



PLANNING COMMISSION

AGENDA REPORT

MEETING DATE: AUGUST 29, 2016

ITEM NUMBER: PH-1

SUBJECT: CODE AMENDMENT CO-16-02 – AMENDMENT TO TITLE 13, CHAPTER V, ARTICLE 11 (DEVELOPMENT STANDARDS – MIXED-USE OVERLAY DISTRICT) TO INCLUDE THE HARBOR BOULEVARD MIXED-USE OVERLAY DISTRICT AND TO ADD A NEW ARTICLE (ARTICLE 12) PERTAINING TO THE RESIDENTIAL INCENTIVE OVERLAY DISTRICT AS ADOPTED UNDER THE 2015-2035 COSTA MESA GENERAL PLAN

DATE: AUGUST 19, 2016

FROM: PLANNING DIVISION/DEVELOPMENT SERVICES DEPARTMENT

PRESENTATION BY: MEL LEE, SENIOR PLANNER

FOR FURTHER INFORMATION CONTACT: MEL LEE, AICP (714) 754-5611
mel.lee@costamesaca.gov

DESCRIPTION

Code Amendment CO-16-02 is to amend Title 13, Chapter V, Article 11 (Development Standards – Mixed-Use Overlay District) to include the Harbor Boulevard Mixed-Use Overlay District and to add a new article (Article 12) pertaining to the Residential Incentive Overlay District as adopted under the 2015-2035 Costa Mesa General Plan. The amendment will establish standards for new development in these overlay districts.

ENVIRONMENTAL DETERMINATION

EIR No. 2015111053, was adopted in June 2016, for the 2015-2035 General Plan.

RECOMMENDATION

Recommend that the City Council approve the ordinance and give first reading.

BACKGROUND/ANALYSIS

Future development of all land within the City of Costa Mesa is guided by the 2015-2035 General Plan, which was adopted on June 21, 2016. The Land Use Element of the General Plan directs long-range development in the City by indicating the location and extent of development to be allowed. The General Plan sets forth land use goals, policies, and objectives that guide new development.

The following additions to the City’s Zoning Code will allow implementation of the new Harbor Mixed-Use Overlay as well as the Residential Incentive Overlay District included in the City’s 2015-2035 General Plan.

Code Amendment CO-16-02

Chapter V, Article 11 (Mixed-Use Overlay District)

The proposed changes to the above article are as follows:

Sec. 13-83.57. HARBOR MIXED-USE OVERLAY

The Harbor Mixed-Use Overlay applies to select areas along Harbor Boulevard, between Wilson Street and 19th Street. The intent is to introduce a diverse mix of uses, with the objective of creating a much more integrated, walkable, and complementary balance of creative commercial and office spaces, neighborhood-serving retail and commercial services, and residential uses along the southern portion of Harbor Boulevard that intersects with 19th Street. The designation allows residential development at up to 20 dwelling units per acre. A maximum 1.25 FAR applies to projects that consist of both residential and commercial mixed uses; a 1.00 FAR applies to stand-alone commercial projects. Live/Work development where the primary land use is residential and a workspace is provided on the ground level is not permitted in this overlay. Maximum building height is four stories. The provisions indicated in this article shall apply to the Harbor Mixed-Use Overlay. Unless otherwise indicated herein, the provisions of the 19 West Urban Plan shall apply to this overlay district.

Chapter V, Article 12 (Residential Incentive Overlay District)

The proposed new article is as follows:

ARTICLE 12. RESIDENTIAL INCENTIVE OVERLAY DISTRICT

Sec. 13-83.60. PURPOSE

It is the purpose and intent of this article:

- (a) To meet General Plan goals to create new housing opportunities for residential development at strategic locations along Harbor Boulevard and Newport Boulevard that exhibit excellence in design, site planning, integration of uses and structures, and protect the integrity of neighboring development.

Sec. 13-83.61. DEFINITIONS

The following words, terms and phrases, when used in this article, shall have the meanings assigned to them in this section, except where the context clearly indicates a different meaning.

Base zoning district. A zoning district identified as R2-MD, R2-HD, R3, PDC, C1, or C2, within which only certain land uses and structures are permitted, or conditionally permitted, and certain regulations are established for development of land.

Overlay Zone. A zoning district that applies another set of zoning provisions to a specified area within an existing zoning district. The overlay zone supersedes the zoning regulations of the base zoning district, unless otherwise indicated.

