



PLANNING COMMISSION AGENDA REPORT

MEETING DATE: DECEMBER 13, 2021

ITEM NUMBER: PH-1

**SUBJECT: CITY OF COSTA MESA 2021-2029 (SIXTH CYCLE) HOUSING ELEMENT
(GP-21-01)**

DATE: DECEMBER 9, 2021

**FROM: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT / PLANNING
DIVISION**

**PRESENTATION BY: JENNIFER LE, DIRECTOR OF ECONOMIC AND DEVELOPMENT
SERVICES**

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RECOMMENDATION:

Staff recommends that the Planning Commission adopt a Resolution:

1. Recommending to the City Council adoption of the 2021-2029 (Sixth Cycle) Housing Element Update (GP-21-01), as well as the initial study/mitigated negative declaration (IS/MND), prepared for the Housing Element Update for CEQA compliance purposes.

APPLICANT OR AUTHORIZED AGENT:

City of Costa Mesa.

BACKGROUND:

November 8, 2021 Planning Commission Meeting

At the November 8, 2021 Planning Commission meeting, the Commission was provided the first of three scheduled presentations regarding the City's 2021-2029 (Sixth Cycle) Draft Housing Element update. The Planning Commission was provided a copy of the Draft Housing Element update that was submitted to the California Department of Housing and Community Development (HCD), as well as the associated public review draft Initial Study/Mitigated Negative Declaration (IS/MND). A detailed background of the update process and the City's past multi-year effort (including extensive public and other stakeholder outreach, decision maker involvement, and required environmental review) was also included in the November 8, 2021 staff report.

The intention of the first presentation to the Planning Commission was to provide the Planning Commission with foundational information and a high-level progress report of the Housing Element Update that was submitted to State HCD. Further, the presentation was to specifically introduce the Planning Commission to the final stages of the Housing Element Update effort and focus on the strategies, policies and goals relating to how the City will facilitate its "fair share" of the regional housing needs (RHNA). The November 8, 2021 meeting also included an opportunity for the Planning Commission to accept and consider public testimony. Following the presentation and public hearing, the Planning Commission continued the item to the November 22, 2021 Meeting.

The November 8, 2021 staff report, circulated Initial Study/Mitigated Negative Declaration and meeting video are available at the links below:

- Staff Report (including links to the draft Housing Element Update):
<http://ftp.costamesaca.gov/costamesaca/planningcommission/agenda/2021/2021-11-08/PH-2.pdf>
- Draft Initial Study/Mitigated Negative Declaration
<http://ftp.costamesaca.gov/costamesaca/planningcommission/agenda/2021/2021-11-08/PH-2-Att-ISMD.pdf>
- Video:
https://costamesa.granicus.com/player/clip/3794?view_id=10&redirect=true

November 22, 2021 Planning Commission Meeting

At the November 22, 2021 Planning Commission meeting, the Commission was provided with the second of three scheduled presentations regarding the City's 2021-2029 (Sixth Cycle) Housing Element Update. The intention of this presentation to the Planning Commission was to provide the Commission with additional information that was requested at the November 8, 2021 meeting, and to further review the Draft Housing Element update. The November 22, 2021 meeting also included an additional opportunity for the Planning Commission to accept and consider public testimony. Staff also informed the Commission that comments from the State HCD would be provided to the Commission prior to the third presentation, along with a summary of staff's recommended revisions to the Housing Element.

The November 22, 2021 staff report and meeting video are available at the links below:

- Staff Report:
<http://ftp.costamesaca.gov/costamesaca/planningcommission/agenda/2021/2021-11-22/PH-1.pdf>
- Video:
https://costamesa.granicus.com/player/clip/3802?view_id=10&redirect=true

ANALYSIS:

On December 3, 2021, the Department of Housing and Community Development (HCD) 2021-2029 Draft Housing Element update review letter (see Attachment 2) was forwarded to the City. The letter is essentially a housing element “correction list” that the City must follow to obtain housing element compliance. Staff have reviewed the State’s letter and updated the Draft Housing Element (see Attachment 4). (A reference matrix and underline/strikethrough format Draft Housing Element for Planning Commission and public consideration will be provided under separate cover and posted on line.)

Below, staff has provided a comprehensive summary of the HCD required corrections (see the below “HCD Letter” section of this report). Staff has also responded below to specific Planning Commission questions provided during the November 22, 2021 public hearing that staff believed required further clarification (see below “Planning Commission Comments” section of this report).

