



City of Costa Mesa
Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

Item #: 24-302

Meeting Date: 08/06/2024

TITLE: INTRODUCTION AND FIRST READING OF AN ORDINANCE APPROVING THE FIRST AMENDMENT (DA-20-05) TO DEVELOPMENT AGREEMENT (DA-94-01) BETWEEN THE CITY OF COSTA MESA AND THE INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB ALLOWING FOR A 20-YEAR TIME EXTENSION THAT WOULD EXPIRE OCTOBER 31, 2044; AMENDING PROVISIONS PERTAINING TO THE RATE AND METHODOLOGY FOR CALCULATING TRAFFIC IMPACT FEES; AND, AMENDING PROVISIONS RELATED TO THE SETBACK OF A FUTURE PARKING STRUCTURE; FOR A PROPERTY LOCATED AT 3333 FAIRVIEW ROAD

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/ PLANNING DIVISION

PRESENTED BY: CHRISTOPHER ALDANA, ASSISTANT PLANNER

CONTACT INFORMATION: CHRISTOPHER ALDANA, ASSISTANT PLANNER, (714) 754-4868

RECOMMENDATION:

On July 22, 2024, the Planning Commission recommended that the City Council approve the proposed development agreement amendments and Ordinance adoption by a vote of 4-1-2 to:

1. Find, pursuant to CEQA Guidelines Section 15162, that the project is within the scope of the June 20, 1994-certified Final Environmental Impact Report (EIR) #1045 (State Clearing House No. 94021036) for the Auto Club Expansion project. The effects of the project were examined in the 1994 FEIR, and all feasible mitigation measures and alternatives developed in the 1994 FEIR are incorporated into this project and no new mitigation measures are required. Therefore, the 1994 FEIR for the Automobile Club Expansion project is determined to be adequate to serve as the environmental documentation for this project, that no further environmental review is required, and that all requirements of CEQA are satisfied.
2. Introduce for first reading, by title only, Ordinance 2024-XX approving the First Amendment (DA-20-05) to the Automobile Club of Southern California Development Agreement (DA-94-01) to allow for a 20-year time extension that would expire October 31, 2044; to amend provisions pertaining to the rate and methodology for calculating traffic impact fees; and to amend provisions related to the setback of a future parking structure.

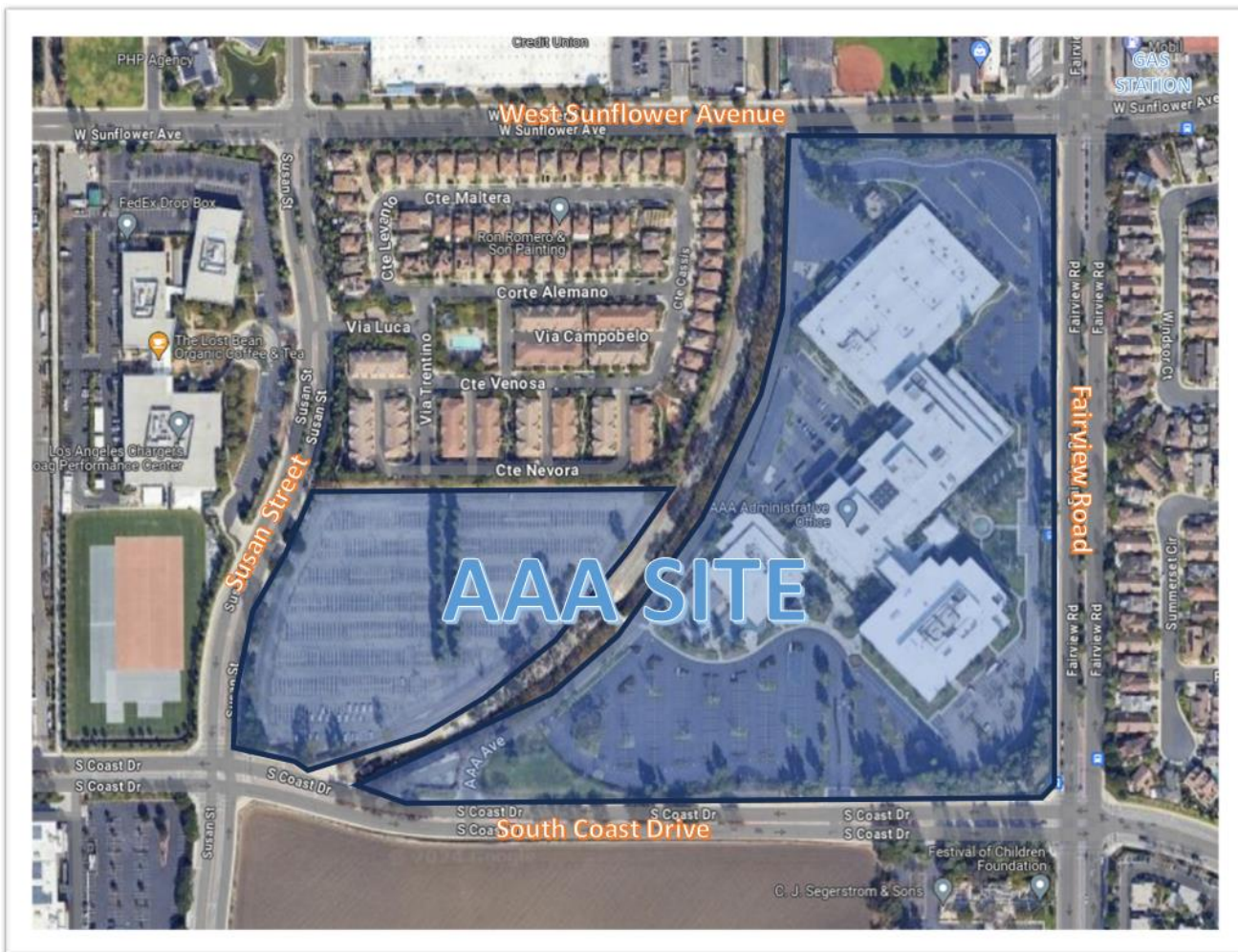
APPLICANT OR AUTHORIZED AGENT:

The applicant and authorized agent is Jennifer J. Farrell, Esq., representing the property owner, Interinsurance Exchange Automobile Club of Southern California.

BACKGROUND:

The Automobile Club of Southern California (AAA) has operated at 3333 Fairview Road since the 1980s. The site operates and is developed with AAA office and support services that were approved pursuant to Development Review (DR-80-05). The AAA site is a 29.5-acre lot subdivided in 1979 as Parcel 1 of Parcel Map No. 79-381 and an adjacent 9.7-acre site to the west that was later subdivided in 1994 as Parcel 2 of Parcel Map No. 94-120 (see the below Exhibit 1).

Exhibit 1 – Vicinity Map

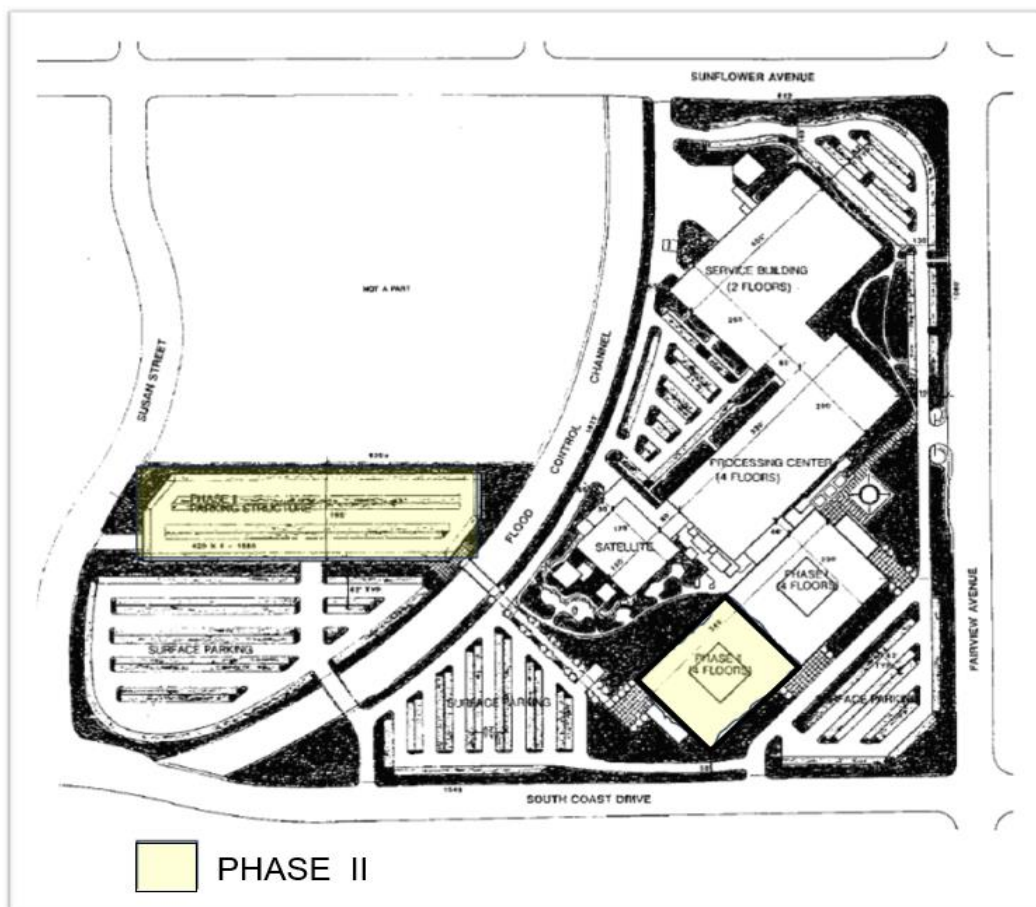


In 1994, the City of Costa Mesa approved the following applications for the development of the subject property:

- 1) **Final Environmental Impact Report #1045** (State Clearinghouse No. 94021036);

- 2) **General Plan Amendment (GP-94-01A)** to redesignate the subject property and the adjacent 9.7-acre parcel from Industrial Park and Medium Density Residential to Urban Center Commercial;
- 3) **Rezone (R-94-01)** to change the subject property from Industrial Park (MP) and Planned Development Residential-Medium Density (PDR-MD) to Planned Development Commercial (PDC);
- 4) **Planning Action (PA-94-15)** for a final development plan for a 500,000-square-foot expansion of the existing Automobile Club facility with a four-level parking structure;
- 5) **Tentative Parcel Map (S-94-120)** to divide the northerly portion of the Segerstrom Home Ranch site into three parcels to accommodate the proposed project; and
- 6) **Development Agreement (DA-94-01)** an agreement between the applicant and the City pursuant to California Government Code Sections 65864, et seq. that guarantees project approvals for 30 years from its effective date, in exchange for certain public benefits.

Exhibit 2 – DA-94-01 Approved AAA Site Plan



