



## Agenda Report

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Item #: 24-301

Meeting Date: 8/6/2024

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**TITLE: GENERAL PLAN (PSCR-24-0001) AND RESIDENTIAL INCENTIVE OVERLAY DISTRICT DEVELOPMENT SCREENING REQUEST FOR A PROPOSED RESIDENTIAL DEVELOPMENT ON A 1.77 ACRE SITE LOCATED AT 220 VICTORIA PLACE (“VICTORIA PLACE”)**

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

**PRESENTED BY: VICTOR MENDEZ, SENIOR PLANNER**

**CONTACT INFORMATION: VICTOR MENDEZ, SENIOR PLANNER, 714-754-5276**

**RECOMMENDATION:**

Provide direction regarding whether or not a General Plan Amendment associated with the proposed development of 40 residential units should proceed for the property located at 220 Victoria Place. The General Plan Amendment would include adding an overlay (Residential Incentive Overlay District) to the property that would allow for residential development, pursuant to specific standards of Costa Mesa Municipal Code Section (CMMC) Chapter V, Article 12.

**BACKGROUND:**

***General Plan Amendment Screening***

City Council Policy 500-2 establishes a procedure for processing privately-initiated General Plan Amendments. This procedure requires that the City Council screen the request prior to its acceptance for formal processing. If the City Council does not reject the proposal, the applicant can submit a formal application package that will include several other entitlement requests for review by the Planning Commission who will make a recommendation to the City Council.

***Residential Incentive Overlay District Background***

On September 20, 2016, the City Council passed Code Amendment CO-16-02 which established the Residential Incentive Overlay District. The Residential Incentive Overlay District is situated along Harbor and Newport Boulevards on properties with underlying General Plan land use designations of Commercial Residential, General Commercial or Medium Density Residential. The overlay was initially applied to 14 sites that were developed with marginal operating commercial uses (mainly motels, restaurants, gas stations, and auto services). The overlay added a land use option for residential development of up to 40 dwelling units per acre (du/acre) on these sites compared to the Commercial Residential (maximum of 17.4 du/acre), General Commercial (no residential permitted except in mixed-use developments), and the Medium Density Residential (maximum of 12 du/acre) land use designations. The added overlay and higher densities were intended to incentivize redevelopment of

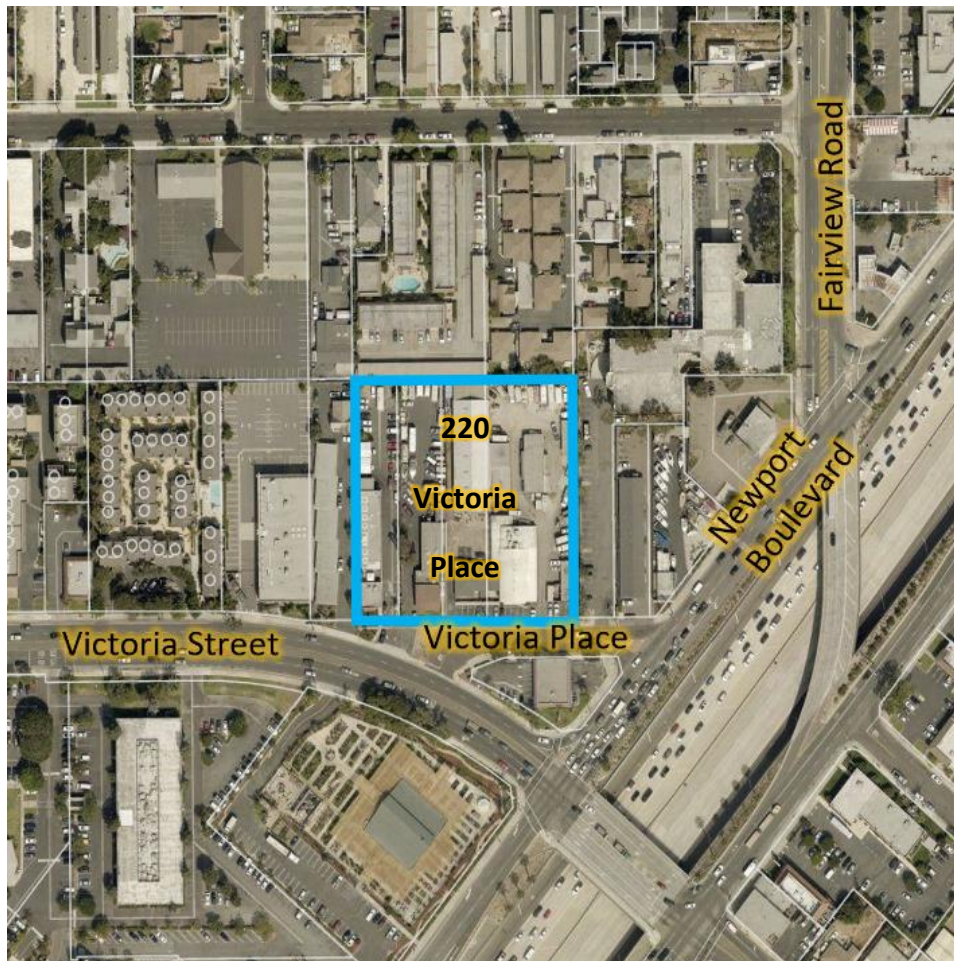
these parcels. However, after the establishment of the Residential Incentive Overlay District, the City did not receive any interest from the 14 property owners to redevelop these properties.

