



Agenda Report

Item #: 25-442

Meeting Date: 10/21/2025

TITLE: FAIRVIEW DEVELOPMENTAL CENTER SPECIFIC PLAN DRAFT PREFERRED LAND USE PLAN – REVIEW AND RECOMMENDATION

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT / PLANNING DIVISION

PRESENTED BY: MELINDA DACEY, PRINCIPAL PLANNER, ANNA MCGILL, PLANNING AND SUSTAINABLE DEVELOPMENT MANAGER, AND KAREN GULLEY / SUZANNE SCHWAB, PLACEWORKS

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RECOMMENDATION:

Staff recommends the City Council:

1. Adopt City Council Resolution No. 2025-XX to confirm Planning Commission recommendation for a Draft Preferred Land Use Plan for the Fairview Developmental Center (FDC) Specific Plan and scope of environmental study, without committing the City to a specific course of action on the Specific Plan; and
2. Provide direction to staff regarding a feasibility analysis of potential land uses for Harbor Frontage

ENVIRONMENTAL CONSIDERATIONS:

The action being considered by the City Council is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(3) of the CEQA Guidelines because the action is not a "project" pursuant to Section 15378(b)(5). The action involves an organizational or administrative activity of government that will not result in the direct or indirect physical change in the environment. Moreover, an Environmental Impact Report (EIR) will be prepared for the Specific Plan in accordance with the CEQA Guidelines. Direction on the preferred plan will be used to help define the project description that will be studied under the EIR.

BACKGROUND:**Site Description**

The Fairview Developmental Center (FDC) is a 115-acre property located at 2501 Harbor Boulevard in the City of Costa Mesa. The property is owned by the State of California, and the site was historically developed and operated as a residential care facility for individuals with developmental disabilities. Through extended negotiations, the State Department of General Services (DGS) will retain ownership of 20 acres for an Emergency Operations Center (EOC), and the Department of Developmental Services (DDS) complex needs housing. This 20-acre area of land will not be included in the FDC Specific Plan area. The proposed Specific Plan boundary encompasses approximately 95 acres. Of this, DDS will also retain 15 acres for affordable housing similar to the Harbor Village Apartments, leaving approximately 80 acres available for future development.

Figure 1: Site Location



City and State Contractual Obligations in the FDC Specific Plan Process

In June 2022, the State Legislature, through Senate Bill (SB) 188, approved Government Code Section 14670.31, which provides a framework for the reuse of the FDC property. The legislation codifies a partnership between the Department of General Services (DGS), the Department of Developmental Services (DDS), and the City of Costa Mesa, with defined roles for each entity.

To support this effort, the State allocated \$3.5 million in State funding to the City to develop a Specific Plan, conduct necessary studies, and manage a community-based planning process. The Legislature's intent for the redevelopment of the FDC site is to prioritize affordable housing to the greatest extent feasible, including a minimum of 200 units of permanent supportive housing, open space, and housing for individuals with developmental disabilities, and the City will create a Specific Plan for the FDC site that implements the provisions of Government Code Section 14670.31.

The City and the State executed an agreement on January 29, 2023, consistent with SB 188. As outlined in the agreement between the City and State, the final development plan must align with both the City's adopted vision and the State's interests. While the site is owned and controlled by the State (DGS), the agreement outlines the City's responsibilities for leading the land use planning process. The agreement envisioned that the City's planning work for FDC would be completed by December 2025 (recently extended to December 2026), and included the following deliverables:

- Robust Community Engagement Strategy (and implementation thereof);
- Comprehensive Conditions Report on the property and its setting;
- Economic Market Demand Report;
- Water Supply Assessment and coordination among Water Agencies;
- Project Conceptual Alternatives & a Preferred Plan Framework;
- Draft Specific Plan with Implementation Strategies;
- Public Draft Initial Study and Notice of Preparation, if required;
- Public Draft Environmental Impact Report;
- Draft Final Environmental Impact Report and Mitigation Monitoring and Reporting Program;
- Final Draft Specific Plan and Environmental Impact Report; and
- Public hearings for EIR certification and Specific Plan adoption, including any General Plan and Zoning amendments identified as necessary for consistency.

In accordance with the FDC project agreement with the State, the planning process has progressed to establishing the Preferred Plan Framework for environmental review purposes. The preferred land use plan is required to commence the environmental review step anticipated in the City-State agreement, and for which the City approved a contract with a consultant to prepare. The purpose of environmental review is to evaluate a project description and identify significant impacts and corresponding mitigation measures to inform the decision-making for the eventual Specific Plan.

