



NEWPORT BEACH

City Council Staff Report

June 23, 2026
Study Session

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Jaime Murillo, Community Development Director - 949-644-3209,
jmurillo@newportbeachca.gov

PREPARED BY: Liz Westmoreland, AICP, Deputy Community Development Director
- 949-644-3234, lwestmoreland@newportbeachca.gov

Jerry Arregui, Assistant Planner - 949-644-3249,
jarregui@newportbeachca.gov

TITLE: Results of the REAP 2.0 Mixed-Use Study

ABSTRACT:

On January 13, 2026, the City Council authorized participation in the Regional Early Action Planning (REAP) 2.0 Program in partnership with the Orange County Council of Governments (OCCOG). The REAP 2.0 Program provided the City with grant-funded consultant assistance to complete Housing Element Policy Action 4H (Review Mixed-Use Zones), primarily intended to identify and reduce regulatory barriers to housing and mixed-use development in the City's existing mixed-use zoning districts (Study).

The results of the Study, including proposed recommendations, are being presented for City Council review and direction. The City is not obligated to make any amendments based on the findings of the Study.

RECOMMENDATIONS:

Receive the presentation and provide direction regarding possible implementation of the recommendations identified in the Study.

DISCUSSION:

The REAP 2.0 Program is a grant program that is funded by the California Department of Housing and Community Development (HCD) in partnership with regional planning agencies, such as the Southern California Association of Government (SCAG) to assist local and regional agencies in advancing housing production. SCAG issued grant funds to OCCOG to establish a technical consultant bench that would support OCCOG member agencies in completing Housing Element Implementation Programs. Specifically, the support was intended to implement programs that would meet the objectives of REAP 2.0 Program including accelerating infill development that facilitates housing supply, choice and affordability; affirmatively furthering fair housing; and reducing vehicle miles traveled.

On January 13, 2026, the City Council authorized participation in the REAP 2.0 Program, in partnership with OCCOG which provided consultant assistance to complete Housing Element Policy Action 4H (Review Mixed-Use Zones), which is intended to review the mixed-use zoning districts, identify opportunities to improve existing mixed-use zoning regulations, and recommend policy or code changes to the City Council that reduce regulatory barriers and incentivize the construction of residential units within a mixed-use development.

Since January 2026, staff has been working with OCCOG's selected consultant, Houseal Lavigne (Consultant), to prepare the Study including recommendations for potential changes to the Newport Beach Municipal Code (NBMC).

As a requirement of the REAP 2.0 Program and the City's award, the Consultant's workplan and contract shall be completed by June 30, 2026. Importantly, the City is not obligated to amend its Zoning Code or General Plan based on the Study's findings. However, the City is committed to sharing the results with the Planning Commission and City Council at individual study sessions.

This study session presents the results of the Study, including:

1. Evaluation of the City's existing mixed-use zoning districts;
2. Three conceptual plan test studies to examine the feasibility of development under current zoning standards;
3. Economic feasibility analysis to determine if existing zoning regulations can produce a financially viable project; and
4. Recommendations regarding zoning changes that could reduce physical and economic constraints on mixed-use development and promote residential development.

A study session with the Planning Commission was held on May 21, 2026. The study session provided an opportunity for the Planning Commission to review the results of the study and provide feedback. A summary of the Planning Commission's feedback is discussed in the *Planning Commission Study Session* section below and the Planning Commission Staff Report from May 21, 2026, is provided as Attachment A of this report.

Existing Mixed-Use Zoning Districts

As part of the City's Comprehensive Zoning Code Update in 2010, several mixed-use zoning districts were created to implement the 2006 General Plan mixed-use land use categories. The City has six mixed-use zoning districts including:

- Mixed-Use Vertical (MU-V)
- Mixed-Use Mariners' Mile (MU-MM)
- Mixed-Use Cannery Village and 15th Street (MU-CV/15th St.)
- Mixed-Use Water (MU-W1)
- Mixed-Use Water (MU-W2)
- Mixed-Use Dover/Westcliff (MU-DW)

As shown in Figure 1 below, the City's mixed-use districts are primarily located around Newport Harbor and are concentrated along commercial corridors, such as Coast Highway, Newport Boulevard, Balboa Boulevard and Marine Avenue. Newport Center and the Airport Area also include other mixed-use development opportunities as part of separate planned communities and were not included in this Study.