Sec. 13-83.62. OVERLAY DEVELOPMENT TYPES

The Residential Incentive Overlay District creates opportunities for residential development at strategic locations along Harbor Boulevard and Newport Boulevard. This designation allows for development of new higher-density residential uses in areas where limited residential with lower densities are currently allowed. Small-lot single-family subdivisions would be appropriate as well. The Residential Incentive Overlay also expands development opportunities on residential and commercial properties not developed to their full potential or supporting outdated buildings and underperforming uses.

Sec. 13-83.63. APPLICATION REVIEW PROCEDURES IN RESIDENTIAL INCENTIVE OVERLAY DISTRICT

- (a) **Residential Incentive Development Plan Screening Application required.** All residential and development projects proposed in the Residential Incentive Overlay District shall submit a screening application for consideration by City Council, as described in Section 13-28(g)(4) of the Zoning Code.
- (b) **Master Plan required.** All development proposed in the Residential Incentive Overlay District requires approval of a master plan pursuant to CHAPTER III PLANNING APPLICATIONS. The final review authority for the master plan shall be the Planning Commission. Refer to Section 13-28(g), master plan, regarding the following: preliminary master plans and amendments to the master plan.
- (c) **Master Plan Findings for Residential Incentive Overlay District.** The approval of the master plan for a residential development project in the Residential Incentive Overlay District shall be subject to the following findings:
 - 1. The project is consistent with the General Plan and meets the purpose and intent of the Residential Incentive Overlay District.
 - 2. The project includes adequate resident-serving amenities in the common open space areas and/or private open space areas in areas including, but not limited to, patios, balconies, roof terraces, walkways, and landscaped areas.
 - 3. The project is consistent with the compatibility standards for residential development in that it provides adequate protection for residents from excessive noise, odors, vibration, light and glare, and toxic emanations.
 - 4. The proposed residences have adequate separation and screening from adjacent commercial uses through site planning considerations, structural features, landscaping, and perimeter walls.
- (d) **Application of Development Standards.**
 - 1. **Height -** Maximum building height is four stories (roof top terraces are permitted and not considered a story), provided privacy concerns of adjacent established residential neighborhoods are adequately addressed through the setback of upper stories or other design approaches.
 - 2. **Density -** Housing within the Residential Incentive Overlay District is limited to a

maximum density of 40 units per acre.

- (e) Deviation from Development Standards. A deviation from the Residential Incentive Overlay District development standards may be approved through the master plan process provided that the following findings are made.
1. Strict interpretation and application of the overlay district's development standards would result in practical difficulty inconsistent with the purpose and intent of the General Plan, while the deviation to the regulation allows for a development that better achieves the purposes and intent of the General Plan.
 2. The granting of a deviation results in a development which exhibits excellence in design, site planning, integration of uses and structures and compatibility standards for residential development.
 3. The granting of a deviation will not be detrimental to the public health, safety, or welfare, or materially injurious to properties or improvements in the vicinity.

Sec. 13-83.64. RESIDENTIAL INCENTIVE OVERLAY DISTRICT DEVELOPMENT STANDARDS

Table 13-83.64 identifies the development standards in the Residential Incentive Overlay District. The development regulations of the base zoning district shall be superseded by the overlay district standards in this article, unless otherwise noted.

TABLE 13-83.64 DEVELOPMENT STANDARDS FOR RESIDENTIAL INCENTIVE OVERLAY DISTRICT	
Minimum Lot Area	0.5 acres
Maximum Density (Dwelling Units Per Acre)	40
Minimum Open Space	40% of total site area
Common Use Open Space	50% of required open space. Recreational facilities for children required for residential projects with 12 or more units
Private Open Space (Multi-Story Units)	Private decks or patios - minimum 100 square feet with no dimension less than 5 feet
Maximum Building Height	4 Stories. Sites abutting R2-MD zones shall incorporate a stepped elevation from three to four stories. A minimum setback of 30 feet shall be provided on the side or rear for four-story elevations. Roof top terraces are permitted and not considered a story
Landscape Setback Abutting All Public Rights-Of-Way, Excluding Alleys	20 feet
Landscaped parkway (Interior Private Streets or Common Driveways)	Combined 10 feet wide, no less than 3 feet on one side
Front	20 feet
Side (Interior and Street)	20 feet (30 feet minimum for four stories abutting R2-MD zones)
Rear (Interior and Street)	20 feet (30 feet min. for four stories abutting R2-MD zones)
Chimneys	2 feet above maximum building height.
Fireplaces	2 feet into required setback or building separation area
Roof or Eaves Projections	2 feet 6 inches into required side setback or building separation area