The Planning Commission provided input on components to include within a Preferred Plan at three public study sessions held on May 27, 2025, June 23, 2025, and August 25, 2025, as described in further detail below, to make a recommendation to City Council for their consideration.

Preliminary Public Participation

An initial round of public outreach and engagement efforts commenced in October 2023 and occurred throughout the rest of the 2024 calendar year. A total of 18 public outreach and engagement meetings have been held to date, and past outreach events are available on the project webpage linked here: <https://fdcplan.com/participate/>. The outreach events have included in-person and virtual workshops, pop-up events, and study sessions. Materials for all workshop and pop-up events were provided both in English and Spanish, with Spanish interpreters available to assist attendees when needed. For in-person meetings, the City provided activities for children to enable parents to engage fully in outreach.

The feedback and findings expressed during public participation partially formed the basis to formulate three land use concepts that included priorities such as affordable housing, open space, mobility, and access. The land use alternatives were developed through coordination efforts with State agencies, feedback received through public engagement efforts (18 community outreach events), and the findings from the financial feasibility analysis to test housing unit thresholds, land use distribution, circulation network, open space, and organization of the site. In general, the majority of respondents supported more open space, the secondary access road, and lower density concepts (but maintaining 920 affordable units).

Financial Feasibility Analysis

As required by the agreement with the State, the City oversaw preparation of a Financial Feasibility Analysis ("Analysis") for the FDC site, using three land use concepts as test cases. The three land use concepts included different unit counts, at Concept 1/2,300 units, Concept 2/3,450 units, and Concept 3/4,000 units, along with land use components identified during public outreach. Incorporating market demand and pricing, the Analysis provides a detailed summary of the development cost at the FDC site, excluding the cost that affordable housing developers will pay to build and operate their projects. The analysis also includes project-wide infrastructure costs, such as demolition, roads, water, and sewer, along with public safety and open space needs for the level of development. Feasibility alternatives (i.e., changes in the assumptions for each land use concept that would make each concept more feasible) were included to identify adjustments that could make the overall project financially feasible.

Financial feasibility analyses are prepared and analyzed from the perspective of potential developers and ask the question: do the concepts provide enough market rate housing units to offset the costs to support the affordable housing, the DDS housing, and other amenities, such as public safety and parks and recreation facilities. It can be used to predict the potential feasibility of a project with the most accurate information at hand at the time the analysis is conducted. While these analyses try to anticipate future market trends, unforeseen trends or market factors could adjust identified feasibility when the master developer is ready to construct. The Analysis is a 'snapshot' of the current market and its considerations. For FDC, the Analysis evaluated the three concepts to determine how and whether a developer could redevelop the site and achieve an industry standard internal rate of return for project feasibility (15%). The table below is a summary of the results of the financial feasibility analysis:

Table 1: Total Cash Flow and Annual Internal Rate of Return			
	Concept 1	Concept 2	Concept 3
Cash Flow Sums with Financing and Cost/Revenue Escalation			
Total Cash Inflow	\$810,300,000	\$2,148,000,000	\$2,905,000,000
Total Cash Outflow	-\$962,700,000	-\$1,779,000,000	-\$2,235,000,000
Total Net Cash Flow	-\$152,360,000	\$369,100,000	\$669,8900,000
Financial Feasibility Metrics			
Annual Internal Rate of Return (IRR)	-20%	14.6%	16.7%
Feasibility Surplus/(Gap)	(\$233,000,000)	(\$5,020,000)	\$26,700,000

The financial feasibility analysis found that Concept 2 and Concept 3 were financially feasible; however, Concept 2 has a financing shortfall, commonly referred to as a “gap” in project financing. Based on the financial feasibility analysis, staff initially recommended a residential unit mix of 3,600 to 3,800 units for the preferred land use plan as a reasonably expected development range at the FDC site.

Planning Commission Discussions and Recommendation

On May 27, 2025, the Planning Commission received a report that outlined three different land use alternatives developed within a financial feasibility analysis for the FDC Specific Plan. The Planning Commission and the public requested additional information on the Specific Plan process. Staff explained that the land use plan was intended to be more high-level, with designated land uses and key components of the plan. The land use map identifies potential areas for housing development but does not describe the maximum density or height at these locations, allowing flexibility for the master developer as part of the entitlement process. The Specific Plan would then evolve this land use plan further with additional details, requirements, and considerations.

