



# ***PLANNING COMMISSION AGENDA REPORT***

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**MEETING DATE: NOVEMBER 13, 2023      ITEM NUMBER: PH-2**

**SUBJECT: AN ORDINANCE AMENDING TITLE 13 (PLANNING, ZONING AND DEVELOPMENT) OF THE COSTA MESA MUNICIPAL CODE TO ESTABLISH AFFORDABLE HOUSING REQUIREMENTS FOR NEW RESIDENTIAL DEVELOPMENT PROJECTS**

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

**PRESENTATION BY: NANCY HUYNH, PRINCIPAL PLANNER**

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## **RECOMMENDATION**

Staff recommends the Planning Commission:

1. Receive staff presentation and public comment and provide feedback regarding the draft content of Ordinance No. 2023-XX, which would amend Costa Mesa Municipal Code (CMMC) Title 13 to establish affordable housing requirements for new residential development projects; and
2. Continue the item to a date certain for staff to return with a final Draft Ordinance for recommendation to the City Council.

## **APPLICANT OR AUTHORIZED AGENT**

The subject Ordinance is a City-initiated effort to implement Program 2A of the City's adopted 2021-2029 6<sup>th</sup> Cycle Housing Element.

## **BACKGROUND**

On November 15, 2022, the City Council adopted the 2021-2029 6<sup>th</sup> Cycle Housing Element which includes over 40 programs that work together to form a cohesive and comprehensive housing strategy to address housing needs for the community. The City's demographics show that approximately half of the population earn a lower income and half of renters in the City experience housing cost burdens and overpayment. Program 2A of the Housing Element calls for the City to consider adoption of an inclusionary housing ordinance. An inclusionary or affordable housing ordinance would generally require new housing projects in the City to provide a certain percentage of its housing units as affordable units to moderate, low, and/or very low-income households.

To better understand the potential benefits and impacts of an affordable housing ordinance, staff retained an expert housing consultant, Keyser Marston Associates Inc. (KMA), to evaluate and make policy recommendations for a potential ordinance. KMA prepared a Financial Evaluation (FE) report which is an analysis to determine the financial impact on a housing development project if affordable housing is required. Based on that impact, the FE determines the supportable affordable housing requirement that the City could impose on new residential developments without being "confiscatory". In short, it is important for a City's affordable housing ordinance to balance the need for the development of affordable housing without encumbering the development of housing in general.

### **City Council and Planning Commission Joint Study Sessions**

On May 16, 2023 and subsequently on July 26, 2023, City Council and Planning Commission held two joint study sessions to consider preparing an affordable housing ordinance for Costa Mesa. The first study session provided a general overview of affordable housing program best practices while the second study session focused on the preliminary findings of KMA's draft FE.

#### ***May 16, 2023 Joint Study Session***

At the May 16, 2023 joint study session, staff and Kathe Head with KMA presented major components of an affordable housing ordinance, legal requirements, compliance options, and a discussion of policy considerations. The overview included target income and affordability levels, typical affordable housing ordinance standards, alternative compliance options, and in-lieu fee payment considerations.

City Council, Planning Commission, and members of the public provided their comments at the study sessions. Comments included concern with rising rental costs, balancing the need for affordable housing with the development community's need to pursue profitable housing projects, a desire to create incentives beyond the State's density bonus program to encourage the production of housing units such as reduced

parking requirements, path for homeownership, and deeper affordability in rental projects as well as focus on the Fairview Development Center. Following the discussion, City Council directed staff to complete the draft FE and requested a follow-up study session once the draft FE and policy recommendations had been completed by KMA.

The May 16, 2023 study session agenda report and meeting video are included in the links below:

- May 16, 2023 Study Session Agenda Report:  
<https://costamesa.legistar.com/View.ashx?M=F&ID=11974698&GUID=90360909-8600-4286-A076-E5B7F45794D4>
- May 16, 2023 Study Session Meeting Video:  
[https://costamesa.granicus.com/player/clip/3993?view\\_id=14&redirect=true&h=dc14b3b0c827980057c8fbbc40502a38](https://costamesa.granicus.com/player/clip/3993?view_id=14&redirect=true&h=dc14b3b0c827980057c8fbbc40502a38)

### ***July 26, 2023 Joint Study Session***

At the follow-up joint study session, staff and KMA presented the preliminary findings of the completed draft FE and their policy recommendations based on the draft FE's findings. The policy recommendations included the minimum project size that would be subject to an affordable housing requirement, set-aside percentage(s) for the minimum number of affordable units, target affordability level(s), covenant periods, and alternative compliance options.