Subsequently, on November 13, 2018, the City Council approved a General Plan and Zoning Code amendment to reduce the area of the Residential Incentive Overlay from 14 sites to only four areas; including: (1) 3205 Harbor Boulevard (Vagabond Inn), (2) the southeast portion of Harbor Boulevard and Gisler Avenue (consisting of an existing hotel, gas station and restaurant), (3) 2277 Harbor Boulevard (Lux Apartments), and (4) the southeast portion of Newport Boulevard and Albert Place (2250 Newport Boulevard (the Ali Baba Motel) and 2274 Newport Boulevard (the Mesa Vista Apartments)). At that time, the City Council also decreased the Residential Incentive Overlay District maximum allowable density to 30 du/acre and reduced the maximum allowable height to three stories. The staff report, action report, and minutes of the meeting are available at the following links:

**PROJECT SITE:**

The project site is located on the north side of Victoria Place near the intersection of Victoria Street and Newport Boulevard. The project site consists of three adjacent properties with a total combined area of 1.77 acres (see the below Exhibit 1).

**Exhibit 1 – Aerial Site Photo**



The project site is currently developed with several commercial buildings. The buildings are occupied by the following tenants:

**Table 1 – Project Existing Tenants**

Tenant	Address & Suite	Size (Square Feet)	Use Type
<b>220 Victoria St</b>			
Harvey’s Boat Storage	B	1,400	Boat Storage and Repair
Doug Alfred	A	500	Storage
<b>222 Victoria St</b>			
Allied Lighting	A	6,834	Retail
<b>234 Victoria St</b>			
Suburban Plumbing	B	2,333	Contractor
House	A	1,776	Vacant
<b>236 Victoria St</b>			
Battery Mart	A	5,500	Retail

Nearby development includes an 11-unit apartment project on an 0.83-acre lot (13.2 du/acre) and a 32-unit apartment project on 1.12-acre lot (28.6 du/acre) to the north. Commercial uses such as Herb’s Garage Auto Center are located to the west, Jiffy Lube to the south, and the Newport Victoria Plaza office building to the east. The project site is also positioned within a ½ mile walking distance to a mix of retail, restaurant, and shopping areas.

**ANALYSIS:**

The project site is designated “General Commercial” by the City’s Land Use Element of the General Plan, and is zoned “C2, General Business District.” These designations do not support a residential use of the property but instead allow for office and retail/service uses. However, the project site is located within a “Measure K” corridor that runs along Newport Boulevard. “Measure K” was passed by Costa Mesa voters on November 8, 2022, for the purpose of revitalizing commercial corridors by encouraging new housing in commercial and industrial areas while preserving the character of existing residential neighborhoods. Because the current property zoning does not allow for residential development, the applicant is requesting the City re-zone the property with a residential incentive overlay designation to allow for residential development. If approved, the applicant would develop 40 residential units.