HCD Letter

The HCD correction letter is generally divided into three sections with many overlapping topic areas: (1) Review and Revision, (2) Housing Needs, Resources and Constraints, and (3) Housing Programs. The State required corrections/clarifications are summarized below under each State identified topic area:

A. *Review and Revision.* The State requested more information in regard to the effectiveness of goals, policies, and related actions in meeting the housing needs of special needs populations (e.g., elderly, persons with disabilities, large households, female headed households, farmworkers and persons experiencing homelessness). The State specifically indicated that programs should be revised as appropriate to reflect the results of this evaluation.

B. *Housing Needs, Resources and Constraints.* The State identified that the “City has made a tremendous outreach regarding affirmatively furthering fair housing (AFFH)”; however, the City must summarize and relate this input to all components of the AFFH analysis and modify or add goals and actions as appropriate. The State provided the following detailed direction:

- Revise the Element to include specific details regarding the City’s ability to investigate complaints, obtain remedies, or engage in fair housing testing and address any trends and characteristics of fair housing complaints and enforcement;

- Revise the Element to address compliance with existing fair housing laws as well as any past or current fair housing lawsuits, findings, settlements, judgements, or complaints;
- Revise the Element to include analysis of integration and segregation, particularly for race, disability, familial status and income;
- Revise the Element to include a specific analysis of the housing and community development needs of persons with disabilities;
- Revise the Element to include a specific concentrated area of affluence analysis regarding Racial/Ethnic Areas of Concentration of Poverty;
- Revise the Element to address access to opportunity for education, economy, transportation and environment;
- Revise the Element to address disproportionate housing needs related to overpayment, overcrowding, housing conditions, homelessness and displacement risk;
- Revise the Element to include local data, knowledge, and other relevant factors that discuss and analyze any unique attributes about the City related to fair housing issues;
- Revise the Element to include the number of units by income group, magnitude of impact on local patterns, any isolation of the RHNA by income group and address the concentrations of sites in key areas and corridors;
- Revise the Element to identify extremely low-income (ELI) existing and projected housing needs;
- Revise the Element to include further analysis regarding the condition of the existing housing stock and an estimate of the number of units in need of rehabilitation and replacement;
- Revise the Element to show more details in regard to residential capacities for the proposed sites inventory and residential trends of redevelopment sites;
- Revise the Element to provide further details in regard to encouraging lot consolidation in the effort of providing larger affordable housing sites;
- Revise the Element and discuss the relationship between assumed affordability and development agreements, and specifically whether previously approved development agreements preclude assumed affordability. Further, the element should discuss any anticipated steps toward entitlements, anticipated timing of development and whether the assumed number of units could be built in the planning period;
- Revise the Element to further describe known environmental conditions that could impact housing development on identified sites in the planning period;
- Revise the Element to clarify whether there is sufficient total water and sewer capacity (existing and planned) to accommodate the regional housing need;

- The State is requesting that the Element be revised to re-consider or clarify the City's ADU assumptions;
- The State identified several zoning related questions regarding emergency shelters, permanent supportive housing and Accessory Dwelling Units (ADUs) that they believed needed updating/revision in the Element;
- Revise the Element to show further analysis in regard to "land-use controls" such as parking and building height and how these standards impact housing cost, supply, housing choice, affordability, timing, approval certainty and ability to achieve maximum densities;
- Revise the Element to provide further details in regard to the City's permitting process and describe the time it takes to obtain permit approvals;
- Revise the Element to analyze the fees for a density bonus review and include programs to address identified constraints as appropriate;
- Revise the Element to identify and describe various on and off-site improvements standards and analyze their impact as potential constraints on housing supply and affordability;
- The State identifies Measure Y as "clearly a constraint on development and conflicts with meeting state requirements". Revise the Element to include further Measure "Y" analysis regarding the impacts on housing cost, supply, affordability, timing and approval certainty. Based on this analysis, the element must include programs to address this constraint in addition to programs to make sites available to accommodate the RHNA;
- Revise the Element to explain further the City's processes to permit "transitional and supportive housing," "by-right permanent supportive housing," and "reasonable accommodations;"
- Revise the Element to provide further analysis regarding the City's definition of "family" and "single-housekeeping unit" and whether these definitions act as constraints on housing for persons with disabilities;
- Revise the element to include specific analysis of the City's permit processing for "group homes" and applicable constraints for the provision of housing for persons with disabilities;
- The Element should address any hindrances on the City's ability to accommodate RHNA by income category and include programs as appropriate; and
- The Element should address the total number of persons in the City with developmental disabilities, elderly households by tenure and the characteristics and trends of persons experiencing homelessness;

C. Housing Programs. The State reviewed the City's proposed housing element programs and provided the following direction:

- Revise the Element to include more emphasis on discrete program timelines and more specific program commitments;

