



Special - Regular Meeting Agenda
City Council

Steve Tate - Mayor
Rich Constantine - Mayor Pro Tem
Larry Carr - Council Member
Caitlin Jachimowicz - Council Member
Rene Spring - Council Member

Wednesday, October 3, 2018 5:30 pm

Council Chamber
17555 Peak Avenue, Morgan Hill, CA 95037

SPECIAL/REGULAR MEETING

(5:30 P.M. Closed Session/ 7:00 P.M. Regular Meeting)

A special meeting of the City Council is called at 5:30 p.m. for the purpose of conducting a closed session.

SPECIAL MEETING

5:30 P.M.

CALL TO ORDER

(Mayor Tate)

ROLL CALL ATTENDANCE

DECLARATION OF POSTING AGENDA

Per Government Code Section 54954.2
(Deputy City Clerk Bigelow)

CLOSED SESSION

OPPORTUNITY FOR PUBLIC COMMENT

CLOSED SESSION ANNOUNCEMENT

ADJOURN TO CLOSED SESSION

CONFERENCE WITH LABOR NEGOTIATOR

Authority: Pursuant to Government Code Section 54957.6

City Negotiators: Christina Turner City Manager; Cindy Murphy Assistant City Manager for Administrative Services; Michelle Katsuyoshi Human Resources Director; Edward Kreisberg, Meyers Nave; Jesse Lad, Meyers Nave

Employee Organization: Morgan Hill Police Officers Association

Employees Covered under Management Resolution #17-042

AFSCME Local 101

Morgan Hill Community Service Officers Association

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to: Government Code Section 54956.9(d)(2)

Number of Cases: One (1)

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to: Government Code Section 54956.8

Property: APN 817-21-001

Agency Negotiators: Christina Turner and Anthony Eulo

Negotiating Parties: Fountain Oaks Ranch, LLC

Under Negotiation: Price and Terms of Payment

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority: Government Code 54957 (b)(1)

Title: City Manager

REGULAR MEETING

7:00 P.M.

The City Council has adopted a policy that regular meetings shall not continue beyond 11:00 p.m. unless extended by a majority of the City Council.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

CITY COUNCIL REPORTS

Council Member Spring

CITY MANAGER'S REPORT

CITY ATTORNEY'S REPORT

OTHER REPORTS

PROCLAMATIONS

Proclaiming the week of October 7-13, 2018 as Fire Prevention Week

RECOGNITION

Recognizing the Chiala Family for their generous donation to City of Morgan Hill in Memory of Rick Chiala

PUBLIC COMMENT

Members of the public are entitled to address the City Council concerning any item within the Morgan Hill City Council's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the City Council 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)

ADOPTION OF AGENDA

CONSENT CALENDAR

Items appearing on the Consent Calendar are considered routine and may be approved by one motion. Pursuant to City Council Policies and Procedures (CP 97-01), any member of the Council or public may request to have an item removed from the Consent Calendar for comment and action.

Time Estimate for Consent Calendar: 1 - 10 Minutes

1. ACCEPT FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT – ASSISTANCE TO FIREFIGHTERS 2017

Recommendation:

1. Accept the Assistance to Firefighters Grant award in the amount of \$142,764; and
2. Adopt a resolution amending the Fiscal Year 2018-19 Budget, appropriating \$157,040 in the General Fund (010) for the related Grant expenditures.

2. ADOPTION OF A RESOLUTION OPPOSING PROPOSITION 6

Recommendation:

Adopt resolution opposing Proposition 6, which would repeal Senate Bill 1 (SB 1), also known as the "Road Repair and Accountability Act of 2017."

3. ACCEPTANCE OF OUTDOOR SPORTS CENTER ARTIFICIAL TURF REPLACEMENT PROJECT

Recommendation:

1. Accept as complete the Outdoor Sports Center Artificial Turf Replacement Project;
2. Authorize the City Engineer to sign the attached Notice of Completion; and
3. Direct the City Clerk to file said Notice of Completion with the County Recorder's Office.

4. AWARD EL TORO FIRE STATION ROOF REPLACEMENT PROJECT

Recommendation:

1. Award a contract to Andy's Roofing Company, Inc. in the amount of \$71,773;
2. Authorize the expenditure of contingency funds not to exceed \$14,355; and
3. Authorize City Manager to execute and administer that certain construction contract with Andy's Roofing Company, Inc.

5. APPROVAL OF IMPROVEMENT AGREEMENT AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE AGREEMENT WITH MORGAN HILL RETAIL ESTATE, LLC (TOWBIN DODGE)

Recommendation:

1. Approve an Improvement Agreement with Morgan Hill Retail Estate, LLC;
2. Authorize the City Manager to execute the Improvement Agreement;
3. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
4. Authorize the recordation of the Improvement Agreement and the Stormwater BMP Operation and Maintenance Agreement.

6. APPROVE AGREEMENT AND INTERFUND LOAN FOR PURCHASE OF PROPERTY (APN 767-01-052) FOR THE HALE AVENUE EXTENSION PROJECT

Recommendation:

1. Approve Possession and Use Agreement with Glenda and Rocke Garcia for fee property (APN 767-01-052) for the Hale Avenue Extension project;
2. Approve expenditure of \$3,563,200 for said property into an escrow account;
3. Authorize the City Manager to execute all documents and make minor modifications as necessary in order to consummate the transaction; and
4. Adopt resolution amending the Fiscal Year 2018-19 Budget and authorizing an interfund loan to the Traffic Impact Fund (309) of up to \$2.25 million from the Local Drainage Impact Fund (303).

PUBLIC HEARING

7. APPROVE DISPOSITION AND DEVELOPMENT AGREEMENT FOR HALE LUMBER SITE INCLUDING VACATION OF 0.29 ACRES OF DEPOT STREET AND REALIGNMENT OF A PORTION OF DEPOT STREET TO CHURCH STREET AT EAST DUNNE AVENUE INTERSECTION

Recommendation:

1. Adopt Addendum to the 2035 General Plan Final Environmental Impact Report (FEIR) and Downtown Specific Plan FEIR; and
2. Adopt resolution approving a Disposition and Development Agreement with Latala Group, LLC for the sale of .29 acres of Depot Street, the re-alignment of Depot Street to Church Street at the East Dunne intersection, and the purchase of 3,000 square feet of office space within the mixed-use project.

Estimated Time: 60 Minutes

8. APPROVE GENERAL PLAN AND ZONING AMENDMENT TO CHANGE THE GENERAL PLAN LAND USE DESIGNATION FROM PUBLIC FACILITIES TO MIXED-USE AND THE ZONING CLASSIFICATION FROM PUBLIC FACILITIES TO DOWNTOWN MIXED USE (MU-D) ON HALF OF A 0.29 ACRE PORTION OF DEPOT STREET LOCATED AT THE CORNER OF DEPOT STREET AND EAST DUNNE AVENUE

Recommendation:

1. Adopt resolution approving an amendment to the 2035 General Plan;
2. Waive first and second reading of the ordinance;
3. Introduce ordinance approving a Zoning amendment;
4. Determine Project Consistency with the General Plan; and
5. Adopt an Addendum to the 2035 General Plan Final Environmental Impact Report (FEIR) and Downtown Specific Plan FEIR.

Estimated Time: 15 Minutes

9. AMEND CHAPTER 5.32 - MASSAGE ESTABLISHMENT, AND INSTATE AN ANNUAL REGULATORY FEE FOR RELATED COMPLIANCE ACTIVITIES

Recommendation:

1. Open/close public hearing;
2. Waive the first and second reading of the ordinance;
3. Introduce Massage Establishment Amendment Ordinance; and
4. Adopt resolution establishing an Annual Regulatory Fee for Massage Establishments.

Estimated Time: 15 Minutes

10. APPROVE AMENDMENTS TO THE MORGAN HILL MUNICIPAL CODE BY AMENDING SECTION 2.08.040 OF CHAPTER 2.08 (CITY MANAGER) OF TITLE 2 TO AMEND THE CITY MANAGER'S POWERS AND DUTIES AND BY AMENDING CHAPTER 3.04 OF TITLE 3 RELATED TO PURCHASING OF GOODS AND SERVICES

Recommendation:

1. Open/Close Public Hearing;
2. Waive the first and second reading of the Ordinance to amend Section 2.08.040 of Chapter 2.08 of Title 2 of the Municipal Code to increase the signature authority of the City Manager;
3. Introduce Ordinance by title;
4. Waive the first and second reading of the Ordinance to amend Chapter 3.04 of Title 3 of the Municipal Code to revise the regulations pertaining to the purchasing of goods and services; and
5. Introduce this Ordinance by title.

Estimated Time: 10 Minutes

OTHER BUSINESS

11. DE PAUL HEALTH CENTER PROPERTY DISCUSSION

Recommendation:

Discuss Verity Health System's Bankruptcy as it relates to the De Paul Health Center Property in Morgan Hill.

Estimated Time: 5 Minutes

12. APPROVE FUNDING AGREEMENT FOR DOWNTOWN TREE LIGHTING

Recommendation:

1. Authorize the City Manager to negotiate, execute and administer all necessary agreements and documents to accept \$15,000 from the Morgan Hill Downtown Association, for the purpose of funding tree lighting in Downtown Morgan Hill; and
2. Adopt resolution amending the Fiscal Year 2018/19 Budget appropriating \$30,000 in the General Fund (010).

Estimated Time: 15 Minutes

13. INTRODUCE THE 2018 STORM DRAINAGE SYSTEM MASTER PLAN

Recommendation:

Receive the 2018 Storm Drainage System Master Plan.

Estimated Time: 15 Minutes

14. JUNE 2018 FINANCIAL AND INVESTMENT REPORT

Recommendation:

Accept and file report.

Estimated Time: 10 Minutes

15. APPROVE CITY COUNCIL MEETING SCHEDULE FOR CALENDAR YEAR 2019

Recommendation:

1. Review and adjust the 2019 City Council meeting schedule as deemed appropriate; and
2. Approve 2019 City Council meeting schedule.

Estimated Time: 5 Minutes

FUTURE COUNCIL INITIATED AGENDA ITEMS

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

ADJOURNMENT

NOTICE

Any documents produced by the City and distributed to the majority of the City Council less than 72 hours prior to an open meeting, will be made available for public inspection at the City Clerk's 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 City Council 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 Council 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 Council, but it is very helpful. When you are called, proceed to the podium and the Mayor will recognize you. If you wish to address the City Council 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 City Council.

Persons interested in proposing an item for the City Council agenda should contact a member of the City Council who may plan an item on the agenda for a future City Council meeting. Should your comments require Council action, your request may be placed on the next appropriate agenda. Council 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 City Council at, or prior to the Public Hearing on these matters.

The time within which judicial review must be sought of the action by the City Council, 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 City Council Policies and Procedures CP 97-01, please contact the City Clerk's office (408) 779-7259, (408) 779-3117 (fax) or by email michelle.wilson@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 michelle.wilson@morganhill.ca.gov. Requests must be made as early as possible and at least two-full business days before the start of the meeting.



Sustainable Morgan Hill Vision

Morgan Hill is a safe, inclusive, socially responsible, environmentally conscious, and economically sound community.

CITY COUNCIL ONGOING PRIORITIES

Enhancing Public Safety · Protecting the Environment · Maintaining Fiscal Responsibility ·
Supporting Our Youth, Seniors, and Entire Community · Fostering a Positive Organizational Culture ·
Preserving and Cultivating Public Trust · Preserving Our Cultural Heritage ·
Enhancing Diversity and Inclusiveness

2018 STRATEGIC PRIORITIES

Community Engagement and Messaging

Economic Development and Telecommunications

Financial Stewardship

Infrastructure

Regional Initiatives

2018 STRATEGIC PRIORITIES:



Community Engagement and Messaging

The City of Morgan Hill will tell our story through outreach and by working closely with our community in presenting our vision, priorities, and financial needs, and by engaging citizens and business owners to find affordable and sustainable solutions. The City's communications, services, public spaces, and projects will embrace all community members as partners, encouraging public participation.



Economic Development and Telecommunications

The Economic Blueprint will continue to be implemented, with a primary goal of attracting jobs and investment into our community. The City will collaborate with the private sector to explore ways to provide fast, reliable access and wireless connectivity for residents and businesses. The 2016 Telecommunications Infrastructure and Economic Blueprint reports will be the foundation for continuing discussions with broadband providers, public utilities, and other infrastructure service providers in developing an implementation plan for growing our telecommunications infrastructure with private sector partnerships. The plan will be used to signal Morgan Hill's support for business expansion.



Financial Stewardship

We will be financial stewards of the City's assets to ensure long-term fiscal sustainability. New revenue sources, including a possible tax measure, will be considered to fund increasing costs to deliver services and complete infrastructure projects. The City will closely manage its expenditures to maintain its general fund reserve. The labor contracts will be negotiated using the City's adopted Employee Compensation Guiding Principles.



Infrastructure

The City will review its streets, parks, and public facilities infrastructure needs to quantify the funding gap. We will identify potential funding options as ongoing revenue is insufficient to fund our vital community assets at a sustainable level without significantly impacting existing service levels that our community has come to expect. Morgan Hill will actively work with the Valley Transportation Agency, the County, and the State to secure funding for transportation projects and road maintenance. For High Speed Rail, we will strongly advocate for the route with the least impact on Morgan Hill.



Regional Initiatives

City Council and staff will focus on influencing regional decisions that benefit Morgan Hill. A regional approach will be employed to address many priorities, including but not limited to, homelessness, animal services, teen suicide, High Speed Rail, and land use (Catholic High School, Outdoor Sports Center, agricultural preservation, and city limits). This regional involvement will include partnering with the League of California Cities, Valley Transportation Authority, Caltrain, Santa Clara Valley Water District, Cities Association of Santa Clara County, the City of Gilroy, Santa Clara County, Morgan Hill Unified School District, the Local Agency Formation Commission, the Open Space Authority, and Silicon Valley Clean Energy to advance projects that further Sustainable Morgan Hill.



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Dwight Good, Fire Marshal
APPROVED BY: City Manager

ACCEPT FEDERAL EMERGENCY MANAGEMENT AGENCY GRANT – ASSISTANCE TO FIREFIGHTERS 2017

RECOMMENDATION(S)

1. Accept the Assistance to Firefighters Grant award in the amount of \$142,764; and
2. Adopt a resolution amending the Fiscal Year 2018-19 Budget, appropriating \$157,040 in the General Fund (010) for the related Grant expenditures.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Fiscal Responsibility

2018 Strategic Priorities

Financial Stewardship
Infrastructure
Regional Initiatives

REPORT NARRATIVE:

In January 2018, Fire Department staff applied for grant funding under the Federal Emergency Management Agency (FEMA) Assistance to Firefighters Grant (AFG) program, FEMA Grant Award # EMW-2017-FO-03259. The goal of the AFG is to provide essential equipment for firefighting operations. The primary purpose of this application was to enhance workplace safety by replacing damaged or obsolete equipment.

In July 2018, Fire Department staff was notified of a grant award under this program. Under this grant, the Fire Department will install source capture exhaust systems at all fire stations within the city limits, and new fire alarm systems at fire stations 4 (Old Monterey Road) and 5 (Hill Road and E. Dunne Avenue). The grant award requires a 10% match, which will be borne by the city.

Upon formal acceptance of the grant, Fire Department staff will initiate the solicitation of bids for equipment and installation. The source capture exhaust systems will remove vehicle exhaust from all fire station apparatus bays, significantly reducing employee exposures within live/work areas.

COMMUNITY ENGAGEMENT: Not Applicable

Since this grant provides funds to purchase equipment that improves workplace safety for firefighters, no community engagement has been conducted. This staff report will serve as the instrument to inform the community of the grant award to the Morgan Hill Fire Department and the corresponding equipment purchases.

ALTERNATIVE ACTIONS:

Council may elect to not accept the grant award.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council accepted a 2014 AFG award in November 2015 and a 2015 AFG award in September 2016.

FISCAL AND RESOURCE IMPACT:

Fire activities are a part of the General Fund, therefore the Grant revenue and related expenditures, including City's required matching contribution, will be recorded in the General Fund. Budget scorecard attached (Attachment No. 2).

Revenue: \$142,764 – 010.37715 – Grant Revenue

Expenditure: \$157,040 – 010.3510.43825 – Equipment

CEQA (California Environmental Quality Act):

The activities described in this Staff Report are categorically exempt under CEQA, specifically pursuant to Section 15301 of the CEQA Guidelines (Existing Facilities), as the subject work involves the repair, maintenance or minor alteration of existing City facilities involving negligible or no expansion of use of those facilities.

LINKS/ATTACHMENTS:

1. 18 FEMA Grant-Assistance to Firefighters 2017 Resolution
2. 009-FEMA Grant Fire Fund 010 - Budget Scorecard

RESOLUTION NO. 18-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ACCEPTING THE 2017 ASSISTANCE FOR FIREFIGHTERS GRANT (EMW-2017-FO-03259) AND AMENDING THE FISCAL YEAR 2018-19 BUDGET TO APPROPRIATE \$157,040 FROM THE GENERAL FUND (010) FOR EXHAUST AND FIRE ALARM SYSTEM EXPENDITURES

WHEREAS, the City of Morgan Hill, a municipal corporation and general law city duly organized and existing under and pursuant to the Constitution and laws of the State of California ("City"), is authorized to enter into contracts and agreements for the benefit of the City; and

WHEREAS, the reasons supporting the acceptance of grant funds described in, and that is the subject of, this Resolution are set forth in detail in that certain City Council Staff Report entitled "Federal Emergency Management Grant - Assistance to Firefighters 2017" submitted for City Council consideration at its meeting of October 3, 2018, submitted to the City Council by the City Manager (the "Staff Report"), the contents of which Staff Report are incorporated herein by this reference; and

WHEREAS, recommended amendments are needed and proposed to the City's previously adopted Budget for Fiscal Year 2018-2019 as set forth on Exhibit A to this Resolution, to appropriate the requisite funds to implement the actions authorized by this Resolution; and

WHEREAS, the activities allowed under this Resolution do not constitute a project under the provisions of California Environmental Quality Act of 1970; and

WHEREAS, the consideration by City Council of the adoption of this Resolution has been duly noticed pursuant to applicable laws and has been placed upon the City Council Meeting Agenda on the date set forth in the Staff Report, or to such date that the City Council may have continued or deferred consideration of this Resolution, and on such date the City Council conducted a duly noticed public hearing on the adoption of this Resolution at which hearing the City Council provided members of the public an opportunity to comment and be heard and considered any and all testimony and other evidence provided in connection with the adoption of this Resolution; and

WHEREAS, the City Council determines that adoption of this Resolution is in the public interest.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. Recitals. The City Council does hereby find, determine and resolve that

all of the foregoing recitals are true and correct.

Section 2. Approval and Authorization. The City Council does further resolve, order and/or direct as follows:

- a. That the grant award from the Federal Emergency Management Agency entitled Assistance to Firefighters Grant Program for the purchase of source capture exhaust systems at all fire stations within the city limits and new fire alarm systems at fire stations 4 and 5 is hereby accepted; and
- b. That the City's previously adopted Fiscal Year 2018-2019 Budget, as the same has been amended to date, is hereby further amended in accordance with and as reflected on Exhibit A attached hereto and incorporated herein by this reference; and
- c. That the City Clerk is hereby authorized and directed to forward a copy of this Resolution to the City's Finance Director, who is hereby authorized and directed to take all actions necessary to implement the terms of this Resolution pertaining to the Fiscal Year 2018-2019 Budget of the City; and
- d. That the City Manager is hereby delegated authority to and is authorized to take all other ministerial actions that may be necessary or appropriate to implement the provisions of this Resolution.

Section 3. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 3rd day of October 2018 by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 18-XXX, adopted by the City Council at the meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

AGENDA BUDGET SCORECARD

FISCAL YEAR 2018-19

ADJUSTMENT #

009

FUND:

DEPARTMENT:

OBJECT:

010	General Fund
3510	Fire Administration
43825	MACHINERY/EQUIPMENT

AGENDA DATE:

AGENDA ITEM TITLE:

10/03/18
FEMA Grant Acceptance

	07/01/18 PROJECTED BEGINNING FUND BALANCE	ESTIMATED REVENUES	AMENDED APPROPRI- ATIONS	06/30/19 PROJECTED ENDING FUND BALANCE
ORIGINAL BUDGET	17,687,052	41,264,549	41,658,489	17,293,112
CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION	-	43,000	95,300	(52,300)
RECOMMENDED ACTION	-	142,764	157,040	(14,276)
RESULT OF RECOMMENDED ACTION	<u>17,687,052</u>	<u>41,450,313</u>	<u>41,910,829</u>	<u>17,226,536</u>

Attachment: 009-FEMA Grant Fire Fund 010 - Budget Scorecard (1947 : FEMA Grant Assistance to Firefighters 2017)



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Hilary Holeman, Administrative Analyst

APPROVED BY: City Manager

ADOPTION OF A RESOLUTION OPPOSING PROPOSITION 6

RECOMMENDATION(S)

Adopt resolution opposing Proposition 6, which would repeal Senate Bill 1 (SB 1), also known as the "Road Repair and Accountability Act of 2017."

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment
Maintaining Fiscal Responsibility
Supporting Our Youth
Seniors
and Entire Community
Preserving and Cultivating Public Trust

2018 Strategic Priorities

Community Engagement and Messaging
Financial Stewardship
Infrastructure
Regional Initiatives

REPORT NARRATIVE:

The City is responsible for the operation, repair, and maintenance of approximately 128 centerline miles of streets with a pavement replacement value of over \$168 million. The City Council has allocated \$1.1 million per year towards street pavement in Fiscal Years 2018-2022. Furthermore, on April 28, 2017, the Governor signed Senate Bill 1 (SB 1), which is funded by the newly established Road Maintenance and Rehabilitation Account (RMRA) and receives four sources of new revenue to address basic road maintenance, rehabilitation and critical safety needs on both the state highways and local streets and road system. RMRA sources of funds include increases to the per gallon excise taxes on gasoline and diesel, diesel fuel sales taxes, and vehicle registration fees; and it provides for inflationary adjustments to tax rates in future years. The City of Morgan Hill anticipates receiving \$800,000 in FY 2018-19, and approximately \$1 million per year from SB 1 in future years.

On June 25, 2018, California's Secretary of State announced the statewide initiative to repeal SB 1 had qualified for the November ballot, as Proposition 6. Voters will now determine the fate of more than \$5 billion in annual funding to repair and upgrade the state's transportation infrastructure at full implementation, including approximately \$1 million a year, allocated on a per capita basis, available to the City of Morgan Hill for improvement to its aging road pavement system. Additionally, there are funding opportunities through competitive grant funding programs.

The Fix Our Roads Coalition (No on Prop 6), is requesting coalition members oppose the repeal of SB 1. The California Association of Councils of Governments (CALCOG), California State Association of Counties (CSAC), League of California Cities and many other members of the coalition have taken this position to oppose Proposition 6 which would repeal SB 1. Passage of Proposition 6 will have a major negative impact in the City's ability to fulfill its goal of improving the City's aging pavement system.

COMMUNITY ENGAGEMENT: Inform

The Communications and Engagement Manager has scheduled a 2-month series of presentations to local organizations and stakeholders to share the facts about Proposition 6 and its potential direct effects on the Morgan Hill community.

ALTERNATIVE ACTIONS:

City Council may choose not to adopt the resolution.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On February 22, 2017, City Council supported transportation funding bill, SB 1. On April 18, 2018, the City Council approved a resolution supporting Proposition 69 on the June 2018 ballot to preserve transportation funding and to join the Coalition to Protect Local Transportation Improvements.

FISCAL AND RESOURCE IMPACT:

No fiscal impact at this time, although the repeal of SB 1 would result in a loss of approximately \$1 million in annual transportation funding to the City of Morgan Hill.

CEQA (California Environmental Quality Act):

Not a Project - Proposals for legislation to be enacted by the State Legislature.

LINKS/ATTACHMENTS:

1. Prop. 6 Resolution

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL OPPOSING PROPOSITION 6, REPEAL OF SENATE BILL 1 (BEALL), THE “ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017”

WHEREAS, The Legislature took historic action in 2017 to address massive backlogs of more than \$59 billion in highway maintenance, \$78 billion in local streets and roads maintenance and \$72 billion in public transit maintenance needs throughout the State of California over the coming decade; and

WHEREAS, Senate Bill 1 “The Road Repair and Accountability Act of 2017” (SB 1), authored by Senator Jim Beall, will generate an estimated \$5 billion annually in long-term, dedicated funding to invest in public transportation, make road safety improvements, fill potholes and repair local streets, highways, bridges and overpasses, with the revenues split equally between state and local government projects; and

WHEREAS, SB 1 represents the largest state investment in public transportation in a generation, providing more than \$700 million per year in new funding for public transit, including funding to expand transit capital and operations; replace older transit vehicles with zero-emission vehicles; and invest in intercity rail and commuter rail; and

WHEREAS, Under SB 1, the City of Morgan Hill will receive approximately \$1 million annually over the first 10 years of this bill, assisted by new gas taxes, registration fees, and other revenues; and

WHEREAS, SB 1 funding will enable Morgan Hill to continue essential road maintenance and rehabilitation and safety improvement projects that would not have otherwise been possible without SB1; and

WHEREAS, the 2017 Pavement Management System Update found the City of Morgan Hill owns and manages approximately 128.33 centerline miles or 278.99 lane miles of roads; and

WHEREAS, the overall network pavement condition index (PCI) for the City is 72, on the cusp of “fair” rating condition; and

WHEREAS, the City’s current backlog is approximately \$23.2 million, and absent this revenue, the overall quality of our road system would degrade further; and

WHEREAS, Proposition 69, a companion constitutional amendment, was approved by more than 80 percent of voters in June 2018, and will protect new transportation revenues from diversion to non-transportation improvement purposes; and

WHEREAS, Proposition 6 on the November, 2018 ballot would repeal the new transportation revenues provided by SB 1 and require voter approval for future fuel tax adjustments or vehicle fees, making it more difficult to meet state and local transportation improvements needs in the future; and

WHEREAS, this proposed November proposition could divert millions of dollars each year from Santa Clara County and halt critical investments in future transportation improvement projects in our community;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT: The Morgan Hill City Council hereby opposes Proposition 6 on the November 2018 statewide ballot as a threat to local road and safety improvements for the traveling public.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 3rd day of October 2018 by the following vote:

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 18-XXX, adopted by the City Council at the meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Attachment: Prop. 6 Resolution (1949 : Opposition to Proposition 6)



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Yat Cho, Senior Project Manager
APPROVED BY: City Manager

ACCEPTANCE OF OUTDOOR SPORTS CENTER ARTIFICIAL TURF REPLACEMENT PROJECT

RECOMMENDATION(S)

1. Accept as complete the Outdoor Sports Center Artificial Turf Replacement Project;
2. Authorize the City Engineer to sign the attached Notice of Completion; and
3. Direct the City Clerk to file said Notice of Completion with the County Recorder's Office.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Supporting Our Youth
Seniors
and Entire Community

2018 Strategic Priorities

Economic Development and
Telecommunications

GUIDING DOCUMENTS

Bikeways
Trails
Parks and Recreation Masterplan

REPORT NARRATIVE:

On December 6, 2017, the City Council awarded the construction contract for the Outdoor Sports Center Artificial Turf Replacement Project to Valley Precision Grading, Inc. in the amount of \$1,475,437 with an authorized contingency of \$51,000. The project scope includes the removal and replacement of the artificial turf at the Outdoor Sports Center.

The Outdoor Sports Center Artificial Turf Replacement Project began on December 26, 2017 and the project was substantially completed by February 9, 2018. Two change orders were authorized in the amount of \$46,103 due to additional striping work for nine versus nine soccer fields and this work was completed by September 14, 2018. The final construction contract with Valley Precision Grading, Inc. is \$1,521,540 (See Attachment No. 3).

Staff recommends the acceptance of this project as it is completed according to plans and specification.

COMMUNITY ENGAGEMENT: Inform

Contractor and staff worked with the Morgan Hill Youth Sports Alliance (MHYSA) on scheduling to ensure that substantial work will be completed by February 9, 2018, limiting the field downtime for community user groups.

ALTERNATIVE ACTIONS:

Accepting the project in accordance with the contract documents is a required process and enables the City to release any retained funds owed to the contractor per the California Public Contract Code Section 7107.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On July 19, 2017, City Council directed staff to issue a Request for Proposals for artificial turf replacement at the Outdoor Sports Center.

On November 15, 2017, City Council awarded the Outdoor Sports Center Artificial Turf Replacement Project to Astroturf USA, Inc.

On December 6, 2017, City Council awarded the Outdoor Sports Center Artificial Turf Replacement Project to Valley Precision Grading, Inc., correcting the award of the contract to the actual contracting entity, rather than material supplier AstroTurf USA, Inc.

FISCAL AND RESOURCE IMPACT:

The final contract amount for the Outdoor Sports Center Artificial Turf Replacement Project is \$1,521,540. The project was awarded to Valley Precision Grading, Inc. in the amount of \$1,475,437 with an authorized contingency of \$51,000 (total of \$1,526,437).

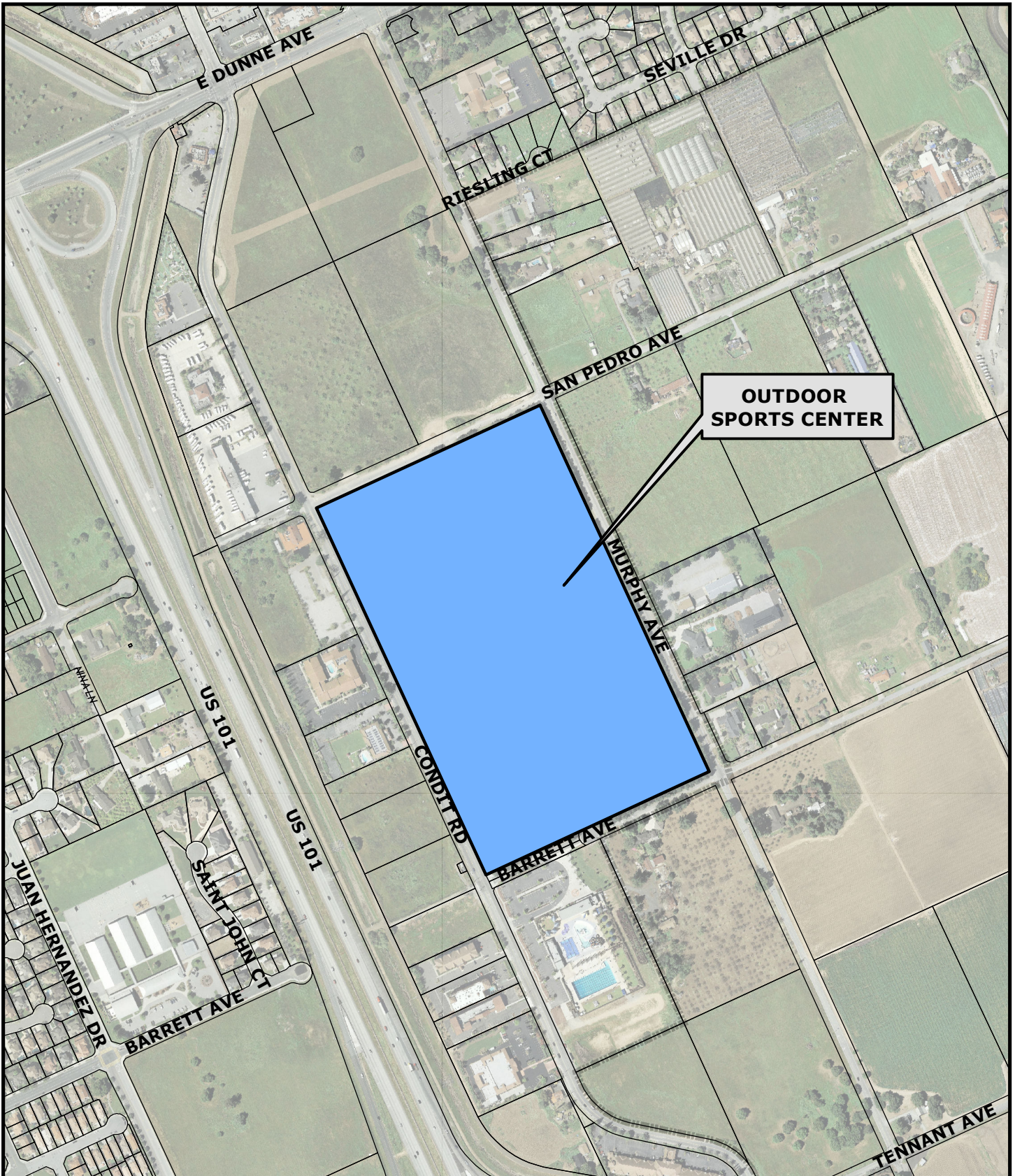
The balance of \$4,897 will be returned to the Parks Maintenance Fund (302).

CEQA (California Environmental Quality Act):

The planned maintenance and management of City facilities falls within the CEQA categorical exemption of Class 1, existing facilities.

LINKS/ATTACHMENTS:

1. OSC Artificial Turf Replacement Vicinity Map
2. Notice of Completion
3. OSC Turf Replacement Project Change Order Closeout



CITY OF MORGAN HILL

**Department of Public Works
Engineering and Utilities Division**

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ACCEPTANCE OUTDOOR SPORTS CENTER ARTIFICIAL TURF REPLACEMENT PROJECT



0 200 400 800 1,200 1,600
Feet

Record at the Request of
and When Recorded Mail to:

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

Record at No Fee Pursuant to
Government Code Section 27383

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN, pursuant to Civil Code Section 9204, that:

- 1) On December 6, 2017, the City of Morgan Hill, a Municipal Corporation, entered into a contract with Valley Precision Grading, Inc. for the Outdoor Sports Center Artificial Turf Replacement Project located at 16500 Condit Road Morgan Hill, CA 95037.
- 2) The owner of said property is the City of Morgan Hill, a Municipal Corporation, located at 17575 Peak Avenue, Morgan Hill, CA 95037, and is the owner of said property in fee simple.
- 3) The contractor is Valley Precision Grading, Inc. located at: 3330 Luyung Drive Rancho Cordova, CA 95742
- 4) The surety is Berkley Insurance Company
- 5) The project was completed on February 9, 2018 and accepted by the City Council of the City of Morgan Hill on October 3, 2018.

CITY OF MORGAN HILL, a Municipal Corporation

By _____
Scott Creer
City Engineer

I, the undersigned, declare that I am the Public Works Director for the City of Morgan Hill. I have read the forgoing Notice of Completion and know and understand the contents thereof and that the facts stated therein are true and correct. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on _____, at Morgan Hill, California.

Scott Creer
City Engineer

Attachment: Notice of Completion (1809 : Acceptance of Outdoor Sports Center Artificial Turf Replacement Project)

CIP Contract Acceptance Funding Closeout Statement

Project:	Outdoor Sports Center Artificial Turf Replacement Project		
Project No:	146017		
Date of Project Award:	6-Dec-17	Project Award Amount:	\$1,475,437
Funding Source:		Contingency Authorized:	\$51,000
Date of Project Acceptance:	3-Oct-18	Total Authorized:	\$1,526,437
		Actual Base Contract Spent:	\$1,475,437

Change Orders				
	Description	Date	Council Approval Req'd? (Y/N)	
C.O. #1:	Install striping for 9v9 soccer fields	4-Jun-18	N	\$23,418
C.O #2:	Additional changes to 9v9 striping	6-Sep-18	N	\$22,685
		Total C.O.:		\$46,103

Additional Appropriations		
Source	Amount	Date
None		

Construction Fund Balance:	\$4,897	Total Construction Amount (Base Contract plus CO's):	\$1,521,540
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CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Cynthia Iwanaga, Management Analyst
APPROVED BY: City Manager

AWARD EL TORO FIRE STATION ROOF REPLACEMENT PROJECT

RECOMMENDATION(S)

1. Award a contract to Andy's Roofing Company, Inc. in the amount of \$71,773;
2. Authorize the expenditure of contingency funds not to exceed \$14,355; and
3. Authorize City Manager to execute and administer that certain construction contract with Andy's Roofing Company, Inc.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Fiscal Responsibility

REPORT NARRATIVE:

The purpose of this item is to provide the Council with an opportunity to consider the award of a contract to remove and replace the failing roof on the El Toro Fire Station.

The original tile roof of the El Toro Fire Station on Old Monterey has leaked in recent years and is at the end of its useful life. With roof replacement funding included in the approved budget, the City solicited bids for the project from qualified roofing contractors. The scope of work includes all labor and material necessary to remove the existing tile roof and install a new composition roof at the station.

In soliciting informal bids for this project, the City contacted C-39 licensed roofing contractors on the City's Bidders' List. The City also advertised in the Morgan Hill Times newspaper, and two online services, Online Plan Service and Public Purchase, whose subscribers include Northern California Builders Exchanges.

The bid opening was held on September 20, 2018 and the following three bids were received:

Andy's Roofing Co., Inc.	\$71,773.00
Scudder Roofing Co.	\$88,170.00
Western Roofing Service	\$98,932.00

Andy's Roofing Company, Inc. submitted the low bid of \$71,773. They have over 60 years of experience in the roofing business and successfully completed the roof replacement of the Dunne Hill Fire Station in 2016. Staff recommends the award of this contract to Andy's Roofing for \$71,773. Staff also recommends approval of a 20%

contingency budget of \$14,355 in order to accommodate potentially required additional work. The total recommended construction authorization is \$86,128.

If approved, the project will begin construction as soon as possible in order to avoid winter rains. Based on previous experience, staff is scheduling the work in three phases. In the initial phase, Andy's Roofing will remove the existing roof. Immediately thereafter, an inspection will be conducted by the City in order to identify any damage requiring repair before the new roof is installed. Depending upon the scope of the damage identified, the City will, at its sole discretion, either negotiate with Andy's Roofing for a contract change order that includes repairing the identified damage (within the approved contingency) or will establish a contract with others to conduct the repairs before Andy's Roofing installs the new roof in the final phase.

COMMUNITY ENGAGEMENT: Inform

A project sign will be posted outside the El Toro Fire Station prior to start of construction to let the public know that the removal and replacement of the roof is underway. In addition, the City will include information about the planned project in The Scoop.

ALTERNATIVE ACTIONS:

An alternative action would be to not approve the project or delay the work.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None

FISCAL AND RESOURCE IMPACT:

If approved, the total funding authorization for this project will be \$86,128, which is the contract price with a 20% contingency. The amount is budgeted in Fund 741 (Building Replacement Fund) in the adopted FY 18-19.

CEQA (California Environmental Quality Act):

Categorical Exemption

The activities described in this Staff Report are categorically exempt under CEQA, specifically pursuant to Section 15301 of the CEQA Guidelines (Existing Facilities), as the subject work involves the repair, maintenance or minor alteration of existing City facilities involving negligible or no expansion of use of those facilities.

LINKS/ATTACHMENTS:

1. El Toro Fire Station_Agreement

CONTRACT

This public works contract ("Contract") is entered into by and between the City of Morgan Hill ("City") and Andy's Roofing, Inc. ("Contractor") for work on the El Toro Fire Station Roof Replacement Project ("Project").

The parties agree as follows:

1. **Award of Contract.** In response to the Notice Inviting Informal Bids, Contractor has submitted a Bid Proposal to perform work on the Project, and on October 3, 2018, (Contract Date) City authorized award of this Contract to Contractor for the amount of Contractor's bid.

2. **Contract Documents.** The Contract Documents incorporated into this Contract include and are comprised of all of the following:
 - 2.1 Notice Inviting Informal Bids;
 - 2.2 Instructions to Bidders;
 - 2.3 Addenda, if any;
 - 2.4 Bid Proposal and attachments thereto;
 - 2.5 Contract;
 - 2.6 Payment and Performance Bonds;
 - 2.7 General Conditions;
 - 2.8 Special Conditions;
 - 2.9 Project Drawings and Specifications;
 - 2.10 Change Orders, if any;
 - 2.11 Notice of Award;
 - 2.12 Notice to Proceed;
 - 2.13 And the following:

"No Other Documents"

3. **Contractor's Obligations.** Contractor agrees to perform all of the Work required for the Project, as specified in the Contract Documents. Contractor must provide, furnish, and supply all things necessary and incidental for the timely performance and completion of the Work, including all necessary labor, materials, equipment, transportation, and utilities, unless otherwise specified in the Contract Documents. Contractor must use its best efforts to complete the Work in a professional and expeditious manner and to meet or exceed the performance standards required by the Contract Documents.

4. **Payment.** As full and complete compensation for Contractor's timely performance and completion of the Work in strict accordance with the terms and conditions of the Contract Documents, City will pay Contractor Seventy-One Thousand Seven Hundred Seventy-Three Dollars (\$71,773) (the "Contract Price"), in accordance with the payment provisions in the General Conditions. The Contract Price includes all applicable federal, state, and local taxes.
5. **Time for Completion.** Contractor will fully complete the Work for the Project within 10 working days in two phases from the commencement date given in the Notice to Proceed ("Contract Time"). By signing below, Contractor expressly waives any claim for delayed early completion.
6. **Liquidated Damages.** If Contractor fails to complete the Work within the Contract Time, City will assess liquidated damages in the amount of Five Hundred Dollars (\$500.00) for each day of unexcused delay in completion, and the Contract Price will be reduced accordingly.
7. **Labor Code Compliance.**
 - 7.1 **General.** This Contract is subject to all applicable requirements of Chapter 1 of Part 7 of Division 2 of the Labor Code, including requirements pertaining to wages, working hours and workers' compensation insurance.
 - 7.2 **Prevailing Wages.** This Project is subject to the prevailing wage requirements applicable to the locality in which the Work is to be performed for each craft, classification or type of worker needed to perform the Work, including employer payments for health and welfare, pension, vacation, apprenticeship and similar purposes. Copies of these prevailing rates are available online at <http://www.dir.ca.gov/DLSR>.
 - 7.3 **DIR Registration.** City will not accept a Bid Proposal from or enter into the Contract with a bidder, without proof that the bidder and its Subcontractors are registered with the California Department of Industrial Relations ("DIR") to perform public work under Labor Code Section 1725.5, subject to limited legal exceptions.
8. **Workers' Compensation Certification.** Under Labor Code Section 1861, by signing this Contract, Contractor certifies as follows: "I am aware of the provisions of Labor Code Section 3700 which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the Work on this Contract."

9. **Notice.** Any notice, billing, or payment required by the Contract Documents must be made in writing, and sent to the other party by personal delivery, U.S. Mail, a reliable overnight delivery service, facsimile, or by email as a PDF (or comparable) file. Notice is deemed effective upon delivery unless otherwise specified. Notice for each party must be given as follows:

City:

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037
Phone: (409) 779-7259
Attn: City Clerk
Email: michelle.bigelow@morganhill.ca.gov
Copy to: cynthia.iwanaga@morganhill.ca.gov

Contractor:

Name: Andy's Roofing Company, Inc.
Address: 2161 Adams Avenue
City/State/Zip: San Leandro, CA 94577
Phone: (510) 777-1100
Attn: Therese Engquist, Financial Officer
Email: therese@andysroofing.com
Copy to: adriana@andysroofing.com

10. General Provisions.

- 10.1 Assignment and Successors.** Contractor may not assign its rights or obligations under this Contract, in part or in whole, without City's written consent. This Contract is binding on Contractor's successors and permitted assigns.
- 10.2 Third Party Beneficiaries.** There are no intended third party beneficiaries to this Contract except as expressly provided in the General Conditions or Special Conditions.
- 10.3 Governing Law and Venue.** This Contract will be governed by California law and venue will be in the Superior Court of Santa Clara County, and no other place.
- 10.4 Amendment.** No amendment or modification of this Contract will be binding unless it is in a writing duly authorized and signed by the parties to this Contract.

- 10.5 Integration; Severability.** This Contract and the Contract Documents incorporated herein, including authorized amendments or Change Orders thereto, constitute the final, complete, and exclusive terms of the agreement between City and Contractor. If any provision of the Contract Documents, or portion of a provision, is determined to be illegal, invalid, or unenforceable, the remaining provisions of the Contract Documents will remain in full force and effect.
- 10.6 Authorization.** Each individual signing below warrants that he or she is authorized to do so by the party that he or she represents, and that this Contract is legally binding on that party. If Contractor is a corporation, signatures from two (2) officers of the corporation are required pursuant to California Corporation Code Section 313.

[Signatures are on the following page.]

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
 2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

The parties agree to this Contract as witnessed by the signatures below:

CITY OF MORGAN HILL:

 Christina J. Turner
 City Manager

Date: _____

Attest:

 Michelle Bigelow
 Deputy City Clerk

Date: _____

Approved as to Form:

 Donald A. Larkin
 City Attorney

Date: _____

CONTRACTOR:

ANDY'S ROOFING COMPANY, INC.