TABLE 13-83.64 DEVELOPMENT STANDARDS FOR RESIDENTIAL INCENTIVE OVERLAY DISTRICT	
	5 feet into required front or rear setback
Building Separation	10-foot minimum between main buildings 6-foot minimum between main buildings and accessory structures
Off-Street Parking	Refer to CHAPTER VI, ARTICLE 1 OFF-STREET PARKING STANDARDS RESIDENTIAL DISTRICTS
Landscaping	Refer to CHAPTER VII, LANDSCAPING STANDARDS
Residential Common Interest Development	Refer to CHAPTER V, ARTICLE 2 RESIDENTIAL COMMON INTEREST DEVELOPMENTS
Residential Small Lot Subdivisions	Refer to CHAPTER V, ARTICLE 2.5 RESIDENTIAL SMALL LOT SUBDIVISIONS

GENERAL PLAN CONFORMITY

The proposed amendments are consistent with the following objective of the 2015-2035 General Plan:

Objective LU-3. Establish policies, standards, and procedures to minimize blighting influences, and maintain the integrity of stable neighborhoods.

PUBLIC NOTICE

Code requires publication of a display advertisement in the local newspaper (Daily Pilot) for amendments to Title 13 Code Amendments. At the time of publication of this report, no public comments have been received. Any correspondence will be forwarded to the Planning Commission under separate cover.

ENVIRONMENTAL DETERMINATION

The project has been reviewed for compliance with the California Environmental Quality Act (CEQA), the CEQA guidelines, and the City’s environmental procedures and is included as a part of EIR No. 2015111053, which was adopted in June 2016 for the 2015-2035 General Plan.

LEGAL REVIEW

The staff report and the draft ordinance have been reviewed and approved by the City Attorney.

CONCLUSION

Adoption of the ordinance will allow implementation of the new overlay districts adopted in June 2016 as a part of the 2015-2035 General Plan.



 MEL LEE, AICP
 Senior Planner



 GARY ARMSTRONG, AICP
 Economic Development & Development
 Services Director/Deputy CEO

Attachment: 1. Draft Ordinance
2. Overlay Exhibits From the 2015-2035 Costa Mesa General Plan

Distribution: Economic Development & Development Services Director/Deputy CEO
Interim Assistant Development Services Director
Senior Deputy City Attorney
Public Services Director
City Engineer
Transportation Services Manager
Fire Protection Analyst
File (2)

ORDINANCE NO. 16-

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COSTA MESA TO AMEND TITLE 13, CHAPTER V, ARTICLE 11 (DEVELOPMENT STANDARDS – MIXED-USE OVERLAY DISTRICT) TO INCLUDE THE HARBOR BOULEVARD MIXED-USE OVERLAY DISTRICT AND TO ADD A NEW ARTICLE (ARTICLE 12) PERTAINING TO THE RESIDENTIAL INCENTIVE OVERLAY DISTRICT AS ADOPTED UNDER THE 2015-2035 COSTA MESA GENERAL PLAN

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1: FINDINGS

The City Council finds as follows:

WHEREAS, Future development of all land within the City of Costa Mesa is guided by the General Plan, which was adopted on June 21, 2016. The Land Use Element of the General Plan directs long-range development in the City by indicating the location and extent of development to be allowed. The General Plan sets forth land use goals, policies, and objectives that guide new development.

WHEREAS, Code Amendment CO-16-02 is to amend Title 13, Chapter V, Article 11 (Development Standards – Mixed-Use Overlay District) to include the Harbor Boulevard Mixed-Use Overlay District and to add a new article (Article 12) pertaining to the Residential Incentive Overlay District as adopted under the 2015-2035 Costa Mesa General Plan. The amendment will establish standards for new development in these overlay districts.

