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TITLE:

PUBLIC REVIEW DRAFT 2021-2029 HOUSING ELEMENT

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES
DEPARTMENT/PLANNING DIVISION

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RECOMMENDATION:

Provide feedback on the Public Review Draft Housing Element before its submittal to the State Department of Housing and Community Development (HCD).

BACKGROUND:

The basis of the 2021-2029 sixth cycle Housing Element Update is compliance with the State's Regional Housing Needs Assessment (RHNA) for the planning and zoning for additional housing units as allocated by the State and the Southern California Association of Governments (SCAG). The following table provides a breakdown of Costa Mesa's final RHNA allocation:

Table 1 - Final RHNA Allocation					
Income Category	% of Area Median Income (AMI)	Affordable Monthly Rent	Income Range Min. - Max.		RHNA Allocation
Very Low Income	0-50% AMI	\$961 - \$1,281	--	\$64,050	2,919 units
Low Income	51-80% AMI	\$2,561	\$64,051	\$102,450	1,794 units
Moderate Income	81-120% AMI	\$3,090	\$102,451	\$123,600	2,088 units
Above Moderate Income	>120% AMI	>\$3,090	\$123,601	--	4,959 units
Total					11,760 units

During the past year and a half, the City has held several town hall meetings and study sessions

regarding the required Housing Element Update. Study sessions were previously held with the Planning Commission and City Council on March 1, 2021, March 23, 2021, and April 27, 2021. At these study sessions, staff presented information regarding the RHNA process, new State housing regulations, consequences of non-compliance with State Housing Element law, Costa Mesa's demographics and preliminary Community Profile data, a summary of community outreach efforts and feedback, and an introduction to the housing plan and the sites analysis process. The September 13, 2021 study session is the fourth publicly noticed study session regarding the housing element update and process.

The staff reports and meeting videos for previous study sessions are available at the following links:

March 1, 2021 Planning Commission Study Session Staff Report:

<http://ftp.costamesaca.gov/costamesaca/planningcommission/agenda/2021/2021-03-01/SR-1.pdf>

Meeting Video:

https://costamesa.granicus.com/player/clip/3670?view_id=10&redirect=true

March 23, 2021 City Council Study Session Staff Report:

<http://ftp.costamesaca.gov/costamesaca/council/agenda/2021/2021-03-23/Item-1.pdf>

Meeting Video:

https://costamesa.granicus.com/player/clip/3697?view_id=10&redirect=true

April 27, 2021 City Council and Planning Commission Joint Study Session Staff Report:

<http://ftp.costamesaca.gov/costamesaca/council/agenda/2021/2021-04-27/Item-1.pdf>

Meeting Video:

https://costamesa.granicus.com/player/clip/3710?view_id=10&redirect=true

ANALYSIS:

At the April 27, 2021 joint Planning Commission/City Council study session, a number of issues were discussed and feedback was received by the public, Planning Commission, and City Council. The purpose of the study session was to provide an opportunity for feedback on the proposed focus areas and corridors for potential housing and the housing opportunity sites and recommended densities within those corridors to finalize the City Council's high-level housing goals. The following is a summary of general comments received during the study session and how they have been addressed in the Public Review Draft Housing Element.

Planning Commission Comments:

- 1) Consider 4-plex and 6-plex bungalows in single family neighborhoods since they maintain the same height and streetscape.
 - The 4-plex and 6-plex development types can integrate well with established low-density residential neighborhoods. Staff will continue to evaluate how such housing types may be incorporated into the City's planning and zoning codes. However, for Housing Element purposes, the State requires a minimum density of 30 du/acre to demonstrate compliance with RHNA requirements for the provision of housing in affordable categories. The incremental increase in housing in established single family neighborhoods will be addressed through ADU and JADUs and other incremental

changes.