City Council and Planning Commission provided staff with their feedback on the proposed policy recommendations to be considered in a draft ordinance.

The July 26, 2023 study session agenda report and meeting video are included in the links below:

- July 26, 2023 Study Session Agenda Report:  
<https://costamesa.legistar.com/View.ashx?M=F&ID=12177354&GUID=A49D2109-3609-4770-A7CE-76223D45F377>
- July 26, 2023 Study Session Meeting Video:  
[https://costamesa.granicus.com/player/clip/4019?view\\_id=14&redirect=true&h=a7972baf3ae0c1909cbb73e6a43d05fe](https://costamesa.granicus.com/player/clip/4019?view_id=14&redirect=true&h=a7972baf3ae0c1909cbb73e6a43d05fe)

### **Stakeholders Meetings**

As part of staff's analysis and research regarding the potential impacts and opportunities of an affordable housing ordinance in Costa Mesa, throughout the process staff met on multiple occasions with local affordable housing advocate groups and local housing developers with expertise in land development and affordable housing.

Staff conducted a total of 17 stakeholder meetings which included meetings prior to and after the joint study sessions and during staff's preparation of the draft ordinance. The meetings were conducted both in person at City Hall and virtually through Zoom. Staff and KMA also met with developers that have specific experience in developing housing projects in Costa Mesa and specifically discussed cost projections in the FE to ensure those projections were reflective of actual residential project costs.

Most stakeholders were generally accepting or supportive of an affordable housing program in Costa Mesa and understood the need for one. Below is a summary of feedback from these stakeholders meetings.

**Deeper Affordability:** Housing advocates expressed a desire to focus policy on providing affordable housing for households with the deeper affordability income levels (very-low and extremely-low incomes) since there is a larger need for affordable units at the much lower income level especially for those with fixed incomes such as the elderly and working families. While the very-low or extremely-low income households may be income eligible to qualify for an affordable unit provided at the low-income level, the affordable rent associated with the low-income unit would be higher than what a very-low or extremely-low income household could feasibly afford. Essentially, the housing market is currently not fulfilling the demand for units at the deeper affordability level. As such, housing advocates have expressed that deeper affordability should be required for rental housing projects, but not for ownership housing since it is common best practice to target the moderate-income affordability level for ownership housing.

**Homeownership:** Some housing advocates expressed an interest in seeing more homeownership opportunities in the City given the current imbalance of rentals to ownership housing. There were concerns about the narrow margins for most ownership projects and potentially slowing the development of ownership housing projects if the affordable housing requirement applied to these projects. It was preferred that the affordable housing ordinance either not apply to ownership housing or allow payment of in-lieu fees by right (and not require onsite production of ownership units).

**Incentives:** Stakeholders concurred that the State's density bonus will be utilized more often if an affordable housing requirement is adopted and understood that the City is required by law to grant development standard concessions/incentives under the State density bonus. Some suggested including additional incentives such as expediting processing by identifying a staff team responsible only for housing entitlement projects in the City, streamlining processes by using "by-right development" and objective design standards (as opposed to discretionary processes which take time and increase risk), offering flexibility in affordable unit design standards, allowing concurrent review of entitlement planning applications and building permit plan check, and/or fee waivers were also mentioned. Some councilmembers also requested reviewing what other local incentives the City could provide beyond the State's density bonus.

***In-Lieu Fees:*** Stakeholders were supportive of providing in-lieu fees as an alternative compliance option. It was discussed that the fee should be an appropriate amount because if too high, it could deter housing projects. It was also discussed that the in-lieu fee is more beneficial for and should be applied to smaller housing projects. Housing developers encouraged the City to adopt in-lieu fees that have the ability to be responsive to market conditions and can be updated frequently. Developers suggested that the City also review other jurisdictions in-lieu fee amounts to ensure feasibility and comparable fee amounts.

