CITY OF MORGAN HILL

Regular Meeting Agenda
Planning Commission

MALISHA KUMAR - CHAIR
LAURA GONZALEZ-ESCOTO - VICE-CHAIR
LIAM DOWNEY - PLANNING COMMISSIONER
WAYNE TANDA - PLANNING COMMISSIONER
JOSEPH MUELLER - PLANNING COMMISSIONER
MOHAMMAD HABIB - PLANNING COMMISSIONER
PAUL LAKE - PLANNING COMMISSIONER

Tuesday, April 26, 2022 7:00 PM

Virtual Meeting

VIRTUAL MEETING GUIDELINES AND PUBLIC COMMENT

In accordance with Executive Order N-25-20 and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. Physical meetings will not be in the City Council Chamber until further notice.
Planning Commission meetings will be live streamed on Channel 17, on the City's website and on the City's Facebook page. Those members of the community that would like to participate in the meetings remotely may do so by join the virtual meeting at: https://bit.ly/PlanningCommissionMtg or by calling in to: (669) 900-9128, then enter the webinar ID#: 862 0324 6251.
Public comment may be provided in the following ways:

- Join the virtual Planning Commission meeting via the link above, when public comment is opened, raise your virtual hand and be called upon to speak for up to 3 minutes
- Join the virtual meeting by calling in to the number above, dial *9 to raise your hand and *6 when called upon to speak for up to 3 minutes
- Send public comments in writing to the Minutes Clerk at pcpubliccomment@morganhill.ca.gov

* Please note that comments made on Facebook are not considered public comment.

CALL TO ORDER

ROLL CALL ATTENDANCE

DECLARATION Of POSTING

Pursuant to Government Code Section 54954.2

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Members of the public are entitled to address the Planning Commission concerning any item within the Morgan Hill Planning Commission's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the Commission is prohibited from discussing or taking action on any item not appearing on the posted agenda. (See additional noticing at the end of this agenda)

ORDERS OF THE DAY

MINUTES APPROVAL

1. April 12, 2022 Meeting Minutes

Recommendation:

1. Approve Minutes

PUBLIC HEARINGS

2. UP2022-0001: Third –Mohi Farms Inc.: Conditional Use Permit to allow for the on-site general sale of alcoholic beverages at a "bona fide eating place". The property, identified by Assessor Parcel Number 726-13-058, is located on the southwest corner of East Third Street and Depot Street (90 E. Third Street).

Recommendation:

1. Open/close the public hearing; and,
2. Adopt the Resolution approving the Conditional Use Permit.

OTHER BUSINESS

3. FY22/23-27/28 CAPITAL IMPROVEMENT PROGRAM GENERAL PLAN CONSISTENCY

Recommendation:

1. Receive report on proposed FY 2022/23 through FY 2027/28 Capital Improvement Program (CIP); and
2. Adopt Resolution accepting CIP and make a Finding of Consistency with the General Plan for FY 2022/23 and FY 2023/24.

4. Housing Element Update - Affirmatively Furthering Fair Housing (AFFH)

Recommendation:

1. Review, discuss, and provide feedback on the draft Affirmatively Furthering Housing (AFFH) for the City of Morgan Hill

DIRECTOR'S REPORT/ANNOUNCEMENTS

ADJOURNMENT

NOTICE

Any documents produced by the City and distributed to the majority of the Planning Commission less than 72 hours prior to an open meeting, will be made available for public inspection at the front counter at City Hall located at 17575 Peak Avenue, Morgan Hill, CA, 95037 and at the Morgan Hill Public Library located at 660 West Main Avenue, Morgan Hill, California, 95037 during normal business hours. (Pursuant to Government Code 54957.5)

PUBLIC COMMENT

Members of the Public are entitled to directly address the Planning Commission concerning any item that is described in the notice of this meeting, before or during consideration of that item. If you wish to address the Planning Commission on any issue that is on this agenda, please complete a speaker request card located in the foyer of the Council Chambers and deliver it to the Minutes Clerk prior to discussion of the item. You are not required to give your name on the speaker card in order to speak to the Planning Commission, but it is very helpful. When you are called, proceed to the podium and the Chair will recognize you. If you wish to address the Planning Commission on any other item of interest to the public, you may do so during the public comment portion of the meeting following the same procedure described above. Please limit your comments to three (3) minutes or less.

Please submit written correspondence to the Minutes Clerk, who will distribute correspondence to the Planning Commission.

Persons interested in proposing an item for the Planning Commission agenda should contact a member of the Commission who may plan an item on the agenda for a future Commission meeting. Should your comments require Planning's action, your request may be placed on the next appropriate agenda. Planning Commission discussion or action may not be taken until your item appears on an agenda. This procedure is in compliance with the California Public Meeting Law (Brown Act) Government Code §54950.

City Council Policies and Procedures (CP 03-01) outlines the procedure for the conduct of public hearings. Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the Commission at, or prior to the Public Hearing on these matters.

The time within which judicial review must be sought of the action by the Commission, which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.

For a copy of Commission Policies and Procedures CP 97-01, please contact the City Clerk's office (408) 779-7259, (408) 779-3117 (fax) or by email cityclerk@morganhill.ca.gov.

AMERICANS WITH DISABILITIES ACT (ADA)

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (408)779-7259, (408)779-3117 (fax) or by email cityclerk@morganhill.ca.gov. Requests must be made as early as possible and at least two-full business days before the start of the meeting.

CITY OF MORGAN HILL

Meeting Minutes

Planning Commission

MALISHA KUMAR - CHAIR
LAURA GONZALEZ-ESCOTO - VICE-CHAIR
LIAM DOWNEY - PLANNING COMMISSIONER
WAYNE TANDA - PLANNING COMMISSIONER
JOSEPH MUELLER - PLANNING COMMISSIONER
MOHAMMAD HABIB - PLANNING COMMISSIONER

Tuesday, April 12, 2022 7:00 PM

Virtual Meeting

CALL TO ORDER

Chair Kumar called the meeting to order at 7:01 p.m.

ROLL CALL ATTENDANCE

Minutes Clerk Luna called the roll at 7:01 p.m.

STATUS	ATTENDEES
REMOTE	Malisha Kumar, Laura Gonzalez-Escoto, Joseph Mueller, Wayne Tanda, Mohammad Habib, Liam Downey, Paul Lake
ABSENT	NONE

DECLARATION Of POSTING

Minutes Clerk Luna declared the posting of the agenda at 7:02 p.m.

PLEDGE OF ALLEGIANCE

Planning Commissioner Mueller led the Pledge of Allegiance at 7:02 p.m.

ORDERS OF THE DAY

No changes made.

MINUTES APPROVAL

1. March 22, 2022 Meeting Minutes

Recommendation:

1. Approve Minutes

MOTION:

Accept the March 22, 2022, Meeting Minutes.

RESULT:	Passed
MOVER:	Planning Commissioner Downey
SECONDER:	Planning Commissioner Gonzalez-Escoto
AYES:	Kumar, Gonzalez-Escoto, Mueller, Tanda, Habib, Downey, Lake
NAYS:	None
ABSTAIN:	None
ABSENT:	None

PUBLIC HEARINGS

2. SR2021-0007: DUNNE - GHUMAN/MANI/PULIAFICO: Preliminary Plan Review to consider a General Plan Amendment for an 8.34-acre site to increase the density from Residential Estate (RE) minimum one-acre lots to Residential Detached Low (RDL) up to four units to the acre.

Recommendation:

1. Open and close public hearing; and
2. Planning Commission to provide preliminary input on the proposed General Plan Amendment.

This is a Preliminary Plan Review application. No action will be taken on the project as this is advisory only.

Senior Planner Tiffany Brown presented the staff report at 7:06 p.m.

Chair Kumar opened the floor for the applicant to make a presentation at 7:26 p.m.

- Vince Burgos, Applicant.

Chair Kumar opened the Public Hearing at 7:47 p.m. The following individuals addressed the Planning Commission:

- Art
- Anthony Coloaprete
- Kelly Funk
- Joe Baranowski
- Jill Jones
- Toni Guerra

Hearing no further requests to speak, the Public Hearing was closed at 8:10 p.m.

Chair Kumar opened the floor to the developer at 8:11 p.m.

- Mr. McClintock, MH Engineering

No motion was taken. The Planning Commission reviewed, discussed, and provided feedback to staff and the applicant.

The Planning Commission meeting recessed at 8:51 p.m.
The Planning Commission meeting reconvened at 8:56 p.m.

WORKSHOP

3. Goals and Policies Housing Element Workshop

Recommendation:

1. Review, discuss, and provide feedback on the proposed goals and policies.

Principal Planner, Adam Paszkowski, presented the Staff Report at 8:57 p.m.

Chair Kumar opened the Public Comment Period at 10:14 p.m. The following individuals addressed the Planning Commission:

- Joe Baranowski
- Kalisha Webster, Senior Housing Advocate with Housing Choices

Hearing no further requests to speak, the Public Comment Period was closed at 10:21 p.m.

No action was taken. The Planning Commission reviewed, discussed, and provided feedback to staff.

DIRECTOR'S REPORT/ANNOUNCEMENTS

Community Developer Director Jennifer Carman made an announcement at 10:22 p.m.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 10:30 p.m.

MINUTES PREPARED BY:
Jenna Luna, Minutes Clerk

CITY OF MORGAN HILL

PLANNING COMMISSION STAFF REPORT
MEETING DATE: April 26, 2022

PREPARED BY:
Rich Buikema, Contract Planner
APPROVED BY: Jennifer Carmen

UP2022-0001: THIRD –MOHI FARMS INC.: CONDITIONAL USE PERMIT TO ALLOW FOR THE ON-SITE GENERAL SALE OF ALCOHOLIC BEVERAGES AT A "BONA FIDE EATING PLACE". THE PROPERTY, IDENTIFIED BY ASSESSOR PARCEL NUMBER 726-13-058, IS LOCATED ON THE SOUTHWEST CORNER OF EAST THIRD STREET AND DEPOT STREET (90 E. THIRD STREET).

RECOMMENDATION(S)

1. Open/close the public hearing; and,
2. Adopt the Resolution approving the Conditional Use Permit.

LOCATION MAP/PROJECT INFORMATION:

1.	Location:	Southwest corner of Depot and E. Third Streets/ 90 E. Third Street (726-13-058)
2.	Site Area:	1.6 Acres
3.	General Plan:	Mixed Use
4.	Zoning:	MU-D Downtown Mixed Use, Ground Floor Overlay
5.	Request:	Request for a Conditional Use Permit to allow a Type 47 liquor license for on-site general sale of alcoholic beverages at a "bona fide eating place"

BACKGROUND:

On February 24, 2021, Frank Leal (MOHI Farms, Inc.) filed a Conditional Use Permit application to allow the service of a full range of alcoholic beverages in conjunction with a new restaurant in an existing building. The restaurant proposes alcohol beverage service beyond beer and wine;

therefore, a Conditional Use Permit is required in accordance with the Morgan Hill Downtown Specific Plan.

PROJECT DESCRIPTION:

Site Description

The 1.6 acre project site occupies the entire block on the western side of Depot Street between E. Third Street and East Fourth Street. The proposed restaurant (MOHI Farms, Inc.) is proposed within a 4,000 square foot tenant space (2,200 square foot dining area (Occupancy 74)) within the 120,000 square foot Sunsweet mixed use project consisting of 83 apartment units and 6,000 square feet of ground floor commercial uses that includes a dentist office and leasing office. The proposed restaurant will be located in the eastern most commercial spaces that front Third Street.The project includes outdoor dining in a parklet on Third Street and a patio area on the west side of the building.

Surrounding Uses

The site is located in Downtown Morgan Hill along Depot Street west of the City of Morgan Hill Railroad Park. A mixed-use condominium development with ground floor commercial uses is located to the north, the City of Morgan Hill Downtown parking structure is located to the west, and the residential portion of the Sunsweet project (the project site) is located to the south.

	General Plan Land Use	Zoning	Existing Use
North	Mixed Use	MU-D Downtown Mixed Use, Ground Floor Overlay	Mixed Use
South	Mixed Use	MU-D Downtown Mixed Use, Ground Floor Overlay	Mixed Use
East	Mixed Use	MU-D Downtown Mixed Use, Ground Floor Overlay	Public Park

West	Mixed Use	MU-D Downtown Mixed Use, Ground Floor Overlay	Parking Structure

PROJECT ANALYSIS AND FINDINGS:
Proposed Project

The applicant (MOHI Farm) requests a Use Permit to allow the service of a full range of alcoholic beverages in conjunction with a new restaurant in an existing building. The restaurant proposes alcohol beverage service beyond beer and wine; therefore, a Conditional Use Permit is required in accordance with the Morgan Hill Downtown Specific Plan (Figure 8, Permitted Uses—Morgan Hill Downtown Specific Plan) (Attachment 2).

Specifically, the applicant will be subject to the limitations of the "Type 47" liquor license from the California Department of Alcohol Beverage Control (ABC) that "*authorizes the sale of beer, wine and distilled spirits for consumption on the licensed premises. Authorizes the sale of beer and wine for consumption off the licensed premises. Must operate and maintain the licensed premises as a bona fide eating place. Must maintain suitable kitchen facilities and must make actual and substantial sales of meals for consumption on the premises. Minors are allowed on the premises*."

Type 47 is typical of other restaurants in the Downtown. Use Permits were most recently issued in January 2022 to Giorgio's located at 17380 Monterey Road. Other Use Permits approved for alcohol sales include Betto's Bistro located at 17385 Monterey Road (UP-16-03) and Willard Hicks and Opa located at 17290, 17280, and 17270 Monterey Road (UP-16-04) to allow a full range of alcoholic beverages. The restaurants downtown that have been providing full alcohol service prior to the adoption of the Morgan Hill Downtown Specific Plan in 2007 are legal nonconforming and did not require a Conditional Use Permit.

As described in the applicant's "statement of proposed operations" (Attachment 3), the restaurant hours would be 11:00 am to 9:00 pm, Sunday through Thursday, and 11:00 am to 10:00 pm, Friday and Saturday. A floor plan of the proposed restaurant has been provided (Attachment 4).

The proposed project was analyzed with respect to conformance with: 1) Morgan Hill 2035 General Plan; 2) Downtown Specific Plan, and 3) Zoning Ordinance.

1. **General Plan Land Use Consistency**

The Site has a General Plan designation of CBD Mixed Use and is located within the Downtown Specific Plan Area. When applied in accordance with the Downtown Plan, this designation covers 68 acres of smaller parcels with the downtown area. This designation is intended to encourage a mixture of commercial and residential uses. The proposed use would be commercial, consistent with this designation.

General Plan Policies

The proposed restaurant with a full range of alcoholic beverages in conjunction with a new restaurant is consistent with the following General Plan goals and policies:

GOAL ED-5 A downtown where residents and visitors of all ages can live, work, meet, shop, dine, participate in public celebrations, discover the story and past of our city, and share in the richness of Morgan Hill's community life.

GOAL ED-7 Thriving stores, restaurants, and shopping centers that meet local residents' shopping needs and attract regional shoppers and tourists.

Policy ED-5.4 Downtown as Cultural Center. Position downtown as the local focal point for fine dining, arts, culture, history, entertainment, and boutique retail activity

Policy CNF-15.1 Mix of Commercial Uses. Encourage a variety of commercial and office development to meet the needs of City residents.

The proposed restaurant will serve to both keep and attract people downtown. The allowance for alcohol sales is typical of most restaurants in the Downtown that operate under a Type 47 license and the addition of a new restaurant downtown will contribute further towards making downtown the focal point of the community.

2. **Downtown Specific Plan Consistency**

The site is located within the Downtown Specific Plan. The Downtown Specific Plan boundary covers 18 blocks and approximately 110 acres. Downtown Morgan Hill is centered on Monterey Road and is bound by Main Avenue, Butterfield Boulevard, Dunne Avenue, and Del Monte Avenue. The Downtown Core is generally defined by Main Avenue, the railroad tracks, Dunne Avenue, and Del Monte Avenue.

The vision statement of the Downtown Specific Plan is: "Strengthening Downtown as the gathering place, a connecting force, the social and activity heart of Morgan Hill is the overriding aspiration of this Plan - a place where residents from all segments of the community can live, work, meet, shop, dine and participate in public celebrations, and share in the richness of Morgan Hill's community life. It will be a place like nowhere else - a place with its own scale, character, and uses." Consistent with this vision, the Specific Plan identifies that the downtown "will offer needed goods and services as well as provide a congenial home for new and unique businesses". The project is located within the Downtown Specific Plan; therefore, the listed permitted and conditionally permitted uses within the Specific Plan supersede the Morgan Hill Zoning Ordinance and provide the primary tool for the Plan's implementation. A restaurant without a bar (beer and wine only) is a permitted use. A restaurant that serves more than beer and wine requires a Conditional Use Permit (Figure 8, Permitted Uses—Morgan Hill Downtown Specific Plan). Such use can be appropriate if it meets the

City's standards for conditional uses.

3. **Zoning Ordinance Consistency**

The zoning designation for the site is Downtown Mixed Use (MU-D) with a Ground Floor (GF) Overlay District. The permitted land uses in the MU-D zoning district are identified in Figure 8 in the Downtown Specific Plan. A restaurant without a bar (beer and wine only) is a permitted use. A restaurant that serves more than beer and wine requires a Use Permit. This requirement only applies downtown due to the Downtown Specific Plan superseding the Zoning Ordinance. Restaurants outside of the Downtown Specific Plan area are not subject to this requirement under the Zoning Ordinance.

With the adoption of the Downtown Specific Plan and to encourage commercial development within Downtown, the City Council adopted a Resolution (Res. No. 6640) to exempt non-office uses from providing on-site parking.

FINDINGS
Pursuant to the requirements in Section 18.108.030 of the Zoning Ordinance, the following findings are required:

1. The proposed use is allowed in the applicable district.

The zoning designation for the site is Downtown Mixed Use (MU-D) with a Ground Floor (GF) Overlay District. The permitted land uses in the MU-D zoning district are identified in Figure 8 in the Downtown Specific Plan. A restaurant without a bar (beer and wine only) is a permitted use. A restaurant that serves more than beer and wine requires a Conditional Use Permit.

2. The proposed use is consistent with the general plan, zoning code, and any applicable specific plan or area plan adopted by the city council.

As discussed above, the proposed use is consistent with the general plan, zoning code, and Morgan Hill Downtown Specific Plan.

3. The site is suitable and adequate for the proposed use.

The 1.6-acre site at the southwest corner of East Third and Depot Streets is suitable and adequate for the proposed restaurant.

4. The location, size, design, and operating characteristics of the proposed use will be compatible with the existing and future land uses in the vicinity of the property.

The proposed restaurant is in Downtown Morgan Hill, which is the primary district for dining and entertainment and will add to the variety of available dining options.

5. The proposed use will not be detrimental to public health, safety, and welfare.

As conditioned and regulated by state and local laws, the project's operations would not adversely affect peace, health, safety, morals, or welfare of persons residing or working in surrounding areas. The project would not impair the utility or value of the property of other persons located in the vicinity of the site and will not be detrimental to the health, safety, or general welfare. Implementation of the project would include being compliant with building codes.

6. The proposed use would not have a substantial adverse effect on traffic circulation and on the planned capacity of the street system.

The development of the project is consistent with the General Plan land use and zoning designations, so the associated effects on local transportation facilities have already been anticipated by the city within the General Plan Circulation Element.

7. The proposed use is properly located within the city and adequately served by existing or planned services and infrastructure.

The proposed use is located within the city limits and utilities, such as gas, water, sewer, and electricity, and public services are available at the site and are adequately sized to support the use at the proposed location.

CONCLUSION:

As discussed in this report, the City can make the required findings for approval of the requested Conditional Use Permit for the service of a full range of alcohol in conjunction with the restaurant. Approval is recommended subject to the findings and conditions contained in the attached resolution.

CEQA (California Environmental Quality Act):

The project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301, Existing Facilities of the CEQA Guidelines as it consists of the operation of a restaurant within an existing building involving a negligible expansion of use.

COMMUNITY ENGAGEMENT:

The proposed project was publicly noticed (mailing to property owners within 300 feet of the project and newspaper legal noticing) for the minimum 10-day period and a sign has been posted at the proposed business location pursuant to the Planning Division requirements. Information on the project was also available on the City's website.

ATTACHMENTS:

1. Draft Resolution
2. Downtown Specific Plan - Figure 8 Land Uses
3. Letter of Request
4. Exhibits and Floor Plan
5. Public Comment
6. Staff Presentation

RESOLUTION NO. 22-07

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL APPROVING A CONDITIONAL USE PERMIT TO ALLOW THE FULL SERVICE OF ALCOHOLIC BEVERAGES IN CONJUNCTION WITH A RESTAURANT AT 90 E. THIRD ST IN THE DOWNTOWN MIXED-USE/GROUND FLOOR OVERLAY DISTRICT (APN 726-13-058).

WHEREAS, on February 1, 2022, Frank Leal submitted an application for a Conditional Use Permit to allow the service of a full range of alcoholic beverages in conjunction with a new restaurant in an existing building. The restaurant proposes alcohol beverage service beyond beer and wine; and

WHEREAS, such request was considered by the Planning Commission at its regular meeting on April 26, 2022; and

WHEREAS, pursuant to the Morgan Hill Municipal Code Section 18.136.050.A, the Director of Development Services determined the project exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301 Existing Facilities; and

WHEREAS, testimony received at a duly noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1. The Project approved pursuant hereto is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301 of Guidelines for CEQA as it consists of the operation of a restaurant within an existing building involving a negligible expansion of use.

SECTION 2. The approved conditional use has been found consistent with the criteria for Conditional Use Permit approval contained in Section 18.108.030 of the Zoning Code and hereby adopted:

a. **The proposed use is allowed in the applicable district.**

The zoning designation for the site is Downtown Mixed Use (MU-D) with a Ground Floor (GF) Overlay District. The permitted land uses in the MU-D zoning district are identified in Figure 8 in the Downtown Specific Plan. A restaurant without a bar (beer and wine only) is a permitted use. A restaurant that serves more than beer and wine requires a Conditional Use Permit.

b. **The proposed use is consistent with the general plan, zoning code, and any applicable specific plan or area plan adopted by the city council.**

The proposed use is consistent with the general plan, zoning code, and Morgan Hill Downtown Specific Plan, as restaurant uses are a permitted use. A restaurant that serves more than beer and wine requires the issuance of a Conditional Use Permit.

c. **The site is suitable and adequate for the proposed use.**

The 1.6-acre project site at the southeast corner of Depot Street and N. Third Street and 4,000-foot single-story commercial tenant space is suitable and adequate for the proposed restaurant.

d. **The location, size, design, and operating characteristics of the proposed use will be compatible with the existing and future land uses in the vicinity of the property.**

The proposed restaurant is in Downtown Morgan Hill, which is the primary district for dining and entertainment and will add to the variety of available dining options.

e. **The proposed use will not be detrimental to the public health, safety, and welfare.**

As conditioned and as regulated by state and local laws, the project's operations would not adversely affect peace, health, safety, morals, or welfare of persons residing or working in surrounding areas. The project would not impair the utility or value of the property of other persons located in the vicinity of the site and will not be detrimental to the health, safety, or general welfare. Implementation of the project would include being compliant with building codes.

f. **The proposed use would not have a substantial adverse effect in traffic circulation and on the planned capacity of the street system.**

Development of the project is consistent with the General Plan land use and zoning designations, so the associated effects on local transportation facilities have already been anticipated by the city within the General Plan Circulation Element.

g. **The proposed use is properly located within the city and adequately served by existing or planned services and infrastructure.**

The proposed use is located within the city limits and utilities, such as gas, water, sewer, and electricity, and public services are available at the site and are adequately sized to support the use at the proposed location.

SECTION 3. The California Department of Alcohol Beverage Control (ABC) has stated that the subject census tract has an overconcentration of liquor licenses, and a determination of Public Convenience or necessity finding is required from the ABC prior to the issuance of the Type 47 license. While this finding is determined by ABC alone, the Planning Commission has reviewed the permit request and determined that the allowance for alcohol sales is typical of most restaurants in the Downtown that operate with a Type 47 license and will be consistent with the City's General Plan Goals by providing thriving restaurants that meet local resident's needs and attract tourists.