The current C2, General Business District zoning is intended to accommodate a wide range of goods and services, often less compatible with residential or institutional settings. Conversely, the proposed Residential Incentive Overlay District permits new residential housing opportunities in strategic locations along Harbor Boulevard and Newport Boulevard.

The following entitlements are required for the proposed project:

***Re-Zone to Residential Incentive Overlay District***

A Zoning Code Amendment is required to update the City’s Zoning Map with the Residential Incentive Overlay District for the site and to allow for residential development on the site. Pursuant to Municipal Code Section 13-83.61, the intent of the Residential Incentive Overlay District is to “create new housing opportunities for residential development at strategic locations along Harbor Boulevard and Newport Boulevard that exhibit excellence in design, site planning, integration of uses and structures, and protect the integrity of neighboring development”.

Pursuant to the City’s Land Use Element, the Residential Incentive Overlay District expands development opportunities on commercial properties not developed to their full potential, or supporting outdated buildings and underperforming uses. The Residential Incentive Overlay District permits residential densities of up to 30 units per acre, which makes it an attractive option to encourage residential infill development that will help implement the State’s Regional Housing Needs Assessment (RHNA) goals. As an “overlay district”, the property’s base land use and zoning designations do not change. Pursuant to CMMC Section 13-83.64, development standards of the base zoning district still apply to properties that are designated with Residential Incentive Overlay District; however, are superseded by the overlay district standards when residential development is proposed.

As previously mentioned, in 2018, the City Council voted to significantly reduce the Residential Incentive Overlay area from 14 to generally four locations. Since then, only two of these sites have been developed: (1) The Lux Apartments, and (2) a section of the southeast portion of Newport Boulevard and Albert Place was converted from a “Motel 6” to apartments. (See the below Images).

**Exhibit 2 - Lux Apartments (2277 Harbor Boulevard)**



**Exhibit 3 - Mesa Vista Apartments (2274 Newport Boulevard)**



***Modifications to the General Plan Land Use Element “General Commercial” Land Use District***

The existing Land Use designation of “General Commercial” does not need to be changed to facilitate the proposed Residential Incentive Overlay District for the project in that the General Plan Land Use Element specifies that the Residential Incentive Overlay District is a consistent zoning classification in the “General Commercial” Land Use District. However, a General Plan amendment is needed to modify the Land Use Element maps, figures, text and tables to update the Land Use Element to specifically identify the subject property with a Residential Incentive Overlay District designation. The proposed Land Use Element update would result in a fifth property location being designated with this “Overlay”, and enable residential development on the property up to 30 dwelling units per acre.

***Tentative Tract Map***

A tentative tract map subdivision is necessary to merge the existing properties and divide the property for individual ownership through the condominium subdivision process.

***Master Plan***

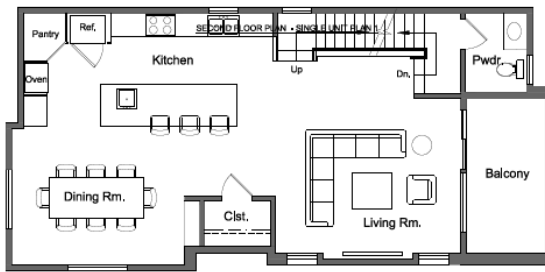
A Master Plan approval is required for all new development within the Residential Incentive Overlay District. The Master Plan process establishes the project’s design framework including consideration of deviations from standards in exchange for high-quality projects. As part of the Master Plan process, the project must comply with specific Master Plan findings.