The 1994 entitlements included a 500,000-square-foot expansion that was planned to occur in two phases. Each phase was to consist of an approximate 250,000-square-foot building. Additionally, a four-level 1,840 space parking structure is approved on the adjacent 9.7-acre parcel. To date, AAA has completed Phase I improvements, which total 235,825 square feet of the 500,000-square-foot expansion. Including the aforementioned addition (Phase I), the AAA total site floor area is approximately 702,825 square feet. Additionally, the 9.7-acre parcel to the west, which has a driveway along Susan Street, has been improved and is utilized as a surface parking lot for AAA employees. This surface parking lot is accessed internally by a 40-foot-wide bridge that connects the main AAA facility. The remaining Phase II improvements are shown in yellow-shading on the above Exhibit 2.

The original development agreement (DA-94-01) provided for a 30-year timeframe in which to develop the project. This term will expire on October 31, 2024 unless extended. AAA is in full compliance with all terms of the development agreement for the square footage that has been constructed to date, which includes payment of traffic impact fees and Transportation Corridor fees.

In recent years, AAA management has contemplated consolidating their southern California regional operations to their Costa Mesa facility. The square footage that remains to be built pursuant to the development agreement is believed to be adequate to accommodate this consolidation. In 2023, AAA approached the City with a request to extend the development agreement by 20 years, starting on November 1, 2024 to October 31, 2044, in order to accommodate their consolidation plans. During conversations with the applicant, City staff requested additional updates to the terms of the development agreement that include the payment of traffic impact fees, and consideration of the setback of the future parking structure from the adjacent residential community, which was contemplated in the original project approval. The applicant was amenable to these updates and has included them in their application.