SECTION 4. The Planning Commission hereby approves the conditional use subject to the conditions set forth in Exhibit A, attached hereto and incorporated herein by this reference. Any expansion, intensification, or changes to the uses approved under this Conditional Use Permit shall be permitted only upon amendment of this Conditional Use Permit or approval of a separate Conditional Use Permit application.

PASSED AND ADOPTED THIS 26TH DAY OF APRIL 2022, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

ABSENT: COMMISSIONERS:

ATTEST: **APPROVED:**

JENNA LUNA, Deputy City Clerk **MALISHA KUMAR, Chair**

A F F I D A V I T

I, Frank Leal, applicant, hereby agree to accept and abide by the terms and conditions specified in this resolution.

Frank Leal, Applicant

Date: _____

EXHIBIT "A"

STANDARD CONDITIONS

APPLICATION: UP2022-0001: E. THIRD – MOHI FARMS, INC.

THE FOLLOWING APPROVAL REQUIREMENTS AND ANY SPECIAL CONDITIONS SHALL BE APPLIED THROUGH THE DEVELOPMENT APPROVAL PROCESS.

Legend

MHMC= Morgan Hill Municipal Code
MHARH= Morgan Hill Architectural Review Handbook
CMH= City of Morgan Hill
CFC= California Fire Code

I. PROJECT DESCRIPTION

The project includes a Conditional Use Permit to allow the service of a full range of alcoholic beverages in conjunction with a new restaurant in an existing building. The restaurant proposes alcohol beverage service beyond beer and wine.

II. PROJECT CONDITIONS OF APPROVAL

This Conditional Use Permit approval is limited to allowing the on-site general sale of alcoholic beverages at a “bona fide eating place”. The restaurant will be limited to a Type 47 liquor license from the California Department of Alcohol Beverage Control (ABC). The business shall operate and maintain the licensed premises as a bona fide eating place, shall maintain suitable kitchen facilities, and shall make actual and substantial sales of meals for consumption on the premises.

It shall be the responsibility of the Owner to ensure that any changes or modifications to the Project are following the original City Conditions of Approval of the Project, which are hereby incorporated herein as set forth in full.

DEFENSE AND INDEMNITY

A. As part of, and in connection, with this application to the City of Morgan Hill, Applicant agrees to defend, indemnify, and hold harmless the City of Morgan Hill, its officers, agents, employees, officials and representatives (Indemnitees) from and against any and all claims, actions, or proceedings arising from any suit for damages or for equitable or injunctive relief which is filed against City to attack, set aside, void or annul its approval of this application or any related decision, or the adoption of any environmental documents which relates to said approval. The City shall promptly notify the Applicant of any such claim, action or proceeding and the City shall cooperate fully in the defense thereof. In the event that Applicant is required to defend Indemnitees in connection with the proceeding, Indemnitees shall retain the right to approve (a) the counsel to so defend

Indemnitees; (b) all significant decisions concerning the manner in which the defense is conducted; and (c) any and all settlements, which approval shall not be unreasonably withheld. This indemnification shall include, but is not limited to, (a) all pre-tender litigation costs incurred on behalf of the City, including City's attorney's fees and all other litigation costs and expenses, including expert witnesses, required to defend against any lawsuit brought as a result of City's approval or approvals; (b) reasonable internal City administrative costs, including but not limited to staff time and expense spent on the litigation, after tender is accepted; and (c) all damages, costs, expenses, attorney fees or expert witness fees that may be awarded to the prevailing party arising out of or in connection with the approval of the application or related decision. City may, in its sole discretion, participate in the defense of such action; but such participation shall not relieve Applicant of its obligations under this condition. The undersigned hereby represents that they are the Applicant or are fully empowered by the Applicant as their agent to agree to provide the indemnification, defense and hold harmless obligations, and the signature below represents the unconditional agreement by Applicant to be bound by such conditions.

TIME LIMITS

A. **Term:** The Conditional Use Permit approval granted pursuant to this Resolution shall remain in effect for two years to April 26, 2024. Failure to obtain building permits within this term shall result in termination of approval unless an extension of time is granted with a showing of just cause prior to expiration date. **(MHMC 18.108.040)**

GENERAL

A. **Mitigation Fee Act:** Notice is hereby given that, pursuant to the Mitigation Fee Act, the City of Morgan Hill charges certain fees (as such term is defined in Government Code Section 66000) in connection with approval of this development project for the purpose of defraying all or a portion of the cost of public facilities related to this development project (Mitigation Fee Act Fees). These fees do not include fees for processing applications for governmental regulatory actions or approvals, fees collected as part of development agreements, or as a part of the application for the City's Residential Development Control System. The Mitigation Fee Act Fees applying to this project are listed in the schedule of fees to be provided at building permit stage. Notice is also hereby given that the Developer has an opportunity to protest the imposition of the Mitigation Fee Act Fees within 90 days of the approval or conditional approval of this development project and that the 90-day protest period has begun.

B. **Signed copies of Approval Certificate**: Submit two (2) signed copies of Approval Resolution No. 22-02 to the Planning Division prior to issuance of a building permit.

ENGINEERING DIVISION

A. Public Works Impact fees may be required for this project and must be paid prior to the issuance of Building Permit.

BUILDING DIVISION

A. The owner or designee shall follow all applicable building codes.

POLICE DEPARTMENT

A. Entertainment as defined in Section 5.28 of the Morgan Hill Municipal Code may not be conducted unless an Entertainment Permit is approved by the Police Department.

Permitted Uses

Figure 8 below lists uses that are permitted (P), conditionally permitted (C), conditionally permitted with a Downtown Administrative Use Permit (A), and not permitted (N).

Figure 8
Permitted Uses (within the Specific Plan Boundary)

Use *(Block 16 is subject to special use restrictions. Uses with an N in the column after the CBD column means that retail or commercial use is prohibited on Block 16)*	**CBD**	**CBD Block 16**	**GFO**	**D-PF**	**R2 D-R3 D-R4**	**RE**
Commercial/Service/Retail Uses						
Antique shop, vintage clothing and collectibles	P	N	P	N	N	N
Arts and crafts gallery	P	N	P	N	N	N
Bed and Breakfast Lodging	C	N	N	N	C	C
Commercial recreation (3,000 sq. ft. or less)	P		C	C	N	N
Commercial recreation (greater than 3,000 sq. ft.)	C		C	C	N	N
Commercial service	P		A	N	N	N
Convenience market/store	C	N	C	N	N	N
Dry cleaner, shoe repair	P	N	C	N	N	N
Family day care, small	C		N	N	P	P
Financial services, bank	P		C	N	N	N
Food service, takeout	P	N	P	N	N	N
Hotel	C	N	C	N	N	N
Nightclub and bar (ancillary to a restaurant)	C	N	C	N	N	N
Nightclub, bar, theater (not ancillary to a restaurant)	C	N	C	N	N	N
Nursery school/large family day care facility	C		N	C	C	C
Personal services	P		A	N	N	N
Public/quasi-public building (education, cultural, or public-service)	C		A	P	C	C
Public Parking Lots or Structures	P		C	P	C	N
Restaurant (beer & wine permitted; bars conditionally permitted)	P	N	P	N	N	N
Retail store	P	N	P	N	N	N
School, general educational	C	N	N	C	N	N
Social hall, lodge, fraternal organization, community club, religious facilities	C	N	N	C	C	C
Specialty food market	P	N	P	N	N	N
Theater	C	N	C	N	N	N
Residential Uses						
Duplex, triplex	C		N	N	P	N
Congregate care for the elderly/assisted living facility (>6)	N		N	C	C	N
Home occupations (in accordance with Chapter 18.04.225: Home Occupations, of the Zoning Ordinance)	P		C	N	P	P
Live/work unit	P		C	N	N	N
Mixed use residential (residential use above some other use)	P		P	N	N	N
Multi-family dwelling	C		C	N	P	N
Nursing/convalescent hospital	N		N	C	C	N
Residential congregate care facility - large (>6)	N		N	C	C	N
Residential congregate care facility - small (≤6)	N		N	N	P	P
Single-family attached dwelling	C		N	N	P	P
Single-family detached dwelling	C		N	N	P	P

Figure 8 (Continued)

Permitted Uses (within the Specific Plan Boundary)

Use *(Block 16 is subject to special use restrictions. Uses with an N in the column after the CBD column means that retail or commercial use is prohibited on Block 16)*	CBD	CBD Block 16	GFO	D-PF	R2 D-R3 D-R4	RE
Office/Professional Uses						
Business, trade or tutoring school	P		A	C	N	N
Business support services	P		A	N	N	N
Hospital	P		N	N	N	N
Medical office	P		N	N	N	N
Office, administrative	P		A	C	N	N
Professional office	P		A	C	N	N
Other Uses						
Drive-in establishments	C		N	N	N	N
Public Parking Lots or Structures	P		C	P	C	N
Other uses similar to permitted or conditionally permitted uses as determined by the Planning Commission to be permitted	C		C	C	C	C

Requirement for Air Quality and Transportation Demand Management Plan (AQ-TDM Plan)

As part of the Design Permit process, all projects subject to the Design Review requirements shall submit a proposed Air Quality and Transportation Demand Management Plan (AQ-TDM Plan) for review and action by the Community Development Director. The AQ-TDM Plan will incorporate appropriate measures at appropriate locations as determined through the design permit process, such as the following, to reduce air quality impacts:

- Provide bicycle lanes, sidewalks and/or paths, connecting project residences to adjacent schools, parks, the nearest transit stop and nearby commercial areas.
- Provide secure and conveniently placed bicycle parking and storage facilities at parks and other facilities.
- Allow only natural gas fireplaces. No wood burning devices would be allowed.
- Construct transit amenities such as bus turnouts/bus bulbs, benches, shelters, etc.
- Provide direct, safe, attractive pedestrian access from project land uses to transit stops and adjacent development.
- Provide showers and lockers for employees bicycling or walking to work.
- Provide transit information kiosks and bicycle parking at commercial facilities.
- Provide secure and conveniently located bicycle parking and storage for workers and patrons.

Public parking lots constructed or assisted by the City or Redevelopment Agency of Morgan Hill and private residential parking facilities of 50 spaces or more shall include the following amenities:

- Electric vehicle charging facilities.
- Preferential parking for Low Emission Vehicles (LEVs).

To: City of Morgan Hill
RE: Conditional Use Permit
MOHI FARM
90 3RD Street, Suite 50 Morgan Hill, CA

The live+love+leal Hospitality Portfolio would like to request a Conditional Use Permit (CUP) for a new restaurant to our growing downtown Morgan Hill district. MOHI Farm is a farm-to-table restaurant offering locally sourced ingredients to create healthy composed dishes with a quick-service dining experience. The restaurant concept pays tribute to the local Morgan Hill Farmer's Market at Depot Street and our local organic farm, MOHI Farm.

The Location:
Nestled inside the Sunsweet Building on the corner of 3rd and Depot St.
Is 3,986 sq ft of storefront space with a parklet. The location is directly across the street from Railroad Park. This location is in close proximity to both the parking garage and Depot parking lot. The location also has a pick-up and delivery access point off of Depot Street to provide efficiency for traffic flow.

Scope of Work:
This project is Tenant Improvement (TI) for an existing mixed-use property at the Sunsweet Apartment Building. All kitchen equipment design and layout will be in compliance with Santa Clara County Environmental Health standards. Interior design will consist of restaurant FFE.

Experience:
This farm-to-table restaurant concept promotes healthy dining by offering farm-fresh locally sourced ingredients to infuse with our Chef's bold flavor creations. The menu will start off vegan/vegitarian with an option to add protein to every menu item. Whether dining in or carrying out to enjoy outdoors at the park, for the health-conscious and the flavor-obsessed, we have something good for you.

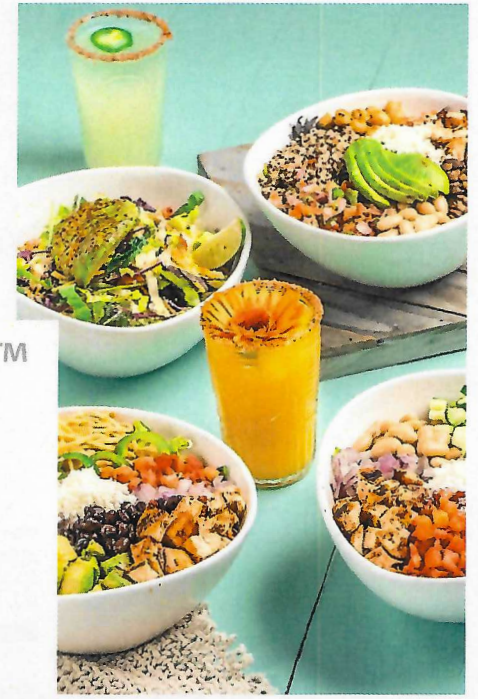
The vibe of the restaurant is to blend modern, simplicity with organic, rustic colors and textures. Upscale lighting, fixtures and furniture make for a date-worthy atmosphere. Over-the-top flourishes (think marble and gold) create an elevated experience.

The parklet on 3rd Street in front, off the sidewalk, will provide additional use of space and create an outdoor dining experience. Concrete planter boxes will add the farm-fresh greenery with rosemary, basil, sage, and rustic manzanillo olive trees to create an outdoor farm experience you can smell and taste from a simple stroll down the street.

Our proposed hours of operations will be 7 days a week.
Sunday-Thursday 11am to 9pm and Friday and Saturday 11am-10pm

MOHI Farm, Inc. will employ 25-30 employees on an annual basis.

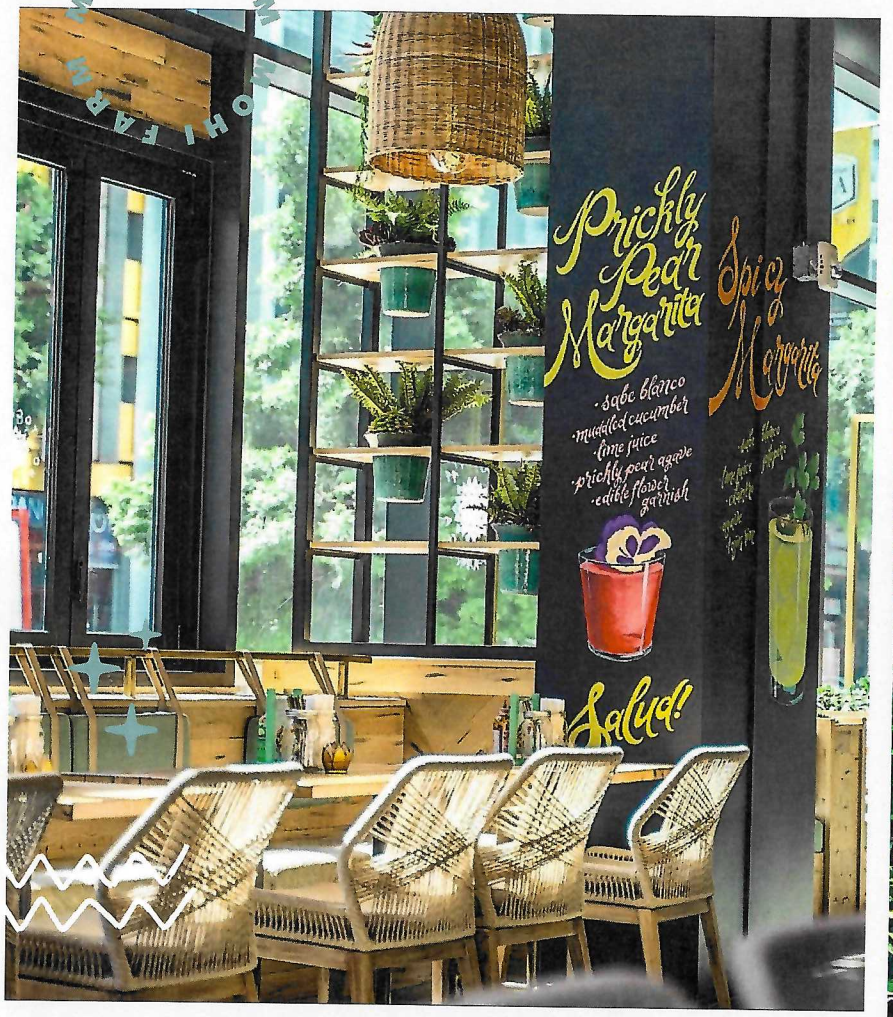
MOODBOARD

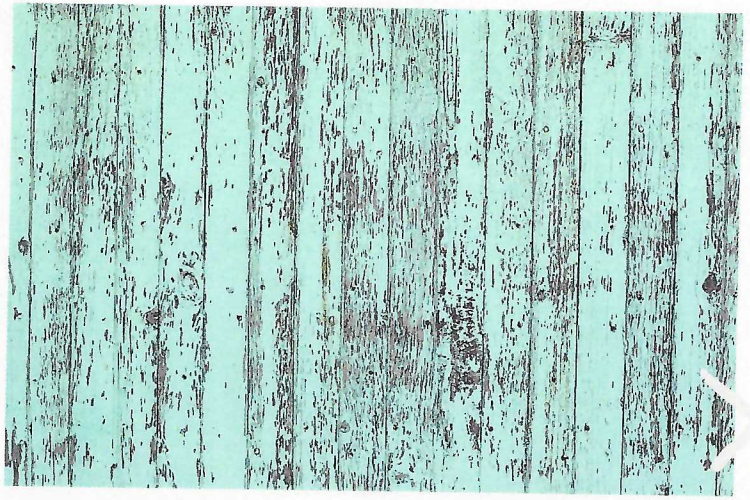


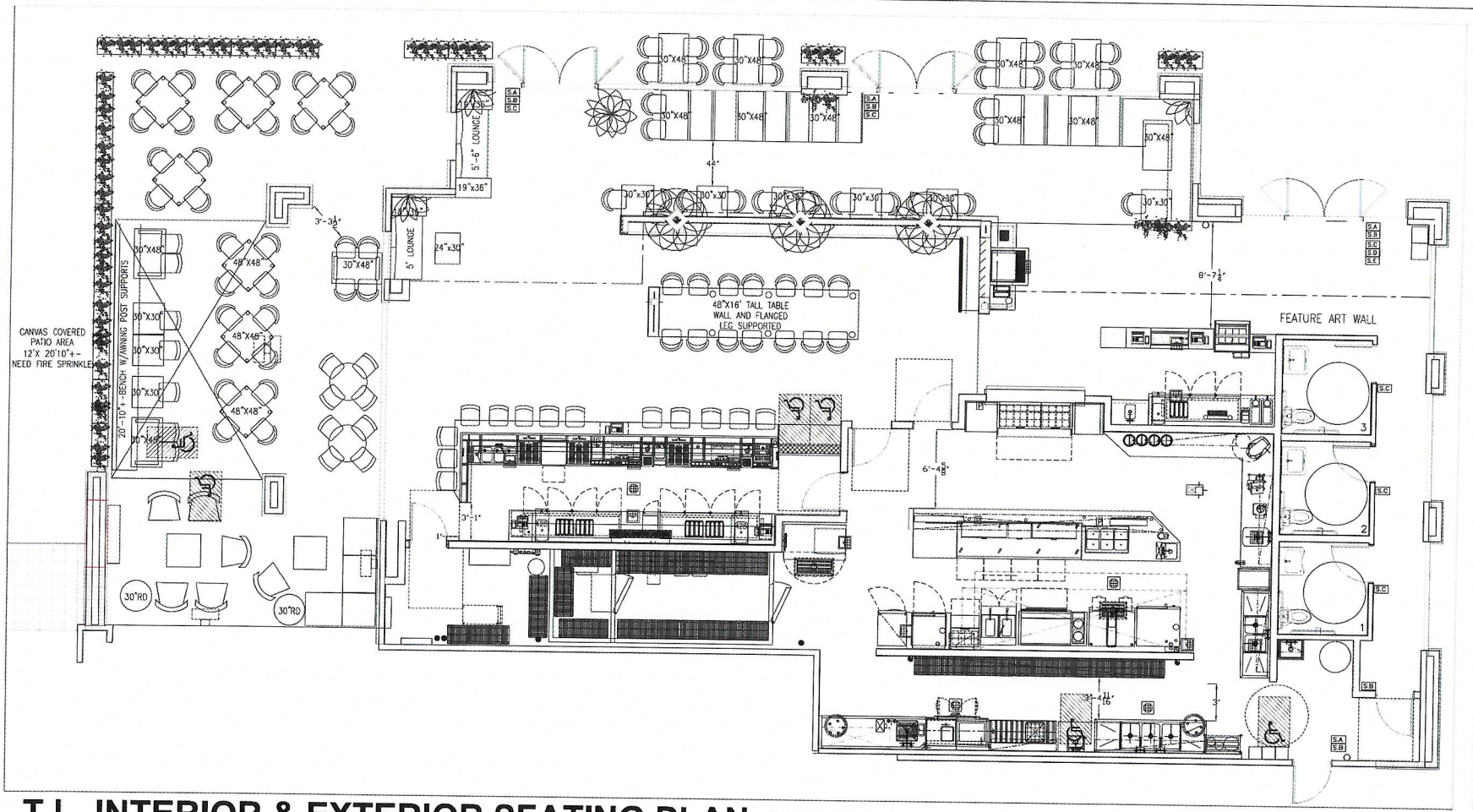
MO|HI™
FARM

FARM FRESH

MO|HI™
FARM


MOHI FARM
Prickly Pear Margarita
· sabe blanco
· muddled cucumber
· lime juice
· prickly pear agave
· edible flower garnish
Spicy Margarita
Salud!





T.I. INTERIOR & EXTERIOR SEATING PLAN SCALE 1/8"=1-0"

ACCESSIBILITY ENTRY AND SYMBOL NOTES:

ALL DOORS ARE EXISTING PER LANDLORD CURRENT TI PLANS. REFER TO ALL OF ACCESSIBILITY PER CBC

AT ALL ENTRY DOORS ADD INTERNATIONAL SYMBOL OF ACCESSIBILITY PER CBC

ALL THRESHOLD TO BE A MAX.HEIGHT OF ½"ABOVE FLOOR AND LANDING ON BOTH SIDES PER CBC

ALL DOORS THE MAX DOOR OPENING EFFORTS TO BE NO MORE THAN 5 LB. PER CBC

THE ENTRY AND EXIT DOORS ARE TO BE EQUIPPED W/ SINGLE-EFFORT, NON GRASP LEVER HARDWARE CENTERED BETWEEN 30" AND 44" ABOVE FLOOR. PER CBC OR PANIC HARDWARE

THE GLASS DOOR ENTRIES TO HAVE A MIN. OF 10" KICK PLATE AT BOTTOM OF GLAZED DOOR PER CBC

AT EACH EXIT DOOR PROVIDE A TACTILE EXIT SIGN THAT COMPLIES WITH CBC
1. EACH GRADE LEVEL EXTERIOR DOOR-"EXIT"
2 EACH EXIT ACCESS DOOR FROM AN INTERIOR RM. OR AREA TO A CORRIDOR OR HALLWAY THAT IS REQUIRED TO HAVE A VISUAL EXIT SIGN -"EXIT ROUT"
3. THE PATH OF TRAVEL SHOWN IS 36" WIDE

SIGN LEGEND: SEE LOCATIONS ON PATH OF TRAVEL PLAN

(SA) SIGN GRADE LEVEL EXTERIOR EXIT DOOR "EXIT"

(SB) EACH EXIT ACCESS DOOR FROM AN INTERIOR ROOM OR AREA THAT THAT IS REQUIRED TO HAVE A VISUAL EXIT SIGN, SHALL BE IDENTIFIED BY A TACTILE EXIT SIGN WITH THE WORD" EXIT ROUTE". INSTALLED AS REQUIRED PER CBC

(SC) INTERNATIONAL SIGN OF ACCESSIBILITY PER CBC

(SD) MAXIMUM OCCUPANCY LOAD SIGN ABOVE DOOR PER SECTION 1004.3

(SE) AT THE MAIN EXTERIOR DOOR A READILY VISIBLE DURABLE SIGN POSTED ON THE EGRESS SIDE OR ADJACENT STATING "THIS DOOR IS TO REMAIN UNLOCKED WHEN BUILDING IS OCCUPIED". THIS SIGN SHALL BE 1" HIGH ON A CONTRASTING BACK GROUND

(SF) BUILDING ADDRESS (ON DOOR OR FRONT OF FRONT OF BUILDING) 6" x 4" STROKE WHEN 31'- 50' FROM ACCESS. THE NUMBERS SHALL BE IN CONTRAST WITH THEIR BACKGROUND. ADDRESS NUMBERS SHALL BE PROVIDED IN ADDITIONAL LOCATIONS TO FACILITATE EMERGENCY RESPONSE AND SHALL BE ARABIC NUMBERS OR ALPHABETICAL LETTERS. WHERE ACCESS IS BY MEANS OF PRIVATE ROAD AND BUILDING CANNOT BE VIEWED FROM PUBLIC WAY, A MONUMENT, POLE OR OTHER SIGN OR MEANS SHALL BE USED TO IDENTITY THE STRUCTURE. ADDRESS IDENTIFICATION TO COMPLY WITH THE CITY ENGINEER'S REQUIREMENTS IN (SALINAS CITY CODE, CHAPTER 9, ARTICLE IV HOUSING NUMBERS)
SEE ADA-PLAN FOR ADDITIONAL INFORMATION.

