



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

Item #: 25-149

Meeting Date: 02/18/2025

TITLE: PROFESSIONAL SERVICES AGREEMENT WITH DUDEK FOR HOUSING ELEMENT REZONING PROGRAM AND ENVIRONMENTAL IMPACT REPORT

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION

**PRESENTED BY: ANNA MCGILL, PLANNING & SUSTAINABLE DEVELOPMENT MANAGER
MICHELLE HALLIGAN, SENIOR PLANNER**

CONTACT INFORMATION: ANNA MCGILL, PLANNING & SUSTAINABLE DEVELOPMENT MANAGER, (714) 754-5609

RECOMMENDATION:

Staff recommends the City Council:

1. Approve a Professional Services Agreement (PSA) to Dudek (an environmental, planning and engineering firm) in the amount of \$1,850,611 for consulting services, for a three-year term, with up to two one-year extensions, if necessary, with the initial three-year term effective February 18, 2025 – February 17, 2028.
2. Authorize a ten percent (10%) contingency in the amount of \$185,061 for unforeseen costs related to the project.
3. Authorize the City Manager, or designee, and City Clerk to execute the PSA and any future amendments to the agreement.

BACKGROUND:

The City's Housing Element is the strategic blueprint for addressing Costa Mesa's existing and projected housing needs through 2029. The City is required to update the Housing Element in accordance with State-indicated timelines. State law requires that the Housing Element comply with State Housing Element Law and be found in substantial compliance (certified) by the California Department of Housing and Community Development (HCD). In response to State-mandated housing regulations and in accordance with the City's Strategic Objectives relating to housing, the City endeavors to increase residential development capacity, provide more clarity and certainty in the development process, and reduce potential impacts on existing neighborhoods.

In November 2022, the City Council adopted the City's 6th Cycle Housing Element. Following technical edits, the Housing Element was submitted to HCD on March 1, 2023, for formal review. The Housing Element included 47 implementation programs and the Housing Element Sites Inventory with 97 housing opportunity sites and planned development capacity to accommodate the

City's Regional Housing Needs Assessment (RHNA) allocation. The RHNA allocation assigned to Costa Mesa for this planning period is 11,760 units, the largest in the City's history.

Also, in November 2022, voters approved Measure K, which allows amendments to City land use regulations to accommodate housing in a variety of existing commercial and industrial corridors, with associated requirements like community engagement. Many Measure K sites are in the Housing Element Sites Inventory.

On May 9, 2023, HCD issued a letter stating that the adopted Housing Element met the statutory requirements of State Housing Element Law but could not be certified until the City had completed necessary rezones of the identified opportunity sites to accommodate the City's RHNA. Rezoning is necessary to implement the planned development capacity of the Housing Element sites, which are located primarily along commercial and residential corridors. Rezoning also includes updating the City's zoning regulations to comply with State law.

Housing Element Implementation Progress since May 2023

The HCD letter also indicated the State's expectation that the City would "continue timely and effective implementation of all programs" to address the RHNA. Since May 2023, the City has completed and made progress toward several key programs.

Staff dedicated a significant area of focus on the State-owned 109-acre Fairview Developmental Center (FDC) site, a critical location for new housing to potentially accommodate 20-35% of the RHNA. In September 2022, the City received a \$3.5 million grant to implement the FDC community outreach and land use planning efforts within a 3-year period, which the City made a priority. The City also supported community concerns and coordinated with the California Office of Emergency Services on the proposed Emergency Operations Center. The draft FDC specific plan and Environmental Impact Report are now underway and have included substantial collaboration with multiple State agencies, public outreach in English and Spanish, completing the constraints and opportunities analysis, work on an economic demand and feasibility analysis, and preparation of land use alternatives. (Program 3B)

The City's Development Services Department experienced staffing shortages throughout 2023-2024, which limited the City's ability to initiate the substantial rezoning effort. Despite this, staff advanced and completed Housing Element Programs efforts, briefly summarized below:

- Confirmed that 75 affordable housing units identified as being at risk of converting to market rents remain under an affordability covenant (Program 1C);
- Adopted the City's first Inclusionary Housing Ordinance, which requires affordable housing on certain housing developments as of September 6, 2024 (Program 2A);
- Processed an entitlement for an affordable senior housing project at the City-owned Senior Center site through Planning Commission in December 2024 (Programs 2D and 4A);
- Began accepting accessory dwelling unit (ADU) plans from architects and engineers for the City's new pre-engineered ADU program (Program 3E);
- Implemented Project Homekey remodeling projects to allow the adaptive reuse of two motels for affordable housing (Programs 3F and 4A);

- Preparing the Regional Assessment of Fair Housing/Five-Year Consolidated Plan strategy required for utilizing Community Development Block Grant and HOME Investment Partnership Program funds (Program 4A);
- Assisted the Bungalows Project, which remodeled six residences and constructed two accessory dwelling units that are affordable rental units (Program 4A); and
- Utilizing State funding, the City is providing an additional 15 behavioral health beds and associated services at the Bridge Homeless Shelter (Program 4F);

The City Council received more detailed Housing Element implementation information, as well as an overview of residential projects that were recently approved or in the entitlement process, from staff on October 15, 2024. Previously, the City Council received an update on Housing Element programs at a Study Session on December 12, 2023.

