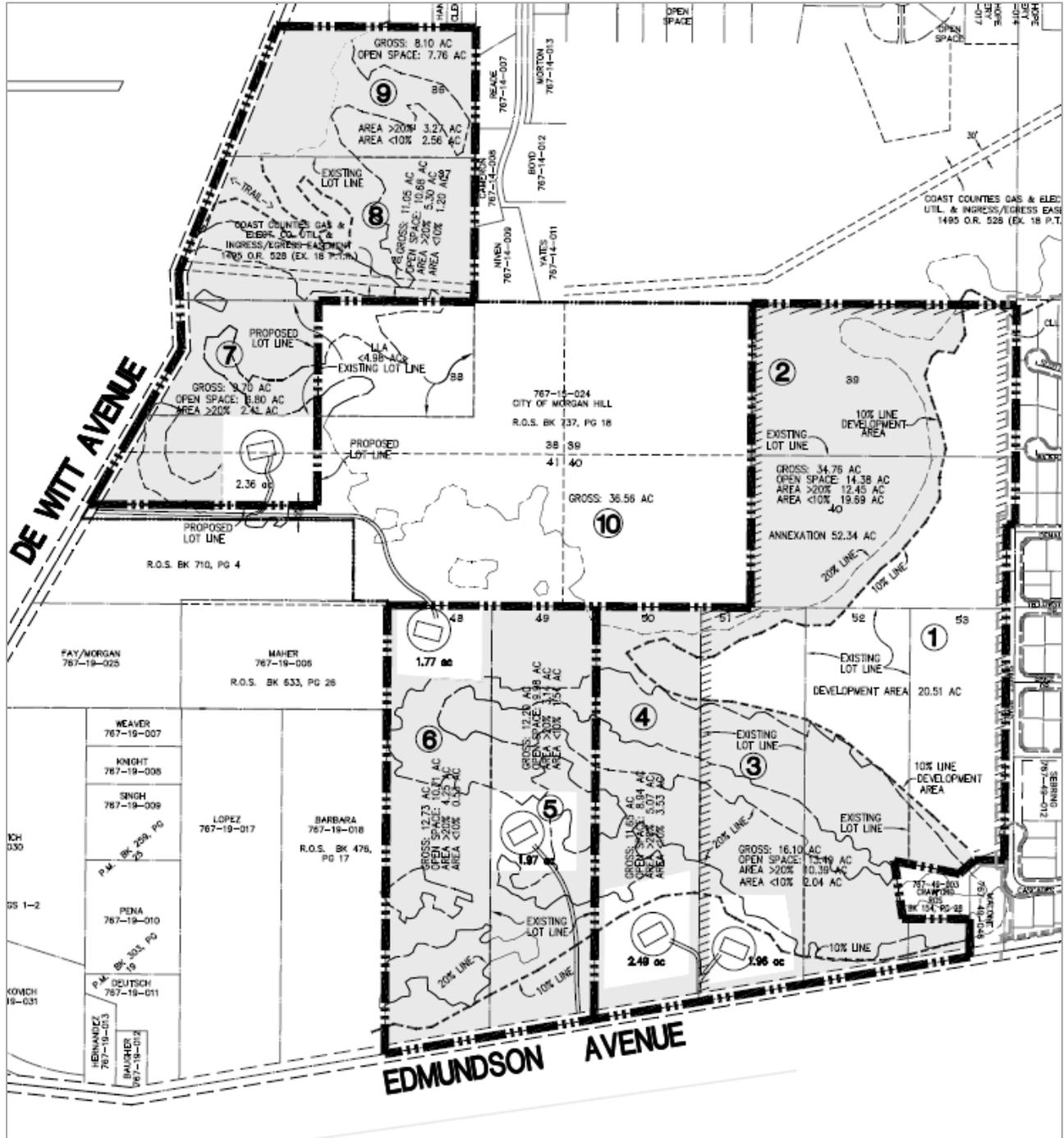


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**LOCATION MAP:**



**BACKGROUND**

**Site Description**

The project site includes several parcels (Areas 1-9 above, totaling 116.91 acres) located outside of the City's boundaries. The site is vacant except for a residence located in Area 3. Area 1 is located within the City's Urban Growth Boundary (UGB) and Urban Limit Line (ULL) and proposed for annexation along with Areas 3 and 4. Area 1 is the relatively level portion of the project site, sloping upward from its eastern side toward a 10 percent slope line along its western edge.