 Signature

 Jonathan Engquist/President
 Name/Title [print]

Date: 9/27/18

Corporate entities must provide a second signature:

 Signature

 Therese Engquist/Financial Officer
 Name/Title [print]

Date: 9/27/18

521860
 Contractor's License Number(s)

12/31/2019
 Expiration Date(s)

Seal:

1000002720
 Contractor's DIR Registration Number(s)

END OF CONTRACT



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Charlie Ha, Supervising Civil Engineer
APPROVED BY: City Manager

APPROVAL OF IMPROVEMENT AGREEMENT AND STORMWATER BEST-MANAGEMENT-PRACTICES OPERATION AND MAINTENANCE AGREEMENT WITH MORGAN HILL RETAIL ESTATE, LLC (TOWBIN DODGE)

RECOMMENDATION(S)

1. Approve an Improvement Agreement with Morgan Hill Retail Estate, LLC;
2. Authorize the City Manager to execute the Improvement Agreement;
3. Authorize the City Manager to execute a Stormwater Best-Management-Practices (BMP) Operation and Maintenance Agreement pending review and approval by the City Attorney; and
4. Authorize the recordation of the Improvement Agreement and the Stormwater BMP Operation and Maintenance Agreement.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Protecting the Environment

2018 Strategic Priorities

Economic Development and
Telecommunications

GUIDING DOCUMENTS

General Plan/Housing Element

REPORT NARRATIVE:

Towbin Dodge is a car dealership development located on the west side of Condit Road north of Dunne Avenue, see site map. (Attachment No. 1). As required by the project's conditions of approval for Site Review, the developer is required to enter into an Improvement Agreement (Attachment No. 2) with the City of Morgan Hill and provide a financial guarantee covering the project's public improvements.

The developer has furnished the City with the necessary documents to complete the processing of the Improvement Agreement by providing surety bonds and insurance for the proposed public improvements for the development. Staff recommends that the City Council authorize the City Manager to sign an Improvement Agreement on behalf of the City and sign a Stormwater Best Management Practices (BMP) Operation and Maintenance Agreement (Attachment No. 3), pending review and approval by the City Attorney.

COMMUNITY ENGAGEMENT: Involve

On September 18, 2018, the Community Development Director approved Administrative

Design Review for the project. Residents within a 300 feet radius were informed that in order to be considered in the Administrative Review and Decision process, a letter or e-mail must be received by the Development Services Department no later than 5:00 p.m. September 18, 2018. No communication was received from the public.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On October 19, 2005, the City Council approved the Planned Unit Development (PUD) that includes the project parcel.

FISCAL AND RESOURCE IMPACT:

Development review costs for this project are paid from development processing fees.

CEQA (California Environmental Quality Act):

Project-

A Mitigated Negative Declaration was adopted.

LINKS/ATTACHMENTS:

1. Site Map
2. Improvement Agreement
3. Stormwater BMP Operation and Maintenance Agreement
4. Impact Fee Schedule: BCOM2018-0129-17085 Condit Rd-MH Dodge



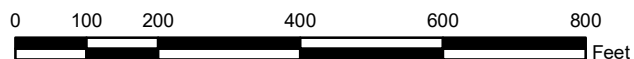
**TOWBIN DODGE
PROJECT**



CITY OF MORGAN HILL
Department of Public Works
Engineering and Utilities Division

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SITE MAP



RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

CITY OF MORGAN HILL
17575 PEAK AVENUE
MORGAN HILL, CA 95037

(RECORD AT NO FEE PURSUANT TO GOVERNMENT
CODE SECTION 27383)

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

IMPROVEMENT AGREEMENT

Morgan Hill Real Estate, LLC
Condit Road
APN 728-17-034
Towbin Dodge

THIS AGREEMENT is made on this _____ day of _____, 2018, by the CITY OF MORGAN HILL, a municipal corporation ("CITY"), and **Morgan Hill Real Estate, LLC**, a California limited liability company ("PROPERTY OWNER").

RECITALS

The following Recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to Morgan Hill Municipal Code Chapter 12.02.
2. PROPERTY OWNER has filed a Development Application and supporting documents on the property with the APN 728-17-034 having the development name of **Towbin Dodge** ("Development").
3. CITY requires as a condition of approval of the Development Permit, as described on said permit, that certain improvements be installed by PROPERTY OWNER as shown on the fully executed Development Improvement Plans entitled **Civil Improvement Plans Towbin Dodge** ("Improvements"), on file with CITY and incorporated herein by this reference.
4. PROPERTY OWNER has been unable to complete, prior to the issuance of the Development Permit, all of the Improvements required by CITY to the satisfaction of the City Engineer.
5. PROPERTY OWNER is required by the terms of the Morgan Hill Municipal Code to improve all streets, highways, or public areas which are part of the Development, including but not limited to necessary paving, curbs, sidewalks, catch basins, water mains, culverts, storm drains, and sanitary sewers, in accordance with the plans and specifications on file with the City Engineer.
6. To assure CITY that PROPERTY OWNER will complete all the work and Improvements required for the Development, the parties have entered into this Agreement.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement.** This term of this Agreement shall be six (6) months from the date of issuance of the Development Permit ("Term") unless extended by written agreement.
2. **Improvements.** PROPERTY OWNER agrees to construct the Improvements in a good and workmanlike manner in accordance with the plans and documents filed with and approved by CITY in conjunction with the Development, all of which are incorporated herein by reference. These items of the Improvements shall be completed, constructed and installed at PROPERTY OWNER's sole expense unless agreed to otherwise by CITY.
3. **Rights-of-Way.** Except as otherwise provided by this Agreement, CITY can hold without acceptance or recordation all lands, rights-of-way, and easements offered for dedication. All such offers shall, however, remain open, and shall constitute irrevocable offers of dedication in accordance with the Government Code. All such offers may be accepted and recorded by CITY in its sole discretion at any later date without further notice to PROPERTY OWNER as provided by law. By way of explanation only, it is the current intention of CITY to accept all or part of the irrevocable offers to dedicate upon acceptance of the Improvements called for in this Agreement.
4. **Improvements: Time Limits.** PROPERTY OWNER agrees to cause all Improvements to be made and constructed to comply with all requirements of Morgan Hill Municipal Code Chapter 12.02, according to the improvement plans for the Development approved by the City Engineer and including any changes or alteration in the Improvements required by the City Engineer. The Improvements shall be completed utilizing CITY standards and specifications. PROPERTY OWNER agrees to complete the Improvements prior to the expiration of this Agreement, or the issuance of the certificate of occupancy, whichever is earlier; provided however, the City Manager may extend the deadline for completion by not more than six (6) months at his or her reasonable discretion and determination that granting the extension will not be detrimental to the public welfare. No extension of this deadline for completion shall be made except upon the basis of a written application made by PROPERTY OWNER stating fully the ground for the application and the facts relied upon for an extension.

It is further agreed by and between PROPERTY OWNER and CITY that any extension granted shall in no way affect the validity of this Agreement or release the surety(ies) on any bond attached hereto or the financial institution guaranteeing the same. PROPERTY OWNER further agrees to maintain the securities described in Section 6 in full force and effect during the terms of this Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by CITY.

In the event that PROPERTY OWNER shall fail to complete the Improvements within the time provided by this Agreement, CITY may in its sole discretion and in addition to any other remedy provided in this Agreement or by law, enter upon the Development and complete the Improvements and recover the full cost and expense of construction from PROPERTY OWNER, PROPERTY OWNER's successors and assigns, PROPERTY OWNER's Performance/Labor & Material Bonds associated with this Development, or from the then owner of the Development, and/or place a lien upon the Development property for the cost and expense. Any and all CITY costs shall include but not be limited to administrative and attorney costs.

5. **Acquisition and Dedication of Easements or Rights-of-Way.** If any of the Improvements is to be constructed or installed on land not within the Development or already existing public right-of-way, no construction or installation shall be commenced before the irrevocable offer of dedication or conveyance to CITY of appropriate rights-of-way, easements or other interest in real property, and appropriate authorization from PROPERTY OWNER to allow construction or installation of the Improvements or work has been obtained and paid for by PROPERTY OWNER.

6. **Bond Requirements.** To secure the performance of each Improvement required under this Agreement and to ensure full payment to all persons furnishing or supplying labor or materials for each Improvement required, PROPERTY OWNER shall provide to CITY concurrently with the execution of this Agreement, payment and performance bonds each in the amount of 100% of the total estimated cost of the Improvements as determined by the City Engineer,. A performance bond to secure faithful performance of this Agreement as required by Section 12.02.160 of the Morgan Hill Municipal Code for performance shall be provided in substantially the form set forth in Exhibit B. A payment bond to secure full payment to all persons furnishing or supplying labor or materials as required by Section 12.02.160 of the Morgan Hill Municipal Code for labor and materials shall be provided in substantially the form set forth in Exhibit C. PROPERTY OWNER shall provide an additional guarantee and warranty security (in substantially the form set forth in Exhibit D) of fifty (50%) percent of the City Engineer's estimated cost of the Improvements to guarantee and warranty the Improvements for a period of one year following its completion and acceptance against any defective work or labor done, or defective materials furnished, as required by Section 12.02.170 of the Morgan Hill Municipal Code.

Improvements and the City Engineer's Estimated Costs of Improvements as of August 2018 are attached hereto as Exhibit "A".

Any bonds submitted under this Agreement shall be executed by a surety company authorized to write the same in the State of California, and subject to the review and approval of the City's risk manager. All required securities shall be in a form approved by the City Attorney. The bonds shall be executed on CITY forms by a surety authorized to do business in the State of California and shall be approved by the City Attorney and the City Engineer. Submittal of the Performance/Labor & Material Bonds is a requirement prior to CITY's issuance of an encroachment permit to do work in CITY's right-of-way. Submittal of the Warranty Bond is a requirement prior to the City Engineer's consideration of acceptance of the public improvements.

Note: If Cash Deposit Agreement Guaranteeing Improvements is utilized for security purposes, the Cash Deposit Agreement amount shall be two hundred (200%) percent of the aforementioned City Engineer's Estimated Costs of Improvements. In lieu of the above, CITY will accept a certificate of deposit in CITY's name with escrow instructions acceptable to the City Engineer, subject to the approval of the City Attorney.

The release of any securities shall be governed by the provisions of Section 12.02.170 of the Morgan Hill Municipal Code.

7. **Irrevocability of Security.** The securities provided under this Agreement shall be irrevocable, shall not be limited as to time, and may be released only upon the written approval of the City Engineer and City Council.

8. **Duty to Warn.** PROPERTY OWNER shall give adequate warning to the public of each and every

dangerous condition which may exist in the Improvements, and will take all reasonable actions to protect the public from any dangerous condition.

9. **Warranty.** PROPERTY OWNER guarantees and warrants the Improvements required by this Agreement and agrees to remedy any defects in the Improvements arising from faulty or defective materials or construction occurring within twelve (12) months after acceptance by CITY of said Improvements. Following notice, PROPERTY OWNER shall, without delay or cost to CITY, repair, replace, or reconstruct any defective or unsatisfactory portion of Improvements. CITY may, at its sole option, perform the repair or replacement itself if PROPERTY OWNER has failed to commence repair within twenty (20) days after CITY has mailed written notice to PROPERTY OWNER. In such event, PROPERTY OWNER agrees to pay the cost of repair and replacement, plus 15%, by CITY; and CITY may recover such costs as a lien against the Development. CITY may proceed immediately to make repairs should an emergency arise without waiving its rights of recovery against PROPERTY OWNER.

10. **Failure of Performance.** In addition to the other remedies provided by this Agreement, CITY shall have recourse to the security given. In the event that CITY seeks recourse against any security, CITY shall have recourse against PROPERTY OWNER for any and all amounts necessary to complete the obligation. All administrative costs, including attorneys' fees shall be a proper charge against the security and PROPERTY OWNER pursuant to Government Code. The right of CITY to draw upon or utilize the security is additional and not in lieu of any other remedy available to CITY at law or in equity. The parties agree that the estimated costs and security amounts may not reflect the actual cost of construction or installation of Improvements, and therefore, CITY damages for PROPERTY OWNER's default shall be measured by the cost of completing the required Improvements.

11. **Certificate of Occupancy.** PROPERTY OWNER understands that CITY will expect completion, to the satisfaction of CITY, of specific public improvements as well as private utility improvements prior to CITY Approval of a Certificate of Occupancy for any building on the Development property. The specific improvements shall include activation of all public utilities (water, sewer, storm drain); activation of all private utilities (electric, gas, phone) except for cable; street lights turn-on request filed with P G & E; and full street improvements (curb-gutter and paving with/without final lift) from existing public street to building under consideration for Certificate of Occupancy. PROPERTY OWNER, furthermore, agrees to so inform successor in lot interest should lot be transferred to another party prior to CITY acceptance of public improvements.

12. **Final Toxic Report.** Where applicable, PROPERTY OWNER hereby agrees to furnish the City Attorney with a copy of the Final Toxic Report issued by the appropriate licensed consultant on the proposed Development. This report must be received prior to final acceptance of on-site improvements and issuance of certificate of occupancy.

13. **Public Improvements Fee Schedule.** PROPERTY OWNER shall pay the following sums in cash to CITY pursuant to the provisions of Resolution 1383 and any amendments. These sums shall be paid to CITY at the time of issuance of the Development Permit, and shall be in accordance with the attached Department of Public Works Fee Schedule attached hereto demonstrating a current Total Fee Obligation of **\$905,032**. All Fees are estimated and may be increased by CITY subject to current resolutions and ordinances. These fees are subject to a minimum annual revision. PROPERTY OWNER consents to increases in these fees. This Agreement shall not be construed to fix or freeze fees as of any point prior to issuance of Development Permits.

All development fees shall be those in effect at the time of the issuance of the Development Permit for this Development. This Agreement does not entitle the developer to any permit including a grading permit. A separate application for a grading permit should be made to the Building Department.

14. **Other Agreements Associated with This Improvement Agreement:** The following "checked off" Agreements are understood to be associated with this Agreement and have been fully executed prior to or concurrent with this Agreement:

☐ CITY "Streets" Reimbursement Agreement (CITY Ordinance 982)

PROPERTY OWNER acknowledges and agrees that the property is subject to a Reimbursement Agreement whereby PROPERTY OWNER must reimburse CITY for all costs associated with off-site improvements completed by the CITY and/or others or to be completed by CITY and/or others. PROPERTY OWNER agrees to pay CITY for all sums already incurred under the reimbursement agreement prior to issuance of any building permits. If the improvement has not been completed by CITY and/or others, then PROPERTY OWNER or successor-in-interest agrees to fully reimburse CITY for all costs incurred by CITY and/or others in constructing the improvements.

☐ CITY Public/Private Utility Reimbursement Agreement

☐ Landscape & Lighting Maintenance Assessment District Annexation

☐ Improvements Deferral Agreement

15. **Insurance Requirements.**

Commencement of Improvements. Before beginning construction of the improvements, PROPERTY OWNER is required to procure and provide proof of the insurance coverage required by this section in the form of certificates and endorsements. The required insurance must cover the activities of PROPERTY OWNER and its subcontractors relating to or arising from the performance of work associated with the Improvements, and must remain in full force and effect at all times during the period covered by the Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by CITY. The coverages may be arranged under a single policy for the full limits required or by a combination of underlying policies with the balance provided by excess or "umbrella" policies, provided each such policy complies with the requirements set forth herein. Any deductibles or self-insured retentions must be declared to and approved by City. Coverages may be provided by PROPERTY OWNER's General Contractor if PROPERTY OWNER is not directly insuring such exposures under an "Owners and Contractors Protective Liability Policy (OCP)" on which CITY would be an additional insured. If PROPERTY OWNER will utilize the services of a General Contractor to perform all of the work associated with the Improvements, then PROPERTY OWNER may opt to have all coverages provided by PROPERTY OWNER's General Contractor, provided that a written contract is executed between PROPERTY OWNER and the General Contractor whereby the written contract specifically required General Contractor to fulfill all of the City insurance requirements as outlined in this Agreement, including all endorsements in favor of the City. Verification of the written contract must be provided to City upon request. If PROPERTY OWNER fails to provide any of the required coverage in full compliance with the requirements outlined in this Agreement, CITY may, at its sole discretion, purchase such coverage at PROPERTY OWNER's expense and deduct the cost from payments due to PROPERTY OWNER, assess payment against Development, or terminate the Agreement for default. PROPERTY OWNER further understands that CITY reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to PROPERTY OWNER, at any time as deemed necessary to protect the interests of CITY.

(a) Policies and Limits. The following insurance policies and limits are required for this Agreement:

(1) Commercial General Liability Insurance (“CGL”): PROPERTY OWNER shall maintain CGL and shall include coverage for liability arising from PROPERTY OWNER's or its subcontractor's acts or omissions in the performance of work associated with the Improvements against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) five million dollars (\$5,000,000.00) combined single limit each occurrence and either a general aggregate limit of ten million dollars (\$10,000,000.00) or a general aggregate limit of five million dollars (\$5,000,000) as applied on a “per project” or “per location” basis, or (ii) the maximum amount of such insurance available to PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or “umbrella” policies), whichever is greater.

a. CGL policy may not exclude explosion, collapse, underground excavation hazard, or removal of lateral support.

b. CGL policy must include contractor's protected coverage, blanket contractual, and completed operations.

(2) Workers' Compensation Insurance and Employer's Liability: PROPERTY OWNER shall maintain Workers Compensation coverage, as required by law. The policy must comply with the requirements of the California Workers' Compensation Insurance and Safety Act and provide protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or “umbrella” policies), whichever is greater. If PROPERTY OWNER is self-insured, PROPERTY OWNER must provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.

(3) Automobile Liability: PROPERTY OWNER shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if PROPERTY OWNER does not own automobiles, then PROPERTY OWNER shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit, or (ii) the maximum amount of such insurance available to PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or “umbrella” policies), whichever is greater.

(4) Pollution (Environmental) Liability: The performance of PROPERTY OWNER's work or service under this Agreement involves handling of hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials. PROPERTY OWNER shall procure and maintain Pollution Liability covering PROPERTY OWNER's liability for bodily injury, property damage and environmental damage resulting from pollution and related cleanup costs arising out of the work or services to be performed under this Agreement. Coverage shall be provided for both work performed on site, as well as during the transport of hazardous materials. Such coverage shall be in the minimum amount of: (i) one million dollars

(\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

(b) Required Endorsements. PROPERTY OWNER shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

(1) ALL Policies:

"Waiver of Subrogation" - Each required policy must include an endorsement providing that the carrier agrees to waive any right of subrogation it may have against CITY and CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

(2) ALL policies except Workers Compensation:

"Additionally Insured" - The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds.

(3) General Liability:

a. "Primary and Non-Contributing" - Insurance shall be primary non-contributing;

b. "Separation of Insureds" - The inclusion of more than one insured will not operate to impair the rights of one insured against another, and the coverages afforded will apply as though separate policies have been issued to each insured.

(c) Subcontractors. PROPERTY OWNER must ensure that each subcontractor is required to maintain the same insurance coverage required under this Section 15, with respect to its performance of work associated with the Improvements, including those requirements related to the additional insureds and waiver of subrogation.

(d) Qualification of Insurers. All insurance required pursuant to this Agreement must be issued by a company licensed and admitted, or otherwise legally authorized to carry out insurance business in the State of California, and each insurer must have a current A.M. Best's financial strength rating of "A" or better and a financial size rating of "VII" or better.

(e) Certificates. PROPERTY OWNER shall furnish CITY with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to the PROPERTY OWNER's agreement with CITY shall be reduced, canceled, allowed to expire, or materially changed except after thirty (30) days' notice by the insurer to CITY, unless due to non-payment of premiums, in which case ten days written notice must be made to CITY. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein.

Certificate Holder address:

City of Morgan Hill
 Attn: Risk Management
 17575 Peak Avenue
 Morgan Hill, CA 95037

16. **Non-Liability of Officials and Employees of CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.
17. **Non-Discrimination.** PROPERTY OWNER covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, or ancestry, in any activity pursuant to this Agreement.
18. **Independent Contractor.** It is agreed to that PROPERTY OWNER shall act and be an independent contractor, and not an agent or employee of CITY.
19. **Compliance with Law.** PROPERTY OWNER shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.
20. **Right to Inspect and Inspection Fees.** PROPERTY OWNER shall at all times maintain proper facilities and provide safe access for inspection for CITY and its employees to all parts of the Improvements. PROPERTY OWNER shall pay and reimburse CITY for all expenses incurred by CITY for inspecting and checking all work to be performed under the provisions of the Municipal Code or this Agreement. CITY Engineering plan checking and field improvement inspection costs are included in the Department of Public Works Fee Schedule which may be revised from time to time.
21. **Conflict of Interest and Reporting.** PROPERTY OWNER shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
22. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed addresses. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

- a. Address of PROPERTY OWNER is as follows:

- b. Address of CITY is as follows:

City Engineer
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037

With a copy to:

City Clerk
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037

23. **PROPERTY OWNER'S Representations.** This Agreement shall include application or items submitted by PROPERTY OWNER to CITY'S Planning Department, Building Department, Planning Commission, and City Council. In the event of any inconsistency between their representations and this

Agreement, this Agreement shall govern.

24. **Licenses, Permits and Fees.** PROPERTY OWNER shall obtain a CITY Business License, all permits, and licenses as may be required by this Agreement.

25. **Familiarity with Improvements.** By executing this Agreement, PROPERTY OWNER warrants that: (1) it has investigated the work to be performed, (2) it has investigated the site of the Improvements and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the Improvements under this Agreement. Should PROPERTY OWNER discover any conditions materially differing from those inherent in the Improvements or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at PROPERTY OWNER'S risk, until written instructions are received from CITY.

26. **Time of Essence.** Time is of the essence in the performance of this Agreement.

27. **Limitations Upon Subcontracting and Assignment.** Neither this Agreement nor any portion shall be assigned by PROPERTY OWNER without prior written consent of CITY.

28. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.

29. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts shall together constitute one and the same instrument.

30. **Indemnification.** PROPERTY OWNER agrees to protect, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected with performance of the Agreement by PROPERTY OWNER, PROPERTY OWNER'S agents, officers, employees, subcontractors, or independent contractors hired by PROPERTY OWNER. The only exception to PROPERTY OWNER'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY. This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by PROPERTY OWNER.

31. **Modification.** This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may be modified on provisions waived only by subsequent mutual written agreement executed by CITY and PROPERTY OWNER.

32. **California Law.** This Agreement shall be construed in accordance with the laws of the State of California. Any action commenced about this Agreement shall be filed in the central branch of the Santa Clara County Superior Court.

33. **Interpretation.** This Agreement shall be interpreted as though prepared by both parties.

34. **Preservation of Agreement.** Should any provision of this Agreement be found invalid or unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

35. **Agreement Runs With the Land.** This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties. It shall be recorded in the Office of the Recorder of Santa Clara County concurrently with the issuance of the Development Permit and shall constitute a covenant running with the land and an equitable servitude upon the Development real property.

36. **Recording.** It shall be the responsibility of CITY to cause the executed Agreement to be recorded.

IN WITNESS THEREOF, these parties have executed this Agreement on the day and year shown below.

[TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS: (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND** (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.]

ATTEST:

THE CITY OF MORGAN HILL

City Clerk

Date: _____

City Manager

Date: _____

APPROVED AS TO FORM:

“PROPERTY OWNER”

City Attorney

Date: _____

By:

Title: _____

Date: _____

By:

Title: _____

Date: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**

County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**

County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

EXHIBIT A
IMPROVEMENTS AND
ESTIMATED COSTS OF IMPROVEMENTS
AS OF AUGUST 2018

1.0 Offsite Engineering Cost Estimate

a	Sewer System	\$ 5,445.00	
b	Basins	\$ -	
c	Channel System	\$ -	
d	Storm Drain System	\$ -	
e	Street System	\$ 262,649.00	
f	Underground Existing Facilities (Undergrounds)	\$ -	
g	Street Trees	\$ -	
h	Maintenance Districts	\$ -	
i	Water System	\$ 54,500.00	
j	Fire Water System	\$ 13,000.00	
k	Traffic Signal System	\$ -	
l	Street Light System	\$ 52,800.00	
m	New Utilities	\$ -	
n	Others	\$ -	
o	Subtotal (a through n)	\$ 388,394.00	
p	Contingency (10%)	\$ 38,839.40	
q	Subtotal (o plus p)	\$ 427,233.40	
r	A/E Fees (10% of Project Cost)	\$ 42,723.34	
	Total Construction	\$ 469,956.74	
	Total Permit / Inspection Fees	\$ 22,706.32	
	Grand Total	\$ 492,663.06	

EXHIBIT "B"
FORM OF PERFORMANCE BOND
(100% of Engineer's Estimate)

Bond No.: _____
 Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and **Morgan Hill Real Estate, LLC** (hereinafter designated as "principal") have entered into an Improvement Agreement:

Morgan Hill Real Estate, LLC
Towbin Dodge, APN 728-17-034

whereby principal agrees to install and complete certain designated public improvements, which said agreement, dated _____, 2018, and identified as project **Towbin Dodge**, is hereby referred to and made a part hereof; and

Whereas, said principal is required under the terms of said agreement to furnish a bond for the faithful performance of said agreement.

Now, therefore, we, the principal and _____, as surety, are held and firmly bound unto the City of Morgan Hill, hereinafter called ("City"), in the penal sum of **four hundred and ninety two thousand six hundred sixty three dollars (\$492,663)** lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The Surety's office is located at _____,
 Telephone No. _____; the Surety is licensed to do business in the State of California; and the California Insurance Agent's License No., address, and telephone number are as follows:

License No.: _____
 Address: _____
 Telephone No.: _____.

The non-resident agent for the Surety, if any, is a party to the transaction:

Name of non-resident agent: _____
 Non-resident agent's office address: _____
 Telephone No.: _____

The condition of this obligation is such that if the above bounded principal, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and provisions in the said agreement and any alteration thereof made as therein provided, on his or their part, to be kept and

performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless City, its officers, agents and employees, as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and effect.

As a part of the obligation secured hereby and in addition to the face amount specified therefor, there shall be included costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by City in successfully enforcing such obligation, all to be taxed as costs and included in any judgment rendered.

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the agreement or to the work to be performed thereunder or the specifications accompanying the same shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the agreement or to the work or to the specifications.

Executed this _____ day of _____ 20 ____ .

Principal

Principal

By: _____
Surety

By: _____
Attorney-in Fact

By: _____
California Resident Agent

By: _____
Non-resident Agent - Attorney-in-Fact

APPROVED:

Scott Creer, City Engineer

Date: _____

APPROVED AS TO FORM:

By: _____
Donald A. Larkin, City Attorney

Date: _____

(Acknowledgment on following page.)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

EXHIBIT "C"
FORM OF LABOR AND MATERIAL BOND
(100% of Engineer's Estimate)

Bond No.: _____
 Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and **Morgan Hill Real Estate, LLC** (hereinafter designated as "the principal") have entered into an Improvement Agreement:

Morgan Hill Real Estate, LLC
Towbin Dodge, APN 728-17-034

whereby the principal agrees to install and complete certain designated public improvements, which agreement, dated _____, 2019, and identified as project **Towbin Dodge**, is hereby referred to and made a part hereof; and

Whereas, under the terms of the agreement, the principal is required before entering upon the performance of the work, to file a good and sufficient payment bond with the City of Morgan Hill, hereinafter called "City," to secure the claims to which reference is made in Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code of the State of California.

Now, therefore, the principal and the undersigned as corporate surety, and their successors and assigns are held firmly bound unto City and all contractors, subcontractors, laborers, materialmen, and other persons employed in the performance of the agreement and referred to in Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code in the sum of **four hundred and ninety two thousand six hundred sixty three dollars (\$492,663)**, for materials furnished or labor thereon of any kind, or for amounts due under the Unemployment Insurance Act with respect to this work or labor, that the surety will pay the same in an amount not exceeding the amount hereinabove set forth, and also in case suit is brought upon this bond, will pay, in addition to the face amount thereof, costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by City in successfully enforcing this obligation, to be awarded and fixed by the court, and to be taxed as costs and to be included in the judgment therein rendered.

It is hereby expressly stipulated and agreed that this bond shall inure to the benefit of any and all persons, companies, and corporations entitled to file claims under Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond.

Should the condition of this bond be fully performed, then this obligation shall become null and void, otherwise it shall be and remain in full force and effect.

The Surety's office is located at _____,
 Telephone No. _____; the Surety is licensed to do business in the State of California; and the California Insurance Agent's License No., address, and telephone number as follows:

License No.: _____
 Address: _____
 Telephone No.: _____.

The following non-resident agent, if any, for the Surety is a party to the transaction:

Name of non-resident agent: _____,
 Non-resident agent's office address: _____
 Telephone No.: _____.

The surety hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the agreement or the specifications accompanying the same shall in any manner affect its obligations on this bond, and it does hereby waive notice of any such change, extension, alteration, or addition.

Executed this _____ day of _____ 20 ____ .

 Principal

 Principal

By: _____
 Surety

By: _____
 Attorney-in Fact

By: _____
 California Resident Agent

By: _____
 Non-resident Agent - Attorney-in-Fact

APPROVED:

 Scott Creer, City Engineer

Date: _____

APPROVED AS TO FORM:

By: _____
 Donald A. Larkin, City Attorney
 Date: _____

(Acknowledgment on following page.)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

**EXHIBIT “D”
FORM OF WARRANTY BOND
(50% of Engineer’s Estimate)**

Bond No.:

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California (hereinafter designated as “City”), and **Morgan Hill Real Estate, LLC** (hereinafter designated as “Principal”) have entered into an Improvement Agreement (hereinafter “Agreement”):

**Morgan Hill Real Estate, LLC
Towbin Dodge, APN 728-17-034**

whereby the Principal agrees to install and complete certain designated public improvements (hereinafter “Improvements”), which said Agreement, dated _____, 2018, and identified as project **Towbin Dodge**, is hereby referred to and made a part hereof; and

Whereas, under the terms of said Agreement, the Principal is required to furnish a bond to guarantee and warrant the work required by said Agreement for a period of one year following the completion and acceptance by the City of the Improvements, against any defective work or labor performed, or defective materials furnished by Principal.

Now, therefore, we, the Principal and _____ as Surety, are held and firmly bound unto the City of Morgan Hill in the penal sum of **two hundred forty six thousand three hundred thirty one dollars (\$246,331)** for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

If Principal faithfully carries out and performs its guarantee and warranty under the Agreement, and, on due notice from City, repairs and make good at its sole expense any and all defects in materials and workmanship in the Project which are discovered during the Warranty Period, or if Principal promptly reimburses City for all loss and damage that City sustains because of Principal’s failure to makes such repairs in accordance with the Agreement requirements, then Surety’s obligations under this Bond will be null and void. Otherwise, Surety’s obligations will remain in full force and effect.

Surety waives the provisions of Civil Code Sections 2819 and 2845. Surety hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the agreement or the specifications accompanying the same shall in any manner affect its obligations on this bond, and it does hereby waive notice of any such change, extension, alteration, or addition.

Any notice to Surety may be given in the manner specified in the Agreement and delivered or transmitted to Surety as follows:

Attn: _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

This Bond will be governed by California law, and the venue for any dispute pursuant to this Bond will be in the Superior Court of Santa Clara County, and no other place. Surety will be responsible for City's attorneys' fees and costs in any action to enforce the provisions of this Bond.

In witness whereof, this instrument has been duly executed by the principal and surety above named.

SURETY:

Principal:

Date: _____

Date: _____

s/ _____

s/ _____

Name: _____

Name: _____

Title: _____

Title: _____

(Attach Acknowledgment with Notary
Seal and Power of Attorney)

APPROVED AS TO FORM:

By: _____

Date: _____

Donald A. Larkin, City Attorney

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

SIGNATURE OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

RECORDING REQUESTED BY:

CITY OF MORGAN HILL

WHEN RECORDED MAIL DOCUMENT TO:

CITY CLERK
CITY OF MORGAN HILL
17575 PEAK AVENUE
MORGAN HILL, CA 95037

RECORD AT NO FEE PER
GOVERNMENT CODE SECTIONS 6103
& 27383

SPACE ABOVE THIS LINE FOR RECORDER'S
USE

**STORMWATER BEST MANAGEMENT PRACTICES,
OPERATION, AND MAINTENANCE AGREEMENT**

THIS STORMWATER BEST MANAGEMENT PRACTICES OPERATION, AND MAINTENANCE AGREEMENT ("AGREEMENT") is made and entered into this _____ day of _____, 2018, by **Morgan Hill Real Estate, LLC**, (hereinafter referred to as "COVENANTOR") and the City of Morgan Hill ("CITY"). CITY and COVENANTOR may be referred to individually as a "Party" or collectively as the "Parties" throughout this AGREEMENT.

RECITALS:

This AGREEMENT is made and entered into with reference to the following facts:

- A. CITY is authorized and required to regulate and control the disposition of storm and surface waters as set forth in CITY's National Pollutant Discharge Elimination System permit.
- B. COVENANTOR is the owner of a certain tract or parcel of land more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "PROPERTY").
- C. COVENANTOR desires to construct certain improvements of the kind or nature described in Morgan Hill Municipal Code Chapter 18.71 (the "ORDINANCE") on the PROPERTY that may alter existing stormwater conditions on both the PROPERTY and adjacent lands.
- D. To minimize adverse impacts due to these anticipated changes in existing storm and surface water flow conditions, COVENANTOR is required by CITY to implement Best Management Practices ("BMPs") and to build and maintain, at COVENANTOR's expense, stormwater management facilities ("FACILITIES"), more particularly described and shown in the **STORM WATER RUNOFF MANAGEMENT PLAN** prepared by _____ and dated _____, which plans and any amendments thereto, are on file with CITY's Public Works Department, and are hereby incorporated by this reference.
- E. CITY has reviewed and approved the Stormwater Runoff Management Plan (the "PLAN") subject to the execution of this AGREEMENT.

NOW, THEREFORE, in consideration of the benefit received and to be received by COVENANTOR, its successors, and assigns, as a result of CITY's approval of the Stormwater Runoff Management Plan, COVENANTOR, hereby covenants and agrees with CITY as follows:

1. Covenants Running With the Land; Property Subject to Agreement: All of the real property described in Exhibit "A" shall be subject to this AGREEMENT. It is intended and

determined that the provisions of this AGREEMENT shall run with the land and shall be binding on all parties having or acquiring any right, title, or interest in the real PROPERTY or any portion thereof and shall be for the benefit of each owner of any of said parcels or any portion of said PROPERTY and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof. Each and all of the limitations, easements, obligations, covenants, conditions, and restrictions contained herein shall be deemed to be, and shall be construed as, equitable servitudes, enforceable by any of the owners of any of the PROPERTY subject to this AGREEMENT against any other owner, tenant or occupant of the said PROPERTY, or any portion thereof.

2. Responsibility for Installation, Operation, and Maintenance: At its sole expense, COVENANTOR, its successors, and assigns, shall construct, operate, and perpetually maintain the FACILITIES in strict accordance with the PLAN and any amendments thereto that have been approved by CITY or required by the ORDINANCE.
3. Facility Modifications: At its sole expense, COVENANTOR, its successors, and assigns, shall make such changes or modifications to the FACILITIES as may be determined as reasonably necessary by CITY to ensure that the FACILITIES are properly maintained and continue to operate as originally designed and approved. COVENANTOR agrees that it shall not modify the BMPs and shall not allow BMP maintenance activities to alter the designed function of the FACILITIES from its original design unless approved by CITY prior to the commencement of the proposed modification or maintenance activity.
4. Facility Inspections by CITY: At reasonable times and in a reasonable manner as provided in the ORDINANCE, CITY, its agents, employees, and contractors shall have the right of ingress and egress to the FACILITIES and the right to inspect the FACILITIES in order to ensure that the FACILITIES are being properly maintained, are continuing to perform in an adequate manner, and are in compliance with the ORDINANCE, the PLAN and any amendments thereto approved by CITY.
5. Failure to Perform Required Facility Repairs or Modifications: Should either COVENANTOR or its successors and assigns fail to implement the BMPs, maintain the facilities, or correct any defects in the FACILITIES in accordance with the approved design standards and/or the PLAN, and in accordance with the law and applicable regulations of the ORDINANCE, after thirty (30) days from the date of the written notice from CITY, CITY shall have the right to enter the PROPERTY to perform remedial work, for which CITY will collect reimbursement for such work from COVENANTOR. Additionally, conditions from failure to implement the BMPs or to maintain or correct the FACILITIES shall be deemed a nuisance subject to abatement of such conditions as provided in Chapter 1.18 of the Morgan Hill Municipal Code. In addition, CITY may pursue other such remedies as provided by law, including, but not limited to, such civil and criminal remedies set forth in the ORDINANCE.
6. Indemnity: COVENANTOR, its successors, and assigns, shall defend, indemnify, and hold CITY harmless of and from any and all claims, liabilities, actions, causes of action, and damages for personal injury and property damage, including, without limitation, reasonable attorneys' fees, arbitration fees, or costs and court costs, arising out of or related to COVENANTOR's, its successors', and/or assigns' construction, operation, or maintenance of the FACILITIES except claims, liabilities, actions, causes of action, and damages that arise out of CITY's sole negligence or willful misconduct or the sole negligence or willful misconduct of any of CITY'S employees, agents, representatives, contractors, vendors, or consultants.
7. Obligations and Responsibilities of COVENANTOR: Initially, COVENANTOR is solely responsible for the performance of the obligations required hereunder and, to the extent permitted under applicable law, the payment of any and all fees, fines, and penalties

associated with such performance or failure to perform under this AGREEMENT. Notwithstanding any provisions of this AGREEMENT to the contrary, upon the recordation of a deed or other instrument of sale, transfer or other conveyance of fee simple title to the PROPERTY or any portion thereof (a "Transfer") to a third party (the "Transferee"), COVENANTOR shall be released of all of its obligations and responsibilities under this AGREEMENT accruing after the date of such Transfer to the extent such obligations and responsibilities are applicable to that portion of the PROPERTY included in such Transfer, but such release shall be expressly conditioned upon the Transferee assuming such obligations and responsibilities by recorded written agreement for the benefit of CITY. Such written agreement may be included in the Transfer deed or instrument, provided that the Transferee joins in the execution of such deed or instrument. A certified copy of such deed, instrument, or agreement shall be provided to CITY. The provisions of the preceding three sentences shall be applicable to the original COVENANTOR and any successor Transferee who has assumed the obligations and responsibilities of COVENANTOR under this AGREEMENT as provided above.

8. Property Transfer: Nothing herein shall be construed to prohibit a transfer by COVENANTOR to subsequent owners and assigns.
9. Attorneys' Fees: In the event that any Party institutes legal action or arbitration against the other to interpret or enforce this AGREEMENT, or to obtain damages for any alleged breach hereof, the prevailing party in such action or arbitration shall be entitled to reasonable attorneys' or arbitrators' fees in addition to all other recoverable costs, expenses, and damages.
10. Further Documents: The Parties covenant and agree that they shall execute such further documents and instructions as shall be necessary to fully effectuate the terms and provisions of this AGREEMENT.
11. Entire Agreement: This AGREEMENT constitutes the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior agreements, whether written or oral. There are no representations, agreements, arrangements, or undertakings, oral or written, that are not fully expressed herein.
12. Severability: In the event any part or provision of this AGREEMENT shall be determined to be invalid or unenforceable under the laws of the State of California, the remaining portions of this AGREEMENT that can be separated from the invalid, unenforceable provisions shall, nevertheless, continue in full force and effect.
13. No Waiver: The waiver of any covenant contained herein shall not be deemed to be a continuing waiver of the same or any other covenant contained herein.
14. Amendment: This AGREEMENT may be amended in whole or in part only by mutual written agreement. Any such amendment shall be recorded in Santa Clara County, California. In the event any conflict arises between the provisions of any such amendment and any of the provisions of any earlier document or documents, the most recently duly executed and recorded amendment shall be controlling.
15. Authority to Execute: The persons executing this AGREEMENT on behalf of the parties warrant that they are duly authorized to execute this AGREEMENT.
16. In the event that CITY shall determine, at its sole discretion, at any future time, that the FACILITIES are no longer required, then at the written request of COVENANTOR, its successors, and/or assigns, CITY shall execute a release of this AGREEMENT which COVENANTOR, its successors, and/or assigns, shall record in the Recorder's Office, at its expense.

Executed the day and year first above written.

COVENANTOR:

By: _____

Name: _____

Title: _____

CITY OF MORGAN HILL:

By: _____

Name: **CHRISTINA J. TURNER**

Title: **CITY MANAGER, CITY OF MORGAN HILL**

APPROVED AS TO FORM:

By: _____

Name: **DONALD A. LARKIN**

Title: **CITY ATTORNEY, CITY OF MORGAN HILL**

EXHIBIT "A"

All that certain real property situated in the City of Morgan Hill, County of Santa Clara, State of California and being a portion of Parcel 1 and a portion of Parcel 2, said parcels as shown upon Parcel Map for Lot Line Adjustment, filed in Book 871, Pages 14 through 16, on April 18, 2014, at the Office of the Recorder of Santa Clara County, and being more particularly described as follows:

Beginning at the northerly corner of Parcel 3 of said map, said point lying in the southwesterly line of Condit Road (a 60-foot wide public street); thence along said line of said street, North 25°28'14" West, a distance of 418.27 feet to the beginning of a tangent curve concave westerly and having a radius of 570.00 feet; thence continuing along said tangent curve through a central angle of 09°47'42", an arc distance of 97.44 feet; thence leaving said street line, South 64°31'46" West, 783.78 feet to the northeasterly line of the lands of Santa Clara Valley Water District, (said line as described in Director's Deed, Document No. 5336791, recorded July 14, 1976 in Official Records of said County), to a point on a non-tangent curve concave westerly, to which point a radial line bears North 60°35'02" East, and having a radius of 6,000.00 feet; thence southeasterly along said non-tangent curve, through a central angle of 04°55'24", an arc distance of 515.57 feet to the westerly corner of said Parcel 3; thence leaving said District line, North 64°31'46" East, 778.74 feet to the Point of Beginning.

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State of **California**
County of **Santa Clara**

On _____ 20__, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

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CITY OF MORGAN HILL PUBLIC WORKS DEPARTMENT

17575 Peak Avenue Morgan Hill CA 95037 - Office (408)778-6480 Fax (408)779-7236

8.22.18	FEE SCHEDULE: 07.01.2018	Josh Towbin
DATE	PER RESOLUTION 5902, EFFECTIVE JULY 1, 2006 AND PER RESOLUTION 5592, INCREASED JANUARY 15, 2009 AND PER RESOLUTION 6082, EFFECTIVE FEBRUARY 5, 2007 **SEE BACK PAGE FOR ADDITIONAL FEE RESOLUTIONS	NAME
728-17-034		MAILING ADDRESS
TRACT / APN		CITY, STATE, ZIP CODE
17085 Condit Rd		
ADDRESS / LOT		
Towbin Dodge		
PROJECT DESCRIPTION	FEE SCHEDULE EXPIRATION DATE	PHONE NUMBER

NOTES:

ENGINEERING IMPACT FEES

1. PRESSURE REGULATORS ARE REQUIRED ON ALL WATER SERVICES.
2. BACKFLOW PREVENTORS ARE REQUIRED ON ALL NON-RESIDENTIAL WATER SERVICES & FIRE SPRINKLER SERVICES. BACKFLOW INSPECTION FEE SHALL BE PAID PRIOR TO INSPECTION.
3. **MULTI-FAMILY** IS DEFINED AS ANY UNIT WITH TWO BEDROOMS OR LESS.
SINGLE FAMILY IS DEFINED AS ANY UNIT WITH 3 BEDROOMS OR MORE.

☐ **THIS FEE SCHEDULE IS ESTIMATE ONLY**

Mario Jimenez
CALCULATED BY

Charlie Ha
CHECKED BY

bcom2018-0129
BUILDING PERMIT #

DATE BLD PERMIT ISSUED

SEWER IMPACT FEES WITHIN RDA BOUNDARY

CHECK APPLICABLE SCENARIO BELOW

☒ **COMMERCIAL OR INDUSTRIAL WITHIN RDA BOUNDARY**

SEWER IMPACT FOR COMMERCIAL & INDUSTRIAL PROJECTS
TEMPORARILY ADJUSTED TO \$0 EFFECTIVE 02/05/07 PER RES# 6082.

☐ **RESIDENTIAL PROJECTS WITHIN RDCS DOWNTOWN AREA**

SEWER IMPACT FOR SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL
TEMPORARILY ADJUSTED TO \$0 EFFECTIVE 02/05/07.

