Avenue. The applicant is proposing pedestrian and bikeway improvements on both streets that would require further study. If accepted for processing, details and phasing of the off-site improvements would be included in the proposed Specific Plan.

Cadillac Avenue and Sunflower Avenue are both designated industrial streets that provide vehicular, pedestrian, and emergency service access to the surrounding area. Depending on the available street right-of-way and street infrastructure, there may be an opportunity to implement Complete Street principles within this neighborhood.

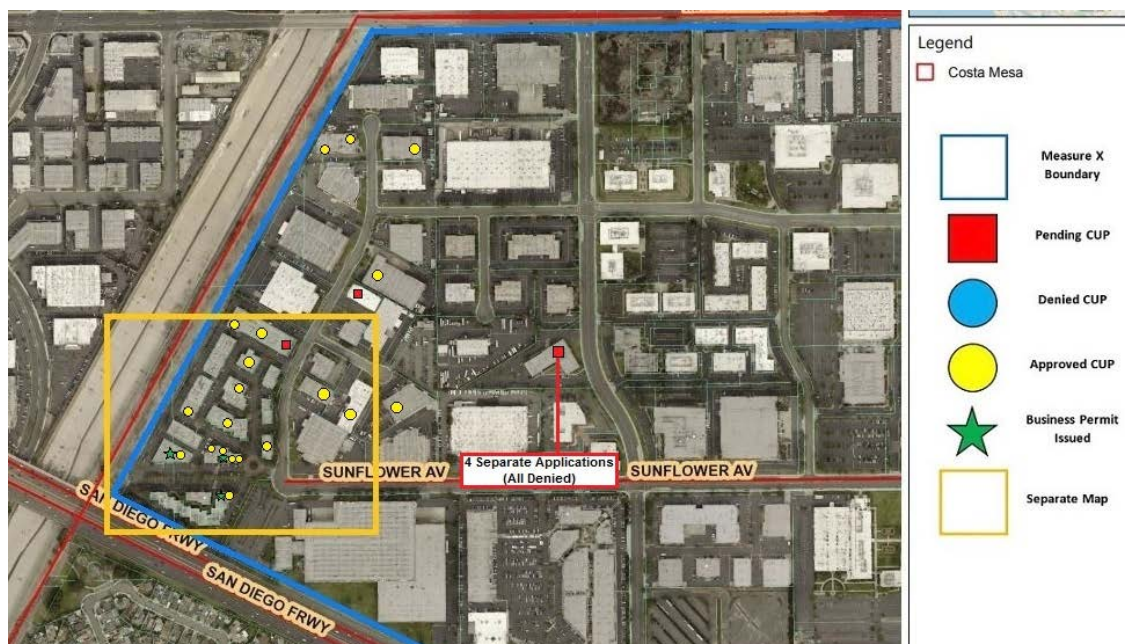
Sunflower Avenue and Hyland Avenue improvements may include:

- Wide pedestrian sidewalks integrated with new landscaping, public art and creative wayfinding signs
- Improved bikeways that would connect to the larger regional network and the Santa Ana River Trail
- Improved circulation and landscape medians to allow safe vehicular, bike and pedestrian use

Measure X Boundary Map

On November 8, 2016, voters approved Measure X, also known as the City of Costa Mesa Medical Marijuana Measure. The following marijuana-related uses are allowed in the Measure X zone: distributors, manufacturers, processors, research and development laboratories, as well as testing laboratories and transporters. These uses may only be located on specific Industrial Park (MP) and Planned Development Industrial (PDI) zoned properties north of South Coast Drive, west of Harbor Boulevard, excluding the South Coast Collection (SOCO) property located at 3303 Hyland Avenue. A total of 22 businesses under Measure X have been granted a conditional use permit within the vicinity of the site, but most approved locations are separated from the project site by Sunflower Avenue. (Note: The subject property is located within the boundaries of the Measure X area and zoned for such uses. However, the initial boundaries of Measure X, as approved by the voters, included a 500-foot exclusion buffer around Moon Park. The subject property was initially excluded from Measure X uses by this buffer. The buffer was subsequently removed by the City Council in 2018.)

