



# City of Morgan Hill

## Legislation Text

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### **CITY COUNCIL STAFF REPORT** **MEETING DATE: SEPTEMBER 2, 2015**

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APPROVED BY: City Manager

**URBAN SERVICE AREA, USA 14-01/DEVELOPMENT AGREEMENT DA-15-11: WATSONVILLE-HORDNESS: REQUESTS FOR APPROVAL OF AN AMENDMENT TO THE CITY OF MORGAN HILL'S URBAN SERVICE AREA BOUNDARY TO INCLUDE TWO VACANT PARCELS TOTALING 11.06 ACRES, LOCATED ON THE SOUTH SIDE OF WATSONVILLE ROAD IMMEDIATELY ADJACENT TO THE WEST SIDE OF THE MUSHROOM FACILITY LOCATED AT 15440 WATSONVILLE RD. ALSO REQUESTED IS APPROVAL OF A DEVELOPMENT AGREEMENT TO SECURE PUBLIC BENEFIT COMMITMENT MADE WITH THE APPROVAL OF URBAN SERVICES AREA BOUNDARY APPLICATION USA-96-01 AND CONSIDERATION OF URBAN SERVICES AREA BOUNDARY APPLICATION USA-14-01. THE SPECIFIC COMMITMENT IS FULL HALF-STREET IMPROVEMENTS ALONG THE WATSONVILLE ROAD FRONTAGE OF ASSESSOR PARCEL NUMBERS 779-04-052, 067, 075 AND 076, WHICH ARE LOCATED IN THE SOUTHWEST QUADRANT OF THE INTERSECTION OF WATSONVILLE ROAD AND MONTEREY ROAD (ROYAL OAK ENTERPRISES, OWNER). CEQA: A MITIGATED NEGATIVE DECLARATION HAS BEEN ADOPTED ON DECEMBER 7, 2011, FOR THE PROJECT AS PART OF AN EARLIER RELATED APPLICATION REQUEST**

#### **RECOMMENDATION(S)**

1. Open/close public hearing;
2. Adopt resolution approving Urban Service Area Amendment USA 14-01: Watsonville-Hordness;
3. Waive first and second reading of ordinance approving project Development Agreement, DA 15-11: Watsonville-Hordness; and
4. Introduce ordinance.

#### **COUNCIL PRIORITIES, GOALS & STRATEGIES:**

##### **Ongoing Priorities**

Maintaining fiscal responsibility

## **2015 Focus Areas**

### Infrastructure Funding and Advocacy

## **REPORT NARRATIVE:**

The Urban Service Area application is a request to include two parcels (APNs 779-04-067 & 052) totaling 9.7 acres located on the south side of Watsonville Road, approximately 1125 feet west of Monterey Road, into the City's Urban Service Area, (USA) boundary. Also requested is approval of a development agreement which will act as a formal agreement between the applicant and the City of Morgan Hill for the purpose of securing public benefits offered as part of the current application (USA 14-01) as well as the USA adjustment (USA 06-01) previously approved for the applicant's adjacent parcel.

## **Urban Service Area Boundary Amendment Request**

Properties considered for inclusion into the USA are evaluated against the City's policies and regulations contained in: a) Chapter 18.78 of the Zoning Code (Residential Development Control System); b) Council Policy 94-02 (Criteria for Adjustment of the Urban Service Boundary); and c) the General Plan.

### **a) Chapter 18.78 of the Zoning Code**

Section 18.78.070, Urban Service Area Restrictions, of the Zoning Code reads,

- A. The city shall neither apply to LAFCO, nor otherwise request or support, the addition of any land to its urban service area, until such time as the city council finds that the amount of undeveloped, residentially developable land within the existing urban service area is insufficient to accommodate five years' worth of residential growth beyond that required to accommodate the number of development allotments available in the next competition. The projected rate of growth for purposes of this determination shall be the rate of growth provided for by the general plan and the RDCS, set out in Parts 2 and 3 of this chapter. After making such a finding of space insufficiency, the city may support the addition of land to the urban service area only to the extent necessary to support approximately five or fewer years of growth beyond that required to accommodate the number of development allotments available in the next competition.*
- B. The city council may formulate standards by which it may make exceptions to subsection A of this section for desirable infill..."*

The proposed USA Expansion is being proposed as an action that would satisfy Part B of this Code Section and thus should be evaluated for consistency with the applicable City Council Policy (CP 94-02).

