Attachment B
Newport Beach Draft Response

California State Housing Mandates

Orange County Grand Jury 2025-2026

	FINDING	AGREE OR DISAGREE	RESPONSE *(Include portion of the finding that is disputed and include an explanation of the reasons)*
F1	In recent years, the California Legislature has enacted an unusually large and burdensome volume of housing-related laws intended to strengthen compliance with State Housing Mandates.	Agree	The California Legislature (Legislature) has enacted an unprecedented number of housing related laws since 2017, including multiple updates to existing laws. The Terner Center for Housing Innovation reported that over 215 housing-related bills were introduced by the Legislature in 2024. Significant staff time is allocated each year to monitor the progress of housing related bills including relevant environmental, transportation, and permit streamlining bills, and subsequently prepare code amendments and/or internal procedure documents to address the bills. Not only does the volume of bills present a challenge, but also the regular update of prior legislation. For example, the Legislature has passed at least 13 bills related to ADU regulations since 2019. Therefore, to address changes, the City has updated its ordinance pertaining to ADUs five times since 2020 to remain in compliance with State Law. Furthermore, approximately 63% of the City is located within the Coastal Zone, and each amendment to the municipal code to address State Law must also be addressed in the Local Coastal Program (LCP) for consistency. The process to amend the LCP involves seeking approvals from the California Coastal Commission and typically takes 1 to 2 years from submittal. As a result, often new State Laws regarding ADUs are enacted prior to the effective date of the previously submitted LCP amendments. Additionally, in recent years, State Laws such as the Housing Crisis Act and Assembly Bill 130 have implemented strict timeframes for cities to process complex housing development project applications. Mandated timelines with little to no flexibility for extensions to process applications create a burden on City resources without the provision of additional support from the State. Lastly, due to the pace that the State has adopted new/revised housing-related laws, State and local jurisdictions have not had the opportunity to properly evaluate the effectiveness of said laws. For example, the City adopted its 6th Cycle Housing Element in fall of 2022; however, rezoning required to implement the 6th Cycle Housing Element only became fully effective throughout the entire City as of July 2026, due to the need to secure California Coastal Commission approval. The City believes that additional time and a pause on new housing laws would allow the State and local governments opportunity to determine the success of prior legislation and then plan appropriately for the future based on this information.
F2	Housing Mandates are implemented through a	Agree	The City agrees that the RHNA process lacks transparency and accountability. Newport Beach is a part of the Southern California Association of Governments (SCAG) for

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	RHNA process that often lacks transparency and relies on complex methodologies that are difficult for local officials and the public to understand or meaningfully challenge.		purposes of determining its RHNA allocation. SCAG is comprised of local jurisdictions within Los Angeles, Orange, Riverside and San Bernardino counties to allocate the California Department of Housing and Community Developer's (HCD) allocation of units throughout the SCAG region. When SCAG initially began its RHNA allocation process, estimates were that the City would be allocated 2,751 units. However, several jurisdictions were caught unaware when the final RHNA methodology was adjusted. For Newport Beach, the allocation increased to 4,845 units. The City submitted an appeal to challenge the City's RHNA allocation and offered a reasonable compromise that was rooted in local knowledge and technical data. Although the City provided technical data in support of the appeal, the appeal was denied with little meaningful discussion of the issues raised by the City. The City's prior RHNA allocations were more reasonably achievable, where the 6th Cycle deviated so significantly that it was difficult for staff to explain the justification or methodology to local stakeholders, including the public. Without a transparent process, it is not realistic to have meaningful engagement that is accessible to staff or the public. As stated in the report, the 6th Cycle RHNA allocation represented an approximately 300% increase from the 5th Cycle RHNA allocation. Furthermore, the City obtained the assistance of a specialized Housing Element consultant to complete the process. If assistance from specialized staff is necessary to complete a Statewide mandated process, that process is not accessible to the public or other most local stakeholders. Moreover, questions have been raised regarding the methodology of determining the RHNA allocation of 1.34 million RHNA housing units that the State Department of Housing and Community Development (HCD) issued for the 6-county SCAG region wherein Orange County sits. In 2020, Freddie Mac corrected that the housing shortage for the entire State of California, not just the SCAG region, was 820,000 units.[1] Further, the Embarcadero Institute, a non-profit policy analysis organization, released a September 2020 Report that questioned whether the use of an incorrect vacancy rate and double counting exaggerated the RHNA for the SCAG region, San Diego, the Bay Area and Sacramento area by more than 900,000 units.[2] The State of California Auditor published a 2022 report citing concerns about the RHNA process, including the California Department of Finance's (DOF) role in populating projects that underpin HCD's RHNA determinations. Taking from the State Auditor's report, researchers have further

