



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA
92626

Item #: 24-228

Meeting Date: 06/18/2024

TITLE: SECOND READING OF ORDINANCE NO. 2024-02 AMENDING TITLE 13 (PLANNING, ZONING AND DEVELOPMENT) OF THE COSTA MESA MUNICIPAL CODE TO ESTABLISH AFFORDABLE HOUSING REQUIREMENTS FOR NEW RESIDENTIAL DEVELOPMENT PROJECTS

DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION

PRESENTED BY: AMBER GREGG, CONTRACT PLANNER

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

RECOMMENDATION:

Staff recommends the City Council:

1. Find that the adoption of Ordinance No. 2024-02 is exempt from the California Environmental Quality Act (CEQA) per CEQA Guidelines Section 15061(b)(3), General Rule in that the Affordable Housing Ordinance will not have a significant impact on the environment.
2. Give second reading to and adopt Ordinance No. 2024-02, approving the Affordable Housing Ordinance and amending Title 13 to establish the affordable housing requirements for certain new residential development projects.

BACKGROUND:

On January 16, 2024, the City Council considered the first reading of the Affordable Housing Ordinance. The Affordable Housing Ordinance would require certain new housing projects in the City to provide a percentage of its housing units as “affordable” units for low, and/or very low-income households. The City Council considered the ordinance as well as other issues raised by members of the public. Modifications to the ordinance were introduced and the City Council voted 4-2 (Councilmember Chavez and Mayor Pro Tem Harlan voting no; Councilmember Harper absent) to give first reading of Ordinance No. 2024-02. The January 16, 2024, City Council agenda report, meeting video, and public comments are included in the links below:

January 16, 2024, City Council Agenda Report:

<https://costamesa.legistar.com/View.ashx?M=F&ID=12583737&GUID=46F95F9D-81D5-4D12-9292-3369710C4230>

January 16, 2024, City Council Video:

https://costamesa.granicus.com/player/clip/4078?view_id=14&redirect=true

At the April 2, 2024, City Council meeting, the City Council considered the second reading of the Affordable Housing Ordinance and an in-lieu fee resolution to establish an affordable housing in-lieu fee schedule. Modifications were introduced and the City Council passed a motion for staff to make changes to the Ordinance and bring it back for second reading. In addition, the Council deferred the in-lieu fee resolution to a later date.

April 2, 2024, City Council Agenda Report (also provided as Attachment 3):

<https://costamesa.legistar.com/View.ashx?M=F&ID=12813101&GUID=0833EA65-75E4-4457-91C3-6C527B94C87C>

April 2, 2023, City Council Video:

https://costamesa.granicus.com/player/clip/4125?view_id=14&redirect=true

ANALYSIS:

On April 2, 2024, the City Council reviewed the draft Ordinance and directed the following modifications:

- At 60 units per dwelling acre, provide 10% of the units for low-income housing, or 5% for very low-income housing.
- Allocate \$2.5 million into an Affordable Housing Trust Fund, including a first-time homeownership program.
- Direct staff to bring back strategies & needs to accelerate rezoning.
- Streamline projects subject to the affordable housing ordinance.
- Increase the project threshold subject to the ordinance to 50 dwelling units.
- The Ordinance shall be effective 31 days after adoption (pursuant to State Law).
- Strike sections related to home ownership projects in the ordinance.
- Defer in-lieu fees to a future meeting.

The modifications have been incorporated and are reflected in the draft City Council Ordinance contained in Attachment 1. Attachment 2 shows the modifications to the Ordinance in “track changes” format, added text is identified by an underline and text removal is shown in ~~strike through~~.

Table 1 below provides a summary of the proposed Affordable Housing Program components and requirements included in the proposed ordinance.

Table 1 - Proposed Affordable Housing Program Components and Requirements

PROGRAM COMPONENT	PROPOSED REQUIREMENTS
Project Threshold	50 units
Number of Affordable Units/Required Income – Rental Project	<ul style="list-style-type: none"> • 60+ dwelling unit (du)/acre: 10% at low-income or 5% at very-low income • Under 60 du/acre: 6% at low-income or 4% at very-low income
Covenant Period – Rental	At least 55 years

Affordable Unit Minimum Size	No more than 15% smaller than average market rate unit
Affordable Unit Bedroom Mix	Proportional to market rate units
Affordable Unit Location	Evenly distributed/dispersed throughout the residential project
Alternatives for Compliance	<ul style="list-style-type: none"> • Land dedication • Offsite construction of affordable units • Payment of in-lieu fees
Incentives	<ul style="list-style-type: none"> • Allow residential uses in commercial/industrial corridors • Increased densities • Allow low-income rents to be charged based on 80% AMI vs. 60% AMI (required by State density bonus) • Reduced parking requirements • Concurrent processing

ENVIRONMENTAL DETERMINATION:

The proposed Ordinances are exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3), General Rule in that the Affordable Housing Ordinance will not have a significant impact on the environment.

ALTERNATIVES:

The City Council has the following alternatives:

1. Give second reading and adopt the Ordinance as proposed. The City Council may give second reading to the draft Ordinance and adopt the Ordinance as proposed.
2. Continue the Ordinance second reading to a date certain. The City Council may continue the item to a date certain with direction for staff to return with additional information, changes and/or clarifications.

FISCAL REVIEW:

Adoption of the proposed Ordinance is not anticipated to have any fiscal impact on the City’s budget. However, if the City Council should adopt an in-lieu housing fee in the future, the City could potentially receive funding from the payment of fees that would be deposited into a Housing Trust Fund (Fund 226) to support and promote affordable housing programs in the City, including the administration of the City’s Affordable Housing Program.

LEGAL REVIEW:

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

PUBLIC NOTICE:

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

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

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council's Goal to diversify, stabilize, and increase housing to reflect the community needs in that the adoption of an Affordable Housing Ordinance would assist in achieving the City's RHNA for the very-low-, low-, and moderate-income categories, coupled with the other Housing Element programs intended to remove or reduce existing barriers and constraints to market-rate housing developments.

CONCLUSION:

Addressing housing needs for all income levels has been identified as one of the main housing goals by the Costa Mesa community and City Council. The community profile described in the 2021-2029 Housing Element showed that approximately half of Costa Mesa residents are overpaying for housing costs due to the lack of housing options, especially affordable housing. Adoption of an Affordable Housing Ordinance would be a step towards addressing this issue coupled with the other Housing Element programs intended to remove or reduce existing barriers and constraints to market-rate housing developments. Furthermore, the ordinance would help towards achieving the City's RHNA for the very-low-, low-, and moderate-income categories. Its adoption would also fulfill the objective of Program 2A of the Housing Element and help achieve City Council's goal to "diversify, stabilize and increase housing to reflect community needs."