Requested Amendments

In support of their long-term plans to consolidate regional business operations in Costa Mesa, AAA proposes the following revisions to the development agreement (see Attachment 2):

1. Page 2, Section 2: Change the expiration year from 2024 to 2044. This will extend the development agreement for an additional 20 years, commencing on November 1, 2024 and terminating on October 31, 2044.
2. Page 3, Section 6 (a): Update the average daily vehicle trip "ADT" multiplier from .00718 to .00989. This change reflects the current Institute of Transportation Engineers (ITE) trip generation factor for office land uses.
3. Page 4, Section 6 (b): Update the Traffic Impact Fee from \$228 to \$235, or the current rate at time of development, whichever is less. This change is necessary to reflect the City's current adopted fee.

4. Page 3, Section 5(e): Specify that the Phase II parking structure shall be proposed a minimum of 60 feet from the existing residential uses located to the north of the smaller parcel to improve land use compatibility.
5. Other non-substantive numbering, reference, and/or formatting edits to clarify intent and implement the proposed changes.

Refer to the applicant's letter in Attachment 3 for a detailed description of the applicant's requests.

Public Comments

One comment letter was received prior to the Planning Commission meeting. The letter requested additional information from staff relating to the proposed parking structure location. Staff spoke with the commenter by phone and addressed their questions. The commenter then indicated to staff that they had no concerns. At the Planning Commission meeting held on July 22, 2024, no members of the general public spoke either in support or opposition to the project.

Planning Commission Recommendation

On July 22, 2024, the Planning Commission considered the request and reviewed the proposed DA modifications/updates. After considering staff's presentation, the applicant's presentation, and opening the hearing for public comments, the Planning Commission deliberated and voted 4-1-2 to find that the project is within the scope of the June 20, 1994 certified Final Environmental Impact Report, and to adopt a Resolution that recommends City Council approval of the First Amendment (DA-20-05) to the Automobile Club of Southern California Development Agreement (DA-94-01) by adopting an ordinance to allow for a 20-year time extension until October 31, 2044; to amend provisions pertaining to the rate and methodology for calculating traffic impact fees; and, to amend provisions related to the setback of a future parking structure. Planning Commissioner Martinez voted to not recommend project approval to the City Council, and Chair Ereth and Commissioner Andrade recused themselves from the project review.

Planning Commissioner comments supporting the motion for approval included that "the AAA is an excellent local business", "the AAA facility is very well maintained" and the "AAA facility has great employee amenities that attracts high quality jobs to the City". Commissioner Martinez did not support the motion and provided comments that the project was generally not consistent with certain General Plan Polices that encouraged multi-modal transportation, and that the site was over-parked. The July 22, 2024, Planning Commission staff report and video is linked below:

The July 22, 2024 Planning Commission staff report (also provided as Attachment 8) can be viewed at this link:

<https://costamesa.legistar.com/LegislationDetail.aspx?ID=6790093&GUID=D41EA24A-9362-496E-B877-A33BB700B732>

The July 22, 2024 Planning Commission meeting video can be viewed at this link:

https://costamesa.granicus.com/player/clip/4155?view_id=14&redirect=true

ANALYSIS:

Pursuant to City Council Resolution No. 88-53, Development Agreement Procedures and Requirements, and Government Code Section 65865(c), the proposed amendments are subject to the following two determinations:

1. The Development Agreement between the City of Costa Mesa and Developer is:
 - Consistent with the objectives, policies, general land uses and programs specified in the General Plan and with the General Plan as a whole;
 - Compatible with the uses authorized in, and the existing land use regulations prescribed for, the zoning district in which the real property is and will be located; and
 - Is in conformity with and will promote public convenience, general welfare, and good land use practice.

In making its recommendation to the City Council, the Planning Commission found that the proposed first amendment to the development agreement is consistent with General Plan policies and objectives, primarily objective LU-6C, in that the long-term build-out of the AAA office campus will support the retention and expansion of the City's employment base with diverse and quality employment opportunities. Additionally, the City's Land Use Element specifies that the "Urban Center Commercial" Land Use District is intended to "allow for high-intensity mixed-use commercial development within a limited area" and identifies that one of the four major developments located within the Urban Center Commercial Land Use District is the "Automobile Club of Southern California". The proposed development is also compatible with the existing land uses located north of Interstate 405 which includes larger developments such as South Coast Plaza, Metro Pointe, IKEA and the Segerstrom Center for the Arts. Lastly, AAA has operated from this site since 1980 without any impacts to surrounding uses, including the nearby residential developments.

2. The Development Agreement between the City of Costa Mesa and Developer will not:
 - Be detrimental to the health, safety and general welfare; and
 - Adversely affect the orderly development of property or the preservation of property values.

