COMMUNITY DEVELOPMENT DEPARTMENT

August 4, 2026

The Honorable Sheila F. Hanson
Presiding Judge of the Superior Court of California, Orange County
700 West Civic Center Drive
Santa Ana, CA 92701

Subject: City of Costa Mesa Response to the Orange County Grand Jury Report: "California Housing Mandates"

Dear Judge Hanson,

Please find below the City of Costa Mesa's response to the Orange County Grand Jury's Finding and Recommendations published in their May 2026 report titled "California Housing Mandates." This information is being provided on behalf of the City of Costa Mesa in compliance with California Penal Code section 933.05.

The following is a response to the Grand Jury Findings and Recommendations as applicable to the City of Costa Mesa:

<u>Findings:</u>

F1. *In recent years, the California Legislature has enacted an unusually large and burdensome volume of housing-related laws intended to strengthen compliance with State Housing Mandates.*

City Response: The City agrees with this finding. The volume of housing-related laws enacted since 2019 has resulted in significant staff resources required to interpret and implement the laws, including educating the community and local officials. For example, during the 2025 legislative cycle, approximately 60 housing related bills were enacted. In most cases, the laws become effective in a short amount of time once they are signed into law (e.g., immediately, three months, or up to 10 months), which limited the City's and staff ability to adapt and understand the new regulations, attend training, consider interpretations, and develop protocols to efficiently implement the laws.

F2. *Housing Mandates are implemented through a RHNA process that often lacks transparency and relies on complex methodologies that are difficult for local officials and the public to understand or meaningfully challenge.*

City Response: The City agrees with this finding. The Regional Housing Needs Allocation (RHNA) was incredibly complex in its approach, with methodologies that were not transparent, that were difficult for staff to understand and assist in explaining the methodology to the community and local officials. The consultation process between the Southern California Association of Governments (SCAG) and the State Department of Housing and Community Development (HCD) operated in a vacuum during the 6th Housing Element Cycle. With little to no transparency during the consultation process, there was no way to confirm that metropolitan planning organizations/councils of government throughout California were assigned a housing need that was equitable and based on an identical methodology.

The SCAG RHNA Subcommittee recognized this issue, and in June 2019 proposed a clear distinction be made between housing need 1) due to projected regional population growth and 2) due to existing housing needs. Specifically, SCAG recommended HCD utilize the Regional Transportation Plan/Sustainable Communities Strategy, known as "Connect SoCal", growth forecast as a basis for projected housing need. The foundation for this growth forecast is local input and it represents a long-standing, credible approach which is consistent with Government Code section 65584.01.

In addition, the final SCAG RHNA methodology, adopted by the SCAG Regional Council on November 7, 2019, was introduced as a substitute motion at the Regional Council meeting. This alternative methodology was not reviewed or analyzed by jurisdictions, and it was inconsistent with the methodology that was developed through a rigorous year long process. Moreover, the final SCAG RHNA methodology was not the methodology that was reviewed and approved by the SCAG RHNA Subcommittee on October 7, 2019, that was also unanimously approved by the SCAG Community, Economic, and Human Development Policy Committee on October 21, 2019. The alternative methodology that was ultimately adopted, later known as the "Bailey methodology", over-emphasized housing near existing and future transit facilities and employment centers. Finally, this resulting methodology resulted in similar sized jurisdictions, with other similar characteristics, receiving widely differing RHNA allocations. The RHNA methodology process should be transparent, interactive, and rely on feedback from jurisdictions.

F4. *Meaningful participation by Orange County cities in both OCCOG and SCAG meetings is critical to ensuring that local perspectives are represented during the development and implementation of Housing Mandates policies.*

City Response: The City agrees with this finding.

F5. *SCAG's 6th Cycle RHNA assigned Orange County a questionable total of 183,861 housing units for the 2021–2029 planning period, with higher allocations concentrated in cities with major population and employment centers.*

City Response: The City agrees with this finding. As noted in the City's response to finding F2, the 6th Cycle RHNA process lacked transparency. It was difficult to determine the data and inputs used to arrive at RHNA methodologies, subsequent audits found errors in the model and accounting process, and it was difficult to explain this process, and data behind it, to the community and local officials.

F6. *RHNA allocations are unrealistic and not attainable within the current planning cycle due to limited available land, built-out urban conditions, infrastructure constraints, environmental factors, and public health and safety requirements.*

City Response: The City agrees with this finding. The RHNA continues to be a one-size-fits-all process where the methodology does not consider the characteristics or constraints associated with any individual jurisdiction.