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**Surrounding Uses**

The project site is bordered to the east by an existing single-family development (3.8 dwelling units/acre) within the City of Morgan Hill. Other surrounding areas are unincorporated with rural development intensity within the jurisdiction of the County of Santa Clara.

**Table 1: Project Areas 1-3 General Plan and Zoning**

Area <sup>1</sup>	Parcel Data		Existing Development	General Plan <sup>3</sup>	Zoning	
	APN	Acres <sup>2</sup>		Existing	Existing <sup>4</sup>	Proposed Pre-Zone <sup>5</sup>
2	767-15-026	11.10	Vacant	Open Space with Hillside Overlay	Hillside-Design Review, Tier 1 Combining District (HS-d1)	Open Space
1				Single-Family Low with Hillside Overlay		R1 (12,000)
2	767-19-028	11.10	Vacant	Open Space with Hillside Overlay	Hillside-Design Review, Tier 1 Combining District (HS-d1)	Open Space
1				Single-Family Low with Hillside Overlay		R1 (12,000)
1	767-19-020	11.10	Vacant	Single-Family Low with Hillside Overlay	Hillside-Design Review, Tier 1 Combining District (HS-d1)	R1 (12,000)
3			Ranch home and accessory buildings	Open Space with Hillside Overlay		Open Space
1	767-19-024	17.43	Vacant	Single-Family Low with Hillside Overlay	Hillside-Design Review, Tier 1 Combining District (HS-d1)	R1 (12,000)
3				Open Space with Hillside Overlay		Open Space
		50.73				

APN = Assessor's Parcel Number

Notes:

1. Proposed areas include portions of each parcel.
2. Acreages are parcel areas and not lot sizes.
3. City of Morgan Hill General Plan land use designations.
4. County of Santa Clara zoning districts.
5. City of Morgan Hill zoning districts.

**Prior Actions/Entitlements**

The project has been the subject of several past actions dating back to 2006. Most recently, on February 4, 2015, the City Council approved the General Plan Amendment for Areas 2 and 3 to its current Open Space designation.

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At the July 14, 2015 Planning Commission hearing, the Commission requested some changes to the proposed Memorandum of Understanding (MOU) to be brought back to the Commission. For more in depth prior action and background, see Attachment/Links Section.

**ANALYSIS:**

The project proponent seeks the necessary entitlements to allow the future development of single-family residences within the City of Morgan Hill. In order to accomplish this goal, the City would need to extend its Urban Service Area (USA) to include a portion of the property and pre-zone the site to a residential designation consistent with the City's General Plan. The applicant also proposes a MOU between the City and the applicant.

The applicant specifically requests to expand the Urban Services Area Boundary for approximately 20 acres (Area 1), pre-zone and annex approximately 50.73 acres (Areas 1, 2 & 3); and to enter into a Memorandum of Understanding with the City which would outline the various beneficial commitments to be provided by the applicant and set up the framework for a future binding agreement to implement the project. These requests support the development of up to 48 single-family dwelling units on an approximately 20 acre portion of the site which has a Single-Family Low designation on the City's General Plan land use diagram. This amount of development (e.g., 48 units) would be somewhat above the midpoint of the density range (20 to 60 units) allowed by the Single-Family Low General Plan designation (1-3 units per acre).