- After the sites analysis is revised, the Element may need to address a shortfall of sites or zoning available to encourage a variety of housing types;
- Revise the Element to include specific actions and timelines to assist in the development of housing for extremely low-income households;
- Revise the Element to include a program that commits the City to adopting density bonus provisions that are consistent with State Density Bonus Law (SDBL) and by a date certain;
- The Element requires a complete analysis of potential governmental and non-governmental constraints and depending upon the results of that analysis, the City may need to revise or add programs and address and remove or mitigate any identified constraints;
- Measure Y conflicts with the City's ability to meet State requirements, including making sites available to accommodate the RHNA and addressing constraints on housing. Program 3G must be revised with a specific schedule of actions to make sites with appropriate zoning available to accommodate the RHNA, including considering any exceptions within the Measure for the purposes of meeting mandates for rezoning or other changes in land use regulations, modifying the Measure and other steps that will be taken to ensure zoning updates will be completed within three years;
- Revise the Element to include a complete analysis of affirmatively furthering fair housing. Depending upon the results of that analysis, the City must revise or add programs; and
- Revise the Element to include further commitment to at-risk unit tenant noticing requirements, coordinating with qualified entities that preserve at-risk units, assisting with funding or supporting funding applications and providing assistance and education to tenants.

Attachment 4 contains the revised draft Housing Element Update that addresses each HCD comment. Overall, HCD comments were high-level and generally requested more detailed information and analysis in certain topical areas. The revisions made to the Housing Element in response do not modify the fundamental approach or action items with the exception of the following:

- HCD requested additional information regarding the City's estimated number of ADU's and indicated they believed our ADU assumptions were too high. Staff responded with additional data in support and also lowered the number of ADU's projected to be built over the next eight years.
- HCD's comments resulted in additional or modified programs in Chapter 4, Housing Plan as follows:
 1. The State requested that many of the program time frames be modified from "ongoing/periodic review" to be more specific such as "annually" or within a specified time frame;

2. A new Program 2J was added to change the City's zoning provisions to include transitional and supportive housing explicitly in the City's land use matrix;
3. A new Program 2K was added to review the City's planning application fees focusing on the density bonus fee in regard to avoiding constraints on affordable housing development;
4. A new Program 2L was added that includes City actions for the development of housing for "extremely low" and "lower" income households;
5. A new Program 2M was added that requires review and revision of the City's residential off-street parking standards to facilitate multi-family and affordable housing;
6. Program 3A was modified to include specific actions to accommodate development of sites to accommodate the City's RHNA;
7. Program 3G was modified to consider clarifications and changes to Measure Y as it relates to the provision of housing and affordable housing in compliance with the City RHNA obligation; and
8. Program 3M was modified to include two-year review of ADU production and adjustments to accommodate potential underproduction.

Planning Commission Comments

The purpose of the below information is to respond to Planning Commission questions that were discussed in the previous hearings and require additional clarification:

Comparison of Costa Mesa Owners Vs. Renters with Orange County Cities

During the previous Planning Commission review of the Draft Housing Element update, the Planning Commission requested that staff provide a comparison of Orange County cities' renter and ownership patterns. Table A is provided below which identifies total housing units, owner occupied units and renter occupied units for cities in Orange County. This data was compiled from the 2019 American Community Survey (ACS) 5-year estimates. Many of the cities in Orange County with population's equivalent or exceeding Costa Mesa have a balanced, or near balanced percentage of rental vs. ownership occupied housing units; however, Costa Mesa remains the highest renter occupied housing units at 61.68 percent. The City with the second highest rental percentage is the City of Anaheim, which has 101,658 total housing units and a rental percentage of 55.13 percent. Based on this data, the average renter percentage of the cities in Orange County is approximately 38 percent.

Table 1. Owner-occupied vs. Renter-occupied

Jurisdiction	Total Housing Units	Owner Occupied Units	Owner %	Renter Occupied Units	Renter %
Aliso Viejo	18,515	11,136	60.15%	7,379	39.85%
Anaheim	101,658	45,616	44.87%	56,042	55.13%