Key considerations for a preferred land use plan were included in the May 27 staff report including balancing land use components, supporting delivery of affordable housing, ensuring financial viability, and planning for long-term flexibility.

The May 27, 2025, FDC Study Session Staff Report and materials are linked as follows:

Staff Report: <https://costamesa.legistar.com/LegislationDetail.aspx?ID=7408827&GUID=E7162FB0-6F1B-49C8-8A10-A2B71A59E397>

Minutes: <https://costamesa.legistar.com/View.ashx?M=M&ID=1309937&GUID=DF56F674-208A-4037-A0EC-B38BB0E51F44>

Video: https://costamesa.granicus.com/player/clip/4262?view_id=14&redirect=true

On June 23, 2025, the Planning Commission received a report that provided a comprehensive background on the City and State roles in the FDC Specific Plan, components of a specific plan, community outreach and engagement activities, development realities with State housing law (Density Bonus), environmental review process, and further discussion around the financial feasibility analysis findings. As part of the City's obligation to plan the FDC site to accommodate a reasonably expected level of development, the City had reached a critical point in the project to complete an initial draft of the Specific Plan based on the received input.

The Planning Commission requested clarification on types of affordable housing and expressed a challenge to reach Housing Element affordability thresholds (40% affordability with the very low- and low-income categories) with the development range. Additional discussion items included:

- The secondary access road and golf course impacts.
- Other alternative access locations.
- A perceived sense of isolation of the site with a desire to have better connection to Harbor Boulevard for open space, commercial and housing opportunities.

The Planning Commission did not make a recommendation at the meeting due to the additional discussion items. However, a majority of the Planning Commission indicated interest in exploring land use options for the "Harbor Frontage" area of the golf course, which separates the FDC site from Harbor Boulevard.

The June 23, 2025, FDC Study Session Staff Report and Materials are linked as follows:

Staff Report: <https://costamesa.legistar.com/LegislationDetail.aspx?ID=7443281&GUID=794883F8-79F0-429F-89AA-27A1037F3206>

Minutes: <https://costamesa.legistar.com/View.ashx?M=M&ID=1316545&GUID=737E02AB-73AD-445B-B62B-FF9D2DDE7F59>

Video: https://costamesa.granicus.com/player/clip/4275?view_id=14&redirect=true

On August 25, 2025, the Planning Commission received a report summarizing prior Planning Commission study session concerns, public input received at the meetings, and focused discussions on finalizing the draft Preferred Plan for recommendation to City Council for environmental review purposes. In addition, staff informed the Planning Commission that a separate, but concurrent "Harbor Frontage" concept may be forthcoming to address concerns about the secondary access road impacts to the golf course and the Commission's desire to create better connectivity to the site at Harbor Boulevard. The "Harbor Frontage" concept includes several land use options, including a potential land swap with the State for an identically sized area of land in between the two proposed access roads. Staff further relayed that the City Council would need to provide direction to staff to continue to explore this concept further, since the land is City-owned land.

The Planning Commission recommended adoption of PC Resolution No. 2025-17, which outlines the draft Preferred Plan for City Council consideration, further discussed in the analysis section of this report, with modification to increase the maximum residential unit total to 4,000 from the staff recommended 3,800 units, and to study a third vehicular access path from Shelley Circle to Placentia Avenue (if needed) to alleviate the two proposed access points. These modifications are incorporated

in Planning Commission Resolution No. 2025-17, included as Attachment 2 to this report. The August 25, 2025, Planning Commission Study Session Staff Report and associated attachments are included as Attachment 3 to this report.

ANALYSIS:

Recommended Preferred Land Use Plan

Following community input and financial feasibility analysis, the City's planning effort contemplated the development of land use alternatives and from those alternatives, a preferred land use plan. The consultant team developed potential land use alternatives as starting points for discussion. The goal in developing these alternatives was to incorporate components of the studied land use concepts that were desired by the community as well as incorporate aspects of good planning design with consideration of the results of the financial feasibility analysis.

These alternatives were vetted and discussed with City staff across multiple divisions/departments. All considered land use plans accommodated the staff recommended components of the preferred plan that was shared with the Planning Commission. These include housing target range, minimum amount of open space dispersed through the site, commercial space, grand promenade, and flexibility for a future master developer.

For the City to prepare a viable Specific Plan and conduct environmental review under the California Environmental Quality Act (CEQA), the City is responsible for evaluating a land use concept that is both physically and financially viable and reasonably expected. The City can then ensure a Specific Plan that achieves a balance of community desires, key public benefits, such as affordable housing, open space, and community amenities, as well as plan for elements that are reasonably expected to be seen as part of a future project proposal based on feasibility.

