

Attachment A

May 21, 2026 Planning Commission Staff Report



CITY OF NEWPORT BEACH PLANNING COMMISSION STAFF REPORT

May 21, 2026
Agenda Item No. 4

SUBJECT: Results of the REAP 2.0 Mixed-Use Study (PA2025-0257)

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SUMMARY

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 development in the City's existing mixed-use zoning districts (Study).

Since January 2026, staff has been working with OCCOG's selected consultant, Houseal Lavigne, to prepare the Study including recommendations for potential changes to the Newport Beach Municipal Code, Local Coastal Program, and General Plan that would reduce barriers and incentivize mixed-use development. The City is not obligated to make any amendments based on the findings of the Study. On June 23, 2026, staff will present the findings of the Study, including any comments from the Planning Commission, to the City Council at a study session.

RECOMMENDATION

Receive the presentation and provide direction regarding the recommendations of the Study.

DISCUSSION

Background

The REAP 2.0 Program is a state grant program that is administered 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 the Orange County Council of Governments (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 including accelerating infill development that facilitates housing supply, choice, and affordability; affirmatively furthering fair housing; and reducing vehicle miles traveled.

Therefore, in March 2025, the City applied to OCCOG for technical assistance to complete Housing Element Policy Action 4H (Review Mixed-Use Zones), which is intended to review and identify opportunities to improve existing mixed-use zoning districts regulations. Specifically, Policy Action 4H helps ensure that mixed-use opportunities are maximized, by reviewing established mixed-use land use categories and corresponding zoning regulations in the City and recommending policy or code changes to the City Council that reduce regulatory barriers and incentivize mixed-use residential development.

In May 2025, OCCOG selected the City to receive technical assistance to help complete this Policy Action by preparing a mixed-use study (Study). OCCOG issued a request for proposals to its consultant bench and, in October 2025, identified Houseal Lavigne (Consultant) as best suited to provide services to the City.

In January 2026, the City Council authorized the receipt of the grant funds, which allowed staff to work with the Consultant on completing the Study and produce a series of deliverables including recommendations to the Planning Commission and the City Council.

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.

Thus, 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 or proposed 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.

Existing Mixed-Use Zoning Districts

The City's 2006 General Plan (General Plan) introduced new mixed-use land use categories and policies related to mixed-use districts. As part of the City's Comprehensive

Zoning Code Update in 2010, several mixed-use zoning districts were created to implement the General Plan land use categories. Five of the six mixed-use zoning districts are located within the Coastal Zone. The standards for mixed-use districts are contained within Chapters 20.22 (Mixed-Use Zoning Districts (MU-V, MU-MM, MU-DW, MU-CV/15th St., MU-W1, MU-W2) and 21.22 (Mixed-Use Coastal Zoning Districts (MU-V, MU-MM, MU-CV/15th St., MU-W1, MU-W2) of the NBMC. Development standards and allowed uses identified in Titles 20 (Planning and Zoning) and 21 (Local Coastal Program Implementation Plan) are generally the same and are discussed interchangeably within this report for ease of discussion.

The City's mixed-use zoning districts are as follows

- 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)

These districts are primarily located in and around the Newport Harbor, including Balboa Island and the Newport Peninsula, and are concentrated along commercial corridors such as Coast Highway, Newport Boulevard, Balboa Boulevard, and Marine Avenue, as shown in Figure 1 below. The MU-DW Zoning District is the only mixed-use zoning district located outside of the Coastal Zone and away from Newport Harbor. Other areas, including Newport Center and the Airport Area, are allowed mixed-use development as part of planned communities.