**Table 2: Project Summary**

Area	Acres	APN <sup>1</sup>	Notes
<b>Area 2</b> Northwest of the Sunset Property	14.38	767-15-026	<b>Proposed:</b> <ul style="list-style-type: none"> <li>• Annex into City</li> <li>• Pre-zone as Open Space</li> <li>• Open Space Easement</li> <li>• No development proposed</li> </ul>
		767-19-028	
<b>Area 1<sup>2</sup></b> Sunset Property	19.99	767-15-026	<b>Proposed:</b> <ul style="list-style-type: none"> <li>• Annex into City</li> <li>• Include into the City's Urban Service Area</li> <li>• Pre-zone as R1(12,000)</li> <li>• Proposed development of 21 single-family dwelling units</li> </ul>
		767-19-020	
		767-19-024	
		767-19-028	
<b>Area 3</b> Edmundson Property	16.39	767-19-020	<b>Proposed:</b> <ul style="list-style-type: none"> <li>• Annex into City</li> <li>• Pre-Zone as Open Space</li> <li>• Open Space Easement</li> <li>• 2-acre building envelop for future single family dwelling.</li> </ul>
		767-19-024	
		767-19-034	
		767-19-035	
		767-19-036	

APN = Assessor's Parcel Number

Notes:

1. In some instances proposed areas may be located in multiple existing parcels.
2. Total area is 20.51 acres, however, 0.52 acres is already within the City's Boundary and USA.

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At the July 14, 2015 Planning Commission, the Commission directed staff to revise the MOU to include a limitation of a maximum of 21 single-family dwelling units, equivalent to the minimum number that would conform to the property's General Plan Land Use designation for the 20.51 acre development site (Area 1—19.99 acres outside of USA and City's boundaries plus 0.52 acres already within USA and City's boundary).

**Memorandum of Understanding**

During the 2014 effort by the applicant to complete the project requests, there was significant public dialogue regarding the scope of the project, the design of the project and how the project would be implemented, as well as discussion regarding how the project would meet the City's Desirable Infill criteria. In an effort to address those concerns, the applicant has proposed a new Memorandum of Understanding (MOU 2015) for the project. The MOU 2015 provides a summary of commitments and benefits that the project would provide. In addition, it sets up the framework to establish a binding agreement (typically a Development Agreement), which in the case of this project would be necessary to approve the USA with beneficial criteria.

***Purpose***

Specifically, the applicant proposed through the MOU 2015 to meet the following commitments:

- Collectively look at Areas 1, 2 & 3 (50.73 acres) and include parcels not requiring USA adjustment, Pre-Zoning or Annexation totaling approximately 50.73 acres (within the unincorporated County area).
- Establish procedures and mechanisms for the reconfigurations and title transfers of the developer's parcels for the purpose of open space preservation, annexation and development.
- Provide assurances to the City and the applicant (and any successor of the property) of what can be developed at the site, including a maximum number of dwelling units
- Provide assurances and expectations of benefit that Morgan Hill would receive as a result of the development
- Establish the timelines to deliver the benefits
- Preclude gates on roadways within Area 1;
- Provide trail easements through private properties per the City's Trail Master Plan and as well as a trail easement from the City's water tank property southerly to Edmundson Avenue. (as illustrated on Attachment 3 of the MOU);
- Construct trail improvements pursuant to City's Trail Master Plan over said easements;
- Incorporate trail heads into development;
- Provide clustering, open space, and the establishment of view sheds for Area 1;
- Develop design guidelines for development;
- Dedicate right of way for the straightening of DeWitt Avenue per County Roads and Airports realignment project; and
- Relocate a major 10" water main currently without physical access for maintenance, to an accessible location under a paved street

***Commitments as recommended by the Planning Commission***

As noted above, at the July 14, 2015 Planning Commission hearing, the Commission discussed several changes to the draft MOU and requested that the item be continued to the July 28 hearing so that the Commission could review a revised draft of the MOU document which incorporates the recommendations of the Commission, including the following provisions:

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- Allow development of a total of 21 single-family residential units on Area 1;
- Further limit the allowable building area for housing units on other properties (Areas 3-9) and locate them so as to minimize their visibility from public rights of way (as illustrated on Attachment 2 of the MOU);
- Establish open space easements over portions of certain parcels (as illustrated on Attachment 2 of the MOU);
- Provide a total of 82.74 acres of open space on open space easements (46.28 acres would be on land with greater than 20% slope);
- Preclude future requests for annexation other than for a portion of Area 9;
- Limit the size of new residential lots in Area 1 so as to be compatible with the adjacent residential neighborhood; and
- Limit lots in the future residential subdivision to portions of Area 1 below the 10% slope line.