**PROPOSED DEVELOPMENT:**

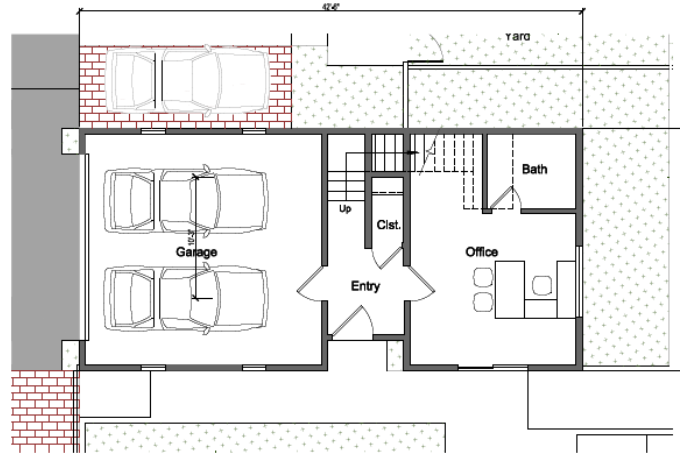
The applicant proposes 40 residential condominium units that are each approximately 2,300 square feet in area with a height of approximately 39 feet. The project proposes a density of 22.6 dwelling units per acre. Each unit includes a first-floor office area, restroom, and two-car garage. The second floor includes a living room, a kitchen, a dining area, a bathroom, and a covered balcony. The third floor living area has three bedrooms, two bathrooms, and a laundry area. In addition to a roof deck,

each unit would also have private open space at the ground level. The proposed project includes 36 total attached duplex units, and four detached units proposed adjacent to Victoria Place. The units facing Victoria Place include direct pedestrian access to a proposed future public sidewalk (see the below proposed floor plans in Exhibits 4 and 5).

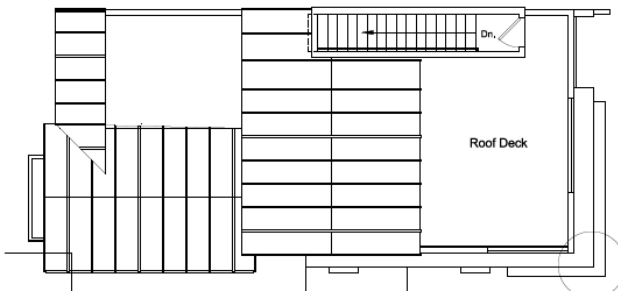
### Exhibit 4 – Detached Unit Floor Plan



