



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA
92626

Item #: 24-254

Meeting Date: 06/18/2024

TITLE: ADOPTION OF ORDINANCES APPROVING DEVELOPMENT AGREEMENT (DA-20-02), REZONE (R-20-01), AND SPECIFIC PLAN (SP-20-01) FOR THE ONE METRO WEST PROJECT LOCATED AT 1683 SUNFLOWER AVENUE

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION

PRESENTED BY: AMBER GREGG, CONTRACT PLANNER

CONTACT INFORMATION: AMBER GREGG, CONTRACT PLANNER, (714) 754-5617

RECOMMENDATION:

Staff recommends the City Council:

1. Find that the proposed amendments are in substantial conformance with the Final Environmental Impact Report (EIR) for the One Metro West project (State Clearing House No. 2019050014), including a mitigation monitoring program and statement of overriding considerations, which was certified by the City Council on May 4, 2021, and that no further environmental review under CEQA is required pursuant to CEQA Guidelines Section 15162.
2. Give second reading to and adopt, by title only, Ordinance No. 2024-05 approving Development Agreement 20-02, modifying payment of impact fees and community benefits funding from one year to five years and clarifying the Agreement's effective date.
3. Give second reading to and adopt, by title only, Ordinance No. 2024-06 approving Rezone 20-01.
4. Give second reading to and adopt, by title only, Ordinance No. 2024-07 approving Specific Plan 20-01.

BACKGROUND:

At the June 4, 2024, City Council meeting, the Council considered the modifications recommended to be approved by the Planning Commission to the above noted Ordinances, heard public comment, and introduced the Ordinances for first reading by title only, waiving further reading, by a 6-0 vote (Councilmember Harper was absent). The City Council's motion included a minor modification to the recommended fee language in the Development Agreement (described further below), and clarification of the project ownership in the project approval documents. In addition, the City Council motion also included approval of a resolution revising conditions of approval pertaining to public art and vertical landscaping.

The June 4, 2024, City Council report and video are linked below:

June 4, 2024, City Council Agenda Report (also provided as Attachment 4):

<https://costamesa.legistar.com/LegislationDetail.aspx?ID=6712589&GUID=2578B2B2-9272-438B-8567-A8901D031C84>

June 4, 2024, City Council Video:

https://costamesa.granicus.com/player/clip/4137?view_id=14&redirect=true

ANALYSIS:

At the June 4, 2024, City Council Meeting, the Council directed staff to revise the language in the Development Agreement in regard to the timing of project fee payments. Specifically, the City Council motion included the following modification to the Development Agreement (changes are shown in strike through for text deletion and in underline for added text):

Development Impact Fees (DIF):

Two Payment Installments plus 3% interest rate commencing on the Effective Date of the Development Agreement. First payment received with the issuance of the first building permit (Year 1), second and final payment received ~~in Year 5~~ no later than the earlier of either five years from the date of the first issuance of building permit "Construction Date", or final inspection approval for the project's last residential unit, whichever occurs first.

Funding for Economic Recovery and Community Enhancement:

One Payment ~~received in Year 5~~ plus 3% interest rate commencing on the Effective Date of the Development Agreement, received either no later than the earlier of five years from the date of the first issuance of building permit "Construction Date", or final inspection approval for the project's last residential unit.

ENVIRONMENTAL DETERMINATION:

Pursuant to Section 15162 of the State CEQA Guidelines, the project was reviewed and found to be consistent with the One Metro West Environmental Impact Report (EIR) (State Clearinghouse No. 2019050014), which was certified on May 4, 2021, by the City Council of the City of Costa Mesa (Resolution No. 2021-54). Pursuant to Section 15162 of the Guidelines, no subsequent environmental review is warranted for the project because there are no substantial changes to the project in that there are no modifications to the approved project plans, or required mitigation measures that would relate to the mitigation of a project environmental effect, and no new information of previously unknown environmental effects.

ALTERNATIVES:

The City Council may adopt the Ordinances as proposed, modify the Ordinances, or not adopt the Ordinances. If the City Council chooses to make substantive modifications to the Ordinances after introduction, the modified Ordinances would need to be brought back at a future meeting for adoption.

FISCAL REVIEW:

The City's Finance Department has reviewed the applicant's requested payment modifications and determined that the requested five-year payment plan with a three percent (3%) annual interest rate, in the amount of \$1,348,685, retains the fund's "net present value" by recovering the potential interest and/or inflation monetary reductions that may result by the requested payment delays.

The result is a total payment of \$17,881,474 at the end of the five-year term compared to the current Development Agreement of \$16,532,789, which requires all fees to be paid in Phase I - at the time of issuance of the first building permit.

LEGAL REVIEW:

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

PUBLIC NOTICE:

Pursuant to Government Code Section 36933, a summary of the proposed ordinances was published once in the newspaper no less than five days prior to the June 18, 2024, second reading. A summary of the adopted ordinances will also be published in the newspaper within 15 days after adoption.

Public comments received prior to the June 18, 2024, City Council meeting may be viewed at this link: [CITY OF COSTA MESA - Calendar \(legistar.com\)](https://legistar.com/CITY_OF_COSTA_MESA_Calendar)

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council's Goal to *Diversify, stabilize, and increase housing to reflect the community needs* in that the project contributes to helping the City meet its City's 6th Cycle RHNA allocations, including affordable housing allocation. The project includes 1,057 units within a mixed-use multi-family residential development. The project provides 10 percent of the project dwelling units (minimum of 106 units) as affordable units to low- and very-low-income households.

CONCLUSION:

The proposed amended ordinances do not modify the development plans; rather, they modify the timing of implementing the project while ensuring the City receives the agreed-upon public benefits. The amendments to the Development Agreement from a single fee payment to a two-payment plan over five years with a 3% annual interest rate, is intended to assist the applicant in meeting the financial commitments to the City while ensuring the City retains the full value of the development fees. Lastly, the applicant proposed language modifications to the ordinances is consistent with Article 22 of the Costa Mesa Municipal Code.