***Land Costs:*** Housing developers as well as housing advocates had concerns that an affordable housing program would reduce the price developers can pay to acquire property since the cost of producing affordable units would be factored into the land price a housing developer is willing to pay to acquire property for a housing project. This can lead to a competitive disadvantage on properties that contain a viable commercial or industrial use. It can also lead to a land owner choosing to keep the property rather than sell the land for housing development. This potential exists with or without an affordable housing requirement; however, an affordable housing requirement that is set too high can inadvertently disincentivize both housing and affordable housing by making a housing proposal more costly and thus less competitive for land acquisition. Housing developers discussed with staff the need to induce land owners to sell their land for residential development and housing advocates agreed that this is a consideration when setting affordable housing set-aside percentages.

Staff and KMA scheduled one-on-one meetings with housing developers who were willing to share specific information regarding its housing project pro forma projections and suggested that the FE's projections for existing land value of an improved commercial or industrial property were lower than land developers were experiencing. As a result, KMA obtained additional data representing a broader range of existing commercial and industrial uses that are common in Costa Mesa and conducted additional analysis. Ultimately, KMA concurred that using a higher existing improved land value in the FE was supportable and a more conservative approach in an area like Costa Mesa where land value is high, vacant land is scarce, and housing developers are competing for land that is already improved and operating and in many cases making a low risk profit for the land owner.

### **Financial Evaluation - Supplemental Analysis**

Based on the stakeholders feedback, staff and KMA augmented the FE analysis specifically for the higher density rental project prototypes. KMA's additional analysis is provided as a supplemental analysis memorandum to the FE and is attached to this report for reference (Attachment 2). A copy of the preliminary draft FE dated July 11, 2023 is included in the link below:

- KMA Draft FE (July 11, 2023):  
<https://www.costamesaca.gov/home/showpublisheddocument/54969/638253773340200000>

The draft FE dated July 11, 2023 included an analysis of a prototype for rental housing at 60 units per acre based on a property north of the I-405 Freeway currently used as a surface parking lot and was calculated as vacant land for land value purposes. Based on that prototype analysis, the supportable requirement was 19% at low income and 12% at very low income. However, nearly all of the potential housing opportunity sites identified in the Housing Element are existing improved commercial and industrial properties with existing office, warehouse, or other land uses (especially north of the I-405 Freeway). Therefore, although accurate, the vacant land prototype analysis may not best reflect the real estate opportunities available in Costa Mesa and the associated higher land values.

To that end, KMA's supplemental analysis for the rental housing prototype evaluates multiple scenarios based on improved commercial and industrially zoned property as well as higher density housing ranges at 60, 75, and 90 units per acre, which are feasible in certain areas of the City primarily north of the I-405 Freeway.

As a result, and as a more conservative approach based on the supplemental analysis, the supportable affordable housing requirement for a rental housing project would be:

**60+ Housing Units per Acre**

- 11% Low Income, or
- 7% Very Low Income

**Under 60 Housing Units per Acre**

- 6% Low Income, or
- 4% Very Low Income

This supplemental analysis is a more conservative approach and takes into consideration current market conditions and the lack of vacant land in Costa Mesa and the likelihood that future housing projects will be located on property currently used for office, warehouse or other similar non-residential uses. Once adopted, the affordable housing ordinance would be re-evaluated on a continued basis to ensure the requirements reflect market conditions which could be higher under a stronger market in the future.

**DESCRIPTION**

The proposed ordinance establishes the City of Costa Mesa's Affordable Housing Program which would facilitate the development and availability of housing affordable to a range of households with varying income levels. This goal is accomplished by requiring new residential developments in Costa Mesa to provide a minimum number of its proposed units as affordable units. The proposed ordinance would amend Article 1 (Residential Districts) of Title 13 to establish an affordable housing requirement applicable to any new residential developments on property that has experienced a rezone to allow housing or increased density and which meet the specified project

threshold size. The ordinance would also add a new chapter to Title 13, Chapter XVII (Affordable Housing Ordinance) which establishes the minimum affordable housing requirements and standards including threshold size, set-aside percentage(s), affordability level(s), affordable unit standards, and affordable housing agreements.