- December 12, 2023 Study Session Agenda Report:
<https://costamesa.legistar.com/LegislationDetail.aspx?ID=6447567&GUID=63280D11-8166-44E4-90A1-0F691DA8BF0F>
- October 15, 2024 City Council Agenda Report:
<https://costamesa.legistar.com/LegislationDetail.aspx?ID=6891890&GUID=DD2DA70E-884A-4A93-A22F-A60A8D8D0444>

ANALYSIS:

On October 22, 2024, the City issued Request for Proposal (RFP) No. 25-10, for qualified consultants to provide services for this complex rezoning effort, including:

- Community engagement
- Updating the Zoning Code, and portions of the General Plan to accommodate the development capacity needed to meet the RNHA
- Updating planning policies and procedures
- Develop objective design standards, which are clear standards for site planning, building design, and architectural features without need for interpretation
- Economic studies to evaluate the feasibility of proposed development standards; and
- Preparing an Environmental Impact Report (EIR) in accordance with the California Environmental Quality Act (CEQA)

Of the 47 programs identified in the City's 2021-2029 Housing Element, rezoning activities will account for notable progress in implementing 18 programs over the course of a multi-year and multi-faceted effort as mandated by State law. This concentrated effort will further the City's ability to successfully seek Housing Element certification from HCD.

The RFP invited experienced consultants with innovative ideas to:

- Develop and implement a community engagement strategy;
- Analyze existing regulations, procedures, and plans;

- Develop and implement objective design standards
- Rezone housing opportunity sites/Measure K sites;
- Complete amendments to Urban Plans, Specific Plans, and the Zoning Code to incorporate new standards, procedures, and densities as needed;
- Complete a focused General Plan update for consistency with zone changes and legal adequacy;
- Prepare technical studies including a market analysis;
- Assessment of capacity and demand for public services, including public safety, water supply, sanitation; and
- Prepare a legally defensible CEQA document at a programmatic level that future projects can use to streamline future review.

In response to the RFP, the City received five proposals. Proposals were reviewed for compliance with the City's RFP specifications and draft "scope of work." Consultants were evaluated based on method of approach, qualifications and experience, references, and key personnel. After careful review and evaluation of the proposals, as well as confirming references, staff finds Dudek the most qualified to complete the City's Housing Element implementation rezoning effort including public engagement, objective design standards, process, a variety of code and plan amendments, geographic information systems analyses, various technical studies, and CEQA compliance.

Consultant Qualifications

Dudek is an environmental, planning and engineering consulting firm with more than 40 years of experience. The firm's proposal demonstrated a thorough understanding of the project, including exhibiting Dudek's innovative thinking by providing several options for the rezoning methodology and organizing tasks based on urgency for compliance with State law. Their compelling response to the RFP exhibited the team's creative approach to problem solving, and a critical mindset when working for a dynamic and unique community such as Costa Mesa. Dudek also provided extensive examples of similar project experiences and work products including, but not limited to, the following:

- Analyzing existing conditions, adopted plans, and site capacity
- Community engagement in English and Spanish (in-person and virtual)
- Market demand, economic feasibility, and fiscal impact analyses
- Creation of residential and mixed-use overlays or new zones
- Zoning code amendments
- General Plan updates
- Citywide and area-specific objective design standards for residential and mixed-use projects
- Evaluating feasibility of proposed objective design standards including use of 3-D modeling
- Environmental Impact Reports and other technical studies

Supportive services such as Geographic Information Systems mapping, analyses, and storytelling, graphic design, and website design

Some highlights of Dudek's experience includes the City of San Diego Mira Mesa Community Plan Update, City of Fullerton Housing Incentive Overlay Zone, City of Newport Beach General Plan Update, City of Rancho Palos Verdes Housing Element Implementation Programs and CEQA Analysis, and City of Pico Rivera Comprehensive Zoning Code Update. All of these efforts involved complex analyses and conveying information through text, graphics, and mapping. Dudek's proposal identifies an experienced project manager, Catherine Tang Saez, AICP, who has led similar efforts such as developing objective design standards, community plans, specific plans, and zoning code updates.

The Dudek team includes community outreach experts Kearns & West, led by former Costa Mesa Planning Commissioner Jenna Tourjé-Maldonado, AICP. Community engagement will be designed for inclusivity and effectiveness by originating materials in both Spanish and English, and will feature workshops, pop-up events, social media campaigns, in person and online surveys, and collecting input at popular community events. The Dudek team also features Pro Forma Advisors, experts in market analysis, financial feasibility, and impact studies. Pro Forma Advisors will assess current opportunities for housing and mixed-use development in Costa Mesa, forecast market potential, and develop a local fiscal impact model to evaluate selected development prototypes to explore how the rezoning program will impact the City's long-term fiscal sustainability. Both Kearns & West and Pro Forma Advisors have partnered with Dudek on a variety of advanced planning projects including creating housing overlay zones and General Plan updates.