[1] February 2020 Freddie Mac Insights Report: "The Housing Supply Shortage: State of the States.

[2] "Double Counting in the Latest Housing Needs Assessment"

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			illuminated the deficiencies in establishing each region's RHNA allocation.[3] Thereafter, HCD adopted California's Housing Future 2040 Report, intended to correct the methodology used to determine the RHNA allocation for future housing cycles.[4]
F4	Meaningful participation by Orange County cities in both OCCOG and SCAG meetings is critical to ensuring that local perspectives are represented during the development and implementation of Housing Mandates policies.	Agree	It is critical that local perspectives are represented during the development of housing policies including RHNA allocations. It is also important that participation opportunities are meaningful, the information is presented in a manner that is reasonably accessible to the public, and that feedback is addressed in subsequent decisions.
F5	SCAG's 6th Cycle RHNA assigned Orange County a questionable total of 183,861 housing units for the 2021–2029 planning period, with higher allocations concentrated in cities with major population and employment centers.	Agree	As confirmed by the California State Auditor and related reports, HCD's methodology inflated requirements by a substantial number of housing units. See response to F2. As stated in the City's appeal of its RHNA allocation, SCAG failed to adequately consider local household growth factors and utilized growth projections inconsistent with the Connect SoCal Plan. Based on the Connect SoCal Plan, the City would expect to see approximately 100 households per year of growth. Using this metric, the City's RHNA Allocation of 4,845 units (amortized over the planning period) would result in approximately 605 households per year of growth. SCAG's methodology was not consistent with local growth assumptions. Furthermore, cities are required to include "buffers" (i.e. additional units beyond the base RHNA allocation) so that if not all projects are developed at the affordability levels assumed in the Housing Element, there would be adequate other sites to accommodate growth. Additionally, because the City has limited vacant land, the development of housing requires the conversion of existing non-residential uses. Replacement of employment

[3] Christopher S. Elmendorf, Nicholas Marantz and Paavo Monkkonen (2021) "A review of California's process for determining, and accommodating, regional housing needs", *Background Paper Prepared for the California State Auditor in Relation to the Audit Ordered by the Joint Legislative Audit Committee on Oct. 11* [Preprint]. Available at: https://law.ucdavis.edu/sites/g/files/dgvnsk10866/files/inline-files/RHNA-Audit-Background-Paper-2021.01.04.pdf (Accessed: August 21, 2025).
[4] California's Housing Future 2040: The Next RHNA Report issued by the California Department of Housing and Community Development.

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			generating activities will limit the City's ability to create jobs, thereby conflicting with the intention of SCAG to create housing in proximity to employment centers. By the year 2035, the City anticipates that the redevelopment of nonresidential uses with residential uses could result in the reduction of roughly one million square feet of office space.
F6	RHNA allocations are unrealistic and not attainable within the current planning cycle due to limited available land, built-out urban conditions, infrastructure constraints, environmental factors, and public health and safety requirements.	Agree	The 6th Cycle RHNA allocation was unrealistic and not attainable within the 8-year planning cycle primarily due to nongovernmental factors such as land costs, construction costs, lack of available land, and significant environmental constraints. The City documented its concerns through various public comment opportunities during the development of the draft RHNA allocations and subsequently through its RHNA allocation appeal to SCAG. With respect to costs, the Housing Element provides details regarding the cost constraints on the development of housing.[5] To summarize, a September 2020 review of the Orange County Market report for lots for sale in Newport Beach returned less than five vacant lots listed for sale. Of the lots listed, the costs ranged from $600,000 for 0.075 acres near Santa Ana Heights (about $183 per square foot), to $4,995,000 for 0.27 acres with an ocean view (about $430 per square foot). Larger vacant lots reached as high as $9,995,000 for 0.77 acres inland (about $295 per square foot) to $10,500,000 for 0.51 acres of land (about $474 per square foot) closer to the coast. According to the same report, in September coastal lots listed for sale in Newport Beach averaged $8,000,000 for 0.6 acres. The cost of land in Newport Beach is higher than in neighboring cities, such as Laguna Beach, where the median cost of land is about $115 per square foot. Therefore, land and redevelopment costs in Newport Beach create a significant constraint to the development of housing, specifically affordable housing. As to construction costs, the Housing Element found that for August 2020, the International Code Council (ICC) estimated that the average per square-foot cost for good-quality housing was approximately $118.57 for multi-unit housing, $131.24 for single-unit homes, and $148.44 for residential care/assisted living facilities. As to vacant land, the City does not have sufficient vacant land to accommodate the RHNA. Therefore, the City was required to find approximately 161 acres of land that met the State's extensive criteria for inclusion in the Housing Element. Therefore, property