☐ **NOT IN RDA AREA BOUNDARY**

** BOTH NORMAL FEES AND ADJUSTED FEES ARE SUBJECT
TO ANNUAL CPI INCREASES.

☐ **COMMERCIAL OR INDUSTRIAL SHELL**

**RDA SEWER ALLOCATION
COMPLETED BY:**
(write Initials below)

version 07.01.18 std

WATER FEES:

1. METER DEPOSIT:					650-37672
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)					
1"	\$493	x	0	=	\$0
1 1/2"	\$1,737	x	0	=	\$0
2"	\$2,134	x	2	=	\$4,268
3" or larger-Time & Material + Meter Cost				=	\$0
METER CREDITS					
	\$493	x	0	=	\$0
SUBTOTAL =					\$4,268
2. BACKFLOW CONST. INSPECTION:					650-37859
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)					
	\$66	x	3	Each	= \$198
3. WATER FRONTAGE CHARGE:					650-37663
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)					
1 Side	\$70	x	0	LF	= \$0
2 Sides	\$39	x	515.0	LF	= \$20,085.0
4. WATER IMPACT FEE:					651-37648
(Auth: Res. #5592 approved 08.21.02, Increased 01.15.18)					
a) Residential					
\$3,770 /DU		x	0	DU	= \$0
(Single Family)					
\$3,401 /DU		x	0	DU	= \$0
(Multi Family)					
b) Commercial & Industrial					
(Includes Landscape Service)					
\$10,701 /AC		x	6	AC	= \$64,206
(Auto Dealership)					
WATER CREDITS					
	\$0	x	0	=	\$0
SUBTOTAL =					\$64,206
WATER FEE TOTALS =					\$88,757
5. ENGINEERING & INSPECTION FEE:					206-38734
(Minimum \$500.00):					
(Authority: Res. #5902 approved 05.04.05, Updated 07.01.09)					
ENGINEERING ESTIMATE:					\$492,663
DATE ENGINEERING EST. SUBMITTED:					Aug-18
% APPLIES TO ENGINEER'S ESTIMATE					
13.3%	\$1	to	\$100,000	=	\$13,300
11.8%	\$100,001	to	\$200,000	=	\$11,800
10.3%	\$200,001	to	\$500,000	=	\$30,144
8.8%	OVER		\$500,000	=	\$0
ENGINEERING FEE				=	\$55,244
DEPOSIT PAID				=	\$5,000
ENGINEERING FEE TOTAL =					\$50,244
5A. LONG RANGE PLANNING FEE:					207-37912
LONG RANGE PLANNING FEE (15% of E&I) =					
					\$8,287

SEWER FEES:

6. SEWER FRONTAGE CHARGE:					640-37663
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)					
1 Side	\$70	/LF	x	0	LF = \$0
2 Sides	\$39	/LF	x	515.0	LF = \$20,085.0
7. SEWER IMPACT FEE:					641-37648
(Auth: Res. #6082 approved 02.05.07 & Res. #5592 approved 08.21.02, Increased 01.15.18).					
a) Residential					
\$14,753 /DU		x	0	DU	= \$0
(Single Family)					
\$12,486 /DU		x	0	DU	= \$0
(Multi Family)					
b) Commercial & Industrial					
\$50.51 /GPD		x	4033	GPD	= \$203,707
\$50.51 /GPD		x	0	GPD	= \$0
SEWER CREDITS					
	\$0	x	0	=	\$0
RDA ASSUMED SEWER OBLIGATION					
\$14,680 /DU		x	0	DU	= \$0
(Single Family)					
\$12,424 /DU		x	0	DU	= \$0
(Multi Family)					
\$50.51 /GPD		x	0	GPD	= \$0
(Commercial & Industrial)					
SUBTOTAL =					\$203,707
SEWER FEE TOTALS =					\$223,792
STORM DRAIN FEES:					
8. STORM DRAIN FRONTAGE CHARGE:					304-37663
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)					
1 Side	\$116	/LF	x	0	LF = \$0
2 Sides	\$57	/LF	x	0	LF = \$0
9. STORM DRAIN IMPACT FEE:					303-37648
(Auth: Res. #5592 approved 8.21.02, Amdd by Res. 6326 4.28.10, Increased 01.15.18)					
\$4,002 /DU		x	0	DU	= \$0
(Single Family)					
\$2,081 /DU		x	0	DU	= \$0
(Multi Family)					
\$54,477 /ACRE		x	6	AC	= \$326,862
((Auto Dealership)					
\$31,730 /ACRE		x	0	AC	= \$0
(Industrial)					
STORM CREDITS					
	\$0	x	0	=	\$0
SUBTOTAL =					\$326,862
STORM DRAIN FEE TOTALS =					\$326,862

10. UNDERGROUNDING UTILITIES:						350-37649	
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)							
1 Side	\$730	x	0	LF	=	\$0	
2 Sides	\$368	x	0	LF	=	\$0	
11a. PARK IMPACT FEE:						301-37648	
(Auth: Res. #5592 appr'd 8.21.02, Amdd by Res. 6326 4.28.10, Increased 01.15.18)							
\$5,594 /DU		x	0	DU	=	\$0	
(Single Family - Sub)							
\$4,067 /DU		x	0	DU	=	\$0	
(Single Family - No Sub)							
\$5,390 /DU		x	0	DU	=	\$0	
(Multi Family - Sub)							
\$3,923 /DU		x	0	DU	=	\$0	
(Multi Family - No Sub)							
11b. PARK MAINTENANCE DEV. FEE:						302-37649	
\$0		x	0	EACH	=	\$0	
PARK CREDITS							
\$0		x	0		=	\$0	
PARK FEE TOTAL						=	\$0
12. TRAFFIC IMPACT FEE:						309-37648	
(Auth: Res. #15-152 approved 06.17.15 & Res. #5592 approved 08.21.02, Increased 01.15.18).							
\$1,938 /DU		x	0	DU	=	\$0	
(Single Family)							
\$1,202 /DU		x	0	DU	=	\$0	
(Multi Family)							
\$1,938 /PHT		x	97	PHT	=	\$187,986	
(Auto Dealership)							
\$1,938 /PHT		x	0	PHT	=	\$0	
(Industrial)							
TRAFFIC CREDITS							
\$0		x	0		=	\$0	
TRAFFIC FEE TOTAL						=	\$187,986
13. LIBRARY IMPACT FEE:						348-37648	
(Auth: Res. #5837 appr'd 09.01.04, Amdd by Res. 6326 4.28.10, Increased 01.15.18)							
\$2,054 /DU		x	0	DU	=	\$0	
(Single Family)							
\$1,979 /DU		x	0	DU	=	\$0	
(Multi Family)							
LIBRARY CREDITS							
\$0		x	0		=	\$0	
LIBRARY FEE TOTAL						=	\$0
14. BURROWING OWL MITIGATION:						232-38145	
(Authority: Res. #5765 approved 01.21.04, Increased 07.01.18)							
\$214 /DU			0	DU	=	\$0	
(Residential)							
\$1,496 /AC			6	AC	=	\$8,976	
(Commercial/Industrial)							

15a. MAP CHECK FEE:					206-38716	
(Authority: Res. #5658 approved 03.19.03, Updated 07.01.18)						
PARCEL MAP:	\$5,146	=		\$0		
TRACT MAP:	\$8,111	=		\$0		
LOT LINE ADJ/MERGER:	\$2,843	=		\$0		
16. POLICE IMPACT FEE:					311-37648	
(Auth: Res. #5686 appr'v'd 06.18.03, Amdd by Res. 6326 4.28.10, Increased 01.15.18)						
\$798 /DU	x	0	DU	=		\$0
(Single Family)						
\$771 /DU	x	0	DU	=		\$0
(Multi Family)						
\$690 /ACRE	x	6	AC	=		\$4,140
(Auto Dealership)						
\$2,427 /ACRE	x	0	AC	=		\$0
(Industrial)						
POLICE CREDITS						
\$0	x	0		=		\$0
POLICE FEE TOTAL				=		\$4,140
17. FIRE IMPACT FEE:					313-37648	
(Auth: Res. #6671 approved 07.17.13, Increased 01.15.18)						
\$123 /DU	x	0	DU	=		\$0
(Single Family)						
\$117 /DU	x	0	DU	=		\$0
(Multi Family)						
\$528 /ACRE	x	6	AC	=		\$3,168
(Auto Dealership)						
\$1,612 /ACRE	x	0	AC	=		\$0
(Industrial)						
FIRE CREDITS						
\$0	x	0		=		\$0
FIRE FEE TOTAL				=		\$3,168
18. PUBLIC FACILITIES IMPACT FEE:					347-37648	
(Auth: Res. #5592 appr'v'd 8.21.02, Amdd by Res. 6326 4.28.10, Increased 01.15.18)						
\$533 /DU	x	0	DU	=		\$0
(Single Family)						
\$513 /DU	x	0	DU	=		\$0
(Multi Family)						
\$470 /ACRE	x	6	AC	=		\$2,820
(Auto Dealership)						
\$1,642 /ACRE	x	0	AC	=		\$0
(Industrial)						
PUBLIC FACILITIES CREDITS						
\$0	x	0		=		\$0
PUBLIC FACILITIES FEE TOTAL				=		\$2,820
20. COMMNTY/REC CTRS IMPACT FEE:					360-37648	
(Auth: Res. #15-152 appr'v'd 8.17.15, increased 01.15.18)						
\$3,810 /DU	x	0	DU	=		\$0
(Single Family)						
\$3,343 /DU	x	0	DU	=		\$0
(Multi Family)						
PUBLIC FACILITIES CREDITS						
\$0	x	0		=		\$0
PUBLIC FACILITIES FEE TOTAL				=		\$0

19. RDCS MEASURE C FEES:		
School Pedestrian Safety	(355-37655)	= \$0
Public Facilities	(346-37649)	= \$0
Park Development	(302-37649)	= \$0
Public Fac. - Circulation	(346-37649)	= \$0
TOTAL RDCS MEASURE C FEES		= <u>\$0</u>

OTHER:		
LED Streetlight Fund	(010-37722)	= \$0
		= \$0
		= \$0
TOTAL FEES DUE		= <u>\$905,032</u>

Notes & Comments: New Car Dealer: Ground Floor = 29,522 sf, Second Floor = 7,140sf. Total = 36,662sf

Site = APN 728-17-034 = 6 AC, Frontage along conduit road = 515.7 lf (Water, sewer)

Sewer:

New Car Sales sewer Coefficient = 0.110gpd/sf

proposed dealership = (36,662 sf)(0.110 gpd/sf) = 4,033 gpd

Traffic:

New Car Sales Traffic Coefficient = 2.64 PHT/1000sf, ITE 7th Edition, Ave. Veh. Trip ends vs 1000sf PM peak of adj street

Proposed dealership = (36,662 sf)(2.64 PHT/1000sf) = 97 PHT

2 - 2" water meters, 1 - 10" FS

**OTHER FEE RESOLUTIONS:

RESOLUTION 5006, EFFECTIVE 07.03.1996
 RESOLUTION 5128, EFFECTIVE 01.05.1998
 RESOLUTION 5658, EFFECTIVE 03.19.2003
 RESOLUTION 5686, EFFECTIVE 08.18.2003
 RESOLUTION 5765, EFFECTIVE 01.21.2004
 RESOLUTION 5837, EFFECTIVE 10.18.2004
 RESOLUTION 6080, EFFECTIVE 01.17.2007
 RESOLUTION 6133, EFFECTIVE 12.05.2007
 RESOLUTION 6326, EFFECTIVE 04.28.2010
 RESOLUTION 6671, EFFECTIVE 09.16.2013





CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: David Gittleson, Associate Engineer
APPROVED BY: City Manager

APPROVE AGREEMENT AND INTERFUND LOAN FOR PURCHASE OF PROPERTY (APN 767-01-052) FOR THE HALE AVENUE EXTENSION PROJECT

RECOMMENDATION(S)

1. Approve Possession and Use Agreement with Glenda and Rocke Garcia for fee property (APN 767-01-052) for the Hale Avenue Extension project;
2. Approve expenditure of \$3,563,200 for said property into an escrow account;
3. Authorize the City Manager to execute all documents and make minor modifications as necessary in order to consummate the transaction; and
4. Adopt resolution amending the Fiscal Year 2018-19 Budget and authorizing an interfund loan to the Traffic Impact Fund (309) of up to \$2.25 million from the Local Drainage Impact Fund (303).

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Fiscal Responsibility

2018 Strategic Priorities

Infrastructure

GUIDING DOCUMENTS

Bikeways
Trails
Parks and Recreation Masterplan
General Plan/Housing Element

REPORT NARRATIVE:

With the assistance of Associated Right of Way Services, the City continues to actively pursue the remaining right-of-way needed for the Hale Avenue Extension project in an effort to get the project "shovel ready" for when Measure B funds become available. The required right-of-way must be obtained prior to commencement of construction on the project.

On February 3, 2017, the City notified Glenda and Rocke Garcia that their property (Attachment No. 1) was required for the Hale Avenue Extension Project. On August 17, 2017, the City made an offer to the Garcia family for the appraised value of \$3,563,200, which consists of 4.09 acres of fee property. Up to this point, the Garcia family has rejected the City's offer and has not provided a counter offer. However, the Garcia family is willing to allow the City use of their property to allow for construction to commence while negotiations continue.

Subsequently, a Possession and Use Agreement (PUA) (Attachment No. 2) was prepared and signed by the Garcia family. A condition of the PUA is that the City deposit fair market compensation in an escrow account in order to obtain permission to enter and use said property to construct the project. This value was determined to be \$3,563,200 by a certified MAI appraiser through Associated Right of Way Services, Inc. in March 2017. In the event an agreement for purchase is not reached within six (6) months of the effective date of the PUA, the City shall have the right to proceed with eminent domain to acquire title to the parcel. The City Attorney's Office has reviewed and approved the agreement.

Staff, therefore, recommends that City Council approve the Possession and Use Agreement and approve the deposit of \$3,563,200 so that the project will be closer to being shovel ready when Measure B funding becomes available. Staff will continue to negotiate with the Garcia family in order to avoid condemnation, if possible.

Presently, the design is expected to be complete in December 2018. With the recent conveyance of the County's parcels, condemnation of the PG&E parcels, and the Garcia PUA, only one property (Betpolice) remains to be acquired before construction can commence. Staff is currently negotiating with this owner and revising a final offer for the property.

Acquisition costs for this property purchase are within the approved Capital Improvement Budget. However, the Capital Improvement Program identified the need for an interfund loan to the Traffic Impact Fund, in order to complete the property acquisition in FY 2018/19. Acquiring the property now and having the project shovel ready will be critical in obtaining funding from the County via Measure B when funds are available. The Fiscal Year 2018/19 Budget identified the Agriculture and Open Space Preservation Fund (306) as the fund providing this loan, however, due to increased agriculture preservation opportunities, City staff is now recommending that this loan be made from the Local Drainage Impact Fund (303). Fund 303 has adequate funds available to make this loan, which would be paid back over the next three fiscal years.

COMMUNITY ENGAGEMENT: Inform

Numerous community engagement and design meetings were held throughout the early planning and design phases of the project. In addition, the Environmental Impact Report (EIR) process also included opportunities for the community to provide input regarding the scope, content, and potential environmental impacts from the project.

ALTERNATIVE ACTIONS:

City Council could decide to not move forward with the Possession and Use Agreement at this time and direct staff to continue negotiations with the Garcia family. However, negotiations have stalled up to this point, thus further negotiations will likely only delay the project, and could jeopardize the City's chances of receiving Measure B funds due to not being "shovel ready".

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

- The Hale Avenue Extension Project is included in the adopted FY 2018-19 Capital Improvement Program.
- Over the past several years the City has acquired properties from Hosseinpour, Giancola, Tran, Howard, Kerr and the Santa Clara County, for this Project.
- On September 5, 2018, City Council adopted a Resolution of Necessity to acquire portions of two parcels from PG&E.

FISCAL AND RESOURCE IMPACT:

Sufficient funds for the escrow deposit of \$3,563,200 have been budgeted for the project. The project is budgeted in the approved Fiscal Year 2018-19 Capital Improvement Program under CIP #546007 with \$19,650,000 from the Traffic Impact Fund (309). Staff have proposed an interfund loan of up to \$2.25 million from the Local Drainage Fund (303) (Attachment No. 4) to ensure the Traffic Impact Fund balance does not go negative. The interfund loan will be repaid in three (3) years (Attachment No. 5) at an annual interest rate of 2.08%, the current Local Agency Investment Fund (LAIF) rate, per the City's interfund loan policy.

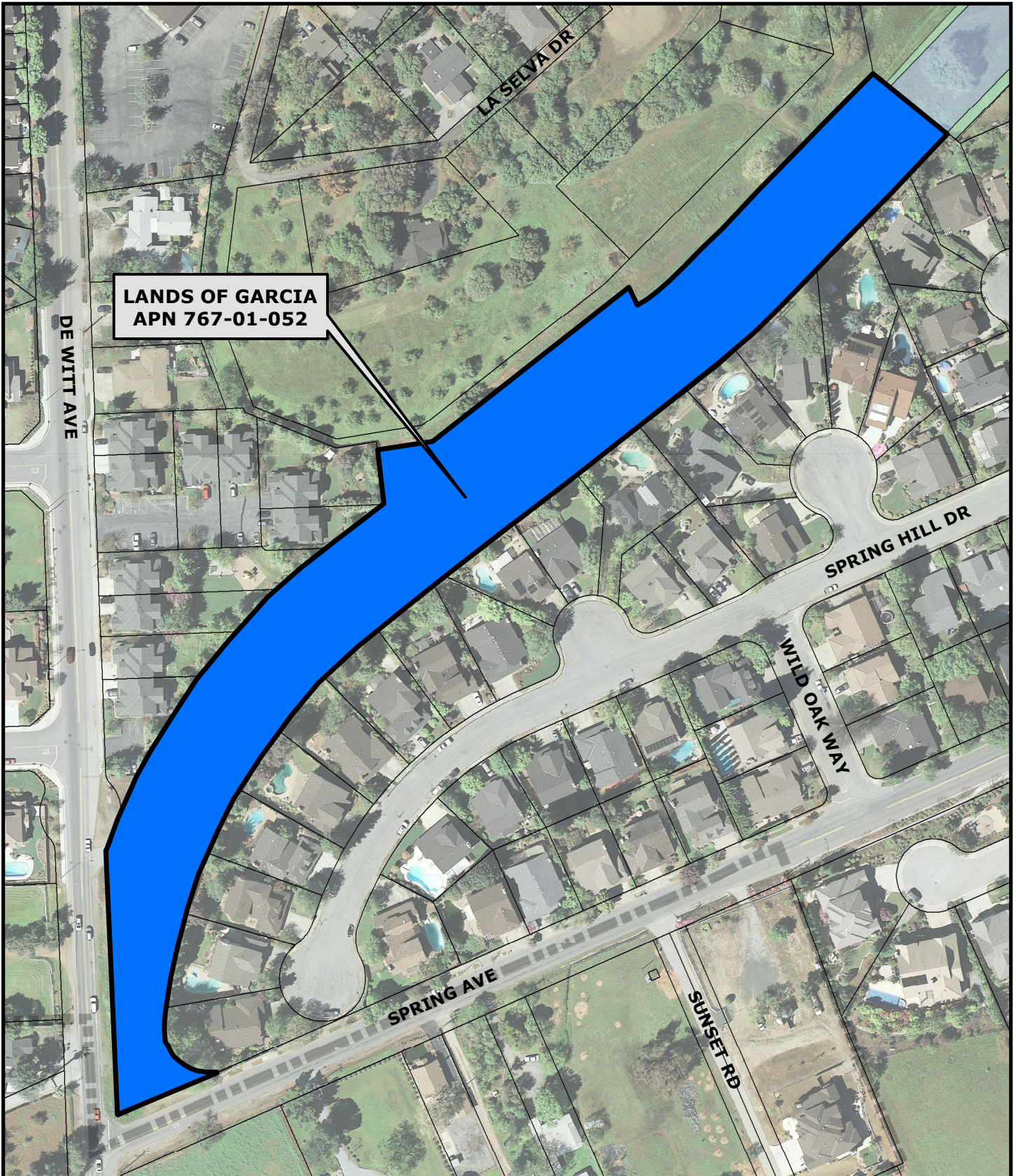
CEQA (California Environmental Quality Act):

Project

A Final Environmental Impact Report was prepared by David J. Powers & Associates for the Hale Avenue Extension and Hale Avenue Plan Line Projects. City Council certified the Final Environmental Impact Report (FEIR) and adopted a Mitigation and Monitoring Program (MMRP) for construction of the Hale Avenue Extension Project ("Project") by Resolution No. 17-070 adopted on August 23, 2017.

LINKS/ATTACHMENTS:

1. Project Location Map-Garcia
2. Possession & Use Agreement
3. Resolution - budget amendment interfund loan
4. Scorecard - Fund 303
5. Interfund Loan Repayment Schedule



CITY OF MORGAN HILL
Department of Public Works
Engineering and Utilities Division

G:\R-14\Proj\GIS\John\Dave_767_01_052.mxd

SITE MAP

LANDS OF GARCIA
APN 767-01-052



0 50 100 200 300 400
 Feet

APN 767-01-052

CITY OF MORGAN HILL POSSESSION AND USE AGREEMENT

This Possession and Use Agreement (“**Agreement**”) is made on _____, 2018, by and between the City of Morgan Hill, a Municipal Corporation (“**City**”), and W. Rocke Garcia and Glenda Garcia, husband and wife as community property, with the right of survivorship. (“**Owner**”) shall be collectively referred to as the “**Parties**.”

RECITALS

- A. City requires immediate possession and use of Owner’s real property to construct a City project. Owner’s property is located in the City of Morgan Hill, Santa Clara County, California, being APN No. 767-01-052, and further described in Exhibit “A” attached hereto and incorporated herein (the “**Parcel**”).
- B. The Parcel is required for the purpose of constructing a portion of Hale Avenue Extension Project (the “**Project**”). The purpose of this Agreement is to allow the City to proceed with construction of the Project without delay.
- C. The Parties acknowledge and agree that any delay in the start of construction of the Project is contrary to public interest. It is the intent of City to offer fair-market compensation to Owner for permission to enter the Parcel and to construct the Project, and as consideration for the rights set forth in the paragraph entitled “Possession,” below. City has made a firm written offer to pay the total sum of **\$3,563,200** to Owner and any other persons having an interest in the Parcel. This amount does not include compensation for any loss of business goodwill, pre-condemnation damages, loss of rent or any other claims for just compensation except for the City’s appraised fair market value of the Parcel (and, if applicable, severance damages). Owner has not accepted this offer.

OPERATIVE PROVISION

In consideration of the sum to be paid to Owner and in consideration of the foregoing recitals and the promises, covenants and any other conditions set forth in this Agreement, City and Owner agree as follows:

Possession

- a. Owner grants to City and its contractors, agents, representatives, employees and all others deemed necessary by State, the irrevocable right to exclusive possession and use of the Parcel, including but not limited to, the right to remove and dispose of any and all improvements within and/or straddling the right of way, excepting therefrom the existing underground storm drainage and sanitary sewer facilities, which shall remain in place to serve three lots adjacent to the Parcel which are currently owned by Owner. In consideration for this irrevocable grant of possession and use, City will tender into escrow the sum of **\$3,563,200**. City’s right to possess the Parcel and begin construction of the Project shall commence on the date the sum is paid into escrow.

Just Compensation and Appraisal

b. Owner acknowledges that the sum referenced in paragraph 1 represents the full amount of the approved appraisal of what City believes is just compensation owed for the acquisition of the Parcel. City acknowledges that Owner believes that just compensation for the acquisition of the Parcel is more than the sum referenced in paragraph 1. Should the Parties fail to reach a settlement and it becomes necessary for City to file a condemnation action to acquire the Parcel, the Parties agree the amount deposited into escrow shall not be admissible as evidence of value in such condemnation proceeding. The Parties agree that the deposit and payment under this Agreement shall be equivalent to a deposit and payment under California Code of Civil Procedure Section 1255.010 *et seq.* and a withdrawal under CCP Section 1255.210 *et seq.* and that the basis for such deposit, including but not limited to any appraisal, shall be governed by Code of Civil Procedure section 1255.060. Accordingly, the Parties agree that the amount deposited or withdrawn under this Agreement may not be given in evidence or referred to in any trial on the issue of compensation and further agree that any appraiser who prepared any report or statement concerning the deposit may not be called to testify at any such trial, unless designated by Seller as an expert pursuant to CCP Section 1258.210 *et seq.*

Escrow

c. This transaction will be handled through an escrow with Old Republic Title Company "ORTC", for the account of the Owner, Escrow No. 0625008285-LC. City shall pay all escrow fees incurred in this transaction. Owner shall be entitled to disbursement of the entire sum referred to in paragraph 1.

Owner represents and warrants, and City acknowledges that it concurs that there are no other parties having interests in the Parcel who could claim a right to any portion of the proceeds or whose consent is required for disbursement of the proceeds to Owner.

d. This escrow shall remain open until either a final settlement, or until termination of this Agreement, or until a Final Order of Condemnation under Section 1268.030 of the California Code of Civil Procedure is entered by the court and recorded in the Official Records of Santa Clara County. Any sum disbursed to Owner from this escrow shall be deducted from the ultimate amount received by Owner as a result of any settlement, award, or verdict of just compensation for the Parcel.

Effective Date

e. This Agreement is effective as of _____ (the "Effective Date"). From and after the Effective Date, Owner shall not assign, sell, encumber or otherwise transfer all or any portion of their interest in the Parcel, without first obtaining City's prior written consent.

Taxes

f. Owner agrees to submit payment, when due, to the County tax collector for all taxes and special assessments on the Parcel that are due during the period from the date of possession (as set forth in paragraph 1 of this Agreement) to the date title transfers to the City. Title transfers to the City on the date the Grant Deed or Final Order of Condemnation is recorded in the Office of the County Recorder. Owner shall not be required to pay taxes or special assessments on the Parcel on or after the date title transfers to the City. After the date title transfers to the City, the City will request that the County tax collector cancel taxes and/or special assessments for the period from the date of possession to the date title transferred to City. After the tax cancellation request is made by the City, Owner may file a claim with the County tax collector for a refund of any tax overpayment. Notwithstanding any other provision of this Agreement, no cancellation shall be made of all or any portion of any taxes that were due

prior to the date of possession but which were unpaid; escrow shall pay in a timely manner all delinquent property taxes due from the sums deposited into escrow. (California Revenue and Taxation Code Section 5084.)

Eminent Domain Proceedings

g. This Agreement is made with the understanding that City will continue to negotiate in good faith with Owner to acquire its interest in the Parcel by direct purchase. It is further understood that in the event an agreement for purchase is not reached within six (6) months of the Effective Date of this Agreement, such failure will be an acknowledgement that the negotiations to acquire the Parcel have proved futile, and City shall have the right to file a complaint in eminent domain to acquire title to the Parcel. Such complaint shall be filed within a reasonable time after the time period provided in this paragraph has expired.

h. If City begins proceedings in eminent domain, it is understood and agreed that this Agreement shall continue in effect until either a settlement is reached or a Final Order of Condemnation under Section 1268.030 of the California Code of Civil Procedure is entered by the court and recorded by City.

Waiver Notice Pursuant to Code of Civil Procedure Section 1245.235

i. Section 1245.235 of the California Code of Civil Procedure requires the City of Morgan Hill, to give each person whose property is to be acquired by eminent domain notice and a reasonable opportunity to appear before the City Council and be heard on the matters referred to in section 1240.030 of the Code of Civil Procedure, which provides:

The power of eminent domain may be exercised to acquire property for a proposed project only if all of the following are established:

- i. The public interest and necessity require the project.
- ii. The project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury.
- iii. The property sought to be acquired is necessary for the project.
- iv. The offer required by section 7267.2 of the Government Code has been made to the Owner or others of record.

By granting this irrevocable right to possession and use of the Parcel to City, Owner agrees to the following:

- v. Owner specifically waives the notice required by Code of Civil Procedure section 1245.235 of the hearing on the matters referred to in Code of Civil Procedure section 1240.030, and Owner shall not object to the adoption of the resolution of necessity by the City Council authorizing the taking of the property described in Exhibit "A."
- vi. Owner shall not object to the filing of an eminent domain proceeding to acquire the property described in Exhibit "A" pursuant to section g of this Agreement.
- vii. In any eminent domain action filed by City to acquire the property described in Exhibit "A," Owner shall not challenge City's right to acquire such property, and the only issue shall be the amount of just compensation for the Parcel.

Refund

j. Owner agrees that in the event the ultimate amount of any settlement, award, or verdict is less than the total of the sums paid to and withdrawn by Owner, Owner shall refund the difference including interest at the apportionment rate of interest as provided in Code of Civil Procedure Section 1268.350 to the City.

Waiver

k. Owner waives any right to challenge City's right to possess and use the Parcel in any subsequent eminent domain proceedings filed by City for the Project. Owner also waives all claims and defenses in its favor in any subsequent eminent domain proceeding for the Project, except a claim for greater compensation.

Date of Valuation

l. In the event proceedings in eminent domain are begun, the date of valuation for determining the amount of just compensation for the Parcel shall be the date City takes possession of the Parcel.

Interest

m. Compensation awarded in an eminent domain proceeding shall draw interest prior to judgment as prescribed by Section 1268.350 of the California Code of Civil Procedure. Owner shall be entitled to receive interest on any sum received as compensation for its interest in the Parcel, whether pursuant to this Agreement, a subsequent settlement or court judgment, beginning on the date City takes possession of the Parcel pursuant to this Agreement and ending on the earliest of the dates as provided in Code of Civil Procedure section 1268.320. Post-judgment interest shall be determined according to law.

Hazardous Materials

n. This Agreement does not affect or impact who is considered the "Responsible Party" for purposes of remediation of contamination under Federal and/or State Law. Each party reserves all its rights to assert any position or contention regarding the effect of contamination (if any exists on the Parcel) on the purchase price. That issue will ultimately be resolved through negotiations or at trial and this Agreement shall have no impact on that determination.

Abandonment of Proceeding

o. Under Section 1268.510 of the California Code of Civil Procedure, at any time after the commencement of proceedings in eminent domain, City reserves the right to abandon the proceeding in whole or in part.

Authority to Execute and Bind

p. Each of the Parties represents and warrants that each of the persons executing this Agreement has full and complete legal authority to do so and thereby binds the party to this Agreement.

Entire Agreement

q. This Agreement reflects the entire agreement between the Parties and shall supersede all prior or contemporaneous oral or written understandings, statements, representations or promises between the Parties concerning the matters contained herein.

Governing Law

r. This Agreement is made and entered into in the City of Morgan Hill, and shall in all respects be interpreted, enforced and governed under the laws of the State of California. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning and not strictly for or against any of the Parties.

Successors in Interest

s. This Agreement shall be binding upon and inure to the benefit of the heirs, devisees, executors, administrators, legal representatives, successors and assigns of the Parties.

Understanding of Agreement

t. This Agreement has been negotiated in good faith and each party warrants and represents that in executing this Agreement, they are not relying upon any representation, promise, inducement or statement made in negotiation that has not been included in the terms of this Agreement.

u. Intentionally Omitted.

Severability

v. In case any part, term, portion or provision of this Agreement is determined to be illegal, invalid or unenforceable, the remaining parts, terms, portions and provisions shall remain valid, enforceable, and in full force and effect.

Amendment to Agreement

w. This Agreement may only be amended by written agreement, executed by all Parties.

Counterparts

x. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Memorandum of Agreement

y. City may record a memorandum of this Agreement.

W. Rocke Garcia and Glenda Garcia, husband and wife as community property, with the right of survivorship

DATED: 9/18/18

By:

W. Arke GarciaDATED: 9-18-18

By:

Blonda Garcia**City of Morgan Hill****A Municipal Corporation**

DATED: _____

By: _____

Christina Turner, City Manager

APPROVED AS TO FORM:

DATED: _____

By: _____

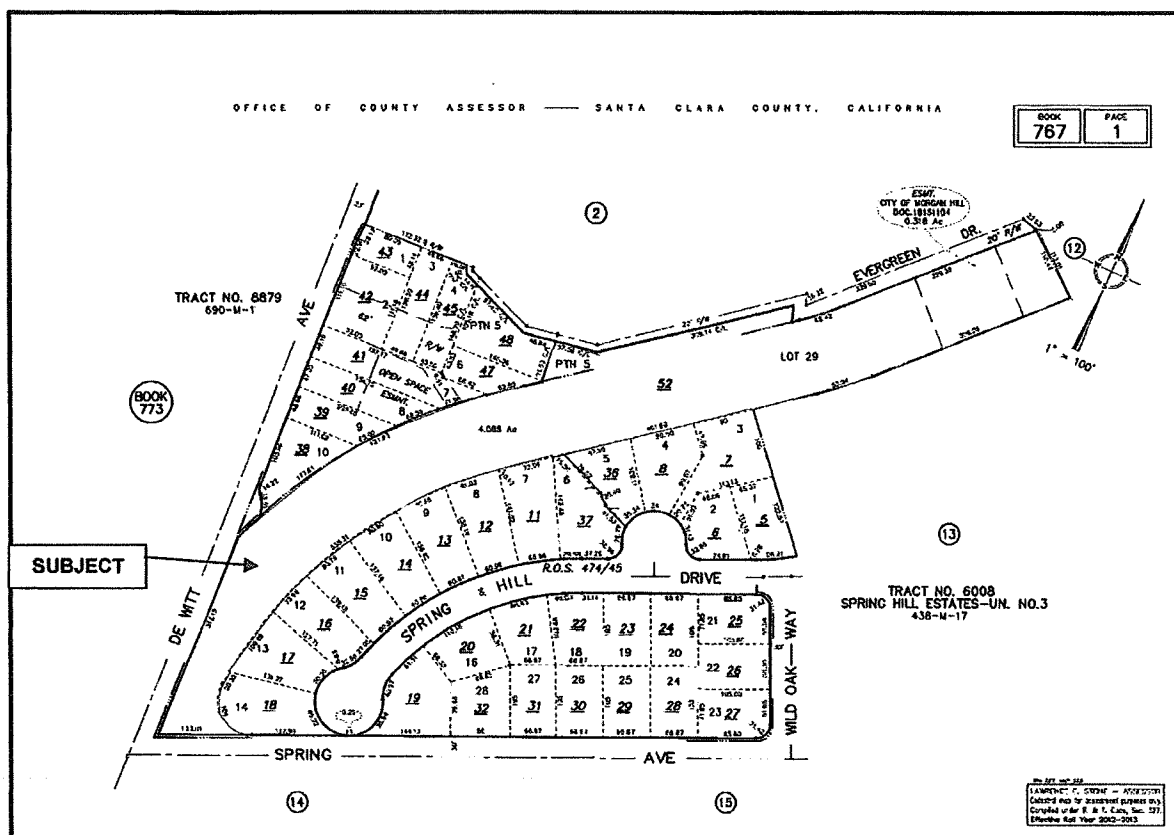
Don Larkin, City Attorney

City of Morgan Hill
Hale Avenue Extension Project
APN: 767-01-052 – Garcia

EXHIBIT A

ARWS ASSOCIATED
RIGHT OF WAY
SERVICES, INC.

Assessor's Parcel Map



Attachment: Possession & Use Agreement (1960 : Approve Garcia Agreement and Interfund Loan for Hale Avenue Extension Project)

RESOLUTION NO.

A RESOLUTION APPROVING A THREE YEAR INTERFUND LOAN IN THE AMOUNT OF TWO MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$2,250,000) TO THE TRAFFIC IMPACT FUND (FUND NO. 309) FROM THE LOCAL DRAINAGE IMPACT FUND (FUND NO. 303) AND AMENDMENT TO THE CITY'S FISCAL YEAR 2018-2019 BUDGET IN FUND NO. 303 TO APPROPRIATE TWO MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$2,250,000) THEREFORE

WHEREAS, recommended interfund loan and amendments are needed and proposed to the City's previously adopted Budget for Fiscal Year 2018-2019 as set forth on Exhibit A to this Resolution, to appropriate the requisite funds to implement the actions authorized by this Resolution; and

WHEREAS, the activities allowed under this Resolution do not constitute a project under the provisions of California Environmental Quality Act of 1970; and

WHEREAS, the consideration by City Council of the adoption of this Resolution has been duly noticed pursuant to applicable laws and has been placed upon the City Council Meeting Agenda on the date set forth in the Staff Report, or to such date that the City Council may have continued or deferred consideration of this Resolution, and on such date the City Council conducted a duly noticed public meeting at which the City Council provided members of the public an opportunity to comment and be heard and considered any and all testimony and other evidence provided in connection with the adoption of this Resolution; and

WHEREAS, the City Council determines that adoption of this Resolution is in the public interest.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. Recitals. The City Council does hereby find, determine and resolve that all of the foregoing recitals are true and correct.

Section 2. Approval and Authorization. The City Council does further resolve, order and/or direct as follows:

- a. Approve the Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000) interfund loan to the City's Traffic Impact Fund (Fund No. 309) from the Local Drainage Impact Fund (Fund No. 303). The interfund loan will be repaid in three years at an annual interest rate of 2.08%, the current Local Agency Investment Fund (LAIF) rate per the City's interfund

loan policy.

- b. That the City's previously adopted Fiscal Year 2018-2019 Budget, as the same has been amended to date, is hereby further amended in accordance with and as reflected on Exhibit A attached hereto and incorporated herein by this reference; and
- c. That the City Clerk is hereby authorized and directed to forward a copy of this Resolution to the City's Finance Director, who is hereby authorized and directed to take all actions necessary to implement the terms of this Resolution pertaining to the Fiscal Year 2018-2019 Budget of City.

Section 3. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 3rd day of October 2018 by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 18-XXX, adopted by the City Council at the meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

AGENDA BUDGET SCORECARD

FISCAL YEAR 2018-19

ADJUSTMENT #

012

FUND:

DEPARTMENT:

OBJECT:

303	Drainage Impact Fund
8052	Local Drainage
49230	TRANSFER OUT-LOCAL DRAINAGE

AGENDA DATE:

10/03/18 Approve Garcia Agreement and Interfund Loan for Hale Avenue Extension Project
--

AGENDA ITEM TITLE:

	07/01/18 PROJECTED BEGINNING FUND BALANCE	ESTIMATED REVENUES	AMENDED APPROPRI- ATIONS	06/30/19 PROJECTED ENDING FUND BALANCE
ORIGINAL BUDGET	10,380,974	1,394,482	516,242	11,259,214
CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION	-	-	-	-
RECOMMENDED ACTION	-	-	2,250,000	(2,250,000)
RESULT OF RECOMMENDED ACTION	<u>10,380,974</u>	<u>1,394,482</u>	<u>2,766,242</u>	<u>9,009,214</u>

Attachment: Scorecard - Fund 303 (1960 : Approve Garcia Agreement and Interfund Loan for Hale Avenue Extension Project)

Loan Amortization Schedule

Enter values	
Loan amount	\$ 2,250,000.00
Annual interest rate	2.08 % LAIF Daily Yields
Loan period in years	3
Number of payments per year	12
Start date of loan	10/3/2018
Optional extra payments	\$ -

Loan summary	
Scheduled payment	\$ 64,524.41
Scheduled number of payments	36
Actual number of payments	36
Total early payments	\$ -
Total interest	\$ 72,878.84

Loan Type: Interfund Loan from 303 to 309 for Hale Avenue Extension Project - Garcia Possession and Use Agreement

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	11/3/2018	\$ 2,250,000.00	\$ 64,524.41	\$ -	\$ 64,524.41	\$ 60,624.41	\$ 3,900.00	\$2,189,375.59	\$ 3,900.00
2	12/3/2018	2,189,375.59	64,524.41	-	64,524.41	60,729.49	3,794.92	2,128,646.09	7,694.92
3	1/3/2019	2,128,646.09	64,524.41	-	64,524.41	60,834.76	3,689.65	2,067,811.33	11,384.57
4	2/3/2019	2,067,811.33	64,524.41	-	64,524.41	60,940.21	3,584.21	2,006,871.13	14,968.78
5	3/3/2019	2,006,871.13	64,524.41	-	64,524.41	61,045.84	3,478.58	1,945,825.29	18,447.35
6	4/3/2019	1,945,825.29	64,524.41	-	64,524.41	61,151.65	3,372.76	1,884,673.64	21,820.12
7	5/3/2019	1,884,673.64	64,524.41	-	64,524.41	61,257.64	3,266.77	1,823,416.00	25,086.89
8	6/3/2019	1,823,416.00	64,524.41	-	64,524.41	61,363.82	3,160.59	1,762,052.18	28,247.47
9	7/3/2019	1,762,052.18	64,524.41	-	64,524.41	61,470.19	3,054.22	1,700,581.99	31,301.70
10	8/3/2019	1,700,581.99	64,524.41	-	64,524.41	61,576.74	2,947.68	1,639,005.25	34,249.37
11	9/3/2019	1,639,005.25	64,524.41	-	64,524.41	61,683.47	2,840.94	1,577,321.78	37,090.31
12	10/3/2019	1,577,321.78	64,524.41	-	64,524.41	61,790.39	2,734.02	1,515,531.39	39,824.34
13	11/3/2019	1,515,531.39	64,524.41	-	64,524.41	61,897.49	2,626.92	1,453,633.90	42,451.26
14	12/3/2019	1,453,633.90	64,524.41	-	64,524.41	62,004.78	2,519.63	1,391,629.12	44,970.89
15	1/3/2020	1,391,629.12	64,524.41	-	64,524.41	62,112.26	2,412.16	1,329,516.87	47,383.05
16	2/3/2020	1,329,516.87	64,524.41	-	64,524.41	62,219.92	2,304.50	1,267,296.95	49,687.55
17	3/3/2020	1,267,296.95	64,524.41	-	64,524.41	62,327.76	2,196.65	1,204,969.19	51,884.19
18	4/3/2020	1,204,969.19	64,524.41	-	64,524.41	62,435.80	2,088.61	1,142,533.39	53,972.81
19	5/3/2020	1,142,533.39	64,524.41	-	64,524.41	62,544.02	1,980.39	1,079,989.37	55,953.20
20	6/3/2020	1,079,989.37	64,524.41	-	64,524.41	62,652.43	1,871.98	1,017,336.94	57,825.18
21	7/3/2020	1,017,336.94	64,524.41	-	64,524.41	62,761.03	1,763.38	954,575.91	59,588.56
22	8/3/2020	954,575.91	64,524.41	-	64,524.41	62,869.81	1,654.60	891,706.09	61,243.16
23	9/3/2020	891,706.09	64,524.41	-	64,524.41	62,978.79	1,545.62	828,727.31	62,788.79
24	10/3/2020	828,727.31	64,524.41	-	64,524.41	63,087.95	1,436.46	765,639.35	64,225.25
25	11/3/2020	765,639.35	64,524.41	-	64,524.41	63,197.30	1,327.11	702,442.05	65,552.35
26	12/3/2020	702,442.05	64,524.41	-	64,524.41	63,306.85	1,217.57	639,135.20	66,769.92
27	1/3/2021	639,135.20	64,524.41	-	64,524.41	63,416.58	1,107.83	575,718.63	67,877.76
28	2/3/2021	575,718.63	64,524.41	-	64,524.41	63,526.50	997.91	512,192.13	68,875.67
29	3/3/2021	512,192.13	64,524.41	-	64,524.41	63,636.61	887.80	448,555.51	69,763.47
30	4/3/2021	448,555.51	64,524.41	-	64,524.41	63,746.92	777.50	384,808.60	70,540.96
31	5/3/2021	384,808.60	64,524.41	-	64,524.41	63,857.41	667.00	320,951.19	71,207.96
32	6/3/2021	320,951.19	64,524.41	-	64,524.41	63,968.10	556.32	256,983.09	71,764.28
33	7/3/2021	256,983.09	64,524.41	-	64,524.41	64,078.97	445.44	192,904.12	72,209.72
34	8/3/2021	192,904.12	64,524.41	-	64,524.41	64,190.05	334.37	128,714.07	72,544.08
35	9/3/2021	128,714.07	64,524.41	-	64,524.41	64,301.31	223.10	64,412.76	72,767.19
36	10/3/2021	64,412.76	64,524.41	-	64,412.76	64,301.11	111.65	0.00	72,878.84



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Tiffany Brown, Associate Planner
APPROVED BY: City Manager

APPROVE DISPOSITION AND DEVELOPMENT AGREEMENT FOR HALE LUMBER SITE INCLUDING VACATION OF 0.29 ACRES OF DEPOT STREET AND REALIGNMENT OF A PORTION OF DEPOT STREET TO CHURCH STREET AT EAST DUNNE AVENUE INTERSECTION

RECOMMENDATION(S)

1. Adopt Addendum to the 2035 General Plan Final Environmental Impact Report (FEIR) and Downtown Specific Plan FEIR; and
2. Adopt resolution approving a Disposition and Development Agreement with Latala Group, LLC for the sale of .29 acres of Depot Street, the re-alignment of Depot Street to Church Street at the East Dunne intersection, and the purchase of 3,000 square feet of office space within the mixed-use project.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Fiscal Responsibility

GUIDING DOCUMENTS

Bikeways
Trails
Parks and Recreation Masterplan
Downtown Specific Plan
Economic Blueprint
General Plan/Housing Element
Station Area Master Plan
Vision Zero

POLICY CONSIDERATION:

Does the Council desire to realign Depot Street to Church Street and East Dunne intersection in conjunction with the Development of the Hale Lumber Site (Attachment No. 1)?

The Downtown Specific Plan (DSP), adopted in 2009, created a vision for the 18 Downtown blocks. Part of that vision contemplated realigning Depot Street through the Community and Cultural Center (CCC) parking lot to connect with Church Street at the Dunne Avenue traffic signal.