Project Approach

The proposal demonstrated that Dudek has a thorough understanding of the scope of work and the prioritizing the City's efforts to obtaining HCD certification. The proposed scope of work addresses the necessity for a high-quality, comprehensive approach to accelerate future housing production in Costa Mesa while maintaining a State-compliant General Plan and complying with CEQA.

The proposed approach would amend existing adopted plans and overlays where appropriate and create a new overlay or overlays to provide the required increase in residential development opportunities without necessitating a change of a property's underlying base zone. This method will satisfy the State's requirement to rezone the necessary sites as outlined in the Housing Element but do so in a way that allows for regulatory flexibility. The consultant will also prepare the environmental clearance documentation necessary to accommodate increased residential development potential.

Rezoning will also include a targeted effort to amend the necessary sections of the zoning code to remove governmental constraints to housing, such as updating relevant sections of the code regarding permitted uses, development standards, and development review procedures. Streamlining development review procedures would include creating developer guidance documents, as well as amending the Zoning Code to reduce discretionary actions for qualifying affordable housing projects.

Project Schedule

The proposed project schedule prioritizes implementing Housing Element programs that are necessary for HCD to certify the Housing Element. The rezoning effort is anticipated to take 18 months, with the public hearings occurring in summer 2026, enabling the required rezoning and revised Housing Element to be submitted to HCD no later than November 2026. This timeline prioritizes an effort to complete the rezoning and environmental clearance necessary for HCD certification.

The proposed schedule also includes important additional tasks in a later phase, such as completing the objective development standards and additional zoning code amendments to further support housing production beyond the Housing Element Sites Inventory. These efforts will still require additional community engagement to finalize and refine objective development standards, an environmental review process, and Planning Commission/City Council hearings for adoption. While these later phase tasks are important for housing design in Costa Mesa, they are not tasks specifically required by HCD for Housing Element certification. Therefore, they are included as later phase tasks in order for staff to prioritize Housing Element certification.

Following the approval and execution of this PSA, the consultant has committed to kicking off the project in March 2025 and maintaining the following schedule:

- Spring 2025: analyze adopted plans, overlays, and Housing Element sites, establish the Community Outreach and Engagement Plan, launch the project website, and begin the market demand analysis.
- Summer 2025: begin community outreach, rezoning effort focusing on adopted plans, existing overlays, and new overlay(s), economic feasibility analyses, and CEQA compliance.
- Fall 2025: analyze pertinent sections of the Zoning Code and conduct fiscal impact analysis.
- Winter 2025/2026: draft Zoning Code amendments and analyze objective design standard options.
- Spring 2026: draft development process streamlining amendments, objective design standards, and technical updates to the Housing Element and General Plan
- Summer 2026: public hearings for adopting overlay and Urban Plan/Specific Plan amendments and a new overlay(s), Zoning Code amendments, and Environmental Impact Report
- No later than November 2026: Submit the revised Housing Element to HCD for review.
- Winter 2026/2027: modify Housing Element, Zoning Code, and General Plan and objective design standards as needed for certification, additional zoning code amendments to support housing production, and entitlement review/process improvement updates.

Note that community outreach and engagement would take place at strategic points throughout the project schedule and customized to specific areas.

Staff and the consultant deliberated over several approaches to the project schedule, including conducting the rezoning effort by neighborhood, broader area, or by amending each Urban Plan or Specific Plan at a time. This segmented approach would have required proceeding with

environmental review in stages, which would increase the total schedule, cost, and staff resources. Furthermore, HCD requires that rezoning for all areas be completed to be considered for certification.

RECOMMENDATION:

Based on the above, staff recommends award of a PSA with Dudek for five years in the amount of \$1,850,611 and authorize a ten percent (10%) contingency of \$185,061 for unforeseen costs related to the project. The proposed contract term of five years is to provide flexibility for unanticipated items that arise either during the planning process or during the Housing Element certification process, which can be very iterative and require revisions.

ALTERNATIVES:

The City Council may select another consultant to complete the Housing Element implementation rezoning effort and EIR; however, this is not recommended based on the RFP process and evaluation results.

FISCAL REVIEW:

Funding for the proposed agreement is budgeted in the Fiscal Year 2024-25 Housing Authority Fund (Fund 222) budget in the amount of \$2,400,000 for the full-term of the professional services agreement.

LEGAL REVIEW:

The attached PSA was prepared by the City Attorney's Office and the staff report 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 Goals:

- Diversify, stabilize, and increase housing to reflect community needs.
- Advance environmental sustainability and climate resiliency.

CONCLUSION:

Staff recommends the City Council:

1. Approve a Professional Services Agreement (PSA) for five years in the amount of \$1,850,611 to Dudek (an environmental, planning and engineering firm) for consulting services; and
2. Authorize a ten percent (10%) contingency in the amount of \$185,061 for unforeseen costs related to the project; and
3. Authorize the City Manager, or designee, and City Clerk to execute the PSA and any future amendments to the agreement within Council authorized limits.