### **b) Council Policy 94-02**

Council Policy CP 94-02 establishes Desirable Infill Criteria (see attached). The most restrictive criteria apply to residentially planned properties. One parcel (7.50 acres) proposed for inclusion within the USA has a Multi-Family Medium residential designation and one (2.20 acres) has an Open Space designation. The parcel designated as Open Space is owned by the Santa Clara Valley Water District and has been evaluated against the 'public and quasi-public land use' criteria.

- ***Residentially Planned Property***

For residentially planned properties, CP 94-02 requires the following three criteria be met for a property to be added to the Urban Service Area: physical characteristics of the property, provision of services to the property, and benefits to the City from inclusion of the property.

Physical Criteria

In order to meet the physical criteria, the total acreage of land to be added to the USA cannot exceed 20 acres, the properties must be within the Urban Limit Line, and must meet contiguity requirements. The two parcels requested for inclusion are within the Urban Limit Line and would meet the contiguity requirement because they are within the Urban Limit Line, less than 20 acres in area and adjacent on two sides to the City Limit boundary.

City Service Criteria

The subject residential parcel has been evaluated and would receive a passing score under Part 1 of the Residential Development Control System.

Beneficial Criteria

Only lands that would beneficially affect the general welfare of Morgan Hill citizens may be added to the Urban Service Area. Beneficially affecting citizens includes providing needed infrastructure or allowing the establishment of public facilities. The parcels included in the request provide the benefit of installation of one-half street (55 feet wide) improvements along the entire Watsonville Road project frontage. Watsonville Road is planned to be a four-lane arterial. Installing one-half street improvements for a four-lane arterial would be above and beyond what would typically be required of a development project, and would improve circulation in the area. Installation of the half street improvements along the project frontage would provide a desirable transition through the Monterey/Butterfield Boulevard intersection.

- ***Public and Quasi-Public Land Use (Open Space land)***

The 2.20 acre parcel is owned by the Santa Clara Valley Water District SCVWD, (APN 779-04-067) and has a land use and zoning designation of Open Space. The *Open Space* designation is considered a public/quasi-public use as the property is owned by the Santa Clara Valley Water District and proposed for future flood control improvements. For public and quasi-public land uses, the USA evaluation criteria consists primarily of having contiguity on at least a portion of one side to the USA boundary and having a General Plan land use designation of *Public Facilities* or Public/Quasi-Public Use. As discussed above, the project would meet these criteria.

**c) Applicable General Plan Policies**

The proposed USA Amendment has been reviewed for consistency with the following applicable General Plan policies.

Urban Growth Boundary

*Policy 3b Allow Urban Service Area expansions only within the long-term Urban Growth Boundary and for lands with urban designations; the timing and extent of Urban Service Area expansion shall remain consistent with established Urban Service Area expansion policies and ordinances.*

### Incompatible Uses

**Goal 6**      *Avoidance of incompatible land uses and conflicting activities.*

**Policy 6.2** *Investigate potential conflicts between future residential development and existing agricultural operations and identify methods of resolving such conflicts prior to development.*

The site is adjacent to residential uses to the north and a school to the east. These uses are considered to be incompatible with the current agricultural use of the property due to the regular odor nuisances generated by the mushroom farm activities. The mushroom farm was recently annexed which will allow the owner to redevelop the site with uses more compatible with the neighboring developments within the City.

The proposed USA expansion would facilitate future development of the residential property with residential uses, and would allow for roadway improvements along the frontage of the public facility property. While the adjacent mushroom farm has already been brought into the City, the applicant, who owns both properties, has indicated that he intends to redevelop the residential property and make frontage improvements for the parcels subject to the current application as part of a single development project. Redevelopment of the combined properties with residential and commercial (or mixed-use) development, consistent with the General Plan, would result in uses more compatible with the existing residential, commercial, and public facility uses in the area.

