

# Draft Housing Element Update

City Council Study Session

June 8, 2021



# City Council Feedback



- ADUs Increased to 1,000 units
- Increased units at:
  - Banning Ranch – 1,475 (+100) units
  - Coyote Canyon – 1,000 (+220) units
- Modified affordability assumptions
- Buffer reduced to 5%
- Reduce overall increases
- Add/Remove properties that do or do not want to be included

# Summary of Sites Inventory

## Original Draft

Category	Low/Very Low	Moderate	Above Mod	Total
RHNA ALLOCATION	2,386	1,050	1,409	4,845
<i>Accessory Dwelling Units</i>	<i>228</i>	<i>100</i>	<i>6</i>	<i>334</i>
<i>Pipeline Projects, 5th Cycle Sites</i>	<i>130</i>	<i>348</i>	<i>2,204</i>	<i>2,682</i>
<b>Rezone Strategies</b>	<b>2,504</b>	<b>829</b>	<b>3,540</b>	<b>6,873</b>
Total Development Potential	2,862	1,277	5,750	9,889
Surplus (Buffer)	476	227	4,341	5,044
Percentage Over Need	20%	22%	308%	104%

# Summary of Sites Inventory

## Council Feedback

### OPTION 1

Revised Scenario - Focus Area Strategies											
				Affordability				Net Units			
		Inventory Area	% Redevelop	Total Affordability	% Low/VL	% Mod	Assumed Density	Total Net Units (Low Very Low)	Total Net Units (Moderate)	Total Net Units (Above Moderate)	Total Net Units
Rezone Strategies	(A) Airport Area	165	11%	55%	50%	5%	50	432	43	389	864
	(B) West Newport Mesa Area	48	30%	40%	35%	5%	45	228	33	391	652
	(C) Dover-Westcliff	20	35%	45%	30%	15%	30	63	32	116	212
	(D) Newport Center Area	163	10%	40%	35%	5%	45	257	37	441	735
	(E) Coyote Canyon Area *	22	100%	40%	25%	15%	50	275	165	660	1,100
	(F) Banning Ranch *	30	100%	40%	30%	10%	50	443	148	885	1,475

Total Development Potential				
Category	Low/Very Low	Moderate	Above Mod	Grand Total
<b>RHNA ALLOCATION</b>	2,386	1,050	1,409	4,845
<b>Total Development Potential</b>	2,499	1,105	4,414	8,017
<i>ADU's (Aggressive Approach)</i>	680	300	20	<u>1,000</u>
<i>Pipeline Projects, 5th Cycle Sites</i>	120	348	1,511	1,979
<i>Rezoning Strategies</i>	1,699	457	2,883	5,038
<b>Surplus/Deficit</b>	113	55	3,005	3,172
<b>Percentage Over Need</b>	5%	5%	213%	65%

# Summary of Sites Inventory

## Council Feedback

### OPTION 1

Category	Low/Very Low	Moderate	Above Mod	Total
RHNA ALLOCATION	2,386	1,050	1,409	4,845
<i>Accessory Dwelling Units</i>	<i>680</i>	<i>300</i>	<i>20</i>	<i>1,000</i>
<i>Pipeline Projects, 5th Cycle Sites</i>	<i>120</i>	<i>348</i>	<i>1,511</i>	<i>1,979</i>
<b>Rezone Strategies</b>	<b>1,699</b>	<b>457</b>	<b>2,883</b>	<b>5,038</b>
Total Development Potential	2,499	1,105	4,414	8,017
Surplus (Buffer)	113	55	3,005	3,172
Percentage Over Need	5%	5%	213%	65%

# Summary of Sites Inventory

OPTION 2

## Higher Buffer / Higher Rezone

### Revised Scenario - Focus Area Strategies

				Affordability				Net Units			
		Inventory Area	% Redevelop	Total Affordability	% Low/VL	% Mod	Assumed Density	Total Net Units (Low Very Low)	Total Net Units (Moderate)	Total Net Units (Above Moderate)	Total Net Units
Rezone Strategies	(A) Airport Area	165	<u>15%</u>	<u>60%</u>	<u>50%</u>	10%	50	<u>617</u>	<u>123</u>	494	1,235
	(B) West Newport Mesa Area	48	<u>25%</u>	<u>60%</u>	<u>40%</u>	20%	40	<u>193</u>	<u>97</u>	193	483
	(C) Dover-Westcliff	20	<u>12%</u>	<u>60%</u>	<u>40%</u>	20%	40	<u>39</u>	<u>19</u>	39	97
	(D) Newport Center Area	163	<u>15%</u>	<u>40%</u>	<u>35%</u>	5%	50	<u>429</u>	<u>61</u>	735	1,225
	(E) Coyote Canyon Area *	22	<u>100%</u>	<u>40%</u>	<u>25%</u>	15%	50	<u>275</u>	<u>165</u>	660	1,100
	(F) Banning Ranch *	30	<u>100%</u>	<u>40%</u>	<u>30%</u>	10%	50	<u>443</u>	<u>148</u>	885	1,475