At the August 25, 2025 public meeting, the Planning Commission made the following recommendation for City Council consideration for the 95-acre FDC project area:

- 2,300 Dwelling Units Minimum (per Housing Element)
- 4,000 Dwelling Units Maximum
- 35,000 square foot Commercial maximum – flexible location – could be standalone or in mixed-use configuration in any building
- 12 acres minimum dedicated publicly accessible open space (plus improvements and impact fees)
- 2 access points from Harbor Boulevard
- (Off-site) Partial golf course reconfiguration due to secondary access road
- Study possible third access point from Shelley Circle to Placentia Avenue at an existing maintenance path

Table 2 – Preferred Plan Land Use Designations and Affordable Housing

Land Use	Development Minimum	Development Maximum
Total Residential Units ^{1,4}	2,300 units minimum	4,000 units maximum
• Very Low Income	575 units ²	-
• Low Income	345 units	-
• Moderate Income	690 units	-
• Above Moderate Income	690 units	-
Commercial	10,000 sf minimum	35,000 sf maximum
Public Open Space ³	12 acres minimum	No maximum

Notes for Table 2:

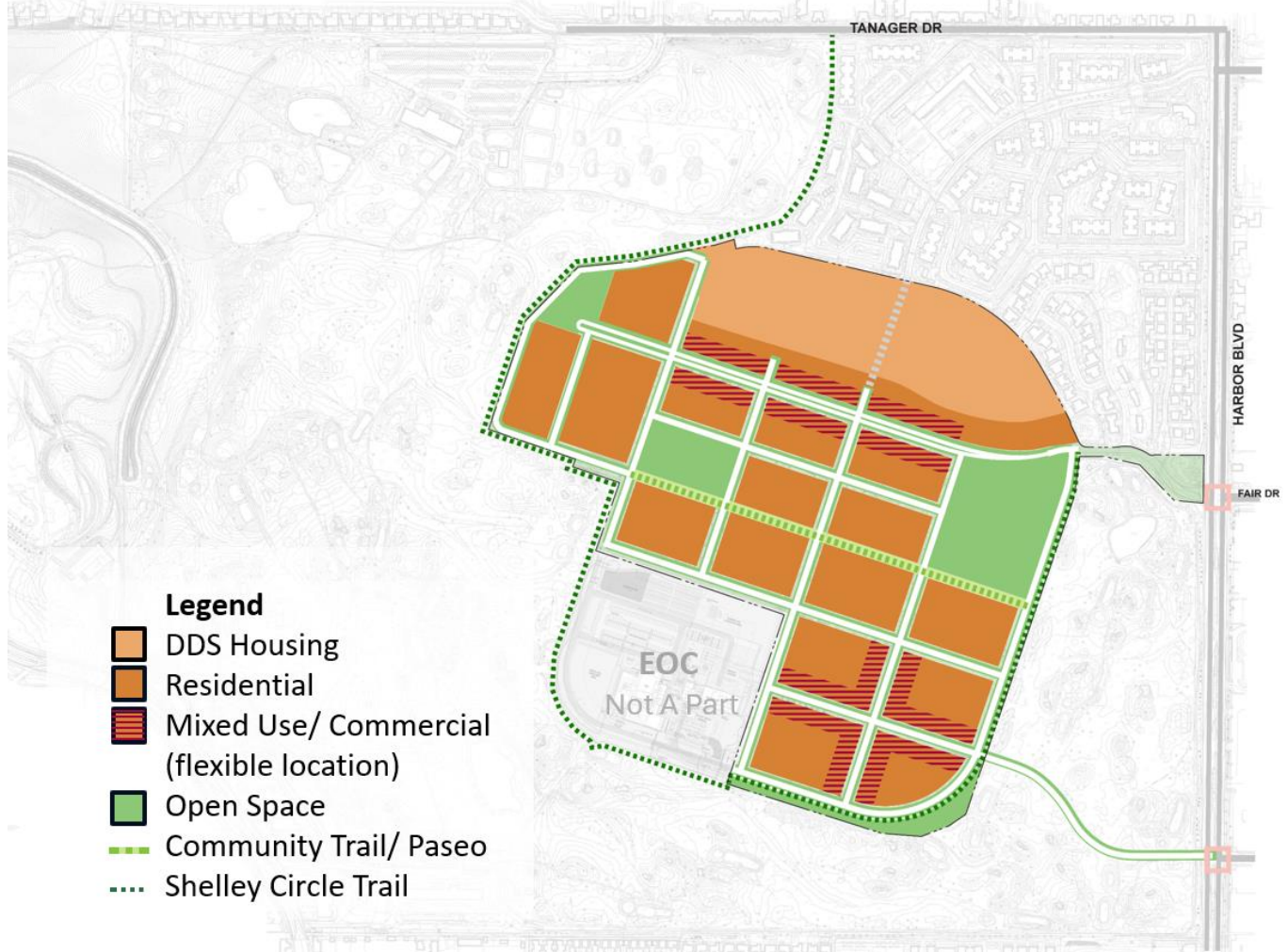
1. The Very Low, Low, Moderate, and Above Moderate-income categories is defined in the City's Housing Element.
2. The very low-income units shall include 200 Permanent Supportive Housing Units in accordance with State Code Section 14670.31. Housing developed on-site by DDS may count towards meeting this requirement.
3. Public Open Space includes areas planned for possible use of the following, including but not limited to: public parks, trails, plazas, and other types of open spaces available to the general public. It does not include private and common open space that is considered an on-site amenity for housing and is primarily accessible by the residents of the housing development.
4. Total units include the residential development within the 15-acres of land retained by DDS.
5. The Plan also contemplates a secondary access at the southeast corner of the site through the golf course, requiring the reconfiguration of up to six holes.