F7. *Residents in Orange County consistently express a desire for local planning decisions to reflect community priorities, including but not limited to neighborhood character, safety considerations, the environment and open-space preservation.*

City Response: The City agrees with this finding.

F8. California's regulatory construction costs (i.e., permitting fees) present substantial challenges for private housing developers—particularly those delivering affordable units.

City Response: The City agrees with this finding. Many financial incentivizes, opportunities and sources exist at the County level. Local jurisdictions are already constrained and increasingly more constrained in subsidies, grants and other funding mechanisms they can provide and support. Additionally, private developers, including affordable housing developers, request incentives like reductions to building code requirements, waiving of impact fees and relaxing of other code requirements to help the project from a financial standpoint. However, relaxing of these requirements is not often beneficial from a quality-of-life standpoint, and communities often bear the repercussions of these decisions.

Moreover, housing development is dependent on market conditions. Factors impacting market conditions include, but are not limited to, construction costs, labor costs, availability of materials, permitting fees, availability of funding/financing.

Jurisdictions are unable to predict times of economic uncertainty, such as a recession or varying interest rates, or a large scale regional natural disaster, such as the Palisades/Altadena fires, which can drastically impact development. It is the City's experience that density bonus projects (i.e., constructing a percentage of affordable units with market rate units in a single project) are financially feasible for both rental and ownership projects. However, feasibility depends on sales prices and rents, which are also subject to market factors. If revenues from rents and sales prices support development costs, housing is built due to the demand.

F9. *The cost of constructing a single affordable housing unit in California typically ranges from approximately $500,000 to $800,000 per unit when fully complying with current state regulations. New low-income housing is generally not financially feasible without public subsidy.*

City Response: The City agrees with this finding. As noted in the City response to F8, many financial incentivizes, opportunities and sources exist at the County level. Local jurisdictions are already constrained and increasingly more constrained in the subsidies, grants and other funding mechanisms they can provide and support. Additionally, private developers, including affordable housing developers, request incentives like reductions to building code requirements, waiving of impact fees and relaxing of other code requirements to help the project from a financial standpoint. However, relaxing of these requirements is not often beneficial from a quality-of-life standpoint, and communities often bare the repercussions of these decisions.

F10. *Prior to their dissolution in 2012, redevelopment agencies served as a primary mechanism for cities and counties to finance affordable housing and related infrastructure. The loss of redevelopment has reduced cities' ability to support construction of affordable units.*

City Response: The City agrees with this finding. Medium-sized jurisdictions have populations with diverse demographics and housing needs. However, resources to address these needs continue to be limited, often paired with competitive application processes. As a result of legislation in 2012, all redevelopment agencies in the State were dissolved, which has had a profound effect on the quantity and complexity of affordable housing development in the State. Redevelopment was a tax increment financing tool that allowed cities and counties to retain a higher share of the growth in property taxes in designated areas to invest in those areas. Over 400 cities and counties in the State used this tool. Redevelopment projects were required to allocate 20% of all tax increment for affordable housing in the community. On a Statewide level, over $2 billion generated on an annual basis for affordable housing was lost due to this State law change.

Despite State legislative efforts to replace Redevelopment with Enhanced Infrastructure Financing Districts and Community Revitalization Investment Areas (CRIAs), these financing tools generate a tiny fraction of the local funding that redevelopment did previously, which is the reason why a limited number of Enhanced Infrastructure Financing Districts and only one CRIA have been adopted over the last 15 years. The State has yet to allow a structure to replace this significant permanent source of affordable housing funding.

F11. *Because public subsidy is limited and highly competitive, cities seeking to produce meaningful quantities of low-income housing must rely in part on private development incentives, often resulting in higher overall development densities and unit counts than the RHNA allocation.*

City Response: The City agrees with this finding. The City of Costa Mesa continues to rely on its Inclusionary Housing Ordinance and State Density Bonus Law (SDBL) to achieve lower-income housing included in residential projects. These development projects are not producing affordable housing at the densities necessary for the City to meet its RHNA allocation identified for Housing Element sites. This is due to current market factors favoring lower density townhomes rather than higher density rental projects, which diminishes the required Housing Element surplus of units and presents a no net loss risk. Market factors have a powerful effect on what housing is built and zoning changes by jurisdictions cannot single-handedly counteract a change in the market. The City would be interested to know if the data across Orange County and California shows this trend and if that is likely to continue as RHNA allocations and densities increase.