### Parks and Recreation

**Policy 18k** *Encourage the development of trails along creeks and drainage channels, connecting parks, regional trails, schools, library, and other community facilities.*

**Action 18.5** *Work in partnership with the Santa Clara Valley Water District to establish easements and develop trails and linear parks along creeks and drainage channels.*

The General Plan Bikeways Master Plan identifies a future proposed trail within the Monterey-South of Watsonville project area. The trail is identified along the Santa Clara Valley Water District property and extends south to Silveira Park. Inclusion of the project area into the Morgan Hill Urban Service Area and ultimately city limits, would allow the opportunity to create this trail segment as properties develop within the city.

### **Development Agreement Request**

The City's Municipal Code Section 18.78.070 requires that the commitments, on which the findings of "benefit" were made, as discussed above, must be secured by a development agreement or other legally binding agreement recorded against the property prior to official action to include the area into the USA boundary. The applicant has proposed a development agreement for the current USA expansion request to satisfy this requirement. While processing the current application (USA 14-01), staff noted that the processing of application USA 06-01 did not comply with Municipal Code in that the City did not enter into a Development Agreement as part of that application. The applicant has agreed to address the absence of a development agreement for the previous application (USA 06-01) by using the currently proposed development agreement to secure the commitments made both for the prior application and the current application (USA 14-01).

Section 18.78.070, subsection B, Urban Service Area Restrictions, of the Zoning Code reads:

*“The infrastructure improvements that are the basis of the city's findings that the expansion would beneficially affect the general welfare of the city must be installed, or the land needed for public facilities that are the basis of the city's findings that the expansion would beneficially affect the general welfare of the city must be conveyed to the public agency, within five years of the date the area is added to the urban services area or upon its development, whichever occurs first. The commitment by the applicant to install the infrastructure improvements on which the city's findings are based or convey the land needed for the public facilities on which the findings are based must be secured prior to official action adding the area to the urban services area through a development agreement or other legally binding agreement recorded against the property. The infrastructure or land required to be provided by an applicant shall not exceed that needed to fully offset and mitigate all direct and cumulative impacts on services and infrastructure from new development proposed by the applicant.”*

The proposed Development Agreement contains a commitment for USA 06-01 to reimbursement to the City of Morgan Hill costs of the half-street improvements already installed by the City and the installation of the remaining Watsonville Road right-of-way improvements within five years of the date the previous application area was added to the Urban Service Area or upon development, whichever occurs first.

The proposed development agreement includes specific delivery dates for the improvements offered as part of the USA 06-01 application. The proposed delivery dates are based on the LAFCO approval date (10/2/13) for the two parcels fronting on Watsonville Road. The proposed agreement also includes timeframes for the delivery of frontage improvements for the two parcels currently requested (USA 14-01), APN's 779-04-052 & 067. Should the current USA inclusion request (USA 14-01) not be approved by the LAFCO, the proposed Development Agreement would still require the delivery of the improvements offered for the inclusion of parcels APN's 779-04-075 & 076.

Approval of the Development Agreement as currently proposed with 55 foot wide half-street improvements along all parcels (including the SCVWD parcel) fronting Watsonville Road, would ensure that a substantial benefit is provided to the City for the inclusion of the subject properties within the USA consistent with Council Policy and that the benefit is delivered in a timely manner, consistent with the City's General Plan Urban Service Area Restrictions, and Municipal code section 18.78.080.

## **COMMUNITY ENGAGEMENT: Inform**

A 10-day public hearing notice was published on Friday, August 21, 2015 in the Morgan Hill Times and San Jose Mercury News and notices were mailed to property owners within three hundred feet of the project pursuant to Government Code Sections 65090-65096 for the September, hearing date. The applications were also considered as public hearings before the Planning Commission on September 23, 2014, July 14, July 28 and August 11 of 2015.

## **ALTERNATIVE ACTIONS:**

The following alternative recommendations could be considered if the Commission disagrees with staff's assessment and recommendation.

A. Deny the USA and development agreement request.

- B. Table the USA and development agreement request and direct staff/applicant to make modifications per the Council's direction.

### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

In October, November and December of 2011 the Planning Commission and City Council considered an application (USA 06-01) for inclusion of the Royal Oaks/Mushroom farm area (6 parcels totaling 17.34 acres) into the City's Urban Service Area. A map of the subject parcels is attached for reference. The approval of the USA request was based on the offer of one-half street improvements along the entire Watsonville Road project frontage. Installing one-half street improvements for a four-lane arterial would improve circulation in the area by providing a desirable transition through the intersection. A change to the General Plan Land Use designation and a pre-zoning of the subject property was also considered at that time. In December 2011, the Council adopted ordinance 2028 designating 8.98 acres as Light Commercial-Residential/Planned Development, 3.56 acres pre-zoned as Open Space and 7.50 acres as R-3/Planned Development.

