



NEWPORT BEACH

City Council Staff Report

May 12, 2026
Agenda Item No. 14

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2026-27: Notice of Intent to Override Airport Land Use Commission Finding of Inconsistency for Amendment to Newport Place Planned Community Development Plan Related to the Minimum Percentage of Inclusionary For-Sale Housing within the Residential Overlay (PA2025-0196)

ABSTRACT:

Pursuant to Section 4.3 of the 2008 John Wayne Airport Environs Land Use Plan (AELUP) and Section 21676(b) of the California Public Utilities Code, the City of Newport Beach (City) is required to submit the proposed amendment to the Newport Place Planned Community Development Plan (PC-11) to the Airport Land Use Commission (ALUC) for a consistency determination with the AELUP. The proposed amendment would change the minimum inclusionary for-sale housing percentage within the Residential Overlay from 15% to 6% for lower-income households and 8% for moderate-income households (Amendment). ALUC conducted a hearing on the matter on April 16, 2026, and found the Amendment to be inconsistent with the AELUP.

For the City Council's consideration is a request to consider overriding ALUC's finding of inconsistency. This action would authorize staff to formally provide notice, pursuant to Public Utilities Code Section 21676(b), to the ALUC and the State Department of Transportation, Aeronautics Program, of the City's intention to override ALUC's inconsistency finding.

RECOMMENDATIONS:

- a) Conduct a public hearing;
- b) Find the proposed overriding action is not subject to CEQA pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines because it has no potential for resulting in physical change to the environment, directly or indirectly; and
- c) Adopt Resolution No. 2026-27, *A Resolution of the City Council of the City of Newport Beach, California, Notifying the Orange County Airport Land Use Commission and the State Department of Transportation, Aeronautics Program of the City's Intention to*

Find that an Amendment to the Newport Place Planned Community Development Plan (PC-11) to Revise the Minimum Inclusionary For-Sale Housing Percentage Required within the Residential Overlay is Consistent with the Purposes of the State Aeronautics Act and Overrule the Orange County Airport Land Use Commission's Determination that the Amendment is Inconsistent with the 2008 John Wayne Airport Environs Land Use Plan (PA2025-0196).

DISCUSSION:

Background

The Newport Place Planned Community PC-11 is within Newport Beach's Airport Area and generally bounded by MacArthur Boulevard, Jamboree Road, Birch Street and Bristol Street North, as depicted in Figure 1 below. It was originally designed and planned in the early 1970s with clusters of office parks and industrial uses. Over time, the 145-acre area has evolved with light industrial uses being replaced by commercial offices and supporting retail and service uses. In 2006, the City added the introduction of the Mixed Use – Horizontal 2 (MU-H2) General Plan Land Use classification as a part of the 2006 General Plan Land Use Element, which created an opportunity for residential uses.



Figure 1, Boundary of the Newport Place Planned Community

On July 24, 2012, the City Council adopted [Ordinance No. 2012-14](#), amending the PC-11 Development Plan to create the Residential Overlay, which is shown in Figure 2. At

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the time, the Residential Overlay was necessary to secure certification of the 4th Cycle Housing Element, as it had a greater potential to accommodate the City's Regional Housing Needs Assessment (RHNA) for lower-income households. The amendment implemented the 2006-adopted Mixed Use – Horizontal 2 (MU-H2) General Plan Land Use category for parcels within PC-11. The Residential Overlay included use and development standards for multi-unit residential projects and required 30% of the units in a development to be affordable to lower-income households for a minimum of 30 years.