ACCESSIBILITY NOTES:

IT IS THE RESPONSIBILITY OF THE TENANT FOR THIS INTERIOR ALTERATION TO COMPLY WITH THE CURRENT AMERICANS WITH DISABILITIES ACT (ADA) STANDARDS AND CA T-24 FOR ACCESSIBILITY.

EVERY CORRIDOR SERVING AN OCCUPANT LOAD OF 10 OR MORE SHALL BE NOT LESS THAN 44" IN WIDTH. CORRIDORS SERVING AN OCCUPANT LOAD OF LESS THAN 10 SHALL NOT BE LESS THAN 36" IN WIDTH.

CIRCULATION AISLES AND PEDESTRIAN WAYS SHALL BE SIZED ACCORDING TO FUNCTIONAL REQUIREMENTS AND IN NO CASE SHALL BE LESS THAN 36" CLEAR WIDTH.

EVERY PORTION OF EVERY BUILDING IN WHICH ARE INSTALLED SEATS, TABLES, EQUIPMENT OR SIMILAR MATERIALS SHALL BE PROVIDED WITH AISLES LEADING TO AN EXIT.

FOOD SERVICE AISLES SHALL BE A MINIMUM OF 36" IN CLEAR WIDTH WITH A PREFERRED WIDTH OF 42" WHERE PASSAGE OF STOPPED WHEELCHAIRS BY PEDESTRIANS IS DESIRED. IF SELF-SERVICE SHELVES ARE PROVIDED THEN A REASONABLE PORTION MUST BE WITHIN 34" OF THE FLOOR.

WHERE FIXED OR BUILT-IN SEATING, TABLES OR COUNTERS ARE PROVIDED FOR THE PUBLIC, AND IN GENERAL EMPLOYEE AREAS, 5%, BUT NEVER LESS THAN 1 MUST BE ACCESSIBLE, AS REQUIRED.

THE TOPS OF HC ACCESSIBLE TABLES AND COUNTERS SHALL BE 28" TO 34" MAX FROM THE FLOOR.

IF SEATING FOR PEOPLE IN WHEELCHAIRS ARE PROVIDED AT FIXED TABLES OR COUNTERS, THEN KNEE SPACES AT LEAST 27" HIGH, 30" WIDE AND 19" DEEP SHALL BE PROVIDED.

IF SEATING SPACES FOR PERSONS IN WHEELCHAIRS ARE PROVIDED AT FIXED TABLES OR COUNTERS, THEN CLEAR FLOOR SPACE SHALL BE PROVIDED. SUCH CLEAR FLOOR SPACE SHALL NOT OVERLAP KNEE SPACE BY MORE THAN 19".

WHERE A SINGLE COUNTER CONTAINS MORE THAN ONE TRANSACTION STATION, SUCH AS A RETAIL SALES COUNTER WITH MULTIPLE REGISTER STATIONS, AT LEAST 5% BUT NEVER LESS THAN 1, OF EACH TYPE OF STATION SHALL BE LOCATED AT A SECTION OF COUNTER THAT IS AT LEAST 36" LONG AND NO MORE THAN 28" TO 34"MAX. HIGH.

DOORS AND EXIT SIGNAGE

ALL HARDWARE AT THE EXISTING EXIT DOORS TO BE OPENED FROM INSIDE WITHOUT KEY,SPECIAL KNOWLEDGE OR EFFORT. A SIGN OVER THE EXIT DOOR (THIS DOOR IS TO REMAIN UNLOCKED DURING BUSINESS HOURS) IS ONLY PERMITTED AT THE ONE MAIN EXIT FROM BUILDING (WHICH IS A SINGLE OR PAIR OF 6' DOORS AT THE MAIN ENTRY/EXIT) AND THAT WITH THIS SIGN, ONLY "KEY" HARDWARE ALLOWED (NOT INDICATOR OR THUMB-TURN HARDWARE, FOR EXAMPLE)

FIRE DEPARTMENT NOTES

1. G.C. SHALL PROVIDE PORTABLE FIRE EXTINGUISHERS AS REQUIRED BY FIRE MARSHALL.
2. FIRE EXTINGUISHERS MUST BE PLACED WITHIN 75 FEET DISTANCE FROM ALL AREAS OF TENANT SPACE. VERIFY EXACT PLACEMENT WITH INSPECTOR.

SUSAN McDONNELL
AND ASSOCIATES
Interior, Commercial,
Restaurant Designer, CID
By Appointment:
1289 El Moro Dr.
Campbell, CA 95008
(408) 354-6045
susanmcdonnell.foodservice@gmail.com
www. mcdonnelldesign.com

NOT FOR CONSTRUCTION

These plans and designs shown hereon are the property of the designer and shall not be used, whole or part for any purposes for which they are not intended without the written permission of the designer.

REVISION: PRINT DATE:
12/17/2021
1/12/2022

PROJECT
MOHI FARMS
90 3RD ST.
SUITE 50
MORGAN HILL, CA
95037

DWG. TITLE:

DATE 09/30/2021

PROJ. NO:

SCALE:

DWG. NO:
TI.1

From: Steve Pace/USA
To: Planning
Cc: "Karen Sigl [redacted])"
Subject: [EXTERNAL] UP2022-0001: Third-MOHI Farms Inc: Conditional Use Permit to allow on-site alcoholic beverages
Date: Tuesday, April 19, 2022 1:31:08 PM
Attachments: image002.png

You don't often get email from [redacted]. Learn why this is important

Steve and Karen Pace
84 Sterling Ct.
Morgan Hill, CA

Dear Planning Commission of Morgan Hill,

We are in favor of granting MOHI Farms a conditional use permit allowing on-site general sales of alcoholic beverages (Type 47 liquor license) at the new restaurant located at the southwest corner of East Third Street and Depot Street (90 E Third Street).

Our home is located directly across the street from the future MOHI Farms restaurant and we are looking forward to having this facility and the ability to enjoy alcoholic beverages to complement the beautiful new restaurant.

Thank you in advance for making downtown a vibrant center and hub of activity.

Sincerely, Steve and Karen Pace

Steve Pace
Senior Managing Director
+[redacted]

[redacted].com

300 Santana Row, Fifth Floor
San Jose, CA 95128 | USA
www.cushmanwakefield.com

LinkedIn | Facebook | Twitter | YouTube | Google+ | Instagram

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CITY OF MORGAN HILL

UP2022-0001 Third- MOHI Farms

April 26, 2022

MOHI Farm Restaurant

Request

- Conditional Use Permit for a full service of alcohol in conjunction with a restaurant (Type 47 Liquor License)

MOHI Farm Restaurant

CITY OF MORGAN HILL

Proposal

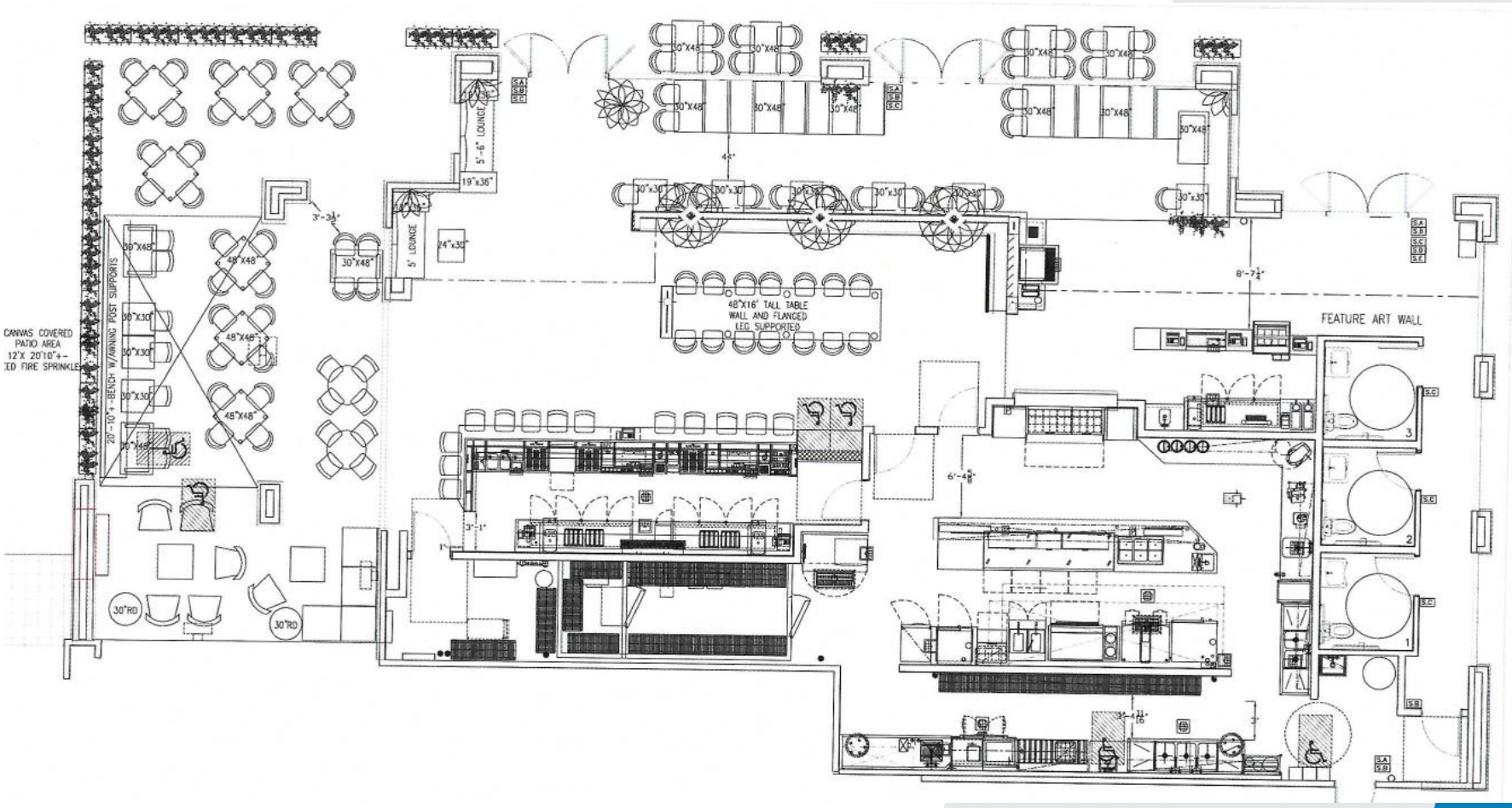
- 4,000 sq. ft. restaurant.
- Hours: 11:00 AM to 10 PM (Sunday – Thursday)
- 11:00 to 11:00 PM (Friday, Saturday)

MOHI Farms Restaurant

Site Plan

MOHI Farm Restaurant

Floor Plan



MOHI Farms Restaurant

Findings

Conditional Use Permit

- The proposed use is allowed in the applicable district.
- The proposed use is consistent with the General Plan, Zoning Code, and any applicable specific plan or area plan adopted by the City Council
- The site is suitable and adequate for the proposed use.
- The location size, design, and operating characteristics of the proposed use will be compatible with the existing and future land uses in the vicinity of the property.

MOHI Farm Restaurant

Findings

Conditional Use Permit – continued

- The proposed use will not be detrimental to the public health, safety, and welfare
- The proposed use would not have a substantial adverse effect on traffic circulation and on the planned capacity of the street system.
- The proposed use is properly located within the city and adequately served by the existing a planned services and infrastructure.

MOHI Farm Restaurant

Recommendations

- Open/close public hearing; and
- Adopt a Resolution approving a Conditional Use Permit for a full service of alcohol in conjunction with a restaurant (Type 47 Liquor License.)

Questions?

CITY OF MORGAN HILL

CITY OF MORGAN HILL

PLANNING COMMISSION STAFF REPORT
MEETING DATE: April 26, 2022

PREPARED BY:
Chris Ghione, Public Services Director
APPROVED BY: Jennifer Carmen

FY22/23-27/28 CAPITAL IMPROVEMENT PROGRAM GENERAL PLAN CONSISTENCY

RECOMMENDATION(S)

1. Receive report on proposed FY 2022/23 through FY 2027/28 Capital Improvement Program (CIP); and
2. Adopt Resolution accepting CIP and make a Finding of Consistency with the General Plan for FY 2022/23 and FY 2023/24.

LOCATION MAP/PROJECT INFORMATION:
Citywide

BACKGROUND:
The Engineering Division is preparing to submit the final draft of the FY 2022/23 through FY 2027/28 Capital Improvement Program (CIP) Budget to the City Council for adoption (Attachment 1). The Planning Commission's role in the CIP development process is to review the proposed six-year program and determine whether it is consistent with the General Plan.

PROJECT DESCRIPTION:
Planning Commission to review the Engineering Division's six-year program and determine whether it is consistent with the General Plan. While it is recommended the Commission review the entire six-year budget, it is required that a resolution of consistency (Attachment 2) be adopted for FY 2022/23 and FY 2023/24.

PROJECT ANALYSIS AND FINDINGS:
The engineering team has prepared a detailed list of the CIP projects and the corresponding General Plan goal/policy (Attachment 3).

In determining projects for the proposed CIP, the following factors are considered:

- Projects must be consistent with the goals of the General Plan
- Projects included in an adopted Master Plan
- City Council priority
- Addressing a maintenance or deficiency issue
- Available revenues to pay for project
- Long term maintenance is considered
- Significant need expressed by the community

The engineering team will present the proposed six-year CIP to the Planning Commission at the

April 26, 2022 Planning Commission meeting. Comments received from the Planning Commission will be forwarded to the City Council as they consider the entire budget for adoption.

CONCLUSION:

It is recommended that the Planning Commission adopt the attached Resolution accepting the Fiscal Years 2022/23 through 2027/28 CIP and make a finding that the proposed Fiscal Years 2022/23 and 2023/24 CIP is consistent with the General Plan.

CEQA (California Environmental Quality Act):

Approving the Capital Improvement Program Budget is an administrative activity necessary to approve funding to appropriately plan for the environmental review of individual capital improvement projects. The proposed Capital Improvement Program is found to be exempt from the California Environmental Quality Act pursuant to Section 15262 of the CEQA Guidelines.

COMMUNITY ENGAGEMENT:

The Capital Improvement Program will undergo extensive community engagement, including review by the Planning Commission and Parks and Recreation Commission. Overall community engagement for the CIP will be coordinated in conjunction with the approval of the City's Biannual Operating Budget. Several workshops and town halls are scheduled for the community prior to adoption by the City Council in June.

ATTACHMENTS:

1. Capital Improvement Program
2. CIP Planning Commission Resolution
3. CIP General Plan Reference Table

CAPITAL IMPROVEMENT PROGRAM OVERVIEW

The Capital Improvement Program is the primary tool that local governments use to plan for major capital projects and acquisitions. It identifies major capital needs over a multiyear forecast period and reflects the overall priorities of the City. The CIP focuses on large capital projects and acquisitions with long useful lives that have significant impact on the health, safety, and vibrancy of the community. Expenditures typically address one-time needs as opposed to the City's operations budget which addresses ongoing, year to year needs.

The City currently prepares a 2-Year operating budget and a 6-Year Capital Improvement Plan (CIP). The biennial budget consists of two separate budgets that the Council will consider for adoption. Prior to the conclusion of the first annual budget, the Council will be provided an update on revenue assumptions, fund balances, and possible amendments to the second year annual budget. In conjunction with the biennial operations budget, the City Council also approves the first two years of the 6-year CIP budget.

The CIP is intended to address the following multi-faceted infrastructure needs of the City:

- Parks and Recreation: Recreation centers, parks, open space, and community service amenities
- Public Facilities: Community, public safety, and civic facilities
- Storm Drainage: Inlet structures, pipelines, channels, and basins
- Streets & Roads: Roadways, sidewalks, ramps, street lights, traffic signals and signs
- Wastewater: Collection pipes, lift stations, and trunk lines
- Water: Wells, pipelines, storage tanks (also called reservoirs), and pumping stations

The 6-Year CIP is a long-term spending plan that requires forecasting what the infrastructure needs for the City will be and forecasting the revenues needed to fund those needs. Much of this forecasting is performed through Master Plans for specific City infrastructure. Morgan Hill has a limited number of funding sources for CIP projects, some steady and predictable, while others are dependent on outside agencies. For instance, the City receives monies annually from the State to help fund road repair projects. Also, a portion of the water and wastewater charges paid by residents and businesses go towards capital projects that keep the water and wastewater systems in good repair and functioning efficiently.

New development in Morgan Hill, be it residential homes or commercial and industrial buildings, is required to pay impact fees to the City for the impact the new development's presence will have on the City. These fees support the funding of new and future infrastructure that will be needed as the City grows. New development pays the following impact fees: parks, recreational facilities, public safety facilities, public facilities, library, drainage, streets, wastewater, and water. These impact fees can only be used to build new or expanded infrastructure and facilities and cannot be used for ongoing maintenance or operations. The City previously received funds through its Residential Development Control System (RDCS) voter-approved process. The future collection of the funds has been eliminated through State legislation and the proposed CIP is significantly reduced from past years.

FY 2022-23 & FY 2023-24 CAPITAL IMPROVEMENT PROJECTS AND FUNDING

When the City Council adopts the 6-Year CIP, it approves the six-year spending plan for all capital projects and appropriates funds for the first two fiscal years of that plan, in this case FY 2022-23 and FY 2023-24. These appropriations authorize City staff to spend the designated CIP funds on the approved projects in those fiscal years.

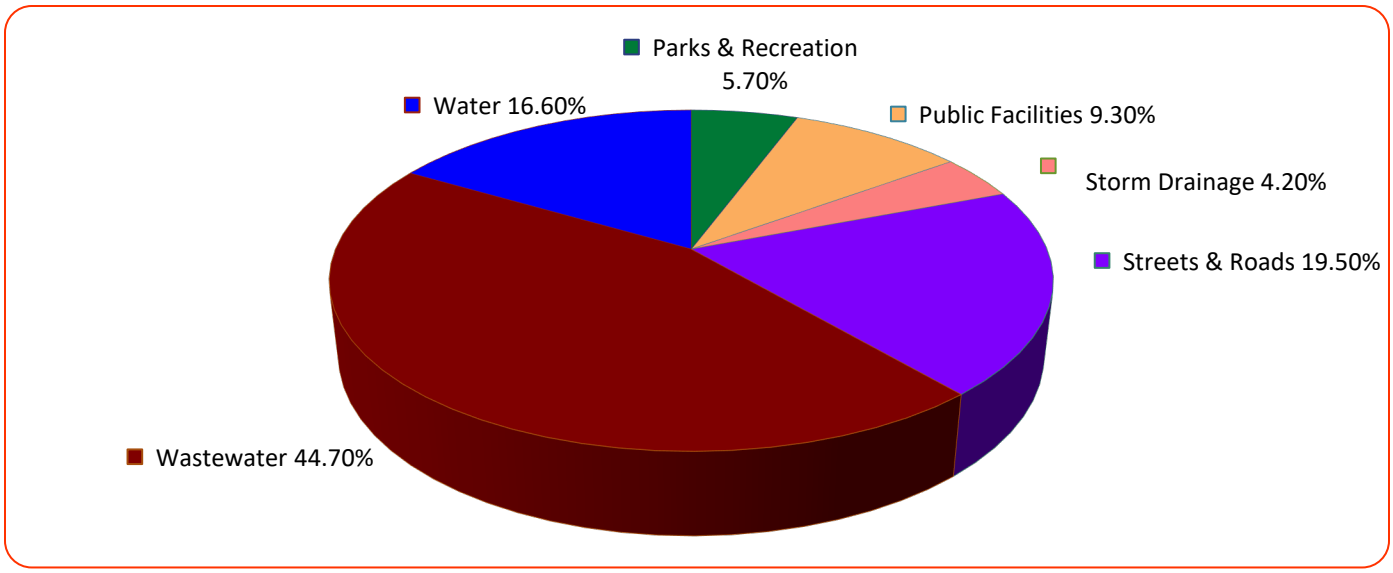
The recommended FY 2022-23 through FY 2027-28 CIP totals $223,658,859. The project categories include 1) Parks & Recreation ($27,444,099), 2) Public Facilities ($10,314,520), 3) Storm Drainage ($10,684,675), Streets & Roads ($43,743,371), 5) Wastewater ($81,805,110), and 6) Water ($49,667,084).

FY 2022-23 and FY 2023-24 of the 6-Year CIP are appropriated as part of the FY 2022-23 Biennial Budget approval process and they total $98,298,463.

Some of the project highlights include the following:

- Pavement Rehabilitation Program ($8.3 million): Ongoing program to address the City's pavement rehabilitation needs.
- Bike, Pedestrian and Traffic Safety Improvements ($3 million): A new project directed specifically at Citywide roadway safety that will fund numerous improvements that support bike and pedestrian safety. The project will improve City roadways in alignment with the City's Vision Zero Policy.
- Hale Avenue Extension ($3 million): Work will continue to complete this project that will relieve congestion along Monterey Road through the Downtown and provide relief for the residential areas west of the Downtown. The roadway will include a multi-use bike/pedestrian trail to accommodate other modes of transportation. The first phase of the Project is under construction and will be completed in 2022. The second phase from Main Avenue to Nob Hill Terrace is planned for FY 2022-23 with $2 million allocated.
- New Water Wells ($5 million): The first of two new Water Wells planned for the next four years will be constructed in FY 2023-24. These new wells will provide additional redundancy to the City's Water System.
- Sewer System Repair and Replacements ($4 million): The City is continuing to repair and replace the City's aging sewer lines to prevent infiltration and reduce the risk of sanitary sewer overflows.
- Sewer Plant Expansion ($19.5 million): The City of Morgan Hill in partnership with the City of Gilroy has begun the expansion of the treatment plant for the South County Regional Wastewater Authority. The Expansion supports increased sewer flow and organic loading it receives from the Cities. Funding allocated in FY 2022-23 totals $19.5M.