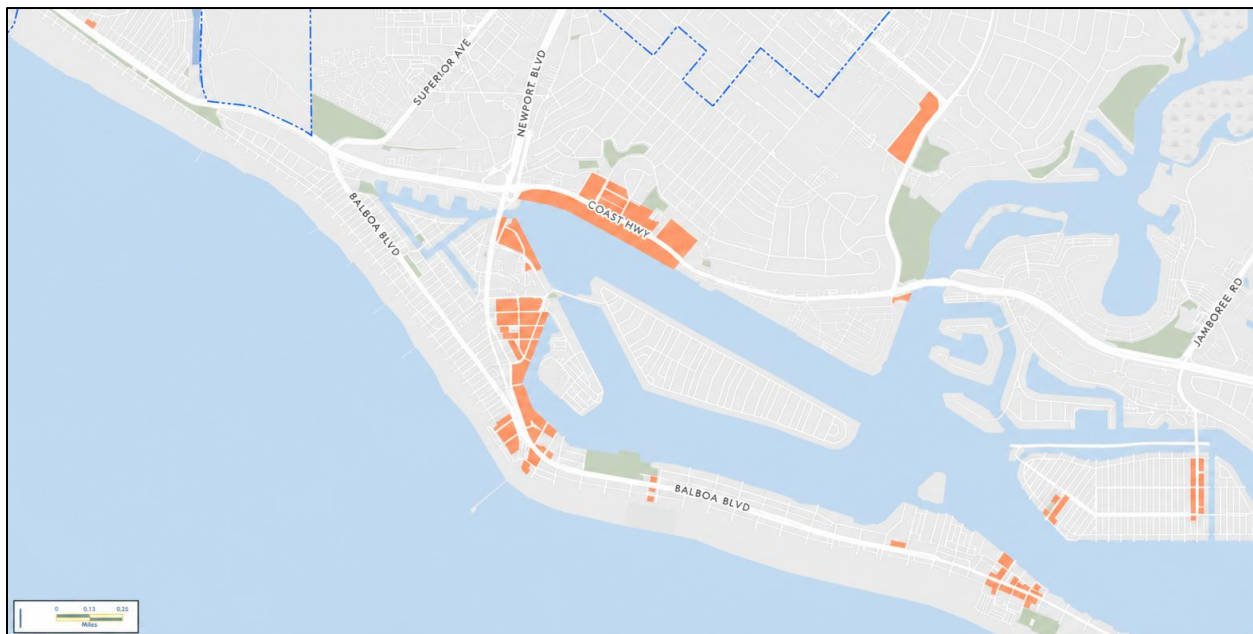


Figure 1, Mixed-Use Zoning Districts in Newport Beach

Despite the housing opportunity that was created in these areas in 2010, many of these sites remain underutilized with a single nonresidential use, such as retail or office. While there are many reasons for this, it is evident the City's existing development standards (e.g., setbacks, height, density, parking, dedications, etc.) related to mixed-use development may create constraints on the redevelopment of these properties.

Approved mixed-use development projects include, but are not limited to, the Cannery Village Lofts in the MU-CV/15th St. Zoning District, which was a large-scale multi-block development permitted under the prior Cannery Village/McFadden Square Specific Plan. Under current zoning, a few smaller scale mixed-use developments have been approved in the MU-V Zoning District in the Balboa Village area, MU-CV/15th St. District in Cannery Village area, and in the MU-W2 District in the McFadden Square area. Some of these developments included the consolidation of lots and parking waivers for the commercial components. Lastly, in 2021, the City approved a mixed-use project on Mariner's Mile in the MU-MM Zoning District that consolidated multiple lots and included the construction of for-rent affordable housing.

For the Study, staff worked with the Consultant to evaluate the Mixed-Use Cannery Village and 15th Street (MU-CV/15th St.) District, Mixed-Use Water (MU-W2) District, and Mixed-Use Dover/Westcliff (MU-DW) District. The three Districts serve as a sufficient sample to understand regulatory and other constraints on housing. While the Study is included for review with this staff report as Attachment No. PC 1, the following sections provide an overview and recommendations.