The revised MOU accordingly reflects a lower density of 21 units (1 DU/acre) with each unit situated on a 12,000 acre parcel, clustered to preserve view sheds. This represents a feathering of density from the adjacent existing detached single-family neighborhood consisting of lots typically 7,000 square feet in size. The revised MOU maintains that the development area in Area 1 be below the 10% slope line. Areas with more slope would not be built on. Lots 5, 6 and 7 include development above the 10% slope line, however, are within the County and not viewable from the existing neighborhood because of the grades.

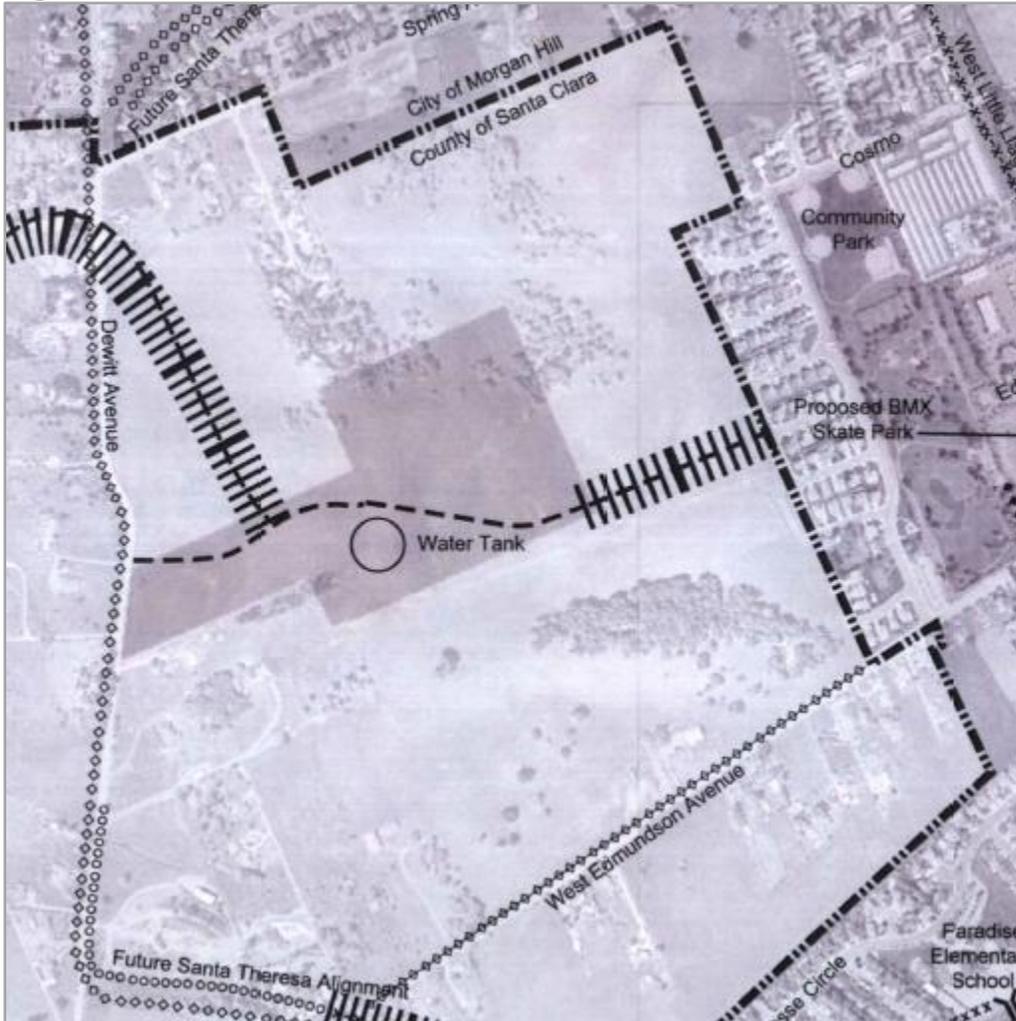
**Consistency with Applicable Regulatory Documents**

The proposed project was analyzed with respect to consistency with the City's 1) General Plan; 2) Zoning Ordinance; and 3) Applicable Policies, including the City's criteria for "Desirable Infill". Based upon this analysis (see attached staff report for the July 14, 2015 Planning Commission meeting), the project was found to be consistent with the General Plan, Zoning Code and applicable policies and recommended for approval by staff.