Brea	15,246	9,492	62.26%	5,754	37.74%
Buena Park	23,680	13,593	57.40%	10,087	42.60%
Costa Mesa	40,986	15,707	38.32%	25,279	61.68%
Cypress	15,684	10,514	67.04%	5,170	32.96%
Dana Point	14,905	9,509	63.80%	5,396	36.20%
Fountain Valley	18,469	12,954	70.14%	5,515	29.86%
Fullerton	44,365	23,118	52.11%	21,247	47.89%
Garden Grove	47,378	25,679	54.20%	21,699	45.80%
Huntington Beach	76,911	43,584	56.67%	33,327	43.33%
Irvine	98,281	46,017	46.82%	52,264	53.18%
La Habra	18,416	10,655	57.86%	7,761	42.14%
La Palma	4,820	3,261	67.66%	1,559	32.34%
Laguna Beach	10,235	6,580	64.29%	3,655	35.71%
Laguna Hills	11,037	8,000	72.48%	3,037	27.52%
Laguna Niguel	25,290	17,445	68.98%	7,845	31.02%
Laguna Woods	11,003	8,073	73.37%	2,930	26.63%
Lake Forest	29,338	20,337	69.32%	9,001	30.68%
Los Alamitos	4,092	1,739	42.50%	2,353	57.50%
Mission Viejo	33,567	25,825	76.94%	7,742	23.06%
Newport Beach	37,605	21,331	56.72%	16,274	43.28%
Orange	43,075	24,939	57.90%	18,136	42.10%
Placentia	16,583	10,827	65.29%	5,756	34.71%
Rancho Santa Margarita	17,192	12,165	70.76%	5,027	29.24%
San Clemente	24,384	16,569	67.95%	7,815	32.05%
San Juan Capistrano	12,141	9,029	74.37%	3,112	25.63%
Santa Ana	76,624	35,315	46.09%	41,309	53.91%
Stanton	11,282	5,470	48.48%	5,812	51.52%
Tustin	25,697	12,759	49.65%	12,938	50.35%
Villa Park	1,988	1,927	96.93%	61	3.07%
Westminster	27,617	14,362	52.00%	13,255	48.00%
Yorba Linda	22,649	18,705	82.59%	3,944	17.41%

Source: 2019 ACS 5-year estimates

Financing Disparity of Multi-family Rental vs. Multi-family Ownership Developments

Based on staff's discussions with several developers (developing both locally and outside of the City), developers indicated that free market financing is primarily based on a lender's determination of risk. Essentially, regardless of whether a residential development project included development for rent or for-sale units, the lender's focus is on the financial "bottom line." The bottom line lender concerns generally include, but are not limited to, developer's experience; ability of profits covering land, labor and material cost and other associated hard/soft cost investments. The developers also generally indicated that availability of financing is largely based on market conditions, and the perceived customer demand for the housing development proposed.

One of the developers mentioned that he believed that an example of a disparity between financing opportunities for multi-family residential “for rent” and “for sale” development projects was related to a financing term stipulation that requires developers of larger scale common interest sale projects (such as condominiums and townhouses) to pre-sale a certain percentage of the units. A pre-sale requirement financing term requires a developer to obtain a certain percentage of the units in a development to be pre-committed for purchase, prior to the lender release of financing. Pre-sale terms typically require significant upfront work for the developer such as marketing, design and ultimately obtaining a percentage of funds from new owners before any housing is constructed. The specific developer mentioned that the time needed to develop a marketing plan and actually obtain pre-payments from buyers to show a lender interest in purchasing is a significant constraint that discourages multi-family ownership developments.

However and according to the majority of the developers staff contacted, although some lenders still do require “pre-sale” financing terms, such multi-family lending practices are rare in a high demand/low interest rate housing market. Lastly, although there is an imbalance in current owner/renter housing conditions in Costa Mesa, this disparity does not seem to reflect the majority of housing developments recently approved, under construction and/or in process in the City. For example, the City recently issued permits and the residential units have now been completed for condominiums at both 1957 Newport Boulevard (38 units on a 1.86 acres site) and 929 Baker Street (56 units on a 4.71 acre site). Additionally, staff is processing applications for two infill sites where changes in uses are proposed from industrial to live/work condominium residential development with approximately eight units in each development.

Displacement of Important Neighborhood Retail/Commercial Facilities Resulting From Housing Conversions

One of the discussions by the Planning Commission at the November 22, 2021 public hearing was related to the concern that certain important neighborhood retail facilities could be displaced by some of the proposed housing programs that would include the redevelopment of these existing retail sites with housing. Staff believes that this is a valid concern and that it is important to preserve a balance of land uses in the City. One method of satisfying both housing and retail community needs is the permitting of mixed-use development. In this regard, proposed Draft Housing Element Policies 3.2 and 3.5 are referenced below:

HOU 3.2. Encourage the development of well-planned and designed residential or mixed-use projects, which, through vertical or horizontal integration, provide for the development of compatible residential, commercial, industrial, institutional, or public uses within a single project, neighborhood, or geographic area within the City; and

HOU 3.5. Encourage residential and mixed-use development along transportation routes and major commercial/mixed use corridors.

Additionally, Housing Element Program 3J states that:

The Newport Boulevard corridor contains a mix of commercial uses including 1980's-era motels on small lots fronting Newport Boulevard adjacent to SR-55, with established residential communities located in close proximity. This area presents the opportunity for focused mixed-use development which would further enliven the corridor through the addition of strategically located residential uses. The City adopted a Specific Plan for the area in the 1990's which allows for residential development; however, many of its policies have not been updated. The City will evaluate potential modifications to the Specific Plan that would promote quality residential development. The City has not included any sites within this area within the candidate housing sites analysis in Appendix B, but recognizes that this area may be able to accommodate housing within the planning period.