- 2) Plans for housing should be integrated with more open space and consideration of the existing network of neighborhoods.
 - Open space and other development standards will be evaluated with the comprehensive zoning code and general plan updates following adoption of the Housing Element.
- 3) Encouraged removal of the Mesa West Residential Ownership urban plan.
 - The Draft Housing Element includes a program for the potential removal of this urban plan following Housing Element adoption.
- 4) Add residential units on the 17th Street corridor as mixed-use development and around the airport area as alternative housing sites.
 - The Draft Housing Element includes programs for further study of these corridors for potential housing opportunities. Even though specific sites in these areas are not identified as housing opportunity sites, the City could consider these locations as potential housing areas in the future.
- 5) The City should be proactive in its conversation with faith-based organizations for use of their properties for affordable housing.
 - Programs to continue the conversation with the faith-based community are included in the Draft Housing Element. Please refer to Program 3J.
- 6) Infrastructure studies (water, sewer, etc) should be considered in planning for additional housing units.
 - As part of the Housing Element Update, the City will prepare an environmental study that will include high-level studies related to infrastructure and public services at a program level. Additional more detailed studies would be undertaken as part of the zoning and General Plan Updates that would be necessary to implement the Housing Element programs.
- 7) Discussed a citizen advisory committee related to Measure Y.
 - Staff will be undertaking a larger community conversation about the necessity of a compliant Housing Element and the Measure Y process, which include formation of an advisory group. The City anticipates the General Plan and zoning changes necessary to implement the Housing Element will be subject to Measure Y.
- 8) Consideration should be given to environmental justice goals and affirmative fair housing related to air quality and quality of life with placement of housing along major freeways, near airports, etc.
 - Environmental justice and fair housing goals are incorporated into the fabric of the Housing Element and staff agrees these goals must be a part of future General Plan and zoning actions related to Housing Element implementation. The Draft Housing Element identifies housing opportunity sites along the 405 Freeway such as the Home Ranch and Sakioka sites. These sites are very large and would allow for site planning of mixed-use projects including housing and office use that would allow for site planning solutions including sufficient setbacks for residential units. No housing opportunity sites have been identified along the airport industrial area though staff have included a Housing Element Program to further study this potential.
- 9) With the potential for housing along Newport Boulevard, Harbor Boulevard and the 17th Street corridors, visioning for these areas and form based codes should be considered to provide flexibility in development while maintaining the streetscape and human scale of development.
 - Through public outreach and comments received from the City Council and Planning

Commission, staff recognizes that there is strong support in the community for developing a specific vision for each of the corridors as identified in the Draft Housing Element for future growth. Visioning exercises and the potential for form-based codes will be evaluated during the general plan and zoning changes that follow the Housing Element.

City Council Comments:

- 1) Is 850 ADUs in relation to the number of residential lots a realistic assumption?
 - The ADU assumptions are realistic based on the number of applications received in the first 6 months of 2021. The City has also experienced an uptick in the number of ADU proposals in multi-family sites that could lead to even more ADUs than anticipated.
- 2) The City should consider tracking ADU affordability and data on units occupied by family members.
 - Although there is not City specific data for ADU affordability rates, the Draft Housing Element uses the safe harbor assumptions resulting from SCAG a specific study of the Orange County area. The City could request information on anticipated rental prices or family member occupancy figures at the time of application. The Draft Housing Element recognizes that ADU programs will need to be monitored for effectiveness and includes this in Program 3L of the Housing Plan.
- 3) Understanding the reasons for Costa Mesa having the lowest number of housing development in the neighboring cities.
 - The City has experienced a decline in larger development applications in the past several years. Based on general feedback from the development community, this is could be due to the uncertainty introduced by Measure Y. However, smaller developments that are below the 40 dwelling unit threshold have been processed since 2016 including a 38-unit development on Newport Boulevard. The Draft Housing Element refers to Measure Y as a potential constraint for housing development and that a vote of the people will be required to fully implement the adopted housing element as drafted. Please refer to Chapter 4, Housing Plan, Program 3G.
- 4) Importance of communication with the public on data gathered and how the data is being incorporated.
 - The Draft Housing Element includes a comprehensive summary of all public meetings, town halls, surveys and individual submittals. Please refer to Appendix C of the Draft Housing Element.
- 5) Emphasize the importance of Community Profile and how it is used to formulate the housing plan such as the aging population and their housing needs.
 - The Community Profile includes detailed data on the population, housing and income levels. Based on this data, the housing programs and policies included in the Housing Element Update recognize the needs of seniors, large households and the affordability needs for various households. Although the Housing Element includes the opportunity sites and the programs to address housing needs, some of the incentive to develop these sites are market driven and may need to be adjusted at project level such as the mix of bedrooms in a development or universal design features, etc. Please refer to Section 4, Housing Plan Program 2D and 2E.
- 6) Integrate senior housing with the rest of the community to promote healthy aging.
 - The Draft Housing Element recognizes that specific features of co-housing and multi-

generational housing needs to be further studied and included in development standards and guidelines in the general plan and zoning code update. Please refer to Chapter 4, Housing Plan, Program 3E.