Initial Evaluation of Mixed-Use Districts

The Consultant reviewed the NBMC to identify development standards that could be potential barriers to mixed-use redevelopment. The Consultant also considered non-governmental factors, including market conditions, that could impact housing production in mixed-use zoning districts. The various factors were then tested on conceptual plan scenarios developed for each of the three mixed-use zoning districts evaluated in the Study (see *Conceptual Plan Test Studies* section below). The initial evaluation revealed concerns related to the review process for mixed-use projects, development standards of the NBMC, and non-governmental factors, as summarized below.

Review Process

Mixed-use development in the City requires a site development review (SDR) by the Zoning Administrator or Planning Commission¹, and apart from projects in the MU-DW Zoning District, a coastal development permit from the same review authority. The Consultant's evaluation found that, while the City's existing review framework includes measures intended to streamline the development review process, mixed-use projects are subject to multiple discretionary approvals that can introduce complexity, extend timelines, and reduce predictability for development. Of particular concern was the

¹An SDR is subject to review by the Zoning Administrator unless it involves 5 or more dwelling units and/or nonresidential construction of 10,000 square feet or more of gross floor area, then the review authority is the Planning Commission.

potential requirement to obtain a conditional use permit (CUP) from the Planning Commission to waive parking, as the number of parking spaces that can be provided onsite is typically a critical part of the overall site design and not easily adjusted should the CUP be denied. The NBMC also provides a path for waiving up to 20% of parking by the Community Development Director; however, mixed-use projects generally require more than a 20% parking waiver, rendering the CUP process the only viable option.

Development Standards

The Consultant identified several development standards of the NBMC that may constrain housing production within mixed-use districts, as follows: parking; density limits; floor area ratio (minimum for commercial, maximum for residential); height limits; open space minimums; and locational requirements for residential.

These factors are described in more detail in the *Conceptual Plan Test Studies and Recommendations* sections of the report.

Nongovernmental Factors

Additionally, the Consultant recognized that nongovernmental factors outside of the City's control, such as the small parcel sizes on the Peninsula and Balboa Island, land and construction costs, and financing constraints, also affect development feasibility.

Conceptual Plan Test Studies

Conceptual plans were developed for three mixed-use districts to test redevelopment scenarios under the existing district standards and to identify potential barriers to mixed-use development. The Consultant also prepared an economic feasibility analysis for each of the three concept plans to determine if the concept plans would be economically viable to develop under current standards. Individual properties within each mixed-use district were selected because they represent a standard lot within the district.

The complete conceptual plan test studies are included within Attachment No. PC 2. Additionally, a 3-D "scene viewer" of the conceptual plans is accessible with the following link: <https://experience.arcgis.com/experience/5b8411162e1b4424a7cd6fcb5719bd11>

A detailed economic analysis is provided in Attachment No. PC 3. Summaries of each are provided below.

Mixed-Use Dover/Westcliff (MU-DW) Zoning District

The concept plan site located at 881 Dover Drive is a 56,564-square-foot lot, developed with a three-story office building surrounded by a large surface parking lot, as shown in Figure 2 below. The existing development does not reflect the mixed-use development envisioned by the MU-DW District and the property is representative of the existing development and size of other MU-DW lots. Although the MU-DW Zoning District includes

the largest lots of all the mixed-use districts, none of the properties in the MU-DW Zoning District have been developed with mixed-use projects.