Development Realities

State Density Bonus Law now allows additional density on all housing development projects that provide a certain level of affordable housing. Density bonuses can range from 5% to 80% of the number of base units. For example, a development with 100 base units can earn up to an 80% density bonus (180 units) if all the units are affordable (very-low, low, or moderate-income levels). In another example, a development with 100 base units can earn up to a 50% bonus (150 units) if 40% of the units are restricted to a very-low income level.

Studying the potential impacts of a maximum number more accurately prepares the City for the reasonable expectation that a master developer will pursue a financially feasible development scenario. This ensures that the City studies all developmentally feasible options and ensures that future projects meet the Specific Plan and adequately fulfill infrastructure and public service requirements to support the approximate level of development. These recommendations seek to strike a balance between the City planning for the reasonably expectable range of development, achieving City and State housing goals, and ensuring that development "pays its way."

Conceptual Preferred Land Use Plan as of 8/23/2025



Specific Plan Designations:

Residential. The Residential land use category is intended to allow for a wide range of housing types, including two-and-three story walk-up townhomes, courtyard or motorcourt products, stacked flats, and buildings up to 12 stories in height. This category is also intended to satisfy the City's 6th Cycle RHNA obligation for the FDC property in terms of providing Very Low, Low, Moderate, and Above Moderate-Income Housing.

The Residential category will also allow for a range of senior living options, including independent and assisted living. Public and private recreational uses, daycare, and community and neighborhood-serving amenities will also be allowed.

This category also includes approximately 15-acres of property to be retained by the State Department of Developmental Services (DDS) for the development of housing for the developmentally disabled (Very Low Income), and housing for moderate and above moderate households.

Commercial. The Commercial land use category is intended to allow for neighborhood-serving retail and service uses in either a stand-alone or mixed-use configuration, including restaurants, coffee shops, small grocery and retail stores, pharmacies, studio and fitness facilities, and small office uses, including medical office, in either a mixed-use or stand-alone configuration. Ancillary community supporting uses, such as day care, are also allowed.

Publicly Accessible Open Space. The Open Space category is intended for various parks and open space uses that are open to the general public, including neighborhood parks, recreation centers and cultural facilities, smaller pocket parks, and trails for pedestrians and bicyclists. Flexibility in the final location and configuration of publicly accessible open space is provided in the Specific Plan.