At the July 14 Commission meeting, the Commission discussed the City's Desirable Infill criteria and concluded that in order for the project to overall represent a benefit to the City, the amount of development should be limited to no more than the minimum required (21 dwelling units) to conform to the General Plan land use diagram. The Commission further directed that those units be located on lots of 12,000 square feet and clustered so as to preserve open space and views to the extent possible so that the project would further advance the City's General Plan goals and policies for hillside development.

As discussed at the July 14 meeting, the developer had proposed that a trail connection could be provided at an alternate location through the site, connecting to West Edmundson Avenue at a location somewhere west of Olympic Drive. A connection at this location would however be inconsistent with the City's Trails Master Plan and so the alternate location option has been removed from the revised draft MOU.

**Figure 1: Trails Master Plan for Area**



### **Community Engagement**

See the July 14, 2015 Planning Commission meeting staff report for more information in the attachments/links section.

### **Next Steps**

If recommended by the Planning Commission, the City Council would consider the USA adjustment, Pre-Zoning and Memorandum of Understanding (MOU 2015). The evaluation of the Annexation component would be deferred until a later date since the process is streamlined if LAFCO first approves the USA adjustment.

If the City Council approves the requests, then an application would be submitted to LAFCO to consider the USA adjustment. Prior to the LAFCO hearing, the City will adopt a Development Agreement or other legally binding agreement based on the commitments within the MOU 2015. If LAFCO approves the adjustment, the City Council would consider the Annexation. Subsequently, the applicant would submit for residential allocations, a Planned Development, Subdivision and site design review. At that stage, more detailed designed plans would be available following the commitments established within the legally binding agreement.

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**Conclusion**

The project has been the subject of several actions over the past nine years. The City's General Plan land use designations are in place for the project. Through the community engagement process, the applicant has in good faith responded to address the concerns of the project. The draft Memorandum of Understanding (MOU 2015) provides the blueprint for the project going forward, including expectations for density, design and public benefit commitments. As proposed, the project is consistent with the City's General Plan, Zoning Ordinance and relevant City Policies. If approved by the City, an application would be submitted to LAFCO for consideration.

**CEQA (California Environmental Quality Act):**

Project, Description of CEQA requirements

A Mitigated Negative Declaration (MND) and Mitigation Monitoring and Reporting Program (MMRP) were adopted for the project on February 4, 2015. However, since that time, a Memorandum of Understanding was added as part of a subsequent component to the project. Pursuant to CEQA guidelines Section 15163, the project on the basis of the whole record would not have substantial changes that require major changes to the MND because no new significant impacts are present. Therefore, an Addendum to the previously adopted MND is appropriate and provided for in Attachment 7.

**LINKS/ATTACHMENTS:**

1. USA Resolution
2. Annexation Resolution
3. Memorandum of Understanding 2015 Resolution
4. Zoning Amendment Ordinance
5. Project Site Plan
6. Draft Memorandum of Understanding (MOU 2015)
7. CEQA Project Addendum
8. Council Policy CP 94-02
9. Section 18.78.070, Urban Service Area Restrictions
10. September 9, 2014 Planning Commission Staff Report and Attachments
11. September 9, 2014 Planning Commission Meeting Minutes
12. October 14, 2014 Planning Commission Staff Report and Attachments
13. October 14, 2014 Planning Commission Meeting Minutes
14. November 18, 2014 Planning Commission Staff Report and Attachments
15. November 18, 2014 Planning Commission Meeting Minutes
16. January 13, 2015 Planning Commission Staff Report and Attachments
17. January 13, 2015 Planning Commission Meeting Minutes
18. February 4, 2015 City Council Report and Attachments
19. February 4, 2015 City Council Meeting Minutes
20. July 14, 2015 Planning Commission Staff Report and Attachments