[5] City of Newport Beach Final Adopted and Certified 6th Cycle Housing Element dated September 13, 2022), as Amended on September 24, 2024

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			owners of 161 acres of land in the City must conclude that converting some or all of their land to residential use is more advantageous than the land's current nonresidential uses. However, there is very little land in the City that contains obsolete commercial or industrial improvements or is underutilized due to property values and rents. As to environmental constraints, the Housing Element details these constraints. In the appeal to SCAG, the City cited extensive environmental constraints that were not sufficiently considered in the RHNA allocation including flooding, sea level rise, fire safety zones, airport safety zones and noise contours, protected natural lands, and seismic hazards. Finally, another important factor is outside agency approvals that are required to construct housing. For example, the City submitted its Local Coastal Program Amendments to allow for development on Housing Opportunity sites in the Coastal Zone in August of 2024. The amendment became effective in July 2026, approximately 3 years prior to the close of the current Housing Element Cycle. Nonetheless the City maintains a compliant Housing Element that provides adequate sites to accommodate the City's share of the RHNA.
F7	Residents in Orange County consistently express a desire for local planning decisions to reflect community priorities, including but not limited to neighborhood character, safety considerations, the environment and open-space preservation.	Agree	The City, including staff, local stakeholders, and elected and appointed officials are best equipped to plan their cities. A one size fits all approach at the State level does not consider local issues, geography, infrastructure, or character. The City comprehensively updated its General Plan in June 2026. The General Plan Update occurred over seven years with over 150 public meetings, resulting in a document that clearly documents community priorities including neighborhood character, safety, and the environment. Residents also regularly engage in local planning decisions, especially housing projects in established neighborhoods. Residents routinely express a desire for neighborhood scale planning and increased local control for planning decisions. Due to State interventions that reduce the discretion of the Planning Commission and City Council, public engagement becomes reduced to reviewing codes and technical matters. Although this is dictated at the State level, it can still impact residents' perceptions of local decision-making bodies and produce dissatisfaction.
F8	California's regulatory construction costs (i.e.	Disagree	City permitting fees are studied regularly (including a comprehensive update in 2026) to ensure that recovery costs reflect staff time spent on review (including both entitlements