The proposed Disposition and Development Agreement (DDA) (Attachment No. 14) provides:

- Upon Approval of a General Plan Amendment (GPA), Zoning Amendment (ZA) and DDA, Developer will submit for Planning entitlements (RDCS, Subdivision Map, DA, CUP (if not a mixed-use), project and Site Review prior to December 30th, 2018.
 - The Tentative Subdivision Map will include a Phase 1 and Phase 2.
- Developer will file for off-site Improvement plans for the realigned Depot Street.
- Developer will Submit for a phased Final Map following approval of Subdivision Map.
 - The 1st phase will include the portion of the project that is proposed on the 2 acre lot, identified by assessor parcel number APN 726-13-049 known as the Hale Lumber Site.
 - The 2nd phase of the Map will be recorded after the off-site street improvement plans for the realigned Depot Street have been completed (constructed) and accepted by City Engineer.
- City and Developer have developed, and agree on the construction and improvements estimate of Depot Street (including contingency). Cost estimates to be reconfirmed during off-site improvements permit review.
- Developer will pay \$213,739.00 toward the reconstruction of the realigned Depot Street as described in the cost estimate portion of Depot Street project frontage.
- Developer will pledge between 8 (8 x \$1,000 x 48units = \$384,000) and 10 (10 x \$1,000 x 48units = \$480,000) points under the Transportation portion of the RDSCS manual at \$1,000 each unit up to 48 units, to contribute to the remaining \$193,904.00 construction costs for Depot Street realignment.
- The Developer Fees paid toward the RDSCS commitments will fund the parking lot improvements up to \$190,905.00
- City will sell .29 acres of Depot Street between 5th Street and East Dunne Ave to Developer for the project for \$303,178.00 (\$24 psf) as established by appraisal prepared by Valbridge Property Advisors/Hulberg and Associates (Attachment No. 2).
- City will utilize the funds from sale of Depot Street (\$303,178.00) toward the Cities portion of the construction cost for the realigned Depot Street.
- Developer will coordinate a phasing construction plan with the City to ensure minimal disruption to CCC facilities.

- City will process a summary vacation and present the Completed Depot Street to City Council for Acceptance within three months after completed construction.
- Within six months of approval of phased two Final Map and summary vacation of Depot Street, Developer will file for Community and Cultural Center parking lot off site-improvements to the Engineering and Public Works Department. Street and parking lot improvements shall be designed to City Standards and be reviewed and approved to the satisfaction of the City Engineer

BACKGROUND

The Downtown Specific Plan vision is supported by the City's critical planning documents.

The General Plan is the City's guiding document, providing goals and policies that represent the community's collective vision for what Morgan Hill will look and feel like through the year 2035.

- The Transportation Element within the 2035 General Plan offers mechanisms for making Morgan Hill a safe and efficient place to travel, whether by train, bus, car, bike or foot. The City's transportation system envisioned a coordinated combination of public transit, private vehicles, biking, and walking. A key focus during the General Plan horizon is construction of new roadways and segments that will fill in "missing links" and provide for increased connectivity of the roadway system. The City has the opportunity to realign Depot Street through the CCC parking lot with redevelopment of the adjacent property currently utilized as a lumber yard business (Hale Lumber). The project is consistent with the following policies:
 - Policy TR-3.3 – **Timing of Street Construction from Private Development.** Require developers to provide for the construction of their portions of arterial and collector streets at the time of development.
 - Policy TR-3.15 – **Depot Street Rerouting and Extension.** In order to provide a continuous north-south travel route to, from, and within Downtown, re-route Depot Street south through the existing Community and Cultural Center parking lot to connect to Church Street, and explore the feasibility of extending Depot Street north to curve over and connect to McLaughlin through to Central Avenue.
 - Policy TR-8.14 – **Bikeway Master Plan.** Implement and maintain the City's bikeways system based on standards established in the Bikeways Master Plan.
- The Bikeways, Trails, Parks and Recreation Master Plan (BTPRMP), adopted in 2017, is a strategic and practical guide for improving and expanding the City of Morgan Hill's recreation system over the next 20 years. The City's bikeways, trails, parks and recreation facilities are part of an interconnected system that is

foundational to the high quality of life in Morgan Hill. The BTPRMP guides the development of an integrated system that supports an active and healthy lifestyle and increases multi-modal access to the City's popular destinations and services.

BTPRMP Policies that would apply to this project include:

B2. Develop an interconnected network of bikeways and multi-use trails that safely connect neighborhoods and residences with workplaces, schools, parks, and community destinations, and consistent with General Plan Goal TR-8.

B5. Support economic and community development through active transportation and active recreation activities.

Table 4-4: B-C2. Depot Street from East Main Avenue to East Dunne Avenue: Improve low-traffic and low-speed streets by adding signs, pavement markings and speed and volume management measures to discourage through trips by motor vehicles and create safe, convenient bicycle crossings of busy arterial streets.

- The Station Area Master Plan (SAMP) was accepted in February 2018 and discusses multi-modal transportation enhancements and connectivity to the Transit Center and within the Downtown. The SAMP identifies Depot Street as a Transit Connector, and further defines a Transit Connector as a downtown-serving street that provides direct access to the Morgan Hill Transit Center. The SAMP identifies improvements in Table 3-1 related to this section of Depot Street that discuss improving sidewalk gaps, bicycle lane gaps, and the realignment of Depot Street with Church Street intersection. The proposed amendments will allow for these improvements.
- At the January 18, 2018 meeting, the Council adopted Vision Zero; a plan that prioritizes pedestrian safety through design and development/redevelopment. *The realignment will be designed to provide consistency with Vision Zero design standards related to streets and bikeways within the Vision Zero Morgan Hill Actions Section of the document. The reconfiguration of the CCC parking lot will incorporate enhanced pedestrian pathways through the larger parking lot and introduces landscaped sidewalks that provide buffered walkways with direct access to the CCC.*

At the April 18, 2018 City Council Meeting, the Council approved an Exclusive Right to Negotiate (ENA) to allow the City to explore the residential development proposal that would require vacating .29 acres of Depot Street and construct the re-alignment of Depot Street to Church Street.

During the meeting, Council requested Staff to solve for the following issues related to the project site:

1. Street facing housing

2. Maintaining Heritage Trees
- 3 Transportation Impact Analysis for Depot Street Realignment
4. Maintaining parking for CCC
5. Minimizing impacts to the CCC and Downtown Events

In addition, the City Council requested that staff engage the Planning Commission and discuss and reaffirm the capacity for housing and retail in Downtown.

The report narrative which follows will detail actions regarding each of these items.

REPORT NARRATIVE:

Disposition and Development Agreement

This Disposition and Development Agreement provides for the vacation and sale of .29 acres of current Depot Street right-of-way located at the south segment of Depot Street at the Depot Street and East Dunne Avenue intersection, coordinated construction of the realigned Depot Street and associated costs with the development proposal on the Hale Lumber site, and purchase of a proposed 3,000 square foot office space provided in the proposed development project on the Hale Lumber site.

Development Project

The Hale Lumber site is a two-acre rectangular parcel located adjacent to the railroad tracks on the northeast side of Depot Street and East Dunne intersection. The developer is proposing to realign Depot Street and incorporate the remaining .29 acres of right-of-way into the project site totaling in 2.29 acres. The site will include up to 40 townhome style units with 8 condominiums over 3,000 square foot office space at the southwest end of the project. The additional .29 acres allows for the project to be designed to provide residential units that face both East Dunne Avenue and Depot Street. The project is fully parked with additional guest parking and provides two open space areas totaling 4,960 square feet of open space. The office space would be purchased by the City and utilized as office space for non-profit businesses.

CCC Functions and Parking

The CCC is a 50,000 square foot facility that consists of two large banquet rooms, four meeting rooms, a dance room, the Children's Pavilion with outdoor play area, and the Downtown Amphitheatre that is used during the summer for outdoor music events. The facility includes a preschool and hosts many private and community events including utilizing the parking lot for events such as Mushroom Mardi Gras. In addition, the property also includes the Community Play House and the Gavilan College Morgan Hill Campus. The CCC relies on the parking supply to support event rentals, recreation programs, playhouse performances etc. There is a total of 240 parking spaces dedicated to the CCC, including nine accessible parking spaces.

Concerns have been raised about losing parking, pushing parking further away from the CCC facility, and disturbing the overall operations of the CCC.

The proposed Depot Street realignment will divide the CCC parking lot into two lots as envisioned in the guiding documents listed within the Background section of this report.

The proposed Depot Street re-alignment will maintain existing parking supply, including accessible parking stalls, and support Vision Zero goals.

The street design is consistent with Vision Zero goals for pedestrian and vehicular safety improvements as it will complete the sidewalk improvements on Depot Street, the street realignment will provide a dedicated sidewalk through the CCC, require slower speeds due to the street curvatures, enhancing pedestrian safety. Additionally, a new crosswalk is introduced to connect pedestrians from the smaller parking lot, to the larger parking lot with sidewalk that provides direct access to the CCC. The crosswalk will be raised with painted striping, and will include in-pavement flashers to provide a visual warning for pedestrians crossing during the evening. To achieve no net loss in parking, the lot will introduce 90 compact stalls.

Impacts to the CCC and Downtown Events

The CCC utilizes the parking lot and Depot Street for some Downtown Events. During events, the City works with the event staff on coordinating the closure of Depot Street and notifying Downtown residents of road closures with minimal vehicular access to their units. Events can still utilize the entire parking lot as they do today, and Depot Street can be closed. The new residents on the Hale Lumber site would be notified of street closures for Downtown events at the time of purchase for the homes, in addition to being notified of all events that happen in Downtown. If this Disposition and Development Agreement (DDA) is approved, further efforts will be taken to locate an EVA accessway that the new 48 units could utilize to access their homes during Downtown events.

Traffic Impact Analysis

To evaluate the impacts to existing intersections and Downtown circulation for the Depot Street realignment, a Traffic Impact Analysis (TIA) was prepared by Hexagon Transportation Consultants. The result of the Study concludes that aligning streets with intersections improves circulation connectivity and that the new Depot Street East Dunne intersection level of service analysis, under existing plus project conditions, would have no impact to the level of service for the existing intersections.

The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue. In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Additionally, with implementation of the proposed project, sidewalks would be provided along the entire east side of Depot Street, along the project site frontage and the

realigned roadway. The pedestrian pathway that would run from Depot Street to Dunne Avenue, adjacent to the project site, would provide a direct pedestrian connection between the project site and Dunne Avenue. Therefore, the proposed pedestrian facilities would enhance existing conditions, providing a more complete pedestrian network.

Heritage Trees

There are nine heritage trees located on the Hale Lumber site, eight of the nine are located adjacent to Depot Street. The ninth tree is located on the edge of the property adjacent to the railroad tracks. These trees were evaluated by Smith Tree Specialists, Inc. ISA Certified Arborists for health of the trees, and recommendations for preservation or removal. The report was peer reviewed by a second arborist Kielty Arborist Services, LLC, Certified Arborists. Both consultants agree on the health and conditions of the trees and state that trees, such as coast Live Oak, appear to have good vigor, and from a distance look like a healthy tree, but when closely observed can have numerous structural problems and could have high risks of failure. Two out of the nine trees are recommended for preservation. The proposed site plan reflects the two trees to be preserved and creates open spaces around them.

Housing and Retail Compacity within Downtown

The community was invited to a publicly noticed Downtown Housing and Retail Capacity, Trends, and Opportunities workshop with the Planning Commission, at the July 24, 2018 Planning Commission meeting. The purpose of this workshop was to review the vision for Downtown and provide an update on the current capacity growth of Downtown.

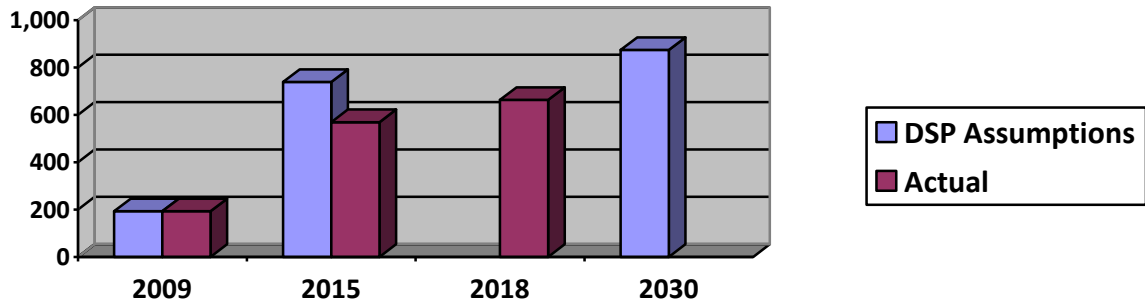
The Downtown Specific Plan projected the growth rate of retail, office, and housing up in 2009, 2015 and 2030. See table below.

Table 1.1 Downtown Specific Plan 2030 Development Summary – Blocks 1-14

Land Use	Existing Development	Development by 2015	Development by 2030
Retail (square feet)	123, 365	217,586	289,855
Residential (Dwelling Units)	193	739	874
Office/Service	122,248	152,405	182,839

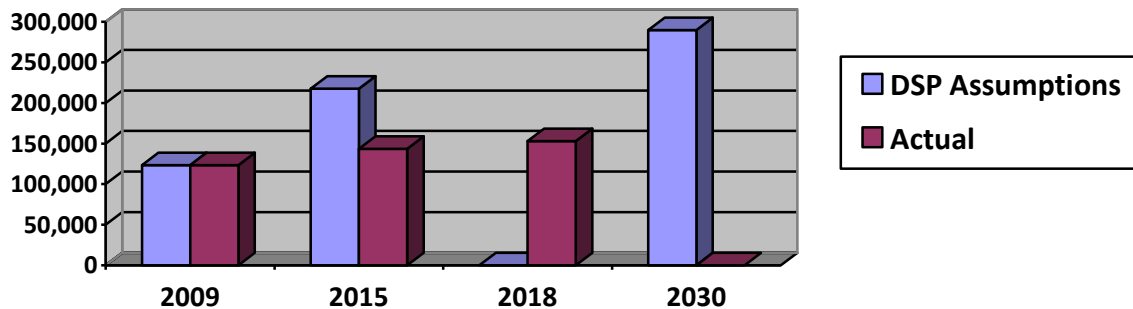
The plan assumed built housing units by 2015 to be at 739 units and 874 units by year 2030. Currently there are a total of 663 units within the Downtown including new projects under construction. The graphs below represent the actual growth compared to the Downtown assumptions. The graphs also illustrate where we are now in 2018, and the projected assumption by the DSP in 2030. The Downtown Specific Plan sets forth development assumptions and environmental clearance for 874 housing units and 182,839 square feet of retail space by 2030. While Downtown has seen some recent investments in housing and retail, the existing retail and housing numbers are below the projections for 2015.

Table 1.1: Downtown Housing Capacity



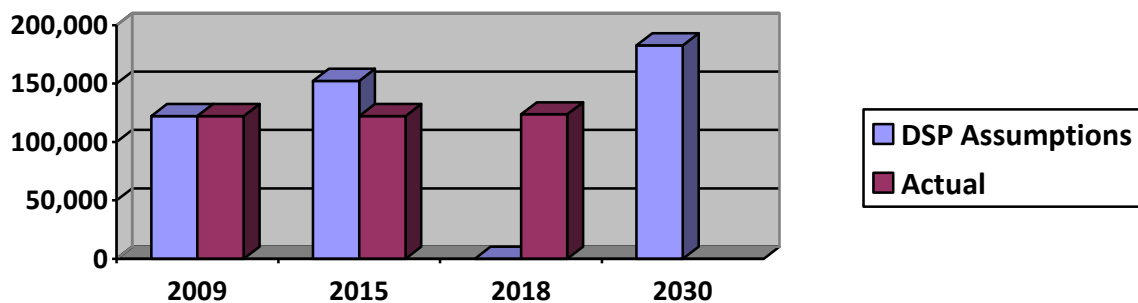
The plan assumed built retail square footage to be 217,586 by year 2015 and 289,855 square feet by year 2030. There is a total of 153,003 square foot of retail in Downtown today.

Table 1.2: Downtown Retail Capacity



Lastly, the planned Office Space growth was projected to be 152,405 square feet by 2015 and 182,839 square feet by 2030. Approximately 1,530 square feet of office was added in 2018. The graph below illustrates the office growth compared to the projected growth within the Downtown Specific Plan.

Table 1.3: Downtown Office Capacity



This DDA would allow for the project to contribute up to 48 additional residential units and add 3,000 square feet of office space.

Next Steps

If the DDA is approved, the following agenda item will be a proposed General Plan Amendment (GPA) and Zoning Amendment (ZA) for the .29 acres of Depot Street right-of-way that would be vacated and sold to the Developer to be incorporated as part of the new Hale Lumber redevelopment site. The GPA and ZA were heard at the September 11, 2018 Planning Commission Hearing and recommended for approval.

Next steps would include submitting an RDCS application with the following Planning Department permit entitlements: Development Agreement for RDCS commitments, Subdivision Map, and Site Review permit. If approved, the project will then submit for off site improvements, Final Map, and building permits.

The DDA outlines an order and timeline in which tasks need to be completed by. Changes to the timeline will require an amendment to be reviewed and approved by the City Manager.

COMMUNITY ENGAGEMENT: Involve and Collaborate

The ENA was noticed for the April 18, 2018 City Council meeting. The community was also noticed of the Downtown Housing and Retail Capacity, Trends, and Opportunities workshop with the Planning Commission at the July 24, 2018 meeting.

In addition, the Developer met with:

- Jeff Dixon on June 15, 2018 representing the Freedom Fest event
- Downtown Restaurant Association on August 13, 2018
- Downtown Association August 16, 2018
- Chamber of Commerce August 28, 2018
- Sunday Minnich representing the Mardi Gras event on September 10, 2018
- Chamber of Commerce Economic Development Committee on September 13, 2018
- Cricket Rubino representing Bingo on the CCC on September 13, 2018.

ALTERNATIVE ACTIONS:

The Council could decide to deny the DDA. This would result in the proposal for a residential development of the Hale Lumber site without the improvements to realign Depot Street.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

- April 18, 2018 – ENA was presented and approved by City Council.
- July 20, 2018 – Planning Commission Workshop on Downtown Housing and Retail Capacity, Trends, and Opportunities.
- August 21, 2018 – Presentation to the Parks and Recreation Commission for the opportunity to purchase the 3,000 square foot office space within the proposed

development. Parks and Recreation Commission recommended approval to City Council.

- September 5, 2018 – Presented opportunity to purchase the 3,000 office building for non-profits.

FISCAL AND RESOURCE IMPACT:

Depot Street Realignment with Parking Lot Enhancements

For this project, the realignment of Depot Street includes selling 0.29 acres of the existing Depot Street right-of-way and vacating that portion of the street for redevelopment. The value of the .29 acres is \$303,178.00.

As part of a new Development project, street frontage improvements are required. This typically includes grading, sidewalks with landscaping, curb and gutter, sanitary, storm drain, and water, and repaving the road. The estimated cost for street frontage improvements on Depot Street, south of the CCC parking lot entrance is \$213,739.00.

The estimated cost of construction for the realignment of Depot Street is \$710,821.00 and the parking lot enhancements total \$190,905.00, for a total cost of \$901,726. If the realignment of Depot Street is part of the development project for the Hale Lumber Site, the developer will contribute the \$213,739.00 estimated cost of construction toward the realignment of Depot Street.

Additionally, if the DDA is approved and the realignment of Depot Street is part of the redevelopment of the Hale Lumber site, the remaining balance of \$193,904 for the construction of Depot Street with parking lot improvements would be contributed from fees associated with the new development of Hale Lumber.

Resources:

Cost estimates were provided for the total cost of construction for the realignment of Depot Street, parking lot enhancements, and Hale Lumber off-site improvements for the portion between CCC parking lot entrance off Depot to East Dunne Avenue. The table below describes the costs and payment resource.

TABLE 1.1

CREDIT FROM VALUE OF DEPOT STREET	\$303,178
CREDIT FROM DEPOT FRONTAGE IMPROVEMENTS	\$213,739
CREDIT FROM RDCS COMMITMENTS (MUNI INFRASTRUCTURE)	\$193,904
CREDIT FROM RDCS COMMITMENTS (TRANSPORTATION)	\$190,905
TOTAL	\$901,726

If the Hale Lumber site is developed separately from the realignment of Depot Street, those funds, in addition to the labor for construction, will no longer be available as the realignment would not be part of the project.

Three-thousand Square Foot Office Space

The project includes a 3,000 square foot office building that the City would like to purchase for non-profit services. An appraisal was completed for the proposed structure, assessing the price at \$800,000. The City can fund the acquisition of a non-profit service center building from the Recreation Center Impact Fund (360). On September 5, 2018, the Council was provided options for funding by either delaying other projects or selling the City's El Toro Youth Center Building. If approved, the appropriation request would occur at a future date, based on the timing of the project. See September 5, 2018 report attached (Attachment No. 10).

CEQA (California Environmental Quality Act):

The Final Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan was certified in November 2009 in conformance with California Environmental Quality Act (CEQA) Guidelines Section 15175(a), identified the impacts of the Downtown Specific Plan in order to streamline the later environment review of projects and approvals required to implement the Specific Plan. The intent was for the Downtown Specific Plan FEIR to be a program-level document from which subsequent development consistent with the Specific Plan could tier from (in conformance with CEQA Guidelines Section 15176(d)).

An Environmental Impact Report (EIR) for the Morgan Hill 2035 Project, was prepared in accordance with CEQA and certified by the Morgan Hill City Council on July 27, 2016. (SCH #2015022074).

CEQA Guidelines § 15164 states that the lead agency or a responsible agency shall prepare an Addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in § 15162 calling for preparation of a subsequent EIR have occurred.

An Addendum was prepared (Attachment No. 15) to provide a program-level CEQA analysis of the proposed project, as part of the adopted 2009 Downtown Specific Plan EIR.

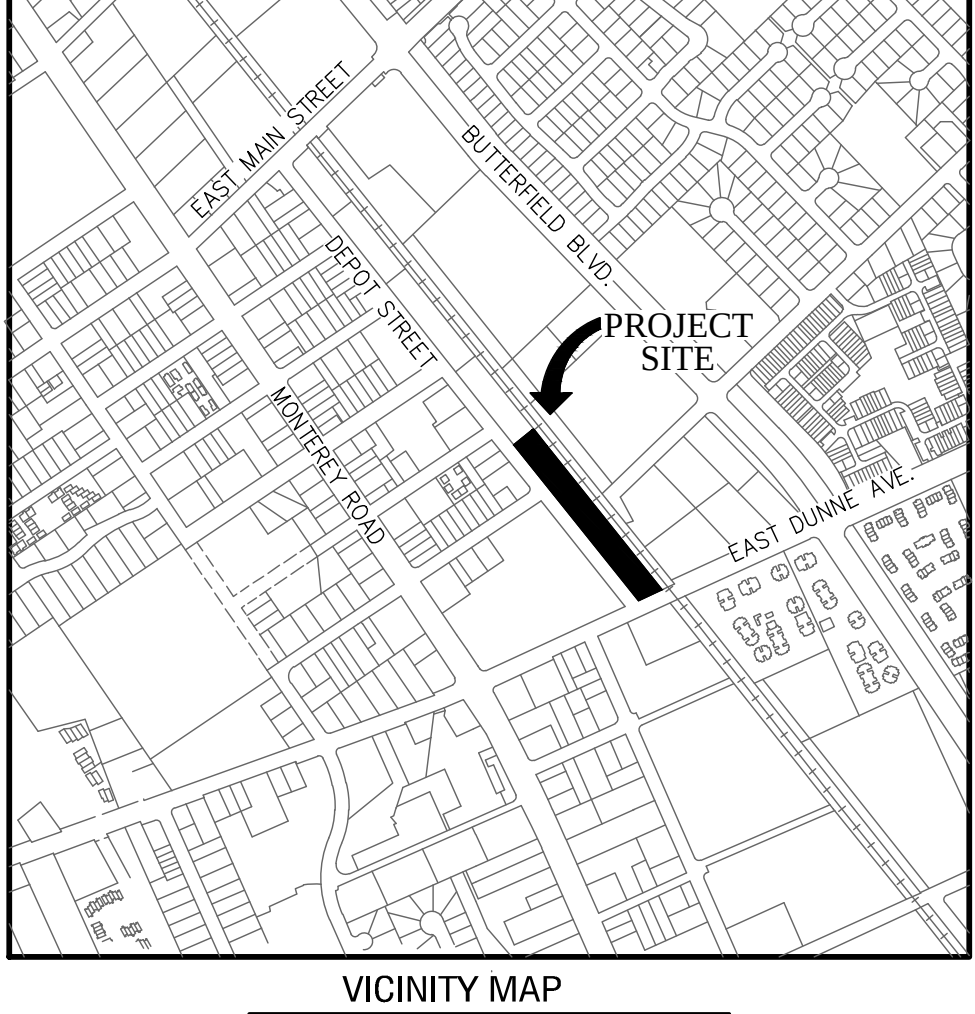
The TIA prepared for the project concluded consistency with both the General Plan Final Environmental Impact Report (FEIR) and the Downtown Specific Plan Master Environmental Impact Report (MFEIR) and was incorporated within the Addendum.

The Addendum found no impacts that were not previously disclosed in the General Plan FEIR or the Downtown Specific Plan Master FEIR, nor would it result in a substantial increase in the magnitude of any significant environmental impacts previously identified.

The project site is within Block 6 and 8 of the Specific Plan areas. The Morgan Hill CCC is located on Block 6 which consists of buildings, landscaping and surface parking spaces. Block 8 is currently developed with a warehouse and lumber yard which is separated from existing residential uses by Depot Street. A project-level analysis of future development for the attached three-story townhome style units with 3,000 square feet of office with condos project, and the realignment of Depot Street will be completed as more detail becomes available about each prior to the City acting or committing to implementation or project components, in accordance with CEQA and City standards.

LINKS/ATTACHMENTS:

1. Hale Site Plan (48 du)
2. Appraisals/Cost Estimates
3. CEQA - Hale Lumber Depot Street Land Transaction Addendum
4. Hale Lumber Mixed-Use Development TIA
5. Arborist Report and Peer Review
6. September 5, 2018 City Council Staff Report for non-profit center opportunity and Friendly Inn Sale (weblink)
7. September 11, 2018 Planning Commission Staff Report for GPA and ZA of .29 acres of Depot Street right-of-way (weblink)
8. July 24, 2018 Planning Commission Power Point - Downtown Housing and Retail workshop
9. Resolution to approve DDA (Draft)9.26.18
10. DDA Hale Lumber and CCC (2) 9-24-18 (LL)

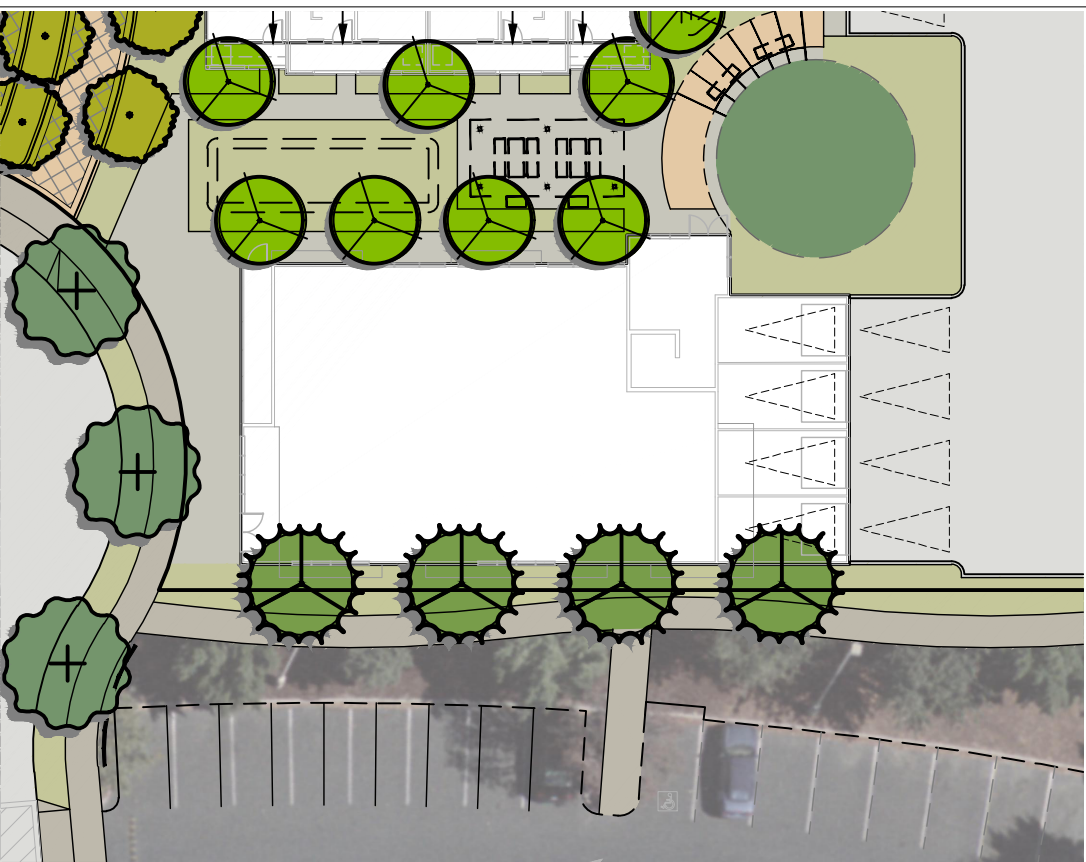
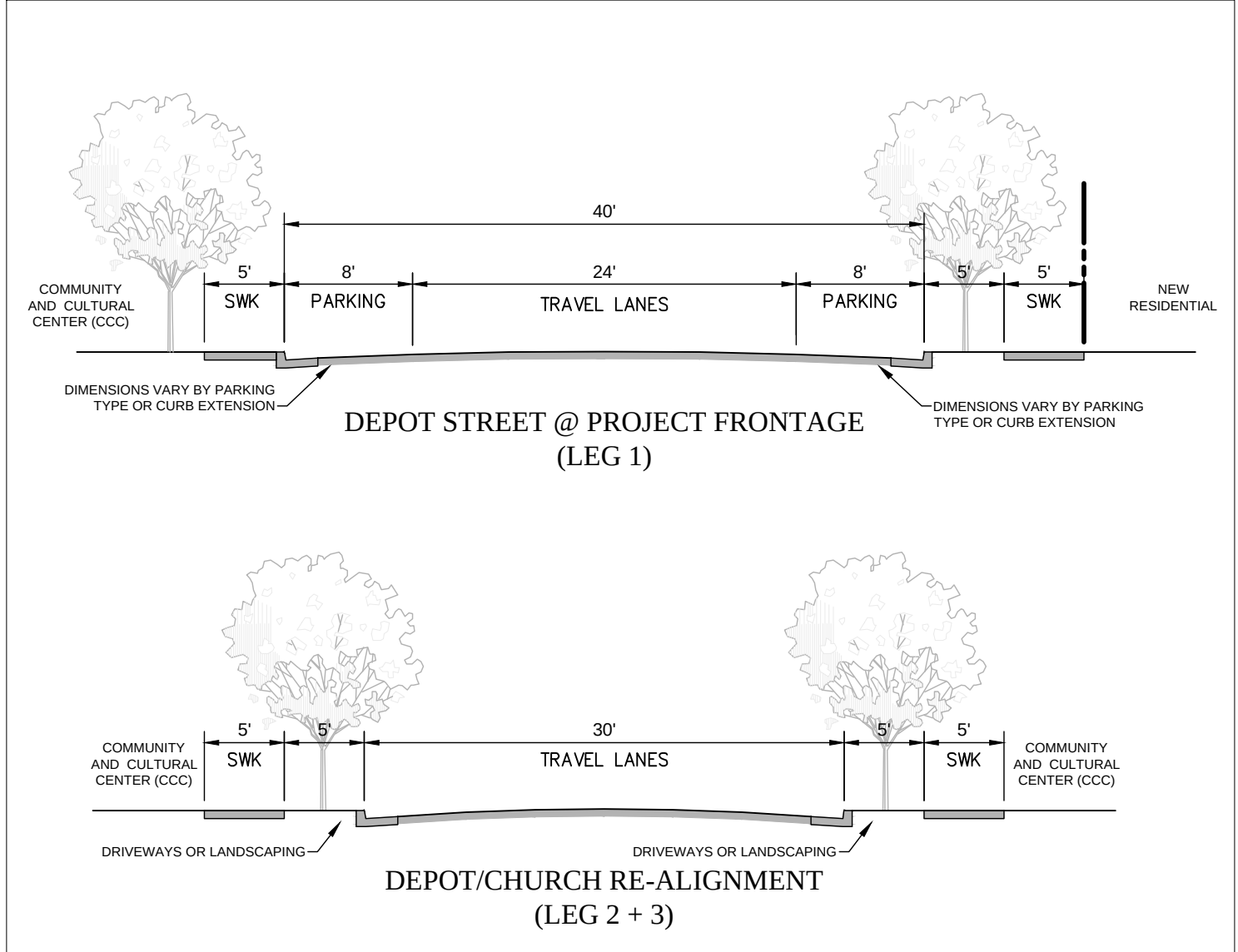


- PROJECT SUMMARY**
- THE PROPOSED PROJECT CONSISTS OF THE DEVELOPMENT OF 40 TOWN HOMES (THREE STORIES), 8 CONDOMINIUMS OVER COMMERCIAL OFFICE, PRIVATE OPEN SPACE AND CIRCULATION.
 - PUBLIC IMPROVEMENTS INCLUDE THE RE-ALIGNMENT OF DEPOT STREET TO INTERSECT WITH CHURCH STREET; ALL UNDERGROUND AND SURFACE IMPROVEMENTS THEREIN.
 - IMPROVEMENTS TO THE COMMUNITY CENTER PARKING LOT INCLUDE:
 1. RE-STRIPING TO ACCOMMODATE ANGLED AND COMPACT PARKING
 2. REPLACEMENT OF LANDSCAPE ISLANDS

ADDRESS	17020 DEPOT STREET (726-13-049)
GP DESIGNATION	MIXED USE
ZONING DISTRICT	CENTRAL BUSINESS DISTRICT (CBD)
AREA (EXIST)	2.00 AC
R/W DEDICATION	0.01 AC
R/W VACATION	0.29 AC
AREA (NET)	2.28 AC
PROPOSED DENSITY	48 DWELLINGS/2.28 AC = 21.1 DU/AC
PROPOSED PARKING	84 COVERED 13 GUEST 8 APRON/STALL 105 TOTAL SPACES

COMMUNITY CENTER PARKING SUMMARY	
EXISTING SPACES	
PARKING LOT	240
CURB SIDE (DEPOT)	19 (WEST SIDE ONLY)
	259
PROPOSED	
PARKING LOT	240
CURB SIDE (DEPOT)	30
	274

Hale Lumber Residential Project and Proposed Depot Street Re-Alignment Morgan Hill, CA



NOTES
A total of eight condominium flats (4-1 bdr, 4-2 bdr) will be provided on the second and third floor of this vertical mixed use (VMU) building. Floor plans and common area facilities will be provided at the formal RDCS submittal.



PERGOLA CONCEPT



RAIN GARDEN CONCEPT

Latala
HOMES INC.
1999 S. Bascom Avenue, Suite 700
Campbell, CA 95008
www.latalahomes.com

RJA
RUGGERI-JENSEN-AZAR
ENGINEERS • PLANNERS • SURVEYORS
8055 CAMINO ARROYO GILROY, CA 95020
PHONE: (408) 848-0300 FAX: (408) 848-0302
Updated September 26, 2018
162016-1001



Attachment: Hale Site Plan (48 du) (1965 : Hale Lumber - Depot Street Realignment DDA)

Temporary Access Exhibit

Hale Lumber Residential Project
Morgan Hill, CA

RJA
RUGGERI-JENSEN-AZAR
ENGINEERS • PLANNERS • SURVEYORS
8055 CAMINO ARROYO OILROY, CA 95020
PHONE: (408) 848-0300 FAX: (408) 848-0302

September 11, 2018
162016-1001

1"=40'

Latala
HOMES INC.

1999 S. Bascom Avenue, Suite 700
Campbell, CA 95008
www.latalahomes.com



Valbridge
PROPERTY ADVISORS

Appraisal Report

Hale Lumber Site- Proposed Office Condo
17020 Depot Street
Morgan Hill, Santa Clara County, California 95037

Report Date: August 3, 2018



FOR:

Mr. Paul Latala

14632 Stonebridge Place
Morgan Hill, CA 95037

Valbridge Property Advisors

55 South Market Street, Suite 1210
San Jose, CA 95113
408.279.1520 phone
408.279.3428 fax
valbridge.com

Valbridge File Number:
CA02-18-0422-000

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)



55 South Market Street, Suite 1210
 San Jose, CA 95113
 408.279.1520 phone
 408.279.3428 fax
 valbridge.com

August 3, 2018

Norman C. Hulberg, MAI
 Rebecca Frederick
 408.279.1520, ext. 7122
 rfrederick@valbridge.com

Mr. Paul Latala
 14632 Stonebridge Place
 Morgan Hill, CA 95037

RE: Appraisal Report
 Hale Lumber Site- Proposed Office Condo
 17020 Depot Street
 Morgan Hill, Santa Clara County, California 95037

Dear Mr. Latala:

In accordance with your request, we have prepared an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located on the east side of Depot Street, north of East Dunne Avenue and is further identified as Assessor's Parcel Number (APN) 726-13-049. The subject is a 2.05-acre or 89,298-square-foot site. The proposed project will include the 2.05 acre Hale Lumber site, as well as a portion of Depot Street and a portion of the adjacent Morgan Hill Cultural Community Center parking lot, creating a total site area of 2.28 acres. The developer plans to build a mixed-use 48-unit townhouse development with an estimated 3,116 square-foot ground floor commercial unit. Plans for the entire project, as well as floor plans of the commercial unit are included later in this report. Our assignment is to value the proposed commercial unit only.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Paul Latala and the intended user of this report is our client and no others. The intended use is to develop an opinion of market value of the proposed commercial unit in conjunction with a possible sale to the City of Morgan Hill. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- It is assumed that the mixed-use property users will follow the rules set by the HOA to encourage harmonious use and contribute an equitable share of costs and expenses associated with building operations.

Hypothetical Conditions:

- This appraisal is based on the proposed plans for a 3,116 square foot commercial unit. We value the unit in the "as completed" condition, assuming that construction will be completed in a professional manner, per the plan specifications provided to us by our client.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusions

Component	Upon Completion
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	July 19, 2018
Value Conclusion	\$800,000
	\$257/sf

Respectfully submitted,
 Valbridge Property Advisors



Rebecca J. Frederick
 Appraiser
 California Certified License #AG044782



Norman C. Hulberg, MAI
 Senior Managing Director
 California Certified License #AG003542

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Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Summary of Salient Facts

Property Identification

Property Name	Hale Lumber Proposed Office Condo
Property Address	17020 Depot Street Morgan Hill, Santa Clara County, California 95037
Latitude & Longitude	37.126572, -121.647806
Tax Parcel Number	726-13-049
Property Owner	HAMMOND, ROBERT V & LINDA ET AL/HALE LUMBER

Site

Zoning	Central Business District (CBD)
FEMA Flood Map No.	06085C 0444H
Flood Zone	X
Primary Land Area	2.050 acres

Proposed Improvements

Property Use	Condominium Office Bldg(s)
Investment Class	Class A
Gross Building Area (GBA)	3,116 sf
Net Rentable Area (NRA)	3,116 sf
Number of Units	1
Number of Buildings	1
Number of Stories	1
Year Built	2018
Condition	Good
Construction Quality	Good
Surface Parking	55 spaces

Valuation Opinions

Highest & Best Use - As Vacant	Mixed-Use Development
Highest & Best Use - As Improved	Redevelopment Site- Mixed-Use
Reasonable Exposure Time	6 to 12 months
Reasonable Marketing Time	3 to 6 months

Value Indications

Approach to Value	Upon Completion
Cost	Not Developed
Sales Comparison	\$760,000
Direct Capitalization	\$850,000

Value Conclusions

Component	Upon Completion
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	July 19, 2018
Value Conclusion	\$800,000
	\$257/sf

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- It is assumed that the mixed-use property users will follow the rules set by the HOA to encourage harmonious use and contribute an equitable share of costs and expenses associated with building operations.

Hypothetical Conditions:

- This appraisal is based on the proposed plans for a 3,116 square foot commercial unit. We value the unit in the "as completed" condition, assuming that construction will be completed in a professional manner, per the plan specifications provided to us by our client.

Aerial and Front Views

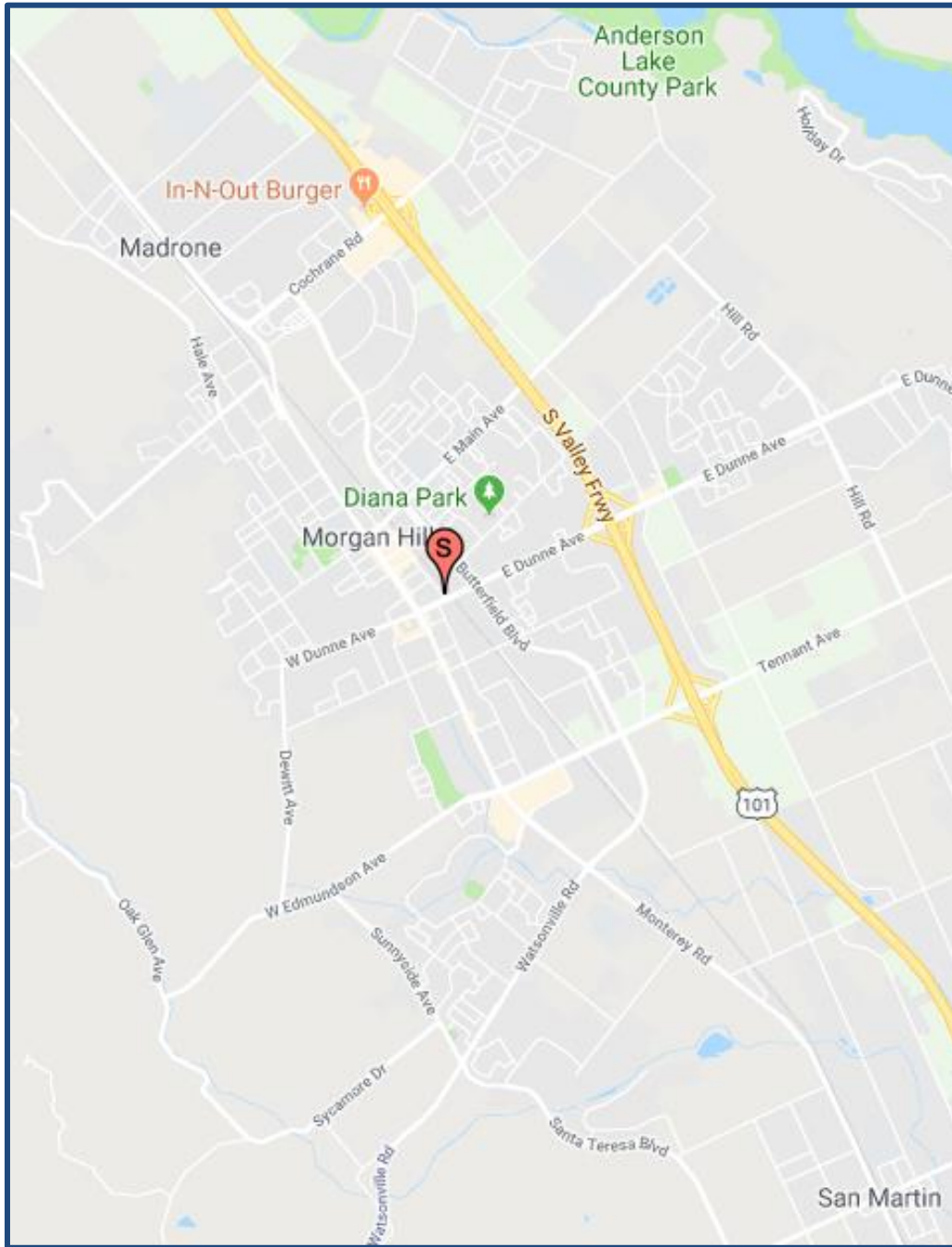
AERIAL VIEW



FRONT VIEW



Location Map



Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Introduction

Client and Intended Users of the Appraisal

The client and intended user in this assignment is Paul Latala and no others.

Intended Use of the Appraisal

The intended use of this report is to develop an opinion of market value of the proposed commercial unit in conjunction with a possible sale to the City of Morgan Hill.

Real Estate Identification

The subject property is located at 17020 Depot Street, Morgan Hill, Santa Clara County, California 95037. The subject property is further identified by Assessor Parcel Number 726-13-049.

Legal Description

See legal description in Addenda

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a lumber yard.

Use of Real Estate as Reflected in this Appraisal

The subject is a proposed office condominium.

Ownership of the Property

According to County Assessor, title to the subject property is vested in HAMMOND, ROBERT V & LINDA ET AL/HALE LUMBER COMPANY TR.

History of the Property

Ownership of the subject property has not changed within the past three years.

Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale.

Type and Definition of Value

The appraisal problem (the term "Purpose of Appraisal" has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*

- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.”¹*

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
Upon Completion Market Value of the Fee Simple Interest	July 19, 2018

We completed an appraisal inspection of the subject property on July 19, 2018.

Date of Report

The date of this report is August 3, 2018, which is the same as the date of the letter of transmittal.

