August 7, 2026

The Honorable Sheila F. Hanson
Presiding Judge of the Superior Court
Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701

RE: City of Fullerton Response to the 2025-2026 Orange County Grand Jury Report: "California Housing Mandates: The Unintended Reshaping of Orange County Neighborhoods"

Dear Presiding Judge Hanson:

The City of Fullerton has reviewed the 2025-2026 Orange County Grand Jury Report titled "California Housing Mandates: The Unintended Reshaping of Orange County Neighborhoods." The City appreciates the Grand Jury's review of California's housing mandates and the Regional Housing Needs Allocation (RHNA) process, including the challenges associated with development feasibility, infrastructure capacity, affordability, transparency, and local land-use authority.

Fullerton supports the production of well-planned housing, particularly housing located near jobs, transit, services, and amenities. As a substantially built-out community, however, the City's experience has demonstrated that zoning capacity alone does not necessarily translate into housing production. Land and construction costs, financing conditions, infrastructure limitations, market demand, and the limited availability of affordable-housing subsidies materially affect whether planned housing can ultimately be constructed.

As required by California Penal Code Sections 933 and 933.05, the City of Fullerton submits the following responses to the findings and recommendations directed to the City. The Grand Jury directed Fullerton to respond to Findings F1, F2, F4-F12 and Recommendations R7-R9, R11-R12, and R14-R16.

<u>Findings</u>

F1 - In recent years, the California Legislature has enacted an unusually large and burdensome volume of housing-related laws intended to strengthen compliance with State Housing Mandates.

Response: The City agrees. Fullerton staff and the City Attorney's Office must continuously monitor and implement an increasingly complex body of State housing law, including new ministerial approval requirements, density bonus provisions, CEQA exemptions, Housing Element requirements, and enforcement provisions. The volume and frequency of these changes place additional administrative and legal demands on local agencies. The incentives available are also not always clear to developers and property owners, making the laws ineffective overall. Additionally, some laws are poorly written and interpretation of them varies from jurisdiction to jurisdiction. Lastly, due to the long turn-around time for other agencies to complete their portions of a process, the ability to quickly build units is negated (example is OC Tax Assessor / Surveyor map reviews for SB-9 lot splits).

F2 - Housing Mandates are implemented through a RHNA process that often lacks transparency and relies on complex methodologies that are difficult for local officials and the public to understand or meaningfully challenge.

Response: The methodology used to determine RHNA allocations relies upon numerous demographics, housing, employment, transit, and other inputs that are difficult for jurisdictions and the public to independently evaluate and reproduce. Fullerton supports greater transparency regarding the data, assumptions, weighting, and calculations used to establish regional and local housing allocations. The City further supports providing jurisdictions meaningful access to the underlying data sufficiently early in the RHNA process to allow informed review and participation.

F4 - Meaningful participation by Orange County cities in both OCCOG and SCAG meetings is critical to ensuring that local perspectives are represented during the development and implementation of Housing Mandates policies.

Response: Neutral. The City agrees that consistent participation in OCCOG and SCAG is important; however, participation alone is not sufficient. Meaningful regional representation requires cities to have a substantive opportunity to identify current local challenges, provide data and analysis, and have those considerations reflected in the development of RHNA policy and methodology. Cities also need adequate technical and fiscal resources to evaluate complex methodology assumptions and prepare the studies necessary to meaningfully participate. Without those elements, attendance at regional meetings does not necessarily translate into meaningful influence over the process.

F5 - SCAG's 6th Cycle RHNA assigned Orange County a questionable total of 183,861 housing units for the 2021-2029 planning period, with higher allocations concentrated in cities with major population and employment centers.

Response: The City agrees that the 6th Cycle allocation, 13,209 units, warrants continued examination. Fullerton's allocation increased substantially compared with previous cycles, while the methodology did not, in the City's assessment, sufficiently account for the practical constraints of a substantially built-out community, including limited vacant land, redevelopment feasibility, infrastructure capacity, and prevailing market conditions.

F6 - RHNA allocations are unrealistic and not attainable within the current planning cycle due to limited available land, built-out urban conditions, infrastructure constraints, environmental factors, and public health and safety requirements.