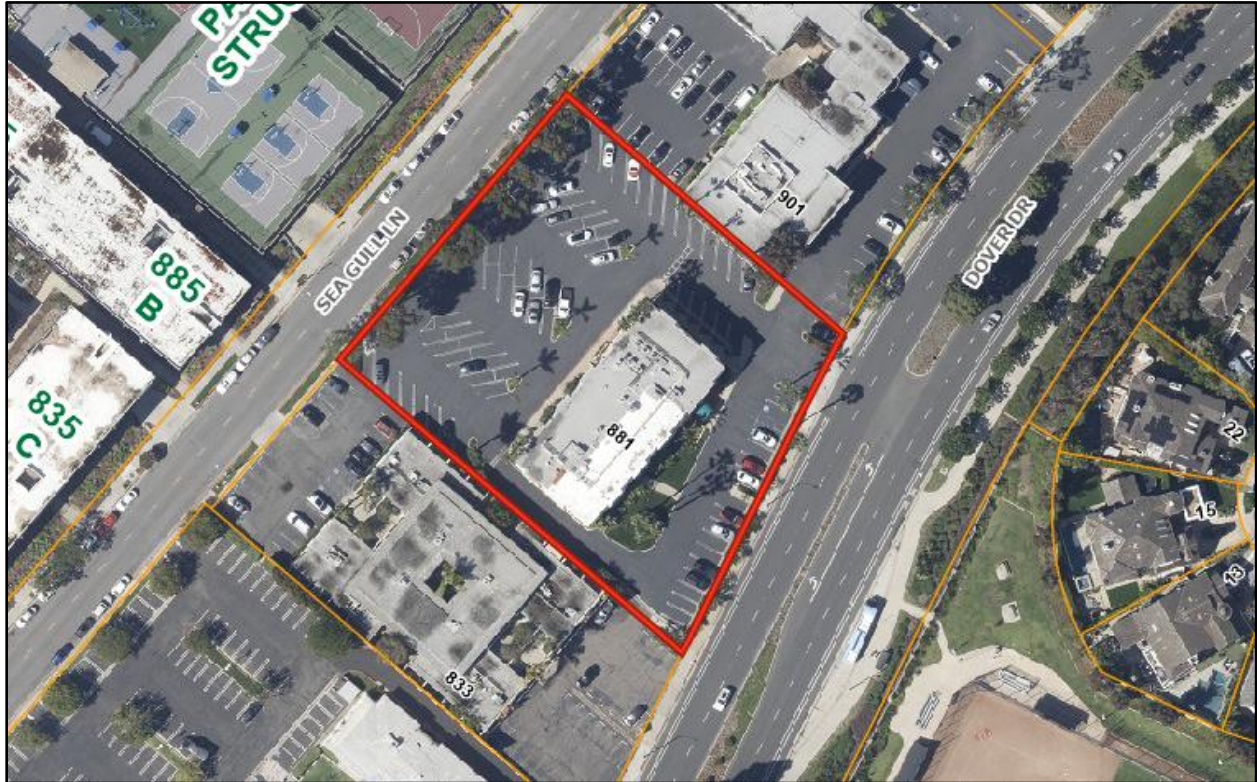


Figure 2, MU-DW District Concept Plan Site

Two concept plans were provided for this site. The first concept plan for the property meets all zoning standards including density, parking, and minimum nonresidential FAR and provides 31 residential units, approximately 14,100 square feet of office space, and 135 parking spaces. The analysis reveals that a zoning compliant project does not result in a financially viable project.

The second concept plan includes affordable housing within a two-story mixed-use building that includes 19,500 square feet of office space, 34 dwelling units and 132 parking spaces. The concept provides the maximum number of dwelling units allowed (without density bonus) and meets the minimum FAR for nonresidential space. This concept plan, however, requires 163 parking spaces, where only 135 spaces can be provided on the property. The analysis demonstrates that the site cannot reasonably achieve the full nor moderate development potential of the nonresidential component, without relying on an additional discretionary approval for a parking waiver. Further, height limits constrain the ability to add additional floors to the parking deck that could otherwise help meet the parking requirements. Increasing the height limit would require additional discretionary approvals. As discussed in more detail in the *Economic Feasibility Analysis* section below, funding mechanisms for affordable housing funding projects

typically do not cover the costs of construction for the nonresidential component, making mixed-use projects challenging for affordable housing developers.

Mixed-Use Cannery Village and 15th Street (MU-CV/15th)

The conceptual plan site at 510 and 512 31st Street includes two properties; one developed with a one-story commercial building and no covered parking and the other with a two-story commercial building with three covered parking spaces, as shown in Figure 3 below. The existing development does not reflect the mixed-use development envisioned by the MU-CV/15th District. These two properties were selected for this concept plan because the existing lot sizes are small and lot consolidation projects have historically been proposed in this area. Additionally, the two properties are representative of the existing development on other lots in the MU-CV/15th Zoning District.