List of Items Requested but Not Provided

- None

Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions

- It is assumed that the mixed-use property users will follow the rules set by the HOA to encourage harmonious use and contribute an equitable share of costs and expenses associated with building operations.

Hypothetical Conditions

- This appraisal is based on the proposed plans for a 3,116 square foot commercial unit. We value the unit in the "as completed" condition, assuming that construction will be completed in a professional manner, per the plan specifications provided to us by our client.

¹ Source: *Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions*

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via plat map and legal description.
- Economic Characteristics - Economic characteristics of the subject property were identified via market participant surveys, our company database, third party sources, information provided by our client, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection by Rebecca Frederick.

Extent to Which the Property Was Inspected

We inspected the subject on July 19, 2018. The improvements were not measured during the course of the inspection and the site was observed from the street.

Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.

- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.
- Approaches Applied - All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment the Sales Comparison and Income Capitalization Approaches were developed. Although the subject is a proposed construction and the costs could be analyzed, the typical buyer is not likely to rely on cost information during the decision making process. The most typical buyer is an owner-user, who will rely primarily on the Sales Comparison Approach. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

Appraisal Conformity and Report Type

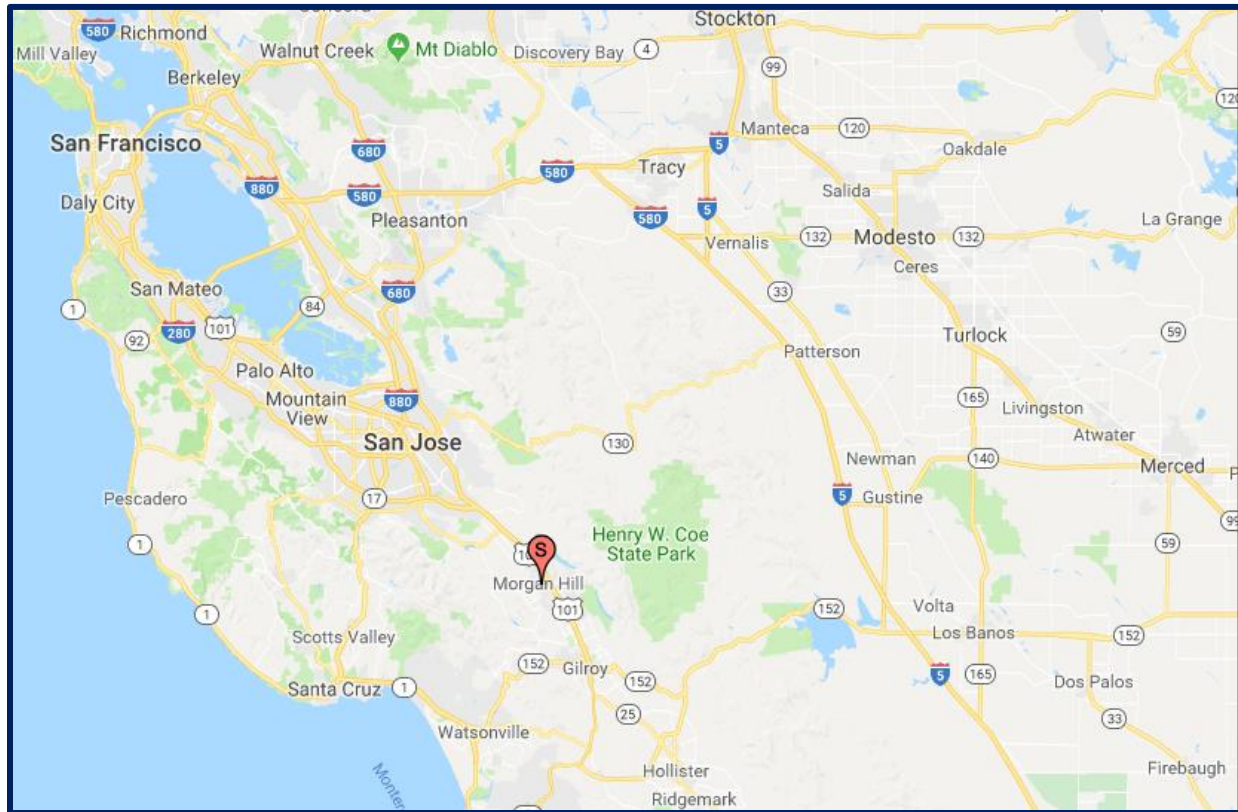
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The subject property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.72 million as of January 1, 2018. The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,956,598 residents as of January 1, 2018 according to the State of California Department of Finance. This was an increase of 1.0% over the previous year. San Jose is the largest city in the county and the third largest in California, surpassing San Francisco.

According to the Site to Do Business projections, presented on the following page, the county's population is expected to increase 1.2% between 2017 and 2022, while Morgan Hill will increase approximately 1.6% over the same period.

Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	281,421,906	308,745,538	1.0%	330,088,686	343,954,683	0.8%
California	33,871,648	37,253,956	1.0%	39,806,791	41,456,909	0.8%
Santa Clara County	1,682,585	1,781,642	0.6%	1,959,999	2,066,393	1.1%
Morgan Hill	33,733	37,882	1.2%	44,683	48,332	1.6%

Source: Site-to-Do-Business (STDB Online)

Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated almost 12.5 million passengers in 2017. San Francisco and Oakland airports are also within an hour's drive from most portions of the county. Although air travel is down over the past two years, in 2010, San Jose International Airport completed the first phase of a two-phase expansion with the goal of increasing service to 17.3 million travelers a year, at a cost of \$1.3 billion. Planning for the second phase, nine additional gates and a new concourse extension at the south end of Terminal B, began early in 2018.

The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes a number of expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include manufacturing; professional, scientific, and technical services; health care; retail; and educational services. Some of the largest employers are associated with the computer industry such as Adobe, Apple, AMD, and Hewlett-

Packard; hospitals such as the VA Medical Center, Kaiser Permanente, and the San Jose Medical Center; space and aerotech including NASA and Lockheed Martin; and educational facilities such as San Jose State University and Stanford University School of Medicine.

Employment by Industry - Santa Clara County

Industry	2018 Estimate	Percent of Employment
Agriculture/Mining	5,961	0.6%
Construction	52,653	5.3%
Manufacturing	171,869	17.3%
Wholesale trade	20,863	2.1%
Retail trade	89,412	9.0%
Transportation/Utilities	28,810	2.9%
Information	37,752	3.8%
Finance/Insurance/Real Estate Services	46,693	4.7%
Services	516,600	52.0%
Public Administration	22,850	2.3%
Total	993,462	100.0%

Source: Site-to-Do-Business (STDB Online)

Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.9% and Morgan Hill's unemployment rate was 3.2% as of June 2018. The State of California was at 4.5% while the Nation was at 4.0% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years, as shown in the table below.

Unemployment Rates

Area	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	2018 YTD
United States	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.8%
California	11.0%	9.6%	8.0%	6.6%	5.6%	5.1%	4.2%	3.7%
Santa Clara County	8.4%	7.0%	5.5%	4.3%	3.7%	3.5%	2.7%	2.3%
Morgan Hill	9.3%	7.7%	6.1%	4.8%	4.1%	3.6%	2.6%	2.5%

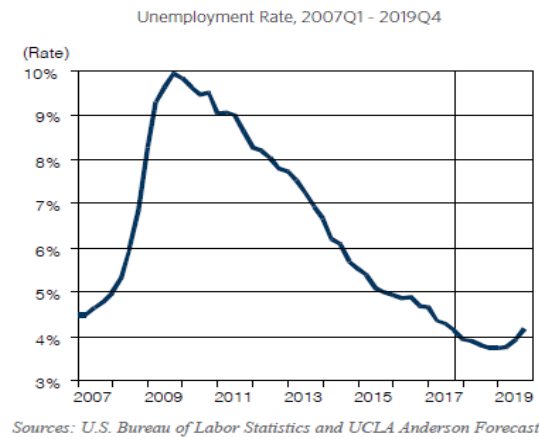
Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

The information below was obtained from the "UCLA Anderson Forecast for the Nation: December 2017 Report," presented by the UCLA Anderson School of Management.

The forecast for 2018 is sunny, while 2019 will be cloudy according to the Anderson School of Management. The national GDP is growing at a strong rate and is expected to continue to do so into through the second quarter of 2018, but then as the unemployment rate drops below 4% and employment growth slows due to a shortage of labor, growth will drop back to the 2% growth rate seen previously. By the end of 2019, the cloudy prediction is for a growth rate of 1.5% or possibly lower.

Monetary Policy In the Post-Yellen Era

The Janet Yellen era came to an end with Jerome Powell's appointment, however his views on monetary policy are very similar to hers on monetary policy and not many changes are expected on that front. That said, on regulatory policy, Powell is anticipated to be more open than Yellen when it comes to reconsidering the 2009-2012 financial crisis regulations. Therefore, it is anticipated that the gradual interest rate normalization policy that started in December and continued with a 25 basis point increase to the current 1.75% rate in March, will continue with two more increases in 2018 and then well into 2019. By the end of 2019, the federal funds rate will likely approximate 3%.



Powell's Fed will also continue the policy of gradually shrinking the Fed's balance sheet, which began in October – quantitative easing that expanded the balance sheet from \$800 billion to over four trillion dollars over several years, now with a target of tightening back to \$2.5-\$3.0 trillion.

Inflation

It appears that the second quarter slowdown in inflation was transitory and inflation will continue in excess of 2% at a steady pace for the foreseeable future. The primary source for the rising inflation rate will be a significant rebound in wage growth, which after creeping along around 2%, is forecast to accelerate to approximately 4% by late 2018 on a year-over-year basis.

Real consumption spending is maintaining its strength experienced in 2016 by increasing 2.7% and 2.8% in 2017 and 2018, respectively. However, as auto sales slow in 2019 consumption growth will slip back to 2.2%. However, it is forecast by the Anderson report that as long as stock and house prices remain elevated, the consumer, or at least the high-end consumer, will remain in good shape. In the case of the lower end consumer they are encouraged by Wal*Mart reporting a strong 2.7% increase in year-over-year same store sales in their latest quarter.

Global Economy

In response to a recovering global economy, real exports are recovering from the near zero growth of 2015 and 2016. Real exports are estimated to increase by 3.2% this year and 4.5% and 4.1% in 2018 and 2019, respectively.

The real risk to our export forecast and for that matter the entire forecast is political. In less than a year, President Trump has dismantled the Trans Pacific Partnership (TPP) trade treaty and the global climate accord. The North American Free Trade Treaty (NAFTA) could be next. Leaving NAFTA is not so simple because it would undo countless supply chains among the three countries (U.S., Canada and Mexico) involved, and the gross trade volumes among the three NAFTA partners amounts to over one trillion dollars per year. Especially hard hit would be the U.S. automobile industry where parts cross borders several times in the manufacturing of a single automobile. In the view of the Anderson Report, should the U.S. leave NAFTA, the growth outlook would deteriorate and the chance of a recession in late 2018 or 2019 would significantly increase.

The California Forecast

In the September 2017 quarterly UCLA Anderson forecast essay UCLA Anderson Forecast Director and Senior Economist Jerry Nickelsburg stated that the forecast for California's unemployment is for continued growth, but that is likely due to the federal administration's difficulty getting legislation through Congress and a result of more job seekers brought into the market, rather than more jobs being available. The tightening of immigration rules is expected to have a significant effect in California, however due to protections already in place, not as big an effect as they might have otherwise had. California is expected to grow at a rate slightly faster than the US as a whole, and be at a 4.5% unemployment rate by the end of 2019.

Median Household Income

In Santa Clara County, San Jose, the county seat, ranks first out of the entire nation in terms of median household income for major metropolitan areas. San Francisco, about 50 miles to the north of San Jose, also ranked as one of the wealthiest cities in the nation: it holds the number two spot with a median household income of about 9% less than San Jose.

Total median household income for the region is presented in the following table. Overall, the subject compares favorably to the state and the country.

Median Household Income

Area	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	\$58,100	\$65,727	2.6%
California	\$69,051	\$81,023	3.5%
Santa Clara County	\$104,053	\$118,227	2.7%
Morgan Hill	\$107,947	\$129,029	3.9%

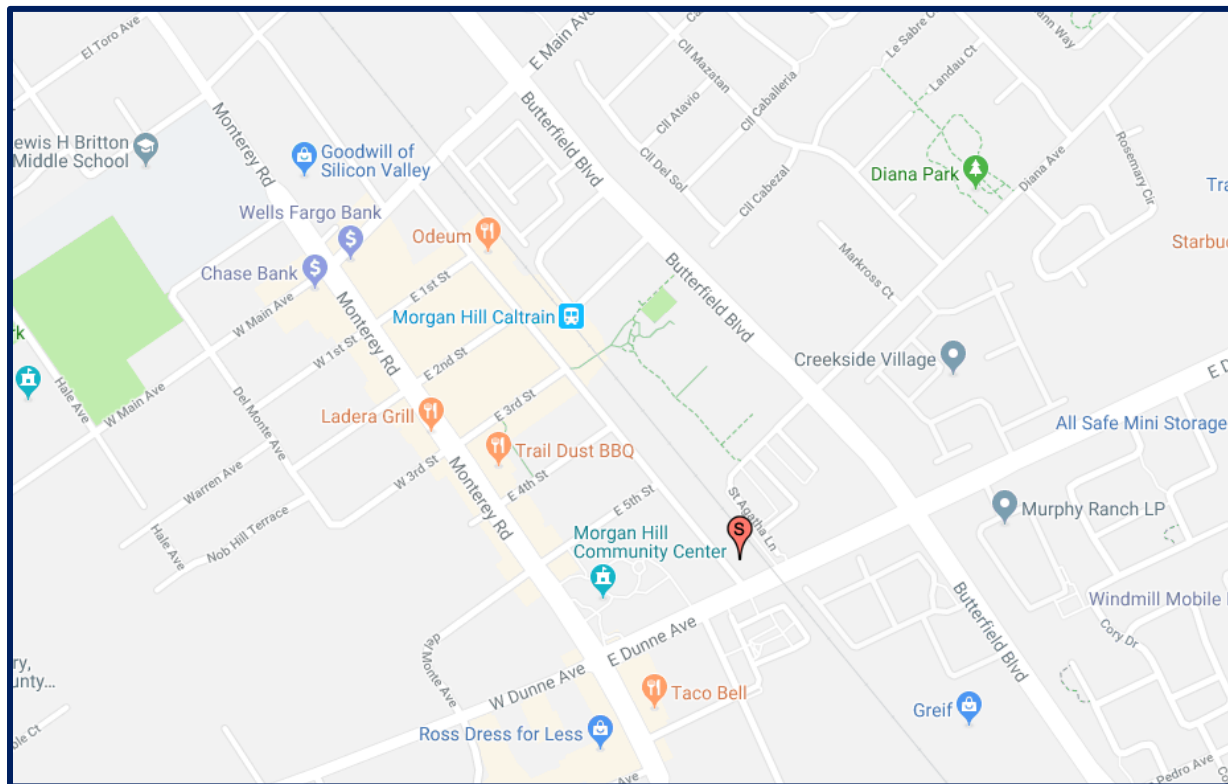
Source: Site-to-Do-Business (STDB Online)

Conclusions

Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



As our client is very familiar with subject's neighborhood, we provide a very brief overview below.

Historically, the majority of construction in the Morgan Hill area has been located in the northern portion of Morgan Hill within the vicinity of Cochrane Road. Prior to 1982, Cochrane Road was nothing more than a country road linking the South Valley Freeway with Monterey Road. Today, almost all the fruit stands and agricultural operations, which once were the dominant uses, have been replaced by office/industrial and commercial development in the form of four existing business parks and the Cochrane Plaza Shopping Center.

In July of 2016, Morgan Hill adopted a new 2035 General Plan which began the transformation of the downtown core and central business district. The General Plan intends to attract shoppers from outside of the area, as well as expanding the downtown area. Mixed use development and residential uses in proximity to public transportation are encouraged.

Much of Morgan Hill's economy is driven by its proximity to Silicon Valley. The residential community houses many of Silicon Valley's employment base and the many businesses are Silicon Valley-supporting high tech/industrial companies. Morgan Hill itself is also home to several high tech companies including Anritsu, Flextronics, Velodyne, and Ten Cate Advanced Composites.

Neighborhood Location and Boundaries

The subject neighborhood is located in the downtown section of Morgan Hill. The area is suburban in nature. The neighborhood is bounded by Main Avenue to the north, Butterfield Boulevard to the east, East Dunne Avenue to the south, and Monterey Road to the west.

Demographics

The following table depicts the area demographics in Morgan Hill within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
Population Summary			
2000 Population	13,151	36,303	45,228
2010 Population	14,564	40,762	50,168
2018 Population	17,331	47,722	57,562
2023 Population Estimate	18,843	51,565	61,705
Annual % Change (2018 - 2023)	1.7%	1.6%	1.4%
Housing Unit Summary			
2000 Housing Units	4,220	11,842	14,750
% Owner Occupied	53.7%	69.4%	71.1%
% Renter Occupied	44.5%	28.0%	26.2%
2010 Housing Units	4,783	13,716	16,899
% Owner Occupied	51.0%	66.4%	67.6%
% Renter Occupied	45.1%	29.0%	27.8%
2018 Housing Units	5,579	15,561	18,820
% Owner Occupied	55.7%	69.8%	70.4%
% Renter Occupied	41.0%	27.0%	26.2%
2023 Housing Units	6,004	16,606	19,932
% Owner Occupied	59.7%	73.0%	73.5%
% Renter Occupied	37.4%	24.2%	23.5%
Annual % Change (2018 - 2023)	1.5%	1.3%	1.2%
Income Summary			
2018 Median Household Income	\$87,646	\$106,215	\$110,003
2023 Median Household Income Estimate	\$105,353	\$127,377	\$130,845
Annual % Change	3.7%	3.7%	3.5%
2018 Per Capita Income	\$35,832	\$46,647	\$48,075
2023 Per Capita Income Estimate	\$43,061	\$54,887	\$56,194
Annual % Change	3.7%	3.3%	3.2%

Source: Site-to-Do-Business (STDB Online)

Transportation Routes

Within the immediate area of the subject, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject include Main Avenue and East Dunne Avenue and Butterfield Boulevard and Monterey Road. Access to the area is considered average.

Conclusions

Overall, the subject neighborhood is in the redevelopment stage of its life cycle. With support and encouragement from the newly adopted 2035 General Plan, the downtown core and Central Business district are seeing the construction and proposal of numerous residential and mixed use projects.

Site Description

The subject site is located on the east side of Depot Street, north of East Dunne Avenue. For the purposes of this assignment, we consider only the Hale Lumber site, but recognize that the realignment of Depot Street would potentially add 0.5 acres to the subject's total developable area. The characteristics of the site are summarized as follows:

Site Characteristics

Location:	The east side of Depot Street, north of East Dunne Avenue
Gross Land Area:	2.05 Acres or 89,298 SF
Usable Land Area:	2.05 Acres or 89,298 SF
Usable Land %:	100.0%
Shape:	Generally Rectangular
Average Depth:	102 feet
Topography:	Generally level
Drainage:	Average
Grade:	At street grade
Utilities:	All to site.
Off-Site Improvements:	Curb, gutter, and sidewalks on East Dunne frontage. No curbs or gutters, or sidewalks on Depot street, utility lines are overhead.
Interior or Corner:	Corner
Signalized Intersection:	No: No traffic signal at, or near, the site

Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Depot Street	East Dunne Avenue
Street Type:	Commercial	Commercial
Frontage (Linear Ft.):	862	105
Number of Curb Cuts:	3	0

Flood Zone Data

Flood Map Panel/Number:	06085C 0444H
Flood Map Date:	05-18-2009
Flood Zone:	X
	"X" is 0.2% annual chance of floods and 1% chance of annual flood with average depths of 1 foot or with drainage areas of less than one square mile.
Site Area in Flood:	0.00%

Other Site Conditions

Soil Type:	Those that appear suitable for development.
Environmental Issues:	An environmental impact report has not yet been completed. As of the date of this appraisal, there are no known issues that would impede development of the site.
Easements/Encroachments:	None known that would impact development of the site.
Earthquake Zone:	While all of California is prone to earthquakes, the subject is not in an Alquist Priolo fault zone.

Adjacent Land Uses

North:	Construction storage yard
South:	Two-story multi-family across East Dunne Avenue
East:	Two-story townhomes
West:	County parking lot with single-family homes to the north

Site Ratings

Access:	Average
Visibility:	Good

Zoning Designation

Zoning Jurisdiction:	City of Morgan Hill
Zoning Classification:	CBD, Central Business District
General Plan Designation:	Mixed Use
Permitted Uses:	A variety of uses including higher density residential, commercial and retail
Zoning Comments:	The Hale site is located within the Downtown Specific Plan area and is zoned for Mixed Use. This designation applies to the majority of parcels in and around the downtown area and is intended to encourage a mixture of retail and residential uses.

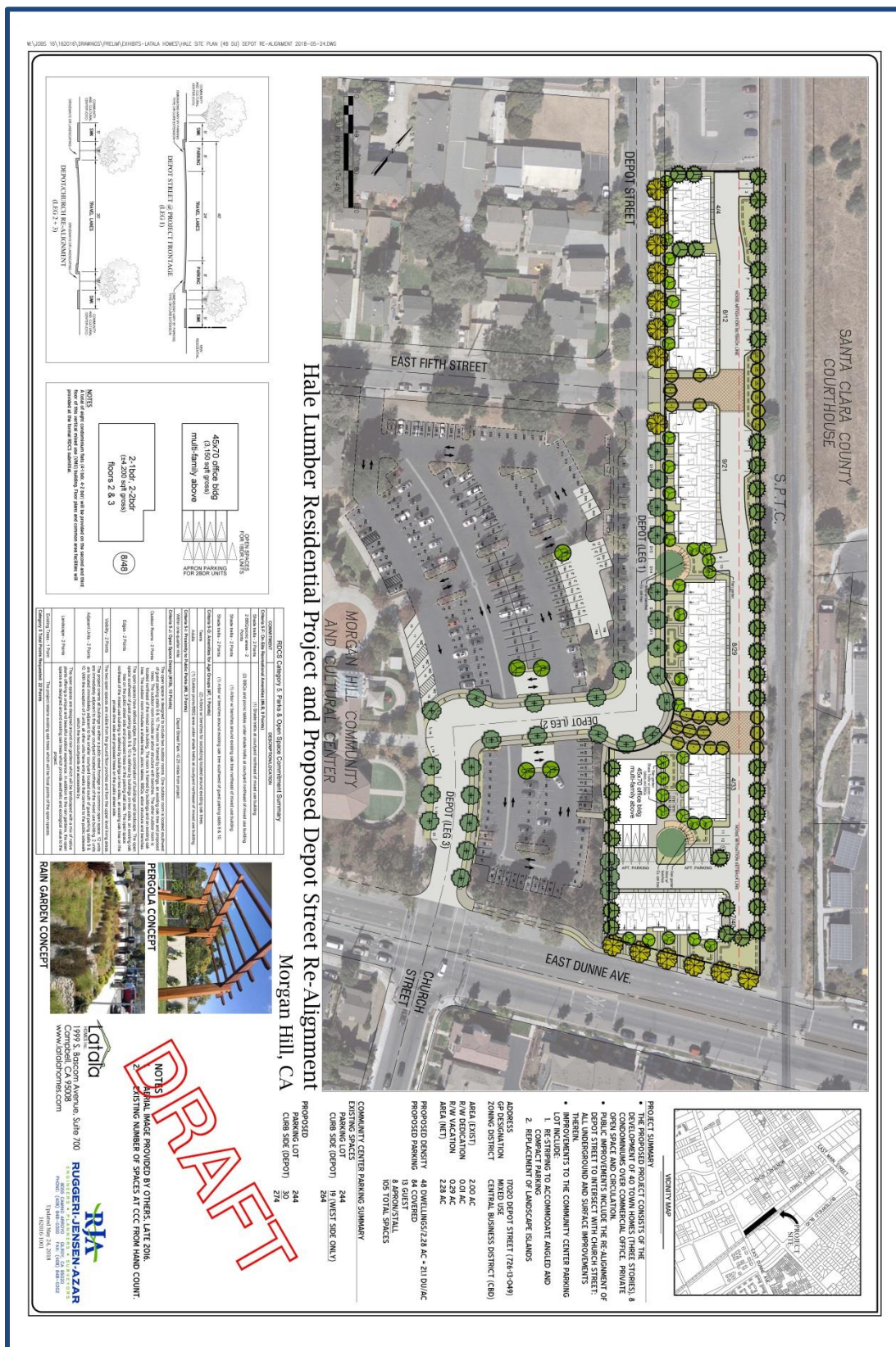
A 3,500 square foot minimum lot size is required, with a 2.0 maximum floor area ratio. There is no minimum or maximum for residential density within the downtown core. While there is no maximum building coverage area, there is a height maximum of no more than 3 stories or 45 feet.

Analysis/Comments on Site

The Hale site is located within the Central Business District of downtown Morgan Hill. This area is prime for development, with the new General Plan encouraging residential and retail uses. The proposed project would meet the zoning and general plan requirements, creating both residential and commercial uses.

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

PROPOSED SITE MAP



FLOOD MAP



Figure 1-2 **Downtown Specific Plan Zoning Map¹**



Improvements Description

The Depot Street project proposes 48 townhouses and a ground floor commercial suite. As previously discussed, this appraisal focuses on the commercial space only.

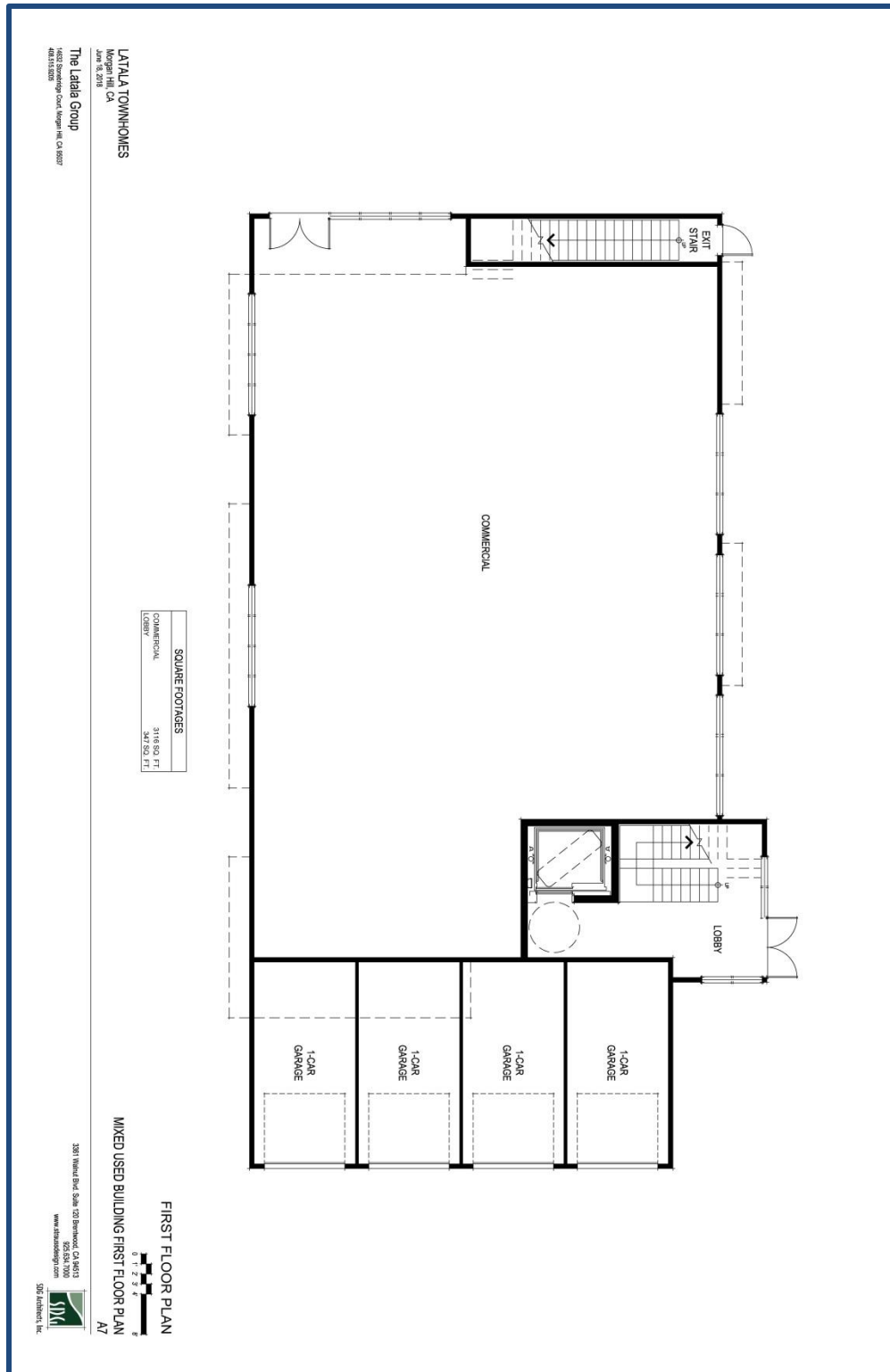
The proposed commercial unit will measure 3,116 square feet. The condo is generally rectangular and includes one restroom core. Plans indicate a shared lobby and circulation area measuring 347 square feet. The proposed office condominium would be delivered in "warm shell" condition, which includes all wiring, HVAC, sheetrock, hardscape and landscaping. The user would have the flexibility to finish the space to their specifications.

The office will face the realigned portion of Depot Street. The street realignment will split the Community Center parking lot, creating a smaller lot with approximately 55 spaces. Both of these parking lots are owned by the City of Morgan Hill. The proposed office space will not have any exclusive on-site parking spaces. The parking shown in the following building plan is allocated for the residential units. Street parking appears adequate at present, but this could change as nearby developments are completed and more residents and employees arrive. We will discuss this more in our valuation sections.

Analysis/Comments on Improvements

The functional utility of the proposed commercial unit considered good based upon a comparison of similar properties in the market area. The location is within walking distance of the downtown core as well as the Morgan Hill transit center. The proposed building will be constructed using good quality finishes and delivered in "warm-shell" condition, for the occupant to finish to their specifications.

BUILDING PLAN



Subject Photos



Street Scene



Hale Lumber Site



Portion of Community Center parking lot to be included in project



Additional view of Hale Lumber

Assessment and Tax Data

Assessment Methodology

The State of California has provided for a unified system to assess real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Santa Clara County and is subject to both general taxes and direct assessments.

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes including direct assessments are shown in the following table:

Tax Schedule

Tax Year	Parcel Number	Assessor's Appraised Value - Land	Assessor's Total Appraised Value	Assessed Value	Effective Tax Rate	Special Assessments	Tax Expense
1 2018	726-13-049	\$810,478	\$810,478	\$810,478	1.215160%	\$141	\$9,989
Total		\$810,478		\$810,478		\$141	\$9,989

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject property is 1.21516%.

Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Santa Clara County Tax Collector's Office, the direct assessments for the subject property are as follows: Library CFD, Mosquito Vector Asmt #2, Mosquito Vector Control Assmt, SCVOSA Measure Q, SCVWD Safe Clean Water, SFBRA Measure AA.

Current and Future Taxes

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2 percent per year, regardless of the rate of inflation. Real estate is subject to re-appraisal to current market value upon a change in ownership or new construction. Property assessments in years subsequent to a change of ownership or new construction are referred to as factored base values.

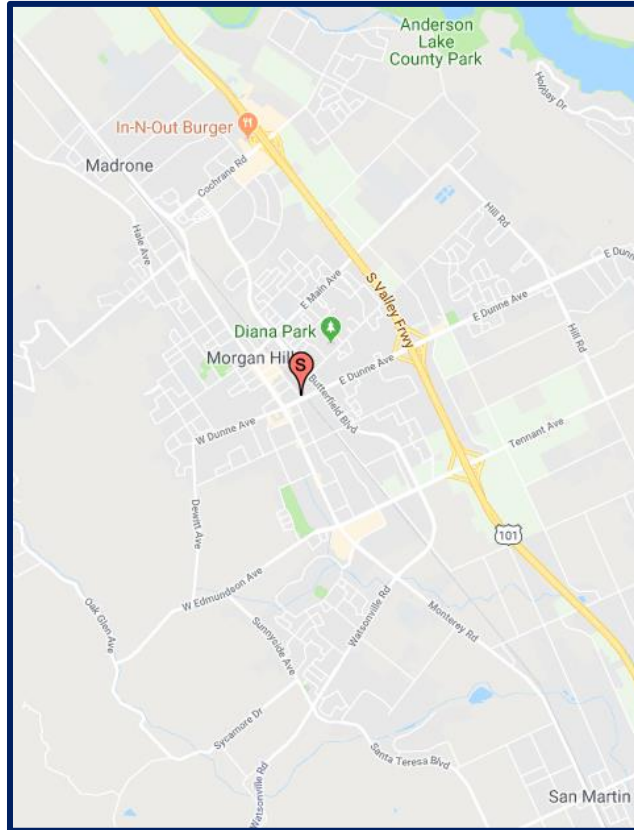
Proposition 8, which passed in 1979, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.

Conclusions

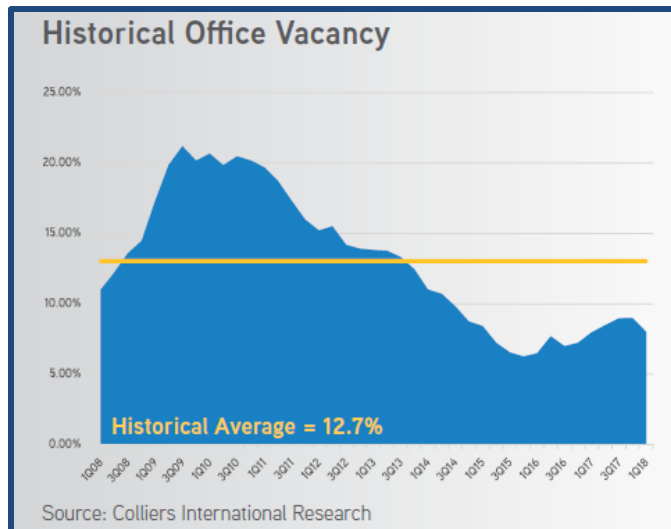
According to the Santa Clara County Tax Assessors Office the subject's property taxes are current as of the date of value.

Market Analysis

MARKET AREA MAP



Silicon Valley Office Market Overview



Office activity in the Silicon Valley had 2.3 million square feet of gross absorption in the first quarter of 2018, down 37.3% from the previous quarter, but up 31.6 percent from the first quarter of 2017.

Vacancy in the market declined slightly during the first quarter, mostly due to an increase in the overall building base. The overall availability rate was 11.8 percent, the same as first quarter 2017.

Asking rates declined quarter over quarter, with a first quarter rate of \$4.25 per square foot, full service. This is 2.4 percent lower than the same period a year earlier.

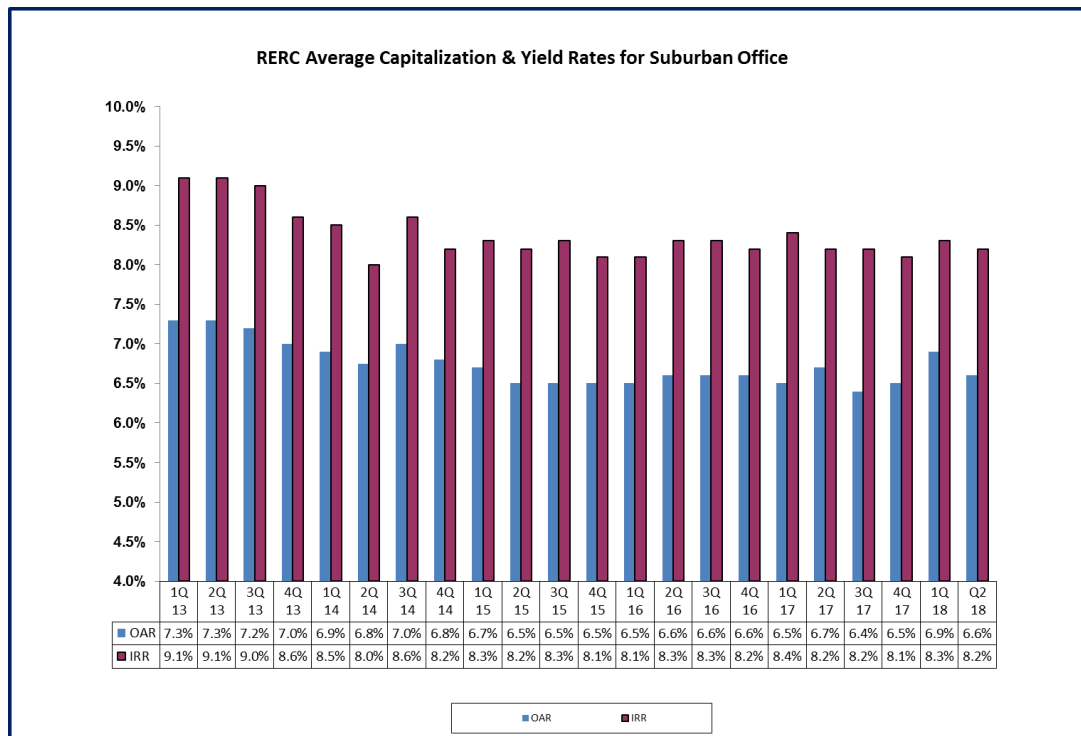
Morgan Hill Office Market

The subject is situated in the Morgan Hill/Gilroy submarket in Silicon Valley. As of the first quarter 2018, the most recent reports available, total inventory in submarket stood at 1,140,397 square feet, with 34,962 square feet of space available. The vacancy rate was in the low-end of the range in Silicon Valley at 3.6%. The first quarter 2018 absorption was 3,946 square feet and therefore the year-to-date absorption was also 3,946 square feet. The average asking rate was \$2.40 per square foot per month, full service, which is the lowest in Silicon Valley. As a comparison, we also include the totals for San Jose in the table below, where asking rates average \$3.90 full service.

Market Comparisons – Silicon Valley												
OFFICE MARKET												
CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	SUBLEASE VACANT SF	DIRECT OCCUPIED SF	SUBLEASE OCCUPIED SF	TOTAL AVAILABLE SF	AVAILABILITY RATE CURR QTR	AVAILABILITY RATE PREV QTR	NET ABSORPTION CURR QTR	COMPLETED CURR QTR	UNDER CONST. SF	FS WTD AVG ASKING
GILROY / MORGAN HILL												
A	418,491	7,537	-	-	-	7,537	1.8%	2.9%	3,946	3,946	-	\$2.40
B	434,902	5,660	-	-	-	5,660	1.3%	1.3%	-	-	-	\$1.75
C	287,004	21,765	-	900	5,031	27,696	9.7%	9.3%	-	-	-	\$2.10
Total	1,140,397	34,962	-	900	5,031	40,893	3.6%	3.9%	3,946	3,946	-	\$2.10
SAN JOSE												
A	15,741,626	2,192,829	266,882	741,498	117,978	3,319,187	21.1%	21.4%	506,051	506,051	415,000	\$3.90
B	9,695,647	659,541	55,167	209,419	109,524	1,033,651	10.7%	10.4%	9,971	9,971	-	\$3.14
C	3,976,208	280,446	-	90,640	9,189	380,275	9.6%	9.9%	(971)	(971)	-	\$2.84
Total	29,413,481	3,132,816	322,049	1,041,557	236,691	4,733,113	16.1%	16.1%	515,051	515,051	415,000	\$3.67

Capitalization & Yield Rate Trends

We have considered the historical average capitalization rates and yield rates for Suburban Office Space, as reported by the RERC. The historical rates are illustrated in the table located on the following page, and reflect more recent data including Q2 2018.



Not shown on the graph above is that capitalization rates were at their lowest in 2007, consistent with the peak of the commercial real estate market. At that time, the average cap rate was in the range of 6.6% and the average yield rate was about 8.4%. Rates increased sharply in late 2008 and ultimately peaked in the Fourth Quarter of 2009 with an average cap rate of 8.8% and average yield rate of 10.1%. Capitalization rates declined in 2010 and 2011. Capitalization rates were steady over 2012 in the mid 7% range, before declining dramatically in the fourth quarter of 2013. Rates have been relatively stable over the last four quarters with a slight increase in the first quarter. For the Second Quarter 2018, the average capitalization rate was 6.6% and average yield rate was 8.2%. It is noted that this reflects nationwide averages and includes all office space types. As explained in our Income Approach section of this report, our subject's cap rate is significantly lower than these averages.

Conclusion

The subject is situated in the Morgan Hill/Gilroy submarket in Silicon Valley. Total inventory in submarket stood at 1,140,397 square feet, with 34,962 square feet of space available. The asking rate was the lowest for the Silicon Valley office.

According to local brokers, the Morgan Hill office market has experienced tremendous growth with increasing rental rates and decreasing vacancy rates. The subject is well-situated in an established area in Morgan Hill and benefits from its proximity to Hwy 101 and Old Monterey Road. Overall, we believe that the short and long-term outlook for the subject property remains positive.

Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned CBD, Central Business District which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development.

Financially Feasible

The probable use of the site for mixed use development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is an undersupply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for mixed use that supports the Central Business District and the General Plan.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for mixed-use development. Zoning and General Plan support mixed-use development within the downtown core.

Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land.

Retaining the improvements as they exist meets the tests for physical possibility, legal permissibility and financial feasibility. The improvements are in fair condition and any alternative use of the existing improvements is unlikely to be economically feasible. The existing improvements add only nominal value to the overall site. The market value of the property as improved is comparable to the market value of the vacant site value plus cost of demolition of the improvements. Therefore demolition and redevelopment of the site is considered maximally productive.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, as improved, is demolition and redevelopment as a mixed-use site to support the downtown core.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is owner-user.

Sales Comparison Approach

Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for office properties such as the subject property is price per square foot of net rentable area.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

Comparable Sales Data

To obtain and verify comparable sales and listings of office properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, as well as a review of our internal database.

We included six sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

Improved Sales Summary

Comp. No.	Date of Sale	Location		Year Built	NRA	Unadjusted Sale Price	PSF
1	June-18	285 Digital Drive	Morgan Hill, California	2002	9,764	\$2,490,000	\$255.02
2	February-18	6070 Hellyer Avenue	San Jose, California	2006	6,093	\$1,750,000	\$287.21
3	August-17	8833 Monterey Street, Unit C	Gilroy, California	1979	1,500	\$305,000	\$203.33
4	May-17	16165 Monterey Road	Morgan Hill, California	1984	10,500	\$2,335,000	\$222.38
5	April-17	18630 Sutter Boulevard	Morgan Hill, California	1990	10,101	\$2,450,000	\$242.55
6	April-17	17705 Hale Avenue	Morgan Hill, California	1985	6,238	\$1,460,000	\$234.05

INDUSTRIAL COMPARABLE 1



Property Identification

Property/Sale ID	15720/436675
Property Type	Research and Development (R&D)
Property Name	Morgan Hill Ranch
Address	285 Digital Drive
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.137400/-121.656013
Tax ID	726-25-038

Transaction Data

Sale Date	June 11, 2018	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	23952086
Grantor	Jumping G Ents LLC	Sale Price	\$2,490,000
Grantee	GMT LLC		

Property Description

Gross Building SF	9,764	Pkg/1,000 SF NRA	3.5
Net Rentable SF	9,764	Flr. Area Ratio (FAR)	0.29
Year Built	2002	Density (Units/Acre)	1.32

Physical Indicators

\$/SF NRA	\$255.02
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Remarks

This property consists of a single parcel of land improved with a flex industrial building located within the Morgan Hill Ranch area of Morgan Hill. The site has a rectangular shape and interior lot configuration with 119 feet of frontage along Digital Drive and a depth of 235 feet. The improvements consist of a single-story concrete tilt-up industrial building containing 9,764 gross and rentable square feet. The building was constructed in 2002 and is in average condition. The interior is built out as 100% finished areas. The building has an 18 foot clear height, one roll up door and 34 onsite parking stalls indicating a parking ratio of 3.5 stalls per 1,000 square feet of building area.

The underlying site contains 33,236 or 0.76 acres square feet for an FAR of 29%.

The interior is built out as 50% office and 50% warehouse. The buyer was an owner-user who will use the space to manufacture engine components.

OFFICE COMPARABLE 2



Property Identification

Property/Sale ID	131723/436435
Property Type	Office, R&D
Property Name	Hellyer Commons
Address	6070 Hellyer Avenue
City, State Zip	San Jose, California 95138
County	Santa Clara
Latitude/Longitude	37.257196/-121.778574
Tax ID	678-17-056, 678-17-057, 678-17-058, 678-17-059

Transaction Data

Sale Date	February 28, 2018	Property Rights	Fee Simple
Grantor	6070 Hellyer LLC	Recording Number	23879942
Grantee	Yuan Feng LLC	Sale Price	\$1,750,000

Property Description

Gross Building SF	6,093	Pkg/1,000 SF NRA	8.7
Net Rentable SF	6,093	Flr. Area Ratio (FAR)	1.00
Year Built	2006		

Physical Indicators

\$/SF NRA	\$287.21
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Remarks

This standalone condominium is located on 6070 Hellyer Avenue in the Hellyer Commons office park in San Jose. The improvements were constructed in 2006 and contain 6,093 square feet of flex/office space. Hellyer Commons is comprised of 16 flex buildings totaling 98,000 square feet, all situated on a lot of 7.43 acres. There is up to 8.7/1000 parking provided through a reciprocal parking agreement with the adjoining property.