SECTION 2: Title 13, Chapter V, Article 11, Development Standards – Mixed-Use Overlay District of the Costa Mesa Municipal Code, is hereby amended as follows:

Sec. 13-83.57. HARBOR MIXED-USE OVERLAY

The Harbor Mixed-Use Overlay applies to select areas along Harbor Boulevard, between Wilson Street and 19th Street. The intent is to introduce a diverse mix of uses, with the objective of creating a much more integrated, walkable, and complementary balance of creative commercial and office spaces, neighborhood-serving retail and commercial services, and residential uses along the southern portion of Harbor Boulevard that intersects with 19th Street. The designation allows residential development at up to 20 dwelling units per acre. A maximum 1.25 FAR applies to projects that consist of both residential and commercial mixed uses; a 1.00 FAR applies to stand-alone commercial projects. Live/Work development where the primary land use is residential and a workspace is provided on the ground level is not permitted in this overlay. Maximum building height is four stories. The provisions indicated in this article shall apply to the Harbor Mixed-Use Overlay. Unless otherwise indicated herein, the provisions of the 19 West Urban Plan shall apply to this overlay district.

SECTION 3: Title 13, Chapter V, Article 12, Residential Incentive Overlay District,

is hereby added as follows:

ARTICLE 12. RESIDENTIAL INCENTIVE OVERLAY DISTRICT

Sec. 13-83.60. PURPOSE

It is the purpose and intent of this article:

- (b) To meet General Plan goals to create new housing opportunities for residential development at strategic locations along Harbor Boulevard and Newport Boulevard that exhibit excellence in design, site planning, integration of uses and structures, and protect the integrity of neighboring development.

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 2. Density - Housing within the Residential Incentive Overlay District is limited to a maximum density of 40 units per acre.
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Residential Common Interest Development	Refer to CHAPTER V, ARTICLE 2 RESIDENTIAL COMMON INTEREST DEVELOPMENTS
Residential Small Lot Subdivisions	Refer to CHAPTER V, ARTICLE 2.5 RESIDENTIAL SMALL LOT SUBDIVISIONS

SECTION 6: ENVIRONMENTAL DETERMINATION. The project has been reviewed for compliance with the California Environmental Quality Act (CEQA), the CEQA guidelines, and the City's environmental procedures and is included as a part of EIR No. 2015111053, which was adopted in June 2016 for the 2015-2035 General Plan.

SECTION 7: INCONSISTENCIES. Any provision of the Costa Mesa Municipal Code or appendices thereto inconsistent with the provisions of this ordinance, to the extent of such inconsistencies and or further, is hereby repealed or modified to the extent necessary to affect the provisions of this ordinance.

SECTION 8: SEVERABILITY. If any provision or clause of this ordinance or the application thereof to any person or circumstances is held to be unconstitutional or otherwise invalid by any court of competent jurisdiction, such invalidity shall not affect other provisions or clauses or applications of this ordinance which can be implemented without the invalid provision, clause or application; and to this end, the provisions of this ordinance are declared to be severable.

SECTION 9: PUBLICATION. This Ordinance shall take effect and be in full force thirty (30) days from and after the passage thereof, and prior to the expiration of fifteen (15) days from its passage shall be published once in the ORANGE COAST DAILY PILOT, a newspaper of General circulation, printed and published in the City of Costa Mesa or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the office of the City Clerk five (5) days prior to the date of adoption of this Ordinance, and within fifteen (15) days after adoption, the City Clerk shall cause to be published the aforementioned summary and shall post in the office of the City Clerk a certified copy of this Ordinance together with the names and member of the City Council voting for and against the same.

PASSED AND ADOPTED this _____ day of _____ 2016.

Stephen Mensinger, Mayor

ATTEST:

Brenda Green
City Clerk of the City of Costa Mesa

STATE OF CALIFORNIA)
COUNTY OF COSTA MESA)
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, California, do hereby certify that the foregoing Ordinance was introduced at the regular meeting of the City Council held on the ____ day of _____, 2016, and thereafter at the regular meeting of said City Council duly held on the ____ day of _____, 2016, was duly passed and adopted by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

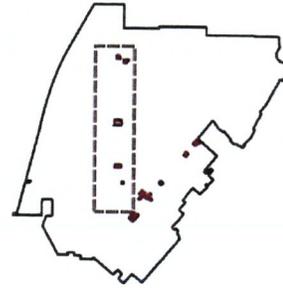
Brenda Green
City Clerk of the City of Costa Mesa

Aerial

General Plan: Overlay



Key Map



General Plan Designations

- Low Density Residential (8 du/ac)
- Medium Density Residential (12 du/ac)
- High Density Residential (20 du/ac)
- General Commercial
- Neighborhood Commercial
- Light Industrial
- Public/Institutional
- Golf Course

Baseline (2015)

Harbor Total Area.....27.4 acres
 Residential Units.....84
 Commercial Square Feet.....356,800