The Council found that inclusion in the USA boundary would:

- Eliminate an existing peninsula of unincorporated land surrounded by city limits.
- Establish an Urban Service Area boundary that is co-terminus with the city limit line where parcels are currently located within the city but outside the Urban Service Area.
- Result in one-half street improvements along Watsonville Road.
- The fulfillment of the General Plan policies to avoid incompatible land uses and conflicting activities.
- Allow residential uses in commercial zones.
- Encourage a variety of commercial and office development to meet the needs of city residents.
- Rehabilitate or replace run-down, blighted buildings and developments.
- Enhance the visual integrity of the Monterey Road south of Watsonville Road gateway to the city.
- Encourage the development of trails along creeks and drainage channels, connecting parks, regional trails, schools, library, and other community facilities.

In October 2012, the City of Morgan Hill filed an application with the Santa Clara County Local Agency Formation Commission (LAFCO), requesting inclusion of the six parcels within the City of Morgan Hill Urban Service Area boundary.

On October 2, 2013, LAFCO approved inclusion of the northernmost four of the six parcels (e.g., the Mushroom Farm and adjacent commercial properties fronting on to Monterey Road, APNs 779-04-056, -001, 003, and 004). LAFCO stated that the remaining parcels (e.g., the Water District land and vacant parcel further to the west, respectively APNs 779-04-067 & 052) should remain outside the USA boundary to act as a buffer to the County agricultural land to the west.

On May 7, 2014 the City Council approved the request to annex the four parcels which were approved by LAFCO on June 27, 2014 for inclusion in the City limits of Morgan Hill.

On October 2, 2013, LAFCO, approved inclusion of the eastern most four of the six parcels (e.g., the Mushroom Farm and adjacent commercial properties fronting on to Monterey Road, APNs 779-04-003, 004, 075 & 076). LAFCO stated that the remaining parcels (e.g., the Water District land and vacant parcel further to the west, respectively APNs 779-04-067 & 052) should remain outside the

USA boundary to act as a buffer to the County agricultural land to the west.

On May 7, 2014 the City Council approve the request to annex the four parcels which were approved by LAFCO on June 27, 2014 for inclusion into the USA.

On January 31, 2014, application USA 14-01 was submitted requesting USA inclusion of the same two parcels that were excluded by LAFCO in the City's 2013 Urban Service Area application.

On September 23, 2014 the Commission considered the request (USA 14-01) to include the two parcels (APNs 779-04-067 & 052) within the USA boundary. The two parcels total 11.06 acres (3.56 acres pre-zoned Open Space and 7.50 acres pre-zoned R-3/Planned Development). The Commission voted 6-0 recommending City Council approval of the USA amendment request subject to the review and approval of a development agreement.

On June 23, 2015 an application for a Development Agreement (DA 15-11) was filed and on July 14, 2015 the Development Agreement was considered by the Planning Commission on July 14, July 28 and on August 11 voted 4-1 (Commissioner Spring voting against) to recommend City Council approval of the development agreement.

#### **FISCAL AND RESOURCE IMPACT:**

Application filing fees were collected to cover the cost of processing the request.

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

An environmental assessment was completed for the proposed project as part of the consideration of the previous 2011 General Plan amendment, pre-zoning and USA applications. The potential impacts that were identified include: biological resources, greenhouse gas emissions, hazards and hazardous materials, hydrology and water quality, noise, and utilities and service systems. Each of the potential impacts identified can be mitigated through mitigation measures that were included in the Mitigated Negative Declaration adopted by the City Council as part of their December 2011 actions. No specific development is proposed at this time but prior to future development at the project site, subsequent or supplemental environmental review will be required at a 'project-level' to account for project-specific details.

#### **LINKS/ATTACHMENTS:**

Resolution approving the amendment to the USA boundary

Ordinance approving the development agreement

Exhibit showing area within USA application 06-01

Exhibit showing area within USA application 14-01

Council Policy 94-02

Vicinity Map