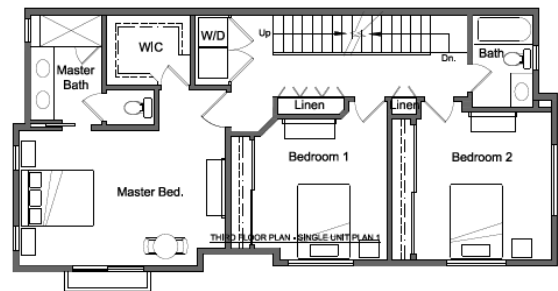
SECOND FLOOR PLAN - MIXED USE UNIT



FIRST FLOOR PLAN - MIXED USE UNIT

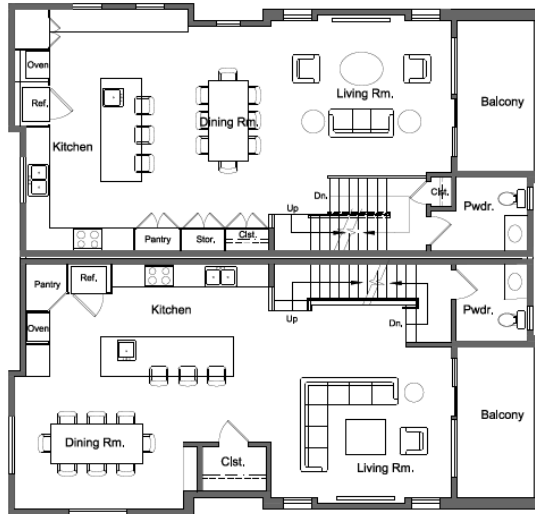


ROOF PLAN - MIXED USE UNIT

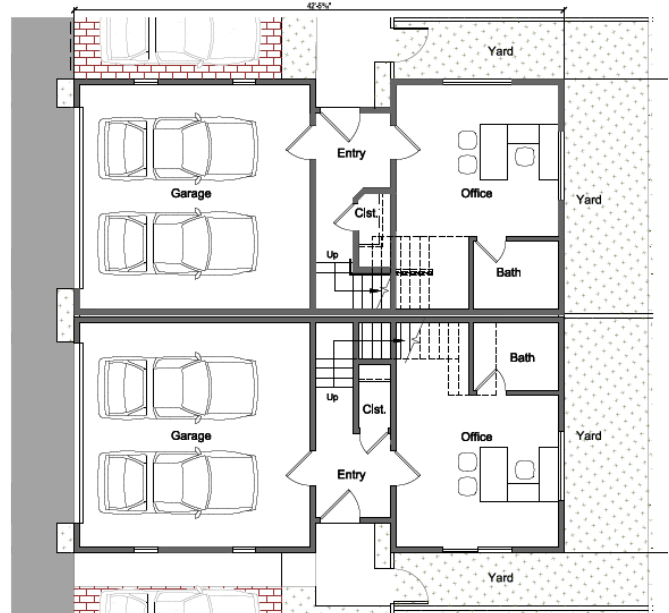


THIRD FLOOR PLAN - MIXED USE UNIT

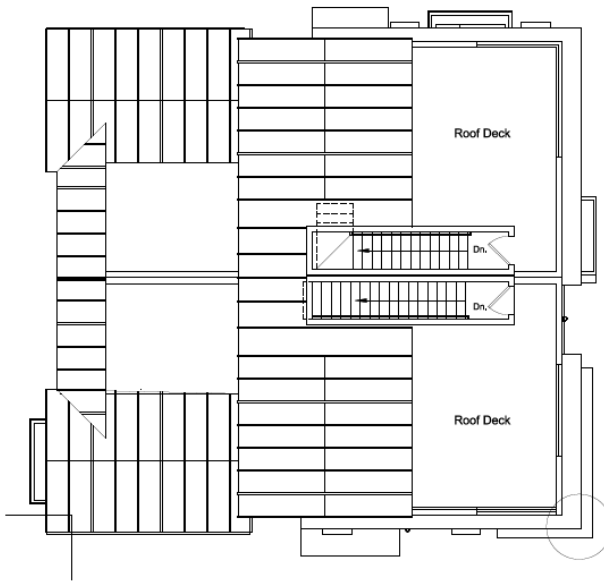
Exhibit 5 – Duplex Floor Plans



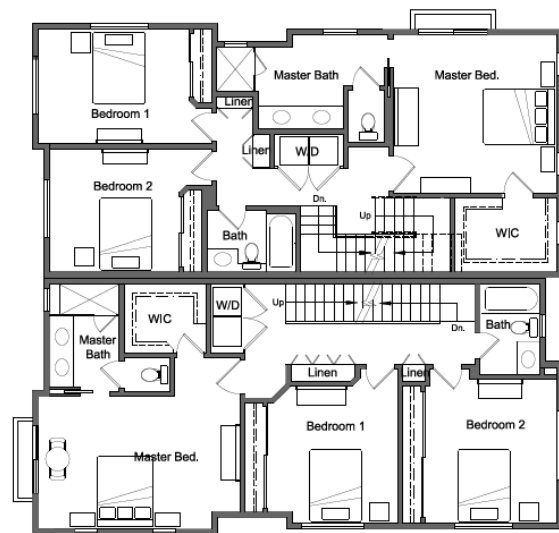
SECOND FLOOR PLAN - DUPLEX UNIT



FIRST FLOOR PLAN - DUPLEX UNIT



SCHEME 1 - ROOF PLAN DUPLEX UNIT



THIRD FLOOR PLAN - DUPLEX UNIT

Ingress and egress to the site would be provided by two driveways from Victoria Place. The project’s internal private drive aisles form an “H-shape” circulation pattern with garage doors facing towards the drive aisles. The duplexes located toward the interior of the site have front doors oriented on the side of the unit, facing the front doors of neighboring units. The project provides 10 guest parking spaces centrally located within the development, and 20 additional guest parking spaces located between units (see the below Exhibit 6 – Site Plan).

