



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
April 15, 2025

TOPIC: Density Bonus Agreement No. 2025-01 – MLC Holdings, Inc./Meritage Homes at 2020 East First Street

AGENDA TITLE

Density Bonus Agreement No. 2025-01 to Facilitate the Construction of a Multi-Family Residential Development, Which Includes 80 Townhome Units and Six Duplexes (86 Total Units), With Five Units Designated as Affordable to Very Low-Income Households

RECOMMENDED ACTION

1. Adopt a resolution approving Density Bonus No. 2025-01 as conditioned;

RESOLUTION NO. 2025-XXX entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA APPROVING DENSITY BONUS AGREEMENT NO. 2025-01 TO ALLOW AN EIGHTY-SIX UNIT MULTI-FAMILY DEVELOPMENT FOR THE PROPERTY LOCATED AT 2020 EAST FIRST STREET (APN: 402-191-03)

2. Determine that, pursuant to the California Environmental Quality Act (CEQA) and the CEQA Guidelines, the recommended action is exempt from further review under Section 15168 (Program EIR); and
3. Authorize the City Manager to execute a Density Bonus Agreement with MLC Holdings Inc./Meritage Homes, for a 55-year term, for a for-sale residential development consisting of an 86 unit multi-family development, with five units designated as affordable to very low-income households at 2020 E. First Street (Agreement No. A-2025-XXX).

GOVERNMENT CODE §84308 APPLIES: Yes

EXECUTIVE SUMMARY

Louisa Feletto, with MLC Holdings, Inc./Meritage Homes, representing property owner Paul Miskowicz with 2020 E First, LLC, is requesting approval of Density Bonus Agreement (DBA) No. 2025-01 to allow the construction of a multi-family residential development, which

includes 80 townhome units and six duplexes (86 total units), at the property located at 2020 East First Street. The project would include five units designated for very low-income households earning 30-50 percent of the Area Median Income (AMI). As proposed, the project will utilize one concession to deviate from Metro East Mixed-Use Overlay Zone (MEMU) development standards through the density bonus agreement pursuant to California Government Code [Sections 65915 through 65918](#) and Santa Ana Municipal Code (SAMC) [Sections 41-1600 through 41-1607](#). Staff recommends approval of the DBA as the project aligns with the intent of the General Plan and MEMU overlay district to establish residential mixed-use and employment centers that are well connected to public transportation. Additionally, the project contributes to the community's affordable and market-rate ownership housing stock, represents a significant reinvestment in a currently vacant site, does not result in adverse environmental impacts or serious public health concerns, and is consistent with various goals and policies of the General Plan.

Planning Commission Action

On March 24, 2025, the Planning Commission held a public hearing for the project and voted 6:0:1, with Commissioner Leo absent, to approve Site Plan Review Application (SPR) No. 2025-01, Vesting Tentative Tract Map (VTTM) No. 2025-01 (County Map No. 19337) for condominium purposes, and to recommend that the City Council approve Density Bonus Agreement No. 2025-01. The Planning Commission included additional conditions of approval to allow staff to work with the applicant to redesign the proposed duplexes storefront and to work with the applicant on determining the feasibility of adding additional affordable units or a deeper affordability as part of the overall project. Moreover, pursuant to [Section 41-1607](#) of the SAMC, the Planning Commission made the required findings to approve a development concession as part of the density bonus agreement. Following this vote, the item requires City Council approval of the density bonus agreement.

Staff notes that since the Planning Commission meeting the applicant has worked with planning staff to address the redesign of the proposed duplex storefront. In the revised floor plans, the front door to each proposed duplex has been relocated from the side-entry and incorporated into a front-entry design. The front entry to each duplex will be incorporated into the proposed storefront, accessible from the porch area, and will face First Street. In addition, the applicant has engaged conversations with the City's Housing Division and has demonstrated a good faith effort to work with staff to explore the feasibility of incorporating additional affordable units and/or incorporating a deeper affordability rate at extremely low-income. The feasibility of additional affordable units or a deeper affordability rate will depend on multiple factors (e.g., affordable sales price, cost of construction, etc.). The conversations between the applicant and City staff are ongoing at the time this report was printed.