- 7) Consider public gathering spaces as much as open space in planning of housing developments.
 - The visioning exercises for specific corridors will include public open spaces and streetscapes studies appropriate for each neighborhood. This effort will be addressed with the General Plan and zoning code amendments following the Housing Element's adoption.
- 8) Keep studying the airport area as a potential housing opportunity area for younger professionals.
 - As directed by City Council, this area will be evaluated for potential housing opportunities. Coordination with the Airport Land Use Commission will be required. Please see Chapter 4, Housing Plan, Program 3H.
- 9) Housing units should include a variety of household types such as singles, single parent households and larger families.
 - The Draft Housing Element includes a comprehensive Community Profile that breaks down household types and their housing needs such as non-family households, which have increased in the past decade to more than 40 percent. Please refer to Chapter 4, Housing Plan, Program 3F.
- 10) Consider hotel/ motel conversion options and using available state funding for such.
 - The City will evaluate the potential benefits of motel conversion, co-living and efficiency housing options. Please refer to Chapter 4, Housing Plan, Program 3F.
- 11) Consider pre-approved ADU plans to incentivize ADU development.
 - The Draft Housing Element includes a program to promote development of ADUs such as permit ready plans, waiver or reduction of permit fees, expedited plan checks and exploring other funding options. Please refer to Chapter 4, Housing Plan, Program 3E.
- 12) Discuss housing development options with smaller developers and adjust programs and fees to accommodate large and small size developments.
 - This would require fee studies and additional analysis to formulate an objective basis for varying housing development types. Local developers have been involved in the outreach process and have stated timing and streamlining of project review as an opportunity to improve the development environment.

Public Review Draft Housing Element

Following the April 27, 2021 study session, staff and the City's expert housing consultants prepared the Public Review Draft Housing Element, incorporating feedback from the prior public town halls and study sessions. The Public Review Draft was posted online at the City's website on August 17, 2021 and hardcopies were available at City Hall, the Donald Dungan Library and the Mesa Verde Library. Approximately 40,000 flyers were mailed to Costa Mesa residents City-wide and the release was widely publicized via social media, community platforms and through local contacts with community organizations. Comments on the public review draft are being accepted through September 15, 2021.

As of the writing of this report, the City has received seven written comments via email and six online submissions. Public comments are provided as an attachment to this report and generally pertain to:

- the inclusion of the Chargers / The Hive site as a housing opportunity site;

- the inclusion of local hire requirements for development;
- new housing being visually attractive, and include greenbelts, sound walls, be located near jobs, transit stops and high-resource neighborhoods;
- increase densities to make housing projects more financially feasible and encourage mixed income higher density communities, as well as other housing options like co-housing and motel conversions;
- consider whether the Casa Bella Apartments should be listed as an “at risk” affordable housing development (i.e. an affordable housing project “at risk” of converting to market rate units); and
- consider how assisted living and group living are counted toward the City’s housing need.

September 2, 2021 Town Hall Meeting

Staff held a town hall meeting on September 2, 2021 to discuss and receive feedback regarding the Public Review Draft. The meetings were virtual and provided in English and Spanish. More than 60 individuals participated in the English language breakout room and six in the Spanish language breakout room.