This transaction represents the sale of a flex building, located in San Jose, CA. The asset was purchased on March 2, 2018 by Yuan Feng LLC from 6070 Hellyer, LLC for \$1.75M which equates to about \$287 per square foot.

OFFICE COMPARABLE 3



Property Identification

Property/Sale ID	129567/435173
Property Type	Condominium Unit(s)
Property Name	Gilroy Professional Park
Address	8833 Monterey Street, Unit C
City, State Zip	Gilroy, California 95020
County	Santa Clara
Latitude/Longitude	37.024583/-121.577972
Tax ID	790-27-065

Transaction Data

Sale Date	August 30, 2017	Property Rights	Fee Simple
Sale Status	Recorded	Recording Number	23745260
Grantor	Green, George E & Linda M	Sale Price	\$305,000
Grantee	Borch, John H & Beverly A		

Property Description

Gross Building SF	1,500	Pkg/1,000 SF NRA	2.7
Net Rentable SF	1,500	Flr. Area Ratio (FAR)	0.98
Year Built	1979		

Physical Indicators

\$/SF NRA	\$203.33
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Remarks

The property involved in this transaction consists of a single-story, single-tenant office condominium unit situated along Monterey Road in Gilroy, California. The entire condominium complex in which this property contains a total of six units and was constructed in 1979. The entire complex is situated on a 47,916-square-foot, or 1.10-acre parcel of land. The unit involved in this transaction is Unit C, which contains 1,388 square feet of gross and net rentable area, all of which is demised for single-tenant use. The interior of this unit is fully built-out as office space, with dropped ceilings, HVAC, electrical panel and plumbing throughout. On-site parking is available, with a total of 40 shared surface parking spaces, indicating an overall shared parking ratio of 2.86 parking spaces per 1,000 square feet of building area.

At the time of sale, this property was fully vacant. However, it was also listed for lease in addition to sale. It is listed for lease with an asking rent of \$1.25 per square foot per month, triple net. Based on this asking rent, an annual potential gross scheduled income of \$20,820 can be calculated. Deducting an estimated 10% of effective gross income (EGI) in vacancy and collection loss, as well as an estimated 2% of EGI in replacement reserves indicates an estimated annual NOI of \$18,363 and a pro-forma capitalization (cap) rate of 6.02%.

This property sold on August 30, 2017 with a total sale price of \$305,000. This sale price is slightly above the original asking price of \$298,420. This property sold unaffected by any unusual financing or conditions of sale. The buyer was an owner-user.

OFFICE COMPARABLE 4



Property Identification

Property/Sale ID	128097/436646
Property Type	Office
Address	16165 Monterey Road
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.114702/-121.644391
Tax ID	767-18-035 & 036

Transaction Data

Sale Date	May 31, 2017	Property Rights	Leased Fee
Sale Status	Recorded	Recording Number	23662315
Grantor	Nguyen Family Trust	Sale Price	\$2,335,000
Grantee	Ostrich		

Property Description

Gross Building SF	10,500	Pkg/1,000 SF NRA	3.8
Net Rentable SF	10,500	Flr. Area Ratio (FAR)	0.26
Year Built	1984	Density (Units/Acre)	11.96

Physical Indicators

\$/SF NRA	\$222.38
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Remarks

This is an office building located in Morgan Hill. This is an entire office, divided into condos. As a small building it does offer some competition to condos.

The improvements consist of a 10,500 square foot building constructed in 1984. The underlying site contains 40,075 square feet indicating a floor area ratio of 26%. There are 40 parking spaces indicating an on-site parking ratio of 3.8 spaces per 1,000 square feet of building area.

The building consists of 11 units and was delivered with 4 vacant units totaling 3,292 square feet. It sold for all cash with a 45 day escrow period. The broker indicated that the cap rate was closer to 5% for this transaction.

OFFICE COMPARABLE 5



Property Identification

Property/Sale ID	128094/434359
Property Type	Office
Address	18630 Sutter Boulevard
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.150853/-121.657889
Tax ID	726-33-003

Transaction Data

Sale Date	April 22, 2017	Property Rights	Leased Fee
Sale Status	Recorded	Recording Number	23680329
Grantor	Cbr-dssi	Sale Price	\$2,450,000
Grantee	John Beverly Borch		

Property Description

Gross Building SF	10,101	Pkg/1,000 SF NRA	5.5
Net Rentable SF	10,101	Flr. Area Ratio (FAR)	0.24
Year Built	1990	Density (Units/Acre)	1.04

Physical Indicators

\$/SF NRA	\$242.55
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Remarks

This property consists of a single parcel of land improved with an office building located in Morgan Hill and is known as the Cochrane Business Ranch. As with Sale 4, this is not a condo, but is a small office, which would compete with condos.

The site has an irregular shape and corner parcel configuration with 326 feet of frontage along Sutter Boulevard and 39 feet of frontage along Cochrane Road. The maximum depth from Cochrane Road is 390 feet. The improvements consist of a 10,101 square foot building constructed in 1990.

The underlying site contains 41,818 square feet or 0.96 gross acres, indicating a floor area ratio of 24%. There are 56 parking spaces indicating an on-site parking ratio of 5.5 spaces per 1,000 square feet of building area. The zoning is light industrial.

John Beverly Borch purchased this property from CBR-DSSI in April 2017. The property was 100% occupied by multiple tenants at the time of sale. According to the marketing package, the property sold at a 5.88% capitalization rate. The property was on the market for four months and in escrow for two months. The sale price was \$2,450,000 or \$242.55 per square foot of building area.

OFFICE COMPARABLE 6



Property Identification

Property/Sale ID	128089/434356
Property Type	Office
Address	17705 Hale Avenue
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.130849/-121.661332
Tax ID	764-19-017

Transaction Data

Sale Date	April 4, 2017	Property Rights	Baptist
Sale Status	Recorded	Recording Number	23630583
Grantor	DS Investment	Sale Price	\$1,460,000
Grantee	Great Commission Association of Southern		

Property Description

Gross Building SF	6,238	Pkg/1,000 SF NRA	2.9
Net Rentable SF	6,238	Flr. Area Ratio (FAR)	0.30
Year Built	1985		

Physical Indicators

\$/SF NRA	\$234.05
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Remarks

This is an office building located in Morgan Hill. As with Sales 4 and 5, this is not a condo, but is a small office, which would compete with condos.

The building is situated within the Park Plaza Professional Center. The improvements consist of a 6,238 square foot building constructed in 1985. The underlying site contains 20,909 square feet indicating a floor area ratio of 30%. There are 18 parking spaces indicating an on-site parking ratio of 2.8 spaces per 1,000 square feet of building area.

Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment to the comparable was applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

Real Property Rights Conveyed

In the case of the subject property, the fee simple interest is considered. Sales 4 and 5 were fully leased at the time of sale, and are adjusted downward a by 5%.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the comparable sales involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

Conditions of Sale

Atypical conditions of sale may result in a price that is higher or lower than a normal transaction. Such atypical conditions of sale often occur in conjunction with sales between related parties or those in which one of the parties is atypically motivated to complete the transaction. Additionally, a downward adjustment may be applied to a listing price, which usually reflects the upper limit of value. The sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listings.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination and/or costs to occupy or stabilize the property. The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller. The parties to the sale comparables did not anticipate expenditures immediately after purchase; no adjustments were required.

Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for office properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 3.00% per year.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion will analyze each adjustment category deemed applicable to the subject property.

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner- versus interior-lot location, neighboring properties, view amenities, and other factors.

The subject property is located along Depot Street with average access and good visibility. The location is considered to be along the periphery of the downtown core, located on Monterey Street. It is noted that there are numerous projects under construction along Depot Street which could enhance the desirability of the subject location as the downtown core expands to potentially incorporate Depot Street.

Sales 1 and 5 are located within business parks where the majority of Morgan Hill's office condos are located. Additionally, Sale 4 is located along Monterey Road, south of the downtown core. All of these locations are considered slightly inferior and warrant an upward adjustment.

Sale 2 is located in South San Jose, where values are typically higher, as the location is closer to Silicon Valley. This sale is given a downward adjustment. Alternatively, Sale 3 is located in Gilroy, further south and in an inferior area, warranting an upward adjustment. Sale 6 has the most similar location, within a few blocks of the downtown core.

Size

The size adjustment addresses variance in the net rentable area of the comparables and that of the subject, as a larger building typically commands a lower sale price per unit than a smaller building. This inverse relationship is due, in part, to the principle of "economies of scale."

The subject property consists of 3,116 square feet of net rentable area. Based on our conversations with area brokers, typical office condos are in the 1,000 to 2,000 square foot range.

Sale 1 is a flex building, and Sales 4 and 5 are leased office buildings, all in the 10,000 square foot range. These sales warrant an upward adjustment due to economies of scale. Sales 2 and 6, although larger, are considered the most similar, warranting no adjustments. Sale 3 is significantly smaller, warranting a downward adjustment.

Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. However, although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be due to the older property being well maintained or a recent renovation. We based the adjustments to the comparables on effective age rather than physical age. This takes the overall condition of a property into consideration.

All sales except Sale 4 are rated in average condition. Compared to the proposed new construction at the Hale Lumber site, these comparables were adjusted upward.

Office Build-Out

It is important to note that our office condo in the "as-completed" condition will be a warm shell. The future occupant will be responsible for the costs to complete the office build-out. All of our comparables are fully completed office buildings in move-in ready condition. For this reason, we adjust our comparables downward by 5%.

Parking Ratio

The proposed condo is a part of a townhome development and will include the realignment of Depot Street. The condo will not have any exclusive parking spaces. In other words, parking will be shared with other condo owners and members of the public. The adjacent City-owned lot could allow for potential parking if an agreement was negotiated. All sales have a more typical parking ratio and exclusive spaces available. Therefore, all sales are adjusted downward by 5% for superior parking.

Economic Characteristics

Economic characteristics include all the attributes of a property that directly affect its income. This element of comparison is typically considered with income-producing properties. These characteristics include operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options, and lease provisions such as expense recovery clauses.

Use

The highest and best use of comparable sale properties should be very similar to that of the subject property. When comparable properties with the same zoning as the subject are lacking or scarce, properties with slightly different zoning but a highest and use similar to that of the subject may be used as comparable sales. These sales may require adjustment for differences in utility if the market indicates that this is appropriate.

Non-Realty Components of Value

Non-realty components of value include tangible items, equipment, and business concerns that do not constitute real property but are included in either the sale price of the comparable property or the ownership interest in the subject property. These components should be analyzed separately

from the real property. In most cases, the economic lives, associated investment risks, rate of return criteria, and collateral security for such non-realty components differ from those of the real property.

Furniture, fixtures, and equipment are typical examples of items that may be included in a comparable sale. In appraisals of properties in which the business operation is essential to the use of the real property, the contributory value of the non-realty component must be analyzed. If the contributory value of the non-realty component cannot be separated from the value of the real property as a whole, we should make clear that the value indication using the sales comparison approach reflects both the contributory value of the real estate and the value of the business operation.

Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

COMPARABLE SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Sale ID		436675	436435	435173	436646	434359	434356
Date of Value & Sale	July-18	June-18	February-18	August-17	May-17	April-17	April-17
Net Rentable Area	3,116 sf	9,764	6,093	1,500	10,500	10,101	6,238
Unadjusted Sales Price		\$2,490,000	\$1,750,000	\$305,000	\$2,335,000	\$2,450,000	\$1,460,000
Unadjusted Sales Price PSF of NRA		\$255.02	\$287.21	\$203.33	\$222.38	\$242.55	\$234.05
Transactional Adjustments							
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Fee Simple</i>
Adjustment		-	-	-	-5.0%	-5.0%	-
Adjusted Sales Price		\$255.02	\$287.21	\$203.33	\$211.26	\$230.42	\$234.05
Financing Terms	<i>Cash to Seller</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Conventional</i>	<i>Cash</i>	<i>Conventional</i>	<i>Conventional</i>
Adjusted Sales Price		\$255.02	\$287.21	\$203.33	\$211.26	\$230.42	\$234.05
Conditions of Sale	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjusted Sales Price		\$255.02	\$287.21	\$203.33	\$211.26	\$230.42	\$234.05
Expenditures after Sale		\$0	\$0	\$0	\$0	\$0	\$0
Adjustment		-	-	-	-	-	-
Adjusted Sales Price		\$255.02	\$287.21	\$203.33	\$211.26	\$230.42	\$234.05
Market Conditions Adjustments							
Elapsed Time from Date of Value		<i>0.10 years</i>	<i>0.39 years</i>	<i>0.88 years</i>	<i>1.13 years</i>	<i>1.24 years</i>	<i>1.29 years</i>
Market Trend Through	July-18	0.3%	1.2%	2.7%	3.4%	3.7%	3.9%
Analyzed Sales Price		\$255.81	\$290.54	\$208.73	\$218.45	\$239.00	\$243.11
Property Adjustments							
Location	<i>17020 Depot Street</i>	<i>285 Digital Drive</i>	<i>6070 Hellyer Avenue</i>	<i>8833 Monterey Street, Unit C</i>	<i>16165 Monterey Road</i>	<i>18630 Sutter Boulevard</i>	<i>17705 Hale Avenue</i>
	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>San Jose, California</i>	<i>Gilroy, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>
Adjustment		5.0%	-10.0%	10.0%	5.0%	5.0%	-
Size	<i>3,116 sf</i>	<i>9,764 sf</i>	<i>6,093 sf</i>	<i>1,500 sf</i>	<i>10,500 sf</i>	<i>10,101 sf</i>	<i>6,238 sf</i>
Adjustment		5.0%	-	-5.0%	5.0%	5.0%	-
Age/Condition	<i>Year Built 2018</i>	<i>2002</i>	<i>2006</i>	<i>1979</i>	<i>1984</i>	<i>1990</i>	<i>1985</i>
Condition	<i>Good</i>	<i>Average</i>	<i>Average to Good</i>	<i>Average</i>	<i>Good</i>	<i>Average</i>	<i>Average</i>
Adjustment		10.0%	5.0%	10.0%	-	10.0%	10.0%
Office Build-Out	<i>Warm Shell</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>
Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Parking Ratio	<i>No Exclusive Parking</i>	<i>3.48 per 1,000</i>	<i>8.70 per 1,000</i>	<i>2.67 per 1,000</i>	<i>3.81 per 1,000</i>	<i>5.54 per 1,000</i>	<i>2.89 per 1,000</i>
Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Net Physical Adjustment		10.0%	-15.0%	5.0%	-	10.0%	-
Adjusted Sales Price PSF of NRA		\$281.40	\$246.96	\$219.17	\$218.45	\$262.90	\$243.11

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Sales Comparison Approach Value Indication

During our analysis, we found that sales in Morgan Hill are limited, and that the property types vary, creating a wide range of sale prices. We researched retail, restaurant and mixed-use buildings on Monterey Street, within the downtown core. A mixed use building at 17300 Monterey Street sold for \$2,400,000 or \$417 per square foot in March 2018. It consists of ground floor restaurant and retail space and second floor office space. While we considered this in our analysis, it is less similar due to the mixed-use component. Since our assignment is to value only the office condo portion of the proposed project, this sale is considered superior.

Additionally, we considered the sale of 17280 Monterey Street, which is a newly construction, fully leased restaurant space. There are two tenants and the building sold for \$4,800,000, or \$700 per square foot. The broker noted that there will likely be another similar building selling soon for \$5,000,000, or \$892 per square foot. Again, these spaces represent the upper end of the market, with prime frontage along Monterey Street and high profile restaurant tenants.

We selected office sales in competitive market areas which best represented the proposed office condo. These sales were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

Improved Sales Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sale Price per Sq. Ft	\$203.33	\$208.73	\$218.45
Maximum Sale Price per Sq. Ft	\$287.21	\$290.54	\$281.40
Median Sale Price per Sq. Ft.	\$238.30	\$241.06	\$245.04
Mean Sale Price per Sq. Ft.	\$240.76	\$242.61	\$245.33

Sales 1 and 5 are buildings in the neighborhood where owner-users typically search for office condos or small offices. Sale 2 is a stand-alone flex condo with a superior location in South San Jose. These larger, flex buildings allow for a slightly different functionality. Sales 3 and 6 are more similar to the subject, but range in size and have different locations, which impact value. Sale 4 is an entire office building with smaller condo suites, which could potentially be sold separately.

The downtown location in a mixed-use is also a factor. Downtown has the benefit of being within walking distance to shops, restaurants and public transit. On the other hand, a mixed-use building could add challenges with lack of parking or disruptive neighbors. As a whole, seeing that Morgan Hill is in a period of growth, we consider the location to be a positive.

Based on the adjusted prices and the most comparable sale, a unit value for the subject property is near the middle of the adjusted range, or \$245 per square foot. This indicated a preliminary upon completion fee simple market value indication of \$763,420 Morgan Hill's recent increase in development in the downtown area supports our conclusion. The demand for space is indicated by the lack of inventory and projects currently under construction.

Upon Completion Fee Simple Market Value Indication

Based on this analysis, the sales comparison indication is summarized as follows:

Improved Sales Comparison Approach Value Indication					
Reasonable Adjusted Comparable Range					
3,116 sf	x	\$243.11	=		\$757,531
3,116 sf	x	\$246.96	=		\$769,527
Upon Completion Fee Simple Market Value Indication					
3,116 sf	x	\$245.00	=		\$763,420

Income Capitalization Approach

Methodology

The income capitalization approach is developed by converting anticipated future income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The process of developing the income approach consists of the following analyses: Market Rent Analysis, Income Analysis, Vacancy Analysis, Expense Analysis, and Rate Analysis.

Application of Methodology

Given the nature of the property in question, in this appraisal, we employed the direct capitalization method to develop an indication of market value.

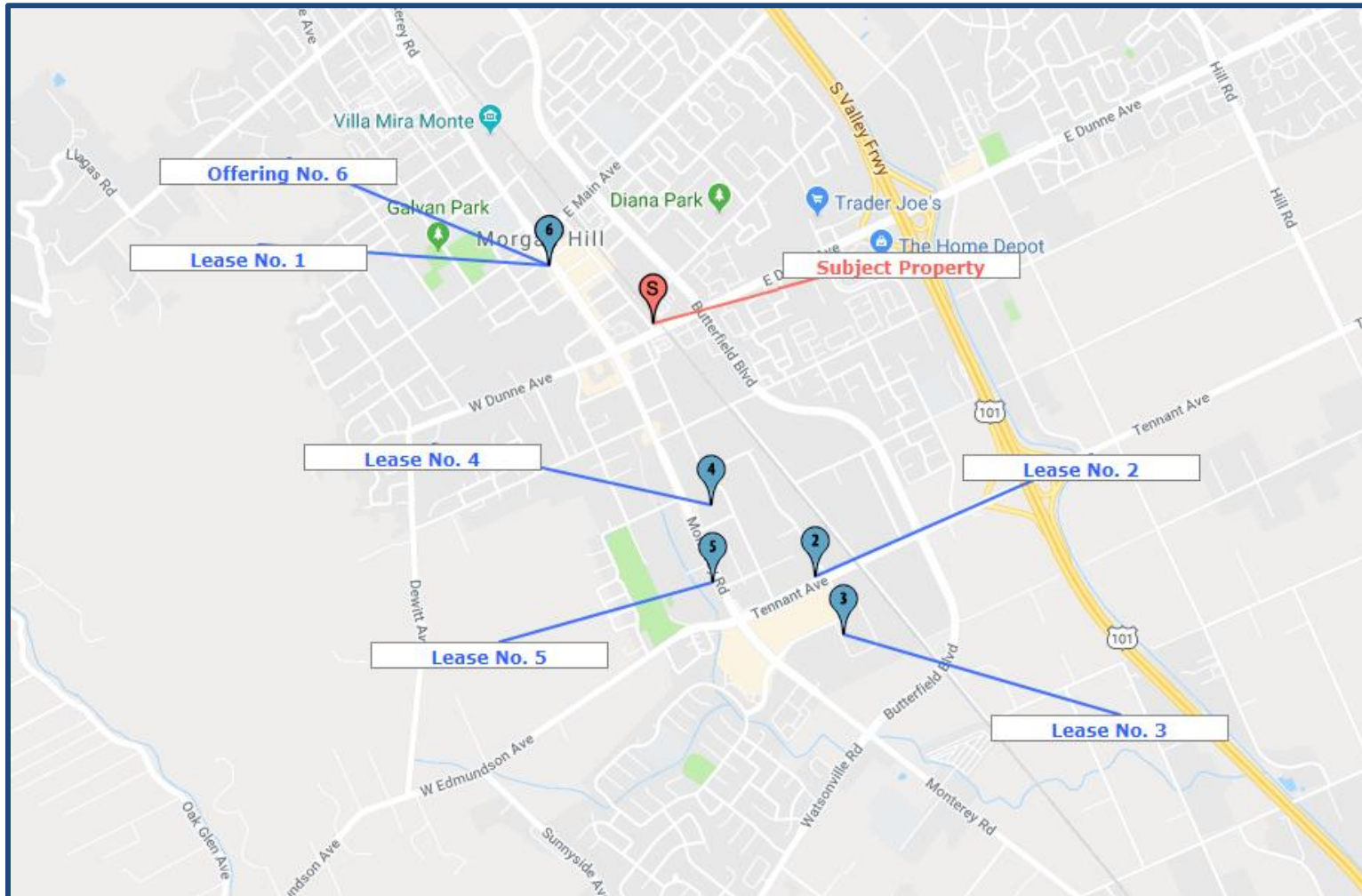
Estimate of Market Rent

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on those offering the greatest similarity in terms of location, size and market appeal. We used six rent comparables to derive an appropriate market rent for the subject property. Following is a table summarizing each rent comparable and a map illustrating the location of each comparable in relation to the subject. Details of each comparable follow the location map.

Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Comp. Type	Location		Year Built	Rental Rate / SF	Lease Structure
1	July-18	Lease	17485 Monterey Road	Morgan Hill, California	1987	\$2.25	Gross
2	June-18	Lease	275 Tennant Avenue	Morgan Hill, California	1989	\$2.00	Gross
3	December-17	Lease	15105 Concord Circle	Morgan Hill, California	1991	\$1.85	Gross
4	December-17	Lease	16360 Monterey Road	Morgan Hill, California	1985	\$2.00	Gross
5	September-17	Lease	16165 Monterey Road	Morgan Hill, California	1984	\$1.70	NNN
6	January-00	Lease	17485 Monterey Road	Morgan Hill, California	1987	\$2.25	Gross

RENT COMPARABLE LOCATION MAP



OFFICE RENT COMPARABLE 1



Property Identification

Property/Rent ID	132153/12540
Property Type	Condominium Unit(s)
Property Name	Millhouse Mall
Address	17485 Monterey Road
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.129255/-121.653844
Tax ID	767-07-027, 767-07-028, 767-07-029

Transaction Data

Lessee	Situs Law	Term (mos.)	37
Tenant SF	821	Lease Type	Gross
Entire Bldg Lease	No		
Lease Signed	July 1, 2018		
Commencement	July 1, 2018		
Expiration	July 31, 2021		

Rental Rates

Initial Rent/SF	\$2.25
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Property Description

Net Rentable SF	14,644	Pkg/1,000 SF NRA	1.1
Year Built	1987	Flr. Area Ratio (FAR)	0.99

Remarks

This is a 14,644 square foot Class A office building located in downtown Morgan Hill. The building is comprised of 19 suites, ranging in size from 140 to 1,600 square feet. The building was constructed in 1987 and is rated in average to good condition. While the building only has 16 designated parking spaces, it is located adjacent to a public parking lot which allows for ample overflow parking.

This is the lease of an 821 square foot office suite. The tenant is a law firm. It is a three year lease at \$2.25 gross.

OFFICE RENT COMPARABLE 2



Property Identification

Property/Rent ID	113884/12538
Property Type	Office Building
Property Name	Vineyard Office Building
Address	275 Tennant Avenue
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.114986/-121.638473
Tax ID	817-05-041

Transaction Data

Lessor	Not disclosed	Expiration	May 31, 2021
Lessee	Not disclosed	Term (mos.)	36
Suite No.	104	Lease Type	Gross
Tenant SF	940		
Entire Bldg Lease	No		
Lease Status	Executed		
Lease Signed	June 1, 2018		
Commencement	June 1, 2018		

Rental Rates

Initial Rent/SF	\$2.00
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Property Description

Net Rentable SF	19,247	Pkg/1,000 SF NRA	3.6
Year Built	1989	Flr. Area Ratio (FAR)	0.36

Remarks

The property involved in this transaction consists of a two-story, multi-tenant office building situated at the intersection of Tennant Station and Tennant Avenue in Morgan Hill, CA. Built in 1989, this property contains a total of 19,247 square feet. It is situated on a 53,570 square foot, or approximately 1.23 acres. The building interior is demised as 16 office spaces and the overall building has an approximately 12% to 15% load factor. This property contains a total of 70 on-site parking spaces, indicating an overall parking ratio of 3.64 spaces per 1,000 square feet of building area.

This is a lease of a 940 square foot Class A office space in the Vineyard Office building. The property is rated good in overall condition.

OFFICE RENT COMPARABLE 3



Property Identification

Property/Rent ID	66556/12522
Property Type	Office Other
Property Name	The Seagull Building
Address	15105 Concord Circle
City, State Zip	Morgan Hill, California
County	Santa Clara
Latitude/Longitude	37.112305/-121.636855
Tax ID	817-06-037

Transaction Data

Lessor	Real Estate Solutions	Expiration	November 30, 2020
Lessee	Angela Fowler	Term (mos.)	36
Tenant SF	1,005	Lease Type	Gross
Entire Bldg Lease	No		
Lease Status	Executed		
Lease Signed	December 1, 2017		
Commencement	December 1, 2017		

Rental Rates

Initial Rent/SF	\$1.85
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Property Description

Net Rentable SF	17,581	Pkg/1,000 SF NRA	3.5
Year Built	1991	Flr. Area Ratio (FAR)	0.40

Remarks

This property is a one and two-story office building located on Concord Circle in the city of Morgan Hill. The building contains 18,400 gross and rentable square feet and was constructed in 1991. The improvements are in average condition. On-site parking is available at a ratio of 3.5 stalls per 1,000 square feet.

Angela Fowler, MFT leased a 1,005 square foot office suite for \$1.85/sf per month starting in December 2017 for a three year term.

OFFICE RENT COMPARABLE 4



Property Identification

Property/Rent ID	26707/12523
Property Type	Office Other
Property Name	Century Office Plaza
Address	16360 Monterey Road
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.118262/-121.644464
Tax ID	817-02-017, 018

Transaction Data

Lessor	Real Estate Solutions	Expiration	November 30, 2022
Lessee	Office Tennant	Term (mos.)	60
Suite No.	260	Lease Type	Gross
Tenant SF	1,417		
Lease Status	Executed		
Lease Signed	December 1, 2017		
Commencement	December 1, 2017		

Rental Rates

Initial Rent/SF	\$2.00
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Property Description

Net Rentable SF	27,400	Pkg/1,000 SF NRA	3.9
Year Built	1985	Flr. Area Ratio (FAR)	0.42

Remarks

This property is located on the east side of Monterey Road with frontage on the west side of Church Street, in Morgan Hill, California. The property is improved with one two-story, multi-tenant office building containing 27,400 gross and rentable square feet and was originally constructed in 1985. The property has a load factor of 14%. The underlying site contains 1.48-acres or 64,656 square feet, indicating an FAR of 0.41. The parking ratio is 4.0/1,000.

This is the lease of a 1,417 square foot space to an office tenant at \$2.00 per square foot per month, gross. The space was leased in as-is condition.

OFFICE RENT COMPARABLE 5



Property Identification

Property/Rent ID	128097/12520
Property Type	Office
Address	16165 Monterey Road
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.114702/-121.644391
Tax ID	767-18-035 & 036

Transaction Data

Lessor	Real Estate Solutions	Expiration	August 31, 2022
Lessee	Art of Yoga	Term (mos.)	60
Tenant SF	2,481	Lease Type	NNN
Entire Bldg Lease	No		
Lease Status	Executed		
Lease Signed	September 1, 2017		
Commencement	September 1, 2017		

Rental Rates

Initial Rent/SF	\$1.70
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Property Description

Net Rentable SF	10,500	Pkg/1,000 SF NRA	3.8
Year Built	1984	Flr. Area Ratio (FAR)	0.26

Remarks

This is an office building located in Morgan Hill. The improvements consist of a 10,500 square foot building constructed in 1984. The underlying site contains 40,075 square feet indicating a floor area ratio of 26%. There are 40 parking spaces indicating an on-site parking ratio of 3.8 spaces per 1,000 square feet of building area.

The broker noted that this was a NNN lease at \$1.70/sf per month with \$0.30 in expenses.

OFFICE RENT COMPARABLE 6



Property Identification

Property/Rent ID	132153/12542
Property Type	Condominium Unit(s)
Property Name	Millhouse Mall
Address	17485 Monterey Road
City, State Zip	Morgan Hill, California 95037
County	Santa Clara
Latitude/Longitude	37.129255/-121.653844
Tax ID	767-07-027, 767-07-028, 767-07-029

Transaction Data

Tenant SF	1,520	Rental Rates	
Lease Status	Listing	Initial Rent/SF	\$2.25
Lease Type	Gross		

Property Description

Net Rentable SF	14,644	Pkg/1,000 SF NRA	1.1
Year Built	1987	Flr. Area Ratio (FAR)	0.99

Remarks

This is a 14,644 square foot Class A office building located in downtown Morgan Hill. The building is comprised of 19 suites, ranging in size from 140 to 1,600 square feet. The building was constructed in 1987 and is rated in average to good condition. While the building only has 16 designated parking spaces, it is located adjacent to a public parking lot which allows for ample overflow parking.

This is a lease listing of a 1,520 square foot office suite. The broker notes that this has been on the market for a long time and he has had difficulty finding a tenant for a space this size at the asking rent of \$2.25/sf gross.

Market Rent Analysis

When necessary, adjustments were made for differences in the various elements of comparison, including lease structure, market conditions, location, size and other relevant factors. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment is applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include: expense structure, concessions, tenant improvement allowances and conditions of lease. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

Expense Structure

The majority of our comparable sales are Gross leases, as they are office suites within larger buildings. A gross lease structure is more typical for these units. The subject office suite, although a part of a mixed-use development, will operate more similarly to a free-standing office building, where the tenant would most likely be responsible for all expenses. For this reason, we analyzed rental income based on a triple net lease structure.

Rental Concessions

No rent comparables were reporting rental concessions upon the date of value. Therefore, no adjustments due to rental concessions were required.

Tenant Improvement Allowances

The rent comparables do not include any leases with over-base-level tenant improvement allowances. Therefore, no tenant improvement allowance adjustments were required.

Conditions of Lease

No atypical conditions of lease were noted and the for-lease listing rates were reported as representative of consummated market transactions.

Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable rent transactions consummated during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for office properties have been improving with recent leases confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 3.00% per year.

Property Adjustments

Property Adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect differences in rental rates attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. Property adjustments are based on locational and physical characteristics and are made after the application of transaction and market conditions adjustments.

Our reasoning for the adjustments made, which were based on our market research, best judgement, and experience in the appraisal of similar properties, is discussed below:

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject property has average access and good visibility. Rentals 1 and 6 have a similar location within walking distance of the downtown core, but all other rentals are adjusted upward for an inferior location farther away from the Central Business District.

Tenant Space Size

The size adjustment addresses variance in the rentable area of the comparables and that of the subject, as larger lease space typically commands a lower rental rate per unit than does a smaller space. This inverse relationship is due, in part, to the principle of "economies of scale." All except Rental 5 are considerably smaller than the subject, and are adjusted downward.

Age/Condition

As the proposed office condo will be brand new and in good condition, all rentals rated inferior in condition are given upward adjustments.

Office Build-Out

It is important to note that our office condo in the "as-completed" condition will be a warm shell. The future occupant will be responsible for the costs to complete the office build-out. All of our comparables are fully completed office buildings in move-in ready condition. For this reason, we adjust our comparables downward by 5%.

Lease Term

All leases have a typical 3 to 5 year lease term and no adjustments are warranted.

Parking

As discussed in the previous section, the proposed project would not have any exclusive parking spaces for the office condo. The adjacent lot is owned by the City of Morgan Hill and a parking agreement could potentially be negotiated. Most of the rentals have a more typical parking ratio with 3 to 4 per 1,000. It is noted that Rental 1 and 6 have fewer designated spaces but are adjacent to a public lot. All rentals are given a slight downward adjustment as compared to the subject's lack of exclusive parking.

Economic Characteristics

Economic characteristics that can impact achievable rental rates include quality of management and leasing, the presence of atypical operating expenses, and tenant mix. Adjustments were made to lease comparables impacted by these issues.

Use

Zoning is a primary factor in determining the highest and best use of the property and generally serves as the test of legal permissibility. If zoning regulations are more or less restrictive than those

applicable to the subject, this may affect the relative utility and rate potential of the associated space. Adjustments for differences in zoning were made as appropriate.

Non-Realty Components of Value

Non-realty components of value include tangible items, equipment, and business concerns that do not constitute real property but are included in the rental rate. Furniture, fixtures, and equipment are typical examples of items that may be included in a comparable lease transaction. If a lease transaction included the use of any non-realty components of value, adjustments were made to reflect the contributory value.

Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the rent comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

RENT COMPARABLE ADJUSTMENT GRID

		Rental #1	Rental #2	Rental #3	Rental #4	Rental #5	Rental #6
Comparable ID		12540	12538	12522	12523	12520	12542
Date of Value & Survey/Lease Date	July-18	July-18	June-18	December-17	December-17	September-17	July-18
Date Lease Commenced		July-18	June-18	December-17	December-17	September-17	Listing
Net Rentable Area	3,116 sf	14,644 sf	19,247 sf	17,581 sf	27,400 sf	10,500 sf	14,644 sf
Monthly Rental Rate		\$2.25	\$2.00	\$1.85	\$2.00	\$1.70	\$2.25
Transactional Adjustments							
Expense Structure	<i>Triple Net</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>NNN</i>	<i>Gross</i>
	<i>Monthly Expenses (PSF)</i>	<i>-\$0.50</i>	<i>-\$0.50</i>	<i>-\$0.50</i>	<i>-\$0.50</i>	<i>\$0.00</i>	<i>-\$0.50</i>
Rent Concessions		<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Adjustment							
Tenant Imp. Allowance - Over Base Amount		<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Net Lease Structure Adjustment		<i>-\$0.50</i>	<i>-\$0.50</i>	<i>-\$0.50</i>	<i>-\$0.50</i>	<i>\$0.00</i>	<i>-\$0.50</i>
Effective Rental Rate		\$1.75	\$1.50	\$1.35	\$1.50	\$1.70	\$1.75
Conditions of Lease	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjustment		<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Adjusted Rental Rate		\$1.75	\$1.50	\$1.35	\$1.50	\$1.70	\$1.75
Market Conditions Adjustments							
Elapsed Time from Date of Value		<i>0.05 years</i>	<i>0.13 years</i>	<i>0.63 years</i>	<i>0.63 years</i>	<i>0.88 years</i>	<i>-0.02 years</i>
Market Trend Through	July-18	<i>0.1%</i>	<i>0.4%</i>	<i>1.9%</i>	<i>1.9%</i>	<i>2.6%</i>	<i>-0.1%</i>
Analyzed Rental Rate		\$1.75	\$1.51	\$1.38	\$1.53	\$1.74	\$1.75
Property Adjustments							
Location	<i>17020 Depot Street</i>	<i>17485 Monterey Road</i>	<i>275 Tennant Avenue</i>	<i>15105 Concord Circle</i>	<i>16360 Monterey Road</i>	<i>16165 Monterey Road</i>	<i>17485 Monterey Road</i>
	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>	<i>Morgan Hill, California</i>
Adjustment		-	5.0%	5.0%	5.0%	5.0%	-
Tenant Space Size	<i>3,116 sf</i>	<i>821 sf</i>	<i>940 sf</i>	<i>1,005 sf</i>	<i>1,417 sf</i>	<i>2,481 sf</i>	<i>1,520 sf</i>
Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	-	-5.0%
Age/Condition	<i>Year Built 2018</i>	<i>1987</i>	<i>1989</i>	<i>1991</i>	<i>1985</i>	<i>1984</i>	<i>1987</i>
Condition	<i>Good</i>	<i>Average to Good</i>	<i>Good</i>	<i>Average</i>	<i>Average</i>	<i>Good</i>	<i>Average to Good</i>
Adjustment		5.0%	-	10.0%	10.0%	-	5.0%
Office Build-Out	<i>Warm Shell</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>	<i>Move-in Ready</i>
Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Lease Term		<i>3.1 years</i>	<i>3.0 years</i>	<i>3.0 years</i>	<i>5.0 years</i>	<i>5.0 years</i>	<i>Listing</i>
Adjustment		-	-	-	-	-	-
Parking	<i>No Exclusive Parking</i>	<i>1.09 per 1,000</i>	<i>3.64 per 1,000</i>	<i>3.53 per 1,000</i>	<i>3.91 per 1,000</i>	<i>3.81 per 1,000</i>	<i>1.09 per 1,000</i>
Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Net Physical Adjustment		-10.0%	-10.0%	0.0%	0.0%	-5.0%	-10.0%
Adjusted Monthly Rental Rate		\$1.58	\$1.36	\$1.38	\$1.53	\$1.66	\$1.57

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Conclusions

From the market data available, we used six rent comparables, which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted rental rates:

Rent Comparable Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Rental Rate	\$1.70	\$1.38	\$1.36
Maximum Rental Rate	\$2.25	\$1.75	\$1.66
Median Rental Rate	\$2.00	\$1.64	\$1.55
Mean Rental Rate	\$2.01	\$1.61	\$1.51

Class A office spaces in Morgan Hill are concentrated primarily around Cochrane Road and Sutter Boulevard, as well as flex space on Digital Drive. According to knowledgeable area broker, Matt Van Keulen, asking prices are typically in the range of \$1.45 to \$1.65 per square foot NNN with \$0.65 for expenses. He also opined that the typical office suite size is 1,500 square feet and under. Larger spaces tend to be more difficult to lease.

As an example, he noted a 2,000 square foot modern office space at 17300 Monterey Street that leased in August 2016 for \$2.30 per square foot, full service, which was lower than expected.

Another broker we surveyed, Alex Kennett, who manages the building at 16165 Monterey Road, opined \$0.30/sf for expenses on his NNN leases. Based on these opinions, and our market research, we make an adjustment of \$0.50/sf for expenses.

We also considered the lease of newly constructed retail/restaurant space in the downtown core. 17280 Monterey Street has two restaurants that are leased for \$3.15 per square foot NNN. While these sites are in proximity to the subject, restaurant space located on the main arterial street of downtown commands a premium.

Difficulty in leasing larger office suites further supports the fact that interested parties are typically owner-users or small business operations. It is often preferable, and more feasible, to buy rather than rent.

The adjusted sales represent a range from \$1.36 to \$1.66 per square foot. Therefore, based on the preceding analysis, a market based triple net rental rate near the middle of the range, or \$1.50 per square foot is estimated for the subject property.

As noted in our Market Analysis section, the average asking rate during Q2 2018 in Morgan Hill was \$2.40 per square foot per month, full service. When we consider that this rate reflects all office space in Morgan Hill, encompassing a wide range of property size and condition, and consider typical expenses of \$0.50, is reasonable as compared to our conclusion of \$1.50 per square foot NNN for a space with this size and building characteristics.

Income Analysis

The income analysis encompasses a review of market rent levels as established in the preceding analysis, as well as additional income sources, expense recoveries, and rent escalations. The sum of all income develops potential gross income (PGI).

As this is a proposed construction, the future occupancy has not yet been determined, and there is no lease in place.

Potential Gross Income (PGI)

Potential gross income during the first year of the analysis, using the estimated market rent for the proposed office condo was projected at \$56,088.

Vacancy/Collection Loss

Given the subject's location and the fact that the buyer will most likely be an owner-user, a stabilized vacancy and collection loss of 3% was applied.

Effective Gross Income (EGI)

Effective gross income consists of the annual income from all sources remaining after vacancy and collection loss has been applied. The combination of revenue, vacancy, and collection loss estimates discussed in the prior sections indicated a stabilized effective gross income projection of \$54,405 for the subject property.

Expense Analysis

Operating expenses represent deductions from the effective gross income that are necessary to maintain the leasing operations of the property. The subject property leases are based on triple net lease structures with tenants reimbursing all of the operating expenses.

The proposed office condo does not have any historical operating expenses. We estimate expenses below, based on our experience with similar properties.

Non-Reimbursable Expenses

Real Estate Taxes

Based on the subject's tax rate of 1.21516% and the estimated market value of the proposed condo, taxes are estimated at \$9,500 annually.

Property Insurance and HOA Fees

Insurance agencies typically require coverage for the entire building. It is likely that the HOA dues for the project will include insurance. Therefore, no allocation is made in our expense analysis. The proposed condo will be part of a larger, mixed-use development, and it is likely that there will be HOA fees. As the CC&Rs are not yet written, we do not know the specifics of the rules and regulations. However, we caution the reader that the HOA costs for a commercial unit are often not the same as costs for residential uses. The interface between the mixed-uses in a property like the subject presents a potential conflict. We have not estimated HOA fees in our analysis, but use this section to note that this may be additional expenses to consider.

Management Fees and Leasing Expenses

The owner of the condo will incur landlord expenses associated with the project that will not be passed on to the tenant. These include items such as legal, accounting and administrative fees. For a proposed project, this will also include initial leasing expenses. We estimate landlord costs at 2% of EGI, as is typical for similar units.

Replacement Reserves

Reserves are typically in the range of 1 to 5%. Considering the age of the subject property, a reserve for replacement cost below the average is appropriate. Therefore, we deducted a cost of 2% per square foot for this category.

Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service, and other non-periodic leasing and capital expenditures. The stabilized net operating income calculation is presented in the following table:

Stabilized Net Operating Income Schedule

Category	NRA		Per Sq. Ft.		Total	% of EGI
Potential Rental Income						
	3,116 sf	x	\$18.00	=	\$56,088	103.1%
Total Potential Rental Income	3,116 sf	x	\$18.00	=	\$56,088	103.1%
Potential Gross Income (PGI)			\$18.00		\$56,088	103.1%
Less: Vacancy & Collection Loss	@	3.0%	\$0.54		\$1,683	3.1%
Effective Gross Income (EGI)			\$17.46		\$54,405	100.0%
Non-Reimbursable Expenses						
Real Estate Taxes			\$3.05		\$9,500	17.5%
Management Fees and Leasing Expenses			\$0.35		\$1,091	2.0%
Replacement Reserves			\$0.35		\$1,091	2.0%
Total Non-Reimbursable Expenses			\$3.75		\$11,682	21.5%
Less: Total Operating Expenses			\$3.75		\$11,682	21.5%
Stabilized Net Operating Income (NOI)			\$13.71		\$42,723	78.5%

Direct Capitalization Analysis

The income capitalization approach to value is based on the premise that a direct relationship exists between the value of a property and the stabilized level of net income it is capable of generating. Direct capitalization is the process of converting a stabilized income stream into an estimate of value and is obtained by applying an overall capitalization rate (OAR) to the net operating income (NOI) before debt service. The direct capitalization rate is the ratio between a single year's net operating income expectancy and the total property price or value. Several techniques were employed in the determination of an appropriate overall capitalization rate for the subject. These are discussed below.

Overall Capitalization Rate (OAR)

Capitalization rates were provided for only three of the sales presented earlier. We have included additional comparables to further support our analysis.

Market

The overall capitalization rates exhibited by comparable sales are presented in the following table:

Market Overall Capitalization Rate (OAR) Comparables

Comp. No.	Date of Sale	Property Name	Location	Year Built	Actual OAR
1	February-18		17280 Monterey Street	Morgan Hill, California	2018 5.10%
2	February-18	Villages Plaza	2881-2921 The Villages Parkway	San Jose, California	1982 5.36%
3	May-17		16165 Monterey Road	Morgan Hill, California	1984 5.00%
4	April-17		18630 Sutter Boulevard	Morgan Hill, California	1990 5.88%
5	July-16	850 The Alameda	850 The Alameda	San Jose, California	1983 4.00%
					5.07%

The comparables range from 4% to 5.88%. Comparables 1 and 3 are the most similar to the subject.

We also discussed capitalization rates with Alex Kennett, a knowledgeable area broker and landlord. He opined that 5% to 5.5% is reasonable for office condos in Morgan Hill.