The applicant has noted that there is no intention to allow for Measure X uses on the project site. If approved to proceed, permitted and prohibited uses would be included in the Specific Plan for the project site. Any projected revenue for this site as a result of Measure X would need to be deducted from the revenue generation data in the final fiscal impact analysis.



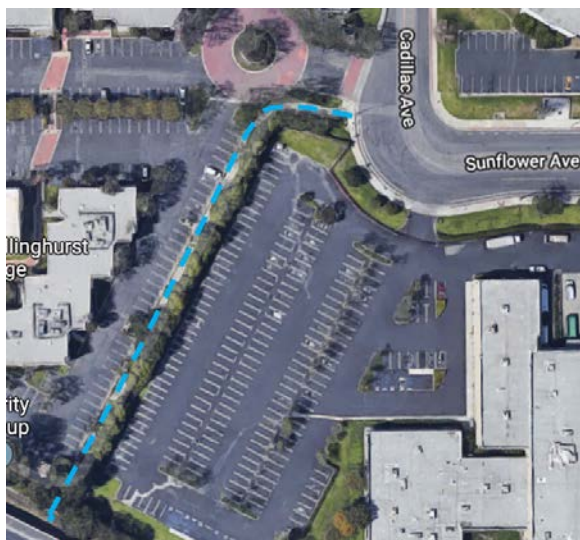
Bike Trail and Urban Park Site

The project would provide open space on the ground level as well as amenities for residents on the upper levels. The ground level open space may also include ribbon driveways or grasscrete pavers to meet Fire Department access requirements.

- Common Open Space at Ground Level – 74,000 SF (11.2-percent)
- Designated Open Space Area (Urban Park) and Fire access ways – 97,450 SF (14.7-percent)

The area labeled Urban Park on the site plan is planned to be an activated open space area for passive recreation, outdoor events and activities, including fitness courses, performances, meetings and celebrations. The area would be enhanced with works of art, sculpted landscaping, berms of natural turf, large shade trees, and a water element that would serve as the aesthetic focal point. This area would not include amenities associated with a typical City-designated “neighborhood park” and therefore would not be considered one. However, the applicant envisions the open space area as an “urban park” that would be open to the public through a public access easement.

There is a bike trail along the westerly side of the project on the adjacent property. The City has a public access easement over the area and the bike trail was recently resurfaced. The proposal includes improvements to this portion of the trail on private property (shown below) that would transition the bike trail onto the adjacent 1.7-acre open space area (see park/open space improvement plan), resulting in a wider meandering bike trail with full landscape improvements. The “urban park” area would also include a bike parking/active transportation hub. Details of the design and modifications to the public bike trail easement would be considered in conjunction with review of the application.



Fiscal Impact Analysis

Through the 2015-2035 General Plan update, the City prepared a fiscal model based on adopted land uses. Industrial uses were assumed on the project site for fiscal analysis purposes; this included a variety of assumptions such as property tax, sales tax,

franchise tax, etc. The applicant has submitted a preliminary fiscal impact analysis that concludes the project would result in an annual fiscal surplus of \$219,000. The preliminary fiscal impact analysis was reviewed by The Natelson Dale Group (TNDG), retained by the City. The TNDG's adjusted analysis forecasts that the proposed project would generate an annual fiscal surplus of \$44,000 compared to the applicant's projected figure. TNDG's modified forecast adjusts the applicant's fiscal impact analysis assumptions as indicated in Table 2. The full memo addressing the peer review of the preliminary analysis is included as Attachment 3 of the staff report. A more detailed fiscal impact analysis would be completed should the project move forward.

