



# Agenda Item

## City Council

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**Item #:** 9.4.

6/10/2025

**File #:** 25-0272

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**TO:** Honorable Mayor and Members of the City Council

**THRU:** Tom Kisela, City Manager

**FROM:** Russell Bunim, Community Development Director

### 1. SUBJECT

Public Hearing to consider introduction and First Reading of Ordinance No. 11-25 establishing Single Room Occupancy housing as a permitted land use for certain qualifying properties and a finding of CEQA exemption.

### 2. SUMMARY

The proposed ordinance establishes standards, provisions, and limitations governing the permitting, development, siting, and management of Single Room Occupancy housing units.

### 3. RECOMMENDED ACTION

1. Conduct and close the Public Hearing.
2. Introduce and conduct First Reading of Ordinance No. 11-25. An Ordinance of the City Council of the City of Orange amending Title 17 of the Orange Municipal Code to allow Single-Room Occupancy housing as a permitted use in certain zoning districts and related definitions and development standards.
3. Find the ordinance categorically exempt from the California Environmental Quality Act (CEQA) per State CEQA Guidelines Sections 15061(b)(3) and 15378.

### 4. FISCAL IMPACT

None.

### 5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Sustainability.

2.12: Update Zoning Ordinance for process clarity and improve efficiency for new businesses

### 6. DISCUSSION AND BACKGROUND

A Single Room Occupancy (SRO) housing unit is a single room, between 150 and 375 square feet that is limited to two occupants. Each SRO unit must have a kitchen and bathroom, which can be in the individual room or provided as a shared facility. The purpose of SRO units is to allow the development of reduced-size dwelling units, which provide additional options for affordable housing opportunities.

The proposed ordinance completes Housing Policy Action 4H in the City's Housing Element of the

City's General Plan. These requirements include implementing standards, provisions and limitations governing the permitting, development, siting, and management of SRO units. A summary of development and operational standards for SRO units are contained in the Planning Commission staff report (Attachment 3).

The proposed ordinance would allow SRO housing units only as an adaptive reuse of existing hotels or motels with 30 guest rooms or less, and existing office buildings with a gross floor area of 5,000 square feet or less, which are located within the Limited Business (C-1), General Business (C-2), and Limited Business Tustin Redevelopment Project Area (C-TR) zoning districts.

Properties that are eligible for conversion to SRO are only those that qualify at the time of adoption of this ordinance. No buildings constructed after the adoption of this ordinance are eligible for SRO conversion. A map and list of properties eligible for conversion to SRO is in Attachment 5.

### **Income Restricted Units**

All units within SRO projects shall be restricted to very-low and low-income individuals as defined by the City's Housing Element, with the exception of the 24-hour manager unit. Rental rates shall be calculated using a maximum of 30% of income toward housing expenses based on County of Orange income figures. The City will be able to count these units towards fulfilling its Regional Housing Needs Assessment (RHNA) allocation.

### **Adaptive Reuse of Existing Buildings**

There are seven hotels or motels that are eligible for conversion. The total Transient Occupancy Tax (TOT) revenue collected from the eligible hotels/motels represents approximately 4.4% of the City's total TOT revenue from all hotels/motels citywide.

Additionally, there are 28 existing office building properties identified as eligible for conversion. The conversion of underutilized office buildings to SRO units will provide opportunities for properties to be updated to current building codes and aesthetic enhancements to building exteriors. Furthermore, conversion to SRO will require an on-site manager to monitor and maintain the upkeep of the buildings.

## **7. ENVIRONMENTAL REVIEW**

**Categorical Exemption:** The proposed project is not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to (1) Section 15061(b)(3) of the state CEQA Guidelines (Common Sense Exemption) because it can be seen with certainty that there is no possibility that it would have a significant effect on the environment; and (2) Section 15378 because it will not have a direct or reasonably foreseeable indirect physical change on the environment and is not a "project." For this reason, no further CEQA documentation is required.

## **8. ATTACHMENTS**

- Attachment 1 - Ordinance No. 11-25
- Attachment 2 - Planning Commission Resolution No. PC 16-24
- Attachment 3 - Planning Commission Staff Report, April 21, 2025
- Attachment 4 - Planning Commission Minutes, April 21, 2025

- Attachment 5 - Map of Eligible Properties for SRO Conversion
- Attachment 6 - Police Department Report of Hotel Calls for Service