Capital Improvement Program
FY 2022-23 and FY 2023-24 Budget by Project Category



CIP BUDGET SUMMARY

Project Categories	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Totals
1 Parks & Recreation	$ 3,636,499	$ 1,998,600	$ 5,325,000	$ 1,917,000	$ 4,845,750	$ 9,721,250	$ 27,444,099
2 Public Facilities	9,114,520	-	1,200,000	-	-	-	10,314,520
3 Storm Drainage	2,374,425	1,745,700	2,176,750	1,863,750	1,331,250	1,192,800	10,684,675
4 Streets & Roads	11,264,060	7,882,100	6,549,750	6,017,250	6,017,250	6,012,961	43,743,371
5 Wastewater	27,946,810	15,967,800	17,806,250	9,126,500	6,464,000	4,493,750	81,805,110
6 Water	4,175,136	12,192,813	14,065,069	8,732,771	5,641,881	4,859,414	49,667,084
Totals	**$ 58,511,450**	**$ 39,787,013**	**$ 47,122,819**	**$ 27,657,271**	**$ 24,300,131**	**$ 26,280,175**	**$ 223,658,859**

Project Funding Sources	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Totals
301 - Park Impact	$ 1,164,839	$ 200,000	$ 1,704,000	$ 426,000	$ 3,727,500	$ 2,000,000	$ 9,222,339
306 - Agricultural & Open Space Preservation	150,000	-	-	-	-	-	150,000
360 - Com/Rec Ctr Impact	949,770	1,269,600	2,662,500	532,500	266,250	7,188,750	12,869,370
375 - Quimby Fee	1,371,890	529,000	958,500	958,500	852,000	532,500	5,202,390
315 - Public Safety Facilities Impact	8,864,520	-	1,200,000	-	-	-	10,064,520
347 - Public Facilities Impact	250,000	-	-	-	-	-	250,000
348 - Library Impact	-	-	-	-	-	-	-
303 - Local Drainage Impact	2,216,130	1,481,200	1,910,500	1,597,500	1,065,000	1,065,000	9,335,330
304 - Local Drainage/Non AB 1600	158,295	264,500	266,250	266,250	266,250	127,800	1,349,345
308 - Street CIP	4,537,790	4,232,000	4,260,000	3,727,500	3,727,500	3,727,500	24,212,290
309 - Traffic Impact	3,415,900	2,116,000	2,130,000	2,130,000	2,130,000	2,130,000	14,051,900
346- Public Facilities/Non AB 1600	1,832,950	1,005,100	159,750	159,750	159,750	155,461	3,472,761
350 - Undergrounding	1,055,300	-	-	-	-	-	1,055,300
355 - School Pedestrian & Traffic Safety	422,120	529,000	-	-	-	-	951,120
641 - Sewer Impact	21,403,950	6,290,000	11,150,000	5,825,000	3,162,500	1,000,550	48,832,000
643 - Sewer Capital Project	6,542,860	9,677,800	6,656,250	3,301,500	3,301,500	3,493,200	32,973,110
651 - Water Impact	166,656	1,602,583	2,449,823	4,299,481	283,517	1,085,153	9,887,213
653 - Water Capital Project	4,008,480	10,590,230	11,615,246	4,433,290	5,358,364	3,774,261	39,779,871
Totals	**$ 58,511,450**	**$ 39,787,013**	**$ 47,122,819**	**$ 27,657,271**	**$ 24,300,131**	**$ 26,280,175**	**$ 223,658,859**

301 - Park Impact- Parks & Recreation

Fund Description

The purpose of the Park Impact Fund is to construct new or expanded parks and recreation amenities and facilities. The primary planning tool for the Fund is the City's Bikeways, Trails, Parks and Recreation Master Plan. Fund revenues are received from developers when they pay impact fees. The funds may only be used for design, development, and construction of new parks as the City grows. The Fund is subject to the restrictions of AB1600.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	-	-				
110020- Project Administration	$ 34,839	$ -	$ 104,000	$ 26,000	$ 227,500	$ -
110023- Infrastructure Planning - Parks & Recreation Master Plan	-	200,000	-	-	-	-
110097 - Parks Land Purchase and Development	500,000	-	-	-	-	2,000,000
117001 - West Little Llagas Creek Trail	150,000	-	-	-	-	-
117022 - Madrone Channel Trail Improvements	300,000	-	-	-	-	-
132008- El Toro Trail	-	-	1,500,000	-	-	-
145023- Monterey Ball Field Park	180,000	-	100,000	400,000	3,500,000	-
Totals	**$ 1,164,839**	**$ 200,000**	**$ 1,704,000**	**$ 426,000**	**$ 3,727,500**	**$ 2,000,000**

How this Fund Generates Money for Capital Investment
New development creates the need for expanded inventory of parks facilities. Impact fee revenues are intended for the capital investment into new parks. The City imposes parks fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules. Quimby Act Fees are charged to residential development for projects that require subdivision, while Park Impact Fees are charged to residential development that does not require subdivision. Grant funds may also support activities and projects within the fund.

Limitations and Other Important Factors
All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act. As residents are considered to be the primary users of parks, demand for parks and associated facilities is based on the City's residential population, rather than a combined resident-worker service population.

Goals for Capital Investment
The goal is to expand park facilities to meet the demands of a growing community. In 2017, the City completed its Bikeways, Trails, Parks and Recreation Master Plan, which provides a citywide assessment of potential park impact projects, and an evaluation of trail and park needs. The plan serves as the basis for prioritization of projects in the Capital Improvement Program.

Revenues- Other includes interest income and grant funding. Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning, and to Fund 207 for the general plan update.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 301- Park Impact	Projected						
Beginning Fund Balance	$ 270,918	$ 831,182	$ 922,240	$ 2,281,414	$ 2,942,430	$ 3,992,169	$ 1,312,312
Revenues - Impact Fees (AB1600)	363,986	831,720	1,133,925	2,451,802	1,556,555	1,118,611	899,902
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	7,690,231	537,434	539,422	28,014	34,624	45,122	18,323
Expenditures - CIP Projects	7,352,389	1,164,839	200,000	1,704,000	426,000	3,727,500	2,000,000
Expenditures - Other	141,563	113,257	114,174	114,800	115,440	116,090	116,760
Ending Fund Balance	$ 831,182	$ 922,240	$ 2,281,414	$ 2,942,430	$ 3,992,169	$ 1,312,312	$ 113,777

306- Agricultural & Open Space Preservation- Parks & Recreation

Fund Description
The purpose of the Agricultural & Open Space Preservation Fund is to support the preservation and maintenance of open space through the acquisition of open space and agricultural easements. The Fund previously accounted for open space fees collected from developers through the City's RDCS. With the elimination of RDCS due to State legislation, no new funds are anticipated. The remnant RDCS funds are to be expensed for open space expenditures. Additional revenue may be received from developers who develop farmland in the City through the City's agricultural offset fund. Should revenues in this area be received they will be earmarked for agricultural easement acquisition.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110023- Infrastructure Planning	$ 150,000	$ -	$ -	$ -	$ -	$ -
Totals	**$ 150,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

How this Fund Generates Money for Capital Investment
Funds collected are primarily used for acquiring properties for agriculture preservation easements to mitigate the loss of agricultural lands that are developed as part of the 6-Year CIP. They can also be used to open space.

Limitations and Other Important Factors
The funds are to be used for the acquisition of agriculture preservation easements and the purchase of open space areas. The funds may also be used for certain maintenance activities in open space areas.

Goals for Capital Investment
To acquire lands for open space purposes which can include mitigation for the loss of agricultural lands as the City builds out.

Expenditures-Other includes transfers-out to the General Fund for administration and maintenance of open space areas, and to Fund 207 for the general plan update.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 306- Agriculture & Open Space Preservation	Projected						
Beginning Fund Balance	$ 6,011,689	$ 674,413	$ 403,616	$ 310,053	$ 215,553	$ 120,109	$ 23,710
Revenues - Impact Fees (AB1600)	96,470	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	50,000	5,058	4,036	3,101	2,156	1,201	237
Expenditures - CIP Projects	-	150,000	-	-	-	-	-
Expenditures - Other	5,483,746	125,854	97,600	97,600	97,600	97,600	23,947
Ending Fund Balance	$ 674,413	$ 403,616	$ 310,053	$ 215,553	$ 120,109	$ 23,710	$ -

360 – Community/Recreation Center Impact- Parks & Recreation

Fund Description
The purpose of the Community/Recreation Center Impact Fund is to construct new and expand existing recreation facilities for residents of the City. The primary planning tool for the fund is the City's Bikeways, Trails, Parks and Recreation Master Plan. This Fund was established to collect revenues derived from a fee charged to developers to cover the costs to expand existing, or construct new, recreation and community centers within Morgan Hill. The Fund is subject to the restrictions of AB1600.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 49,770	$ 69,600	$ 162,500	$ 32,500	$ 16,250	$ 438,750
144017 - Villa Mira Monte Improvements	300,000	1,000,000	1,500,000	-	-	-
148018 – Condit Sports Facility Development	150,000	200,000	1,000,000	500,000	250,000	6,750,000
229018 - CRC Battery Storage System	450,000	-	-	-	-	-
Totals	**$ 949,770**	**$ 1,269,600**	**$ 2,662,500**	**$ 532,500**	**$ 266,250**	**$ 7,188,750**

How this Fund Generates Money for Capital Investment
This Impact Fee is only charged against residential development. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in the impact fee schedules.

Limitations and Other Important Factors
Revenues are collected to finance the expansion of existing and construction of new recreation and community center facilities demanded by new development. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by theAct.

Goals for Capital Investment
The City plans to use recreation and community center facilities fee revenue to construct improvements to add to the system of recreation and community center facilities that serves new development.

Revenues- Other includes interest income and grant funding. Expenditure- Other includes annual transfers-out to the General Fund for administration.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 360- Com/Rec Ctr Impact	Projected						
Beginning Fund Balance	$ 1,353,501	$ 295,668	$ 665,876	$ 522,998	$ 305,810	$ 2,277,529	$4,597,830
Revenues - Impact Fees (AB1600)	271,001	833,270	1,136,038	2,456,372	2,517,781	2,580,726	2,645,244
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	6,000	502,218	6,659	5,230	3,058	22,775	45,978
Expenditures - CIP Projects	1,334,321	949,770	1,269,600	2,662,500	532,500	266,250	7,188,750
Expenditures - Other	513	15,510	15,975	16,290	16,620	16,950	17,290
Ending Fund Balance	$ 295,668	$ 665,876	$ 522,998	$ 305,810	$ 2,277,529	$4,597,830	$ 83,012

375 – Quimby Fee- Parks & Recreation

Fund Description
The purpose of the Quimby Fund is to develop or renovate new park and recreation facilities within the City. Fund revenues are received from developers paying Park Fees based on the Quimby Act and the City's code. The funds may only be used for design, development, construction and renovation of parks and recreation facilities. Due to the very limited resources available to the City for ongoing park maintenance, renovation of existing facilities has been prioritized.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 71,890	$ 29,000	$ 58,500	$ 58,500	$ 52,000	$ 32,500
118020- Park Renovation	1,000,000	250,000	400,000	400,000	400,000	250,000
118023- Recreation Facility Expansion/ Renovation	300,000	250,000	500,000	500,000	400,000	250,000
Totals	**$ 1,371,890**	**$ 529,000**	**$ 958,500**	**$ 958,500**	**$ 852,000**	**$ 532,500**

How this Fund Generates Money for Capital Investment
Quimby fee revenues are intended for the capital investment into the development of new parks or the renovation of existing parks. The City imposes fees under authority granted by the Quimby Act (the Act), contained in California Government Code. The City Municipal Code requires payment by developers per the Act. Quimby Act Fees are charged to residential development for projects that require subdivision, while Park Impact Fees are charged to residential development that does not require subdivision. Grant funds may also support activities and projects within the fund.

Limitations and Other Important Factors
Quimby Funds must be used as prescribed in the State Government Code, which may include design, development, construction, and renovation of parks and recreation facilities.

Goals for Capital Investment
The goal is to renovate existing parks and recreation facilities, improving the facilities for increased use by residents of the City.

Revenues- Other includes interest income and grant funding.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 375-Quimby Fee	**Projected**						
Beginning Fund Balance	$ 907,787	$ 746,919	$ 28,480	$ 110,340	$ 473,145	$ 357,521	$ 111,425
Revenues - Impact Fees (AB1600)	39,132	447,849	610,575	1,320,201	838,145	602,329	484,563
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	-	205,602	285	1,103	4,731	3,575	1,114
Expenditures - CIP Projects	200,000	1,371,890	529,000	958,500	958,500	852,000	532,500
Expenditures - Other	-	-	-	-	-	-	-
Ending Fund Balance	$ 746,919	$ 28,480	$ 110,340	$ 473,145	$ 357,521	$ 111,425	$ 64,602

315 – Public Safety Facilities Impact- Public Facilities

Fund Description

The Public Safety Facilities Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct public improvements required for Police and Fire Protection facilities as a result of new development. Expenditures may only be made for the future construction of the required new or expanded Public Safety facilities and the purchase of equipment/apparatus. The Fund may also reimburse the City for funds advanced to construct such facilities. The Fund is subject to the restrictions of AB1600. Beginning in 2020, the collection of separate Fire and Police Impact Fees was halted, and the City began collection of a more General Public Safety impact fee for both Police and Fire.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 464,520	$ -	$ -	$ -	$ -	$ -
231018- New Fire Station	7,900,000	-	1,200,000	-	-	-
228020- Police Facility Expansion	500,000	-	-	-	-	-
Totals	**$ 8,864,520**	**$ -**	**$ 1,200,000**	**$ -**	**$ -**	**$ -**

How this Fund Generates Money for Capital Investment

New development creates the need for the City to expand its inventory of public facilities and build new, or expand current, infrastructure to handle the demands for new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in the impact fee schedules.

Limitations and Other Important Factors

All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth.

Goals for Capital Investment

The goal for the use of this fund during this period is to fund the building of a new Fire Station in the City.

Revenues- Other includes interest income and an interfund loan from Fund 303 (Local Drainage Impact). Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning, debt-service, and transfers-out to Fund 303 for interfund loan repayment.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 315- Public Safety Facilities Impact	Projected						
Beginning Fund Balance	$ 3,650,943	$ 3,010,312	$ 43,242	$ 583,099	$ 217,819	$ 482,274	$ 453,569
Revenues - Impact Fees (AB1600)	621,174	449,448	801,347	1,889,441	1,324,978	1,027,127	882,212
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	20,000	5,772,577	432	5,831	2,178	4,823	4,536
Expenditures - CIP Projects	950,000	8,864,520	-	1,200,000	-	-	-
Expenditures - Other	331,805	324,576	261,923	1,060,552	1,062,701	1,060,655	1,062,317
Ending Fund Balance	$ 3,010,312	$ 43,242	$ 583,099	$ 217,819	$ 482,274	$ 453,569	$ 278,000

347 - Public Facilities Impact – Public Facilities

Fund Description

The Public Facilities Impact Fund is intended to support the construction or expansion of City Facilities that are not covered under the Recreation Center Impact Fee or the Public Safety Facility Impact Fee. Public Facilities Fund revenues are derived from fees charged to developers to cover the costs to construct public improvements required as a result of new development. Expenditures may only be made for the future construction of the required new facilities or to reimburse the City for funds advanced to construct such facilities. The Fund is subject to the restrictions of AB1600.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110023- City Facility Master Plan	$ 100,000	$ -	$ -	$ -	$ -	$ -
252016 -Corporation Yard Long Term Plan	150,000	-	-	-	-	-
Totals	**$ 250,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

How this Fund Generates Money for Capital Investment

Revenues result from the City's development impact fee program, through which new development pays the capital costs associated with growth. New development creates the need for the City to expand its inventory of public facilities and build new, or expand current, infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council-adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

Limitations and Other Important Factors

All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment

Due to the limited anticipated funds to be collected, there are no projects anticipated in the six-year period, other than the two plans noted above, and the goal is to accumulate funding towards future public facility projects such as expansion of City Hall or the Corporation Yard.

Revenues- Other includes interest income. Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 347- Public Facilities Impact	Projected						
Beginning Fund Balance	$ 1,034,272	$ 1,117,206	$ 976,221	$ 1,123,544	$ 1,478,168	$ 1,712,187	$ 1,884,976
Revenues - Impact Fees (AB1600)	104,266	129,789	166,840	372,748	248,687	185,207	153,837
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	6,000	8,379	9,762	11,235	14,782	17,122	18,850
Expenditures - CIP Projects	-	250,000	-	-	-	-	-
Expenditures - Other	27,331	29,154	29,278	29,360	29,450	29,540	29,630
Ending Fund Balance	$ 1,117,206	$ 976,221	$ 1,123,544	$ 1,478,168	$ 1,712,187	$ 1,884,976	$ 2,028,033

348 - Library Impact – Public Facilities

Fund Description
Library Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct library improvements required as a result of new development. Expenditures may only be made for the future construction of the required new library facilities or to reimburse the City for funds advanced to construct such facilities. The Fund is subject to the restrictions of AB1600.

How this Fund Generates Money for Capital Investment
New development creates the need for the City to expand its inventory of public facilities and build new, or expand current, infrastructure to handle the demands for new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in the impact fee schedules.

Limitations and Other Important Factors
All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth.

Goals for Capital Investment
Due to the limited anticipated funds to be collected, there are no projects anticipated in the six-year period and the goal is to accumulate funding towards future expansion of the Library.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 348- LibraryImpact	Projected						
Beginning Fund Balance	$ 1,487,275	$ 1,426,102	$ 1,683,767	$ 2,118,875	$ 3,302,561	$ 4,532,394	$5,809,690
Revenues - Impact Fees (AB1600)	148,031	469,886	640,619	1,385,163	1,419,792	1,455,287	1,491,669
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	10,000	10,696	16,838	21,189	33,026	45,324	58,097
Expenditures - CIP Projects	2,500	-	-	-	-	-	-
Expenditures - Other	216,704	222,916	222,349	222,665	222,985	223,315	223,655
Ending Fund Balance	$ 1,426,102	$ 1,683,767	$ 2,118,875	$ 3,302,561	$ 4,532,394	$5,809,690	$ 7,135,801

303 - Local Drainage Impact- Storm Drainage

Fund Description

Local Drainage Impact Fund revenues are received from developers of properties and the funds may only be used for the design and construction of new or expanded storm drainage facilities. These facilities may include drainage pipes, basins, channels, pumps, and other facilities related to the City's storm drain system. The Fund is subject to the restrictions of AB1600. The primary planning tool for the Fund is the City's Storm System Master Plan.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 116,130	$ 81,200	$ 110,500	$ 97,500	$ 65,000	$ 65,000
110023- Infrastructure Planning - Storm Drain Master Plan	-	-	100,000	-	-	-
415020 - Storm System Expansions	600,000	-	1,200,000	1,000,000	1,000,000	1,000,000
417099 - Llagas Flood Control	1,500,000	1,400,000	500,000	500,000	-	-
Totals	**$ 2,216,130**	**$ 1,481,200**	**$ 1,910,500**	**$ 1,597,500**	**$ 1,065,000**	**$ 1,065,000**

How this Fund Generates Money for Capital Investment

Revenues result from the City's development impact fee program, through which new development pays the capital costs associated with growth. New development creates the need for the City to expand its inventory of public facilities and build new, or expand current, infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council-adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

Limitations and Other Important Factors

All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act. Most new development generates storm water runoff. This runoff must be controlled through storm drain facilities. Storm drain demand is measured by impervious (solid) surface. The more impervious surface a land use creates, the more demand for storm drain facilities it creates.

Goals for Capital Investment

The goal for this fund during this period is to install improvements needed to service anticipated future growth in Morgan Hill.

Revenues- Other includes interest income and interfund loan repayment from Fund 315 (Public Safety Facilities Impact).
Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning, an interfund loan to Fund 315, and annual transfers to Fund 207 for the general plan update.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 303- Local Drainage Impact	**Projected**						
Beginning Fund Balance	$ 10,947,520	$ 8,772,441	$ 1,148,736	$ 83,093	$ 142,539	$ 138,013	$ 510,597
Revenues - Impact Fees (AB1600)	808,313	308,691	436,410	1,201,645	824,279	669,134	595,579
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	50,000	65,793	11,487	800,831	801,425	801,380	805,106
Expenditures - CIP Projects	3,003,352	2,216,130	1,481,200	1,910,500	1,597,500	1,065,000	1,065,000
Expenditures - Other	30,040	5,782,059	32,340	32,530	32,730	32,930	33,130
Ending Fund Balance	$ 8,772,441	$ 1,148,736	$ 83,093	$ 142,539	$ 138,013	$ 510,597	$ 813,153

304 - Local Drainage/Non AB 1600- Storm Drainage

Fund Description

The purpose of the Local Drainage Fund (non-AB1600) is to support repairs and enhancements to the City's storm drainage system. Previously, revenues were received from developers through the City's RDCS. With the elimination of RDCS due to State legislation, no new funds are anticipated to be received through that process. Limited funding from developers of properties through frontage fees will continue to be collected and the funds may be used for the design, construction, and maintenance of storm drains.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 8,295	$ 14,500	$ 16,250	$ 16,250	$ 16,250	$ 7,800
415097 - Storm System Repairs	150,000	250,000	250,000	250,000	250,000	120,000
Totals	**$ 158,295**	**$ 264,500**	**$ 266,250**	**$ 266,250**	**$ 266,250**	**$ 127,800**

How this Fund Generates Money for Capital Investment

Fees are paid by developers of properties. Payments to this Fund are no longer available as part of the Residential Development Control System (RDCS) competition, due to its elimination via State legislation. Minimal revenue will continue to be received for storm drainpipe front footage fees from developers. Frontage fees are collected from development when the City has previously installed a storm drain system on the frontage of a property being developed. Funds will be programmed in the out years spending down the fund balance to accomplish projects.

Limitations and Other Important Factors

These funds are for the design, the construction, and maintenance of the City's storm drain system.

Goals for Capital Investment

The goals for the use of this fund are to improve existing storm drainage systems and to mitigate existing capacity deficiencies for property frontage.

Revenues- Other includes interest income and frontage fees. Expenditure- Other includes annual transfers-out to the General Fund for administration.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 304- Local Drainage Non AB1600	Projected						
Beginning Fund Balance	$ 1,268,597	$ 1,222,128	$ 1,090,070	$ 853,454	$ 612,659	$ 369,395	$ 123,639
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	105,000	29,166	30,901	28,535	26,127	23,694	21,236
Expenditures - CIP Projects	148,585	158,295	264,500	266,250	266,250	266,250	127,800
Expenditures - Other	2,884	2,929	3,017	3,080	3,140	3,200	3,260
Ending Fund Balance	$ 1,222,128	$ 1,090,070	$ 853,454	$ 612,659	$ 369,395	$ 123,639	$ 13,816

308 - Street CIP- Streets & Roads

Fund Description
The purpose of the Street CIP Fund is to support the ongoing rehabilitation and renovation of City roadways. The fund accounts for resources and requirements for capital projects that support the City of Morgan Hill's streets and roads. The fund has been separated from Street Operations, Fund 202.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 237,790	$ 232,000	$ 260,000	$ 227,500	$ 227,500	$ 227,500
519000 – Pavement Rehabilitation	4,300,000	4,000,000	4,000,000	3,500,000	3,500,000	3,500,000
Totals	**$ 4,537,790**	**$ 4,232,000**	**$ 4,260,000**	**$ 3,727,500**	**$ 3,727,500**	**$ 3,727,500**

How this Fund Generates Money for Capital Investment
The funds allocated, come from a variety of outside funding sources which are dedicated to road maintenance and rehabilitation. These include State Gas Taxes, Valley Transportation Authority Sales Tax (2016 Measure B) and Vehicle License Fee Tax (also administered through the Valley Transportation Authority). Additionally, the City has prioritized an annual General Fund contribution to maintaining the City roadways.

Limitations and Other Important Factors
For the most part, the funds used for street-related projects include funding dispersed from outside agencies. Since many of these funds are paid on a reimbursement basis: 1) the work is first completed, 2) a reimbursement request is submitted, and 3) in approximately 60-90 days a reimbursement check is received. Because these funds are typically guaranteed, it is not unusual for the process to overlap fiscal years. The work might be completed in one fiscal year, and the reimbursement is received in the new fiscal year.

Expenditures are only made on the assurance of funds to be received.

Goals for Capital Investment
The goals for the use of this fund during this period are to complete pavement rehabilitation projects improving the conditions of City roadways.

Revenues- Other includes interest income, gas tax and Measure B sales tax allocations. Expenditure- Other includes annual transfers-out to the General Fund for administration.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 308- Street CIP	Projected						
Beginning Fund Balance	$ 3,538,596	$ 1,225,357	$ 1,287,301	$ 875,953	$ 511,565	$ 759,121	$ 1,096,454
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	4,273,902	4,702,650	3,926,656	4,003,732	4,085,336	4,177,323	4,274,683
Expenditures - CIP Projects	6,571,953	4,537,790	4,232,000	4,260,000	3,727,500	3,727,500	3,727,500
Expenditures - Other	15,188	102,916	106,004	108,120	110,280	112,490	114,740
Ending Fund Balance	$ 1,225,357	$ 1,287,301	$ 875,953	$ 511,565	$ 759,121	$ 1,096,454	$ 1,528,897

309 - Traffic Impact- Streets & Roads

Fund Description
Traffic Impact Fund revenues are received from developers if their projects have an adverse impact on traffic flows, streets, etc. The funds collected may be expended on new streets, traffic signals, and improvements of existing streets where they are impacted by new development. The Fund is subject to the restrictions of AB1600.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 165,900	$ 116,000	$ 130,000	$ 130,000	$ 130,000	$ 130,000
110023- Infrastructure Planning - Transportation Master Plan	250,000	-	-	-	-	-
546007 - Hale Avenue Extension	3,000,000	-	-	-	-	-
503023- Traffic Signal & Intersection Improvements	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Totals	**$ 3,415,900**	**$ 2,116,000**	**$ 2,130,000**	**$ 2,130,000**	**$ 2,130,000**	**$ 2,130,000**

How this Fund Generates Money for Capital Investment
Revenues result from the City's development impact fee program, through which new development pays the capital costs associated with growth. New development creates the need for the City to expand its inventory of public facilities and build new, or expand current, infrastructure to handle the demands of new services. The City imposes traffic fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. A City Council-adopted "Impact Fee Report" provides the necessary findings required by the Act for adoption of the fees presented in impact fee schedules.

