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# **NEWPORT BEACH**

## **City Council Staff Report**

July 28, 2026  
Agenda Item No. 21

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** Jaime Murillo, Community Development Director - 949-644-3209,  
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**TITLE:** Response to Grand Jury Report: "California Housing Mandates: The  
Unintended Reshaping of Orange County Neighborhoods"

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### **ABSTRACT:**

For the City Council's consideration is the approval of a response letter to the 2025-2026 Orange County Grand Jury Report, "California Housing Mandates: The Unintended Reshaping of Orange County Neighborhoods" pursuant to California Penal Code (Penal Code) Section 933.05(a) and (b). The City of Newport Beach (City) is required to comment on the findings and recommendations pertaining to matters under the City's control no later than August 25, 2026.

### **RECOMMENDATIONS:**

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Approve the City's response to the 2025-2026 Orange County Grand Jury Report, "California Housing Mandates: The Unintended Reshaping of Orange County Neighborhoods" and authorize the Mayor to submit the response to the Presiding Judge of the Superior Court of California, County of Orange County pursuant to Penal Code Section 933.05(a) and (b).

### **DISCUSSION:**

The Orange County Grand Jury Report (Report) examines California's core framework for the development of housing, including Housing Element Law, the Regional Housing Needs Assessment (RHNA) process, and other State of California mandates intended to streamline development approvals and weaken local discretion. The Report is included as Attachment A. The Report investigates and analyzes several key topics including:

- State Housing Mandates and Local Implementation
- Environmental Context and the California Environment Quality Act (CEQA)
- RHNA Process/Challenges
- Penalties of Noncompliance

- Feasibility of Housing Mandate in Orange County
- City Challenges
- California and Orange County Population Trends
- 6<sup>th</sup> Cycle (2021-2029) RHNA Allocations in Orange County
- 7<sup>th</sup> Cycle (2029-2037) concerns

The Report was released on May 27, 2026. Penal Code Section 933 provides that, "*No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body...*" The 90-day deadline for the City to provide a response to the Grand Jury is August 25, 2026. The manner in which a jurisdiction responds is set forth in Penal Code Sections 933.05(a) and (b), which states for each finding the City must agree or disagree and for each recommendation the City shall report its intended action, including if no action will be taken. Each response is required to have a justification. The City's responses are included as Attachment B to this report.

The Report acknowledges that housing mandates, especially the RHNA allocation process, are highly complex and consequential for Orange County cities. The Report also identifies a gap between the large number of units planned and a lack of funding streams to support the construction of affordable housing. A common theme of the Report is regional coordination and the role of the Orange County Council of Governments (OCCOG). During the 6<sup>th</sup> Cycle RHNA allocation process, OCCOG served as a major asset to the City and other local jurisdictions, by advocating at the Southern California Association of Governments (SCAG) committee meetings during the development of Orange County's RHNA and the appeals process. The City remains supportive of OCCOG's role in promoting representation at the regional level to ensure that local input is incorporated into the process. The Report encourages local jurisdictions to proactively participate in early discussions with the Department of Housing and Community Development (HCD) and SCAG to ensure that local perspectives including the County's unique conditions are represented.

The Report also encourages local jurisdictions to collaborate with the residents they serve to improve public awareness and encourage participation at the State level during the preparation of new housing bills. The City conducted extensive outreach during the 6<sup>th</sup> Cycle Housing Element process and remains committed to transparency and public education during the development of the 7<sup>th</sup> Cycle Housing Element.

The Report includes a discussion on a variety of challenges faced by each jurisdiction, including the difficulties the City faced in implementing the housing mandates due to concerns regarding community character, coastal constraints, local values, and resistance to higher density residential development.

Although the focus of the Report is largely on Housing Element Law and RHNA allocation methodology, it also analyzed other housing mandates and concluded that "one size does

not fit all." Specifically, the California Legislature has enacted more than 100 housing-related laws since 2017, including multiple updates to existing laws. 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 to prepare code amendments and/or internal procedure documents to address the bills. For example, the City updates its accessory dwelling unit regulations roughly once a year to keep pace with the State's ever evolving legal landscape. Moreover, due to the pace that the State has adopted new/revised housing mandates, State and local jurisdictions have not had the opportunity to properly evaluate the effectiveness of said laws.

The report issued 22 findings and 20 recommendations, of which the City is required to respond to 11 of the findings and eight recommendations. Many of the findings and recommendations are related to or encourage regional coordination efforts and direct the County and OCCOG to take steps to prepare for the 7<sup>th</sup> Cycle Housing Element process. The City agrees with all relevant findings apart from one finding pertaining to the impact of permitting fees on the construction of affordable housing. The City believes that permitting fees are negligible when compared to the other costs involved in the development of affordable housing, and the City has appropriate exemptions and procedures in place to reduce or waive fees for affordable housing projects.

The Community Development Department is already implementing many of the identified recommendations and remains committed to participating in and supporting collective efforts to represent Orange County interests during the upcoming 7<sup>th</sup> Cycle RHNA and Housing Element process.

#### **FISCAL IMPACT:**

There is no fiscal impact related to this item. Should the City and/or OCCOG implement the recommendations identified in the report, additional analysis may be necessary to evaluate the potential costs. For example, OCCOG may consider increasing dues for member agencies such as the City.

#### **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.

#### **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 – Orange County Grand Jury Report

Attachment B – Newport Beach Draft Response