Staff believes that implementation of the above referenced proposed Draft Housing Element update policies and programs, the future land use changes in the City will integrate a balanced supply of retail and residential to serve the community, and thus important existing community retail facilities can be preserved and/or redeveloped. However, if the Planning Commission has further concerns in this regard, the Commission could consider directing staff to add a program or policy that directs future housing development to consider methods on a case-by-case basis of evaluating neighborhood retail/commercial impacts and methods of preserving such amenities.

Increasing First-time Home Ownership Opportunities

The City's overarching Draft Housing Element Goals include "Goal #2" which states, "facilitate the creation and availability of housing for residents at all income levels and for those with special housing needs." This and the other four Goals provide the primary direction for the City's housing programs and policies. As indicated in Goal #2, Staff believes that facilitating housing for residents of all income levels considers opportunities for first-time homebuyers. Further, the City Council approved in 2021 the allocation of 0.5 percent of the City's seven percent retail cannabis tax to fund a first-time homebuyer program in Costa Mesa. Therefore, there will likely be a substantial funding source for program implementation. Additionally, Draft Housing Element update Program 4C commits the City to providing informational materials, online and at City Hall relating to home ownership and resources available for first-time homebuyers. Lastly, proposed Draft Housing Element update Programs 2A, 2B and 2I include emphasis on programs relating to the adoption of an inclusionary housing ordinance, affordable housing development and promoting the use of density bonus, respectively. These programs, when administered, will also indirectly improve housing opportunities for first-time homebuyers in the City.

Implementation and Comparison of Accessory Dwelling Units (ADUs) and Senate Bill 9 Development Proposals

Several of the Planning Commissioners at the November 22, 2021 public hearing requested clarification as to the potential housing related impacts of Senate Bill 9, and how these provisions specifically compare to ADU provisions. Staff believes that Senate Bill 9 is somewhat similar to the State mandated ADU provisions. For example, several

of the required setbacks are similar in that they both include a four-foot side and rear yard setback. In addition, parking requirements are similar in that both State ADU and Senate Bill 9 generally require a maximum of one parking space per unit with specific exceptions for providing no parking. One of the differences between the two provisions is that development pursuant to Senate Bill 9 is limited to single-family residential districts, whereas ADUs are allowed in both single-family and multi-family districts. Further, Senate Bill 9 requires a minimum unit size of 800 square feet and no maximum size limit, whereas ADUs have maximum prescribed unit size limits. The primary difference between Senate Bill 9 and ADU provisions is that the Senate Bill 9 allows for the ministerial subdivision of one lot into two lots and the development of each of the parcels with two units, whereas the ADU provisions do not include subdivision provisions.

Table 2 below provides a summary comparison of the City’s ADU and Senate Bill 9 development standards.

Table 2 - ADU and Senate Bill 9 Development Standards Comparison

	ADU	Senate Bill 9
Minimum Lot Area	No minimum lot area (Minimum lot size in single family zones is 6,000 square feet).	Lot splits are allowed 40 percent of the original lot area or a minimum of 1,200 sf.
Minimum Lot Width	No minimum lot width (Minimum lot width in single family zones is 50 to 60 feet.	No minimum lot width. (Objective standards allowed to be required as long as such standard does not preclude the development of two minimum 800 sf dwelling units.)
Maximum Floor Area	1,200 sf (detached) 1,000 sf (attached)	No maximum floor area (Objective standards allowed to be required as long as such standard does not preclude the development of two minimum 800 sf dwelling units.)
Minimum Floor Area	150 sf	800 sf is the minimum that the City <u>must</u> allow.
Maximum Number of Stories & Building Height	Not exceed two (2) stories or exceed the height of any other dwelling that will be on the property except that in all cases, a height of at least sixteen (16) feet	No maximum height. (Objective standards allowed to be required as long as such standard does not preclude the development of two minimum 800 sf dwelling units.)