Topics discussed at the town hall meeting included:

- the need for an inclusionary housing ordinance and requiring affordable housing in conjunction with added densities;
- consideration of potential quality of life impacts that may result from higher densities
- use of consistent data related to housing cost burden;
- options and incentives for development of Single Room Occupancies (SROs);
- number of ADUs assumed in the Draft Housing Element;
- consideration of reduced parking and setbacks to incentivize development;
- graphics that show comparison of existing and proposed densities on the identified housing opportunity corridors;
- use of federal monies to encourage higher density development as appropriate;
- affordable housing units assumed for the State-owned Fairview Developmental Center;
- assumptions regarding affordable housing on sites with Development Agreements; and
- consideration of the impacts of added housing units to sewer, water, traffic, other infrastructure and public services including police and fire services.

Housing Element Guiding Principles

Based on input from the community, local officials and business community, and with consideration of the State’s requirements, the City established four guiding principles that were referenced throughout the Housing Element Update process, which shaped the sites analysis process and development of the housing goals, programs, and policies. The guiding principles are rooted in community engagement and local knowledge as follows:

- The City will plan for responsible growth that is fitting for each of the unique areas within the City with the understanding that the different characteristics, even within districts, result in different housing needs and appropriate housing types.
- The City will engage the Costa Mesa community at multiple times throughout the Housing Element update to incorporate local knowledge and input into the planning process.

- The City will create a plan, which meets the local needs of the community as well as the requirements of the State Department of Housing and Community Development (HCD).
- The City will develop actionable policies and programs that address identified constraints within the community profile analysis.

Based on community feedback, the Housing Element identifies housing opportunity sites within “focus areas” and along major corridors in the City that are most suitable for potential future housing growth. These areas include:

- Area north of the 405 Freeway
- SoBECA
- Harbor Boulevard corridor
- Placentia Avenue corridor
- West 19th Street corridor
- Mesa West Bluffs area/ southern portion of Newport Boulevard

Within these corridors and areas, housing opportunity sites were identified for purposes of establishing compliance with RHNA, based on certain criteria.

Housing Element Organization

The Draft Housing Element represents the City’s policy program for the 2021-2029 6th Planning Period. The Draft Housing Element is comprised of the following Chapters:

- Chapter 1: The Introduction contains a summary of the content, organization and statutory considerations of the Housing Element;
 - Chapter 2: Community Profile contains an analysis of the City’s population, household and employment base, and the characteristics of the housing stock;
 - Chapter 3: Housing Constraints, Resources, and Fair Housing examines governmental and non-governmental constraints on production, maintenance, and affordability of housing and provides a summary of housing resources, including sites identification and funding and financial considerations; and
 - Chapter 4: Policy Plan addresses Costa Mesa’s identified housing needs, including housing goals, policies, and programs.
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- Appendices provide supplementary background resources including:
 - Appendix A - Review of Past Performance of 5th Cycle Programs
 - Appendix B - Summary of Adequate Sites Analysis
 - Appendix C - Summary of Outreach
 - Appendix D - Glossary of Housing Terms

Chapter 1 - Introduction

The Introduction covers the basics of Housing Element requirements and the related State requirements; includes a reference to all required sections of the Housing Element; and refers to the guiding principles that directed all chapters and the related data sources.

Chapter 2 - Community Profile

The Community Profile provides an analysis of the Costa Mesa population and housing stock for policy considerations within this Housing Element. The Costa Mesa community's housing needs are directly correlated to the demographic composition of the population and the conditions of existing housing within the City. The data analyzed in this Community Profile sets the baseline for the Housing Element goals, policies, and programs, which are uniquely adapted to fit the needs of Costa Mesa. The following tables include a few excerpts of the data and highlights specific characteristics of the Costa Mesa population, household types and income levels.

Table 2-4: Racial and Ethnic Composition, 2010-2018

Race/Ethnicity	2010	2015	2018	Percent Change 2010 to 2015	Percent Change 2015 to 2018
White	72.3%	66.7%	71.6%	-5.6%	4.9%
Black	1.2%	1.6%	1.9%	0.4%	0.3%
American Indian and Alaska Native	0.4%	0.3%	0.4%	-0.1%	0.1%
Asian	9%	9%	8.4%	0%	-0.6%
Native Hawaiian or Other Pacific Islander	0.6%	0.5%	0.7%	-0.1%	0.2%
Some Other Race	14.1%	18.2%	13%	4.1%	-5.2%
Two or More Races	2.4%	3.6%	4%	1.2%	0.4%
Hispanic or Latino	34.2%	35.7%	36.1%	1.5%	0.4%

Source: American Community Survey, 5-Year Estimates, 2010, 2015, and 2018.