DISCUSSION

Table 1: Project and Location Information

Item	Information	
Project Address and Council Ward	2020 East First Street – Ward 3	
Nearest Intersection	East First Street and Golden Circle Drive	
General Plan Designation	District Center – Medium High (DC – 3)	
Zoning Designation	General Commercial (C2); Active Urban (AU) within the Metro East Use Overlay Zone (MEMU)	
Surrounding Land Uses	North	Eating Establishment/Commercial
	East	Multifamily Residences
	South	School (in the City of Tustin)
	West	Medical Office and Recreation Field
Property Size	Gross Area: 3.72 acres (161,956 square feet)	
	Net Area: 3.68 acres (160,130 square feet)	
Existing Site Development	118,192-square-foot office building (Currently Vacant)	
Use Permissions	Multi-Family Residential	
Zoning Code Sections Affected	Uses	Article XVI.I (Density Bonus) ; Active Urban within the Metro East Mixed Use Overlay Zone (MEMU) ; and Chapter 34 (Subdivisions)

Project Description

The development will consist of 12 residential buildings with eighty (80) three-story townhouse units, and three residential buildings with six (6) four-story duplexes, with a proposed project density of 23.37 du/ac. The townhomes will include twelve (12) two-bedroom units, thirty-four (34) three-bedroom units, and thirty-four (34) four-bedroom units, and are designed as a tuck-under building type featuring a front porch/stoop frontage design. The six duplexes are designed as three-bedroom units, and are designed as a tuck-under building type featuring a shopfront frontage design and rooftop decks.

The unit sizes will vary between 1,215 and 2,488 square feet, and each unit will be fully equipped with a kitchen, bedrooms, bathrooms, common living areas, and will include a minimum of 90 square feet of private open space, provided in the form of a deck or balcony. They will also include a two-car garage at ground level (tuck-under building design) and in-unit laundry facilities. The duplexes will feature ground floor, 210-square-foot flex spaces that may be used as home offices. These spaces would differ from traditional live-work units due to constraints related to the building construction type and building setbacks. While these offices may serve as commercial uses, they would not accommodate or serve as a traditional commercial storefront. However, the provided flex spaces would support the MEMU overall vision and goals by activating the public realm and enhancing connectivity with publicly accessible open space.

As previously described, the project will include affordable units, with five units designated for very low-income households earning 30-50 percent of the AMI, which is currently \$78,900 for a four-person household, as determined, by the California Department of Housing and Community Development (HCD). These will consist of two, four-bedroom units, two, three-bedroom units and one, two-bedroom unit, ranging in size from 1,215 to 1,781 square feet. Each unit will be fully equipped with a kitchen, bedrooms, bathrooms, and common living areas, ensuring a high standard of living for future residents.

As part of the development, a total of 9,767 square feet of the project site or six percent (6%) of total site will be dedicated to publicly accessible open space. This will include a public plaza along First Street, which will lead to a private courtyard that would serve as common open space. Collectively, the common open space provided is 13,179 square feet, which exceeds the minimum 8,006 square feet required by the MEMU (5% of the lot). The courtyard features seating areas, picnic tables, shade structures, a corn hole play area, and enhanced paseos for pedestrian connectivity. Dog waste stations will also be placed throughout the site to accommodate pet owners. The main entryway will be enhanced with decorative paving and landscaping will be carefully curated to enhance aesthetics and improve the overall living environment. The plant selection will include California Sycamore and Southern Live Oak along the street, with Sweet Bay, African Sumac, and Southern Magnolia providing canopy coverage. Fern Pine and Brisbane Box trees will serve as vertical accents, while Crape Myrtle and Tulip trees will add flowering highlights. Shrubs such as agave, Dwarf Lily of the Nile, Sulfur Flower, and Red Yucca will contribute to the site's visual appeal.