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	permitting fees) present substantial challenges for private housing developers—particularly those delivering affordable units.		and building permits). Further, permitting fees represent a negligible proportion of the overall cost of development. State Density Bonus Law (State DBL) allows affordable housing projects to request concessions/incentives to reduce potential fees such as “Quimby Act” fees for in-lieu parkland dedication (i.e. “park fees”) in exchange for the provision of affordable housing. Although not required by State DBL, every request by an affordable housing developer to subsidize park fees has been approved by the City Council. Additionally, the City exempts affordable housing projects from the payment of development impact fees (i.e. DIFs). State DBL and the City’s fee structure for DIFs provide appropriate and effective incentive structures for the development of affordable housing. Permitting fees from external agencies, such as the California Coastal Commission, local school districts, San Joaquin Hills Transportation Corridor Agency, and other utility providers (wastewater, electrical, gas etc.) may be a factor.
F9	The cost of constructing a single affordable housing unit in California typically ranges from approximately $500,000 to $800,000 per unit when fully complying with current state regulations. New low-income housing is generally not financially feasible without public subsidy.	Agree	Similar to other cities, one of the primary factors influencing the feasibility of development in Newport Beach is land acquisition cost. See F6. Significant subsidies are required to make a project financially viable. Based on recent inclusionary housing studies prepared for the City, for-sale residential projects are only financially viable with a maximum 6-8% inclusionary rate (i.e. 6-8% of units are affordable). Government subsidies are not only competitive but require specialized staff to find and execute.
F10	Prior to their dissolution in 2012, redevelopment agencies served as a primary mechanism for cities and counties to finance affordable housing and related infrastructure. The loss of redevelopment has reduced cities’ ability to support	Agree	The dissolution of redevelopment agencies has significantly reduced cities’ abilities to finance affordable housing and other important redevelopment projects.

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	construction of affordable units.		
F11	Because public subsidy is limited and highly competitive, cities seeking to produce meaningful quantities of low-income housing must rely in part on private development incentives, often resulting in higher overall development densities and unit counts than the RHNA allocation.	Agree	State DBL provides a common pathway to incentivize affordable housing development. In exchange for the provision of even 5% of dwelling units for lower income households in a development, a developer can obtain a 20% density bonus, resulting in greater overall development densities and units counts than the RHNA allocation. State DBL projects are entitled to unlimited waivers of development standards and case law restricts Cities' ability to ask for evidence supporting the need for the waiver. Project developers often request height increases, setback reductions, design standard waivers, and floor area adjustments. This results in larger and often bulkier developments.
F12	The 6th Cycle RHNA methodology included numerous technical inputs published by SCAG and HCD; however, these inputs were highly complex and difficult for cities to interpret or independently verify.	Agree	Additionally, during the RHNA allocation appeals process, SCAG did not meaningfully address the City's technical comments. As confirmed by the California State Auditor, HCD's methodology inflated requirements by a substantial number of housing units.

	RECOMMENDATIONS	ACTION (1-4 Below)	SUMMARY/EXPLANATION
R7	OCCOG, all Orange County cities and the County of Orange should reassess the current dues structure, by September 30, 2026, to ensure that OCCOG has the resources necessary to effectively represent Orange County jurisdictions in SCAG processes, including RHNA methodology development and appeals. (F3, F15)	3	The City will cooperate in any studies performed by OCCOG to reassess the dues structure in exchange for sufficient support and representation at the regional level including SCAG committee meetings where RHNA methodology and appeal procedures are addressed. OCCOG served as a valuable asset during the development of the 6th Cycle RHNA and the City is supportive of strengthening their role in the 7th Cycle Housing Element process.

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R8	By December 31, 2026, the Orange County Board of Supervisors should partner with cities to evaluate countywide infrastructure capacity— including water, wastewater, flood control, transportation, and public-safety systems—and develop a coordinated regional plan capable of supporting the level of housing growth required under state law. (F6)	3	The City will cooperate in any studies performed by the County to evaluate infrastructure. Separately, the City already participates in other regional infrastructure planning efforts including the Urban Water Management Plans, Master Plan of Arterial Highways (MPAH), Orange County Transit Authority Long Range Transportation Plan, among others. Additional funding may be necessary to support this recommendation and provide all jurisdictions with adequate participation in the process. The City previously evaluated potential impacts of new housing growth on public infrastructure and services as part of the Environmental Impact Review (EIR) prepared for the Housing Opportunity Overlay Implementation Program.
R9	By September 30, 2026, the Orange County Board of Supervisors should strengthen its engagement with OCCOG and increase staff support to develop a shared, countywide database of potential housing sites and key development-feasibility factors. (F15)	3	The City will cooperate and support efforts to develop a shared, countywide database of potential housing sites and key development feasibility factors. The City already maintains a database for the purpose of Geographic Information Systems (GIS) mapping. Additionally, the City submits its General Plan Progress Report annually to HCD. The General Plan Progress Report includes extensive data on key housing metrics. Additionally, the City's certified Housing Element includes an evaluation of identified Housing Opportunity Sites. The City recommends leverage existing data sources and reports to the extent feasible. The City believes that local agency representation should be maintained within OCCOG while allowing for additional support and participation from the County Board of Supervisors. Although the County Board of Supervisors can provide critical support to OCCOG, the County is also subject to RHNA and is not impartial.
R11	The County of Orange and each city should ensure consistent participation in SCAG and OCCOG committees by September 30, 2026, including the Technical Advisory Committee (TAC), to	1	The City of Newport Beach regularly attends and participates in the monthly CCCOG Technical Advisory Committee meetings. The City will continue to allocate