	shall be allowed for ADUs.	
Maximum Density	Only one ADU and only one Junior ADU may be permitted on a lot with a proposed or existing single-family dwelling for a total of three.	Two dwelling units per lot on an existing lot or four units could be created if an urban lot split is proposed with two units per lot. This includes ADUs or JDUs.
Minimum Open Space	ADUs which exceed eight hundred (800) square feet in gross floor area shall include 40% open space of total lot area.	No open space requirement. (Objective standards allowed to be required as long as such standard does not preclude the development of two minimum 800 sf dwelling units.)
Distance Between Buildings	6 feet	Minimum allowed per building code.
Front Setback	20 feet	No minimum/maximum required front setback. (Objective standards allowed to be required as long as such standard does not preclude the development of two minimum 800 sf dwelling units.)
Side Setback	4 foot (An ADU on a corner lot shall maintain a minimum setback of ten (10) feet from the public right-of-way on the street side or be consistent with the existing setback distance of the main residential structure, whichever is less.)	4 foot
Rear Setback	4 foot	4 foot
Rear yard coverage (maximum)	No coverage requirement applicable to accessory structures.	No coverage requirement. (Objective standards allowed to be required as long as such standard does not preclude the

		development of two minimum 800 sf dwelling units.)
Parking	No parking "required" pursuant to Costa Mesa ADU Ordinance	Off-street parking of up to one space per unit, except no parking requirements in either of the following instances: (A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code. (B) There is a car share vehicle located within one block of the parcel.
Non-conforming Setbacks	The City shall not require, as a condition of a permit for an ADU or Junior ADU the correction of nonconforming development standards.	No setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.
Short-term Rentals	ADUs and Junior ADUs shall not be rented for a term of less than thirty-one (31) days, unless otherwise authorized.	A local agency shall require that a rental of any unit created pursuant to SB 9 be for a term longer than 30 days.
CEQA	Statutorily exempt from CEQA pursuant to Section 15268 (Ministerial Projects) of the CEQA guidelines and Section 21080(b)(1) of the Public Resources Code.	Statutorily exempt from CEQA pursuant to Section 15268 (Ministerial Projects) of the CEQA guidelines and Section 21080(b)(1) of the Public Resources Code.
Permitting	ADUs that are consistent with CMMC must be considered, approved, and permitted ministerially, without discretionary action.	SB 9 dwelling units must be considered, approved, and permitted ministerially, without discretionary action.
Architectural Standards	Various design standards Included in the CMMC.	Allowed

		(Objective design standards allowed to be required as long as such standard does not preclude the development of two minimum 800 sf dwelling units.)
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Measure Y

The December 3, 2021 HCD letter specifically commented that Measure Y poses a constraint on the City's ability to satisfy its obligation to the State required regional housing needs (RHNA) and poses a constraint to housing development in general. The State specifically directed the City to modify Draft Housing Element Program 3G to include:

“...a specific schedule of actions to make sites with appropriate zoning available to accommodate the RHNA, including considering any exceptions within the Measure for the purposes of meeting mandates for rezoning or other changes in land use regulations, modifying the Measure and other steps that will be taken to ensure zoning will be completed within three years. If the appropriate zoning is not complete, the Program must include steps that will be taken to take alternative action...”

Measure Y requires legislative actions (e.g., changes to the general plan, specific plans, and zoning) to be placed on the ballot for voter approval. The Measure specifically defines “Major Change in Allowable Land Use” as any proposed amendment, change, or replacement of the General Plan, or of Costa Mesa’s zoning ordinance (as defined and contained in Title 13, of the Costa Mesa Municipal Code) or any Specific Plan or Overlay Plan or adoption of a new Specific Plan or Overlay Plan that meets certain specified conditions. Not all land use and/or zoning changes are subject to Measure Y in that the measure provides for follow-up criteria that must also occur in conjunction with a proposed land use and/or zoning change proposal. One of the applicable criteria that requires certain proposals to be subject to Measure Y occurs when a proposal “significantly increase” traffic, density or intensity of use beyond the “as-built” condition, in the neighborhood where the major change is proposed. Measure Y further defines “significant increase” as any increase generated by a proposal that produces more than forty (40) additional residential dwelling units beyond as-built conditions, generates more than 200 additional average daily trips; increases the volume/capacity of an intersection based on specified formulas; changes the intersection capacity utilization or level of service based on specified formulas; adds 10,000 square feet of retail, office or other nonresidential; or, where the proposed project, combined with other projects within 8 years and a half mile of each other, meet the above criteria. Housing proposed at the Fairview Development Center site, which is owned and operated by the State, would not be subject to Measure Y. However, other zoning changes and housing development as described in the Housing Element would likely be subject to Measure Y.

The City has not had a project go through the entire Measure Y process to date. During the outreach process, development community stakeholders indicated that Measure Y and the time delay, uncertainty and risk in particular posed a substantial disincentive to proposing projects in Costa Mesa. As such, the process itself may be discouraging developers from proposing housing projects in the City due to the time delay, increased

direct and indirect costs, increased uncertainty, and risk associated with individual development projects being placed on the ballot for voter approval. Such delays, costs and risks may also affect development financing opportunities and increase the cost of development overall. In addition, Measure Y introduces uncertainty into the Housing Element compliance process in that zoning changes to allow for the increased densities needed to comply with the City's RHNA allocation for housing (including affordable housing) may trigger a vote under Measure Y which has uncertain results and could result in an out of compliance Housing Element.