Figure 3, MU-CV/15th St. District Concept Plan Site

Two concepts were developed for this site. Both concept plans propose lot consolidation to create a 5,660-square-foot lot and development of a mixed-use building, which includes 1,326 square feet of retail space, 1,487 square feet of café space, three dwelling units, and seven parking spaces for the dwelling units. Both concept plans would require approval of a lot merger to consolidate the lots into a single building site. The two concept plans are the same except one includes a third story to provide more residential floor area

and fully maximize the development potential for the property. Both plans require a total of 19 parking spaces (12 for the nonresidential component and 7 for residential component). While the residential parking can be provided onsite through a tandem three-car garage and four-space carport, the analysis reveals that, due to the small lot sizes, providing an additional 12 parking spaces for the retail and café spaces is physically infeasible.

Therefore, the project would rely on an additional discretionary approval for a parking waiver. If the project were to be proposed on individual lots without a lot merger, the two smaller 2,792-square-foot lots yield only one dwelling unit each (due to minimum site area requirements), resulting in a less economically viable project. Additionally, if a smaller commercial space were proposed on a single lot, it would likely still require a parking waiver due to the smaller lot area available for parking.

Neither concept plan provides a sufficient return on the investment and the uncertainty of the conditional use permit for a parking waiver produces additional risk for a developer.

Mixed-Use Water (MU-W2) Zoning District

The conceptual plan site is located at 2212 and 2214 West Ocean Front, including two properties that are each developed with aging two-story residential duplexes and an attached two-car garage. The site is located adjacent to the public beach parking lot within McFadden Square area at the corner of West Ocean Front and 23rd Street. Neither property provides the minimum amount of parking required (four spaces each). The existing development does not reflect the mixed-use development envisioned by the MU-W-2 Zoning District. Two properties were selected within the MU-W2 District for this concept plan because lot consolidation projects have historically been submitted and approved in this area. Additionally, while the two properties are not representative of the larger lots in the MU-W2 Zoning District, the lots are representative of the many, smaller MU-W2 lots.



Figure 4, MU-W2 District Concept Plan Site

Similar to the concept plans for MU-CV/15th, this concept plan proposes a lot consolidation project to create a 6,250-square-foot lot and develop a two-story mixed-use building, which includes 1,492 square feet of retail space, 1,282 square feet of café space, three dwelling units, and seven parking spaces for the dwelling units. The project maximizes development potential of the property. While residential parking can be accommodated onsite, the commercial parking remains physically infeasible due to the small lot sizes. This project would also require a parking waiver and lot merger. Developing each individual lot would result in the same constraints as the prior study area.

The project would not be financially viable because only about 55% of the building is income generating rentable space. The remaining 45% of the building would be used for required parking, balconies, and common hall and service areas which do not typically produce revenue.

Economic Feasibility Analysis

As previously described in each concept plan above, the economic feasibility analysis (Attachment No. PC 3) concluded that none of the conceptual plans would result in an economically viable project for a developer. The analysis concluded that high parking minimums for the nonresidential component reduce project viability because they take up a significant portion of the site without generating income. Further, none of the projects result in a target return on investment that would make a project financially viable. Uncertainty in entitlement outcomes for parking waivers (conditional use permits), coastal development permits, and site development reviews also put pressure on a project's bottom line due to holding costs and the potential for denials or substantial modifications to plans. Lastly, for an affordable housing developer, the minimum nonresidential floor area requirement would present a substantial barrier as affordable housing funding programs generally require the residential component of a mixed-use project be financially self-sustaining and loan programs do not typically cover construction of nonresidential uses.