Land Use Plan

Density.....40 DU/AC
 Residential Units.....1,063
 Commercial Square Feet.....178,400

**Figure LU-10:
 Residential
 Incentive Overlay:
 Harbor Boulevard**

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Land Use Element

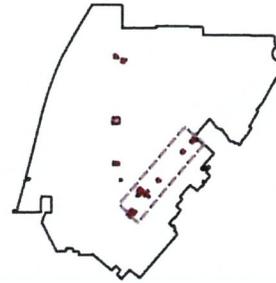
Aerial



General Plan: Overlay



Key Map



Land Use Designations

- Low Density Residential (8 du/ac)
- Medium Density Residential (12 du/ac)
- High Density Residential (20 du/ac)
- Commercial Residential (17.4 du/ac)
- General Commercial
- Neighborhood Commercial
- Light Industrial
- Public/Institutional
- Golf Course

Baseline (2015)

Newport Total Area.....30.3 acres
 Residential Units.....237
 Commercial Square Feet.....582,200

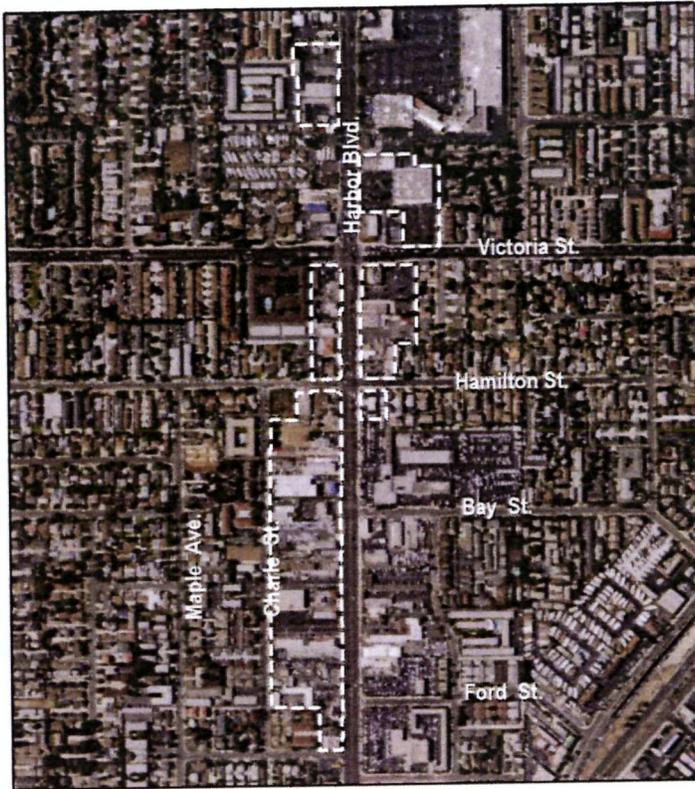
Land Use Plan

Density.....40 DU/AC
 Residential Units.....1,210
 Commercial Square Feet.....291,100

**Figure LU-11:
 Residential
 Incentive Overlay:
 Newport Boulevard**

Land Use Element

Aerial



Key Map



General Plan Designations

- Low Density Residential (8 du/ac)
- Medium Density Residential (12 du/ac)
- High Density Residential (20 du/ac)
- General Commercial

General Plan: Overlay



Harbor Mixed-Use Overlay

General Plan land use overlay that allows a maximum residential density of 20 dwelling units per acre. Mixed-use projects that do not include residential components can be developed at a 1.00 FAR. Mixed-use projects with both residential and commercial components can be developed at 1.25 FAR.

Baseline (2015)

Residential Units.....	13
Commercial Square Feet.....	337,300
Total Area.....	24.6 acres

Land Use Plan

Residential Units.....	491
Commercial Square Feet.....	321,000
Density.....	20 DU/AC
FAR.....	1.00 to 1.25 FAR

**Figure LU-13:
Harbor Mixed-Use Overlay**



www.kennedycommission.org
 17701 Cowan Ave., Suite 200
 Irvine, CA 92614
 949 250 0909
 Fax 949 263 0647

August 26, 2016

Chair Robert Dickson and Planning Commission Members
 City of Costa Mesa
 77 Fair Drive
 Costa Mesa, CA 92626

RE: Amending Zoning Code to Include Affordability in Harbor Mixed-Use Overlay District and Residential Incentive Overlay District

Dear Chair Dickson and Planning Commission Members:

The Kennedy Commission (the Commission) is a broad based coalition of residents and community organizations that advocates for the production of homes affordable for families earning less than \$20,000 annually in Orange County. Formed in 2001, the Commission has been successful in partnering and working with jurisdictions in Orange County to create effective policies that has led to the new construction of homes affordable to lower income working families.