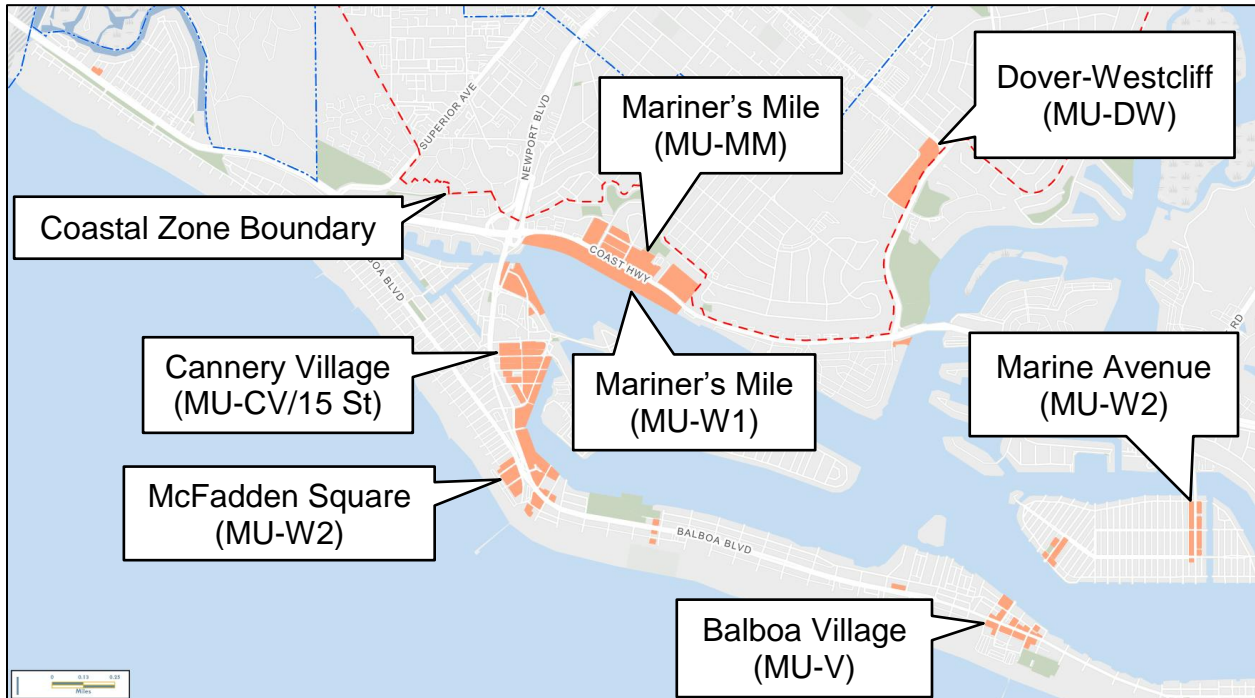


Figure 1: Mixed-Use Zoning Districts in Newport Beach (excluding Newport Center and Airport Area)

Despite the housing opportunity that was created in these areas in 2010, the City has not experienced the amount of investment in mixed-use development that was expected. Many of these sites remain underutilized with a single nonresidential use, such as retail or office, and in some cases only residential uses. While there are many reasons for this, it is evident the City's existing development standards (e.g., parking, density, height, etc.) related to mixed-use development may create constraints on the redevelopment of these properties.

While the Study is included as Attachment B, the following sections provide an overview of the results and recommendations contained therein.

Conceptual Plan Test Studies and Economic Feasibility Analysis

Staff worked with the Consultant to develop conceptual plans for properties within three mixed-use districts to test redevelopment scenarios with existing mixed-use development standards. These redevelopment scenarios are intended to identify zoning barriers to mixed-use development. Additionally, each plan was evaluated to determine economic feasibility under current standards by considering several factors including hard costs, softs costs, land value, commercial and residential revenue assumptions, target return thresholds and entitlement risk.

Table 1 below provides a summary of the conceptual plan test studies including the development characteristics, identified barriers, required entitlements, and economic feasibility conclusions. The complete conceptual plan test studies and the economic feasibility analysis are provided as Attachments C and D respectively.

Additionally, a 3-D “scene viewer” of the conceptual plans is accessible with the following link: <https://experience.arcgis.com/experience/5b8411162e1b4424a7cd6fcb5719bd11>.