As such, the State has identified Measure Y as a "clear constraint" to housing specific to Costa Mesa and has required the City to modify its Measure Y program to add specific milestones and timelines to address the constraint to housing in general and the constraint to completing the zoning actions necessary to achieve State-mandated compliance with the City's RHNA allocation.

Program 3G has been revised to include milestones and timelines for community outreach and an evaluation of Measure Y to identify opportunities to clarify, refine, and update the language to minimize the ways in which Measure Y functions as a constraint to housing, Housing Element compliance, and other shared community goals. The language within Measure Y itself is not clear on how it applies to affordable housing projects or the State-mandated Housing Element Update process or the associated rezones and revisions to existing specific plans, urban plans, and overlays included as program actions within the Housing Element. For example, Measure Y also includes provisions for certain exceptions to the Measure, one of which states that the Measure "shall not apply to affordable housing proposals required by state or federal law." Although the measure defines many specific terms used in the implementation of Measure Y, the Measure does not define "affordable housing proposals required by State or federal law." There are several other terms and exceptions that are also not defined and in those areas future implementation of Measure Y could benefit from additional clarity.

In satisfying the State HCD concerns regarding Measure Y, staff has outlined steps for community outreach, and evaluating and bringing forward appropriate modifications to Measure Y. Concurrently, staff would begin its community visioning process and preparation of the General Plan, specific plan and zoning actions necessary to implement the State-mandated RHNA allocation to maintain Housing Element compliance.

AIRPORT LAND USE COMMISSION (ALUC) LETTER:

On November 29, 2021, the City received a letter from the Airport Land Use Commission (ALUC) regarding the Draft Housing Element update Mitigated Negative Declaration. Specifically, the ALUC letter identified certain procedures for new/revised housing development with heights proposed above 200 feet that are located within the local airport conical and horizontal obstruction imaginary surfaces, and future housing development located within the 60 db CNEL contour of the John Wayne Airport. Additionally, the ALUC mentioned that the Draft Housing Element update is subject to review of the ALUC "due to the location of the proposed housing sites within the Airport Environs Land Use Plan for John Wayne Airport (AELUP) Planning Area." The letter also indicates that the ALUC review of Housing Element should be scheduled after Planning Commission review. City

staff has contacted the ALUC staff with regard to coordinate as to whether a Draft Housing Element review by the Airport Land Use Commission is required and the timing of it. The next ALUC regular meeting is scheduled on January 20, 2022.

PUBLIC COMMENTS:

During the November 22, 2021 Planning Commission's review of the Housing Element Update, the Commission received several public comments. The public comments included:

1. A request to add a policy to the Housing Element to require "local hire" (this topic was previously discussed during the November 22, 2021 meeting);
2. A comment on the redevelopment of Fairview Developmental Center and specific concerns with SB 82, as it relates to limitations of the amount of land that can be leased (SB 82 was signed into law in 2015 and states that the State may lease "real property not exceeding 20 acres at the Fairview Developmental Center for a period not to exceed 55 years, at a price that will permit the development of affordable housing for people with developmental disabilities." SB 82 does not limit housing or affordable housing at Fairview Development Center overall);
3. A comment regarding the Draft Housing Element update proposed Sites Inventory (specifically the large sites) and that there should be additional analysis on the constraints because some of those sites are under Development Agreements. There was also a request for clarification if the total Sites Inventory included potential density bonus units (clarifications were made to Appendix B of the Housing Element); and
4. A comment regarding Costa Mesa motel conversions (Program 3F) and to ensure that long-term residents are protected from displacement (The draft Housing Element was revised to reference to compliance with State and federal laws pertaining to displacement/relocation of long-term residents at motels. It should be noted that grant funds applicable to motel conversions like Homekey funds already require an analysis of displacement impacts and compliance with relocation procedures including relocation assistance when applicable for long-term residents).

NEXT STEPS:

January 18, 2022 City Council Meeting – A public hearing will be scheduled to review the Planning Commission recommendation, consider public testimony, and discuss the Housing Element Update and IS/MND.

February 1, 2022 City Council Meeting – A public hearing will be scheduled to review the Planning Commission recommendation, consider public testimony, and adopt the Housing Element Update and associated IS/MND.

February 11, 2022 – Pursuant to State Law, the City must adopt its Housing Element by this date to remain in compliance with housing law.

2022 - 2025 – After State HCD Housing Element adoption, Development Services staff will process for Planning Commission and City Council review subsequent

land use and zoning code amendments in compliance with Housing Element Program implementation.