Exhibit 6 – Site Plan





***Parking, Circulation and Trip Generation***

Pursuant to the Residential Incentive Overlay District, required parking for the proposed residential units is based on the City's Off-Street Parking Standards, Article 1 of the CMMC. The City's Residential Off-Street Parking Standards require that units with three or more bedrooms provide 3.5 tenant parking spaces per unit and 0.5 guest parking spaces. Based on the proposed 40, three-bedroom unit project, a total of 160 off-street parking spaces is required. The applicant is proposing 110 parking spaces and therefore is deficient 50 required parking spaces. However, pursuant to the Residential Incentive Overlay District provisions, Section 13-83.63(e), a deviation from the required parking may be approved through the Master Plan process provided that the following findings can be made:

1. Strict interpretation and application of the overlay district's development standards would result in practical difficulty inconsistent with the purpose and intent of the General Plan, while the deviation to the regulation allows for a development that better achieves the purposes and intent of the General Plan;
2. The granting of a deviation results in a development which exhibits excellence in design, site planning, integration of uses and structures and compatibility standards for residential development; and
3. The granting of a deviation will not be detrimental to the public health, safety, or welfare, or materially injurious to properties or improvements in the vicinity.

Staff believes that the above findings can be made in that the applicant is proposing a parking ratio of 2.75 parking spaces per unit. However if the City Council provides direction to proceed with the project, an analysis of parking demand will be provided with the Master Plan application review.

The Orange County Transportation Authority (OCTA) operates bus route 71 nearby with two bus stops located approximately 270 and 550 feet away. Bus Route 71 runs north-south generally along portions of Newport Boulevard and Red Hill Avenue from Newport Beach through Costa Mesa and into Irvine and Santa Ana and points beyond.

A Class-2 bike lane is provided on the east side of Newport Boulevard and Costa Mesa's Public Works Department is planning to install a new bike lane along the west side of Newport Boulevard. In addition, there are three additional bicycle lanes in the immediate area located along Victoria Street, Newport Boulevard, and Fairview Road. These bicycle lanes are interconnected with the regional bicycle trail system and provide connections between Costa Mesa, Huntington Beach, Newport Beach, and Santa Ana.

CMMC Section 13-275(e) indicates that any increase in traffic generation by a change of use that is required to obtain a discretionary permit, shall be subject to review by the appropriate reviewing authority, which may impose fees to address increased trip generation. If required, the fee collected is used to fund the City's comprehensive transportation system improvement program. The purpose of the program is to ensure that the City's transportation system has the capacity to accommodate additional trips. The Citywide Traffic Impact Fee related to new and expanding developments is determined using estimated Average Daily Trips (ADT), which is the combined total number of vehicular trips both in and out of a development generated throughout an average weekday. The applicant submitted a trip generation study that has been reviewed by the City's Transportation Division. The trip generation study indicated that the project would result in approximately 364 daily trips and would generate more trips compared to the existing commercial uses. Therefore, a traffic

impact fee will be required if the project proceeds. The fee calculation would be finalized during the building permit plan check process and be paid prior to building permit issuance.

Lastly, CMMC Section 13-275(a), specifies that “a traffic impact study shall be required for all development projects estimated by the Public Works Department to generate one hundred (100) or more vehicle trip ends during a peak hour.” The highest peak hour trips in either the AM or PM are used to estimate the number of vehicular trips generated both in and out of a new or expanded development, known as vehicle trip-ends during a peak hour. The City’s Transportation Services staff determined that the proposed project would result in approximately 24 AM and 33 PM peak hour trips, and thus a traffic study would not be required.

***Fire and Emergency Access***

If the project is accepted for processing, firefighter and apparatus access will be required throughout the project, and the applicant will work with the Fire Marshal to develop an acceptable project safety plan. The project’s incremental impact to fire life safety resources will also be evaluated. Based on the Fire and Rescue Department’s preliminary review of the project, there does not appear to be any significant issues that would preclude the project from moving forward.

***Proposed Building Height and Architecture***

Maximum building height in the Residential Incentive Overlay District is limited to three stories with rooftop terraces being permitted and not considered a story. The project proposes three-story units with a roof terrace (approximately 39 feet in total height). Although the project elevations show a fourth-story structure to access the roof terrace, If the City Council provides direction to proceed with the project, staff will continue to work with the applicant on the project design to ensure that the proposed project building height complies with the Residential Incentive Overlay District, or a project deviation is considered.

**Exhibit 7 – Project Renderings**



The applicant submitted several exhibits that include contemporary project architectural styles. The project designs incorporate various offsets, articulations, and construction materials to enhance the buildings' aesthetic qualities. Details regarding the architectural style, materials used, building facades, as well as shade and shadow analysis, will be required and thoroughly reviewed with the future project application submission.