Response: City agrees. Fullerton's experience demonstrates that theoretical zoning capacity does not necessarily translate into actual housing production. Local water, sewer, roadway and other infrastructure conditions; land acquisition costs; construction costs; interest rates; financing availability; and market demand all influence whether a site identified in a Housing Element can realistically develop at its assumed capacity.

The City is also observing that some projects may be financially feasible at densities below those assumed in the Housing Element sites inventory. This creates potential no-net-loss concerns even though the City has provided the zoning capacity required by State law. Market conditions can therefore materially affect housing production in ways that a local zoning action alone cannot overcome. Fullerton supports a RHNA and Housing Element process that evaluates realistic development capacity using current and professionally supported market and infrastructure information rather than relying solely upon theoretical zoning capacity.

The City also believes realistic capacity assessments should recognize opportunities on university and nonprofit institutional land and provide jurisdictions appropriate credit for student, faculty, staff, and other housing produced on such sites, particularly where reduced land costs facilitate housing at rents or prices below prevailing market levels.

F7 - Residents in Orange County consistently express a desire for local planning decisions to reflect community priorities, including but not limited to neighborhood character, safety considerations, the environment and open-space preservation.

Response: The respondent agrees with the finding. Fullerton residents regularly express concern regarding the relationship between increased residential density and neighborhood character, traffic, parking, privacy, infrastructure capacity, parks, schools, and other community services.

The City has also observed neighborhood impacts associated with recent expansions of State Accessory Dwelling Unit laws. On qualifying properties, State law may require ministerial approval of multiple ADUs with limited local authority to impose design and development standards. Certain ADUs may also be permitted within areas where local setback requirements would otherwise apply. The City supports reasonable local authority to address architectural compatibility, privacy, streetscape conditions, and other site-specific neighborhood impacts while continuing to facilitate ADU production.

F8 - California's regulatory construction costs (i.e. permitting fees) present substantial challenges for private housing developers-particularly those delivering affordable units.

Response: The respondent agrees with the finding, with clarification. Permitting and impact fees contribute to total development costs; however, housing feasibility is affected by a considerably broader range of factors, including land prices, construction and labor costs, availability and cost of materials, interest rates, financing conditions, utility and infrastructure costs, insurance, and, where applicable, prevailing-wage requirements. The City therefore agrees that regulatory costs can affect housing feasibility but believes these costs should be evaluated as part of the overall economic environment affecting development rather than in isolation.

F9 - The cost of constructing a single affordable housing unit in California typically ranges from approximately $500,000 to $800,000 per unit when fully complying with current state regulations. New low-income housing is generally not financially feasible without public subsidy.

Response: The respondent agrees with the finding. The City agrees that deed-restricted affordable housing frequently requires significant public or other gap financing. Income-restricted rents support substantially less conventional debt than unrestricted market rents, while land and construction costs remain comparable.

Affordable developments therefore commonly require layered financing that may include Low-Income Housing Tax Credit equity, conventional debt, State and federal funding, local housing resources, subordinate financing, and other subsidies. The limited and highly competitive availability of these resources materially constrains the amount of deeply affordable housing that can realistically be financed and constructed during a RHNA cycle.

F10 - Prior to their dissolution in 2012, redevelopment agencies served as a primary mechanism for cities and counties to finance affordable housing and related infrastructure. The loss of redevelopment has reduced cities' ability to support construction of affordable units.

Response: The respondent agrees with the finding. The dissolution of redevelopment eliminated a significant dedicated local source of funding for affordable housing, economic development and community infrastructure. Although subsequent legislation has created financing tools such as Enhanced Infrastructure Financing Districts, these mechanisms have not replaced the dedicated affordable-housing funding stream previously available through redevelopment. The State has continued to increase local housing planning and production expectations without restoring a comparable ongoing local incentive or funding mechanism.

F11 - Because public subsidy is limited and highly competitive, cities seeking to produce meaningful quantities of low-income housing must rely in part on private development incentives, often resulting in higher overall development densities and unit counts than the RHNA allocation.

Response: The City agrees that density bonus and other development incentives can play an important role in facilitating housing and affordable units. However, these incentives do not independently resolve the underlying financial feasibility challenges associated with deeply affordable housing. Projects remain dependent upon land values, construction costs, interest rates, rents or sales prices, financing availability, and in the case of deed-restricted affordable housing the availability of public subsidy and tax-credit financing.