Pursuant to CMMC Section 13-10(i)(2a), the Planning Commission is authorized to recommend to the City Council proposed amendments to Title 13 (Zoning Code); thus, the proposed affordable housing ordinance amending portions of Title 13 is presented for Planning Commission consideration and recommendation to City Council.

## **ANALYSIS**

The proposed draft Affordable Housing Ordinance is based on the policy direction from City Council and Planning Commission, findings and policy recommendations from the City's expert consultant, KMA, including industry best practices based on years of expertise evaluating and preparing affordable housing programs, input from local residents, housing developers and housing advocates, and staff's research on affordable housing programs including existing successful programs in other neighboring cities and throughout California. (Refer to Attachment 5 for a comparison of the neighboring local cities' affordable housing requirements and the City's draft requirements.) Based on this, staff developed an Affordable Housing Ordinance that balances the continued need for market rate housing developments in the City while also addressing the community's need for more affordable housing options.

### **Incentive-Based Local Density Bonus Program**

The City's Affordable Housing Program has been structured as an "incentive based program" that uses rezoning of commercial/industrial property for housing to create value and incentivize housing production while coupling rezoning with a requirement to provide a portion of the project's units as affordable housing. This program structure is in effect a density bonus program.

To implement the program, the City would implement its rezoning program described in the City's approved Housing Element, rezoning non-residentially zoned properties located along major commercial and industrial corridors to allow for housing. The rezoning would allow housing to be developed at densities that support ownership and rental housing products on property where housing is not currently allowed. The rezone and increase in density creates opportunities for new homes that presently do not exist because of the lack of available properties that allow residential uses and the historically low maximum allowable density in Costa Mesa (maximum of 20 units per acre pursuant to the City's General Plan). Rezoning would create value, incentivizing land owners to sell and housing developers to build. In doing so, the City would require a portion of the added value to be used to provide the required affordable units under the City's Affordable Housing Program.

To that end, the proposed Affordable Housing Program is envisioned to only apply to properties that are rezoned to allow for residential uses or otherwise receive approval for housing at an increased density compared to what is allowed today. Although some councilmembers and commissioners expressed interest in applying the program city-wide, staff recommends the ordinance be focused on properties experiencing a rezone for housing or increased density compared to its underlying zone since these properties are much more likely to see interest due to improved housing project feasibility.

The ordinance could be applied to new residential projects proposed anywhere in the City. However, outside of the rezone areas, this would change the program from incentive-based to applying a new requirement to an existing property that already allows for residential development which would likely have mixed results.

### **Affordable Housing Program Components**

New residential projects (ownership or rental housing) proposed in the City that meet the project threshold size would be subject to requirements and standards established in the Affordable Housing Program. The program would require developers to provide affordable units onsite within their market rate housing project or fulfill their obligation with an acceptable alternative compliance option equivalent to onsite production of affordable units such as payment of in-lieu fees.

Below is summary of the key affordable housing requirements proposed in the attached draft ordinance including:

- Applicability and Exemptions
- Threshold Size
- Set Aside Percentage and Affordability Levels
- Covenant Period
- Alternative Compliance Standards

Each program component is discussed below.

### ***Applicability and Exemptions***

Certain residential projects would be exempt from the affordable housing requirements including projects with less than ten units, residential condominium conversions of existing rental housing to ownership, and any project proposed within the boundaries of the Fairview Development Center Specific Plan. (The Fairview Developmental Center Specific Plan will include affordable housing requirements that are specific to that property, which is State owned and prioritized for housing. Affordable housing requirements for that property are anticipated to provide deeper affordability and a higher set aside percentage.)

**Threshold Size**

Ten (10) or more units – Residential projects (ownership or rental housing) proposed with ten or more units would be subject to the Affordable Housing Program.