The project incorporates a contemporary architectural style consistent with many multi-family and mixed-use residential communities currently under construction in Santa Ana and the surrounding region. The overall design, massing, materials, and architectural features are intended to be compatible with, yet distinct from, the existing multi-family residences to the east. The subject site is designed with a row of units positioned adjacent to the front property line, incorporating a storefront-style facade that enhances pedestrian engagement and activates the public realm. The contemporary architectural style is characterized by a combination of brick veneer and lap siding, complemented by wood canopies and metal awnings, which add both texture and depth to the design. Throughout the development, the cohesive contemporary aesthetic is maintained through the continued use of siding, brick veneer, and concrete flat tile roofing, ensuring visual consistency across the site while integrating modern design elements.

Density Bonus

As part of the project, the applicant is seeking a concession allowable by the California Density Bonus law, which allows developers proposing five or more residential units to seek increases in base density for providing on-site housing units in exchange for providing affordable units on site. To help make constructing on-site affordable units feasible, the law

allows developers to seek up to three incentives/concessions and an unlimited number of waivers, which are essentially variances from development standards that would help the project be built without significant burden and without detriment to public health. The first version of the Density Bonus Law was adopted in 1979 and has since been amended at various times. Recent revisions allow affordable housing developers to request incentives/concessions and/or waivers for affordable or mixed-income developments, even if they do not require a numerical density bonus. Moreover, in early 2017, the law was amended to restrict the ability of local jurisdictions to require studies to “justify” the density bonus and requested incentives/waivers and places the onus on local jurisdictions to prove that the incentives/concessions or waivers are not financially warranted.

For this project, the developer is not requesting a State density bonus for additional units but will avail themselves of the incentive/concession and waivers that are required to be provided by State density bonus law for projects with the requisite affordability. Due to the project’s six percent (6%) affordability rate, the developer can seek one density bonus incentive/concession and unlimited waivers, pursuant to [Section 65915 et al.](#) of the California Government Code (Density Bonuses and Other Incentives). In addition, California Assembly Bill No. 2345, approved September 28, 2020, revised the State Density Bonus Law originally adopted in 1979 to provide additional benefits for projects that include qualifying affordable housing.

The purpose of the State Density Bonus Law is to encourage the development and availability of affordable housing. Pursuant to California Government Code [sections 65915 \(d\)\(1\) and 65915 \(e\)\(1\)](#), a local jurisdiction is limited in its ability to deny requested incentives, concessions, and waivers. The City has analyzed the project and has identified several areas of potential impacts; however, the conditions of approval proposed for the project are intended to address the project’s potential impacts. Table 2 outlines the concession requested by the applicant and approved by the Planning Commission on March 24, 2025.

Table 2: Requested Concession

Standard	Required by MEMU	Provided
Public Open Space	Fifteen Percent of Lot (24,020 square feet)	Six Percent of the Lot (9,767 square feet) <i>Requires Concession (1 of 1), Cal. Gov’t Code Sec. 65915 (d)(2)(A)</i>

Onsite Parking

To proactively address any neighborhood parking impacts that could result from the project, the conditions of approval for the VTTM and terms of the DBA include provisions requiring the following parking management practices, to be incorporated into the final, recorded CC&Rs, and applicable throughout the life of the project:

- Requiring onsite parking permits (such as stickers or hang-tags) for any parking in the surface guest parking spaces;
- Policies for maximum time vehicles may be parked in the surface guest spaces;
- Policies for towing unauthorized vehicles; vehicles parked in unauthorized locations, such as fire lanes; vehicles parking in surface guest parking without a sticker, hang-tag, or other identifiers; and vehicles parked longer than any maximum guest parking timeframes allowed; and
- Routine garage inspections to ensure garages are available for vehicle parking.