### Total Development Potential

Category	Low/Very Low	Moderate	Above Mod	Grand Total
<b>RHNA ALLOCATION</b>	<b>2,386</b>	<b>1,050</b>	<b>1,409</b>	<b>4,845</b>
<b>Total Development Potential</b>	<b>2,796</b>	<b>1,261</b>	<b>4,547</b>	<b>8,594</b>
<i>ADU's (Aggressive Approach)</i>	680	300	30	1,000
<i>Pipeline Projects, 5th Cycle Sites</i>	120	348	1,511	1,979
<i>Rezone Strategies</i>	1,996	613	3,006	5,615
<b>Surplus/Deficit</b>	<b>410</b>	<b>211</b>	<b>3,138</b>	<b>3,749</b>
<b>Percentage Over Need</b>	<b>17%</b>	<b>20%</b>	<b>223%</b>	<b>77%</b>

# Summary of Sites Inventory

## Higher Buffer / Higher Rezone

OPTION 2

Category	Low/Very Low	Moderate	Above Mod	Total
RHNA ALLOCATION	2,386	1,050	1,409	4,845
<i>Accessory Dwelling Units</i>	<i>680</i>	<i>300</i>	<i>20</i>	<i>1,000</i>
<i>Pipeline Projects, 5th Cycle Sites</i>	<i>120</i>	<i>348</i>	<i>1,511</i>	<i>1,979</i>
<b>Rezone Strategies</b>	<b>1,996</b>	<b>613</b>	<b>3,006</b>	<b>5,615</b>
Total Development Potential	2,861	1,257	4,588	8,594
Surplus (Buffer)	410	211	3,138	3,749
Percentage Over Need	17%	20%	223%	77%

# Summary of Sites Inventory

## From Draft Housing Element

### OPTION 3

Revised Scenario - Focus Area Strategies											
				Affordability				Net Units			
		Inventory Area	% Redevelop	Total Affordability	% Low/VL	% Mod	Assumed Density	Total Net Units (Low Very Low)	Total Net Units (Moderate)	Total Net Units (Above Moderate)	Total Net Units
Rezone Strategies	(A) Airport Area	165	<u>6%</u>	<u>100%</u>	<u>70%</u>	30%	50	<u>346</u>	<u>148</u>	0	494
	(B) West Newport Mesa Area	48	<u>30%</u>	<u>40%</u>	<u>35%</u>	5%	45	<u>228</u>	<u>33</u>	391	652
	(C) Dover-Westcliff	20	<u>35%</u>	<u>45%</u>	<u>30%</u>	15%	30	<u>63</u>	<u>32</u>	116	212
	(D) Newport Center Area	163	<u>6%</u>	<u>100%</u>	<u>80%</u>	20%	45	<u>353</u>	<u>88</u>	0	441
	(E) Coyote Canyon Area *	22	<u>50%</u>	<u>100%</u>	<u>80%</u>	20%	50	<u>440</u>	<u>110</u>	0	550
	(F) Banning Ranch *	30	<u>100%</u>	<u>40%</u>	<u>30%</u>	10%	50	<u>443</u>	<u>148</u>	885	1,475

Total Development Potential				
Category	Low/Very Low	Moderate	Above Mod	Grand Total
<b>RHNA ALLOCATION</b>	<b>2,386</b>	<b>1,050</b>	<b>1,409</b>	<b>4,845</b>
<b>Total Development Potential</b>	<b>3,013</b>	<b>1,356</b>	<b>2,934</b>	<b>7,303</b>
<i>ADU's (Aggressive Approach)</i>	1,020	450	30	<u>1,500</u>
<i>Pipeline Projects, 5th Cycle Sites</i>	120	348	1,511	1,979
<i>Rezone Strategies</i>	1,873	558	1,393	3,824
<b>Surplus/Deficit</b>	<b>627</b>	<b>306</b>	<b>1,525</b>	<b>2,458</b>
<b>Percentage Over Need</b>	<b>26%</b>	<b>29%</b>	<b>108%</b>	<b>51%</b>



# Summary of Sites Inventory

## Larger Affordable Buffer

### OPTION 3

Category	Low/Very Low	Moderate	Above Mod	Total
RHNA ALLOCATION	2,386	1,050	1,409	4,845
<i>Accessory Dwelling Units</i>	<i>680</i>	<i>300</i>	<i>20</i>	<b>1,000</b>
<i>Pipeline Projects, 5th Cycle Sites</i>	<i>120</i>	<i>348</i>	<i>1,511</i>	<i>1,979</i>
<b>Rezone Strategies</b>	<b>1,873</b>	<b>558</b>	<b>1,393</b>	<b>3,824</b>
Total Development Potential	<b>3,013</b>	1,050	2,934	7,303
Surplus (Buffer)	<b>627</b>	<b>306</b>	1,525	2,458
Percentage Over Need	<b>26%</b>	<b>29%</b>	108%	<b>51%</b>

**NOTE:** This option requires multiple 100% affordable projects. Heavy City subsidies and intensive policy framework would be necessary for feasibility.