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	strengthen regional representation during RHNA-methodology development. (F3, F4, F15)		sufficient staff resources to this important body and provide additional support for City staff or regional liaisons to attend SCAG committee meetings in Los Angeles/online.
R12	The County of Orange and each city should designate a single technical representative, by September 30, 2026, along with an alternate, for all RHNA-related SCAG and OCCOG committees to ensure continuity of participation and eliminate gaps in representation across multiple decision-making bodies. (F4)	1	The City has designated a single technical representative and alternate from the Community Development Department. The City is committed to attending all relevant OCCOG and SCAG committee meetings.
R14	By April 30, 2027, the County of Orange and each city should publish annual monitoring dashboards showing (a) entitlement pipeline conditions, (b) realistic site yield, (c) assembled funding sources for affordable units, and (d) conversion rates from planned capacity to issued permits and completed units, ensuring that County and city-determined capacity assumptions remain aligned with actual production. (F13)	3	The City already maintains a database for the purpose of Geographic Information Systems (GIS) mapping. Additionally, the City submits its General Plan Progress Report annually to HCD. The General Plan Progress Report includes extensive data on key housing metrics. The City recommends leveraging the extensive existing data sources and reports in its dashboard. Staff expends significant time preparing reports and data sets for CDR, SCAG, and HCD and any additional reporting requirements may be detrimental. Additionally, the City does not determine actual production of housing. The City provides the framework and incentive structure to encourage the development of affordable housing. However, the construction of housing, in particular affordable housing, is a result of market conditions and other external factors. The City will cooperate and support efforts to publish additional annual monitoring dashboard showing the various housing data sets.
R15	By September 30, 2026, and ongoing, the County Board of Supervisors and all city councils should make a coordinated and sustained effort to educate their constituents about the RHNA process—its requirements, its impact on local planning and community character, and the role residents can play in shaping outcomes. Public education efforts should also include	2	The City will continue to actively educate the community regarding the RHNA process. Within six months, City staff will develop a webpage to educate the public and track the 7th Cycle RHNA allocation process, including City efforts. The webpage will include applicable resources

	RECOMMENDATIONS	ACTION (1-4 Below)	SUMMARY/EXPLANATION
	guidance on how community members can effectively engage with the California Legislature and advocate for more realistic, data-driven housing policies. (F1, F7)		and information regarding relevant meetings and hearings. Additionally, as part of the prior 6th Cycle Housing Element Update and subsequent rezoning efforts, significant outreach was conducted with the community regarding housing issues and the RHNA process. The City will continue to provide outreach and opportunities for the public to learn about housing policies and the RHNA process.
R16	By December 31, 2026, all cities should look to enhance their relationships with not-for-profit affordable housing developers to increase the opportunity to develop more affordable housing. (F8, F10, F12)	1	The City's Housing Element includes Policy Action 3L: *Proactive Education and Outreach to Prospective Developers*, which requires the City to advise and educate prospective developers and landowners of affordable housing development opportunities within various areas of the City. The Community Development Department staff provides information to stakeholders about affordable housing opportunities and encourages the inclusion of affordable housing units in new projects. City Staff also provide interdepartmental review of projects at Development Review Committee meetings, a free service that allows developers to review conceptual plans, including affordable housing projects with representatives from applicable departments. There has been significant interest in the various housing opportunity sites, including the submittal and approval of several applications that include the provision of affordable housing, demonstrating that the City has provided effective outreach. The City will continue to build its relationships with not-for-profit developers of affordable housing.

ACTIONS

(1) The recommendation has been implemented, with a summary regarding the implemented action.
(2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.
(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.