Minimum Specific Plan Provisions to Carry out the Preferred Land Use Plan:

- The Plan (*italics represent items in addition to items in the heading parenthetical*).
 - Land Use Plan (including permitted land use categories such as housing/affordable housing, commercial, community amenities, etc.)
 - *Allow community amenity uses (library, school, etc.)*
 - Mobility and Circulation (including roadway and network layout, street sections, bicycle, and pedestrian path and access requirements, etc.)
 - *Secondary access acquisition process (City-owned land), including community engagement, and type of access*
 - *Construction phasing of “backbone” paths and streets*
 - Open Space (including minimum required open space, types of open space permitted and possible locations for open space, recreational amenities, dedications, fees to be paid, construction and maintenance responsibilities)
 - *Require State/General Plan designated amount of open space*
 - *Use Open Space requirements as a lever to achieve additional affordability or publicly-available amenities*
 - *Accommodate active sports fields that are open to the public, with the uses to be determined by the City’s Park Master Plan*
 - *Golf course reconfiguration and improvement requirements as a result of secondary access, including phasing; coordination with Golf Course operator and golf course design firm on a preferred course configuration*
 - *Pedestrian connection to Fairview Park*
 - Infrastructure (including infrastructure requirements for the plan, such as water, storm drain, sewer and drain utilities for both master development and individual project development)
 - *Construction phasing of “backbone” infrastructure*
 - Public Services (including additional requirements for public services such as police and fire facilities, as well as storm drainage to accommodate the needs of additional residents and services)
 - *Construction phasing to ensure public services are available to service future residents*
- Administration and Implementation
 - Review processes, including applications and decision bodies
 - Future development
 - Specific Plan amendments

- Monitoring requirements
- Development impact fee provisions

Following receipt of City Council direction, staff intends to pursue separate but parallel tracks:

1) Continue with the Fairview Developmental Center Specific Plan and Environmental Review.

Following City Council direction on a project description, staff will proceed with the environmental review process. A Notice of Preparation (NOP) will be issued to initiate the environmental review. The NOP will be circulated for 30 days pursuant to State CEQA guideline timeframes. The City will hold a public scoping meeting in November 2025 during the 30-day NOP circulation timeframe to obtain early feedback and input from the public regarding areas of concern in relation to environmental review topics (Biological Resources, Geology/Soils, Hydrology, Noise, Land Use, Population, Transportation, etc.). Following the NOP, the Draft Environmental Impact Report (DEIR) will be prepared. During the DEIR public review period, the public will be able to evaluate and understand the environmental impacts and continue to provide input that will refine the preferred plan and the Specific Plan components.

Concurrently, staff will continue to refine proposed Specific Plan policies, development standards, and objective design guidelines. Community outreach will be conducted to present the draft specific plan and DEIR to the community for feedback. A follow-up study session with the Planning Commission and City Council will also be held on the draft Specific Plan, with additional opportunity for discussion and refinement. Once input is received and refinements are made, the City would create a final draft Specific Plan and initiate the formal public hearing process to consider adoption of the Specific Plan and associated project approvals.

- 2) Discussion about Harbor Frontage and Golf Course Improvements.** Should City Council indicate interest in discussing land use concepts for the City-owned land between Harbor Boulevard and the FDC east boundary, including a possible land swap, staff would return at the earliest opportunity (anticipated in December 2025) with options that include alternative land use concepts. Since this City-owned area is currently occupied by a portion of the golf course, staff has engaged with a golf course designer to evaluate feasibility of several alternative golf course plans that result in an overall improvement to the City's golf course resources, rather than simply reconfiguring the six holes affected by the secondary access road. This more holistic review ensures that the City's golf course resources are not only retained but enhanced as a result of the FDC Specific Plan.

ALTERNATIVES:

The City Council may modify the Planning Commission's recommendation or provide alternative direction to staff.

FISCAL REVIEW:

In 2022, SB 188 was adopted by the State legislature, which established Government Code Section 14670.31, setting forth a framework and establishing the need for an agreement between the State of California and the City to prepare and develop local planning documents identified as the Fairview Developmental Center Specific Plan and associated work. The City received State Grant funds (Fund 231) in the amount of \$3.5 million from the State of California Department of Development Services in 2023, of which \$1.7 million has been expended as of this Council Agenda date. Expenses related to environmental study would be funded from the remaining grant funds, which currently have a balance of approximately \$1.8 million.

LEGAL REVIEW:

The City Attorney's Office has reviewed this staff report, City Council resolution and has approved them as to form.

CITY COUNCIL GOALS AND PRIORITIES:

Creating a plan for the FDC supports the following City Council Goal:

- Diversify, Stabilize, and Increase Housing to Reflect Community Needs

CONCLUSION:

Staff recommends the City Council provide direction regarding the preferred land use plan framework as recommended by the Planning Commission, so the draft specific plan document may be prepared and the environmental review process may commence. At this time, the City Council may direct staff to further pursue the "Harbor Frontage" concept to address the Planning Commission's concerns with the potential disruption to the golf course due to the secondary access road, in addition to the site having a greater presence on Harbor Boulevard.