



CITY COUNCIL AGENDA REPORT

MEETING DATE: AUGUST 2, 2022

ITEM NUMBER: OB-1

SUBJECT: APPROVAL OF A CITY BALLOT INITIATIVE ENTITLED “THE CITY OF COSTA MESA REVITALIZATION AND RESIDENTIAL NEIGHBORHOODS PROTECTION MEASURE”

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

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

CONTACT INFORMATION: JENNIFER LE, DIRECTOR OF ECONOMIC AND DEVELOPMENT SERVICES, (714) 754-5617

RECOMMENDATION:

Staff recommends the City Council:

1. Provide direction on whether to place the proposed ballot initiative (Attachment 2) entitled “The City of Costa Mesa Revitalization and Residential Neighborhoods Protection Measure” on the November 8, 2022 ballot by adoption of the following resolutions:
 - a. Adopt Resolution 2022-xx (Attachment 1): Ordering the submission to the qualified electors of the City of Costa Mesa “The City of Costa Mesa Revitalization and Residential Neighborhoods Protection Measure” at the General Election to be held on Tuesday November 8, 2022, as called by Resolution No. 2022-27.
 - b. Adopt Resolution 2022-xx: Authorizing written arguments for or against the proposed initiative “The City of Costa Mesa Revitalization and Residential Neighborhoods Protection Measure”, setting priorities for filing written arguments, determining the authors of the written arguments, and directing the City Attorney to prepare an impartial analysis (Attachment 4); and
 - c. Adopt Resolution 2022-xx: Authorizing the filing of rebuttal arguments for “The City of Costa Mesa Revitalization and Residential Neighborhoods Protection Measure” (Attachment 5); and
 - d. Adopt Resolution 2022-XX: Authorizing the filing of a Notice of Exemption pursuant to the provisions of the California Environmental Quality Act (Attachment 6); and/or
2. Consider additional revisions to the ballot measure language and associated exhibits, e.g. additional corridors, as discussed in the report.

BACKGROUND:

In January 2021, the City Council established a three-year goal to “*Diversify, Stabilize and Increase Housing to Reflect Community Needs*”. This goal was established by the Council to address housing instability in the community and to prioritize efforts to plan for future housing for all segments of Costa Mesa’s population.

With nearly half of Costa Mesa’s residents experiencing a high to severe housing cost burden and housing prices increasing at unprecedented rates, addressing housing instability and the need for housing options for Costa Mesa residents has become paramount to a sustainable community future. Similarly, the Costa Mesa business community is experiencing challenges to attract and retain employees due to the high cost and limited availability of housing in Costa Mesa.

Housing Plan

Concurrently, as required by State law, the City began its update of its General Plan Housing Element in 2020, which generally outlines the City’s policy framework and action items for housing for the next eight years. The City held its first community outreach meeting in November 2020.

Over the course of the Housing Element Update process, the City held 12 public meetings in the form of community town halls, study sessions and public hearings to obtain feedback on the need for housing and appropriate housing locations (known as “housing opportunity sites”) for potential future housing development. In addition, a community housing survey was posted online in both English and Spanish with over 400 community responses received. These meetings were widely publicized in both English and Spanish and at each step there were opportunities for public involvement and comment in crafting the City’s housing plan. The community input for this Housing Element process was significantly higher than previous cycles, reflecting the critical importance of housing solutions for our community.

In summary, early community feedback highlighted the need for more housing options and specifically more housing that was affordable to Costa Mesa’s middle- and working-class families, seniors and individuals. Community feedback also highlighted a desire to preserve open space and existing established single-family residential neighborhoods in Costa Mesa, while planning for future housing opportunities through the redevelopment and revitalization of the City’s commercial and industrial corridors, the area north of the I-405 freeway and on State-owned property at the Fairview Developmental Center.

Revitalizing Corridors and Preserving Established Residential Neighborhoods

In keeping with feedback from the community, the Housing Element was prepared and identifies future housing opportunity sites along commercial and industrial corridors, and north of the 405 freeway while protecting established single-family residential neighborhoods and open space areas.

The following corridors were identified as focus areas for housing and economic revitalization opportunities:

- Harbor Boulevard;
- Areas north of the I-405 freeway;
- West 17th, 18th and 19th Streets;
- Placentia Avenue;
- the SoBECA area; and
- Newport Boulevard.

Planning for potential housing along the above described corridors will require the City to amend its General Plan and undertake rezoning actions including updates to several outdated City land use plans. Many of these plans are 20 to 30 years old and no longer reflect the community's vision for housing or high quality development.

July 12, 2022 Study Session

On July 12, 2022 the City Council held a study session to receive an update and to discuss the future of housing in Costa Mesa and potential solutions to the current housing challenges, including a potential ballot measure. Staff provided an overview of community demographics, the status of Housing Element certification by the State, strategies to address housing instability implemented to date, feedback obtained from residents in the most recent community survey on housing in Costa Mesa, and recommended next steps for planning for the future.