Recommendations

The Consultant provided a comprehensive list of recommendations aimed at reducing regulatory barriers and encouraging mixed-use residential development. 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 and Grant. Table 1 includes the various recommendations from the Study including the Economic Feasibility Analysis. Recommendations that are supported by staff for further evaluation are shown in green and recommendations that are not supported by staff at this time are labeled in orange. Staff believes the recommendations related to nonresidential parking requirements and streamlined processing would result in the greatest impact on mixed-use development, as described in detail below.

Table 1: 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 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 requires a site development review. Projects in the coastal zone will still require a coastal development permit and for-sale projects will still require parcel maps for air-space subdivisions.
Parking	Establish residential parking requirements based on bedroom count, similar to the City's Housing Opportunity Overlay Zoning District standards.	Existing parking requirements are generally derived from suburban standards and may not reflect actual demand in mixed-use, walkable, high-resource environments such as the Peninsula and Balboa Island. 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).
	Waive nonresidential parking requirements for certain nonresidential uses.	The test studies revealed that it is physically infeasible to provide onsite nonresidential parking on most parcels. Additionally, by providing parking waivers for only certain uses, the City can incentivize resident and visitor serving uses. Neighborhood-wide parking solutions could be provided to support overall parking supply for nonresidential uses in a particular district.
	Establish a base reduction for parking through an administrative process or reduce parking standards overall for nonresidential uses in mixed-use projects.	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. The Balboa Village Parking Overlay District Management Plan (PM-1) is a similar effort that was implemented in 2021 for Balboa Village to reduce parking requirements for certain nonresidential uses. This overlay district includes properties within the MU-V Zoning District. The City also studied its nonresidential parking rates

Standard/ Requirement	Recommendation	Basis
		in 2023, which included a survey of other similar cities and adjustments to parking rates to align with modern standards. Restaurants rates, in particular, were adjusted to support small businesses and take-out fast casual uses.
	Remove residential parking requirements.	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 waived residential parking requirements, especially for small-lot developments.
Density	Allow at least two dwelling units per lot, regardless of lot size.	Currently, a property needs to be at least 3,262 square feet to construct more than one residential unit. Lots on Balboa Island and the Peninsula are between 2,250 and 3,500 square feet. Therefore, many properties are only permitted to construct one dwelling unit, especially because the NBMC does not allow developers to round up if the site area yields slightly less than 2 units (e.g. 1.8 units = 1 unit). 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.
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 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.

Standard/ Requirement	Recommendation	Basis
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.
Nonresidential Uses	Redefine “commercial” or “nonresidential” for affordable housing projects to allow resident-serving uses such as community rooms, fitness centers, resident services, etc. 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 change 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.

Summary and Next Steps

In conclusion, the Study revealed that, notwithstanding other factors outside the City’s control, there may be substantial regulatory barriers that have reduced the viability of mixed-use development within the City’s six mixed-use zoning districts. The most significant factors were determined to be the high nonresidential parking requirement and

uncertainty in the overall discretionary review process. Staff recommends that additional analysis be conducted, including direct outreach with affected property owners, to further understand the recommendations that would have the greatest impact on the development of housing.

On June 23, 2026, staff will present the findings of the Study, including any comments from the Planning Commission, to the City Council at a study session. The City is not obligated to amend its Zoning Code or General Plan based on these findings and recommendations.

ENVIRONMENTAL REVIEW

Staff recommends the Planning Commission 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.

PUBLIC NOTICE

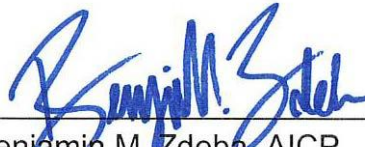
The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the Planning Commission considers the item).

Prepared by:

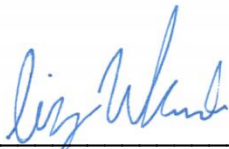
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ATTACHMENTS

- PC 1 Consultant Memorandum
- PC 2 Conceptual Test Plans
- PC 3 Economic Feasibility Analysis