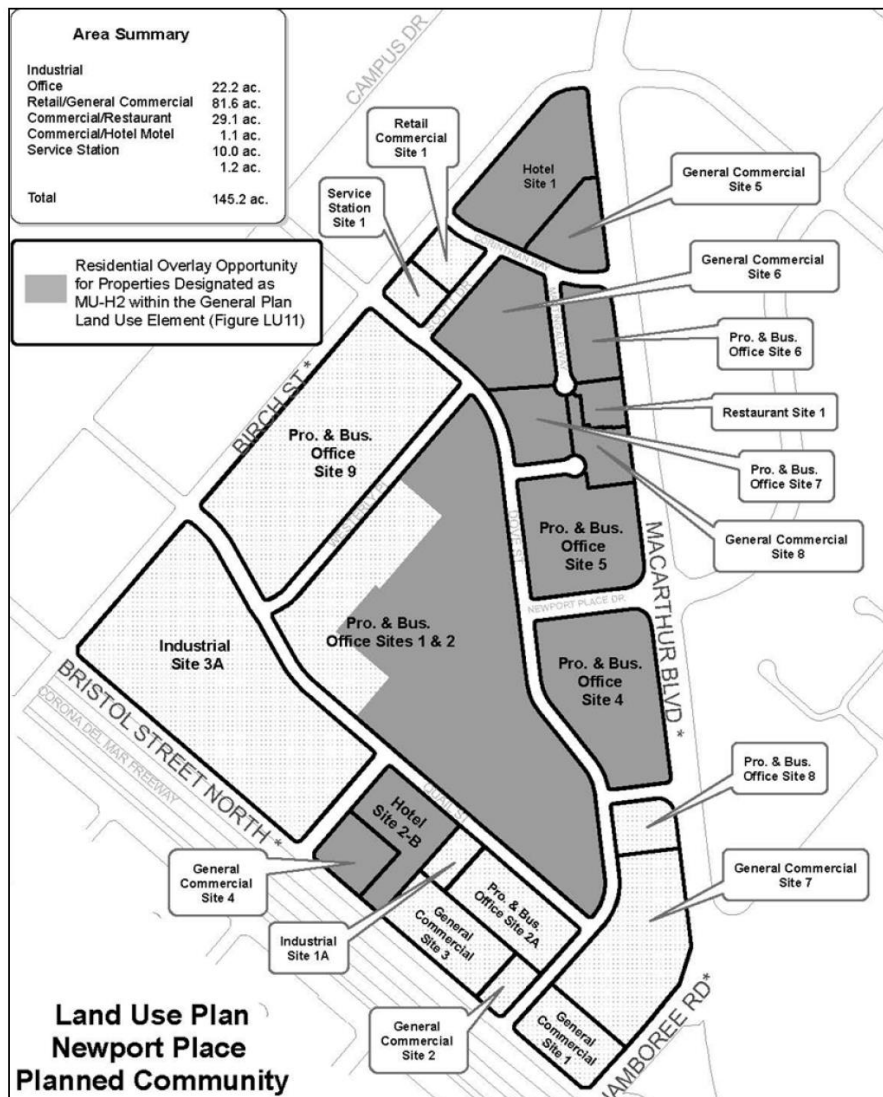


Figure 2, Residential Overlay boundaries, shown in grey

On September 13, 2022, the City Council adopted [Resolution No. 2022-60](#), approving the 6th Cycle Housing Element for the 2021-2029 housing period (Housing Element), which was subsequently certified by the State Department of Housing and Community Development (HCD) on October 5, 2022. The Airport Area Environs (Airport Area) is located near John Wayne Airport and is bounded by Jamboree Road, Campus Drive, and State Route 73, and is one of the five focus areas where new housing opportunity sites

are identified to satisfy the City's RHNA allocation of 4,845 new housing units. At least 2,577 housing units are planned for the Airport Area, which comprises approximately 25% of the City's planned housing capacity. In addition to the existing residential sites allowed by the 2006 General Plan Land Use Element and the Residential Overlay of PC-11, a total of 31 new housing opportunity sites have been identified in the PC-11 per the Housing Element.

On July 25, 2023, the City Council adopted [Ordinance No. 2023-13](#), reducing the minimum inclusionary affordable housing requirement (Inclusionary Requirement) of the Overlay from 30% to 15%. The amendment was deemed necessary to facilitate implementation of the Housing Element by mitigating potential governmental constraints through the reduction. Notably, the 15% Inclusionary Requirement is applicable to both for-sale and rental housing developments to facilitate construction of market-rate housing and affordable for all income groups.

On April 9, 2024, the City Council approved the necessary land use entitlements for the development of a 67-unit condominium project (Residences at 1401 Quail Street) by Intracorp Homes (Intracorp) ([PA2023-0040](#)). This project is located within the Residential Overlay and, as originally proposed, included the inclusionary requirement of 15%. Since project approval, representatives of Intracorp submitted a written request that the City consider lowering the Inclusionary Requirement for for-sale housing, as the approved project is no longer financially viable to implement.

On November 4, 2025, the City Council adopted [Resolution No. 2025-77](#), initiating a possible amendment to PC-11 that would lower the minimum Inclusionary Requirement for for-sale housing within the Overlay, directing staff to conduct an analysis and recommend an appropriate percentage.

As part of continued efforts to study inclusionary requirements, City staff had already been working with Keyser Marston Associates (KMA), a real estate advisory firm, which prepared an [Inclusionary Housing: Financial Evaluation](#) report, dated March 19, 2025. After the City Council's November 2025 initiation, KMA prepared an [addendum](#) to this report focusing on for-sale housing within the Airport Area.

Amendment Description

The proposed Amendment would reduce the Inclusionary Requirement from 15% to 6% for lower-income households (i.e. very-low and low income) and 8% for moderate-income households for for-sale housing developments within the Overlay. No other changes are proposed, and no development would be directly authorized by the Amendment. The existing Inclusionary Requirement of 15% affordable to lower-income households for a minimum of 30 years would remain in place for for-rent housing developments.