Investor Surveys

The following table illustrates anticipated overall capitalization rates as published by the investor surveys:

RERC Published Rates for Suburban Office - 2nd Quarter 2018

	Current		Year Ago	
	Range	Average	Range	Average
Yield Rate (IRR)	7.5% - 8.5%	8.2%	7.5% - 9.0%	8.2%
Overall Cap Rate (OAR)	5.5% - 7.5%	6.6%	5.5% - 7.5%	6.7%
Terminal Cap Rate	6.3% - 7.8%	7.2%	6.5% - 8.0%	7.4%
Rental Growth	0.0% - 3.0%	2.1%	1.0% - 3.5%	2.5%
Expense Growth	2.0% - 3.0%	2.6%	2.0% - 3.0%	2.8%

As previously noted, these averages represent total office product, while our subject is considered to be near the lower end of the range.

Overall Capitalization Rate Conclusion

Based on our analysis an overall capitalization rate near the lower-end of the presented data range, or 5.00% was used for the Fee Simple Interest.

Direct Capitalization Conclusions

Upon Completion Fee Simple Market Value Indication

Following this discussion is the direct capitalization model that formed the basis of our value conclusions via the direct capitalization technique. As previously discussed, we estimated a stabilized occupancy of 98.0%. Using the estimated overall capitalization rate of 5.00% indicated a preliminary upon completion fee simple market value indication of \$854,460.

The direct capitalization calculation is presented as follows:

Direct Capitalization Technique Value Indication

Stabilized Net Operating Income (NOI)		\$42,723
Divided by Overall Capitalization Rate	÷	5.00%
Upon Completion Fee Simple Market Value Indication		\$854,460

Reconciliation

Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

Value Indications

Approach to Value	Upon Completion
Cost	Not Developed
Sales Comparison	\$760,000
Direct Capitalization	\$850,000

Value Conclusions

Component	Upon Completion
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	July 19, 2018
Value Conclusion	\$800,000
	\$257/sf

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data within the Sales Comparison Approach, we gave this approach primary weight in arriving at our final value conclusions. Furthermore, office properties such as the subject property are typically purchased by owner-users, who primarily rely upon the methods employed by the Sales Comparison Approach.

Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 3 to 6 months and 6 to 12 months, respectively, are considered reasonable and appropriate for the subject property.

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

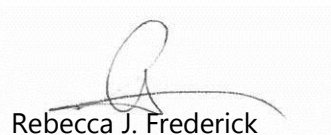
35. You and Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against San Francisco Bay Area | Silicon Valley | San Jose or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | San Francisco Bay Area | Silicon Valley | San Jose in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by San Francisco Bay Area | Silicon Valley | San Jose. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Rebecca Frederick

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Rebecca Frederick has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.



Rebecca J. Frederick

Appraiser

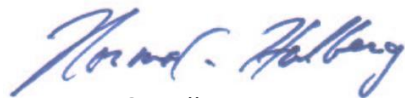
California Certified License #AG044782

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Certification – Norman C. Hulberg, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Norman C. Hulberg, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Norman C. Hulberg, MAI
Senior Managing Director
California Certified License #AG003542

Addenda

Legal Description

Qualifications

- Rebecca Frederick, - Appraiser
- Norman C. Hulberg, MAI - Senior Managing Director

Information on Valbridge Property Advisors

Office Locations

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Legal Description

*EXHIBIT A***LEGAL DESCRIPTION**

Real property in the City of Morgan Hill , County of Santa Clara, State of California, described as follows:

PARCEL NUMBER 1, AS SHOWN ON THAT CERTAIN PARCEL MAP RECORDED JULY 5, 1994, IN BOOK 657 OF MAPS, PAGE 7, IN THE CITY OF MORGAN HILL, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA.

EXCEPTING THEREFROM, ALL MINERALS AND ALL MINERAL RIGHTS OF EVERY KIND AND CHARACTER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED UNDERLYING THE PROPERTY, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, OIL AND GAS AND RIGHTS THERETO, TOGETHER WITH THE SOLE, EXCLUSIVE AND PERPETUAL RIGHT TO EXPLORE FOR, REMOVE AND DISPOSE OF SAID MINERALS BUT WITHOUT ENTERING UPON OR USING THE SURFACE OF THE PROPERTY, AND IN SUCH MANNER AS NOT TO DAMAGE THE SURFACE OF THE PROPERTY, AS RESERVED IN DOCUMENT RECORDED JUNE 01, 1999 AS DOCUMENT NO. 14836987 OF OFFICIAL RECORDS OF SAID COUNTY.

APN: 726-13-049

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of*

the going concern or market value of the total assets of the business. (Dictionary)

Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values, aggregate retail selling price or sum of the retail values.* (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative

financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after

the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (Dictionary)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., $OER = 1 - NIR$ (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Qualifications

Qualifications of Rebecca J. Frederick Appraiser

Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

Bachelor of Science
Business Administration with
Accounting Concentration
Notre Dame de Namur
University, Belmont

Contact Details

408-279-1520 ext. 7122 (p)
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Membership/Affiliations

Member: Appraisal Institute Candidate for Designation

Appraisal Institute & Related Courses

- General Site Valuation and Cost Approach
- General Income Approach Part 1
- General Sales Comparison Approach
- General Highest and Best Use
- RE Finance, Statistics & Valuation Modeling
- Advanced Residential Case Studies, Parts 1 & 2
- FHA and the Appraisal Process
- Intro to Green Buildings, Principles and Concepts
- Appraisal Principles and Procedures
- National USPAP Equivalent
- Residential Sales Comparison & Income Approach
- Residential Report Writing & Case Studies
- Laws and Regulations

Experience

Appraiser

ValbridgePropertyAdvisors| Northern California (2015-Present)

Appraiser

Carlson Appraisal (2011-2015)

Residential appraisal assignments include: single-family, multi-family, condominiums, and townhouses.

Clients include:

- Bank of the West
- RPM Mortgage
- Wells Fargo Bank
- Comerica
- Borel Private Bank & Trust
- Sheffield Law Office

Qualifications of Norman C. Hulberg, MAI
Senior Managing Director
Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

Masters Degree
Business Administration
San Jose State University

Bachelor of Science
Real Estate
San Jose State University

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Membership/Affiliations

Member: Appraisal Institute – MAI Designation
Member: Association of Independent Office Parks
Member: Rotary Club of San Jose/Board of Directors
Member: San Jose Silicon Valley Chamber of Commerce
Member: Santa Clara County Bar Association

Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Experience

Senior Managing Director

Valbridge Property Advisors | Northern California (2013-Present)

President

Hulberg & Associates, Inc. (1976-2013) (joined to create Valbridge in 2013)

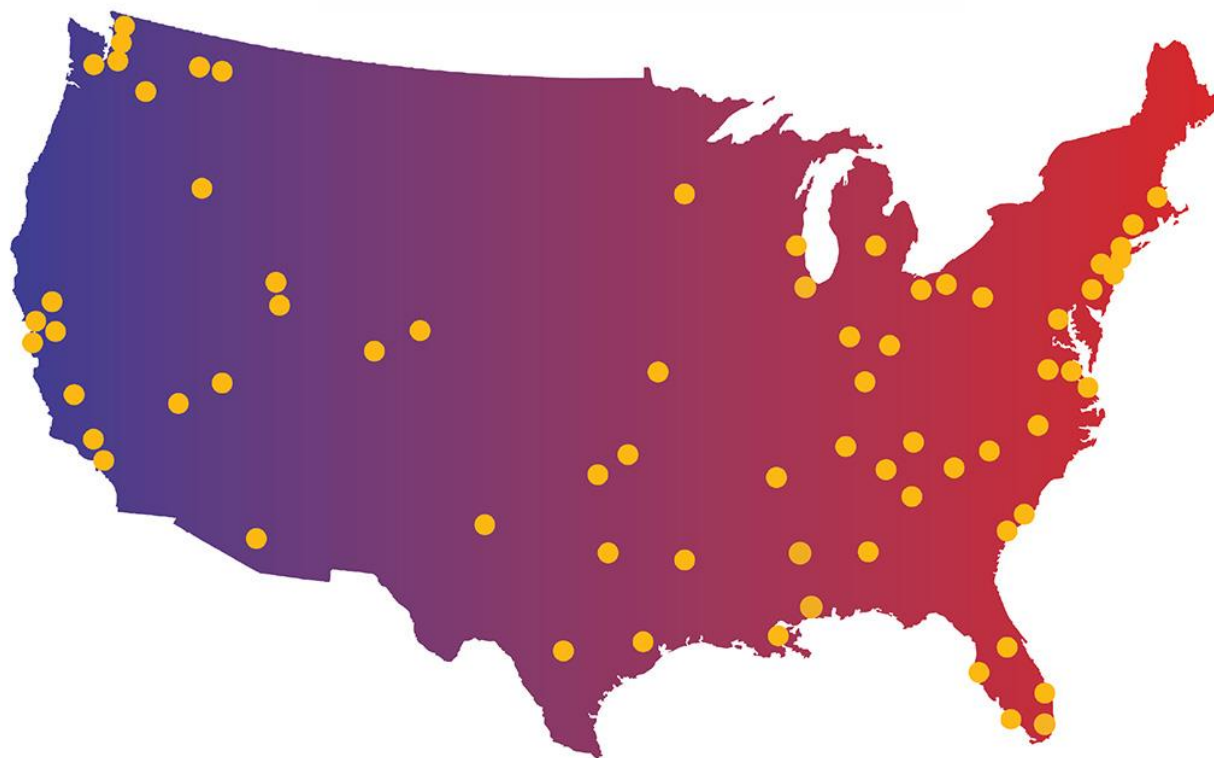
Appraisal/valuation and consulting assignments include: Single-family, condominium, apartments, land, mobile home parks. Office buildings, hotels/motels, service stations, retail, vacant land. Industrial plants, research and development, warehouses, vacant land. Fractional interest valuations, contaminated properties, special purpose properties, feasibility studies, market studies, condemnation, construction defects, litigation support, mediations, arbitrations and review appraisals.

Mr. Hulberg has provided valuation services in a wide variety of complex civil litigation including real estate, land use cases, condemnation, estate matters, property taxation, contract disputes, partnership and corporate disputes, environmental lawsuits, professional negligence cases, construction defect, and bankruptcy/creditors matters.

Qualified as an expert witness in most counties in the San Francisco and Monterey Bay and Central Valley areas, as well as and in the U.S. Tax Court in the U.S. District Courts in San Jose, San Francisco, Oakland, and Las Vegas. He is a highly experienced forensic appraiser, having provided testimony on over 300 occasions. This includes over 100 jury trials in state and federal courts in addition to numerous court trials. He has also testified in major arbitrations and before state and federal courts, as well as private arbitrations.



Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers (200+ on staff)
 - Total number of office locations (70+ across U.S.)
 - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

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756 Ridge Lake Blvd
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 408.279.1520 phone
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June 29, 2018

Josh Fronen, MAI
 408.279.1520, ext. 7113
 jfronen@valbridge.com

VIA E-Mail Only

Leslie Little
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037

Re: Appraisal of Depot Street Right-of-Way Vacation
 Morgan Hill, CA

Dear Ms. Little:

In accordance with your request, we have prepared an appraisal of the above-referenced property, presented in a restricted appraisal report format. This appraisal report was prepared for and is limited to the client's use, and it is possible that the report may not be properly understood with additional information retained in the appraiser's work file.

You are the client and you along with the City of Morgan Hill are the intended users. The intended use is for making decisions regarding vacating a portion of Depot Street. The date of value is June 14, 2018, and the date of this report is June 29, 2018.

The City of Morgan Hill intends to vacate a portion of Depot Street so that the vacated portion of the street can be assembled with the adjoining property, known as the Hale Lumber site. A developer intends to develop the Hale Lumber site and the vacated portion of Depot Street with a townhouse development. The precise land area for the Depot Street vacation is not yet known. As such, we have provided a price per square foot of land area, which the client can then take and apply to the square footage that will be vacated. The approximate area to be vacated is shown in the RJA exhibit dated May 4, 2016, as provided to us by our client.

Market value is appraised, using the definition cited in the Dictionary of Real Estate Appraisal. As part of our scope of work, we communicated with the client and local real estate agents, reviewed staff reports for the Hale Lumber site, inspected the subject, and performed research and analysis on comparable sales data.



The highest and best use of the vacated land is for assemblage with the adjoining Hale Lumber site for a townhouse development. The land value per square foot is based on an "Across-the-Fence" methodology whereby we appraise the land for Hale Lumber and assign that price per square foot to the subject. This is a commonly used method and is appropriate for this appraisal assignment since the subject is located across from (i.e. abutting the Hale Lumber site) and will be incorporated into that site upon assemblage. .

The Hale Lumber site is appraised in its existing condition, recognizing that allocations are in place but the property is not yet fully entitled. We have not made any adjustments or value offsets to account for possible utility relocations or lot-line adjustments.

We have employed the Sales Comparison Approach to value. The Income Approach and Cost Approach are not relevant when valuing land. The existing use of Depot Street is as a public right-of-way.

We did not employ any extraordinary assumptions or hypothetical conditions.

Value Conclusion

Our concluded market value per square foot is summarized in the following table:

Value Indications	
Approach to Value	
Sales Comparison	\$24 psf
Value Conclusions	
Value Type	Market Value
Property Rights Appraised	Fee Simple
Date of Value	June 14, 2018
Value per SF of Land	\$24 psf

Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimate of 6 months, is considered reasonable and appropriate for the subject property.

Respectfully submitted,
 Valbridge Property Advisors

Josh Fronen, MAI
 Senior Appraiser
 California Certified License #AG028548

Yvonne J. Broszus, MAI
 Director
 California Certified License #AG019587



General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Hulberg and Associates will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Hulberg and Associates is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.



9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Hulberg and Associates and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Hulberg and Associates.



17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.



24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.



29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.



35. You and Valbridge Property Advisors | Hulberg and Associates both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Hulberg and Associates and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Hulberg and Associates or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Hulberg and Associates for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Hulberg and Associates shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Hulberg and Associates. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Hulberg and Associates and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Hulberg and Associates harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Hulberg and Associates in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Hulberg and Associates. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.



39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Josh Fronen, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Josh Fronen, MAI has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



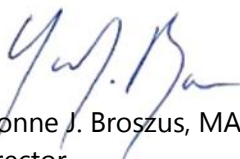
Josh Fronen, MAI
Senior Appraiser
California Certified License #AG028548



Certification – Yvonne J. Broszus, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
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7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Yvonne J. Broszus, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.


 Yvonne J. Broszus, MAI
 Director
 California Certified License #AG019587

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Qualifications

Qualifications of Josh Fronen, MAI Senior Appraiser

Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

Bachelor of Arts
History, Specializing in
Business
University of California
Los Angeles

Contact Details

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Membership/Affiliations

Member: Appraisal Institute MAI Designation
Grader: Appraisal Institute Demonstration Appraisal Report Panel, Current
Chairman: Fall Conference Committee, Appraisal Institute, 2009
Member: Board of Directors, NorCal Chapter of the Appraisal Institute, 2009 – 2012
Member: Appraisal Institute Membership Development and Recruitment Committee, NorCal Chapter
Board Member: Appraisal Institute Fall Conference, 2007 – Current.
Member: Toastmasters International, Competent Communicator (CC)

Appraisal Institute & Related Courses

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- Operating Expenses
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- National USPAP
- Laws and Regulations
- Advanced Sales Comparison and Cost Approaches
- California Eminent Domain Appraisal Practice
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- Estimating Loss in Value
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- Entrepreneurial Profit and Return on Cost
- Appraisal Fundamentals
- CAM Escalations/Lease Audit Preparation
- Income Property Valuation
- Business Practices and Ethics
- Advanced Income Capitalization
- Understanding Property Taxes
- Scope of Work
- Legal Aspects of Easements
- Report Writing and Valuation Analysis
- Report Conditions & Assumptions
- Tenant Credit Analysis
- Commercial Lending and Supporting Values
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
- Litigation Appraising: Specialized Topics and Applications
- Condemnation Appraising: Principles & Applications

Experience**Senior Appraiser**

Valbridge Property Advisors | Northern California
(2013-Present)

Senior Appraiser

Hulberg & Associates, Inc. (2004-2013) (joined to create
Valbridge in 2013)

Associate Appraiser

TMG Realty Advisors (2001-2004)

Market Researcher/Appraiser Assistant

Akiba Appraisal Services (2001)

Appraisal/valuation and consulting assignments include:
Offices: professional and medical/dental; suburban and high-rise. Shopping centers: community, specialty, neighborhood, and strip. Swap meets. Storefront retail buildings. Apartments, condominiums, subdivisions, and single-family.

R&D, light industrial, warehouses, food processing, and manufacturing. Land and remnant appraisals. Retrospective valuations. Fractional interest valuations. Arbitration, litigation, estate work, tax appeals, contamination, rent loss, and diminution in value. Has provided court testimony and is a qualified expert witness.

Qualifications of Yvonne J. Broszus, MAI Director

Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Membership/Affiliations

Member: Appraisal Institute MAI Designation
Chairman: AI Fall Conference Committee (2006)
AI Spring Litigation Conference (2017)

Committee Member: AI Spring Litigation Conference (2014-current)
AI Silicon Valley Subchapter (2006-07)
AI Fall Conference (2004, 2005)

Award: AI Claudia B. Carleton Leadership Award

Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Experience

Director

Valbridge Property Advisors | Northern California (2013-Present)

Vice President

Hulberg & Associates, Inc. (1988-2013)
(joined to create Valbridge in 2013)

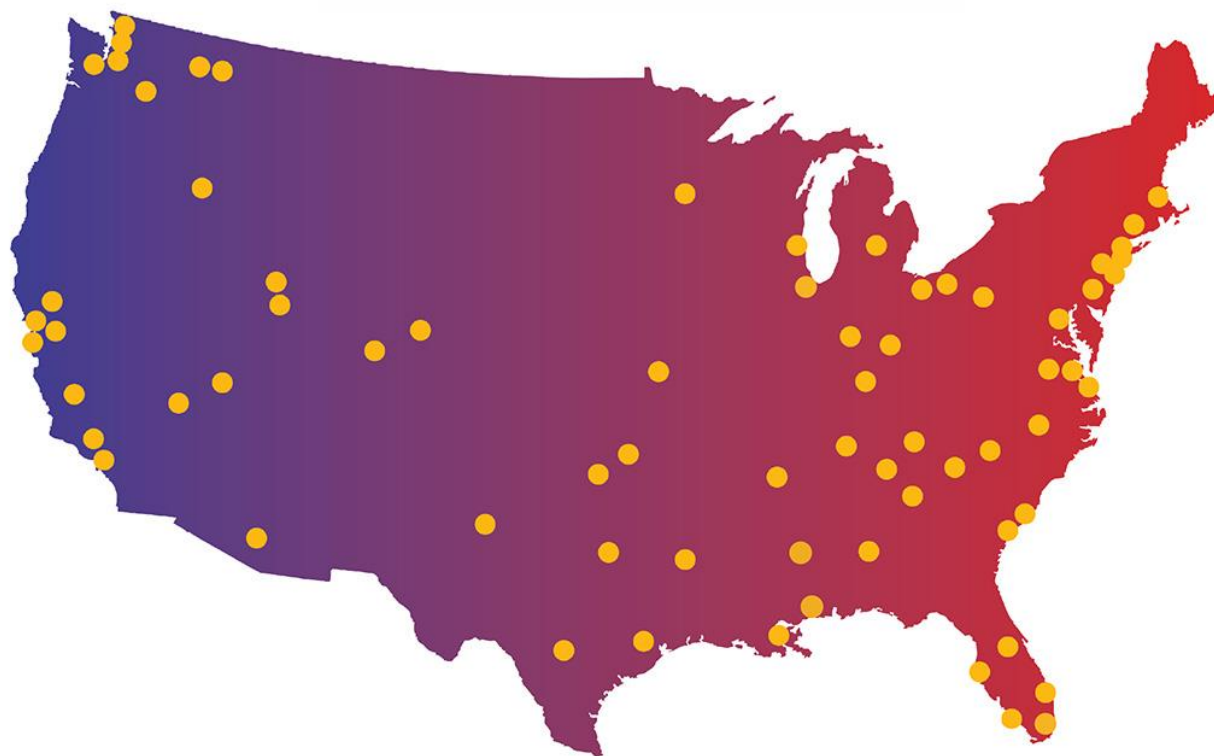
Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant and agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, condominiums, subdivisions, mobile home parks, auto dealerships, service stations, worship facilities, truck stops, food processing and cold storage facilities, fixed base operators at airports, and other special purpose properties.

Ms. Broszus has provided valuation services in a wide variety of complex civil litigation cases involving real estate. These matters have included condemnation issues, contract disputes, bankruptcy/creditors matters, and environmental lawsuits, among other issues. She also specializes in property tax appeals, having helped clients recover millions of dollars in property tax refunds.

Qualified as an expert witness, Ms. Broszus has testified in state and federal courts, major arbitrations, and at Assessment Appeal Board hearings. She is a highly experienced forensic appraiser.



Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers (200+ on staff)
 - Total number of office locations (70+ across U.S.)
 - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Valbridge Property Advisors, Inc.

2240 Venetian Court • Naples, FL 34109 • Phone: (888) 981-2029

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Valbridge

PROPERTY ADVISORS

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4915 Calloway Drive
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1370 N. Brea Boulevard
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2813 Coffee Road
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Modesto, CA 95355
209.569.0450

99 S. Lake Avenue
Suite 21
Pasadena, CA 91101
626.744.0428

3353 Bradshaw Road
Suite 213
Sacramento, CA 95827
916.361.2509

55 South Market Street
Suite 1210
San Jose, CA 95113
408.279.1520

3160 Crow Canyon Place
Suite 245
San Ramon, CA 94583
925.327.1660

COLORADO

7445 E. Peakview Avenue
Centennial, CO 80111
303.443.9600

5345 Arapahoe Avenue
Suite 7
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303.443.9600

23272 Two Rivers Road
Unit 101
Basalt, CO 81621
970.340.1016

1099 Main Avenue
Suite 311
Durango, CO 81301
970.340.1016

CONNECTICUT

6 Central Row
Third Floor
Hartford, CT 06103-2701
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17 Covewood Drive
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2240 Venetian Court
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1100 16th Street N
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2711 Poinsettia Avenue
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GEORGIA

2675 Paces Ferry Road
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Atlanta, GA 30339
678.644.4853

IDAHO

1459 Tyrell Lane
Suite B
Boise, ID 83706
208.336.1097

1875 N. Lakewood Drive
Suite 100
Coeur d'Alene, ID 83814
208.292.2965

ILLINOIS

566 W. Lake Street
Suite 240
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820 Fort Wayne Avenue
Indianapolis, IN 46204
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KANSAS

10990 Quivira Road
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Overland Park, KS 66210
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KENTUCKY

900 Wessex Place
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502.585.3651

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512 North Causeway Boulevard
Metairie, LA 70001
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MARYLAND

11100 Dovedale Court
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MASSACHUSETTS

260 Bear Hill Road
Suite 106
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MICHIGAN

1420 Washington Blvd.
Suite 301
Detroit, MI 48226
313.986.3313.

2127 University Park Drive
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Okemos, MI 48864
517.336.0001

MINNESOTA

222 South 9th Street
Suite 825
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10990 Quivira Road
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1010 Ford Street
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NEW JERSEY

2740 Route 10 West, Suite 204
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973.970.9333

3500 Route 9 South, Suite 202
Howell, NJ 07731
732.807.3113

NEW YORK

424 West 33rd Street
Suite 630
New York, NY 10001
212.268.1113

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412 E. Chatham Street
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4530 Park Road, Suite 100
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1655 W. Market Street
Suite 130
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8291 Beechmont Ave.,
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405.603.1553

6666 South Sheridan Road
Suite 104
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918.712.9992

PENNSYLVANIA

150 S. Warner Road
Suite 440
King of Prussia, PA 19406
215.545.1900

4701 Baptist Road
Suite 304
Pittsburgh, PA 15227
412.881.6080

SOUTH CAROLINA

610 N. Main Street
Greenville, SC 29601
864.233.6277

920 Bay Street
Suite 26
Beaufort, SC 29902
843.342.2302

1250 Fairmont Avenue
Mt. Pleasant, SC 29464
843.881.1266

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112 Westwood Place
Suite 300
Brentwood, TN 37027
615.369.0670

701 Broad Street
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423.285.8435

213 Fox Road
Knoxville, TN 37922
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6750 Poplar Avenue
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12225 Greenville Avenue
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974 Campbell Road
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2731 81st Street
Lubbock, TX 79423
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9901 IH-10 West
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UTAH

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801.262.3388

20 North Main
Suite 304
St. George, UT 84770
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Suite 220
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18728 Bothell Way, NE
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425.258.2611

419 Berkeley Avenue
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509.221.1540

506 Second Avenue
Suite 1001
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206.209.3016

324 N. Mullan Road
Spokane Valley, WA 99206
509.747.0999

WISCONSIN

12660 W. North Avenue
Brookfield, WI 53005
262.782.7990

**Order of Magnitude Cost Analysis
Hale Lumber/Community Center
DEPOT STREET NO RE-ALIGNMENT ALTERNATIVE**

DRAFT

**Morgan Hill, CA
August 13, 2018**

Revision Date	Revision Description

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SUMMARY

A. GRADING	\$28,441
B. PAVING & CONCRETE	\$36,775
C. STORM DRAIN	\$16,500
D. SANITARY SEWER	\$18,500
E. WATER	\$9,100
F. MISCELLANEOUS	\$68,800
Sub-Total Improvements:	\$178,116
20% (contingency)	35,623
Total Improvements:	\$213,739



Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Order of Magnitude Cost Analysis
Hale Lumber/Community Center

DRAFT

DEPOT STREET NO RE-ALIGNMENT ALTERNATIVE

Morgan Hill, CA

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ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
A. GRADING (1/2 STREET IMPROVEMENTS ONLY)					
1.	Mobilization	1	LS	\$20,000.00	\$20,000
2.	Clearing, Grubbing & Building/Utility Demolition	0.19	AC	\$10,000.00	\$1,894
3.	Earthwork (assumes 2' over project area)	700	CY	\$8.00	\$5,600
4.	Erosion Control	0.19	AC	\$5,000.00	\$947
Sub-Total Grading:					\$28,441

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
B. PAVING & CONCRETE					
1.	Street Fine Grading (half street)	4,500	SF	\$0.75	\$3,375
2.	AC Pavement	4,500	SF	\$5.00	\$22,500
3.	PCC Curb & Gutter (incl. Dwy depression)	300	LF	\$23.00	\$6,900
4.	Handicap Ramp	2	EA	\$2,000.00	\$4,000
Sub-Total Paving & Concrete:					\$36,775

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
C. STORM DRAIN					
1.	USE EXISTING LINE	0	LF	\$50.00	\$0
2.	Curb Inlet	2	EA	\$4,000.00	\$8,000
3.	Area Drains	0	EA	\$500.00	\$0
4.	Manhole (less than 10' deep)	1	EA	\$3,500.00	\$3,500
5.	Stormwater Treatment (placeholder)	1	EA	\$5,000.00	\$5,000
Sub-Total Storm Drain:					\$16,500

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Order of Magnitude Cost Analysis
Hale Lumber/Community Center

DRAFT

DEPOT STREET NO RE-ALIGNMENT ALTERNATIVE

Morgan Hill, CA

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ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
D. SANITARY SEWER (ASSUME GRAVITY SYSTEM)					
1.	8" SS	300	LF	\$50.00	\$15,000
2.	4" Service (assumes one service/unit)	0	EA	\$750.00	\$0
3.	Clean Outs	0	EA	\$400.00	\$0
4.	Manhole (less than 10' deep)	1	EA	\$3,500.00	\$3,500
Sub-Total Sanitary Sewer:					\$18,500

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
E. WATER					
1.	USE EXISTING LINE	0	LF	\$60.00	\$0
2.	House Service	0	EA	\$1,600.00	\$0
3.	Irrigation Service	1	EA	\$1,600.00	\$1,600
4.	Fire Hydrant	1	EA	\$7,500.00	\$7,500
Sub-Total Water:					\$9,100

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
F. MISCELLANEOUS					
1.	Street Monuments	2	EA	\$500.00	\$1,000
2.	Electroliers (in tract)	2	EA	\$2,500.00	\$5,000
3.	Joint Trench	300	LF	\$100.00	\$30,000
4.	Joint Trench Services	0	EA	\$1,500.00	\$0
5.	Signing and Striping	1	LS	\$10,000.00	\$10,000
6.	Planting, Irrigation, Flatwork	1,900	SF	\$12.00	\$22,800
Sub-Total Miscellaneous:					\$68,800

NOTES:

1. THIS IS A PRELIMINARY REPRESENTATIVE COST STUDY BY THE CIVIL ENGINEER. THE CIVIL ENGINEER MAKES NO REPRESENTATION CONCERNING THE ABOVE ITEMS SHOWN IN CONNECTION WITH THE PLANS AND SPECIFICATIONS PREPARED
2. QUANTITIES SHOWN HEREIN ARE CALCULATED FROM CONCEPTUAL SITE PLAN, WHICH IS SUBJECT TO REVISION.
3. COST FIGURES SHOWN HEREIN ARE CONCEPTUAL ONLY. ACTUAL COSTS ARE DEPENDENT ON THE ITEMS SHOWN ON THE PLANS AT BIDDING TIME, THE GENERAL MARKET SITUATION, THE CONTRACTOR'S WORKLOAD, SEASONAL FACTORS, LABOR AND MATERIAL COST, ETC.
4. ITEMS SHOWN ABOVE AND THEIR ASSOCIATED COSTS ARE SUBJECT TO REVISION DUE TO CHANGES, ADDITIONS AND DELETIONS RESULTING FROM ON-GOING AGENCY REVIEW.

DRAFT

**Order of Magnitude Cost Analysis
Hale Lumber/Community Center
DEPOT STREET NO RE-ALIGNMENT ALTERNATIVE**

**Morgan Hill, CA
August 13, 2018**

Revision Date	Revision Description

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5. COSTS ASSOCIATED WITH JOINT TRENCH CONSTRUCTION ARE INCLUDED IN THIS ORDER OF MAGNITUDE COST STUDY FOR THE USER'S CONVENIENCE ONLY, AND SHOULD BE REPLACED BY USER WITH FIGURES FROM SEPARATE CALCULATIONS AND SUPPLIED BY A QUALIFIED UTILITY CONSULTANT AT THE EARLIEST POSSIBLE TIME. TOTAL COSTS, INCLUDING UTILITY COMPANY FEES, CONNECTION CHARGES, SUBSTRUCTURE, WIRING, ETC. ARE NOT INCLUDED
6. COSTS FOR INDIVIDUAL SANITARY SEWER BACKFLOW PREVENTERS, WATER PRESSURE REDUCERS, AND WATER PRESSURE BOOSTERS ARE NOT INCLUDED IN THIS OPINION OF PROBABLE COST. THE BUILDER SHOULD BUDGET FOR THESE ITEMS WITH THE BUILDING COSTS.
7. EROSION CONTROL COSTS ARE FOR INITIAL INSTALLATION ONLY AND DO NOT INCLUDE ONGOING MAINTENANCE OR SUBSEQUENT YEARLY INSTALLATIONS/MODIFICATIONS.
8. THE CONTINGENCY SHOWN SHOULD BE VERIFIED BY THE CLIENT. THE CONTINGENCY SHOWN IN THIS DRAFT REPRESENTATIVE COST STUDY IS INTENDED TO INDICATE GENERAL UNCERTAINTY AND SHOULD NOT BE USED AS A VARIANCE TO ACTUAL CONSTRUCTION COST.
9. PAVEMENT STRUCTURAL SECTION THICKNESS SHOWN IS PRELIMINARY. FINAL DESIGN THICKNESS WILL BE DETERMINED FROM THE FINAL SOIL TESTING AND PAVEMENT SECTION DESIGN BY THE GEOTECHNICAL ENGINEER
10. THIS DOCUMENT DOES NOT INCLUDE COSTS TO ACQUIRE OR VACATE RIGHT-OF-WAY IF NEEDED FOR THIS PROJECT.
11. GEOTECHNICAL MITIGATION INCLUDING SUBDRAINS AND OVEREXCAVATION IS NOT INCLUDED IN THIS DRAFT REPRESENTATIVE COST STUDY.
12. EARTHWORK QUANTITIES SHOWN ON THIS ORDER OF MAGNITUDE COST STUDY ARE APPROXIMATE QUANTITIES AND ARE FURNISHED FOR INFORMATION ONLY. THE ACTUAL AMOUNT OF EARTH MOVED WILL VARY DEPENDING ON THE PROPERTIES OF THE SOILS ENCOUNTERED, THE CONTRACTOR'S METHOD OF OPERATION, ETC.
13. THIS CONCEPTUAL COST ANALYSIS EXCLUDES THE FOLLOWING:
 - b. CONSTRUCTION STAKING
 - c. GEOTECHNICAL ENGINEERING OR TESTING
 - d. OVERSIZING OF UTILITIES FOR ADDITIONAL CAPACITY
 - e. FENCING, OTHER THAN THOSE CALLED OUT HEREIN
 - f. BUILDING RELATED COSTS OR FEES
 - g. FINANCING CHARGES
 - h. REIMBURSABLE AGREEMENTS OR REFUNDABLE DEPOSITS
 - i. PLANNING AND OTHER CONSULTANT FEES
 - j. CITY AND OTHER AGENCY FEES, INCLUDING MAP AND IMPROVEMENT PLAN FEES
 - k. ENVIRONMENTAL MITIGATION
 - l. BONDS AND BONDING FEES
 - m. IMPROVEMENTS NOT SHOWN ON THE PLANS
 - n. OFF-SITE IMPROVEMENTS, OTHER THAN DEPOT STREET RE-ALIGNMENT
 - o. SCHOOL DISTRICT FEES
 - p. ASSESSMENT DISTRICT FEES
 - q. PROFESSIONAL DESIGN FEES (CIVIL, STRUCTURAL, ARCHITECTURAL, ETC.)
 - r. MONITORING DURING CONSTRUCTION
 - s. STORM WATER QUALITY TREATMENT MEASURES
 - t. ANY VOLUNTARY FEES RELATED TO THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS)
15. ELECTRONIC BACK-UP: W:\Jobs 16\162016\Documents\Prelim\Studies and Calculations\Latala Homes (2018)

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

**Order of Magnitude Cost Analysis
Hale Lumber/Community Center
DEPOT STREET RE-ALIGNMENT**

DRAFT

Morgan Hill, CA
August 13, 2018

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SUMMARY

A. GRADING	\$38,938
B. PAVING & CONCRETE	\$320,713
C. STORM DRAIN	\$76,700
D. WATER	\$41,300
E. MISCELLANEOUS	\$114,700
Sub-Total Improvements:	\$592,351
20% (contingency)	118,470
Total Improvements:	\$710,821



Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

**Order of Magnitude Cost Analysis
Hale Lumber/Community Center
DEPOT STREET RE-ALIGNMENT**

DRAFT

Morgan Hill, CA

August 13, 2018

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This document shall be considered incomplete unless accompanied by all sheets, including notes.

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
A. GRADING					
1.	Mobilization	1	LS	\$20,000.00	\$20,000
2.	Clearing & Grubbing	0.5	AC	\$10,000.00	\$4,625
3.	Earthwork (assumes 2' over project area)	1,500	CY	\$8.00	\$12,000
4.	Erosion Control	0.5	AC	\$5,000.00	\$2,313
Sub-Total Grading:					\$38,938

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
B. PAVING & CONCRETE					
1.	Street Fine Grading (back of walk to back of walk)	20,150	SF	\$0.75	\$15,113
2.	AC Pavement	13,580	SF	\$5.00	\$67,900
3.	PCC Curb & Gutter (incl. Dwy depression)	780	LF	\$23.00	\$17,940
4.	4" PCC Sidewalk & base	3,090	SF	\$4.00	\$12,360
5.	Handicap Ramp	2	EA	\$2,000.00	\$4,000
6.	Pavement removal	20,200	SF	\$10.00	\$202,000
7.	Pavement Grind and Overlay (East Dunne)	700	SF	\$2.00	\$1,400
Sub-Total Paving & Concrete:					\$320,713

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
C. STORM DRAIN					
1.	15" RCP (laterals)	200	LF	\$50.00	\$10,000
2.	30" RCP (Exist. SD re-location)	390	LF	\$80.00	\$31,200
3.	Curb Inlet	6	EA	\$4,000.00	\$24,000
4.	Manhole (less than 10' deep)	3	EA	\$3,500.00	\$10,500
5.	Connect to existing	1	EA	\$1,000.00	\$1,000
Sub-Total Storm Drain:					\$76,700

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**Order of Magnitude Cost Analysis
Hale Lumber/Community Center
DEPOT STREET RE-ALIGNMENT**

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ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
E. WATER					
1.	8" Water main re-location	370	LF	\$60.00	\$22,200
2.	Irrigation Service	1	EA	\$1,600.00	\$1,600
3.	Fire Hydrant	1	EA	\$7,500.00	\$7,500
4.	Connect to existing	1	EA	\$10,000.00	\$10,000
Sub-Total Water:					\$41,300

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
F. MISCELLANEOUS					
1.	Street Monument	3	EA	\$500.00	\$1,500
2.	Electroliers (Depot Street)	2	EA	\$3,000.00	\$6,000
3.	Joint Trench	390	LF	\$100.00	\$39,000
4.	W.I. fencing	220	LF	\$35.00	\$7,700
5.	Signing and Striping	1	LS	\$10,000.00	\$10,000
6.	Planting Strip	1,950	SF	\$10.00	\$19,500
7.	Street Trees	15	EA	\$100.00	\$1,500
8.	Removed Existing Overhead Utilities	0	LF	\$200.00	\$0
9.	Gas line re-location	390	LF	\$50.00	\$19,500
10.	Traffic Signal Modifications (E. Dunne/Depot)	1	LS	\$10,000.00	\$10,000
Sub-Total Miscellaneous:					\$114,700

Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

**Order of Magnitude Cost Analysis
Hale Lumber/Community Center
DEPOT STREET RE-ALIGNMENT**

DRAFT

**Morgan Hill, CA
August 13, 2018**

Revision Date	Revision Description

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Attachment: Appraisals/Cost Estimates (1965 : Hale Lumber - Depot Street Realignment DDA)

Order of Magnitude Cost Analysis
Hale Lumber/Community Center

DRAFT

COMMUNITY CENTER SURFACE IMPROVEMENTS

Morgan Hill, CA

August 13, 2018

Revision Date	Revision Description

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SUMMARY

A. GRADING	\$7,232
B. PAVING & CONCRETE	\$45,195
C. STORM DRAIN	\$5,000
F. MISCELLANEOUS	\$101,660
Sub-Total Improvements:	\$159,087
20% (contingency)	31,817
Total Improvements:	\$190,905



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ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
A. GRADING (NEW PARKING AREAS ONLY)					
1.	Mobilization	1.00	LS	\$5,000.00	\$5,000
2.	Clearing, Grubbing & Parking Lot Demolition	0.15	AC	\$10,000.00	\$1,488
3.	Earthwork (assumes 2' over project area)	0	CY	\$8.00	\$0
4.	Erosion Control	0.15	AC	\$5,000.00	\$744
Sub-Total Grading:					\$7,232

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
B. PAVING & CONCRETE (NEW PARKING AREAS ONLY)					
1.	Site Fine Grading	6,500	SF	\$0.75	\$4,875
2.	AC Pavement	6,500	SF	\$5.00	\$32,500
3.	PCC Curb & Gutter (surface parking)	340	LF	\$23.00	\$7,820
Sub-Total Paving & Concrete:					\$45,195

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
C. STORM DRAIN (ESTIMATE ASSUMES NO CHANGE TO EXISTING SYSTEM)					
1.	15" RCP (laterals)	0	LF	\$50.00	\$0
2.	Curb Inlet	0	EA	\$4,000.00	\$0
3.	Area Drains	0	EA	\$500.00	\$0
4.	Stormwater Treatment (placeholder)	1	EA	\$5,000.00	\$5,000
Sub-Total Storm Drain:					\$5,000

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
F. MISCELLANEOUS					
1.	Slurry Seal - entire CCC lots	83,160	SF	\$0.50	\$41,580
2.	Signing and striping - entire CCC lots	1	LS	\$50,000.00	\$50,000
3.	Planting, Irrigation, Flatwork	840	SF	\$12.00	\$10,080
Sub-Total Miscellaneous:					\$101,660

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**Addendum to the
2035 General Plan Final Environmental
Impact Report and 2009 Morgan Hill
Downtown Specific Plan Final
Environmental Impact Report**

**Morgan Hill Hale Lumber
Land Exchange Project**



August 2018

ADDENDUM TO THE 2009 DOWNTOWN SPECIFIC PLAN FINAL ENVIRONMENTAL IMPACT REPORT FOR THE MORGAN HILL HALE LUMBER LAND EXCHANGE PROJECT

August 2018

1.0 BACKGROUND INFORMATION

In November 2009, the City of Morgan Hill adopted the Morgan Hill Downtown Specific Plan, which provides strategies for achieving the community's vision of redevelopment in the Downtown area outlined in the City-adopted 2030 General Plan. The Morgan Hill Downtown Specific Plan outlines policies and design guidelines that promote redevelopment in the 20 Blocks addressed by the Specific Plan. The *Final Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan* (Downtown Specific Plan FEIR), certified in November 2009, in conformance with California Environmental Quality Act (CEQA) Guidelines Section 15175(a), identifies the impacts of the Downtown Specific Plan in order to streamline the later environmental review of projects and approvals required to implement the Specific Plan. The intent was for the Downtown Specific Plan FEIR to be a program-level document from which subsequent development consistent with the Specific Plan could tier from (in conformance with CEQA Guidelines Section 15176(d)).

The Downtown Specific Plan provides development projections for Blocks 1-20 for years 2015 and 2030. The purpose of the development projections is to identify the likely development that might reasonably be assumed to occur by the 2015 and 2030 timeframes in order to provide CEQA clearance for future projects developed consistent with the Specific Plan. The Specific Plan supports the development of a mix of residential and commercial uses within the Morgan Hill Downtown boundary along with other associated improvements such as the realignment of Depot Street to Church Street through the Community and Cultural Center Parking lot.

The City of Morgan Hill is the Lead Agency under CEQA and has prepared this Addendum to address the impacts of implementing the currently proposed project. This Addendum is being prepared to conform to the requirements of the CEQA, the CEQA Guidelines (California Code of Regulations §15000 et.seq.) and the regulations and policies of the City of Morgan Hill. The Addendum evaluates the environmental impacts that might reasonably be anticipated to result from implementation of the proposed project. The proposed project is consistent with the development assumptions in the Downtown Specific Plan. As discussed in the following analysis, the proposed project is within the Downtown area, consistent with the development assumptions in the Downtown Specific Plan and related FEIR, and no new significant impacts, nor a substantial increase in the severity of previously identified impacts, are expected to occur from the implementation of the proposed project, therefore this Addendum has been prepared in conformance with CEQA.

2.0 PURPOSE OF ADDENDUM

The California Environmental Quality Act (CEQA) recognizes that between the date an environmental document is completed and the date the project is fully implemented, one or more of the following changes may occur: 1) the project may change; 2) the environmental setting in which the project is located may change; 3) laws, regulations, or policies may change in ways that impact the environment; and/or 4) previously unknown information can arise. Before proceeding with a

project, CEQA requires the Lead Agency to evaluate these changes to determine whether or not they affect the conclusion in the environmental document.

The CEQA Guidelines §15162 state that when an EIR has been certified, no subsequent EIR shall be prepared for that project unless the lead agency determines, on the basis of substantial evidence in light of the whole record, one or more of the following:

1. Substantial changes are proposed in the project which will require major revisions of the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects;
2. Substantial changes occur with respect to the circumstances under which the project is undertaken that will require major revisions of the previous EIR, due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; or
3. New information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous EIR was certified as complete shows any of the following:
 - a. The project will have one or more significant effects not discussed in the previous EIR;
 - b. Significant effects previously examined will be substantially more severe than shown in the previous EIR;
 - c. Mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or
 - d. Mitigation measures or alternatives which are considerably different from those analyzed in the previous EIR would substantially reduce one or more significant effects on the environment, but the project proponents decline to adopt the mitigation measure or alternative.

CEQA Guidelines §15164 states that the lead agency or a responsible agency shall prepare an addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in §15162 (see above) calling for preparation of a subsequent EIR have occurred.

The purpose of this Addendum is to provide a program-level CEQA analysis of the proposed project, as part of the adopted 2009 Downtown Specific Plan EIR.

This Addendum will not be circulated for public review, but will be attached to the Downtown Specific Plan FEIR, pursuant to CEQA Guidelines §15164(c). All documents referenced in this Initial Study/Addendum are available for public review in the Community Development Department at the City of Morgan Hill during normal business hours.

3.0 PROJECT INFORMATION

3.1 Project Title

Morgan Hill Hale Lumber Land Exchange Project, General Plan Amendment No. GPA2018-0005, Zoning Amendment No. ZA2018-0004, Disposition Development Agreement File No. DA2018-0005

3.2 Project Location

The project site (APNs 726-13-049 and -052) is located within Blocks 6 and 8 of the Morgan Hill Downtown Specific Plan area. The project site is adjacent to the Union Pacific Railroad (UPRR) tracks to the east, the surface parking lot and public park to the north, East Dunne Avenue to the south, East Fifth Street and single-family residences to the west and northwest, and the Morgan Hill Community and Cultural Center and residences located to the west and southwest. The regional map, vicinity map, and aerial photograph and surrounding land uses are shown in Figures 1, 2 and 3 respectively.