GENERAL PLAN CONFORMANCE:

Once adopted by the City Council and certified by the State, the Housing Element will become a component the *City of Costa Mesa 2015-2035 General Plan*.

ENVIRONMENTAL DETERMINATION:

An initial study/mitigated negative declaration (IS/MND) has been prepared for the Housing Element Update for CEQA compliance. The IS/MND was circulated for the required 30-day public review period on October 29, 2021. The City received three public comment letters. Public comments are included as Attachment 3. The Planning Commission must review and consider the information provided in the IS/MND, including public comments, and make a recommendation to the City Council for its adoption concurrently with the Housing Element Update. Ultimately, the City Council has final discretion to certify the IS/MND.

ALTERNATIVES:

1. The Planning Commission could continue their review of the Draft Housing Element to a regular meeting or a special meeting with direction for staff to return with modifications or clarifications. However, continuance of the review could result in the City not complying with the February 11, 2022 State required adoption date.
2. The Planning Commission could recommend approval of the Draft Housing Element update to the City Council with specific changes or comments provided as part of the motion.

LEGAL REVIEW:


This report has been approved as to form by the City Attorney's Office.

PUBLIC NOTICE:

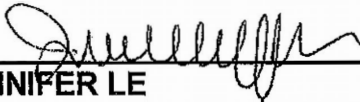
Pursuant to Title 13, Section 13-29(d), of the Costa Mesa Municipal Code, a 1/8th page public notice was published once in the Daily Pilot newspaper no less than 10 days prior to the December 13, 2021 public hearing.

CONCLUSION:

The Planning Commission is being asked to review HCD comments (which have been addressed in the revised Draft Housing Element Update), accept and consider public testimony, and make a recommendation to City Council on the Housing Element Update and associated IS/MND.


FOR

JUSTIN ARIOS
Associate Planner



JENNIFER LE
Director of Economic and Development
Services

- Attachments:
1. [Planning Commission Resolution](#)
 2. [HCD Comment Letter](#)
 3. [Public Comments on the IS/MND](#)
 4. Draft Housing Element Update (under separate cover)
 - [Cover](#)
 - [Chapter 1. Introduction](#)
 - [Chapter 2. Community Profile](#)
 - [Chapter 3. Housing Constraints, Resources, and Affirmatively Furthering Fair Housing](#)
 - [Chapter 4. Housing Plan](#)
 - [Appendix A - Review of Past Performance](#)
 - [Appendix B - Candidate Sites Analysis Overview](#)
 - [Appendix C - Summary of Community Engagement](#)
 - [Appendix D - Glossary of Housing Terms](#)
 5. [Draft IS/MND \(under separate cover\)](#)

Distribution: Director of Economic and Development Services
Assistant Director of Development Services
Assistant City Attorney
Public Services Director
City Engineer
Transportation Services Manager
Fire Marshal
File



PLANNING COMMISSION

SUPPLEMENTAL MEMORANDUM

MEETING DATE: DECEMBER 13, 2021 ITEM NUMBER: PH-1

SUBJECT: CITY OF COSTA MESA 2021-2029 (SIXTH CYCLE) HOUSING ELEMENT (GP-21-01)

DATE: DECEMBER 10, 2021

FROM: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT / PLANNING DIVISION

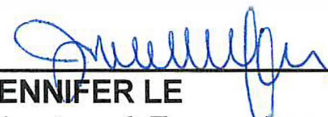
PRESENTATION BY: JENNIFER LE, DIRECTOR OF ECONOMIC AND DEVELOPMENT SERVICES

**FOR FURTHER INFORMATION CONTACT: JUSTIN ARIOS
714.754.5667
justin.arios@costamesaca.gov**

The purpose of this memo is to forward a copy of a strikethrough/underline version of the Draft Housing Element update. Staff is also forwarding with this memo an associated reference matrix which includes the specific HCD comments from the recent State HCD letter, the Housing Element section that the HCD comment is referenced from, and a summary of the City's response. The purposes of these attachments are to assist the Planning Commission and public with review of the subsequent changes based on the recent HCD comments.



JUSTIN ARIOS
Associate Planner



JENNIFER LE
Director of Economic and Development Services

Attachments: 1. Draft Housing Element Update (strikethrough/underline version)

- [Cover](#)
- [Chapter 1. Introduction](#)
- [Chapter 2. Community Profile](#)
- [Chapter 3. Housing Constraints, Resources, and Affirmatively Furthering Fair Housing](#)
- [Chapter 4. Housing Plan](#)
- [Appendix A - Review of Past Performance](#)
- [Appendix B - Candidate Sites Analysis Overview](#)

- [Appendix C - Summary of Community Engagement](#)
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2. [Reference Matrix](#)

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