In making its recommendation to the City Council, the Planning Commission also found that the AAA headquarters has operated at the site since 1980 and there have been no incompatibilities with the surrounding uses. The proposed use, size, and intensity of the project is consistent with the existing development within the general area located north of the 405 freeway, and would not be detrimental to the health, safety, and general welfare of the community. There are no modifications proposed to the site's previously entitled development

intensity and only minor considerations are proposed to improve the site's physical layout to avoid potential impacts to nearby residential development. As such, the extension of the Development Agreement will not be detrimental to the health, safety and general welfare, or adversely affect the orderly development of property or the preservation of property values.

Project Effective Date

The current development agreement provides that it may be amended or canceled in whole or in part only by written consent of all parties in the manner provided for in Government Code Section 65868. If the City Council approves this request prior to the expiration date of the existing development agreement, this first amendment will become effective on November 1, 2024 and be valid through October 31, 2044.

ENVIRONMENTAL DETERMINATION:

Pursuant to CEQA Guidelines Section 15162, this project remains within the scope of the June 20, 1994 certified Final Environmental Impact Report (FEIR) #1045 (State Clearinghouse No. 94021036) for the AAA Expansion project. The effects of the project were examined in the 1994 FEIR, and all feasible mitigation measures and alternatives developed in the 1994 FEIR are incorporated into this project, and no new mitigation measures are required. Therefore, the 1994 FEIR for AAA Expansion project is determined to be adequate to serve as the environmental documentation for this project, no further environmental review is required, and that all requirements of CEQA are satisfied.

ALTERNATIVES:

Other than the recommended action, the City Council may:

1. *Introduce the Ordinance for First Reading with Modifications.* The City Council may suggest specific changes that are appropriate to address concerns or improve the project. Please note that Development Agreements are, effectively, contracts between the City and the applicant and, as such, the applicant would need to agree to any proposed modifications.
2. *Continue the Ordinance for First Reading to a date certain.* The City Council may continue the item to a date certain with direction for staff to return with additional information, changes, and/or clarifications. Please note that any continuation should have the item return to the City Council for final action before September 30, 2024, so that an approval will occur prior to the expiration of the existing agreement.
3. *Deny the project.* If the City Council believes there are insufficient reasons to support the determinations for approval, the City Council must deny the application.

FISCAL REVIEW:

The overall impact to the City from Traffic Impact Fee revenue under the revised calculation from \$228 to \$235 per net trip, if AAA expands to the maximum allotted 250,000-square-foot building, would be an additional one-time estimated increase of \$160,000 in revenue to the Traffic Impact Fees Fund (Fund 214).

LEGAL REVIEW:

The draft Ordinance and staff report have been prepared in conjunction with and reviewed by the City Attorney's Office.

PUBLIC NOTICE:

Pursuant to CMMC Section 13-29(d), three types of public notification have been completed no less than 10 days prior to the date of the public hearing:

1. **Mailed notice.** A public notice was mailed to all property owners and occupants within a 500-foot radius of the project site. The required notice radius is measured from the external boundaries of the property.
2. **On-site posting.** A public notice was posted on each street frontage of the project site.
3. **Newspaper publication.** A public notice was published once in the Daily Pilot newspaper.

Any public comments received prior to the August 6, 2024 City Council meeting, may be viewed at this link: [CITY OF COSTA MESA - Calendar \(legistar.com\)](https://legistar.com/calendar/city-of-costa-mesa)

CITY COUNCIL GOALS AND PRIORITIES:

This item is administrative in nature.

CONCLUSION:

An Ordinance for DA 94-01 was adopted by the City Council in 1994 and included a 30-year time frame for completion. Unless extended, the DA will expire on October 31, 2024. As approved, the AAA development consists of two phases of which only Phase I has been completed. AAA is now interested in completing the second phase of the approved entitlements to consolidate regional operations in Costa Mesa. Beyond extending the date of expiration, updating the rate and method of calculating traffic impact fees, and modifying language pertaining to the location of a future parking structure, there are no changes to the DA agreement. The Planning Commission voted in favor of the proposed first amendment because the extended term will retain a large and high-quality local employer, allow the City the opportunity to benefit from the remaining traffic impact fees which would be used on road improvement projects, and the development will create additional quality local employment opportunities. Finally, the proposal is in conformance with the City's General Plan.