Table 2

Assumption	TNDG Comment
Apartment rents (average of \$3,400 per month) and corresponding assessed valuation of \$505,000 per unit	These factors are in line with current market conditions for comparable properties in Costa Mesa.
Office space assessed valuation of \$550 per square feet	This assumption appears to exceed typical office values in the market (most are in the range of \$400 to \$450 per square foot).
Retail space assessed valuation of \$500	This assumption is within the high end of the range for retail buildings currently for sale in Costa Mesa.
Taxable sales for anticipated retail (grocery) space of \$451 per square foot	This factor significantly exceeds industry averages for grocery stores (TNDG typically assumes \$500 to \$600 per square foot, of which only 25-30% would be taxable). The applicant references data for Whole Foods Markets as the basis for this assumption. However, it is not clear that Whole Foods is an appropriate comparable, given that the grocery store within the proposed project would only be a maximum of 6,000 square feet in size. Also, it is not clear from the data provided that the factor has been sufficiently discounted to account for non-taxable sales.
Applicant's analysis assumes Sales Tax revenue equivalent to 1.5% percent of taxable sales attributable to the project, including the standard local sales tax share of 1.0% of taxable sales and an additional 0.5% for Proposition 172 revenue	TNDG believes that the 0.5% factor significantly overstates revenue accruing to the City for Proposition 172. It is TNDG's understanding that Proposition 172 revenue is allocated by the State to local jurisdictions based on a formula that is more complicated than a straight percentage of taxable sales. It does not result in an effective 50% increase in sales tax revenue. In Costa Mesa's current budget, Proposition 172 revenue is equivalent to only 2% of the standard Sales Tax revenue.
Applicant's analysis projects \$15,907 per year in revenue from the Measure X Excise Tax.	Measure X applies to medical marijuana businesses that focus on research, manufacturing, testing and wholesale distribution (rather than retail dispensaries). It therefore does not seem likely that the proposed project would result in an increase

	<p>in this revenue source.</p> <p>However, because Measure X uses are permitted on the project site, should the project proceed, the fiscal impact analysis would consider an alternative where the site is developed with Measure X uses.</p>
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The applicant has noted the following fiscal benefits of the proposal:

- Additional sales tax revenue generated by retail establishments
- Additional property tax revenue generated from the new uses
- Additional City of Costa Mesa fees for public improvements in the City
- Potential Measure Z funds for park improvements throughout the City, if adopted
- Generation of temporary construction jobs
- Generation of long-term employment for 120 people within the creative office building (5 employees/1,000 square feet)
- Generation of additional long-term employment opportunities related to management and maintenance of 1,057 new apartments and 6,000 square feet of retail uses

As indicated above, staff and its consultants have reviewed a preliminary fiscal impact analysis submitted by the applicant. If the City Council directs staff to proceed with the project, full fiscal and CEQA analyses would occur. Additional fiscal impacts (e.g. public services levels and infrastructure improvements) both positive and negative may be identified through these processes.

Measure Y

On November 8, 2016, voters approved Measure “Y” that requires any proposed change to the General Plan for over 40 residential units to be submitted to the voters at either a general or special election. The proposed project meets these criteria and is, therefore, subject to the terms of Measure Y. Under Measure Y, the required election must take place on the first regular municipal election following City Council approval of the project; or, by mutual agreement with the project proponent, a special election may be called. The applicant has indicated a desire for the project to be included on the ballot for the November 2020 General Election.

Measure Z

On November 8, 2016, voters approved Measure Z, which established an open space and public park impact fee and revised the name and composition of the Open Space & Recreation Advisory Committee. Since the project is a new development within the Measure Z boundaries, the commercial and office portion would be subject to the potential Measure Z park fee requirement of \$1.5 per square foot, unless this requirement is negotiated or the terms/conditions are modified by a Development Agreement. The Measure Z fees are in the process of adoption and would be assessed at the time of issuance of building permit.