The City Council's Housing Ad Hoc Committee, comprised of Mayor Pro Tem Marr, Council Member Reynolds and Council Member Harlan, also provided an update. In light of the public comment related to community housing goals and a desire to move forward with a community visioning process for the revitalization of the City's commercial and industrial corridors, the Ad Hoc Committee recommended the City Council consider the placement of a measure on the November 8, 2022 ballot at its July 19, 2022 meeting. The Ad Hoc recommended that the measure amend the City's zoning code to allow the City Council to:

- Conduct a community visioning process resulting in updated land use plans for commercial/industrial corridors and the area north of the I-405.
- Revitalize corridors while keeping single family residential neighborhoods intact and restricting building heights.
- Provide affordable housing for working- and middle- class Costa Mesa families, seniors, and individuals.
- Protect open space and the environment.
- Require developers to pay impact fees to improve traffic, parks, and open space.

The Council received public comment and, after extensive discussion, directed staff to bring a ballot measure forward for discussion at the July 19, 2022 City Council meeting, reflective of the Ad Hoc Committee's and community's recommendations. The Study Session staff report is provided at the following link.

[City of Costa Mesa - File #: 22-811 \(legistar.com\)](https://legistar.com/View/00000000-0000-0000-0000-000000000000)

July 19, 2022 Council Meeting

The City Council received a presentation from staff regarding potential ballot measure language at its regular meeting on July 19, 2022. There was significant discussion by the City Council regarding the content of the draft language, and the public gave extensive feedback as well. Ultimately, the City Council continued the item to the August 2, 2022 meeting to provide additional time for discussion and public input. The staff report is provided at the following link.

[City of Costa Mesa - File #: 22-817 \(legistar.com\)](#)

In their final comments, Council members requested staff return with additional information regarding:

- Definition of the term “affordable housing”;
- Section 3 of the draft measure pertaining to the affordable housing exception;
- Clarification regarding single family residential properties shown within the area north of the I-405 freeway;
- Potential to add additional corridors such as East 17th Street, Baker Street from Harbor Boulevard to Mendoza, and Bristol Street;and
- Local hire policy.

This report focuses exclusively on the above-listed items.

ANALYSIS

Following the July 19th, 2022 meeting, staff prepared the following information including a revised draft measure for discussion and potential action for placement on the November 8, 2022 ballot.

Draft Ballot Measure

The proposed initiative would amend Section 13-200.106 of the Costa Mesa Municipal Code to allow the City Council to approve/adopt and amend the City’s General Plan, zoning, specific plans or overlay plans located in the following areas of the City, as depicted in the attached map (Exhibit A):

1. Newport Boulevard/Old Newport Boulevard from Mesa Drive to the City limit and Superior between Newport Boulevard and the City limit;
2. Harbor Boulevard from Baker Street to West 19th Street;
3. Baker Street between SR-73 and SR-55 (commonly known as the SoBECA area);
4. West 17th Street from Newport Boulevard west to Monrovia, West 18th Street from Placentia west to Monrovia and 19th Street from Harbor Boulevard west to Federal (Note: for clarity, the corridor map, attached as Exhibit A, was revised to remove existing residential properties along 19th Street between Monrovia and Federal. West of Federal, only one industrial property is included within the corridor near 19th Street and Whitter);
5. Placentia Avenue from Victoria Street to West 16th Street; and

6. North of the 405 freeway as bordered by the City limits.

Such land use plan updates would be for the purpose of planning for affordable housing opportunities and revitalization of existing commercial and industrial corridors. The updates to the City's land use plans would include restrictions on building heights and be subject to environmental studies and a robust public engagement process including community visioning meetings and noticed public hearings. If the ballot measure is approved, staff can return to the City Council with a proposed budget allocation for the community engagement process including timeframes and deliverables.

In order to be eligible, all residential and mixed use developments must provide for affordable housing pursuant to a City Council-adopted affordable housing ordinance or City Council approved Development Agreement. In addition, fees would be required to be paid by developers to improve traffic, parks, and open space throughout the City.

The proposed ballot measure would allow the City Council to move forward with updates to the City's plans along the commercial and industrial corridors ultimately selected to include in the measure, thereby protecting established single-family residential neighborhoods and open space while providing for corridor revitalization and opportunities for more affordable housing in areas of the City identified by the community. Such plan updates would allow the City to remain in compliance with State housing laws, and avoid potential fines and State actions against the City that undermine local control of Costa Mesa's zoning and land use laws.

Updates to land use plans would be initiated by in-depth community outreach and visioning exercises so that land use plans reflect community values and a desire for well-designed, high quality, compatible housing and commercial projects that fit into the context of their surroundings.