Table 2-10: Changes in Household Types, 2010-2018

Household Types	2010	Percent	2015	Percent	2018	Percent
Married-couple Family Households	17,127	42.7%	17,039	41.7%	17,568	42.8%
Female Household, No Spouse Present	4,196	10.5%	4,746	11.6%	4,191	10.2%
Male Household, No Spouse Present	2,564	6.4%	2,371	5.8%	2,751	6.7%
Nonfamily Household	16,217	40.4%	16,752	41%	16,509	40.2%
Total Households	40,104	100%	40,908	100%	41,019	100%

Source: American Community Survey, 5-Year Estimates, 2010, 2015, 2018.

Table 2-12: Households by Income Category, 2020		
Income Category (% of Orange County's AMFI)	No. of Households	Percent
Extremely Low (30% AMFI or less)	6,610	16.3%
Very Low (31 to 50% AMFI)	5,220	12.9%
Low (51 to 80% AMFI)	7,325	18.1%
Moderate or Above (over 80% AMFI)	21,405	52.8%
Total	40,555	100%
<i>Source: Department of Housing and Urban Development (HUD) Comprehensive Housing Affordability Strategy (CHAS), 2013-2017.</i>		

For the full analysis of the population, income, household characteristics and housing needs, please refer to Chapter 2 of the Draft Housing Element.

Based on the data presented in Chapter 2, the City will need to consider the following findings in development of the housing programs and policies:

- The Costa Mesa population is showing aging trends - housing goals should consider the needs of seniors who may have less flexible income, need accessibility accommodations, or may seek assisted living options.
- Over a quarter of the Costa Mesa population identifies as Hispanic or Latino - housing needs should account for possible cultural needs such as larger or multigenerational housing units. Additionally, housing information should be made available in Spanish to assist in the location of appropriate housing within the community.
- Approximately 47 percent of the Costa Mesa population earn a lower income, indicating that production of and access to affordable housing (i.e. housing affordable to Costa Mesa households who earn 80% of the Orange County Area Median or AMI) and homeownership facilitation should be considered.
- Costa Mesa housing units experienced the lowest growth in the past decade in comparison to neighboring cities - the following section analyzes potential constraints, which may be playing a role in the slowing of residential development in Costa Mesa. If identified, housing goals should be considered which look to mitigate or eliminate those constraints.
- The majority of housing units in Costa Mesa were built over 30 years ago - households in older homes may benefit from assistance in renovating their homes and ensuring safe living environments with access to all utilities.

Chapter 3 - Housing Constraints, Resources and Fair Housing

This section focuses on the variety of factors that could affect the number, type, and affordability of housing and the rate of housing development in a community including governmental housing constraints. Governmental constraints in Costa Mesa may include land use controls, residential development standards, development and permitting fees, and permitting processes, amongst other constraints. Nongovernmental constraints may include the cost of land, construction costs, including materials and labor, availability of financing, and the local economic conditions. These factors could incentivize or create barriers for the maintenance and addition of housing in Costa Mesa, and predominantly affordable housing. This section also identifies Measure Y as a potential constraint to implementation of a compliant Housing Element and the development of housing projects in Costa Mesa. The measure requires significant capital investment while introducing uncertainty for

investments due to uncertain election results regardless of the merits of any particular project.

Chapter 4 - Housing Plan

The Housing Plan describes the specific goals, policies, and programs to assist City decision makers to achieve the long-term housing objectives set forth in the Costa Mesa Housing Element. This Plan identifies goals, policies, and programs aimed at providing additional housing opportunities, removing governmental constraints to affordable housing, improving the condition of existing housing, and providing equal housing opportunities for all residents. These goals, policies, and programs are drafted to further a more diverse, sustainable, and balanced community through implementation of strategies and programs that will result in economically and socially diversified housing choices while preserving the special character of Costa Mesa.