F12. *The 6th Cycle RHNA methodology included numerous technical inputs published by SCAG and HCD; however, these inputs were highly complex and difficult for cities to interpret or independently verify.*

City Response: The City agrees with this finding. As noted in the City response for F2, the Sixth Cycle RHNA was incredibly complex in its approach. Costa Mesa wrote at least four letters to SCAG over the course of the development of the methodology and noted over the course of three months (September 2019 to November 2019) that five different methodologies were presented and reviewed. Costa Mesa expressed significant concerns about local input not being included in the methodology, and that the process should be transparent and interactive. The process was input focused and did not rely enough on feedback from jurisdictions.

Of note, jurisdictions do not have the opportunity to review the inputs utilized by HCD during the consultation process between HCD and SCAG and, therefore, are not able to provide public comment on the data points until after the release of the regional determination. Additionally, jurisdictions were not provided access to the data points utilized by HCD in the regional determination and had to extract them from the materials provided. This resulted in a lack of transparency and made it extremely difficult for jurisdictions to analyze and verify the various methodologies in a timely manner to provide meaningful feedback to HCD and SCAG.

Recommendations:

R7. *OCCOG, all Orange County cities and the County of Orange should reassess the current dues structure, by September 30, 2026, to ensure that OCCOG has the resources necessary to effectively represent Orange County jurisdictions in SCAG processes, including RHNA methodology development and appeals. (F3, F15)*

City Response: The City acknowledges that OCCOG should have necessary resources to effectively represent Orange County jurisdictions in the SCAG processes, including RHNA methodology development and appeals. This is not an action item the City of Costa Mesa can independently initiate; however, the City is supportive of the intent of this recommendation. However, the City also emphasizes that jurisdictions continue to face budgetary constraints, which would make it difficult to commit to increased dues to support the recommended resources.

R8. *By December 31, 2026, the Orange County Board of Supervisors should partner with cities to evaluate countywide infrastructure capacity– including water, wastewater, flood control, transportation, and public-safety systems–and develop a coordinated regional plan capable of supporting the level of housing growth required under state law. (F6)*

City Response: The City acknowledges this recommendation. The City prepared a comprehensive programmatic environmental impact report (PEIR) that evaluated citywide infrastructure capacity including water, wastewater, flood control, transportation, and public-safety infrastructure for the citywide rezoning effort, Neighborhoods Where We All Belong, to implement the Sixth Cycle Housing Element. Additionally, the City reached out to the local school districts to evaluate capacity impacts in the three focus areas where the majority of the residential and residential mixed-use is sited. The PEIR is not yet certified and is currently being circulated for public review but determined that there is adequate citywide infrastructure capacity to support the additional residential development, with certain identified infrastructure improvements. In some cases, residential and residential mixed-use projects would replace existing non-residential uses that generate more impacts. The City would cooperate in sharing the PEIR to ensure that the County would have a recent assessment of infrastructure needed to support development.

Additionally, the 6th Housing Element Cycle will conclude in 2029, and the County of Orange may determine it to be more appropriate to initiate this project prior to the 7th Cycle RHNA.

R9. *By September 30, 2026, the Orange County Board of Supervisors should strengthen its engagement with OCCOG and increase staff support to develop a shared, countywide database of potential housing sites and key development-feasibility factors. (F15)*

City Response: The City partially agrees with this recommendation. The City of Costa Mesa staff attend all OCCOG Technical Advisory Committee (TAC) monthly meetings, participate in bi-annual countywide data collection requests, share information with Orange County jurisdictions through OCCOG, attend trainings related to RHNA and state law implementation. The City would support a countywide GIS database of Housing Element sites and would make shapefiles accessible for this purpose. However, this recommendation is focused on the County of Orange for implementation and not Costa Mesa.

R11. *The County of Orange and each city should ensure consistent participation in SCAG and OCCOG committees by September 30, 2026, including the Technical Advisory Committee (TAC), to strengthen regional representation during RHNA-methodology development. (F3, F4, F15)*

City Response: The City agrees with this recommendation and has designated staff representatives, or alternates, for all RHNA-related SCAG and OCCOG committees who actively participate in and attend the meetings.

