



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 24-027

Meeting Date: 2/20/2024

TITLE:

AMENDMENT NUMBER FOUR TO PROFESSIONAL SERVICES AGREEMENT (PSA) WITH KEYSER MARSTON ASSOCIATES (KMA) FOR AFFORDABLE HOUSING CONSULTING SERVICES

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

PRESENTED BY: NANCY HUYNH, PRINCIPAL PLANNER

CONTACT INFORMATION: NANCY HUYNH, PRINCIPAL PLANNER, (714) 754-5609

RECOMMENDATION:

Staff recommends the City Council:

1. Approve and authorize the City Manager and City Clerk to execute Amendment No. 4 to the Professional Services Agreement (PSA) with Keyser Marston Associates, Inc. (KMA) to increase the not-to-exceed amount by \$55,300 for a total of \$155,300, in substantially the same form as attached and in such final form as approved by the City Attorney.
2. Authorize the City Manager or designee and City Clerk to execute future amendments to the agreement, so long as such amendments are within the existing City budget.

BACKGROUND:

KMA, an expert housing consultant with over 30 years of experience, was retained by the City in February 2021 to provide housing consulting services, specifically to assist staff with developing a draft affordable housing ordinance. The original consulting services scope of work included preparing a Financial Evaluation, a policy recommendations memorandum, attendance at meetings with staff and three public hearings at Planning Commission and City Council. The original agreement was for a not-to-exceed amount of \$50,000 and an estimated project timeline of approximately nine months.

Since approval, the PSA has been amended three times as follows:

- Amendment No. 1: Extend the terms of the contract through February 7, 2024;
- Amendment No. 2: Increase the contract amount by an additional \$20,000 using State-awarded LEAP funds; and
- Amendment No. 3: Increase the contract amount by an additional \$30,000 using State-awarded LEAP funds for a contract total of \$100,000.

The proposed affordable housing ordinance was presented to the Planning Commission at a public hearing on December 11, 2023. The Planning Commission recommended that the City Council give first reading of the proposed affordable housing ordinance. On January 16, 2024, City Council held a public hearing on the item and approved first reading of the affordable housing ordinance, directing staff to return with an in-lieu fee analysis concurrent with the second reading. The second reading of the ordinance is anticipated to be scheduled for City Council review and potential adoption at their March 5, 2024 regular meeting.

ANALYSIS:

Under contract to the City, KMA has prepared the draft Financial Evaluation including creating multiple project prototypes and scenarios to determine the affordable housing requirement that the City could adopt without being “confiscatory” and without depriving a developer of a fair rate of return. KMA’s initial analysis and findings were presented to the City Council and Planning Commission in two joint study sessions in May and July 2023.

Based on the direction provided at the study sessions as well as feedback received from stakeholders, KMA updated their analyses to include more project prototypes than originally envisioned in order to more accurately reflect the range and types of likely housing projects in the City. As such, the previously approved contract amounts were expended to cover KMA’s additional work on the revised Financial Evaluation and associated attendance at meetings with stakeholders, staff, and decisionmakers over an extended project timeline.

Under the proposed contract amendment, KMA would complete the final tasks and documents necessary for final adoption of the Ordinance and approval of a Fee Resolution, as well as to assist staff with preparing implementation procedures and templates for a new Affordable Housing Program. Pending tasks and deliverables would include:

- Complete in-lieu fee study and finalize policy recommendation memorandum;
- Draft affordable housing guidelines;
- Draft affordable housing agreement and form templates;
- Assist staff with preparing Administrative Regulations; and
- Attend meetings including public hearings or other meetings with staff as needed.

The draft Agreement and scope of work are provided as Attachment 1 to this report.

The increase in the contract amount would be covered by State-awarded LEAP grant funds. As such, the amendment would not impact the City’s General Fund.

ALTERNATIVES:

The alternative to the proposed City Council action is not to move forward with the additional funding for the subject agreement. In this case, no in-lieu fee analysis could be prepared or adopted and the Affordable Housing Program’s final documents would not be completed. As such, the Program could not be implemented and subject to a consistent set of guidelines and procedures.

FISCAL REVIEW:

There is no fiscal impact to the City's General Fund. The cost for this contract would be fully funded by the State awarded LEAP grant funds.

LEGAL REVIEW:

The agenda report and attached agreement has been reviewed and approved as to form by the City Attorney's Office.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Diversify, Stabilize and Increase Housing to Reflect Community Needs

CONCLUSION:

Staff recommends the City Council:

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2. Authorize the City Manager or designee and City Clerk to execute future amendments to the agreement, so long as such amendments are within the existing City budget.