The majority of housing projects approved in the City from 2014 to 2021 were one or two units and were infill projects on residentially zoned sites located within existing residential neighborhoods. Of the other housing projects, which were either located in the City’s urban plan areas or along major commercial or industrial corridors, all were more than ten units. Many of these other housing projects are also located within or adjacent to the anticipated “rezone areas.” Setting the threshold size at 10 units would exempt the smaller infill residential projects (common interest and small lot developments) which are typically under 10 units and ownership housing projects in existing established neighborhoods.

**Set-aside Percentage and Required Affordability Levels**

The percentage of a project’s total housing units that are required to be affordable (referred to as the affordable housing “set aside”) are proposed to vary depending on a site’s zoning and allowable density (i.e. the number of housing units allowed per acre). This proposed approach reflects the density anticipated in the commercial and industrial areas of the City identified for potential rezoning in the Housing Element. The range of densities proposed in Housing Element acknowledges that not all areas of the City could support or be compatible with higher density housing at 60+ units per acre. Rather, lower scale housing projects that tend to fall between 40 to 50 du/acre range are envisioned along commercial and industrial corridors such as Harbor Boulevard and in the SoBECA area, while only the area north of the I-405 Freeway is envisioned to be compatible with projects at higher densities between 60 and 90 du/acre.

Due to differences in the varying characteristics between project types anticipated to be developed in Costa Mesa, and the relative sizes of the projects, the FE found that higher density projects can generally support a higher affordable housing set aside while lower density projects can generally support a lower set aside percentage. Based on the Financial Evaluation as supplemented the following set-aside requirement is proposed for rental housing projects in two density ranges:

Rental Housing:

**60+ Housing Units per Acre Zone:**

- 11% Low Income, or
- 7% Very Low Income

**Under 60 Housing Units per Acre Zone:**

- 6% Low Income, or
- 4% Very Low Income

Attachment 4 shows household incomes and rents for both the low and very-low income categories as defined by the State in 2022. As an example, for a four-person household based, a household with an income of approximately \$108,000 per year falls into the “low income” category while a household with an income of approximately \$67,000 per year fall into the “very low income” category. Rents for a “low income” two-bedroom housing unit would be approximately \$2,000 per month and approximately \$1,200 per month for a “very low income” housing unit.

A frequent comment made by housing advocates, councilmembers, and commissioners during the study sessions and stakeholders meeting was to target the affordable housing requirement at the very-low income level. Given that approximately one third of the households in Costa Mesa fall into very-low and extremely-low income categories, targeting deeper affordability is appropriate. However, it should also be noted that approximately one-fifth of Costa Mesa households fall into “low income” income categories so focusing only on very-low income could affect access to affordable housing options for these households. The low-income category also has a higher supportable set aside percentage and therefore could produce a greater number of affordable units compared to the very-low income category. Therefore, the Planning Commission and City Council may view a greater number of additional affordable units at the low-income level (compared to a lower number of housing units at deeper affordability levels) as a desirable trade off since both scenarios fill a need.

The proposed ordinance includes a required set aside at both the low income and very low-income level, to allow the developer to choose an option. Ultimately, this is a policy decision.

### Ownership Housing

For ownership housing projects of any size (but at least ten units), onsite production of affordable units is not required. Instead, the developers of ownership housing projects may choose to pay an in-lieu fee. The in-lieu fee payment would be based on a fee schedule adopted by City Council. The in-lieu fee study is in progress and will be finalized after the Planning Commission and City Council decide on the underlying affordable housing requirements.

The draft FE results found that the affordability gap (difference between the market rate unit sales price and the moderate income affordable sales price) for ownership housing projects is extremely broad (between \$557,000 to \$745,000) that it limited the supportable percentage of units that could be required to be sold to moderate income households. By allowing the payment of in-lieu fees by right, it promotes the opportunities for the development of market rate ownership housing projects that tend to be lower to medium density.

## In-lieu Fees and Housing Fund

The in-lieu fee schedule would be adopted by City Council concurrently with an affordable housing ordinance. Fees can be reviewed and updated frequently as part of the City's budget process and master schedule of fees.