Table 1: Summary of Conceptual Plan Test Studies

| Mixed-Use Dover/Westcliff (MU-DW) - 881 Dover Drive | | | |
|---|---|---|--|
| <i>Plan 1: Zoning Compliant (3-Story)</i> | | | |
| Project | Zoning Barriers | Entitlements | Financial Feasibility |
| <u>Residential</u> 31 dwelling units (DUs) <u>Nonresidential</u> 14,000 Square Feet (SF) Office <i>(Minimum allowed)</i> <u>Parking</u> 78 residential spaces 57 commercial spaces | Zoning compliant | Major Site Development Review (SDR) | Not financially viable |
| <i>Plan 2: Affordable Housing (3-Story)</i> | | | |
| Project | Zoning Barriers | Entitlements | Financial Feasibility |
| <u>Residential</u> 34 DU <u>Nonresidential</u> 19,500 SF Office <u>Parking</u> 54 residential spaces 78 commercial spaces | Parking Waiver required (31 spaces) Maximum allowed Floor Area Ratio (FAR) (~28k SF) for nonresidential not feasible without parking waiver or height increase | Major SDR Conditional Use Permit (CUP) | Not financially viable Mixed-use affordable housing development is challenging, typical funding does not cover non-residential construction costs |
| Mixed-Use Cannery Village and 15th Street (MU-CV/15th St.) | | | |
| 510 and 512 31 st Street | | | |
| <i>Plan 1: 2-Story</i> | | | |

| Project | Zoning Barriers | Entitlements | Financial Feasibility |
|---|---|--|---|
| <u>Residential</u> 3 DUs <u>Nonresidential</u> 1,300 SF Café 1,400 SF Retail <u>Parking</u> 7 residential parking spaces No commercial parking | Parking Waiver required (12 spaces) Without a lot mergers, each lot yields only 1 residential unit | Minor SDR CUP Coastal Development Permit Lot Merger | Not financially viable Entitlements create uncertainty and extend project timelines, further reducing financial viability |
| Plan 2: 3-Story | | | |
| Proposed | Zoning Barriers | Entitlements | Financial Feasibility |
| Same as Plan 1, except 3-stories to maximize residential FAR | Same as Plan 1 | Same as Plan 1 | Not financially viable Though residential FAR is maximized, due to the required common areas, parking areas and, required hallways, only 69% of the building qualifies as revenue generating rentable area Entitlements create uncertainty and extend project timelines, further reducing financial viability |
| Mixed-Use Water (MU-W2) Zoning District 2212 and 2214 West Ocean Front | | | |
| Plan 1: 2-Story | | | |
| Project | Zoning Barriers | Entitlements | Financial Feasibility |
| <u>Residential</u> 3 DUs <u>Non-residential</u> 1,400 SF Café 1,200 SF Retail <u>Parking</u> 7 residential parking spaces | Parking Waiver required (12 spaces) Without a lot merger, each lot would yield only 1 residential unit | Same as Cannery Village Site | Not financially viable Only 53% of the building qualifies as revenue generating rentable area Entitlements create uncertainty and extend project timelines, further reducing financial viability |

| | | | |
|-----------------------|--|--|--|
| No commercial parking | | | |
|-----------------------|--|--|--|

Conclusions of Conceptual Plans Test Studies and Economic Feasibility Analysis

Across the Mixed-Use Dover/Westcliff (MU-DW), Mixed-Use Cannery Village and 15th Street (MU-CV/15th St.), and Mixed-Use Water (MU-W2) concept sites, the analysis found that zoning compliant mixed-use projects do not achieve a target return on investment that would produce an economically viable project for a developer. Projects are commonly constrained by the commercial parking requirements, density limits and height limits. Additionally, required parking areas, common areas and private open space areas, further reduce rentable areas and limit revenue potential. Affordable-housing mixed-use development is particularly challenging because typical funding sources do not cover the cost of constructing the non-residential component.

Furthermore, maximization of development potential often requires additional discretionary approvals such as parking waivers (i.e. CUPs), height increases and lot mergers which, from a developer’s perspective, can extend project timelines, increase property holding costs, add entitlement complexity, and increase risk of denial or redesign. These challenges are also due to the small lot sizes in many mixed-use districts, where current standards are often incompatible with a single-lot project.