R12. *The County of Orange and each city should designate a single technical representative, by September 30, 2026, along with an alternate, for all RHNA-related SCAG and OCCOG committees to ensure continuity of participation and eliminate gaps in representation across multiple decision-making bodies. (F4)*

City Response: The City agrees with this recommendation as noted in R11.

R14. *By April 30, 2027, the County of Orange and each city should publish annual monitoring dashboards showing (a) entitlement pipeline conditions, (b) realistic site yield, (c) assembled funding sources for affordable units, and (d) conversion rates from planned capacity to issued permits and completed units, ensuring that County and city-determined capacity assumptions remain aligned with actual production. (F13)*

City Response: This recommendation is already being implemented. Costa Mesa has an Active Development Projects map available on the City's website that shows where projects are being constructed. In addition, the City reports housing production data on an annual basis to the California Department of Housing and Community Development (HCD) through the annual progress report which includes information for entitlements through to certificate of occupancy, and project funding sources, if known. Identifying project funding sources is a newer reporting requirement established by HCD during the last two annual reporting cycles. HCD publishes this data on dashboards that are already publicly accessible, that can be filtered to a specific County or local jurisdiction. In addition, Costa Mesa publishes the annual progress reports to the City's website. Finally, when an application is submitted for review on a Housing Element site, the City must make findings that there is sufficient capacity remaining during the current housing element cycle, consistent with State law.

R15. *By September 30, 2026, and ongoing, the County Board of Supervisors and all city councils should make a coordinated and sustained effort to educate their constituents about the RHNA process—its requirements, its impact on local planning and community character, and the role residents can play in shaping outcomes. Public education efforts should also include guidance on how community members can effectively engage with the California Legislature and advocate for more realistic, data-driven housing policies. (F1, F7)*

City Response: The City agrees with and is already implementing this recommendation. The City of Costa Mesa's 6th Cycle Regional Housing Needs Allocation (RHNA) represents the largest housing obligation in the City's history; 11,760 units. Meeting this requirement was constrained by a 2016 voter-approved growth control measure (Measure Y), which presented a significant barrier to housing production, and required a citywide vote for zoning and land use changes to remove. In November 2022, voters approved City-initiated Measure K, a critical policy shift that removed this barrier by allowing changes to land use and zoning in specific commercial and industrial areas while requiring robust community visioning.

In 2024-2025, the City launched a unique, people-centered planning initiative called Neighborhoods Where We All Belong (NWWAB). NWWAB is a coordinated outreach and planning effort to rezone all Measure K sites, including the Housing Element sites (which was completed on a faster pathway and approved by the City Council at their March 17, 2026, meeting). Part of the outreach effort included explaining RHNA to the community. As part of this NWWAB planning effort, the City is rezoning over 1,000 parcels (including Housing Element sites) to allow for residential and mixed-use development, studying the environmental impacts of over 22,000 residential units across the City through a Programmatic Environmental Impact Report (PEIR), and zoning ordinance updated to implement a majority of the City's Housing Element programs and comply with state law. More information can be found on the City's NWWAB website: www.costamesaneighborhoods.com.

R16. *By December 31, 2026, all cities should look to enhance their relationships with not-for-profit affordable housing developers to increase the opportunity to develop more affordable housing. (F8, F10, F12)*

City Response: The City agrees with and is already implementing this recommendation. The City's Housing Element identifies program 2B (Affordable Housing Development), which includes pursuing funding opportunities related to affordable housing, pursuing local partnerships with affordable housing organizations and establishing development incentives (i.e., deferment of fees, priority processing, modified development standards, etc.) to encourage affordable housing in the City. As part of a REAP 2.0 grant awarded to the City in early 2026, consultant Interwest is assisting the City in preparing a memo that identifies all the ways in which the City is actively advancing these objectives in line with program 2B. This memo will be available for public review as part of the NWWAB efforts, going to the City Council in fall, 2026. The City is anticipated to have completed this program as part of the NWWAB effort.

The City of Costa Mesa will continue to review and respond to issues of concern related to housing in our community. Thank you for the opportunity to respond and if you should need further information, please do not hesitate to contact Anna McGill, Planning Manager, at 714-754-5609.

Sincerely,

Mayor John Stephens
City of Costa Mesa

C: Costa Mesa City Council
Cecilia Gallardo-Daly, City Manager
Carrie Tai, Community Development Director