As the City moves forward in preparing to amend the City's Zoning Code, the Commission urges the City to consider the following:

1. **Amend the City's Zoning Code to include the Harbor Mixed-Use Overlay, which allows a maximum residential density of 20 du/ac, ONLY IF new residential developments proposed in the overlay set-aside at least 20 percent of homes as affordable to lower income working households.**
2. **Amend the City's Zoning Code to include the Residential Incentive Overlay District, which allows new high density residential uses of up to 40 du/ac along Harbor Boulevard and Newport Boulevard, ONLY IF new residential developments proposed in the overlay set-aside 20 percent of homes as affordable to lower income working households.** In addition, motels located in the overlay should not be included unless any future/new residential developments that are proposed on these sites dedicate at least 20 percent of the homes to lower income working households. In addition, by increasing the existing base density of 20 du/ac to 40 du/ac, the City is effectively allowing by-right proposed developments at 40 du/ac and circumventing the use of a density bonus (SB 1818) for proposed projects. The implementation of the density bonus law would have facilitated the development of new affordable homes for lower income households in the City.

The City has acknowledged and anticipates the implementation of the proposed land uses will be utilized to reduce specific uses such as motels citywide.¹ The implementation of the Residential Incentive Overlay District **will** result in the displacement of substantial numbers of existing households living in motels, which necessitates the construction of

¹ Notice of Preparation City of Costa Mesa General Plan Amendment Program EIR, City of Costa Mesa, p. 4, November 16, 2015.

replacement housing elsewhere in the City. While the proposed land use changes do not authorize a specific construction project, the implementation of the Residential Incentive Overlay will provide significant development incentives and benefits that encourages and facilitates future residential developments to occur. These future residential developments can potentially result in significant and direct impacts.

- 3. Amend the City's Zoning Code to include the Residential Incentive Overlay District, ONLY IF proposed residential developments in Overlay evaluates significant impacts on motel tenants and requires the preparation of a Relocation Plan to ensure lower income households living in motels will not be displaced or be at-risk of homelessness.** Because future developers significantly benefits from the incentives provided by the Overlay, relocation assistance and replacement housing should be required for displaced tenants at proposed developments.

Contrary to what the Final Environmental Impact Report (FEIR) states², the likelihood of removing motels that are currently being used as long term housing in the City is **not** speculative. The potential for a substantial number of tenants being displaced is **not** speculative because these events are currently happening in the City and a primary example is the Costa Mesa Motor Inn (CMMI). In November 2015, the proposed plan and request for development incentives to convert the CMMI to a multi-family residential development was approved by the City. **As a result, there were many lower income long-term tenants at the CMMI who were displaced.** Because of the lack of affordable homes in the City, many households either moved to neighboring motels or moved outside of the City. There were also some households who ended up living in their cars because they had nowhere else to go.

Generally, motels provide last resort affordable housing for many lower income households and proposed market-rate residential developments will displace many at-risk families and lead them to homelessness. According to the FEIR, the report states:

“... because any specific property redevelopment would occur in the future, the specific number of persons using that particular motel for long-term occupancy is not known at this time. The type of residential development that would replace existing commercial uses, including motels, is also unknown, but could include new commercial uses, including hotel or motel uses, or new residential development that includes affordable housing which, based on the densities, could accommodate and encourage development of housing for low-income persons.”³

² Final Environmental Impact Report for the 2015-2035 General Plan, p. 4.13-10, June 26, 2016.

³ Final Environmental Impact Report for the 2015-2035 General Plan, p. 4.13-9, June 26, 2016.

Redevelopment of specific projects will certainly happen in the future but the City already has one specific example of a proposed development- the CMMI. The CMMI has been encouraged by the City through the approvals of development incentives (i.e., change in land-use and increase in density) that are allowed under the Residential Incentive Overlay. The CMMI has benefitted from these specific incentives to move forward with their proposed plans to demolish the motel and developing a new market-rate apartment complex.