While the City cannot directly control existing lot sizes or market conditions, it can reduce the need for certain discretionary approvals by updating zoning standards to better fit the prevailing lot pattern and allow maximization of development potential—thereby streamlining entitlements, lowering risk and carrying costs, and improving project feasibility.

Recommendations

A comprehensive list of recommendations aimed at reducing regulatory barriers and encouraging mixed-use residential development is provided in Table 2. Recommendations that are supported by staff for further evaluation are shown in green and those not supported by staff at this time are labeled in orange. It is important to note that the recommendations are focused on the production of housing consistent with the objectives of the REAP 2.0 Program.

Table 2: Study Recommendations

| Standard/ Requirement | Recommendation | Basis |
|--------------------------------|---|--|
| Site Development Review | Remove requirement for site development review of mixed-use projects with up to 9,999 square feet of nonresidential and up to 4 dwelling units. | Streamlines and provides greater certainty for a category of small, lower-impact projects. A 9,999 sq. ft. commercial building and 4-unit building are both reviewed administratively if proposed on their own, yet a mixed-use project that combines both components currently requires discretionary review through a site development review. |

| Standard/ Requirement | Recommendation | Basis |
|--------------------------|--|--|
| Parking | Establish bedroom-based residential parking requirements. | <p>This approach would encourage smaller units that could support workforce housing or units that are more affordable by design (i.e. more studios/one-bedroom units).</p> <p>Existing parking requirements are generally derived from suburban standards based on unit count (regardless of bedroom count or size) and may not reflect actual demand in mixed-use environments which are typically in walkable, high-resource areas such as the Peninsula and Balboa Island.</p> |
| | Waive nonresidential parking requirements for certain nonresidential uses. | <p>The test studies revealed that it is physically infeasible to provide onsite-nonresidential parking on most parcels. By providing parking waivers for certain resident and visitor serving uses, the City can concurrently incentivize said uses and remove development constraints. The Balboa Village Parking Overlay District Management Plan (PM-1) is a similar City-led effort that was implemented in 2021 for Balboa Village to reduce parking requirements for certain nonresidential uses, such as restaurants, personal services, and health/fitness uses.</p> <p>Neighborhood-wide parking solutions (e.g., allowing use of underutilized public parking during off-peak season, better accommodating alternative modes of transportation and unlocking private parking for public use) could be provided to support overall parking supply for nonresidential uses in a particular district.</p> |
| | Waive parking for all nonresidential uses. | <p>Staff is more supportive of reducing nonresidential parking requirements for preferred land uses that foster a pedestrian friendly, vibrant, and/or marine-related (if in the coastal zone) environment within already dense and walkable areas that experience a high level of visitors. Other types of uses such as assembly/meeting facilities and cultural institutions may create new destinations and further increase parking demands to an area.</p> |
| | Remove residential parking requirements. | <p>The majority of mixed-use zoning districts are located in the coastal zone and waiving residential parking presents concerns with public access to the coast, as residents will likely park on public property. The City has not historically</p> |

| Standard/ Requirement | Recommendation | Basis |
|--|--|--|
| | | waived residential parking requirements, especially for small-lot developments. |
| Density | Allow at least two dwelling units per lot, regardless of lot size. | <p>Due to small lot sizes, many mixed-use properties are only permitted to construct one dwelling unit. This recommendation would increase the number of units that are possible on each lot, increasing the economic feasibility.</p> <p>This proposed standard is consistent with an exception in the Two-Unit Residential Zoning District (R-2) for historic lots, where a minimum of two units are allowed regardless of lot size.</p> |
| Locational Requirements for Residential | Allow residential units to front West Coast Highway if located above the 1 st floor in the MU-MM Zoning District. | Residential development is currently subject to a 100-foot setback from West Coast Highway in the MU-MM Zoning District. 2 nd floor residential units would be appropriate in this mixed-use context and nonresidential development on the first floor would still be required. |
| Common Open Space | Only require common open space on mixed-use projects with four or more residential units. | Common open space requirements, while intended to enhance livability, may be inefficient for smaller properties where three or fewer residential units are proposed. Additionally, the City's mixed-use districts are generally located in high resource areas with significant outdoor recreation opportunities such as the beach and Back Bay. Private open space would still be required. |
| FAR for Residential | Increase or remove FAR requirement for residential. | From an economic standpoint, increasing the residential FAR could prevent redundant constraints on unit yields and produce additional leasable space. However, without a unique incentive structure, it is anticipated that a higher FAR would create larger dwelling units versus more dwelling units overall. |
| Height | Remove discretionary review for height increases. | This recommendation would remove a layer of review that helps ensure development is compatible with area, especially within the coastal zone. |
| | Increase base height in MU-DW to 55 feet for flat roofs and 60 feet for sloped roofs (with upper-floor step backs) to allow for higher density without discretionary action. | Properties in the MU-DW Zoning District are outside of the coastal zone and are not located within established residential neighborhoods. Properties in this district front two streets and views are not anticipated to be impacted. Further analysis is needed to evaluate scale. |