The City has also observed that market conditions can result in projects being proposed at densities below the maximum capacity permitted by zoning. Accordingly, additional zoning capacity and procedural streamlining do not, standing alone, ensure that development will occur at the densities assumed in a Housing Element or that sufficient lower-income units will be produced.

F12 - The 6th Cycle RHNA methodology included numerous technical inputs published by SCAG and HCD; however, these inputs were highly complex and difficult for cities to interpret or independently verify.

Response: The respondent agrees with the finding. The complexity of the population, vacancy, overcrowding, cost-burden, employment, transit, and other factors used in the RHNA process makes independent evaluation difficult without specialized expertise. Fullerton supports greater transparency for the 7th Cycle, including early publication of all underlying datasets, assumptions and methodology so that jurisdictions can independently reproduce and evaluate their allocations before final decisions are made.

The City also believes the methodology should better recognize housing associated with colleges and universities. Communities that host substantial undergraduate and graduate student populations, faculty, and staff experience housing demand attributable to those institutions, yet the treatment of institutionally provided housing within RHNA and Housing Element accounting does not always provide a corresponding benefit to the host jurisdiction. If student, faculty, or staff populations contribute to a jurisdiction's assessed housing need, housing developed to serve those populations should likewise receive meaningful and proportional credit toward satisfying that need.

The City further encourages HCD and SCAG to reevaluate how student housing is treated within RHNA and Housing Element methodology. Current HCD reporting guidance excludes student-restricted housing from housing-unit credit and classifies it as group quarters, even where the housing consists of separate living accommodations. The City believes that distinction is overly broad. Traditional dormitory-style accommodations may appropriately be treated differently; however, student housing that functions substantially like conventional multifamily housing, including independent or semi-independent living accommodations intended for occupancy over multiple academic years provides a meaningful and durable source of housing and should receive appropriate credit toward a jurisdiction’s housing obligations. This is particularly important for communities that host colleges and universities. To the extent student populations, university employment, or related housing demand are incorporated into the demographic, employment, or housing-need assumptions that affect a jurisdiction’s RHNA allocation, the methodology should also recognize housing produced to accommodate those same populations.

RECOMMENDATIONS

R7 – OCCOG, all Orange Couty cities, and the County of Orange should reassess the current dues structure, by September 30, 2026, to ensure that OCCOG has the resources necessary to effectively represent Orange County jurisdictions in SCAG processes, including RHNA methodology development and appeals.

The City supports the intent of the recommendation. Because the OCCOG dues structure is established and administered through OCCOG, the City cannot independently initiate or implement a countywide restructuring of dues. Fullerton will participate in any dues assessment initiated by OCCOG and will evaluate the fiscal and organizational implications of any resulting proposal. Staff will complete its assessment and, if City Council action is required, present the matter for Council consideration within six months of publication of the Grand Jury report.

R8 – By December 31, 2026, the Orange Couty Board of Supervisors should partner with cities to evaluate countywide infrastructure capacity – including water, wastewater, flood control, transportation, and public-safety systems – and develop a coordinated regional plan capable of supporting the level of housing growth required under state law.

The recommendation primarily requires action by the Orange County Board of Supervisors. Fullerton supports regional coordination regarding the relationship between housing growth and infrastructure capacity and would participate in an appropriate countywide effort initiated by the County. The City will evaluate the scope of Fullerton specific infrastructure information that could reasonably be provided as part of such an effort, including available information regarding water, sewer, transportation, and public-safety capacity.

R9 – By September 30, 2026, the Orange Couty Board of supervisors should strengthen its engagement with OCCOG and increase staff support to develop a shared, countywide database of potential housing sites and key development-feasibility factors.

Development of a countywide database is principally dependent upon action by the County of Orange and OCCOG and cannot be independently implemented by Fullerton. The City supports greater regional access to reliable housing sites and development-feasibility information and will evaluate what Fullerton data could appropriately be provided to a countywide system should the County or OCCOG initiate such an effort.

R11 – The County of Orange and each city should ensure consistent participation in SCAG and OCCOG committees by September 30, 2026, including the Technical Advisory Committee (TAC), to strengthen regional representation during RHNA-methodology development.