Limitations and Other Important Factors
All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, by which the City identifies and directs its fee revenue to new public facilities/infrastructure projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment
The goals for this fund during this period are to expand transit and non-motorized travel opportunities, as needed to service anticipated future growth.

Revenues- Other includes interest income and Measure B funding. Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning, and to Fund 207 for the general plan update.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 309- Traffic Impact	Projected						
Beginning Fund Balance	$ 2,217,293	$ 1,497,621	$ 2,971,969	$ 2,002,663	$2,396,480	$ 2,320,045	$ 1,975,252
Revenues - Impact Fees (AB1600)	3,192,434	908,567	1,247,205	2,634,490	2,160,781	1,893,676	1,777,710
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	11,207,500	4,111,232	29,720	20,027	23,965	23,200	19,753
Expenditures - CIP Projects	15,000,000	3,415,900	2,116,000	2,130,000	2,130,000	2,130,000	2,130,000
Expenditures - Other	119,606	129,551	130,231	130,700	131,180	131,670	132,170
Ending Fund Balance	$ 1,497,621	$ 2,971,969	$ 2,002,663	$2,396,480	$ 2,320,045	$ 1,975,252	$ 1,510,544

346 – Public Facilities- Non AB1600- Streets and Roads

Fund Description
The current priority of the Public Facilities Fund is to support pedestrian, bicycle, and vehicle safety in alignment with the City's Vision Zero Policy. Previously, Fund revenues were received from developers through the City's RDCS. With the elimination of RDCS due to State legislation, no new funds are anticipated to be received through that process. Funds may be used for the design, construction, and maintenance of public facilities or to reimburse the City for funds advanced to construct such facilities. It is anticipated that funds will be exhausted within the next six years.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 82,950	$ 55,100	$ 9,750	$ 9,750	$ 9,750	$ 5,461
110023- Infrastructure Planning - Transportation Master Plan	250,000	-	-	-	-	-
252023 - Downtown Parking Structure Entry Security System	50,000	-	-	-	-	-
520023- Bike, Pedestrian & Traffic Safety	1,300,000	800,000	-	-	-	-
574015-Sidewalk Repairs	150,000	150,000	150,000	150,000	150,000	150,000
Totals	**$ 1,832,950**	**$ 1,005,100**	**$ 159,750**	**$ 159,750**	**$ 159,750**	**$ 155,461**

How this Fund Generates Money for Capital Investment
Fees were paid by developers of properties competing within the City's RDCS.

Limitations and Other Important Factors
The funds committed by developers are used specifically for design/construction of public off-site improvements.

Goals for Capital Investment
The goal for the use of this fund is to expand City facilities to accommodate growth appropriately.

Revenues- Other includes interest income. Expenditure- Other includes annual transfers-out to the General Fund for administration.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 346- Public Facilities-NonAB1600	Projected						
Beginning Fund Balance	$ 1,100,016	$ 1,925,499	$ 692,587	$ 505,006	$ 456,386	$ 320,240	$ 158,832
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	1,662,451	590,046	815,176	110,750	23,800	-	-
Revenues - Other	609,400	14,441	6,926	5,050	4,564	3,202	1,588
Expenditures - CIP Projects	1,438,591	1,832,950	1,005,100	159,750	159,750	159,750	155,461
Expenditures - Other	7,777	4,449	4,582	4,670	4,760	4,860	4,960
Ending Fund Balance	$ 1,925,499	$ 692,587	$ 505,006	$ 456,386	$ 320,240	$ 158,832	$ -

350 - Undergrounding – Streets & Roads

Fund Description
The purpose of the Undergrounding Fund is to underground existing overhead lines throughout the City. The Fund receives revenues from developers for the undergrounding of utilities in areas of new development. Expenditures may be made from these funds only for design and construction associated with such undergrounding.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 55,300	$ -	$ -	$ -	$ -	$ -
502023 - Undergrounding Project	1,000,000	-	-	-	-	-
Totals	**$ 1,055,300**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

How this Fund Generates Money for Capital Investment
Fees are paid by developers of properties. Additionally, the City may receive funds or credit from PG&E to support additional undergrounding work. The City attempts to leverage both PG&E and City funding to accomplish larger undergrounding projects.

Limitations and Other Important Factors
These funds must be used for undergrounding of utilities in areas of new development.

Goals for Capital Investment
Complete one significant undergrounding project using City and PG&E funding.

Revenues- Other includes interest income. Expenditure- Other includes annual transfers-out to the General Fund for administration.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 350- Undergrounding	Projected						
Beginning Fund Balance	$ 1,073,838	$ 1,278,878	$ 252,028	$ 273,374	$ 294,907	$ 316,636	$ 338,563
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	200,175	20,000	20,000	20,000	20,000	20,000	20,000
Revenues - Other	6,000	9,592	2,520	2,734	2,949	3,166	3,386
Expenditures - CIP Projects	-	1,055,300	-	-	-	-	-
Expenditures - Other	1,135	1,141	1,175	1,200	1,220	1,240	1,260
Ending Fund Balance	$ 1,278,878	$ 252,028	$ 273,374	$ 294,907	$ 316,636	$ 338,563	$ 360,688

355 - School Pedestrian & Traffic Safety- Streets and Roads

Fund Description
The purpose for the School Pedestrian and Traffic Safety Fund has been to support enhancements within the City's right-of-way that improve safety near schools. Previously, Fund revenues were received from developers through the City's RDCS. With the elimination of RDCS due to State legislation, no new funds are anticipated to be received through that process. The Fund accounts for resources and requirements for capital projects that support the City of Morgan Hill's school pedestrian safety needs. Projects utilizing these funds include street crossing safety improvements and warning notifications to motorists of school children presence. It is anticipated that funds will be exhausted within the next two years.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 22,120	$ 29,000	$ -	$ -	$ -	$ -
520023- Bike, Pedestrian & Traffic Safety	400,000	500,000	-	-	-	-
Totals	**$ 422,120**	**$ 529,000**	**$ -**	**$ -**	**$ -**	**$ -**

How this Fund Generates Money for Capital Investment
Fees are paid by developers of properties. Payments to this Fund are no longer available as part of the Residential Development Control System (RDCS) competition, due to its elimination via State legislation. Minimal revenue will continue to be received for storm drainpipe front footage fees from developers. Funds will be programmed in the out years, spending down the fund balance to accomplish projects.

Limitations and Other Important Factors
These funds are to be expended on projects that enhance the safety of streets near schools.

Goals for Capital Investment
The goal for use of the fund during this period is that it shall be used to fund sidewalk repairs within .75 miles of a school.

Revenues- Other includes interest income. Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 355- School Pedestrian & Traffic Safety	Projected						
Beginning Fund Balance	$ 181,922	$ 40,982	$ 80,785	$ 23,974	$ 98,198	$ 118,130	$ 98,442
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	804,569	481,984	491,909	94,625	39,700	-	-
Revenues - Other	276,200	307	808	240	982	1,181	984
Expenditures - CIP Projects	1,200,000	422,120	529,000	-	-	-	-
Expenditures - Other	21,709	20,368	20,529	20,640	20,750	20,870	20,990
Ending Fund Balance	$ 40,982	$ 80,785	$ 23,974	$ 98,198	$ 118,130	$ 98,442	$ 78,436

641 - Sewer Impact- Wastewater

Fund Description

The primary purpose of the Sewer Impact Fund is to construct expansions to the City's Wastewater System to accommodate new development. The Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. The Fund is subject to the restrictions of AB1600. The primary planning tool for the Fund is the City's Sewer System Master Plan.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 82,950	$ 290,000	$ 650,000	$ 325,000	$ 162,500	$ 30,550
110023- Infrastructure Planning	100,000	-	-	-	-	-
303093 - Sewer Plant Expansion (SCRWA)	19,471,000	-	-	-	-	-
303a11 - Sewer Plant Improvements	250,000	1,000,000	500,000	500,000	500,000	500,000
308a08 - New Trunk Line	250,000	5,000,000	10,000,000	5,000,000	2,500,000	-
315006 - Sewer Capacity Improvement Projects	1,250,000	-	-	-	-	470,000
Totals	**$ 21,403,950**	**$ 6,290,000**	**$ 11,150,000**	**$ 5,825,000**	**$ 3,162,500**	**$ 1,000,550**

How this Fund Generates Money for Capital Investment

New development creates the need for the City to expand its inventory of public facilities and build new, or expand current, infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000. A City Council-adopted "Impact Fee Report" provides the necessary findings required for adoption of the fees.

Limitations and Other Important Factors

All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, to build out new public facilities/infrastructure projects to accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment

The goals for this fund during this period are to expand and improve the sewer enterprise system to accommodate anticipated future growth.

Revenues- Other includes interest income and a transfer-in from Fund 643 (Sewer Impact) in FY 2022-23. Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning, debt service, and to Fund 207 for the general plan update.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 641-Sewer Impact	Projected						
Beginning Fund Balance	$ 22,121,700	$8,593,949	$ 4,017,288	$ 1,390,078	$ 109,577	$ 523,699	$ 1,961,703
Revenues - Impact Fees (AB1600)	3,143,255	4,336,657	4,388,986	10,622,683	7,005,549	5,366,567	4,565,039
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	912,218	13,375,237	40,173	13,901	1,096	5,237	19,617
Expenditures - CIP Projects	16,659,520	21,403,950	6,290,000	11,150,000	5,825,000	3,162,500	1,000,550
Expenditures - Other	923,703	884,604	766,369	767,085	767,523	771,300	771,600
Ending Fund Balance	$ 8,593,949	$ 4,017,288	$ 1,390,078	$ 109,577	$ 523,699	$ 1,961,703	$ 4,774,209

643 - Sewer Capital Project- Wastewater

Fund Description

The Purpose of the Sewer Capital Project Fund is to implement capital improvements to the sewer system that support the ongoing maintenance of the system. The primary planning tool for the Fund is the City's Sewer System Master Plan. The Fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. Annual contributions from the Sewer Operations Fund occur to fund planned capital projects in this area.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 342,860	$ 527,800	$ 406,250	$ 201,500	$ 201,500	$ 213,200
110023- Infrastructure Planning- Sewer Master Plan	-	50,000	-	-	-	-
302018- Sewer System Repair & Replacements	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
304k15 - Lift Station Improvements	3,100,000					
308a08 - New Trunk Line	-	5,000,000	2,500,000	-	-	-
308020- Sewer Facility Improvements	100,000	100,000	100,000	100,000	100,000	100,000
315006 - Sewer Capacity Improvement Projects	-	-	650,000	-	-	180,000
360022-Utility Services Access Roads	-	1,000,000	-	-	-	-
Totals	**$ 6,542,860**	**$ 9,677,800**	**$ 6,656,250**	**$ 3,301,500**	**$ 3,301,500**	**$ 3,493,200**

How this Fund Generates Money for Capital Investment

Funding comes from planned transfers from the Sewer Operations Fund, which is funded through ratepayers.

Limitations and Other Important Factors

The projects paid for through this fund are projects for the purpose of rehabilitation and replacement work for the City's wastewater system.

Goals for Capital Investment

The goals for this fund during this period consist of improvements to enhance system reliability and maintenance of existing system deficiencies.

Revenues- Other includes interest income and annual transfers-in from Fund 640 (Sewer Operations) and 641 (Sewer Impact). Expenditure- Other includes annual transfers-out to the General Fund for administration, debt service, and a transfer-out to Fund 641 in FY 2022-23.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 643-Sewer Capital Project	**Projected**						
Beginning Fund Balance	$29,354,687	$27,770,163	$ 12,205,892	$ 6,414,454	$3,386,306	$ 3,282,919	$2,779,890
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	5,405,288	6,710,457	5,204,512	4,946,290	4,515,406	4,117,080	3,711,259
Expenditures - CIP Projects	3,545,973	6,542,860	9,677,800	6,656,250	3,301,500	3,301,500	3,493,200
Expenditures - Other	3,443,839	15,731,868	1,318,150	1,318,188	1,317,293	1,318,608	1,318,768
Ending Fund Balance	27,770,163	12,205,892	6,414,454	3,386,306	3,282,919	2,779,890	1,679,181

651 - Water Impact- Water

Fund Description

The purpose of the Water Impact Fund is to construct expansions to the City's Water System to accommodate new development. The Fund receives revenues from developer charges to cover the costs to construct water improvements required as a result of the new development. Expenditures may be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. This Fund is subject to the restrictions of AB1600. The primary planning tool for the Fund is the City's Water System Master Plan.

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 8,733	$ 87,854	$ 149,520	$ 262,410	$ 6,455	$ 66,230
110023- Infrastructure Planning-WaterMaster Plan	-	-	-	-	177,750	-
601023 – Groundwater Wells	-	-	448,583	4,037,071	-	504,004
603000 -Pipeline Capacity Improvements	-	-	-	-	60,000	278,970
610023- Pump Station Capacity	4,000	16,000	-	-	39,312	157,248
610a18- Holiday Lake Improvements	153,923	1,385,307	1,539,230	-	-	-
620023- Reservoir Capacity Improvements	-	113,422	312,490	-	-	78,701
Totals	**$ 166,656**	**$ 1,602,583**	**$ 2,449,823**	**$ 4,299,481**	**$ 283,517**	**$ 1,085,153**

How this Fund Generates Money for Capital Investment

New development creates the need for City to expand its inventory of public facilities and build new or expand current, infrastructure to handle the demands of new services. The City imposes public facilities fees under authority granted by the Mitigation Fee Act, contained in California Government Code Sections 66000. A City Council-adopted "Impact Fee Report" provides the necessary findings required for adoption of the fees.

Limitations and Other Important Factors

All development impact fee-funded capital projects are programmed through the City's 6-Year CIP, to build out new public facilities/infrastructure projects to accommodate future growth. By programming fee revenues to specific capital projects, the City ensures a reasonable relationship between new development and the use of fee revenues as required by the Mitigation Fee Act.

Goals for Capital Investment

The goals for this fund during this period consist of funding for new water wells, reservoirs, and water mains to service future growth.

Revenues- Other includes interest income. Expenditure- Other includes annual transfers-out to the General Fund for administration and infrastructure planning, debt service, and to Fund 207 for the general plan update

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 651 - Water Impact	Projected						
Beginning Fund Balance	$ 2,979,950	$2,805,850	$ 2,885,536	$ 2,338,652	$ 3,129,951	$ 751,383	$ 1,712,220
Revenues - Impact Fees (AB1600)	812,869	918,214	1,720,216	3,912,282	2,583,330	1,930,623	1,608,452
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	15,000	21,044	28,855	23,387	31,300	7,514	17,122
Expenditures - CIP Projects	270,000	166,656	1,602,583	2,449,823	4,299,481	283,517	1,085,153
Expenditures - Other	731,969	692,916	693,372	694,546	693,717	693,783	695,543
Ending Fund Balance	$ 2,805,850	$ 2,885,536	$ 2,338,652	$ 3,129,951	$ 751,383	$ 1,712,220	$ 1,557,099

653 - Water Capital Project - Water

Fund Description

The purpose of the Water Capital Project Fund is to implement capital improvements to the water system that support the ongoing maintenance of the system. The primary planning tool for the Fund is the City's Water System Master Plan. The fund was established to avoid fluctuations in water rates by providing reserve funding for future water system replacement and rehabilitation projects. Annual contributions from the Water Operations Fund occur to fund planned capital projects in this area. This fund pays 70% of debt service payment for the water revenue bond, and 30% is paid out of the Water Impact Fund (651).

Project List	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
110020- Project Administration	$ 196,952	$ 580,561	$ 708,912	$ 270,576	$ 301,631	$ 230,354
110023- Infrastructure Planning- Water Master Plan	250,000	-	-	-	416,250	-
601023 – Groundwater Wells	500,400	4,536,035	55,440	498,964	-	-
603000 -Pipeline Capacity Improvements	-	70,000	499,385	-	35,000	161,245
608020 - Water Facility Rehabilition	633,333	1,333,333	1,333,333	300,000	300,000	300,000
610000 - Water Pipeline Repair and Replacement	1,089,136	1,089,136	1,500,000	2,000,000	3,176,775	2,163,942
610023- Pump Station Capacity	16,000	63,999	-	-	26,208	104,832
610a18- Holiday Lake Improvements	237,659	2,138,935	2,376,594	-	-	-
620023- Reservoir Capacity Improvements	500,000	303,231	2,604,082	-	-	13,888
620a18- Reservoir Recoating and Rehabilitation	385,000	275,000	2,337,500	563,750	302,500	-
630023 - Utilities Security System Enhancement	200,000	200,000	200,000	800,000	800,000	800,000
Totals	**$ 4,008,480**	**$10,590,230**	**$ 11,615,246**	**$ 4,433,290**	**$ 5,358,364**	**$ 3,774,261**

How this Fund Generates Money for Capital Investment
Funding comes from planned transfers from the Water Operations Fund, which is funded through ratepayers.

Limitations and Other Important Factors
The projects paid for through this fund are projects for the purpose of rehabilitation and replacement work for the City's existing water system.

Goals for Capital Investment
The goals for this fund during this period consist of improvements to enhance system reliability and to take care of existing system deficiencies by replacing and rehabilitating water system components.

Revenues- Other includes interest income and annual transfers-in from Fund 650 (Water Operations) and 651 (Water Impact). Expenditure- Other includes annual transfers-out to the General Fund for administration, debt service, and contract services.

Six-Year Pro Forma	2021-22 YE	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Fund 653 - Water Capital Project	Projected						
Beginning Fund Balance	$ 8,134,534	$ 11,471,119	$ 11,008,161	$ 5,787,164	$ 487,460	$ 3,418,131	$ 6,053,161
Revenues - Impact Fees (AB1600)	-	-	-	-	-	-	-
Revenues - Non- AB1600 RDCS	-	-	-	-	-	-	-
Revenues - Other	5,080,139	5,128,809	6,952,791	7,901,398	8,947,202	9,576,204	8,903,935
Expenditures - CIP Projects	60,500	4,008,480	10,590,230	11,615,246	4,433,290	5,358,364	3,774,261
Expenditures - Other	1,683,054	1,583,287	1,583,558	1,585,856	1,583,240	1,582,810	1,586,496
Ending Fund Balance	$ 11,471,119	$ 11,008,161	$ 5,787,164	$ 487,460	$ 3,418,131	$ 6,053,161	$9,596,339

RESOLUTION NO. 22-08

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING ACCEPTANCE OF THE CITY'S CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEARS 2022/23 THROUGH 2027/28 AND FINDING THE PROGRAM YEARS 2022/23 AND 2023/24 CONSISTENT WITH THE GENERAL PLAN

WHEREAS, such request was considered by the Planning Commission at their regular meeting on April 26, 2022 at which time the Planning Commission recommended acceptance of the Capital Improvement Program for Fiscal Years 2022/23 through 2027/28 after finding the Program Fiscal Years 2022/23 and 2023/24 consistent with the General Plan;

NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES RESOLVE AS FOLLOWS:

SECTION 1: The proposed Fiscal Years 2022/23 and 2023/24 Capital Improvement Program is consistent with the General Plan, in that the infrastructure improvements shown in the Program will support the goals, policies and programs of the General Plan, enabling orderly development of the City.

SECTION 2: The proposed Capital Improvement Program is found to be Exempt from the California Environmental Quality Act pursuant to Section 15262 of the CEQA Guidelines.

SECTION 3: The Planning Commission hereby recommends acceptance of the proposed Capital Improvement Program for Fiscal Years 2022/23 through 2027/28.

PASSED AND ADOPTED THIS 26TH DAY OF APRIL 2022, AT A REGULAR MEETING OF THE MORGAN HILL PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

ABSENT: COMMISSIONERS:

ATTEST: **APPROVED:**

_____ _____

JENNA LUNA, Deputy City Clerk **MALISHA KUMAR,** Chair

CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM – FY2022/23-2023/24
CONSISTENCY WITH GENERAL PLAN

PARKS & RECREATION

Project Title	Consistent with:
Infrastructure Planning (Project in all sections)	GP Goals and Policies Located in Chapter 9.
Parks Land Purchase and Development	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policies 3.1, 3.2 and 3.24.
West Little Llagas Creek Trail	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policies 3.1, 3.2, 3.12, 3.14, 3.15 and 3.25.
Madrone Channel Trail Improvements	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policies 3.1, 3.2, 3.12, 3.14 and 3.25.
Park Renovation	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policies 3.1, 3.2, 3.12, 3.14 and 3.25.
El Toro Trail	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policies 3.1, 3.2, 3.25, Action 3.n.
Monterey Road Ball Field Park	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policies 3.1, 3.2, and 3.21.
Villa Mira Monte Improvements	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policy 3.25. GP Goal HC-4, Policy 4.7. GP Goal HC-8, Policy 8.2.
Condit Sports Facility Development	2017 Bikeways, Trails, Parks & Recreation Master Plan. GP Goal ED-4, Policies 4.1, 4.3. GP Goal HC-3, Policy 3.17.
CRC Battery Storage System	GP Goal NRE-15, Policy 15.1. GP Goal NRE-16, Policy 16.2
Park Rennovation	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policy 3.7.
Recreation Facility Expansion/Rennovation	2017 Bikeways, Trails, Parks & Recreation Master Plan, GP Goal HC-3, Policy 3.7.

PUBLIC FACILITIES

Project Title	Consistent with:
New Fire Stations	2016 General Plan, Goal SSI-11, Policy 11.1.
Police Facility Expansion	2016 General Plan, Goal SSI-11, Policy 11.1.

STORM DRAINAGE

Project Title	Consistent with:
Storm System Expansions	2018 Storm Drainage System Master Plan.
Llagas Flood Control	2018 Storm Drainage System Master Plan, GP Goal SSI-6, Policies 6.1, 6.4, 6.5 and 6.8.
Storm System Repairs & Improvements	2018 Storm Drainage System Master Plan, GP Goal SSI-6, Policies 6.1, 6.4 and 6.8.

STREETS AND ROADS

Project Title	Consistent with:
Pavement Rehabilitation Program	GP Goal TR-1, Policies 1.1 and 1.3.
Hale Avenue Extension	GP Goal ED-9, Policies 9.2 and 9.3.

Traffic Signal & Intersection Improvements	GP Goal TR-2, Policy 2.1. Goal TR-3, Policy 3.10.
DT Parking Structure Entry Security System	GP Goal CNF-14, Action CNF-14.A. Goal ED-3, Action ED-3.D.
Bike, Pedestrian & Traffic Safety	GP Goal TR-8, Policies 8.1 & 8.10. GP Goal TR-6, Policy 6.11.
Sidewalk Repairs	GP Goal TR-9, Policies 9.2 & 9.3. GP Goal CNF-8, Policy 8.15. Goal TR-9, Policy 9.6.
Undergrounding Project	GP Goal SSI-13, Policy 13.1.

SEWER

Project Title	**Consistent with:**
Sewer Plant Expansion (SCRWA)	2017 Sewer Master Plan, GP Goal SSI-15, Policy 15.2.
Sewer Plant Improvements	2017 Sewer Master Plan, GP Goal SSI-15, Policy 15.2.
New Trunk Line	2017 Sewer Master Plan.
Sewer Capacity Improvement Projects	2017 Sewer Master Plan.
Sewer System Repair and Replacements	2017 Sewer Master Plan.
Lift Station Improvements	2017 Sewer Master Plan.
Sewer Facility Improvements	2017 Sewer Master Plan.
Utility Services Access Roads	2017 Sewer Master Plan.