As stated in the Housing Element, the median home values in Newport Beach are approximately 2.7 times higher than the median home value in Orange County, and are the highest home values exhibited by the surrounding cities. Additionally, with today's

rising construction costs and land values, the 15% Inclusionary Requirement is not financially feasible when applied to for-sale housing developments within the Overlay.

The Amendment would be a further step in the implementation of the 6th Cycle Housing Element by mitigating potential governmental constraints through the reduction of the affordable housing percentage as proposed, to facilitate construction of for-sale housing developments within the Overlay. According to the [January 22, 2026, Airport Area Ownership Housing Development Addendum](#) to the [March 19, 2025, Inclusionary Housing: Financial Evaluation](#), prepared by Keyser Marston Associates for the City, inclusionary housing percentages for for-sale housing greater than 6% for lower-income levels and 8% for the moderate-income level would likely render most for-sale residential projects financially infeasible to develop. Lowering the inclusionary percentage would reduce the potential impediment and would also affirmatively further fair housing, consistent with Housing Element Policy 4.1: *Mitigate potential governmental constraints to housing production and affordability by increasing the City's role in facilitating construction of market-rate housing and affordable housing for all income groups*, and Policy Action 4A: *Affirmatively Furthering Fair Housing provided in the 6th Cycle Housing Element*.

Planning Commission Review and Recommendation

On March 19, 2026, the Planning Commission considered the proposed Amendment. After the public hearing, the Planning Commission, by a vote of 4 ayes with 1 recusal and 2 absent, recommended the City Council approve the proposed Amendment. The March 19, 2026, Planning Commission staff report, minutes excerpts and Planning Commission Resolution No. PC2026-009 are included as Attachments C, D and E respectively.

Airport Land Use Commission Review

Section 4.3 of the AELUP and Section 21676(b) of the Public Utilities Code require the City submit General Plan and zoning code amendments to ALUC for a consistency determination with the AELUP. ALUC conducted a hearing on the matter at its April 16, 2026, meeting and found the proposed Amendment is inconsistent with the AELUP. The inconsistency determination is due to several reasons: 1) the Overlay is currently allowed residential developments within the AELUP's 65 dBA CNEL noise contour and 2) the City is using the City's updated noise contours for airport-related noise analysis, which are based on the 2014 Settlement Agreement EIR 617 rather than the noise contours adopted in AELUP for JWA. The April 16, 2026, ALUC staff report is included as Attachment F; and ALUC's determination letter dated April 17, 2026, is included as Attachment G.

ALUC Override Process

As a final review authority on legislative acts, the City Council may choose to override ALUC's determination by following a two-step process, which is established in Public Utilities Code Section 21676. The first step in the process is to conduct a public hearing to adopt a resolution of intention to override, a copy of which would be sent to ALUC and

the State Department of Transportation, Aeronautics Program, to provide formal notification of the City's intent.

The second step in the process is that not less than 45 days after notification has been sent to ALUC and State Department of Transportation, Aeronautics Program, the City Council may conduct a second public hearing to consider adoption of a resolution to override ALUC's determination. At this time, the Council may also consider the approval of Amendment. The following points are important to consider:

- The City Council's adoption of the attached notification resolution does not constitute the proposed Amendment's approval, nor does it predispose the City Council's future action on either the proposed Amendment or the consistency determination.
- The attached resolution notifying ALUC and the State Division of Aeronautics of the City's intent, and the resolution to overrule ALUC, which will be presented at a future hearing, must be adopted by a two-thirds vote. Since there are seven Council members, five affirmative votes are needed to pass the resolution.
- Should the City Council ultimately overrule ALUC's decision, that action will not immediately affect the City's status as a consistent agency with the AELUP. ALUC would need to place an item on its future agenda to consider deeming the City an inconsistent agency.

Public Utilities Code Section 21678 states that if the City overrides ALUC's action or recommendation, the operator of the airport shall be immune from liability from damages to property or personal injury caused by or resulting directly or indirectly from the City's decision to overrule ALUC's determination.

FISCAL IMPACT:

There is no fiscal impact related to this item.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

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NOTICING:

Notice of this hearing was published in the Daily Pilot and mailed to all owners of property within 300 feet of the boundaries of the Newport Place Planned Community (excluding intervening rights-of-way and waterways), consistent with the provisions of the Municipal Code. Additionally, the item also appears on the agenda for this meeting, which was posted at City Hall and on the City website in accordance with the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

- Attachment A - Resolution No. 2026-27: Notice of Intent to Override ALUC Determination
- Attachment B - City Council Resolution No. 2025-77
- Attachment C - March 19, 2026, Planning Commission Staff Report (without attachments)
- Attachment D - March 19, 2026, Planning Commission Minutes
- Attachment E - Planning Commission Resolution No. PC2026-009
- Attachment F - April 16, 2026, ALUC Staff Report
- Attachment G - April 17, 2026, ALUC Determination Letter