When drafts are complete, all land use plans would be released for a public comment period to ensure opportunities for community feedback. Ultimately, all land use plan updates would be reviewed by the Planning Commission and decided on by the City Council at noticed public hearings to maintain local control.

Modifications to the draft measure are shown in underline ~~strikethrough~~ format in Attachment 2 to this report. Staff recommended modifications include a revision to the description of the West 19th Street corridor as described above, and a revision to add the term "public parkland" to clarify that single family residential uses as well as public parks would not experience a land use change under the proposed measure (consistent with the measure's stated intent). Staff also made minor clean-up revisions to Exhibit A.

In addition, Mayor John Stephens has submitted proposed revisions to the ballot measure language for Council consideration, provided as Attachment 7 to this report.

Affordable Housing Definition

The term affordable housing as it is used in the draft measure means housing affordable to families and individuals that fall into extremely low, very low, low, and moderate income categories as defined by State or federal law, as applicable. Based on State guidelines:

- Moderate-income households earn 81% to 120% of Orange County’s Area Median Income (AMI), i.e., \$142,920 or less in annual household income;
- Low income households earn 80% to 51% of Orange County’s AMI, i.e., \$108,400 or less in annual household income;
- Very Low income households earn 50% to 31% of Orange County’s AMI, i.e., \$67,750 or less in annual household income;
- Extremely Low Income households earn 30% of Orange County’s AMI, i.e., \$40,650 or less in annual household income.

As discussed previously in the City Council study session, approximately 48% of Costa Mesa households fall within low, very low, or extremely low income categories as shown in Table 1 below.

Table 1

Households by Income Category, 2020			
Income Category (% of Orange County's AMI)	No. Households	of	Percent
Extremely Low (30% AMI or less)	6,610		16.3%
Very Low (31 to 50% AMI)	5,220		12.9%
Low (51 to 80% AMI)	7,325		18.1%
Moderate or Above (over 80% AMI)	21,405		52.8%
	Total	40,555	100%
Source: Department of Housing and Urban Development (HUD) Comprehensive Housing Affordability Strategy (CHAS), 2013-2017			

Affordable Housing Exception

The draft measure as currently proposed adds text to Section 13-200.106 of the Municipal Code allowing the City Council to adopt or amend City land use plans in specific areas of the City located along outdated commercial and industrial corridors for the purpose of corridor revitalization and provision of affordable housing opportunities, and provides some substance to the existing Municipal Code exception for affordable housing projects for that same purpose. The existing affordable housing exception exempts from a City-wide vote “affordable housing proposals mandated by State or federal law”. There is no definition of affordable housing proposal nor is it clear whether affordable housing proposals exist that are “mandated” by the State or federal law. The draft measure adds language to clarify that the exception would also apply to affordable housing projects that are consistent with a City-adopted affordable housing ordinance, when located within the specific commercial and industrial corridors identified by the measure.

Additional Corridors for Discussion

At the July 19, 2022 Council Meeting, Council members requested consideration of additional areas to add to the list of corridors to be considered for potential inclusion in the measure as follows.

Bristol Street

Council members raised an interest in evaluating Bristol Street south of the I-405 to the City limit for inclusion in the measure. In response staff added the Bristol Street corridor to Exhibit A (Option 2) for discussion, provided as an attachment to this report.

In general, the Bristol Street corridor between the I-405 and Baker contains a mix of commercial retail and office properties that have historically had low vacancy rates and have performed well from an economic perspective. In addition, reinvestment and redevelopment along this corridor is occurring, with the Canvas office complex, 660 Baker and the construction of the new Ganahl Lumber site and the Fletcher Jones-Audi car dealership as examples of properties which have recently been upgraded or redeveloped along Bristol Street. South of Baker, the types of commercial uses along Bristol change to include a greater variety of office and commercial uses in scale and intensity and may provide some opportunities for reinvestment and corridor planning both for mixed use housing opportunities and for commercial revitalization. Although this corridor has historically performed well and major office tenants are continuing to locate in Costa Mesa in this area, office vacancy rates have increased post-COVID and in a business environment where remote work is becoming more prevalent, office properties may have an opportunity to redevelop in the future. Staff is seeking direction as to whether to include Bristol Street as a corridor within the measure.

Baker Street from Harbor Boulevard to Mendoza

The Baker Street corridor between Harbor Boulevard and Mendoza includes a mix of small lot multifamily residential uses near Harbor Boulevard, and transitions to local businesses in the boutique manufacturing, building supplies, and baking industries as well as resident-serving light industrial uses near Fairview. The industrial uses along this corridor are performing well and have a very low vacancy rate of below one percent. Based on the existing land use pattern along Baker Street, staff did not initially identify Baker as a prime candidate for housing opportunity sites or economic revitalization. Nonetheless, staff have added the Baker corridor to Exhibit A (Option 2) for discussion, which is provided as an attachment to this report, and is seeking Council direction as to whether to include it in the measure. If the Council desires to include it, staff recommends the area included be focused around Baker and Fairview only.