WATER

Project Title	**Consistent with:**
Groundwater Wells	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Pipeline Capacity Improvements	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Pump Station Capacity	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Holiday Lake Improvements	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Reservoir Capacity Improvements	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Water Supply Facility Improvements	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Water Facility Rehabilitation	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Water Pipeline Repair and Replacement	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Reservoir Recoating and Rehabilitation	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.
Utilities Security System Enhancement	2021 Water System Master Plan, GP Goal SSI-14, Policy 14.5.

Draft Affirmatively Furthering Fair Housing (AFFH) Priorities

The following are proposed Policies and Actions as recommended by the Lawyers' Committee for Civil Rights Under Law to be listed under proposed *Goal 3: Advance equity and inclusion throughout the City.*

Policy HE-3.1 Increase Affordable Housing Opportunities for Protected Class Members in Eastern Morgan Hill.

Although Morgan Hill is a relatively integrated city, affordable housing is not evenly distributed throughout it, with the city's large number of Low Income housing Tax Credit (LIHTC) units clustered in or near downtown Morgan Hill. The downtown portions of Morgan Hill tend to have higher concentrations of Hispanic residents and relatively lower access to proficient schools than do areas to the east. Additionally, an outsized share of undeveloped land that is within the City's sphere of influence is in the eastern part of the city or in neighboring unincorporated areas. As these areas are likely to see significant market-rate development, ensuring the availability of affordable housing in these areas will help ensure inclusion and access to opportunity.

Action HE-3.A Identify opportunities and sites for affordable housing development in eastern Morgan Hill.

Although the City of Morgan Hill has sufficient permitted development in its pipeline to ensure that it does not need to identify additional sites to meet its RHNA targets, identifying sites in eastern Morgan Hill would advance the goal of fostering greater integration and ensure a steady supply of affordable housing in the future. Additionally, identifying sites for affordable housing in eastern Morgan Hill now for purposes of the City's next Housing Element could increase the likelihood of 100% affordable housing developments and units for extremely low-income households created separately from affordable housing created through mandatory inclusionary housing. Prioritize the housing subsidies in eastern Morgan Hill to achieve affordability set-asides and depth of affordability exceeding the requirements of the Inclusionary Housing Ordinance.

For developments that are in the pipeline but for which the final mix of affordability levels is not yet determined, the City should prioritize making funds available to developments in eastern Morgan Hill where a higher percentage of affordable units and units affordable at lower income levels would help foster greater integration and access to proficient schools.

Action HE-3.B Study the creation of affordable housing overlay districts in advance of the next Housing Element cycle.

For future Housing Element cycles, zoning changes may be necessary in Morgan Hill. Affordable housing overlay districts are a tool that can help meet the need for units for very low- and extremely low-income households while avoiding the opportunity cost of scarce rezoned sites being snatched up for predominantly market-rate development.

Policy HE-3.2 Protect Tenants from Displacement.

Morgan Hill has a significant homeownership gap with 80.6% of White households owning their homes as opposed to just 53.3% of Hispanic households. While homeownership can protect residents from the impact of rising housing costs, tenants are left vulnerable. A.B. 1482 limits extremely high rent increases, but even allowable increases can still push tenants out, especially if repeated year-after-year. In addition to Hispanic families, adults ages 18 through 64 who have disabilities are also disproportionately likely to rent.[1] Although families with children are not disproportionately likely to rent, the impact of displacement on families that do rent can be particularly acute due to disruption to school assignment and attendance. Morgan Hill should deploy a variety of policy tools to curb displacement.

Action HE-3.C Consider adoption of a mediation requirement for rent increases of 5% or more.

California's Costa-Hawkins Act preempts the application of local rent stabilization ordinances to single-family homes, condominiums, and homes built after February 1, 1995. As a city that has roughly doubled in population since 1990, that means that a significant proportion of Morgan Hill's relatively modest stock of multifamily housing would be exempt from any rent stabilization ordinance. As a result, the costs of administering rent stabilization may outweigh the benefits that it would deliver to tenants. By contrast, the Costa-Hawkins Act does not prevent California cities from adopting rent increase mediation requirements as some other jurisdictions in the Bay Area have. A mediation requirement might seek to encourage landlords to forgo the opportunity to raise rents by levels that exceed what might be allowed under nearby rent stabilization ordinances (5% in San Jose) but that are not unlawful under A.B. 1482 (10% due to recent increases in inflation).

Action HE-3.D Study the possibility of a tenant relocation assistance ordinance.

California cities are able to adopt tenant relocation assistance ordinances that require landlords to provide financial assistance to low- and moderate-income tenants displaced as a result of the landlords' actions. The City of Morgan Hill should study the value and feasibility of adopting such a policy locally, looking at (1) the frequency with which tenants are displaced in Morgan Hill through the types of actions that could be triggering events for relocation assistance, (2) the amount of relocation benefits that would be necessary to enable Morgan Hill residents at income levels typical for affected buildings to be able to remain in the city, and (3) the efficacy of relocation assistance ordinances in other cities in the Bay Area at enabling displaced tenants to find new housing near their former homes.

[1] Overall, persons with disabilities are not disproportionately likely to rent because the population of persons with disabilities is disproportionately older and older adults are disproportionately likely to be homeowners.

Action HE-3.E Seek funding or develop paths of support for access to counsel in possessory eviction cases.

Access to counsel has a significant impact on tenant outcomes in possessory eviction cases, potentially preventing eviction but also having the potential to facilitate better relocation outcomes for tenants who do end up relocating. By providing additional funding to close the gap between the current capacity of legal services providers and the total need for representation in possessory eviction cases. Increased access to counsel may have particular benefits for tenants with disabilities who may have additional defenses available to them in eviction cases that are unavailable to others.

Action HE-3.F Support shared-equity homeownership models.

Another way of protecting protected class members who are tenants from displacement is to create opportunities for them to access homeownership. Although creating homeownership opportunities for very low- and extremely low-income households can be difficult, shared-equity models like limited equity cooperatives and community land trusts have proven track records. The City could seek to support these models both through land donation and through the commitment of subsidy dollars. Shared-equity homeownership models may also provide opportunities for the creation of affordable housing in locations that are not realistic candidates for major rezoning. Single-family homes on small lots may be a viable housing type for a shared-equity homeownership effort.

Action HE-3.G Review the Inclusionary Housing Ordinance to provide deeper for-sale affordability beyond the adopted 2021 Inclusionary Housing Ordinance.

Currently, the City's Inclusionary Housing Ordinance requires the provision of units affordable to moderate-income households in for-sale developments. Requiring that developers achieve deeper owner-occupied affordability through cross-subsidization and existing incentives may not be effective. However, the City could seek to bridge the gap between inclusionary for-sale units and low-income households by providing financial support. Additionally, in light of the homeownership gap in Morgan Hill, the City should require developers to affirmatively market for-sale inclusionary units to Hispanic households.

Action HE-3.H Adopt preferences for tenants who have been displaced from rental housing in Morgan Hill in recent years.

The City should consider implementing an admissions preferences for affordable housing for tenants who have recently been displaced. These tenants are more likely to be members of protected classes. Such a preference could apply both in inclusionary developments and in affordable developments that receive City funds.

Action HE-3.I Create a right of first refusal for mobile home park residents to purchase unit spaces or use zoning strategies to prevent park conversion.

Hispanic households are disproportionately likely to live in mobile home parks in Morgan Hill. While the City has rent control for mobile home parks, which offers some protection against displacement, park residents are still vulnerable when park owners seek to redevelop parks entirely or sell them to entities that intend to do likewise. Either a right of first refusal – paired with financial and technical assistance to help residents avail themselves of such a right – or zoning that precludes the use of current parks for anything other than mobile home parks could mitigate that risk.

Policy HE-3.3 Connect Morgan Hill Residents to Employment Opportunities.

In general, access to a wide range of types of opportunity are available to residents of Morgan Hill. Although school proficiency is not equal across the city, there are high-performing schools in the city. Access to environmental health is generally higher than in much of the region. Key related exceptions involve transportation and job access. Morgan Hill does not have the abundance of job opportunities that exist further north in Santa Clara County. The disconnect between where Morgan Hill residents – a population that is more heavily Hispanic than the broader region – live and where jobs are concentrated, can be addressed in two broad ways. First, the City can seek to increase employment opportunities in Morgan Hill itself. Second, the City can seek to address transportation gaps in order to make it easier for residents to reach jobs in northern Santa Clara County.

Action HE-3.J Prioritize the creation of jobs that are accessible to low- and very low-income Hispanic workers.

The burden of long commutes to northern Santa Clara County does not fall evenly on all workers. Employees in high-paying technology and other professional jobs are better able to absorb the cost of relatively high fares on Caltrain or car maintenance and gas (or the expense of buying an electric of more fuel-efficient vehicle). Additionally, they are more likely to have jobs that allow them to work at home some or all of the time. For lower income workers in service, retail, manufacturing, and logistics jobs, high transportation costs may be a significant burden with the potential to cancel out the reduced housing costs of living in Morgan Hill rather than northern Santa Clara County. When making zoning decisions with implications for types of job creation and determining how to utilize limited resources for incentivizing job creation, the City should prioritize the creation of jobs that strike a balance between decent wages and low barriers to entry (in terms of educational attainment and other credentials).

Action HE-3.K Create incentives for local businesses to hire Morgan Hill residents.

For jobs that exist in Morgan Hill, increasing the likelihood that Morgan Hill residents obtain those jobs would help to reduce disparities in access to employment faced by Hispanic residents. These incentives could include a tax break or some other subsidy for each job filled by a Morgan Hill resident.

Action HE-3.L Advocate for VTA to expand bus service in Morgan Hill.

Morgan Hill has both local bus service and connections to San Jose through VTA bus lines, but local service is limited, both in terms of areas served and frequency, and hours of service. The City does not have control over VTA's bus network but should encourage expansions of service that make commuting by bus a more realistic option for workers in Morgan Hill, including service and retail workers who are more likely to work evenings and weekends. In particular, the corridor along Dunne Avenue has significant development but lacks local bus service.

Action HE-3.M Study local first mile/last mile solutions for Morgan Hill.

To the extent that VTA or Caltrain services expansion are both outside the City's control and may be unlikely to occur, the City can still focus on the development of first mile/last mile options that connect residents to Caltrain and regional bus service. If the City is successful in facilitating affordable housing development in the eastern portion of the city, which has less access to regional transportation networks, it will be critical to ensure that first mile/last mile solutions are coordinated with such development.

Policy HE-3.4 Increase Fair Housing Enforcement, Outreach, and Education in Morgan Hill.

Santa Clara County contracts with Project Sentinel, a private, nonprofit organization, to provide fair housing services throughout the Santa Clara Urban County, which includes Morgan Hill. As the largest city in the Urban County, however, it is likely that Morgan Hill could benefit from more geographically targeted enforcement, outreach, and education efforts to counter housing discrimination. Such efforts might focus on discrimination against Housing Choice Voucher holders, which only became unlawful as of January 2020. The City might consider either entering into a separate contract with Project Sentinel or providing funds to Santa Clara County to increase its contract amount and target some portion of Project Sentinel's efforts to Morgan Hill specifically.

California Department of Housing and Community Development

Affirmatively Furthering Fair Housing

Guidance for All Public Entities and for Housing Elements

(April 2021 Update)

Definition of Affirmatively Furthering Fair Housing

Meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws. The duty to affirmatively further fair housing extends to all of a public agency's activities and programs relating to housing and community development.

Additional definitions can be found on Pg. 64.

Purpose and Uses of Ongoing Guidance and AFFH Data Viewer:

(Sample text for now – actual text to follow)

This guidance memo is a more comprehensive update to the AB 686 summary of requirements in housing element law that the Department of Housing and Community Development (HCD) released April 23, 2020, which can be found at hcd.ca.gov. This guidance is meant to assist public agencies and local governments meet AB 686 requirements. The guidance will be updated periodically in collaboration with practitioners and stakeholders to provide additional samples and best practices.

This guidance is advisory and is adopted pursuant to HCD's general authority to provide technical assistance on the preparation of housing elements. HCD is also cognizant of its own duty to affirmatively further fair housing (AFFH) in adopting this guidance. Nevertheless, where the document says "shall" or "must," there is no intent to create a mandatory duty that does not independently exist in statute, and the use of these terms is merely a repetition of that mandatory duty. This document offers guidance and should not be construed as legal advice.

HCD has also developed a statewide AFFH Data Viewer that assembles various data sources and provides options for addressing each of the components within the full scope of the assessment of fair housing. The AFFH Data Viewer may be utilized to address the data components of new requirements to affirmatively furthering fair housing but must be used in combination with other data such as local or regionally available data. The AFFH Data Viewer consists of map data layers organized by: 1) Fair Housing Enforcement and Outreach Capacity, 2) Segregation and Integration, 3) Disparities in Access to Opportunity, 4) Disproportionate Housing Needs, including Displacement Risks, 5) Racially and Ethnically Concentrated Areas of Poverty and Affluence and 6) Supplemental Data. The AFFH Data Viewer is intended to be useful to a broad audience, such as local and regional governments, and organizations involved in the housing element process. For more information, visit the HCD's website at **www.hcd.ca.gov/community-development/affh/.**

HCD Mission, Vision, and Core Values

Mission

Promote safe, affordable homes and vibrant, inclusive, sustainable communities for all Californians.

Vision

Every California resident can live, work, and play in healthy communities of opportunity.

Core Values

INNOVATION: Empowered to apply creative solutions

PROFESSIONALISM: Demonstrate a willing attitude, open-mindedness, competence, and respect at all levels

ACCOUNTABILITY: Responsible, thoughtful ownership and acknowledgement of actions and performance

MISSION-DRIVEN: Determined and focused on achieving HCD's purpose

INTEGRITY: Direct, honest, transparent, and ethical in every action

DIVERSITY: Support, strengthen, and foster diversity and inclusive teams, programs, and partnerships

California Department of Housing and Community Development

Director Gustavo Velasquez

Message Re:
AB 686 Affirmatively Furthering Fair Housing

April is fair housing month, and April 2021 marks a momentous time in the recent history of fair housing in America. Racial and economic inequity have been catapulted to the forefront of public discourse through the lenses of a deadly pandemic and ongoing structural racism, clearly capturing which of our neighbors are affected most, and why. For the well-being of our state, it is vital that we maintain a sharp focus on addressing the challenges we face in achieving racial equity and opportunity for all Californians.

President Joe Biden is following through with his early commitment to make racial equity and fair housing advancement a cornerstone of his administration's policy and has committed to reinstate the 2015 Affirmatively Furthering Fair Housing rule and the 2013 Disparate Impact rule. California also recognizes and fully commits to addressing the role that public policy – at all levels of government – played in creating the patterns of segregation and racially concentrated areas of poverty that we see in our state today.

In 2018, California passed AB 686 as the statewide framework to affirmatively further fair housing; to promote inclusive communities, further housing choice, and address racial and economic disparities through government programs, policies, and operations. AB 686 is one of the most important tools that our local jurisdictions and partners can use to address systemic racism in housing and achieve positive impact for all Californians through public policies. AB 686 applies to all public agencies in all activities related to housing and community development. The duty to affirmatively further fair housing must be taken with the utmost diligence and cannot be ignored by any of us if it is to be successful.

Together, we must ameliorate past actions that led to inequity. As decision-makers we must create land-use and funding policies to increase affordable housing in high-resource neighborhoods that have often been exclusionary and bring additional resources to traditionally under-resourced neighborhoods.

Affirmatively furthering fair housing in California is about achieving better outcomes for all Californians regardless of race, religion, sex, marital status, ancestry, national origin, color, familial status, disability, and all other protected characteristics. These principles and requirements are necessary in addressing the racial wealth and homeownership gap, income disparities, and unequal access to opportunities. When everyone has better housing, health, and economic outcomes, we all do better as a whole.

Please join HCD and the many devoted partners in promoting stronger and more inclusive, sustainable communities. We know that our shared struggle for racial equity is centuries in the making and that there is more work to be done. We are honored to be part of a legacy of stepping up and making things better, for all of us.

Purpose

This guidance memo is a more comprehensive update to the AB 686 summary of requirements in housing element law that the Department of Housing and Community Development (HCD) released April 23, 2020, which can be found at hcd.ca.gov. This guidance is meant to assist public agencies and local governments meet AB 686 requirements. The guidance will be updated periodically in collaboration with practitioners and stakeholders to provide additional samples and best practices.

This guidance is adopted pursuant to Department of Housing and Community Development's (HCD's) general authority to provide technical assistance on the preparation of housing elements. Local jurisdictions' use of this guidance will support their legal obligation to comply with the duty to affirmatively further fair housing. HCD is also cognizant of its own duty to affirmatively further fair housing in this guidance.

Acknowledgements

The Department appreciates the contributions of the many individuals and organizations and sincerely thanks the guidance, expertise and partnership of:

- Governor's Office of Planning and Research
- Strategic Growth Council
- University of California, Berkeley – Center for Community Innovation, Othering and Belonging Institute and Terner Center
- Furthering Fair Housing MIT Research Consortium
- University of Minnesota Center for Urban and Regional Affairs
- National Housing Law Project
- Western Center on Law and Poverty
- PolicyLink
- Public Advocates
- Public Interest Law Project
- California Rural Legal Assistance
- Disability Rights
- Leadership Counsel for Justice and Accountability
- Poverty and Race Research Action Council
- Housing Rights Center
- The Law Foundation of Silicon Valley
- Public Law Center
- Public Interest Advocacy
- California Housing Partnership Corporation

Table of Contents

HCD Mission, Vision, and Core Values 1

Forward By Director Velasquez 2

Purpose and Acknowledgements 3

Background and History of Affirmatively Furthering Fair Housing 5

Chart 1: Summary of AB 686 Requirements 8

Overview of AB 686 Changes to Law 9

Part 1: Duty of All Public Agencies to Affirmatively Further Fair Housing 14

All Public Agencies 16

Programs and Activities 17

Tips for Implementation 18

Part 2: Affirmatively Furthering Fair Housing Changes to Housing Element Law 21

Outreach 21

Assessment of Fair Housing 22

Data Sources and Using the Statewide AFFH Data Viewer 25

Barriers to AFFH 26

Site Inventory 45

Identification and Prioritization of Contributing Factors 49

Chart 2: Contributing Factors Relationship Between Assessment of Fair Housing and Goals and Actions 50

Goals, Policies, and Actions 51

Part 3: Resources 57

Statute (strikeout/underline) 57

AB 686 Housing Element Compliance Checklist 62

Definitions 64

Dissimilarity and Isolation Index Formulas 67

Examples of Contributing Factors to Fair Housing Issues by Area 68

Sample Contributing Factors & Actions Matrix 71

Examples of Affirmatively Furthering Fair Housing Actions 72

Sample Tables 75

List of Fair Housing Assistance Organizations 79

Bibliography 83

- AFFH Rule and Assessments 83
- Federal Guidance 84
- Data & Maps 85
- Videos 87
- Books 87
- Research Articles & Reports 88

Background and History of Affirmatively Furthering Fair Housing

Where we call home has far-reaching impacts on our lives and futures. Home can provide us with the building blocks to success: a sense of belonging, safety, and access to economic and social opportunities. Housing is a key determinant in whether or not people have the resources to live healthy lives and achieve their full potential. Land use policies and planning often translate into the ability of families to access neighborhoods of opportunity, with high-performing schools, greater availability of jobs that afford entry to the middle class, and convenient access to transit and services. The limits on housing choice and access experienced by people within protected classes, such as race, sexual orientation, or disability, have far-reaching impacts on access to job opportunity, quality education, and mental and physical health.

Residential segregation and exclusion, whether by race, ethnicity, disability, or income, is a result of numerous housing policies, practices, and procedures—both public and private—that have had enduring and pervasive negative impacts. Overt and covert housing discrimination through land use policy, shifting housing markets, and patterns of investment and disinvestment, have restricted meaningful fair housing choice and equitable access to opportunity, particularly for communities of color. Historic patterns of segregation persist in California despite the long-standing federal mandate, established by the Fair Housing Act of 1968 (FHA), that federal agencies and federal grantees affirmatively further the purposes of the FHA.

In the decades preceding and since the passage of the FHA, government and non-governmental policies and practices have disproportionately and unfairly impacted people and communities. Rampant exclusionary tactics and disparate treatment such as redlining, racially restrictive covenants, and biased mortgage lending practices were a few of the methods in the housing system that federal, state, and local lawmakers developed or explicitly supported to encourage spatial inequality based on race. State-sponsored, racially explicit practices fostered economic inequality and created a systematic wealth gap, as some groups were excluded from accessing homeownership and thereby denied the ability to create intergenerational wealth through investments in real estate.

In 1968, the FHA was enacted to remedy significant and long-standing inequities borne by protected classes, particularly Black and Hispanic people. As amended in subsequent years, the FHA mandates broad protections, prohibiting housing discrimination based upon race, color, religion, sex, disability, familial status, or national origin. Importantly, it advances the need to go beyond prohibiting housing discrimination and create opportunities for real housing choice through affirmatively furthering fair housing.[1]

1 The Fair Housing Act of 1968 originally only protected against discrimination based on race, color, religion, and national origin. The FHA was later amended in 1974 to include sex and then again in 1988 to include discrimination based on disability and familial status.

Although federal mandates prohibit overt forms of discrimination in housing, forces driving residential segregation have persisted, sometimes taking on new forms to achieve the same discriminatory ends. Racially explicit practices were subtly replaced by race-neutral methods to exclude people of color from predominantly white neighborhoods. Over time, single-family zoning emerged and replaced race-based zoning as a tool for segregating communities by restricting more affordable housing options, such as apartments or condominiums. Exclusionary zoning policies have made it difficult for lower-income residents to access certain communities and in turn has had a discriminatory effect on protected characteristics such as race, disability, and familial status. Furthermore, federal, state, and local subsidized programs failed to construct affordable housing in high-resource neighborhoods, which are disproportionately white, thereby reinforcing the spatial segregation of low-income communities of color.[2]

Past and present discriminatory policies and practices, including long-term disinvestment, have resulted in neighborhoods with concentrated poverty and poor housing stock, limited access to opportunity, unsafe environmental conditions, underfunded schools, dilapidated infrastructure, and other disproportionately experienced problems. In addition, governmental policies have subsidized the development of segregated, high-resourced suburbs in metropolitan areas by constructing new highway systems—often through lower income communities of color— to ensure access to job opportunities in urban centers. This physical and policy infrastructure supports patterns of discrimination and high levels of segregation that continue to persist in California and across the country. All of these conditions persist despite the over 50-year-old obligation to prohibit discrimination and affirmatively further fair housing.

2 As of 2017, the State of California had 391 racially and ethnically concentrated areas of poverty (R/ECAP) areas, which represents a notable 40 percent increase from the 278 R/ECAP areas documented in 2010. Between 2000, when the state had 182 R/ECAP areas, and 2017, California has seen a 115 percent increase in R/ECAP areas (Final 2020 Analysis of Impediments (AI), p. 165).

Housing policy, program guidelines, and regulations were essential in creating current inequities, and they are equally important in both preventing further segregation and concentration of poverty, as well as increasing access to opportunity. In order to ameliorate past actions that led to inequity, decision-makers must create land-use and funding policies to increase affordable housing in high resource neighborhoods that have often been exclusionary (explicitly or in effect of costs and zoning policies) and bring additional resources to traditionally under-resourced neighborhoods.

To address these conditions, Assembly Bill 686 (AB 686), signed in 2018, establishes an independent state mandate that expands the duty of all California's public agencies to affirmatively further fair housing (AFFH). AB 686 added to existing protections in California. The Fair Employment and Housing Act (FEHA) provides broad protections to California residents, prohibiting housing discrimination through public or private land-use practices, decisions, and authorizations based upon "race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, or genetic information."[3] Also, Government Code section 65008 prohibits discrimination against affordable housing based on financing or occupancy by low- and moderate-income households. With the passage of AB 686, state and local public agencies are required to affirmatively further fair housing through deliberate action to explicitly address, combat, and relieve disparities resulting from past and current patterns of segregation to foster more inclusive communities. Importantly, AB 686 also creates new housing element requirements applying to all housing elements due to be revised on or after January 1, 2021. These requirements include an assessment of fair housing practices, an analysis of the relationship between available sites and areas of high or low resources, and concrete actions in the form of programs to affirmatively further fair housing. The purpose of this assessment and analysis is to replace segregated living patterns with truly integrated and balanced living patterns and to transform racially and ethnically concentrated areas of poverty (R/ECAP) into areas of opportunity. The purpose of this memo is to assist in that assessment and analysis.