The recommendation has been implemented and will continue to be implemented. The City currently participates in OCCOG and appropriate technical and regional planning activities and intends to maintain participation throughout development of the 7th Cycle RHNA methodology, subject to available staffing resources.

R12 – The County of Orange and each city should designate a single technical representative, by September 30, 2026, along with an alternate, for all RHNA-related SCAG and OCCOG committees to ensure continuity of participation and eliminate gaps in representation across multiple decision-making bodies.

The Planning Manager and the Director of Community and Economic Development are the designee and alternate.

R14 – By April 30, 2027, the Couty of Orange and each city should publish annual monitoring dashboards showing (a) entitlement pipeline conditions, (b) realistic site yield, (c) assembled funding sources for affordable units, and (d) conversion rates from planned capacity to issued permits and completed units, ensuring that County and city-determined capacity assumptions remain aligned with actual production.

Neutral. The City supports the goal of improving transparency regarding the relationship between planned housing capacity and actual housing production. However, Fullerton already provides substantial housing production data through the State-required Annual Progress Report and maintains project-level entitlement and development information.

The additional reporting contemplated by this recommendation would require significant staff time to collect, reconcile, validate, and continuously maintain data that may not currently exist in a centralized format. For a lean organization managing a high volume of development activity and State-mandated reporting requirements, creation of a separate public-facing dashboard could impose a substantial ongoing administrative burden without additional resources. The City will evaluate whether existing reporting tools can reasonably be expanded or consolidated to address portions of the recommendation. If the State or another regional agency provides dedicated funding, standardized data tools, or software capable of reducing the administrative burden, the City would welcome the opportunity to consider broader implementation.

R15 – By September 30, 2026, and ongoing, the County Board of Supervisors and all city councils should make a coordinated and sustained effort to educate their constituents about the RHNA process – its requirements, its impact on local planning and community character, and the role residents can play in shaping outcomes. Public education efforts should also include guidance on how community members can effectively engage with the California Legislature and advocate for more realistic, data-driven housing policies.

The recommendation has been implemented in part and will continue to be implemented on an ongoing basis. The City has provided public information regarding its RHNA obligations and Housing Element through public hearings, notices, community meetings, City Council proceedings, and other outreach associated with adoption and implementation of the Housing Element. The City will continue these efforts during the 7th Cycle and will seek opportunities to provide residents with clear information regarding the roles of HCD, SCAG, OCCOG and the City in the RHNA process, opportunities for public participation, and methods for communicating with State policymakers regarding housing legislation.

R16 – By December 31, 2026, all cities should look to enhance their relationships with not-for-profit affordable housing developers to increase the opportunity to develop more affordable housing.

The recommendation has been implemented in part and will continue to be implemented. The City recognizes that nonprofit and mission-driven affordable-housing developers are important partners in producing deed-restricted affordable housing. Fullerton will continue outreach and coordination with qualified affordable-housing developers and will seek opportunities to strengthen those relationships, identify feasible development opportunities, and connect potential projects with available local, State, federal, and tax-credit financing resources. By December 31, 2026, City staff will review its existing affordable-housing developer outreach and identify opportunities to expand relationships with nonprofit and mission-driven housing organizations active in Orange County.

The City of Fullerton appreciates the Grand Jury's review of the significant challenges facing Orange County jurisdictions as they implement State housing requirements. Fullerton remains committed to accommodating its fair share of regional housing needs and facilitating housing opportunities throughout the community. At the same time, the City's experience demonstrates that housing planning capacity is not synonymous with housing production. Actual development depends on land availability, infrastructure capacity, construction and financing costs, market conditions, and the availability of funding necessary to produce affordable housing.

The City encourages HCD, SCAG, OCCOG, the County of Orange, and the State Legislature to use the upcoming 7th Cycle process as an opportunity to improve transparency, incorporate realistic development and infrastructure conditions into housing planning, and better align State housing expectations with the financial resources necessary to achieve them. Should you have any questions or need additional information, please contact Sunayana Thomas, Director of Community and Economic Development at sunayana.thomas@cityoffullerton.com or Chris Schaefer, Planning Manager at chris.schaefer@cityoffullerton.com.

Respectfully,

Fred Jung
Mayor

cc: Eddie Manfro, City Manager
Sunayana Thomas, Director of Community and Economic Development
Chris Schaefer, Planning Manager