East 17th Street

As opposed to West 17th Street (which already includes a mix of multifamily residential uses and industrial properties located within an existing Urban Plan area), East 17th Street is a commercial retail-corridor that provides retail and services to the Costa Mesa community, and is already performing very well from an economic perspective and experiencing continual reinvestment. For these reasons, staff did not initially identify 17th Street as a prime candidate for housing opportunity sites or economic revitalization. Nonetheless, staff have added the East 17th Street corridor to Exhibit A “Option 2” for discussion, which is provided as an attachment to this report, and is seeking Council direction as to whether to include it in the measure.

Clarification re: Single Family Residentially-Zoned Properties within Corridors

The draft measure as written specifically provides that single-family residentially zoned properties will not be affected under the measure, consistent with the City’s stated intent to preserve single-family residential neighborhoods. The corridors as mapped do not include any R-1 (single family residential) zoned properties, with the exception of the Wimbledon residential community located north of the I-405. This area is only included within the “north of the I-405” corridor because it has a combination of single- and multi-family zoning and is geographically located north of the I-405. A note is included on the corridors exhibit which states “No single-family residentially zoned parcels will be subject to land use changes under the initiative” to make the City’s intent clear. However, as another option, the Council could direct staff to remove the Wimbledon property from the I-405 corridor for additional clarity which may be preferred.

Local Hire Policy

Generally, a “local hire” policy will include a goal or requirement to hire people who live close to the place of work and is often specifically structured as a requirement for contractors awarded certain types of publicly-funded projects to recruit a proportion of the employees working on the project from a particular area. Some communities have also considered establishing such a requirement for contractors hired for certain types of private projects. Proponents of “local hire” believe that such regulation fosters community involvement, preserves local employment opportunities in construction, reduces the environmental impact of commuting to work, and encourages tax dollars to be invested back into the local economy.

Because a local hire policy is not a land use or zoning issue, staff recommends that it not be included in the draft measure under discussion. If the City Council is interested in such a policy, staff suggests that the Council direct staff to agendize a separate policy discussion and return the matter to the City Council. As related to applying a local hire policy to housing projects, further analysis should be completed to ensure that applying such a policy would not result in dampening housing production in Costa Mesa, which would be counter productive. Staff is seeking Council direction on this matter.

NEXT STEPS

If the City Council approves placing the measure on the ballot, the City Clerk will submit the Measure and required arguments and impartial analysis to the Registrar of Voters by the deadline of August 12, 2022, with rebuttal arguments submitted to the Registrar of Voters by the deadline of August 22, 2022.

ENVIRONMENTAL DETERMINATION

This measure including the amendments to the Zoning Code and Municipal Code proposed by this measure have been reviewed for compliance with the California Environmental Quality Act (CEQA) (Pub. Res. Code §§ 21000 et seq.), the CEQA guidelines (14 Cal. Code Regs. § 15000 et seq.) and the City's environmental procedures, and has been found to be exempt pursuant to Sections 15378 (b)(5) (Not a Project) and 15061(b)(3) (General Rule) of the CEQA Guidelines, in that it is not a "project" under CEQA and it can be seen with certainty that there is no possibility that the proposed amendments to the Zoning Code or the Municipal Code will have a significant effect on the environment.

ALTERNATIVES:

1. Direct staff to place the proposed ordinance on the November 8, 2022 ballot incorporating specific revisions directed by the City Council.
2. Decline to place the initiative ordinance on the ballot.

FISCAL REVIEW:

The cost to place the initiative on the November 2022 ballot is estimated at \$25,000 and is included in the Fiscal Year 2022-2023 budget.

The cost of citywide mailings would be approximately \$10,000 per mailing.

LEGAL REVIEW:

The City Attorney's office has reviewed this report for legal content and approved it as to form and prepared the draft Resolutions.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goals:

- Strengthen the Public's Safety and Improve Quality of Life
- Achieve Long-Term Fiscal Sustainability
- Advance Environmental Sustainability and Climate Resiliency
- Diversify, Stabilize and Increase Housing to Reflect Community Needs

CONCLUSION:

Staff is seeking direction whether to place a ballot measure on the November 8, 2022 ballot to allow the City to move forward with land use plans to maintain local control and revitalize outdated commercial and industrial corridors, provide for housing affordable to Costa Mesa working and middle class families, individuals and seniors, while preserving the environment and open space, requiring developer-paid fees to reduce traffic, and keeping single-family residential neighborhoods intact.