3 Gov. Code, §§ 12900-12996.

Chart 1: Summary of AB 686 Requirements

Overview of AB 686 Changes to Law

AB 686 (Chapter 958, Statutes of 2018) makes changes to laws in two broad areas:

1. Duty of All Public Agencies to Affirmatively Further Fair Housing
2. Affirmatively Furthering Fair Housing Changes to Housing Element Law

Duty of All Public Agencies to Affirmatively Further Fair Housing

Existing federal law requires departments and agencies to administer programs relating to housing in a way that affirmatively furthers fair housing.[4] These obligations extend to state and local governments that receive funds or contract with the federal government. For example, a local government receiving Community Development Block Grant (CDBG) dollars directly from the federal government is obligated to affirmatively further fair housing; under federal law this included completing an assessment of fair housing to inform the consolidated plan. However, federal planning requirements are subject to shifting promulgation of laws through various mechanisms such as regulations, rules, and program guidelines.[5]

As of January 1, 2019, AB 686 extends the obligation to affirmatively further fair housing to all public agencies in the State of California. This affirmative duty is not limited to those agencies with relationships with the federal government and is to be broadly applied throughout agencies at the state and local level.[6] Now, all public agencies must both (1) administer programs and activities relating to housing and community development in a manner that affirmatively furthers fair housing, and (2) take no action inconsistent with this obligation. Affirmatively furthering fair housing means "taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities." [7] These new statutory obligations charge all public agencies with broadly examining their existing and future policies, plans, programs, rules, practices, and related activities and make proactive changes to promote more inclusive communities. [8]

Affirmatively Furthering Fair Housing Changes to Housing Element Law

Even prior to the passage of AB 686, Housing Element Law inherently promoted more inclusive communities, such as by addressing the disproportionate housing needs of lower income households, and households with special needs (e.g., persons with disabilities, elderly, large households, single

4 See Executive Order 12892 – Leadership and Coordination of Fair Housing in Federal Programs: Affirmatively Furthering Fair Housing. January 17, 1994.

5 Effective September 8, 2020, HUD replaced the final AFFH rule with the Preserving Community and Neighborhood Choice rule [federalregister.gov]. Under the new rule entities are not required to complete a fair housing assessment (AFH or AI). They must AFFH, which has been redefined to read as, "means to take any action rationally related to promoting any attribute or attributes of fair housing as defined in the preceding subsection" (24 C.F.R. §5.150 (2020)).

6 Gov. Code, § 8899.50, subd. (a)(2).

7 Id., subd. (a)(1).

8 Id., subds. (a)(1), (a)(2), (b), (c), and (d).

parent households, farmworkers, and people experiencing homelessness).[9] For example, Housing Element Law requires local governments to make diligent efforts to include all segments of the community in public participation. Housing Element Law requires specific analysis of persons and households with special needs and commensurate development of policies and programs.[10] Housing Element Law, among many other things, also requires zoning for a variety of housing choices, the identification of sites to accommodate the housing needs of all incomes, and specific programs to promote fair housing.[11]

AB 686 makes changes to Housing Element Law to ensure the long-standing duty to affirmatively further fair housing is part of the housing element of the general plan,[12] which is the fundamental guiding document for community development for all local governments.[13]

Major changes include:

Outreach and Capacity

The preparation, adoption, and implementation of a housing element requires a diligent effort to include all economic segments of the community.[14] AB 686 reinforces and builds on this requirement. Under AB 686 and changes to Housing Element Law, the housing element must also include a summary of fair housing outreach and capacity.[15] The element must describe meaningful, frequent, and ongoing community participation, consultation, and coordination that is integrated with the broader stakeholder outreach and community participation process for the overall housing element.[16]

Outreach plans should consider geographic barriers to participation, especially in geographically extensive jurisdictions and rural areas, and should plan to hold in-person meetings in various locations to ensure residents from across the jurisdiction have the opportunity to participate. Jurisdictions should seek sites that are transit-accessible and/or consider options to assist residents without vehicle access with transportation.[17] Meetings should be held outside of work hours, including on evenings and weekends, to facilitate participation.[18] Drafts of the housing element should be made available to the public for review and comment with ample time before submission to the Department of Housing and Community Development (HCD) for review. In-person and electronic options for participation should also be made available. Also, housing element outreach should be aligned with the SB 1000 (2016)

9 See, e.g., Gov. Code, § 65583, subds. (a)(1), (a)(7); HCD, Building Blocks, at https://www.hcd.ca.gov/community-development/building-blocks/index.shtml.

10 Gov. Code, § 65583, subds. (a)(7), (c).

11 See, e.g., Gov. Code, § 65583, subd. (a)(4), (c)(1).

12 See, e.g., Gov. Code, § 65583, subd. (c)(5).

13 DeVita v. County of Napa (1995) 9 Cal.4th 763, 772–773 ("general plan … remains, a 'constitution' for future development"); Lesher Communications, Inc. v. City of Walnut Creek (1990) 52 Cal.3d 531, 540 (general plan is located at the top of "the hierarchy of local government law regulating land use").

14 Gov. Code, § 65583, subd. (c)(9).

15 See, e.g., Gov. Code, § 65583, subd. (c)(10)(A)(i).

16 Gov. Code, §§ 65583, subds. (c)(9), (c)(10), 8899.50, subds. (a), (b), (c); see also AFFH Final Rule and Commentary (AFFH Rule), 80 Fed. Reg. 42271, 42292-42302, 42353-42360, esp. 42354-42356 (July 16, 2015).

17 Gov. Code, § 8899.50, subds. (a), (b), (c); see also AFFH Final Rule and Commentary (AFFH Rule), 80 Fed. Reg. 42271, 42353-42360, esp. 42354-42356 (July 16, 2015); HCD, Building Blocks, Public Participation at https://www.hcd.ca.gov/community-development/building-blocks/getting-started/public-participation.shtml.

18 Gov. Code, § 8899.50, subds. (a), (b), (c); see also AFFH Final Rule and Commentary (AFFH Rule), 80 Fed. Reg. 42271, 42292-42302, 42353-42360, esp. 42354-42356 (July 16, 2015); HCD, Building Blocks, Public Participation at https://www.hcd.ca.gov/community-development/building-blocks/getting-started/public-participation.shtml.

(Environmental Justice Element)[19] outreach to the extent possible, given the overlapping topic areas.

Examples of key stakeholders:

- Community-based and other organizations (CBOs) that represent protected class members
- Public housing authorities
- Housing and community development providers
- Lower income community members and households that include persons in protected classes
- Fair housing agencies
- Independent living centers
- Regional centers
- Homeless services agencies
- Churches and community service organizations that serve ethnic/linguistic minorities

Important components of meaningful engagement:

- Translation of materials and making translation available at meetings
- Working with CBOs and other community stakeholders to develop effective outreach and engagement plans
- Making accessible information materials that avoid use of overly technical language
- Offering mini-grants to CBOs and other stakeholders to assist with engagement of low-income households and protected classes

Assessment of Fair Housing: Summary of Issues and Analysis of Patterns, Trends, and Disproportionate Housing Needs

The housing element now incorporates planning and analysis which is collectively referred to as an assessment of fair housing (AFH),[20] which generally includes:

- A summary of fair housing issues in the jurisdiction and an assessment of the jurisdiction's fair housing enforcement and outreach capacity; and
- An analysis and summary of fair housing issues utilizing available federal, state, and local data and knowledge. The analysis must include a variety of factors, such as trends and patterns within the locality and in comparison to the broader region, and the analysis must address:
  - » Integration and segregation;
  - » Racially or ethnically concentrated areas of poverty;
  - » Disparities in access to opportunity, including for persons with disabilities; and
  - » Disproportionate housing needs (this may include things like overpayment, overcrowding, housing conditions disproportionately affecting protected classes), including displacement risk.

19 Gov. Code, § 65302, subd. (h).

20 Gov. Code, §§ 65583, subds. (c)(9), (c)(10), 8899.50, subds. (a), (b), (c); AFFH Final Rule and Commentary (AFFH Rule), 80 Fed. Reg. 42271, 42292-42302, 42343-42344, 42353-42360 (July 16, 2015).

Site Inventory

Prior to AB 686, Housing Element Law required jurisdictions to inventory and identify adequate sites appropriately zoned and available to accommodate its Regional Housing Need Allocation (RHNA).[21] The housing element must demonstrate that there are adequate sites zoned for the development of housing for households at each income level sufficient to accommodate the number of new housing units needed at each income level as identified in the RHNA.[22]

AB 686 now requires that a jurisdiction identify sites throughout the community in a manner that is consistent with its duty to affirmatively further fair housing (AFFH) and the findings of its assessment of fair housing, pursuant to Government Code section 65583, subdivision (c)(10)(A).[23] In the context of AFFH, the site identification requirement involves not only an analysis of site capacity to accommodate the RHNA, but also whether the identified sites serve the purpose of replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity.[24]

Identification and Prioritization of Contributing Factors

Existing Housing Element Law requires various analyses, such as a housing needs assessment, housing needs of persons with special needs, housing conditions, potential governmental and non-governmental constraints, site inventory to accommodate the projected housing need (i.e., regional housing need allocation), and identification of units at risk of converting to market-rate uses.[25] Each of these analyses inform the goals, policies and schedule of actions to address the existing and projected housing needs over the planning period.[26] AB 686 advances this same framework and requires linking analysis with policy and action formulation. AB 686 requires an identification and prioritization of contributing factors to fair housing issues based on all the previously required analysis (outreach, fair housing assessment, site inventory).[27] This identification and prioritization must give highest priority to factors that limit or deny fair housing choice or access to opportunity or negatively impact fair housing or civil rights. [28]

Goals and Actions

Existing Housing Element Law requires programs with a schedule of actions with timelines and specific commitment to have a "beneficial impact" within the planning period to achieve the goals and objectives of the housing element. Programs must address various statutorily mandated areas, such as identification of adequate sites, zoning for a variety of types, assisting development for lower and moderate income households, addressing governmental and non-governmental constraints,

21 See, e.g., Gov. Code, § 65583, subds. (a)(3); HCD, Building Blocks, at https://www.hcd.ca.gov/community-development/building-blocks/index.shtml.

22 Ibid.

23 Gov. Code, § 65583.2, subd. (a).

24 Gov. Code, § 8890.50. subd. (b).

25 See, e.g., Gov. Code, § 65583, subd. (a); HCD, Building Blocks, at https://www.hcd.ca.gov/community-development/building-blocks/index.shtml.

26 See, e.g., Gov. Code, § 65583, subds. (b), (c); HCD, Building Blocks, at https://www.hcd.ca.gov/community-development/building-blocks/index.shtml.

27 See, e.g., Gov. Code, § 65583, subd. (c)(10)(A)(iii); Gov. Code, § 8899.50, subds. (a)(1), (b).

28 See, e.g., Gov. Code, § 65583, subd. (c)(10)(A)(iv).

conserving the existing housing stock, preserving at-risk units, and promoting housing opportunities for all people.[29] AB 686 builds upon these program requirements, including modifying the existing program requirement to promote fair housing opportunities to now include actions that promote and affirmatively further fair housing opportunities and promote housing throughout the community or communities for all persons. As part of this requirement, the housing element now requires an identification of priorities and goals based on identified contributing factors that limit or deny fair housing choice or access to opportunity, or that negatively impact fair housing or civil rights compliance.[30] Similar to the existing Housing Element Law, AB 686 also requires identification of metrics or quantified objectives and milestones for determining what fair housing results will be achieved.[31] Strategies and actions to implement priorities and goals may include, but are not limited to:

- Enhancing mobility strategies and promoting inclusion for protected classes
- Encouraging development of new affordable housing in high-resource areas
- Implementing place-based strategies to encourage community revitalization, including preservation of existing affordable housing
- Protecting existing residents from displacement

These actions, taken together, must significantly address disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, fostering and maintaining compliance with civil rights; and must affirmatively further fair housing.

Consistency with the Affirmatively Furthering Fair Housing Rule

The passage of AB 686 in 2018 enshrined the duty to affirmatively further fair housing within California state law, regardless of future federal actions. California's law essentially preserves the U.S. Department of Housing and Urban Development's (HUD) 2015 Affirmatively Furthering Fair Housing Final Rule as published in the Federal Register in 2015.[32] This was done to ensure the 2015 AFFH Final Rule remained the law in California, despite the potential federal rollback of the rule and tool. (The 2015 rule was suspended in 2018 and ultimately terminated in 2020.) State law is clear, California's AFFH duty remains regardless of subsequent amendment, suspension, or revocation of the 2015 AFFH Final Rule.

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29 Gov. Code, § 65583, subd. (c).

30 Gov. Code, §§ 65583, subds. (c)(10), 8899.50, subds. (a), (b), (c); AFFH Final Rule and Commentary (AFFH Rule), 80 Fed. Reg. 42271, 42353-42360, esp. 42358 (July 16, 2015).

31 Gov. Code, § 65583, subds. (c)(10)(A)(iv).

32 Per Government Code section 8899.50, subdivision (c), the section shall be interpreted consistent with the AFFH Final Rule and accompanying commentary as published by HUD in volume 80 of the Federal Register, Number 136, pages 42272 to 42371, inclusive, dated July 16, 2015. Note that, at times, this document cites to the 2016 the Code of Federal Regulations; this is because the rule adopted in July 2015 was too late to be codified in the 2015 Code and was codified in the regulations for the first time in the 2016.

CITY OF MORGAN HILL

GPA2021-0001

Affirmatively Furthering Fair Housing (AFFH) 2023-2031 Housing Element Update

April 26, 2022

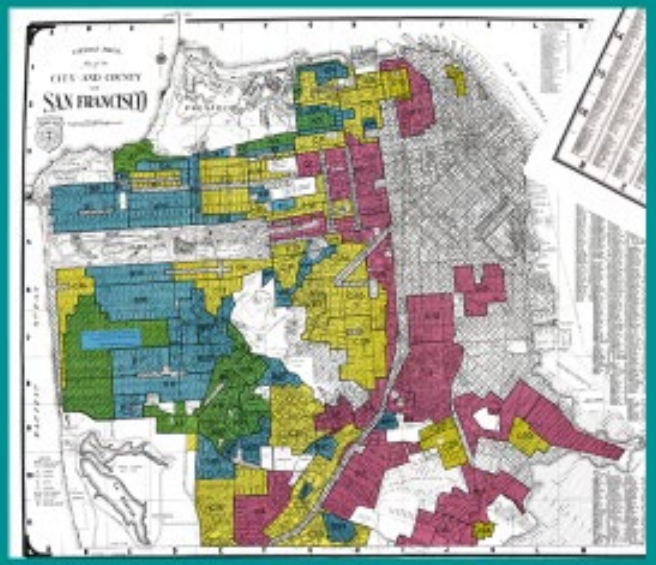
New Affirmatively Furthering Fair Housing Requirements in our Housing Element Update

AB 686: Affirmatively Furthering Fair Housing

CITY OF MORGAN HILL

The Fair Housing Act (of 1968)

"Prohibited discrimination concerning the sale, rental, and financing of housing based on race, religion, national origin, sex, (and as amended) handicap and family status."



AB 686: Affirmatively Furthering Fair Housing

CITY OF MORGAN HILL

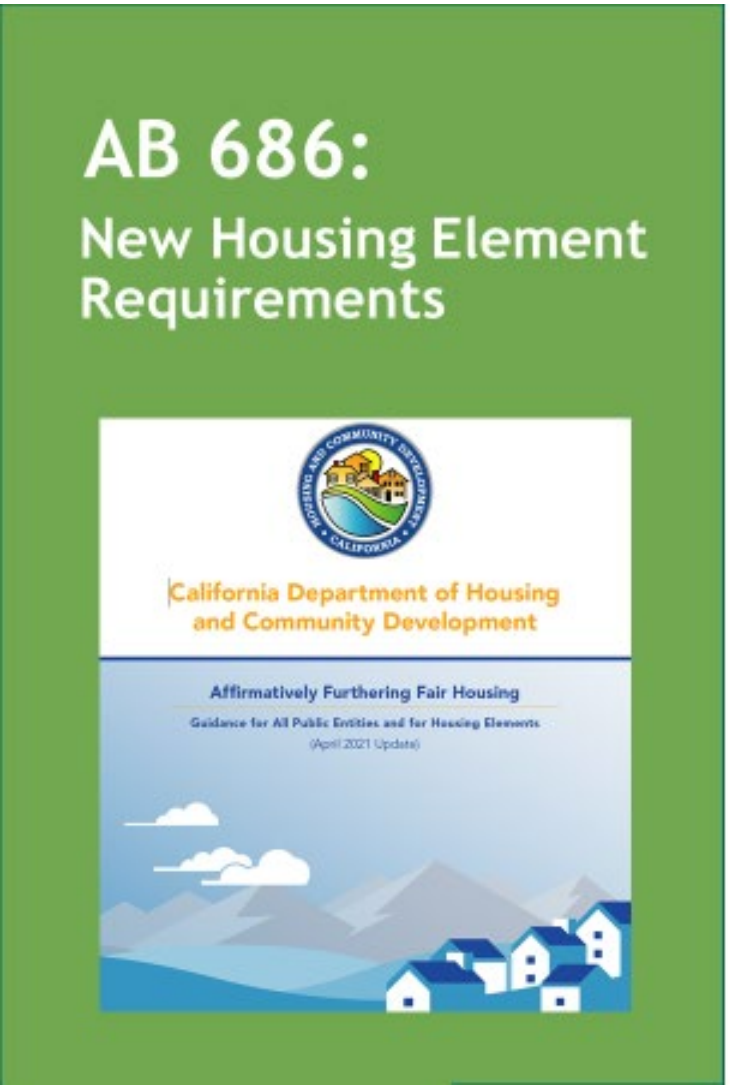
California's new Fair Housing Law (AB 686)

Assembly Bill 686 (2018) defines Affirmatively Furthering Fair Housing (AFFH) as:

"taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics".

AB 686: Affirmatively Furthering Fair Housing

CITY OF MORGAN HILL



- Outreach
- Assessment of Fair Housing
- ID and Prioritize Contributing Factors
- Sites Inventory
- Goals, Policies & Actions

AB 686: Affirmatively Furthering Fair Housing

CITY OF MORGAN HILL

AB 686:

New Housing Element Requirements

Outreach

- We will need to show how we engaged and incorporated input from protected classes and groups representative of our population (e.g., race/ethnicity, owner/renter, age, disability, family status, etc.)
- Public input and local knowledge must be incorporated into our Assessment of Fair Housing

AB 686: Outreach – AFH Survey

- Centennial Recreation Senior Center
- Cochrane Village
- Crest Avenue Apartments
- The Crossings at Morgan Hill
- The Crossings Monterey
- Depot-Commons
- Jasmine Square
- Murphy Ranch Family Townhomes
- Royal Court Apartments
- San Pedro Gardens
- The Skeels Apartments
- Terracina at Morgan Hill
- The Willow Apartments
- Villa Ciolino
- Orchards Ranch
- Park Place
- Sycamore Glen
- Horizons
- Bella Terra Apartments
- The Lodge at Morgan Hill
- Shadow Brook Gardens
- The Huntington
- Berry Court Apartments
- Las Casas de San Pedro
- La Crosse Village
- Monte Vista Apartments
- Morgan Hill Apartments
- Vineyard Court
- Diamond Creek Apartments
- HouseKeys
- Voices Charter School
- Spanish Mass at St. Catherine's

AB 686: Outreach – Stakeholders

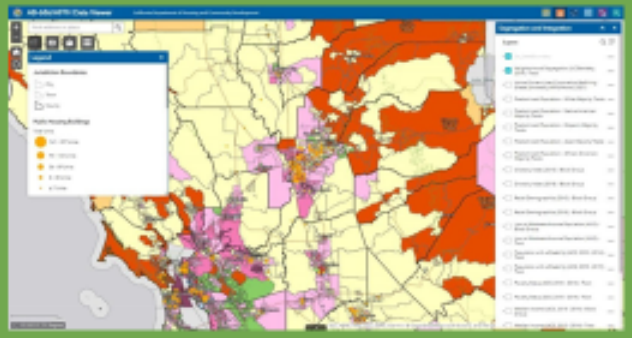
- South County Collaborative
- Social Services Agency
- Morgan Hill Unified School District
- Compassion Center
- Gavilan College
- Parents Helping Parents
- Digital Nest
- Morgan Hill Library
- Saint Louise Hospital
- Valley Health Center
- Christopher Ranch
- Eden Housing
- St. Vincent De Paul
- St. Catherine's
- Building Back Better, Joint Venture Silicon Valley
- Catholic Charities
- Employment Development Department
- Saint Joseph's Food Pantry
- South County Collaborative Board Members
- Morgan Hill Bible Church Homeless Safe Park
- Silicon Valley Independent Living Center
- Silicon Valley @Home
- Edward Boss Prado Foundation
- South County Housing Element Advocates

AB 686: Affirmatively Furthering Fair Housing

CITY OF MORGAN HILL

AB 686:

New Housing Element Requirements



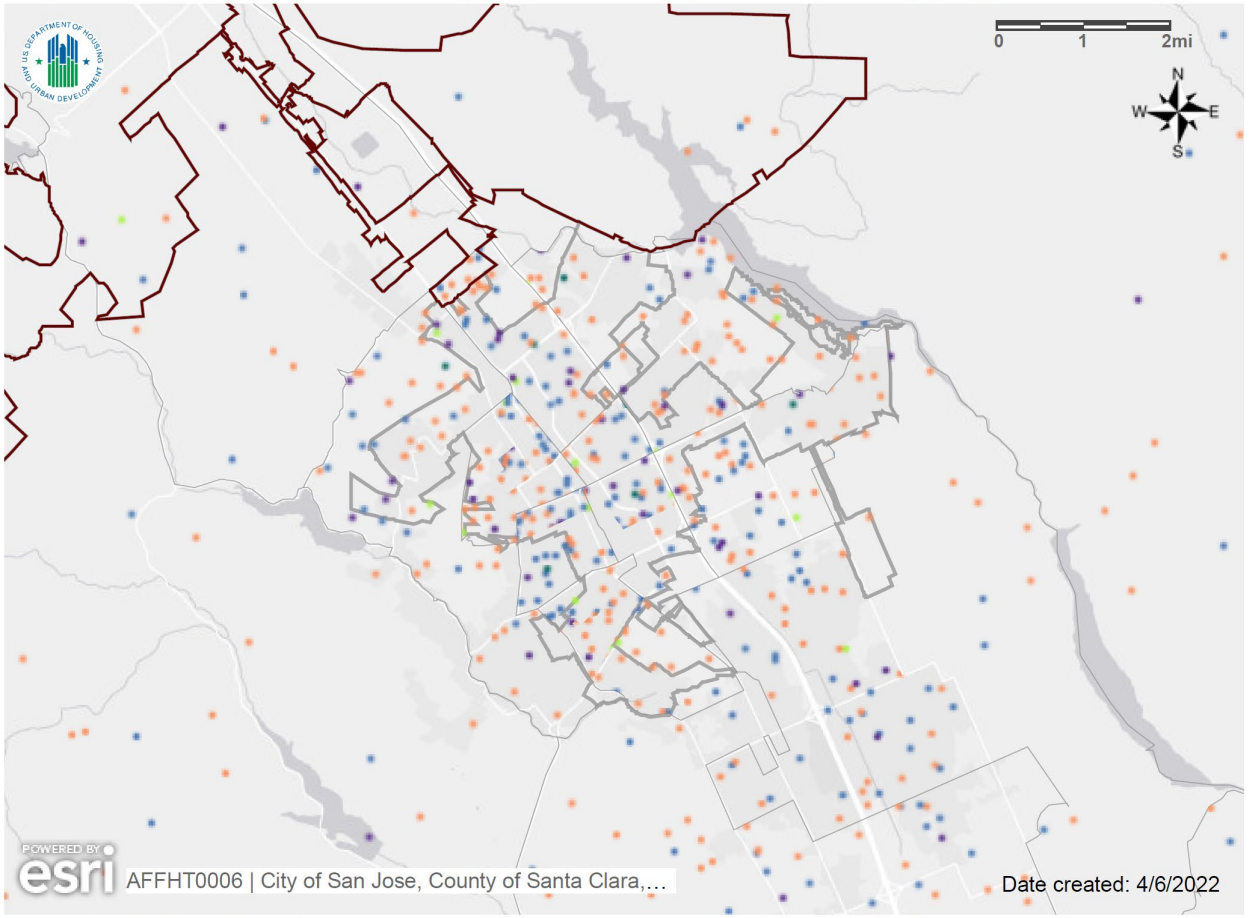
Assessment of Fair Housing (AFH)