| Standard/ Requirement | Recommendation | Basis |
|--------------------------------|---|--|
| Nonresidential Uses | Redefine “commercial” or “nonresidential” for affordable housing projects to allow “resident-serving uses” on the ground floor to meet nonresidential minimum requirements. | This aligns with the operational mission of affordable housing and from an economic standpoint, it eliminates the financial drag of un-leasable retail space that is challenging for affordable housing developers to fund and maintain. Staff is supportive of this recommendation if applied to affordable housing projects (not market rate) and only for ground floor uses that reinforce an active, pedestrian frontage, similar to traditional nonresidential uses. |

Planning Commission Study Session

On May 21, 2026, the Planning Commission held a Study Session for staff to share the results of the Study. At the meeting, staff received valuable feedback regarding the draft recommendations, and the Commission provided additional items for staff to consider. The discussion involved substantive feedback from Commissioners Rosene, Gazzano, Reed, and Vice Chair Salene. Discussion centered around the economic feasibility analysis, residential FAR thresholds, expansion of mixed-use zones, and zoning flexibility. The feedback is summarized below, and the Minutes of May 21, 2026, Planning Commission Study Session are included as Attachment E.

- *Commissioner Rosene* acknowledged REAP 2.0’s housing focus and suggested exploring zoning flexibility to allow residential-only projects in certain areas by waiving the mixed-use (nonresidential) requirement. Currently, only MU-CV/15th Street allows residential-only development, so most other mixed-use districts could benefit from this recommendation.
- *Commissioner Gazzano and Reed* raised a concern that land costs are not separately itemized in the economic feasibility analysis, noting that land values are a critical part of the analysis and vary widely across the City. As discussed in the *Economic Feasibility Analysis* section above, staff and the Consultant incorporated the land values into the analysis to accurately depict each conceptual plans’ financial viability.
- *Commissioner Gazzano* recommended requiring at least 50% of a mixed-use project’s floor area be dedicated to residential use to qualify for a commercial parking waiver to ensure the City is getting the benefit of additional housing units. Additionally, he mentioned the idea of possibly expanding the mixed-use zones along Dover Drive.
- *Vice Chair Salene* expressed concern about parking waivers as a tool to encourage residential development, noting the difficulty of finding available parking in particular areas of the City. Vice Chair Salene agreed with the Study’s recommendation to remove common open space requirements for smaller

projects, noting that mixed-use zones are generally located in areas with nearby recreational amenities.

Next Steps

Staff believes that the recommendations related to waiving nonresidential parking requirements for resident and visitor serving uses (similar to the successful Balboa Village Parking Management Plan) and a new streamlined processing approach for mixed-use development could have the greatest impact on mixed-use development.

Staff recommends that additional analysis be conducted, including direct outreach with affected property owners, to discuss existing barriers to investment and the viability of potential solutions.

A Study Session with both the City Council and Planning Commission fulfills the City's commitment for participating in the REAP 2.0 Program and the City is not obligated to amend its Zoning Code or General Plan based on the Study's findings.

FISCAL IMPACT:

There is no fiscal impact related to this study session item. Any future code amendments brought forward to implement the recommendations of the Study would be evaluated individually for potential fiscal impacts. Future code amendments could incentivize additional mixed-use and residential investment in the City, which would increase City revenues through property and sales tax, Development Impact Fees (DIFs), and traffic impact fair-share fees.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15262 (Feasibility and Planning Studies) of the CEQA Guidelines, California Code of Regulations, Title 14, Division 6, Chapter 3, Article 18, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – May 21, 2026, Planning Commission Staff Report

Attachment B – Consultant Memorandum

Attachment C – Conceptual Plan Test Studies

Attachment D – Economic Feasibility Analysis

Attachment E – May 21, 2026, Planning Commission Minutes