California Environmental Quality Act (CEQA)

The proposed project would require preparation of an Environmental Impact Report (EIR). The EIR would include all CEQA-related analysis including studies related to public services such as fire and emergency services. To the extent feasible, the EIR would identify mitigation measures (e.g., roadway improvements and noise reducing and air quality measures for residential units) to reduce any significant environmental impacts of the project.

Senate Bill 743 was codified in 2016 regarding the required analysis of transportation impacts in CEQA documents. Pursuant to Section 21099, the criteria for determining the significance of transportation impacts must “promote the reduction of greenhouse gas emissions, the development of multimodal transportation networks, and a diversity of land uses.” Since then, the California Natural Resources Agency (Agency) has certified and adopted changes to the CEQA Guidelines that identify vehicle miles traveled (VMT) as the most appropriate metric to evaluate a project’s transportation impacts. This type of analysis will be required for all CEQA documents starting in July of 2020. The City has not yet determined VMT significance thresholds. In addition, based on the applicant’s project timeline, it is not likely that the VMT requirement will be in place at the time of consideration of this project. However, City staff and the applicant have agreed to include the VMT analysis for reference in the EIR. The applicant has submitted preliminary employment data that will be further verified for the purpose of assumptions in the VMT analysis.

In addition, because of the proximity of the project site to the I-405 Freeway, a Health Risk Assessment (HRA) would be required to determine the potential risks to future residents. The Air Resources Board’s (ARB) Research Division released a technical advisory memorandum to the Air Quality and Land Use Book in April 2017. The handbook originally released in 2005 warned about the health risk factors of placing housing in proximity to high volume roadways. The new memorandum acknowledges that many communities in California exist near high-volume roadways and that near-roadway development is a result of a variety of factors, including economic growth, demand for built environment uses, and the scarcity of developable land in some areas. It also notes that new research has demonstrated promising strategies to help decrease pollution exposure. The potential health risk factors would be further studied with the CEQA analysis and, if necessary, appropriate mitigation measures would be developed.

Affordable Units

The following unit mix is proposed for the project:

- 112 studios (11-percent)
- 477 one-bedroom units (45-percent)
- 422 two-bedroom units (40-percent)
- 46 three-bedroom units (4-percent)

The applicant is aware of housing affordability issues in Costa Mesa and has committed to provide a portion of the proposed units as affordable housing. Since a Development Agreement is being requested, details of the number, location and terms of affordable units

would be part of the Development Agreement negotiations; as a basis for discussion, the applicant has agreed to provide affordable housing at the following ratios of the total project dwelling units: 5-percent very low income, 5-percent low income, and 5-percent moderate income. It should be noted that given the long-term phasing of the project, construction of the units would potentially extend over two Housing Element cycles. The next (sixth) cycle covers the period between 2021-2029. The City's Regional Housing Needs Assessment (RHNA) allocation for this period is not yet available and should be assigned by August 2020. The City is required to have an adopted Housing Element for the 2021-2029 period by August 2021.

CONCLUSION

The General Plan Screening is a precondition to the entitlement process; the City Council will need to determine whether the proposal may proceed through the entitlement process. Staff is requesting feedback on the project and the following items:

- Allowing a mixed use development with a site-specific density of up to 80 dwelling units per acre in close proximity to the freeway
- Creating a new mix of land uses which would provide more housing close to employment centers and improve the City's jobs/housing balance
- Allowing additional housing opportunities to meet the City's future housing needs and potential affordable housing requirements with the next Regional Housing Needs Assessment (RHNA) cycle
- Reducing the City's overall industrial land use area by 15.23 acres (2.4-percent reduction)

If the Council votes to move forward, submittal of applications for a General Plan Amendment, Rezone and Specific Plan would be required to process the necessary entitlements. Entitlement processing would include a full environmental review and a citywide vote subject to the provisions of Measure Y.

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Attachments:

1. [Project Plan Submittal \(booklet – under separate cover\)](#)
2. [Project Submittal \(binder – under separate cover\)](#)
3. [Memo from Natelson Dale Group](#)

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