The in-lieu fees collected would be placed into a dedicated Housing Fund (as proposed in the draft ordinance) that could only be used to fund affordable housing projects and programs. The City Council would identify appropriate expenditures of those housing funds at the time the fund is created and through the annual budget process. The funds could be used to support new affordable housing projects, deeper affordability or household assistance programs like a first-time homebuyer program. The Housing Fund would be managed by dedicated housing staff who would implement the programs identified by the Council.

Stakeholders provided feedback as to which of these Housing Fund projects and programs would best achieve long-term housing goals given limited housing funds. Ultimately, this is a policy matter and would be decided on by the Council at the time the Housing Fund is created, and then reconsidered through the annual budget process.

### ***Covenant Period***

#### Rental Housing Projects:

- 55 years minimum

The required covenant period for affordable units in rental housing projects is a minimum of 55 years. This means the affordable rental units must remain affordable for at least 55 years and will continue to remain as affordable until the land use changes to a non-residential use.

### ***Alternative Compliance Options***

#### Rental Housing Projects:

- Payment of in-lieu fees – applicable for projects with fewer than 100 units
- Offsite production
- Land dedication

The in-lieu fee payment option is only available to rental projects with less than 100 units because smaller projects have less units to spread the cost of constructing affordable units so may not feasibly be able to provide onsite affordable units. Offsite production and land dedication are also available alternative options since developers may find it to be more economically feasible to fulfill their obligation with land that they may already own (or could acquire). Offsite production units must be within a reasonable distance of the market rate project and constructed concurrently.

### Ownership Housing Projects:

- Payment of in-lieu fees – applicable to all ownership housing projects
- Onsite construction of rental units – interspersed with market rate units or on a separate parcel within market rate project site
- Offsite production
- Land dedication

It is likely that developers of ownership housing would select the in-lieu fees. However, it is best practice to include alternative compliance options. As such, KMA recommended onsite production of affordable rental units within the market rate ownership project as one option since it would provide affordable units in the equivalent form of rental units. Similarly, offsite production and land dedication are also available options for ownership housing developers to provide additional flexibility for program compliance.

### ***Affordable Unit Design Standards***

Affordable units would be required to be comparable to the market rate units including unit sizes, proportional bedroom mix, floor plan design, finishes/materials, and access to and enjoyment of residential community amenities. In addition, the affordable units would be required to be constructed and available at the same time as the market rate units. A certificate of occupancy for the project would not be issued until construction of the affordable units are completed.

The draft ordinance includes these unit design standards to ensure that affordable units are not designed differently than market rate units. However, the draft ordinance would provide the final review authority with the flexibility to allow slight deviations from these standards if doing so would be beneficial for the Affordable Housing Program. During the stakeholders meetings with housing developers, it was expressed that providing reasonable design flexibility while maintaining the goal of comparable quality of affordable units could potentially allow developers to provide more affordable units or deeper affordability.

### **Parking Requirements**

#### **Rental Housing Projects:**

- Parking reduction – minimum of 1.75 spaces per rental unit; lower parking requirement may be considered if supported by a parking study

Parking requirements are important in the context of housing policy because they affect the financial feasibility of a housing project. As a result, the City's per unit parking requirement is incorporated into KMA's evaluation of housing prototypes. In some cases, KMA's evaluation concluded that at existing required parking rates (an average 2.19 spaces per unit) and considering allowable densities and existing improved land value, many projects incorporating affordable housing "don't pencil". The rental project prototypes analyzed in the FE and the supplemental analysis assumed a parking rate of

1.45 to 1.9 spaces per unit in order to make it financially feasible to include a significant number of affordable housing units.

This is important when considering that housing developers also indicated during the City's stakeholder meetings that the City's parking requirements appear to be high compared to the actual demand for parking. Some indicated that for multi-family projects an actual demand of 1.5 to 1.9 spaces per unit was typical. As such, concurrently with the drafting of the proposed ordinance, staff conducted a review of parking requirements with the intent of "right sizing" parking requirements to actual demand.

The City hired an expert parking consultant, LSA, who analyzed the City's existing parking requirements and recommended that an average of 1.75 spaces for multi-family developments would be appropriate based on nationally recognized parking data, analysis of surrounding cities' parking requirements, and empirical parking counts obtained at existing apartment communities both in Costa Mesa and nearby cities.