# Summary of Options

Category	Original	Option 1	Option 2	Option 3
RHNA ALLOCATION (4,845)				
<i>Accessory Dwelling Units</i>	<i>334</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>
<i>Pipeline Projects, 5th Cycle Sites</i>	<i>2,682</i>	<i>1,979</i>	<i>1,979</i>	<i>1,979</i>
<b>Rezone Strategies</b>	<u>6,873</u>	<u>5,038</u>	<u>5,615</u>	<u>3,824</u>
Total Development Potential	9,889	8,017	8,594	7,303
Surplus (Buffer)	5,044	3,172	3,749	2,458
Percentage Over Need	104%	65%	77%	51%

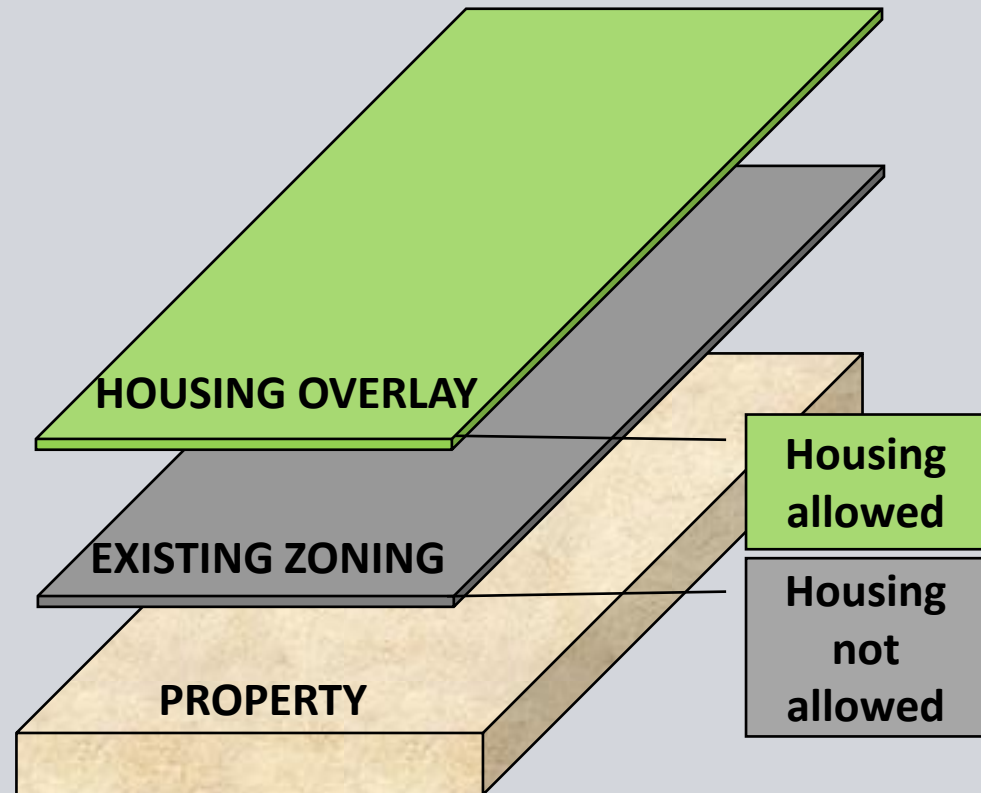
# What is the Overlay Strategy?

## Concept:

- An added opportunity
- Would not disturb current zoning or uses
- Provides housing development standards
- Only exists to meet RHNA need
- Once need is satisfied, it would no longer be available

## Timing:

- Overlay developed concurrently with update of Land Use Element
- Within 36 months from adoption of Housing Element update



# Q&A



## **Q1: Why can't we just plan for a finite number of 100% affordable housing projects?**

**A:** This approach is too restrictive as it would preclude mixed-income housing development. State law requires sites to be identified by APNs that are suitable for housing development at different income categories to meet RHNA need. City does not have substantial evidence to support such a specific housing plan since we do not have committed sites, committed financing, or entitlements in place.

## **Q2: Why do we need a buffer?**

**A:** Not every project will meet the Housing Plan's affordability assumptions. When they do not, the City cannot deny that project. The difference between the affordability assumption and the project must be accommodated in the Housing Plan. If there is no "cushion" the City would be required to find additional sites to accommodate the need within 180 days.