- We must include in our housing element update and assessment of:
  1. Fair Housing Outreach and Enforcement
  2. Segregation and Integration Patterns
  3. Disparities in Access to Opportunity
  4. Disproportionate Housing Need and Displacement
  5. Racially and Ethnically Concentrated Areas of Poverty (RE/CAP)
- Each piece of the assessment must incorporate data analysis and local knowledge

Race/Ethnicity, Morgan Hill

CITY OF MORGAN HILL

HUD Affirmatively Furthering Fair Housing Data and Mapping Tool



Legend

Jurisdiction

Region

Demographics 2010

1 Dot = 75

- White, Non-Hispanic
- Black, Non-Hispanic
- Native American, Non-Hispanic
- Asian/Pacific Islander, Non-Hispanic
- Hispanic
- Other, Non-Hispanic
- Multi-racial, Non-Hispanic

UGLG

TRACT

R/ECAP

Name: Map 1 - Race/Ethnicity

Description: Current race/ethnicity dot density map for Jurisdiction and Region with R/ECAPs

Jurisdiction: Santa Clara County (CDBG)

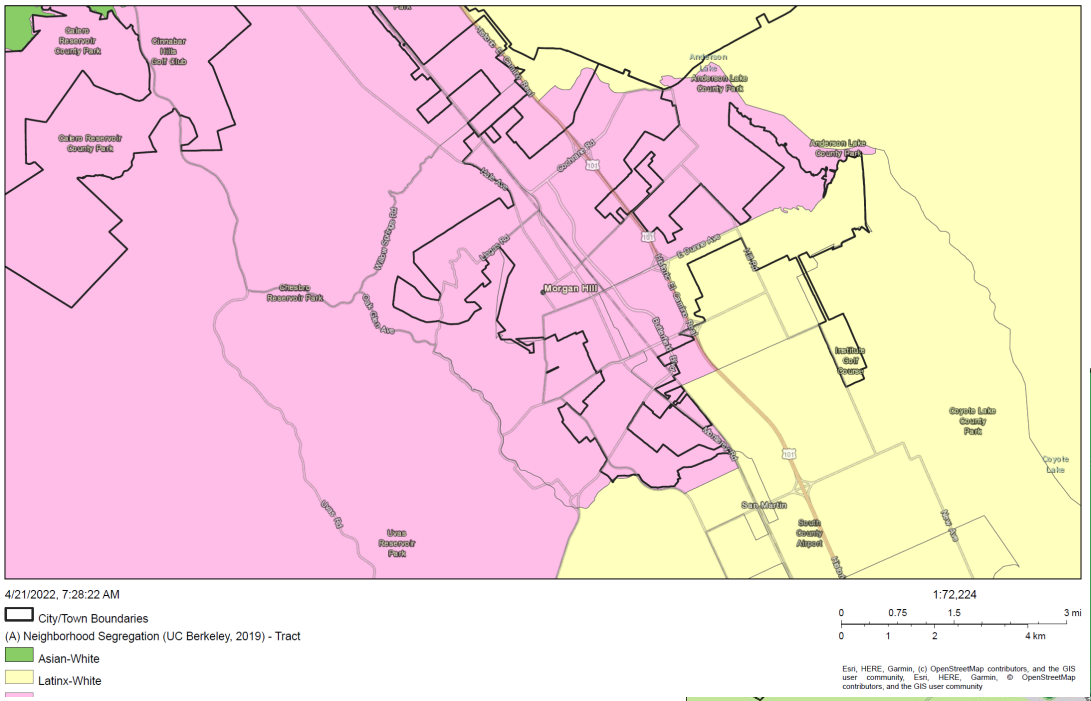
Region: San Jose-Sunnyvale-Santa Clara, CA

HUD-Provided Data Version: AFFHT0006

Neighborhood Segregation, Morgan Hill

CITY OF MORGAN HILL

Neighborhood Segregation - Morgan Hill



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City/Town Boundaries

(A) Neighborhood Segregation (UC Berkeley, 2019) - Tract

Asian-White

Latinx-White

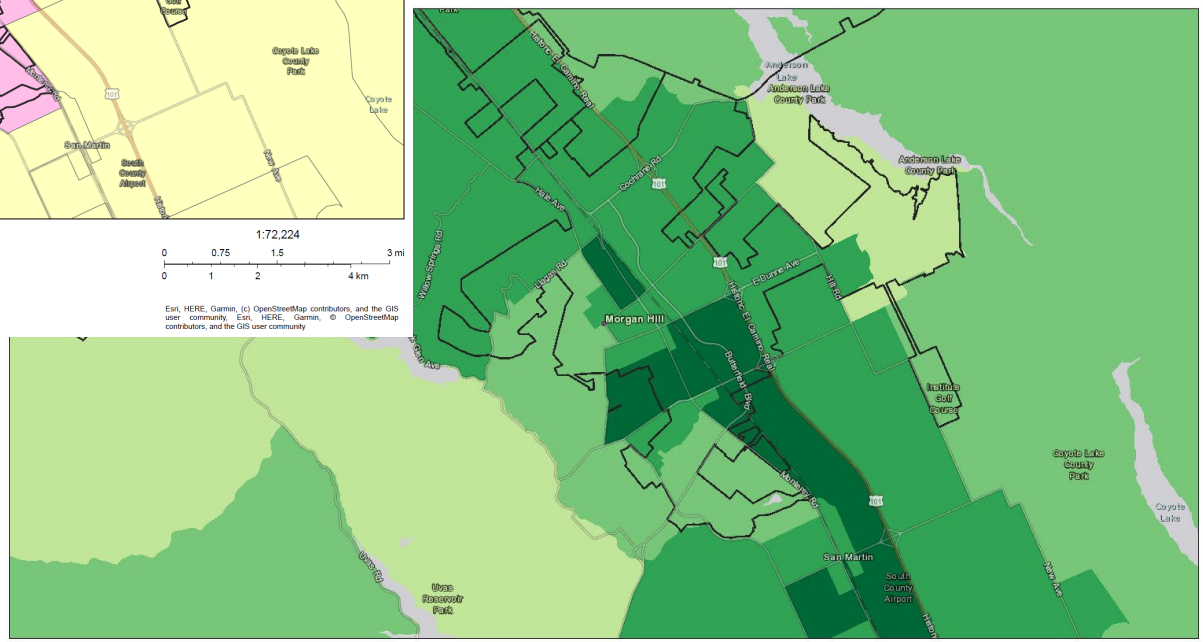
1:72,224

0 0.75 1.5 3 mi

0 1 2 4 km

Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS user community, Esri, HERE, Garmin, © OpenStreetMap contributors, and the GIS user community

Morgan Hill Diversity Index



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City/Town Boundaries

(A) Diversity Index (2018) - Block Group

40 - 55

55 - 70

70 - 85

Higher Diversity

1:72,224

0 0.75 1.5 3 mi

0 1 2 4 km

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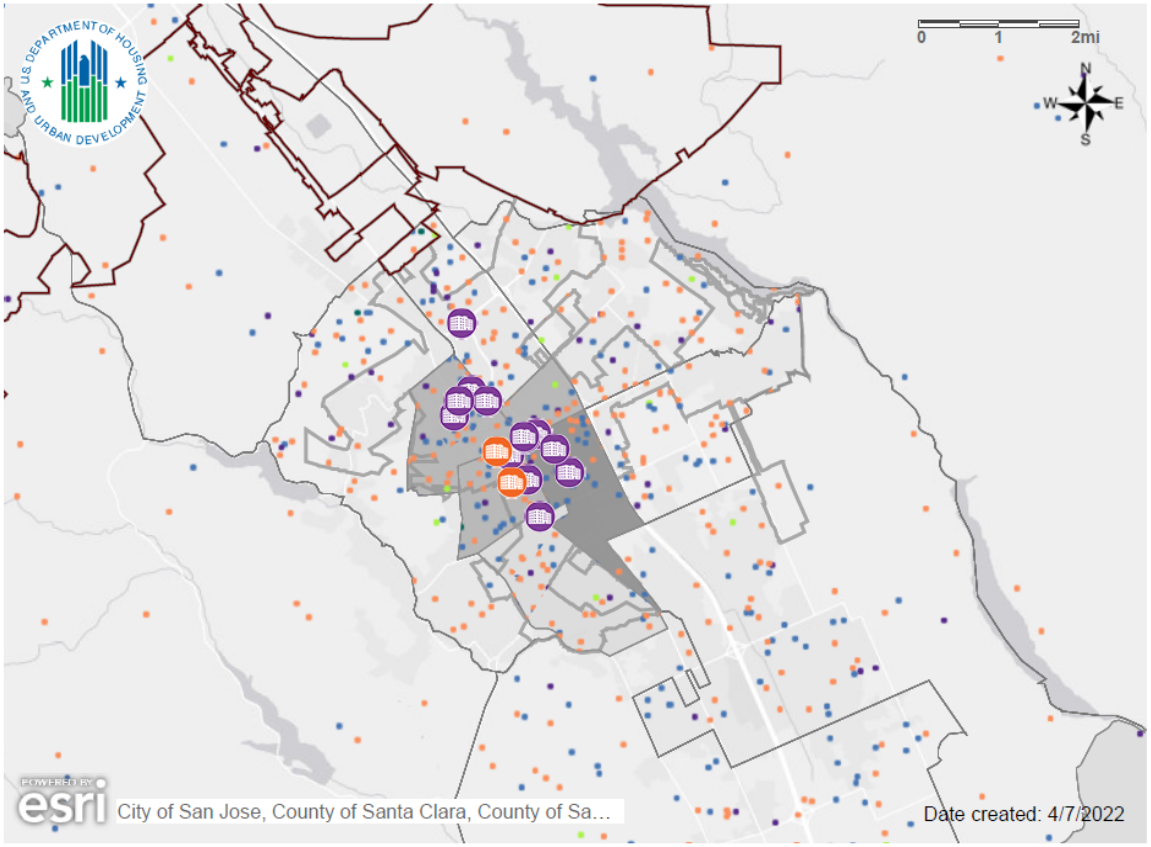
Publicly Supported Housing and Race/Ethnicity

HUD Affirmatively Furthering Fair Housing Data and Mapping Tool



Legend

Jurisdiction

Region

Public Housing
- Public Housing
- Scattered Sites

Other Multifamily

Project-Based Section 8

Low Income Housing Tax Credit

Demographics 2010

1 Dot = 75
- White, Non-Hispanic
- Black, Non-Hispanic
- Native American, Non-Hispanic
- Asian/Pacific Islander, Non-Hispanic
- Hispanic
- Other, Non-Hispanic
- Multi-racial, Non-Hispanic

Name: Map 5 - Publicly Supported Housing and Race/Ethnicity

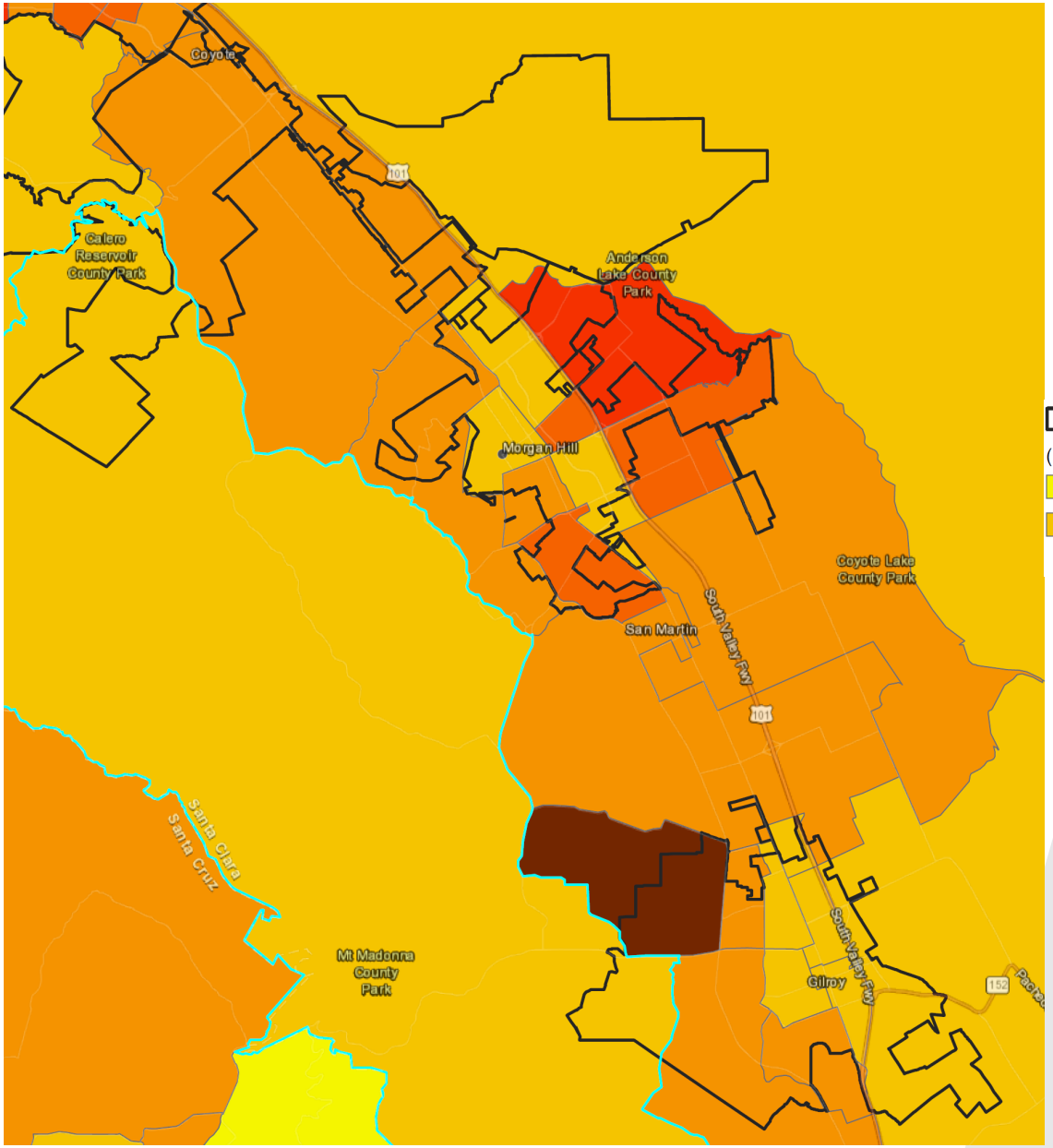
Description: Public Housing, Project-Based Section 8, Other Multifamily, and LIHTC locations mapped with race/ethnicity dot density map with R/ECAPs, distinguishing categories of publicly supported housing by color

Jurisdiction: Santa Clara County (CDBG)

Region: San Jose-Sunnyvale-Santa Clara, CA

HUD-Provided Data Version: AFFHT0006

Location Affordability



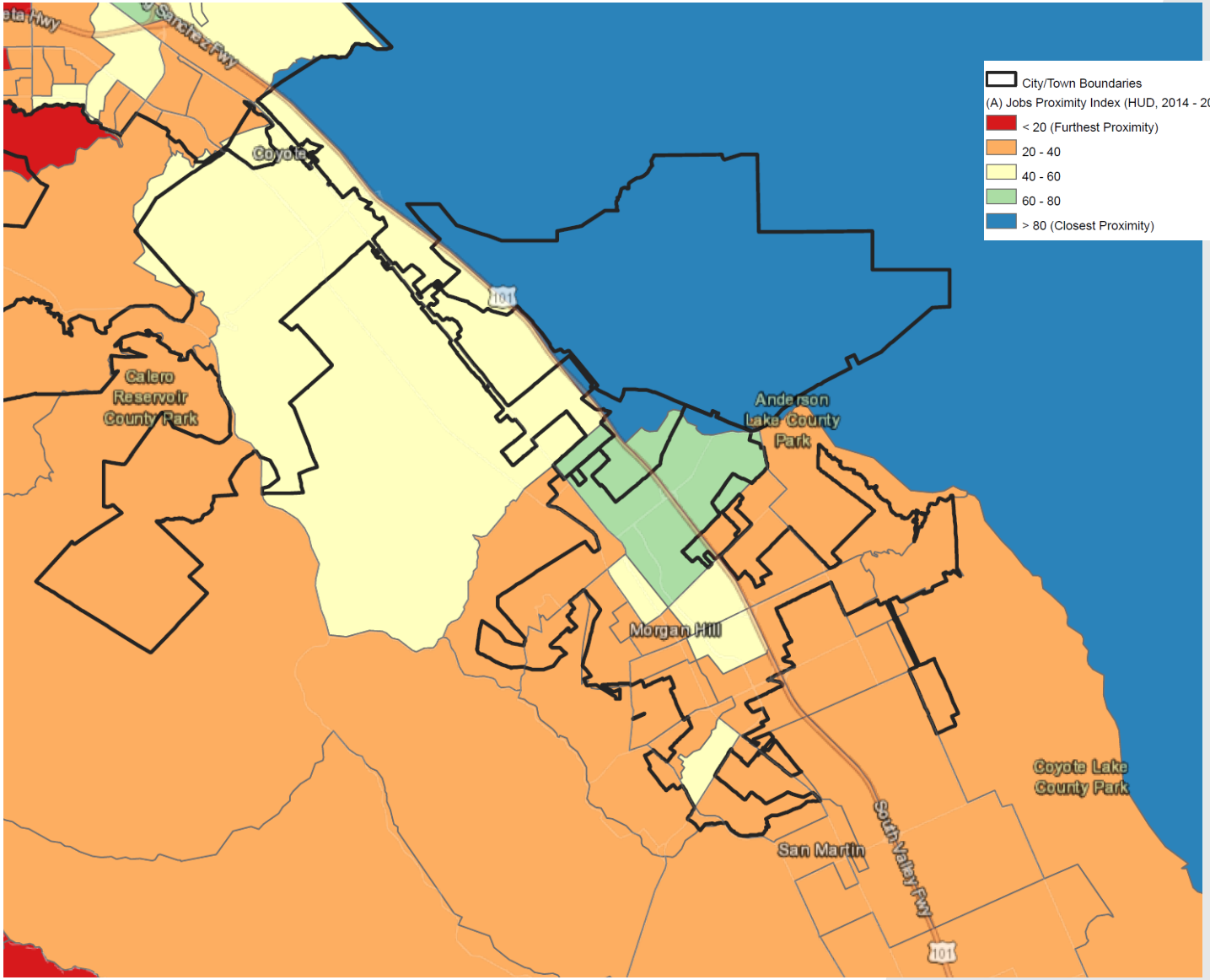
City/Town Boundaries

(R) Location Affordability Index (HUD) - Tract

- <$1,000
- <$1,500
- <$2,000
- <$2,500
- <$3,000
- Greater than $3,000

Jobs Proximity Index

CITY OF MORGAN HILL



AB 686: Affirmatively Furthering Fair Housing

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AB 686:

New Housing Element Requirements

Sites Inventory

- The site inventory to accommodate RHNA must now assess whether sites:
  - Contribute toward replacing segregated living patterns with truly integrated and balanced living patterns
  - Transform high poverty neighborhoods into areas of opportunity
- We will be required to analyze sites for all income levels (not just low-income housing)

AB 686: Affirmatively Furthering Fair Housing

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AB 686:

New Housing Element Requirements

ID and Prioritize Contributing Factors

- Based on the results of our outreach, assessment of fair housing and site inventory we will:
  - determine the factors contributing to the creation and perpetuation of fair housing issues
- Examples range widely e.g.,:
  - community opposition to development
  - exclusionary zoning codes
  - lack of funding and resources

AB 686: Affirmatively Furthering Fair Housing

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AB 686:

New Housing Element Requirements

Goals, Policies & Actions

- We must identify policies and programs with a schedule of actions to advance fair housing
  - These must be connected to the fair housing issues and contributing factors.
- Policies and actions can vary widely, depending on the fair housing issues we identify, e.g.:
  - Few housing choices → increasing density, ADU policies, etc.
  - High displacement rates/risk → tenant protections, rental assistance, etc.
  - No subsidized housing → policies to increase funding, housing trust funds, public land disposition, etc.
  - Affordable housing applicants don't match demographics of residents → targeted outreach programs

Goals, Policies, & Actions

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- A **goal** is a description of the general desired result that the City seeks to create through the implementation of its General Plan.

- A **policy** is a specific statement that sets standards to guide decision-making as the City works to achieve a goal.

- An **action** is an implementation measure, procedure, or technique intended to help achieve a specified goal. An action is something that can and will be completed in a specific timeframe during the General Plan planning period.

Draft AFFH Priorities

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- Goal 3: Advance equity and inclusion throughout the City.

- Existing Policies:

- **Housing Discrimination.** Work to eliminate discrimination in housing based on race, color, religion, sex, age, family size, marital status, or national origin.
- **Support for Fair Housing Programs.** Continue to encourage the work of organizations that provide Fair Housing services or support programs and have a demonstrated track record of effectiveness, as available funds allow such as the Urban County Community Development Block Grant Program that the City participates in.
- **Equitable Buyer Selection Procedures.** Maintain an equitable buyer selection procedure through a lottery process for BMR ownership moderate-income units.

Draft AFFH Priorities

- **Policy HE-3.1:** Increase Affordable Housing Opportunities for Protected Class Members in Eastern Morgan Hill.

- **Action HE-3.A:** Identify opportunities and sites for affordable housing development in eastern Morgan Hill.

- **Action HE-3.B:** Study the creation of affordable housing overlay districts in advance of the next Housing Element cycle.

Draft AFFH Priorities

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- **Policy HE-3.2:** Protect Tenants from Displacement.

- **Action HE-3.C:** Consider adoption of a mediation requirement for rent increases of 5% or more.
- **Action HE-3.D:** Study the possibility of a tenant relocation assistance ordinance.
- **Action HE-3.E:** Seek funding or develop paths of support for access to counsel in possessory eviction cases.
- **Action HE-3.F:** Support shared-equity homeownership models.

Draft AFFH Priorities

- **Continued from previous slide (Policy HE-3.2:** Protect Tenants from Displacement.)

- **Action HE-3.G:** Review the Inclusionary Housing Ordinance to provide deeper for-sale affordability beyond the adopted 2021 Inclusionary Housing Ordinance.
- **Action HE-3.H:** Adopt preferences for tenants who have been displaced from rental housing in recent years.
- **Action HE-3.I:** Create a right of first refusal for mobile home park residents to purchased unit spaces or use zoning strategies to prevent park conversion.

Draft AFFH Priorities

- **Policy HE-3.3:** Connect Morgan Hill Residents to Employment Opportunities.

- **Action HE-3.J:** Prioritize the creation of jobs that are accessible to low- and very low-income Hispanic workers.
- **Action HE-3.K:** Create incentives for local businesses to hire Morgan Hill residents.
- **Action HE-3.L:** Advocate for VTA to expand bus service in Morgan Hill.
- **Action HE-3.M:** Study local first mile/last mile solutions for Morgan Hill.

Draft AFFH Priorities

- **Policy HE-3.4:** Increase Fair Housing Enforcement, Outreach, and Education in Morgan Hill.

What's Next?

- **Next Steps**
  - Constraints Analysis & List of Goals, Policies, and Actions (May)
  - Draft Housing Element 30-Day Public Review Period (June)
  - Planning Commission Recommend Draft Housing Element to City Council (July 12th)
  - City Council Workshop and Initial Housing Element Adoption (August 3rd and 17th)
- **Contact Us**
  - Adam.Paszkowski@morganhill.ca.gov
  - http://morgan-hill.ca.gov/2063/Housing-Element-Update
  - https://www.letstalkhousingscc.org/

Questions?

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