Affordable Housing Opportunity and Creation Ordinance

The project exceeds the affordable housing goal for the ownership category of the City's Affordable Housing Opportunity and Creation Ordinance (AHOCO) by providing five (5) onsite units designated for households earning 30-50 percent of the AMI (very low-income), which is currently set at \$78,900 for a four-person household, significantly enhancing the opportunity for income eligible Santa Ana households to own a home in the City at a lower cost. The units will be dispersed throughout the community. These affordable units will consist of two three-bedroom and two three-bedroom units, ranging from 1,215 to 1,496 square feet in size and will contain full kitchens, bedrooms, bathrooms, in-unit storage, and open/common (living) areas. The developer's Inclusionary Housing Plan has been reviewed and approved by the City's Housing Division.

Public Notification and Community Outreach

Project notifications were posted, published, and mailed in accordance with City and State regulations. In addition, staff contacted the provided contacts for the Lyon Street Neighborhood Association to ensure they were aware of the project and Planning Commission public hearing. As the City Council's approval of this agreement does not constitute a public hearing, no public notification or community outreach is required under applicable state law or local ordinances prior to Council action.

ENVIRONMENTAL IMPACT

Pursuant to the California Environmental Quality Act (CEQA) and CEQA Guidelines, the proposed project is exempt from further environmental review under Section 15168 (Program EIR). This exemption applies when a previously certified Program Environmental Impact Report (Program EIR) has adequately analyzed the environmental effects of an activity, and no new significant impacts would result from the proposed project. If the proposed project remains within the scope of the Program EIR and does not require a subsequent Environmental Impact Report (EIR), no additional environmental documentation is required.

A CEQA Section 15168 Consistency Memorandum was prepared by First Carbon Solutions, the applicant's environmental consultant. The purpose of the memorandum was to determine whether the proposed project was exempt from further review, pursuant to the relevant 2007 MEMU Program EIR, certified in 2007, and the MEMU Subsequent EIR, certified in 2018. This memorandum was reviewed by City staff and the City's environmental consultant, Ardurra Consulting. Upon review, it was determined that the project does not introduce new or more severe environmental effects beyond those previously identified. Additionally, there are no substantial changes in environmental circumstances that would necessitate further review. Moreover, as required under CEQA Guidelines Section 15168(c)(3), all applicable mitigation measures from the MEMU EIR and SEIR will be incorporated into the project. Based on this analysis, the project qualifies for an exemption under CEQA, and no further environmental documentation is necessary. Therefore, a Notice of Exemption, Environmental Review No. 2024-53, will be filed for the project.

FISCAL IMPACT

There is no fiscal impact associated with this action. However, a Fiscal Impact and Economic Benefit Analysis was prepared by the applicant for the proposed project. The analysis indicates that the project is anticipated to result in an increase in General Fund revenues following buildout of the project, which is estimated at approximately \$340,716 per year. In addition, there would be an increase in General Fund expenses estimated at approximately \$231,055 per year. Accordingly, there is expected to be an annual surplus of approximately \$109,662 to the General Fund following buildout of the project. Additionally, the project is anticipated to result in a one-time economic benefit to the City during the construction phase. Specifically, construction of the project would result in an increase in employment by 140.26 full-time equivalent construction-related jobs and an increase in labor income of approximately \$12,250,665. Moreover, the applicant is anticipated to pay approximately \$2,189,502 in development impact fees to the City. Further details related to the Fiscal Impact and Economic Benefit Analysis included in the report prepared by the applicant's consultant Zimmerman Group is included in Exhibit 3.

EXHIBITS

1. Resolution – Density Bonus Agreement
2. Draft Density Bonus Agreement
3. March 24, 2025 – Planning Commission Staff Report and Exhibits

Submitted By: Ali Pezeshkpour, AICP, Acting Executive Director of Planning and Building Agency, and Michael L. Garcia, Executive Director of Community Development Agency

Approved By: Alvaro Nuñez, City Manager