The type of residential development replacing the CMMI will be a new 224 unit market-rate apartment complex at a site specific density of 54 du/ac, which notably is significantly higher than the Overlay's density of 40 du/ac. While the specific number of long-term occupants are not known at this time for future developments, the City identified 49 rooms that was occupied by 66 long-term residents.⁴ Because the proposed development includes **zero** units affordable to the lower income tenants who were living at the CMMI, a majority of these existing tenants were displaced, including the 49 households who were identified and grandfathered as long-term tenants.

The FEIR identifies that the proposed amended Land Use Plan could increase residential development in the Focus Areas by 4,040 units.⁵ Of that total, 3,062 units have allowable densities of 40 du/ac which can accommodate the development of affordable housing.⁶ In addition, in the response to comments, the City states:

“Even if a property owner chooses to develop residential uses, it is not a given that all new high density residential development will be market rate or above market rate. Zoning that allows high density residential development, as well as many other state reforms and incentives and local incentives, facilitate and expedite the development of affordable housing.”⁷

However, the same could also be said about affordable housing. If a property owner chooses to develop residential uses, it is not a given that the new high density residential development will be affordable. Default densities of 30 du/ac and greater do not necessarily produce homes that are affordable to lower income working households. This is quite evident considering the City has approved through upzoning over 2,000 new residential units that are market-rate. Unfortunately, not one of those developments, including the CMMI, proposed setting aside units that would be affordable to lower income working families.

⁴ City Council Agenda Report: General Plan amendment GP-14-04/ Rezone R-14-04/ Zoning Code Amendment CO-14-02/ And Master Plan PA-14-27 For Costa Mesa Apartments at 2277 Harbor Boulevard, City of Costa Mesa, p. 5, November 3, 2015.

⁵ Final Environmental Impact Report for the 2015-2035 General Plan, p. 4.13-6, June 26, 2016.

⁶ Final Environmental Impact Report for the 2015-2035 General Plan, p. 4.13-6, June 26, 2016.

⁷ Final Environmental Impact Report for the 2015-2035 General Plan, p. 10.0-5, June 26, 2016.

- 4. Amend the City's Zoning Code to include the Residential Incentive Overlay District, ONLY IF the City ensures the implementation of the Overlay does not circumvent the State Density Bonus Law and the development of homes affordable to lower income households.**

Incentives such as the State Density Bonus Law is an effective tool for the City to build affordable housing but the City has consistently allowed new residential development proposals to circumvent the law by spot zoning and increasing density that is currently allowable. As a result, the City has not been effective in producing affordable homes through the Density Bonus Law. Zoning that allows high density can result in the development of affordable homes, however, it has not happened in the City of Costa Mesa. Without effective programs and policies that facilitates and encourages the development of affordable housing for lower income families, it will probably not happen.

The proposed development at the CMMI is a cautionary example of a proposed development utilizing and benefiting from the Residential Overlay and not producing affordable homes for lower income households. The proposed CMMI development benefitted greatly from the Residential Overlay and development incentives (i.e., change in land use and increase in density) that the developer was previously not entitled to. These City approved development incentives should be considered as a form of a public subsidy because the incentives are giveaways that provide significant windfalls and increase the property value of the proposed development. The City approved incentives/public subsidies underscore a problem that the fails to ensure the giveaways are provided in the exchange of community benefits such as the development of affordable homes for lower income households. The developer for the proposed development at the CMMI did not set aside any homes that would be affordable to lower income households. While 20 units will be set-aside for moderate income families, the proposed rents, \$1,600 - \$1,800 are out-of-reach and not affordable to current CMMI tenants or potential lower income tenants in the City. In addition, by increasing the existing base density at the proposed development, the City is effectively circumventing the use of a density bonus for proposed projects, which would have facilitated the development of new affordable homes for lower income households in the City.

- 5. Collaborate with the Costa Mesa Affordable Housing Coalition and community stakeholders to develop effective stand-alone housing policies (i.e., inclusionary housing) and create an affordable housing component for lower income working households as part of the Residential Incentive Overlays that will prioritize and facilitate the development of affordable home opportunities for lower income working households.**

Chair Dickson and Planning Commission Members
August 26, 2016
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We look forward to City's responses to our recommendations and if you have any questions, please feel free to contact me at (949) 250-0909 or cesarc@kennedycommission.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Cesar", with a long, sweeping horizontal line extending to the right.

Cesar Covarrubias
Executive Director

cc: Kathy Esfahani, Costa Mesa Affordable Housing Coalition