The following housing goals have been included in the Draft Housing Element Update:

- Housing Goal #1: Preservation, conservation, and enhancement of existing housing stock and residential neighborhoods within Costa Mesa.
- Housing Goal #2: Providing a range of housing choices for all social and economic segments of the community, including housing for persons with special needs.
- Housing Goal #3: Identification of adequate, suitable sites for residential use and development to meet the City's Regional Housing Needs Assessment (RHNA) at all income levels.
- Housing Goal #4: Existing and future housing opportunities open and available to all social and economic segments of the community without discrimination on the basis of race, color, religion, sex, sexual orientation, disability/medical conditions, national origin or ancestry, marital status, age, household composition or size, source of income, or any other arbitrary factors.

Each one of the housing goals are implemented through housing programs which are actions the City commits to taking to implement its housing plan within specific timeframes over the 8-year Housing Element planning period. Highlights of the housing programs include:

- Program 2A - Inclusionary Housing Ordinance
- Program 2D - Senior Housing Options
- Program 2E - Housing Options for Large Family Households
- Program 3B - Fairview Development Center
- Program 3C - Update the North Costa Mesa Specific Plan
- Program 3D - Update the City's Urban Plans and Overlays
- Program 3E - Promote the Development of Accessory Dwelling Units
- Program 3F - Motel Conversions/Efficiency Units and Co-Living Housing Types
- Program 3G - Measure Y
- Other programs related to evaluating the potential for future housing opportunities along the 17th Street corridor, Airport Industrial Area, and church-owned sites.

Appendix A - Review of Past Performances

This section is an evaluation of the 5th cycle's Policy Program and considers all current and existing programs and projects, as well as the most current effectiveness and appropriateness for the 2021-

2029 6th Cycle.

Appendix B - Site Analysis

The Housing Element is required to identify potential candidate housing sites by income category to meet the City's RHNA Allocation. The sites identified within the Draft Housing Element represent the City of Costa Mesa's ability to plan for housing at the designated income levels within the 6th housing cycle planning period (2021-2029). As described in this appendix, the development capacity for each site depends largely on its location within the City, a specific plan or urban plan area as well as known development factors. Where possible, property owners were consulted to help the City better understand potential future housing growth on candidate housing sites within the City.

The analysis within this appendix shows that the City has the capacity to meet 2021-2029 RHNA allocation through a variety of methods, including:

- Identification of development capacity on sites which either currently permit or would be rezoned to permit development of residential uses at or above 30 dwelling units per acre
- Identification of City owned properties suitable for the development of housing
- Future development of accessory dwelling units (ADUs)

Appendix C - Community Outreach

As part of the 6th Cycle Housing Element Update process, the City of Costa Mesa has conducted extensive public outreach activities beginning in fall 2020. These outreach efforts included virtual town hall Meetings, District Specific Workshops, Stakeholder Meetings, City Council and Planning Commission Study Sessions, Online Community Survey, digital media and engagement, and noticed Public Hearings. Project materials, including recordings from town hall and public meetings, notices, and draft public review documents are available on the City's website:

www.costamesaca.gov/housing-element-update <<http://www.costamesaca.gov/housing-element-update>>.

Next Steps and Timeline

The study session is the final opportunity for City Council and Planning Commission feedback and revisions to the Public Review Draft Housing Element before staff submits the document to State HCD for review. The State has 60 days to provide comments on the Housing Element.

After staff receives the State's comments, the Housing Element will be modified to respond and then scheduled for a formal public hearing with the Planning Commission for a recommendation, and City Council afterward for final approval. These hearings are anticipated to occur in December 2021/January 2022. An approved Housing Element must be submitted to the State by February 11, 2022 (which is within 120 days of the statutory deadline of October 15, 2021).

ALTERNATIVES:

No Housing Element decisions are being made at the Study Session; therefore, alternatives are not necessary.

FISCAL REVIEW:

There are no fiscal impacts associated with the study session.

LEGAL REVIEW:

The City Attorney's Office has reviewed this report and approves it as to form.

CITY COUNCIL GOALS AND PRIORITIES:

Diversify, stabilize and increase housing to reflect community needs.

CONCLUSION:

Staff is seeking additional Planning Commission, City Council and public feedback prior to submission of the Draft Housing Element to the State Department of housing and Community Development for its review and concurrence.