# Q&A (cont.)



## Q3: What is the recommended buffer?

**A:** HCD recommends a 20% to 30% surplus buffer to avoid 180-day rezone remedy.

## Q4: What is an inclusionary housing ordinance, and can one eliminate the buffer?

**A:** It's a law that mandates a specific minimum number of affordable units in future projects. High percentages make housing developments difficult to finance and will render many projects financially infeasible. If the inclusion percentage closely matches the Housing Plan assumptions, the buffer could be reduced or eliminated.

## Q5: What law guides the ADU assumption?

**A:** State law allows ADUs to satisfy RHNA based on past production, the need for the units, the resources or incentives available, and any other relevant factors determined by HCD. The accepted HCD methodology for Newport Beach results in **175 ADUs**.

# Q&A (cont.)



**Q6: Can we boost the ADU assumption?**

**A:** Yes, but the City must have policies that incentivize construction to ensure the community meets the construction estimate.

**Q7: Can we boost ADUs even higher from 1,000 units to 1,500 units?**

**A:** Staff does not believe HCD will accept such a high number based on the City's past performance, incentives or other relevant factors.

**Q8: What if the community falls short of the ADU construction estimate?**

**A:** The City reports all housing production to HCD annually. If ADU construction falls short, the City will have to find and rezone other sites to meet the shortfall in approximately 2 to 3 years. An adequate buffer of sites would be important.



# Inclusionary Example

Let's say the City adopts an inclusionary housing ordinance to require 15% low/very-low-income units and 10% moderate-income units on all housing projects.

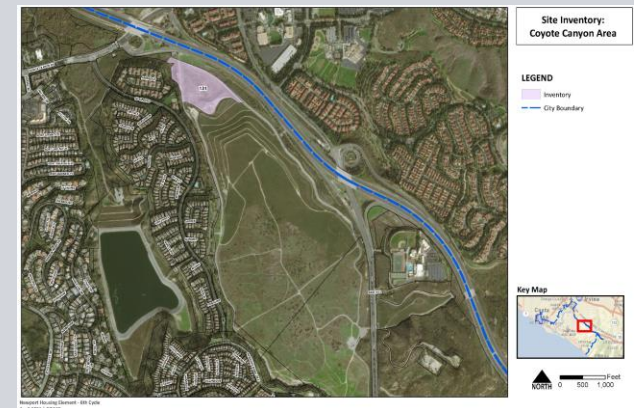
Coyote Canyon – Potential for Development

Area	Acreage	% Projected to Redevelop	Affordability		Proposed Density	Net Units by Income Category			
			Low/ Very Low	Moderate		Low	Moderate	Above Moderate	Total
Coyote Canyon	22 ac	100%	25%	15%	50 du/ac	275	165	660	1,100

The Housing Plan expected 1,100 new units with 25% being low/very-low-income units and 15% being moderate-income units at the Coyote Canyon site.

Income Level	Housing Plan – Expected	Developer X Project – Actual
Low/Very-Low	275	165
Moderate	165	110
Difference	<b>110</b>	<b>55</b>

Now, we must take these lost units from the buffer.





# Inclusionary Example

Remember this?

Summary of Sites Inventory				
OPTION 1 Council Feedback				
Category	Low/Very Low	Moderate	Above Mod	Total
RHNA ALLOCATION	2,386	1,050	1,409	4,845
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Surplus (Buffer)	113	55	3,005	3,172
Percentage Over Need	5%	5%	213%	65%

The Developer X single project on Coyote Canyon will nearly wipe out the entire buffer proposed in Option 1.

Income Level	Housing Plan – Expected	Developer X Project – Actual
Low/Very-Low	275	165
Moderate	165	110
Difference	110	55
Remaining Buffer	3	0





# Tentative Schedule

DATE	TASK
May 2021	Environmental Impact Report begins
June 8, 2021	City Council study session modified housing scenario
June 21, 2021	Virtual community workshop on modified housing scenario
June 30, 2021	Kimley-Horn to deliver updated Housing Element to City
July 13, 2021	City Council study session on updated Housing Element
July 23, 2021	Housing Element submitted to HCD for 60-day review
August 18, 2021	Airport Land Use Commission (ALUC) hearing
Sept. 14, 2021	City Council Meeting - Notice of Intent to Override ALUC
Sept. 20, 2021	45-Day public comment period open for EIR
Nov. 17, 2021	Housing Element Update Advisory Committee meeting
Dec. 9, 2021	Planning Commission public hearing
Jan. 11, 2022	City Council public hearing, ALUC override, and adoption of Housing Element update

We are here

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# Council Consideration

- 1. Continue with Option 1 or a different mix?**
- 2. Any changes to density?**
- 3. Any changes to the Buffer?**
- 4. Policy Action 1K establishes an interim 15% as the inclusionary requirement. Any change on the interim inclusionary?**

# Questions?

# Thank you!

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