Reducing parking requirements would allow a developer to construct more market rate units to offset the costs of the required affordable units, thereby increasing the potential for financially feasible housing projects. Therefore, staff recommends that a code amendment modifying the City's residential parking requirements be brought forward separately but concurrently with the Affordable Housing Program. In the meantime, the draft affordable housing ordinance would establish an average of 1.75 spaces per unit parking requirement for multifamily (rental) housing projects and allow the flexibility for the decision-making body to consider a lower parking requirement to match actual demand when supported by a professionally-prepared parking study.

A study of parking requirements for ownership housing types is currently underway and would also be brought forward separately.

### **City Housing Team and Concurrent Processing for Housing Projects**

In our meetings, stakeholders indicated that concurrent ("at risk") review of entitlement applications and building permit construction plans would help to reduce a project's timeline. The City does not currently allow for concurrent processing as part of normal operations so that Building plan check staff resources can be focused on projects that already have approved entitlements and are ready to move forward with construction. Since a project's entitlement(s) are typically approved before the plan check review may commence, allowing concurrent processing would expedite a project's review and allow it to commence construction in a more efficient timeline, thereby reducing a developer's carrying costs and making housing and affordable housing projects more financially feasible.

The Department is already restructuring its existing entitlement staff to create a housing-focused team as part of its overall program to improve efficiencies and customer service and promote housing opportunities in Costa Mesa. Staff will be

recommending that the City Council consider allocating resources to allow for concurrent processing of entitlement and building construction plans when requested by the applicant.

## **GENERAL PLAN CONFORMANCE**

The following analysis evaluates the General Plan and its goals, objectives, and policies for consistency and compliance with the proposed Affordable Housing Ordinance:

1. **Housing Goal #2:** *Facilitate the creation and availability of housing for residents at all income levels and for those with special housing needs.*
2. **Policy HOU-2.1:** *Facilitate the development of housing that meets the needs of all segments of the population including affordable housing and households with specialized needs.*
3. **Policy HOU-2.2:** *Promote the use of State density bonus provisions to encourage the development of affordable housing for lower and moderate-income households, as well as senior housing through the dissemination of informational materials and discussions with project applicants.*
4. **Policy HOU-2.4:** *Encourage housing programs and future actions that address the need for affordable housing options as well as the housing needs of Costa Mesa's senior resident population and the large households population.*

Adoption of the proposed affordable housing ordinance would support the above policies identified in the City's adopted 2021-2029 Housing Element as well as further achieve the goal of facilitating housing for all income levels in the community and especially for the lower income households. Upon adoption of the ordinance, the Affordable Housing Program would be established to implement the requirements of the ordinance as well as monitor implementation and compliance with the affordable housing requirements and applicable State law(s). Adoption of the Ordinance would fulfil the goal of Program 2A of the 2021-2029 General Plan Housing Element.

## **ENVIRONMENTAL DETERMINATION**

The Code Amendment and Ordinance were reviewed for compliance with the California Environmental Quality Act (CEQA), the CEQA guidelines, and the City's environmental procedures. The Planning Commission's recommendation regarding the Ordinance are exempt pursuant to CEQA Guidelines Section 15061(b)(3) (General Rule) because a recommendation is not a final action and the recommended ordinance will not have a significant effect on the environment.

## **LEGAL REVIEW**

The staff report and draft Ordinance has been reviewed and approved as to form by the City Attorney's Office.

## **PUBLIC NOTICE**

Pursuant to Title 13, Section 13-29(d), of the Cost Mesa Municipal Code, a 1/8<sup>th</sup> page public notice was published once in the Daily Pilot newspaper no less than 10 days prior to the November 13, 2023 public hearing.

As of this report, no written public comments have been received. Any public comments received prior to the Planning Commission meeting will be provided separately.

## **CONCLUSION**

The adoption of the proposed Affordable Housing Ordinance would establish affordable housing requirements for new rental and ownership residential development projects proposed with ten or more units as well as create the City's Affordable Housing Program including minimum requirements, standards, and agreements for affordable housing units. Its adoption would fulfil the goal of Program 2A of the 2021-2029 General Plan Housing Element.