### **General Plan Consistency**

The following project-applicable General Plan goals and policies should be reviewed and considered by the City Council in the context of the overall project as the Council considers whether or not to allow the proposed General Plan application to proceed:

**Goal LU-1:** *A balanced community with a mix of land uses to meet resident and business needs.*

The project will contribute to a balanced mix of uses in the area that includes providing additional housing opportunities, set among a variety of office, retail and service uses in the immediate area.

**Policy LU-1.3:** *Strongly encourage the development of residential uses and owner-occupied housing (single-family detached residences, condominiums, townhouses) where feasible to improve the balance between rental and ownership housing opportunities.*

The project proposes 40 new ownership housing units. The inclusion of 40 additional ownership units will improve the balance of rental and ownership housing in the City.

**Policy C-6.12:** *Require that every new development project pay its share of costs associated with the mitigation of project generated impacts.*

The project will be subject to the payment of development impact fees including, but not limited to, transportation improvements, drainage, and park facilities.

**Policy HOU-3.4:** *Consider the potential impact of new housing opportunities and their impacts on existing residential neighborhoods when reviewing development applications affecting residential properties.*

Two multi-family developments abut the project site to the north totaling 43 residential units (231-233 Avocado Street – 11 units, and 241 Avocado Street – 32 units). The project is not anticipated to negatively impact the adjacent residential uses to the north with design considerations intended to protect privacy of adjacent residents and balance their exposure to both sun and shade.

**Policy HOU-3.5:** *Encourage residential and mixed-use development along transportation routes and major commercial/mixed use corridors.*

If accepted for processing, the project would be situated near the SR-55 freeway. Additionally, the site is close to Victoria Street and Newport Boulevard, both identified as Secondary Arterials in the Master Plan of Streets Highways (MPSH). Fairview Road, a Major Arterial connecting to Newport Boulevard, is also located within a short distance of the project site.

### ***California Environmental Quality Act (CEQA)***

The project is subject to the California Environmental Quality Act (CEQA). As an infill development on a parcel less than five acres in size, the project may qualify for an exemption provided specified criteria are met. If the General Plan application is accepted for processing, staff will ensure compliance with CEQA including its streamlining provisions. However, if the project ultimately does not qualify for the exemption, then an initial study will be prepared to determine whether the project would result in environmental effects. The appropriate environmental document, which could be a Mitigated Negative Declaration (MND), Negative Declaration (ND), or an Environmental Impact Report (EIR) will then be prepared. Appropriate environmental studies will recommend necessary and appropriate mitigation measures, to support the requisite environmental document.

### **ALTERNATIVES:**

Since the screening process allows the applicant to consider the City Council's initial comments and to refine the development concept based on Council feedback prior to submittal of a land use application for review, and no decisions are made, there are no alternative actions for the City Council to consider.

### **FISCAL REVIEW:**

There is no fiscal impact to the City associated with this item. However, approval of this request and the potential development of the 40 residential units will generate additional revenue such as property tax, sales tax, franchise tax, etc.

If the City Council directs staff to proceed with the project, a comprehensive project-specific fiscal analysis would be completed and would include an identification of both positive and negative fiscal impacts.

### **LEGAL REVIEW:**

The City Attorney has reviewed this report and has approved it as to form.

### **CITY COUNCIL GOALS AND PRIORITIES:**

This item supports the following City Council Goal:

- Diversify, stabilize, and increase housing to reflect community needs.

**CONCLUSION:**

The General Plan Screening is a preliminary requirement necessary to initiate processing an application for the proposed land use change and associated development. Staff recommends that the City Council provide direction as to whether or not to proceed with a General Plan Amendment request to implement the Residential Incentive Overlay District for the subject property for the development of housing, and other associated entitlements.

If the City Council allows the project to proceed to an entitlement application, submittal of applications for a General Plan Amendment, Zoning Code Amendment, Master Plan, and Tentative Tract Map, would be required. Entitlement processing would also include a comprehensive environmental review process and technical studies including infrastructure studies, noise study, water supply study, and a fiscal analysis.