3.3 Lead Agency Contact

Tiffany Brown, Associate Planner
City of Morgan Hill
Community Development Agency
17575 Peak Avenue
Morgan Hill, CA 95037
Phone: (408) 310-4655
Email: Tiffany.Brown@morganhill.ca.gov

3.4 Assessor's Parcel Numbers

APNs 726-13-049 and -052

3.5 General Plan Land use and Zoning District

General Plan Land Use Designation: Mixed Use and Public Facility

Zoning District: Downtown Mixed Use (MU-D, no maximum residential density) and Public Facilities District

Specific Plan: Downtown Specific Plan

Figure 1 Regional Map

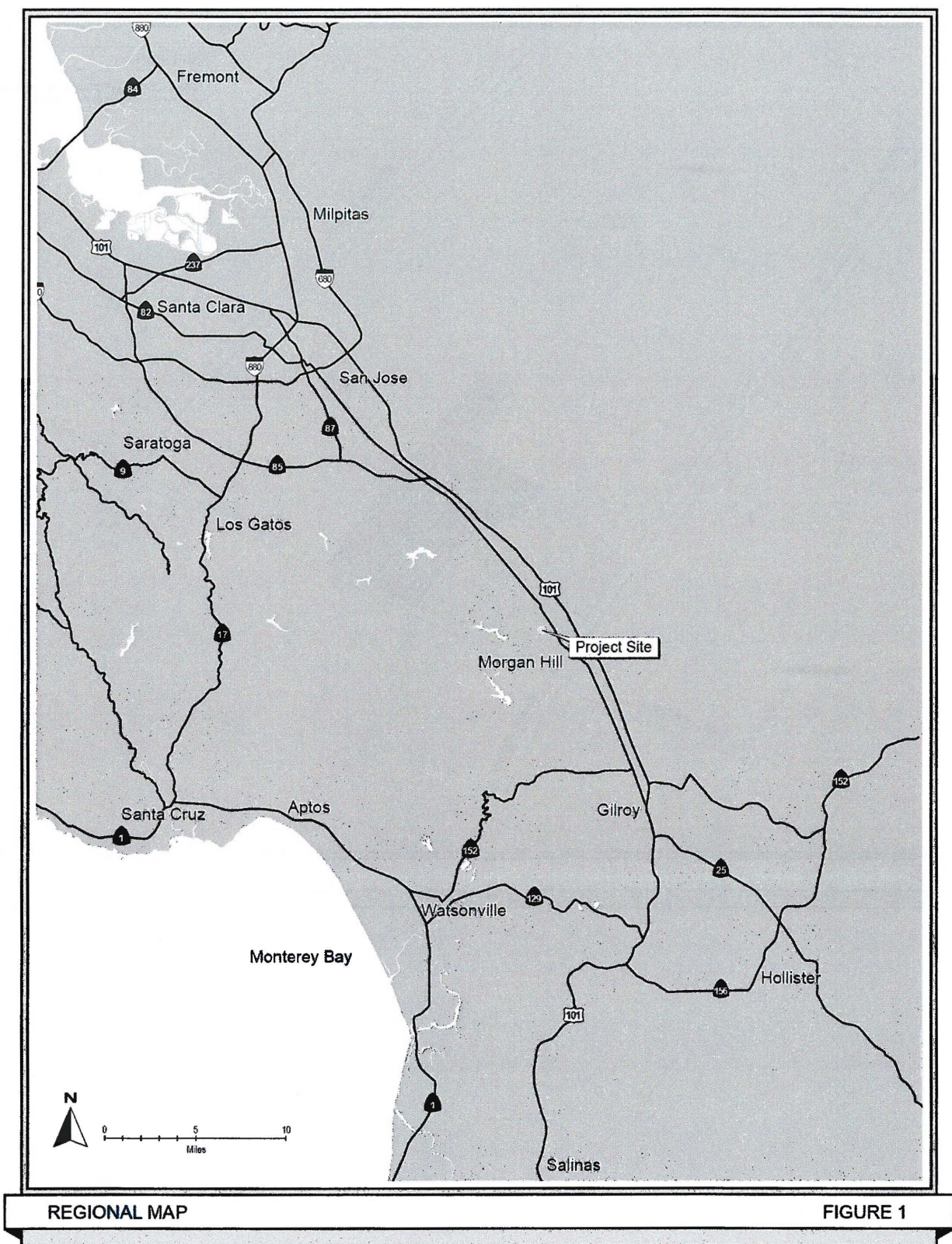


Figure 2 Vicinity Map



Attachment: CEQA - Hale Lumber Depot Street Land Transaction Addendum (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 3 Aerial Photograph and Surrounding Land Uses



AERIAL PHOTOGRAPH AND SURROUNDING LAND USES

FIGURE 3

3.6 Project-Related Approvals, Agreements, and Permits

The project would require the City to approve a land transaction with an adjacent private property owner with a General Plan Amendment and Zoning Amendment to amend the maps to support the Depot Street realignment.

Each of the project components related to this land transaction (future mixed-use development and realigned Depot Street right-of-way, and parking lot improvements) will undergo separate project-level environmental review prior to the City taking an action committing to their respective implementation, or in the case of the mixed-use development, prior to issuance of entitlements.

3.7 Habitat Plan Land Use Designation

Private Development Areas:	Urban Development Equal to or Greater Than 2 Acres Covered
Land Cover:	Urban - Suburban
Land Cover Fee Zone:	Urban Areas (No Land Cover Fee)
Burrowing Owl Survey and Fee Zone:	N/A

4.0 PROJECT DESCRIPTION

4.1 Project Overview

This Addendum provides program-level CEQA analysis for a General Plan Amendment and Zoning Amendment for the proposed land transaction between the City and the adjacent private property owner, to allow for the transfer of approximately .29 acres of land currently occupied by Depot Street lot located in Downtown Morgan Hill. Once the land transaction is complete, a mixed-use development project of approximately 48 townhome style attached residential units with approximate 3,000 square foot office space with condos above would be built on the enlarged parcel, the Depot Street right-of-way would be relocated approximately 230 feet west of its current alignment to form the northern leg of the existing East Dunne Avenue and Church Street signalized intersection as consistent with the Morgan Hill General Plan Policy TR-3.15 and Downtown Specific Plan Chapter 7, Transportation Projections and Improvements, and improvements to the community center surface lot would be constructed to insure no net loss of parking spaces. (See Figure 6).

4.1.1 Environmental Setting

The mixed-use project site (APNs 726-13-049, and -052) on the current Hale Lumber site and the Depot Street right-of-way is approximately 2.29 acres. Depot Street will be realigned through the Community and Cultural Center parking lot. (See Figure 5). The project site is adjacent to the Union Pacific Railroad (UPRR) tracks to the east, the Caltrain surface parking lot to the north, East Dunne Avenue to the south, East Fifth Street and single-family residences to the northwest, and the Morgan Hill Community and Cultural Center and residences located to the west and southwest.

The two parcels (APNs 726-13-049 and -052) that constitute the project site is a developed property with a warehouse and lumber yard.

4.2 Project Description

4.2.1 Land Transaction, General Plan Amendment, and Zoning Amendment

The specific project addressed within this Addendum includes a land transaction between the City and an adjacent private party to convey land area currently devoted to Depot Street right-of-way to provide additional land area for a future mixed-use development project of approximately 48 three-story attached townhome style units, an approximate 3,000 square foot office space with condos above, and the realignment of Depot Street (which would transect the Community and Cultural Center parking lot to form an intersection with Church Street). The realignment of Depot Street includes this General Plan Amendment and Zoning amendment to assign the Mix Use Downtown designation to the vacated portion of Depot Street and increase the Mixed Use Downtown (zoning designation currently applied to the Hale Lumber site) by approximately .29 acres.

The project site is within Block 6 and 8 of the Specific Plan area (See Figure 4). The Morgan Hill Community and Cultural Center is located on Block 6 which consists of buildings, landscaping and surface parking spaces. Block 8 is currently developed with a warehouse and lumber yard which is

separated from existing residential uses by Depot Street. A project-level analysis of future development for the attached three story townhome style units with 3,000 square feet of office with condos project, and the realignment of Depot Street we be completed as more detail becomes available about each prior to the City taking actions to commit to each component's respective implementation, in accordance with CEQA and City standards.

4.2.2 Reasonably Foreseeable Future Indirect Environmental Changes

This land transaction will be the first step to provide additional land area for a future mixed use project of approximately 48 attached residential townhome style units with 3,000 square feet of office space and condos above that would occur on the Hale Lumber site and the .29 acres of Depot Street adjacent to the site. In addition, the existing Depot Street will be relocated west within the Morgan Hill Community and Cultural Center surface parking lot and connect to East Dunne Avenue at the Church Street intersection to form the fourth leg, and the parking spaces lost from incursion of Depot Street will be recouped through surface parking enhancements and constructing new surface parking within existing landscaped area of the Community and Cultural Center parking lot.

The Downtown Specific Plan FEIR previously evaluated the project sites on either side of Depot Street as potential locations for residential development and a parking structure, respectively. The proposed Depot Street realignment was disclosed as an alternative roadway improvement to enhance circulation within downtown and allow for the potential implementation of a grade separation at the UPRR crossing in Downtown Specific Plan FEIR and the Morgan Hill Circulation Element EIR. Therefore, the proposed project is consistent with the development assumptions disclosed in the 2009 Morgan Hill Downtown Specific Plan and Downtown Specific Plan FEIR.

There are no specific development plans currently proposed that permit evaluation of the project-level impacts of the realignment of Depot Street and the mixed-use development on the Hale Lumber site after expansion from the land transaction. Therefore, the land transaction involving realignment of Depot Street and the mixed-use project will undergo a subdivision map with design review (RDCS submittal with associated development agreement for the residential portion of the project) and a project-level environmental review in accordance with CEQA and City standards, once sufficient detail becomes available and prior to their implementation. The only action currently to be taken by the Morgan Hill City Council is the proposed land transaction, and this Addendum is focused on the reasonably foreseeable indirect future environmental changes that could result from the proposed land transaction. Project-level environmental review will be completed prior to any City actions to approve the mixed-use development project on Hale Lumber site, to realign and construct Depot Street, and construct associated enhancements to the community center surface parking lot.

Figure 4 Specific Plan Blocks

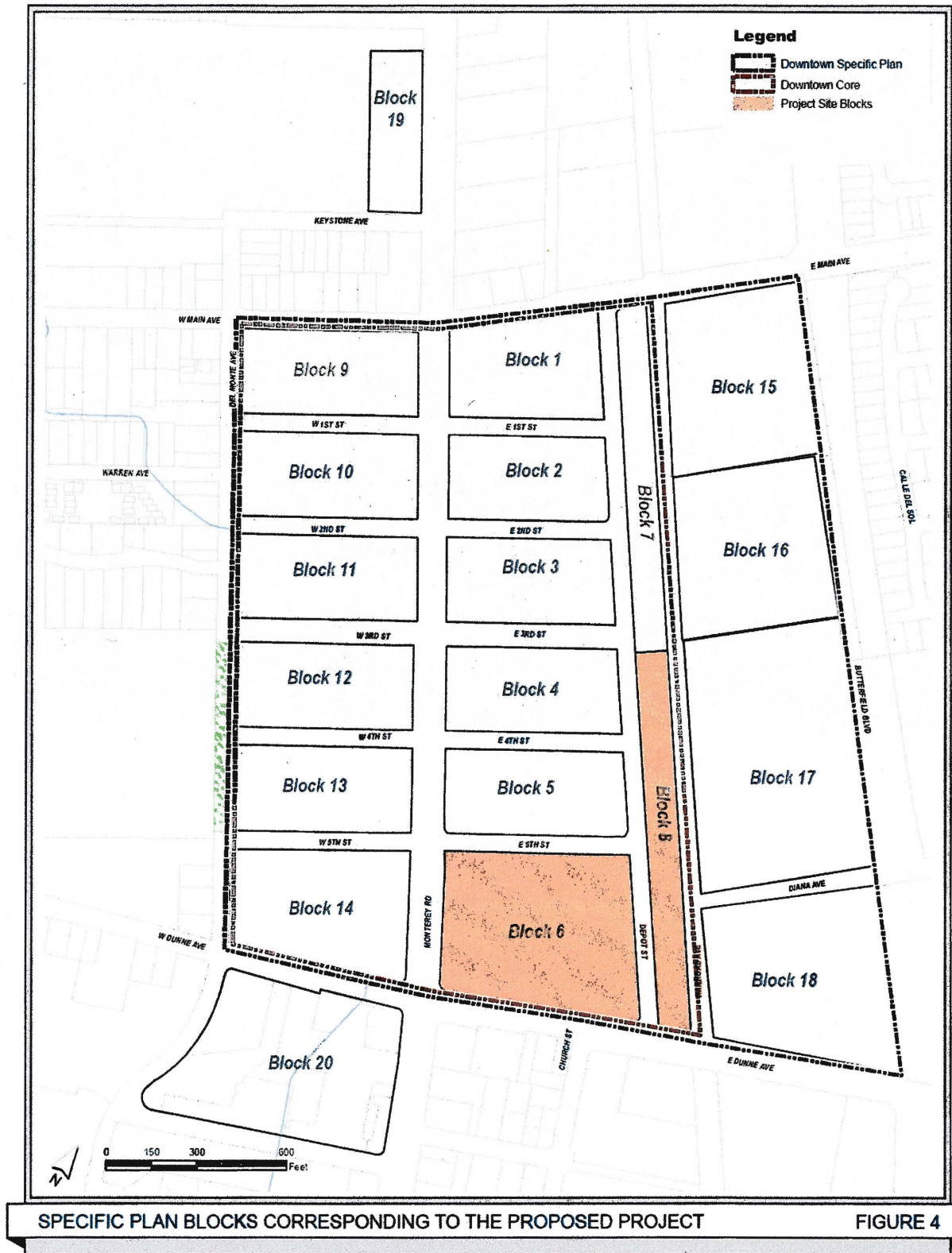


Figure 5 Existing Areas

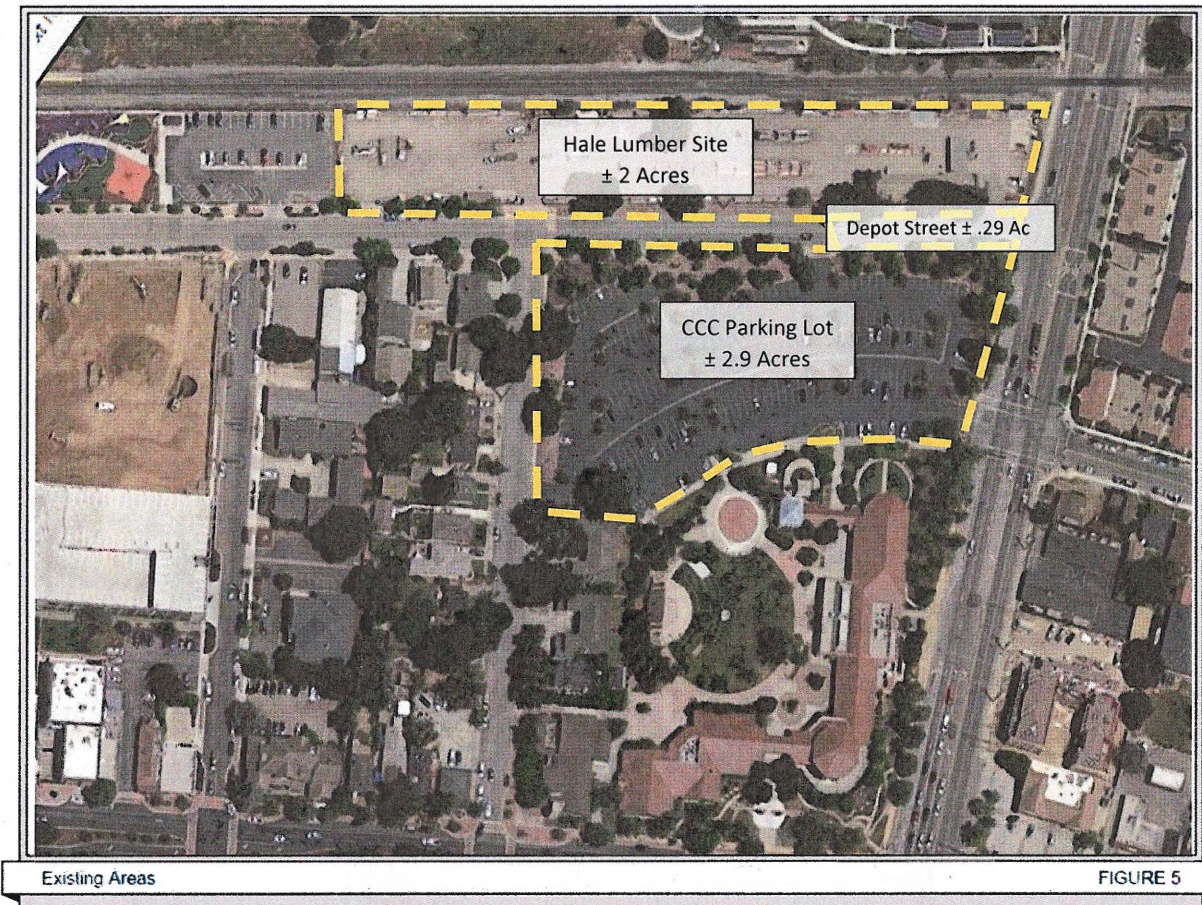
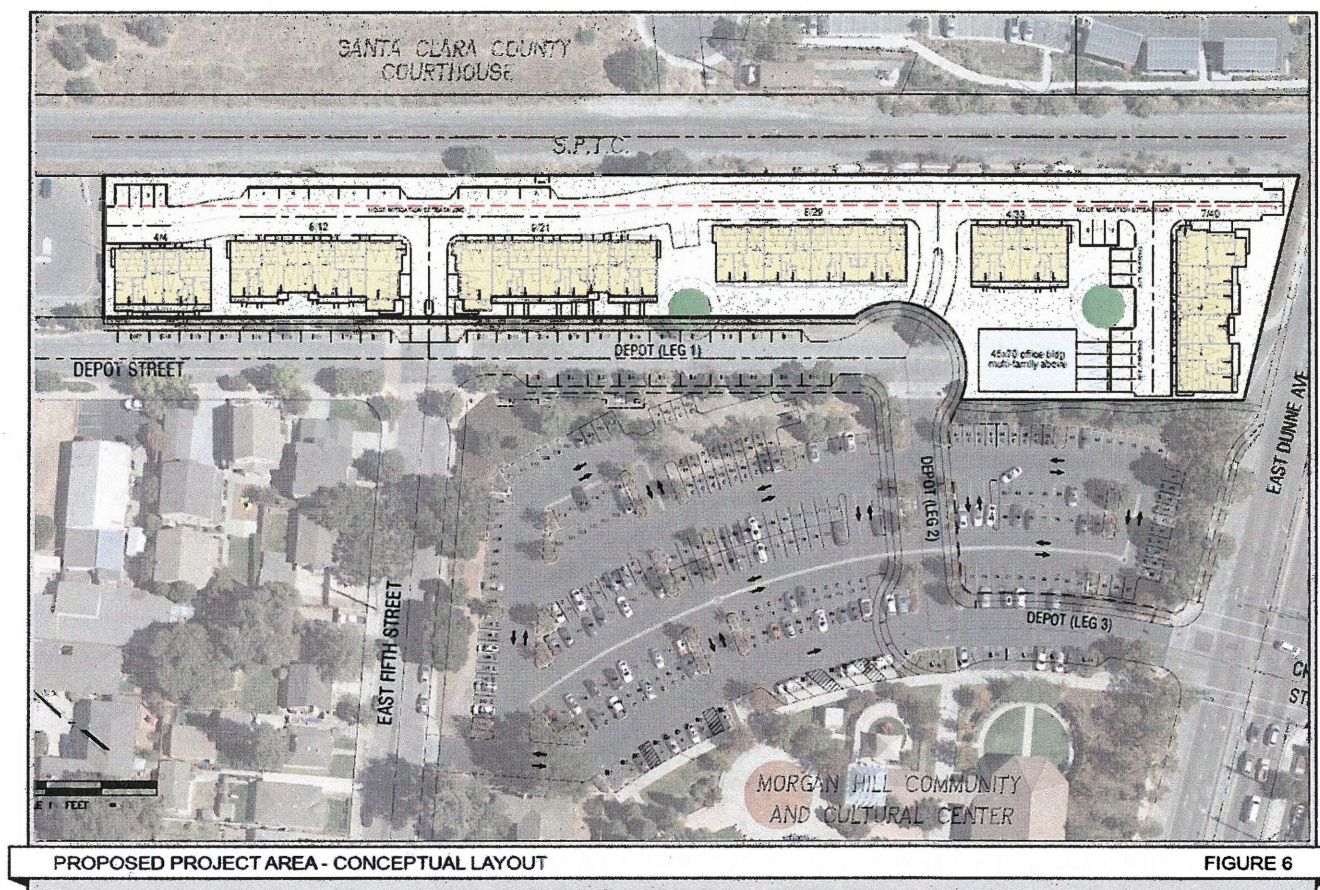


Figure 6 Proposed project Areas – Conceptual Layout



5.0 ENVIRONMENTAL IMPACTS OF THE PROPOSED CHANGES TO THE PROJECT

The discussion below describes the environmental impacts of the modified project (i.e. implementation of the Downtown Specific Plan development program that would now include future realignment of Depot Street west to connect to the East Dunne Ave./Church St. intersection), as they compare with the impacts of the previously evaluated project in the 2009 FEIR. This Addendum only addresses those resource areas that would be potentially negatively affected by the proposed changes to the previously evaluated project.

The reasonably foreseeable indirect negative environmental effects of the proposed land transaction are primarily associated with a future mixed-use development on the Hale Lumber site (construction and ongoing occupancy of residences), and the realignment of Depot Street (street construction and ongoing vehicular travel). The revisions to the project (i.e. the overall Downtown Specific Plan development program would now be implemented assuming a realigned Depot Street and expanded Block 8 mixed use parcel) would have no effect on the following resource areas beyond what has been previously disclosed in the 2009 FEIR because these impact areas are not affected by the foreseeable future indirect physical changes resulting from the land transaction:

- Aesthetics
- Agricultural and Forestry Resources
- Historic Resources
- Geology and Soils
- Land Use
- Mineral Resources
- Population and Housing
- Public Services
- Recreation
- Utilities

The impact categories listed above are areas that would not be affected beyond what has been previously disclosed in the 2009 FEIR because the land transaction would not lead to an expansion of the boundaries of the Downtown Specific Plan, nor involve enough increase in the amount of development included in the Downtown Specific Plan that would induce unplanned population growth nor displace existing housing, nor place additional new burdens on public services, recreation facilities, and utilities and service systems beyond what was disclosed in the 2009 FEIR.

Additionally, the land transaction would not involve lands that were identified as sensitive for aesthetics, agricultural and forestry resources, historic resources, geologic hazards, and mineral resources. Impacts in these areas, therefore, would be consistent with those disclosed in the 2009 FEIR, and no further discussion is warranted.

The revised project (i.e. the overall Downtown Specific Plan development program would now be implemented assuming a realigned Depot Street and expanded Block 8 mixed use parcel) would entail future mixed-use development on the Hale Lumber site after expansion from the land transaction that the realignment of Depot Street. This Addendum, therefore, evaluates the impacts of the revised Downtown Specific Plan project in regards to the following environmental issues:

- Air Quality
- Biological Resources
- Archaeological Resources
- Greenhouse Gas Emissions
- Hazards and Hazardous Materials
- Hydrology and Water Quality
- Noise
- Transportation

5.0.1 Direct vs. Indirect Effects

There will be no direct environmental changes that would result from the land transaction between the City of Morgan Hill and private property owner, but it is foreseeable the land transaction would indirectly lead to future physical changes to the environment given the City would at a later time, once more detail was available for each, take action on the following components that would lead to physical changes to the environment:

- Expansion of Hale Lumber site located in Block 8 into existing Depot Street right-of-way resulting in a total of approximately 2.29 acres of residential development with 3,000 square feet of office (APNs 726-13-049 and -052) to facilitate a future mixed use project of approximately 48 units.
- Realignment of Depot Street 230 feet west to run through the existing Morgan Hill Community and Cultural Center parking lot and ultimately become the fourth leg of the existing East Dunne Avenue and Church Street intersection. The 2009 Downtown Specific Plan FEIR evaluated modifications to Depot Street to plan for future grade separation of East Dunne Ave with the UPRR railroad tracks in which it was anticipated Depot Street would terminate if not realigned prior to reaching newly grade-separated East Dunne Avenue. Although discussed in the 2009 Downtown Specific Plan FIER, the alignment for Depot Street (which is the current proposed land transaction) was not evaluated in the 2009 EIR by creating a new connection at the East Dunne Ave/Church St. intersection.

5.1 AIR QUALITY

Downtown Specific Plan FEIR – Air Quality Conclusions

The air quality analysis in the Downtown FEIR found that build-out of the Specific Plan would result in significant unavoidable increases in emissions of reactive organic gases (ROG) and coarse particulate matter (PM10). Impacts to nearby receptors and to local air quality from construction and demolition were also found to be significant, however mitigation measures were included to reduce construction-related impacts to a less than significant level. The Specific Plan was found consistent with the Bay Area Clean Air Plan, and no violations of carbon monoxide standards were expected from build-out of the Plan Area. Impacts to future residents of the Specific Plan area from existing sources of toxic air contaminants (TACs) as well as impacts to nearby sensitive receptors from construction-related TACs were found to be less than significant.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development – The foreseeable future development of approximately 48 units and 3,000 square feet of office is consistent with the development assumptions in the Downtown Specific Plan and, therefore, is consistent with the development and population growth projections that were evaluated in the Downtown Specific Plan FEIR. The FEIR found that development under the Specific Plan would be consistent with the Bay Area Clean Air Plan because it would place

housing near transit and would be consistent with the City of Morgan Hill's Residential Development Control System (RDCS) population cap. The proposed project is consistent with the Specific Plan and therefore is consistent with the Bay Area Clean Air Plan. The foreseeable future development is consistent with the Specific Plan designation for the site and with the vehicle trip generation forecasts made for it, and would not result in new or greater carbon monoxide impacts than previously evaluated for the site. Therefore, the foreseeable future residential project would have a less than significant impact on local air quality.

Since the certification of the 2009 Downtown FEIR, the BAAQMD updated the thresholds of significance for air quality impacts. Table 5.1-1 below shows the current BAAQMD thresholds. The updated thresholds of significance lowered the significance thresholds for ROG, NO_x, and PM_{2.5}, but slightly increased (i.e. relaxed) the emission standard for PM₁₀. Comparing the emissions predicted in the FEIR to the current thresholds of significance, the conclusions of the FEIR remain the same: build-out of the Specific Plan would result in significant unavoidable impacts from emissions of criteria pollutants above the BAAQMD thresholds.

Table 5.1-1 Thresholds of Significance for Air Quality Impacts		
Pollutant	Operation-Related	
	Average Daily Emissions (pounds/day)	Maximum Annual Emissions (tons/year)
ROG, NO _x	54	10
PM ₁₀	82	15
PM _{2.5}	54	10
Fugitive Dust (PM ₁₀ /PM _{2.5})	None	None
Risk and Hazards for New Sources and Receptors (Project)	- Increased cancer risk of >10.0 in one million - Increased non-cancer risk of > 1.0 Hazard Index (chronic or acute) - Ambient PM_{2.5} increase: > 0.3 µ/m³ [Zone of influence: 1,000-foot radius from property line of source or receptor]	
Risk and Hazards for New Sources and Receptors (Cumulative)	- Increased cancer risk of >100 in one million - Increased non-cancer risk of > 10.0 Hazard Index (chronic or acute) - Ambient PM_{2.5} increase: > 0.8 µ/m³ [Zone of influence: 1,000-foot radius from property line of source or receptor]	
Sources: BAAQMD Thresholds Options and Justification Report (2009) and BAAQMD CEQA Air Quality Guidelines (dated May 2011).		

Since the foreseeable future project assuming approximately 48 units is below the construction and operational screening size for criteria air pollutants (451 dwelling units for operations and 240 dwelling units for construction of condo/townhouses), the future housing alone would not result in significant criteria air pollutant emissions. The future housing would contribute, however, to the significant unavoidable cumulative criteria pollutant air quality impacts identified for development of

the Plan Area in the Downtown Specific Plan EIR. The future housing would implement the mitigation measures from the 2009 DEIR (MM AQ-1 and AQ-2), as conditions of project approval.

Since the future mixed-use development and roadway realignment project would be constructed in close proximity to residences and require the use of various diesel-powered equipment, construction-related activities could adversely expose receptors to TACs. New sensitive receptors are proposed near the Union Pacific Railroad (UPRR) and within the vicinity of stationary sources of toxic air contaminants. Impacts to new sensitive receptors at the enlarged Block 8 mixed-use site from activities along the UPRR will be evaluated prior to City Council approval to ensure the emissions will not pose a hazard or risk to sensitive receptors. Appropriate setbacks between sources of air pollution or mitigation measures will be assessed using guidance provided by the BAAQMD and the California Air Resources Board.

In addition to emitting TACs, demolition, grading, and construction activities also emit fugitive dust and particulate matter. Given the proximity of sensitive receptors, dust emissions during construction could result in significant impacts. Implementation of 2009 FEIR mitigation measures MM AQ-4.1 through MM AQ-4.7 would reduce potential fugitive dust impacts to a less than significant level. The proposed residential development would not be a source of new odors in the area.

Realigned Depot Street - The proposed land transaction will lead to the realignment of Depot Street by transecting the Community and Cultural Center parking lot to form an intersection with Church Street/E. Dunne Avenue. The realignment of Depot Street was disclosed as a potential alternative roadway improvement in the Downtown Specific Plan and Circulation Element EIRs. Construction activities including demolition, grading and paving would generate air pollutant emissions. Implementation of 2009 FEIR mitigation measures MM AQ-4.1 through MM AQ-4.7 as discussed above would reduce the impacts to a less than significant level. The 2009 FEIR found that vehicular traffic under alternate roadway conditions would not cause any new violations of the eight-hour standards for carbon monoxide and, therefore, would not significantly increase carbon monoxide concentrations. The realignment of Depot Street would not be a major source of TACs or odors in the area.

5.2 BIOLOGICAL RESOURCES

Downtown Specific Plan FEIR – Biological Resources Conclusions

The Downtown Specific Plan FEIR concluded that due to the highly urbanized nature of the Specific Plan area, development under the Specific Plan would not result in impacts to special-status plant and wildlife species, with the exception of raptors (birds of prey) that could use the trees in the area for nesting. Implementation of mitigation measures (such as pre-construction nesting surveys) would reduce the impacts of development on raptors to a less than significant level. There are no sensitive habitats in the Downtown Specific Plan area, including areas of high biological diversity, areas providing important wildlife habitat, or unusual or regionally restricted habitat types.

Based on the FEIR, the Specific Plan area contains a few underutilized parcels (portions of Block 8) which could provide habitat for Burrowing Owls. Burrowing owls typically dwell in open grassland habitats. The project site is not considered owl habitat, due to the urban development in the area and

lack of suitable habitat. If a burrowing owl were to nest on the ruderal portion of the site which currently consists of non-native grasses, prior to the onset of construction, however, project construction activities could lead to the abandonment of active nests or direct mortality of these birds. Given the developed nature of parcels in Downtown Morgan Hill, such an event is considered highly unlikely. Nonetheless, if burrowing owl nests are identified on the project site, the Standard Measures SM BIO-1, SM BIO-2 and SM BIO-3 outlined in the 2009 Specific Plan FEIR will be implemented to avoid direct impacts to burrowing owls and to offset impacts to their habitat.

Several large, mature indigenous oak trees are found on the project site. The City of Morgan Hill Municipal Code (Chapter 12.32) Significant Tree Removal Ordinance regulates the removal of trees in the City. An arborist report was prepared and peer reviewed by another arborist. Prior to planning entitlements for the mixed use project, the site design will take the arborist report into account including the construction protection for trees that will remain. Any trees to be removed will follow the City's Tree Removal Ordinance.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development – The development site is approximately 2.29 acres of relatively flat land and is located within the Santa Clara Valley Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP) area. Under the HCP/NCCP, which was adopted after preparation of the FEIR and adoption of the Downtown Specific Plan, the proposed residential development is considered a 'covered activity' occurring in an Urban Development/Private Development Area. The HCP/NCCP has classified the land cover type as "Urban Parks and Urban/Suburban. The Downtown area is not within a planned Priority Reserve Area or within an Urban Reserve System Interface Zone.

As stated in the Specific Plan FEIR, due to the highly urbanized nature of the project area, proposed development would not result in impacts to special-status plant and wildlife species, with the exception of raptors (birds of prey) that could use the trees and vacant sites in the Specific Plan area for nesting. Implementation of mitigation measures 2009 FEIR mitigation measures BIO -1.1 and 1.2 would reduce impacts to tree-nesting raptors to a less than significant level.

Mature trees are located on various parcels throughout the Specific Plan project area. The City of Morgan Hill Municipal Code (Chapter 12.32) Significant Tree Removal Ordinance regulates the removal of trees in the City. The future project-level analysis will describe the health and condition of all trees on the project site, including street trees that could be affected by proposed construction. To fulfil downtown FEIR mitigation measure SM BIO-4, this description will be based on a tree survey that will be completed by a certified arborist for the project. The project-level analysis will also describe the existing habitat on the project site and any CEQA biological impacts based on the project plans. Mitigation measures for significant biological resource impacts will be identified, as appropriate.

Realigned Depot Street – As discussed above, under the HCP/NCCP the proposed realigned Depot street project component is a covered activity occurring in an Urban Development/Private Development Area. As the Depot Street right-of-way is being realigned in a fully developed urban

area, no biological resources are expected to be impacted by the proposed project component. Some trees could be removed and their impacts will be studied at a project-level before the City Council approves the specific realigned roadway design.

To ensure that the project (including the realigned Depot Street and private mixed use development components) complies with conditions of the HCP/NCCP, the conditions will be applied to each component as part of the entitlement approval conditions and/or other permits (i.e. grading permits, building permits, etc.).

5.3 ARCHAEOLOGICAL RESOURCES

Downtown Specific Plan FEIR - Cultural Resources Conclusions

As described in the Downtown Specific Plan FEIR, with the implementation of standard measures, development under the Downtown Specific Plan would not result in significant impacts to buried materials, including archaeological and paleontological resources, or historic resources.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development with Realigned Depot Street - Based on a historic resource assessment completed for the Downtown Specific Plan EIR by *Circa* in 2008, none of the structures on the project site, or adjacent to the site, are designated as historic or cultural resources nor are they eligible for listing on the National Register of Historic Places, California Register of Historical Resources, or local listing. No new historic resources have been documented in the project area since the 2008 *Circa* assessment was prepared.

Given that the proposed residential and office development would not likely require excavation five feet below ground surface, paleontological resources would not likely be discovered during construction. The project would, therefore, not result in a significant impact to paleontological resources.

Consistent with the conclusions in the Downtown Specific Plan FEIR and the City's Archaeological Sensitivity Map, a portion of the project site is in an archaeologically sensitive area. In accordance with Standard Measure CULT-2 identified in the Downtown Specific Plan EIR, the applicant will contract an archaeologist to be present on-site to monitor all ground-disturbing activities. The project-level environmental review will include mitigation measures and/or standard conditions of approval that will reduce any significant cultural resources to a less than significant level.

5.4 GREENHOUSE GAS EMISSIONS

Downtown Specific Plan FEIR - Greenhouse Gas Emissions Conclusions

Greenhouse gas emissions are discussed in the Section 5.2.5, *Cumulative Global Climate Change Impacts* of the Downtown Specific Plan FEIR. Implementation of air quality and energy mitigation and avoidance measures would reduce greenhouse gas emissions impacts from buildout of the Specific Plan to a less than significant level.

Since the approval of the Downtown Specific Plan FEIR, the Bay Area Air Quality Management District adopted The Bay Area 2010 Clean Air Plan (an update to the Clean Air Plan adopted in 2000 that was discussed in the Downtown Specific Plan FEIR) which is a multi-pollutant plan prepared that addresses GHG emissions along with other air emissions in the San Francisco Bay Area Air Basin. The current CAP also includes performance objectives, consistent with the State's climate protection goals under AB 32 and SB 375, designed to reduce emissions of GHGs to 1990 levels by 2020 and 40 percent below 1990 levels by 2035.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development – The proposed development would allow development of vacant lumber land to a more intense uses (dwelling units, new building area, etc.). The primary sources of greenhouse gas emissions from implementation of the proposed project are anticipated to be from the generation of electricity (i.e., for lighting, cooling, pumping water), demolition activities and vehicle trips. A small amount of GHG emissions are generated by the breakdown of solid waste from the sites.

The project site is located in an urbanized location, within close distance of construction supplies and equipment, which will help minimize greenhouse gas emissions generated from transport of construction materials and waste. There is no reliable method to estimate construction-related emissions associated with the manufacturing of project materials. Neither the City of Morgan Hill nor the BAAQMD have quantified thresholds for construction activities, and given that the project site is in an urban setting close to construction supplies and equipment, manufacture and construction of the projects will not contribute substantially to greenhouse gas emissions.

GHG (e.g., carbon dioxide, methane, and nitrogen dioxide) from operation of the project will include electricity and natural gas used by residents of the site, and fuel burned for transportation to and from the site. Indirect emissions will include utility usage by building residents for water conveyance, wastewater treatment, and solid waste disposal. Based on BAAQMD GHG screening guidelines for the operation of new developments, the future approximately 48-unit townhome development with 3,000 square foot of office is expected to be below the operational screening size (78 dwelling units) for new condo/townhome developments and office. The future residential project would not likely, therefore, warrant a project-level GHG assessment. The future residential project, however, would be required to implement several mitigation and avoidance measures adopted in the Downtown FEIR to reduce greenhouse gas emissions from transportation, building, and/or solid waste.

Realigned Depot Street –GHG emissions primarily result from demolition activities and vehicle trips. The proposed realigned Depot Street would accommodate the mixed-use development that was assumed in the Downtown Specific Plan and would not cause an increase in emissions beyond what was disclosed in the Downtown FEIR.

5.5 HAZARDS AND HAZARDOUS MATERIALS

Downtown Specific Plan FEIR – Hazards and Hazardous Materials Conclusions

Many of the existing and past businesses located in the downtown area use, store, and dispose of hazardous materials. There is one site in Block 6 that was identified in the Downtown FEIR as a known contaminated site. The site is located at 17090 Monterey Road and its status is closed as of January 5, 1998. The Union Pacific Railroad (UPRR) right-of-way runs between properties fronting on Depot Street. Soils on Block 8 near the railroad tracks may be contaminated with chemicals that were historically used for dust suppression and weed control along rail lines. Based on the Downtown FEIR findings, soil and/or groundwater in the project area may be contaminated by hazardous materials that could be disturbed, exposed, or released due to development and redevelopment in the project area.

The Downtown Specific Plan FEIR concluded that with the implementation of mitigation measures MM HM-1.1 through MM HM-1.4 for soil and/or groundwater contamination disclosed in the EIR, development under the Specific Plan would have a less than significant impact on the public or environment. With implementation of standard measures SM HM-1 through SM HM-4 to reduce impacts of hazardous building materials, development under the Specific Plan would have a less than significant impact on construction workers and the public.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development with Realigned Depot Street - The future residential and office development would routinely use limited amounts of cleaning materials and would not generate substantial hazardous emissions or accidental chemical releases from hazardous materials use, storage, or transport. As applicable, current regulations and programs for regulated hazardous materials use would reduce impacts to a less than significant level.

Mitigation measures (MM HM-1.1 and MM HM-1.2) from the Downtown FEIR state that Phase I Environmental Site Assessments shall be required for all properties proposed for redevelopment with residential uses where previous uses including industrial, commercial or agricultural use that could have led to soil and/or groundwater contamination. The mitigation measures also state that a Phase II Environmental Site Assessment, which identifies specific remediation measures required to ensure the site is suitable for residential development, and remedial action shall be completed, if warranted. Based on this, the future residential and office project project-level environmental review will include a project-level Phase I ESA and Phase II, if required, to document current site conditions and any necessary remediation to prepare the property for residential use.

Due to the age of the structures in the Specific Plan area, the existing structures may contain asbestos and lead-based paint, including the structure on the Hale Lumber site. Standard Measures (SM HM-1 – SM HM-4) outlined in the Downtown FEIR would reduce exposure of hazardous building materials to a less than significant level. The standard measures are in accordance with standards for California Occupation Safety and Health Administration (Cal/OSHA), U.S. OSHA, and BAAQMD standards; as well as U.S. EPA's National Emission Standards for Hazardous Air Pollutants (NESHAPs) for removing ACMs and lead-based paint prior to demolition.

The project site is not located within two miles of a public airport, nor is it on one of the City's designated evacuation routes. Based on Specific Plan FEIR findings, the Specific Plan project area is not located within a very high fire hazard severity zone.

5.6 HYDROLOGY AND WATER QUALITY

Downtown Specific Plan FEIR – Hydrology and Water Quality Conclusions

With the implementation of standard measures, the Downtown Specific Plan EIR concluded that development under the Specific Plan would not increase stormwater runoff and would not exceed the capacity of planned stormwater drainage facilities. Development under the Specific Plan would result in less than significant flooding, water quality, and groundwater supply impacts.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development—The project site consists of impervious and pervious surfaces (unpaved surfaces). The land use changes and development proposed by the foreseeable development on the Hale Lumber site would result in an increase in impervious surfaces in the project area and stormwater runoff within the Specific Plan area. Implementation of standard measures from the Downtown FEIR, SM HYDRO-1 to SM HYDRO-4, would ensure that construction of the proposed development would not increase more stormwater runoff than allowed for in the Specific Plan and would not exceed the capacity of planned stormwater drainage facilities.

Construction activities temporarily increase the amount of debris on-site and grading activities, which could increase pollutant loads of eroded material in stormwater runoff. There are no waterways on or adjacent to the project site; therefore, the impacts of increased pollutant loads in stormwater runoff on local waterways should be minimal. Compared to existing conditions, vehicle use and human activity would increase with the future residential and office development and, as a result, the amount of pollution carried by runoff could increase. Stormwater from urban uses contains metals, pesticides, herbicides, and other contaminants such as oil, grease, lead, and animal waste. Runoff from the future development may contain oil and grease from parked vehicles, as well as sediment and chemicals (i.e., fertilizers, pesticides, etc.) from the landscaped areas or new roof areas. Implementation of the standard measures, SM HYDRO-7 and SM HYDRO-8 (from the Downtown FEIR), would ensure that construction of the proposed development would result in less than significant water quality impacts.

As disclosed in the Downtown Specific Plan EIR, a portion of the project site is located in a 100-year flood zone based on the Federal Emergency Management Agency's Flood Insurance Rate Map. Implementation of standard measures, SM HYDRO-5 and SM HYDRO-6 from the Downtown FEIR, would ensure flooding impacts to future development would be less than significant.

Groundwater beneath the project sites is likely present at depths of approximately 20 to 40 feet bgs. The future development is likely to include excavation of approximately five feet bgs. Based on this assumption, the groundwater would be deep enough such that the future construction would not interfere with groundwater flow or expose any aquifers.

The future development project-level analysis will describe existing runoff, runoff under project conditions, and proposed stormwater detention structures and flood protection measures based available information. The future residences and office space must comply with Morgan Hill Municipal Code Chapter 18.42, the Flood Damage Prevention Ordinance, which requires new residential construction to elevate habitable spaces one foot above anticipated flood levels and non-residential construction to be flood-proofed, and subgrade floors to withstand hydrostatic flood forces. Mitigation measures will be described for significant hydrology and/or water quality impacts, as appropriate, at the time of project-level environmental review.

Realigned Depot Street - The circulation and infrastructure improvements proposed by the Realigned Depot Street project component would occur primarily on existing impervious surfaces and therefore would not increase the stormwater runoff within the area. Construction activities temporarily increase the amount of debris on-site and grading activities, which could increase pollutant loads of eroded material in stormwater runoff. There are no waterways on or adjacent to the project site; therefore, the impacts of increased pollutant loads in stormwater runoff on local waterways should be minimal. Implementation of the standard measures, SM HYDRO-7 and SM HYDRO-8 from the Downtown FEIR, would ensure that construction of the proposed development would result in less than significant water quality impacts.

5.7 NOISE AND VIBRATION

Downtown Specific Plan FEIR – Noise and Vibration Conclusions

The 2009 Downtown FEIR found that noise levels from traffic and the railroad would exceed the City of Morgan Hill's interior and exterior noise standards for residential uses allowed under the Specific Plan, resulting in significant and unavoidable impacts despite the incorporation of mitigation measures. The FEIR also found significant unavoidable impacts related to construction noise because construction activities, although mitigated with noise control measures, could impact noise-sensitive receptors for more than one year. All other noise and vibration-related impacts were found to be either less than significant or less than significant after the incorporation of mitigation measures.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development - The biggest noise sources in the project area are the Caltrain/UPRR tracks and vehicle traffic on Monterey Road, Dunne Avenue, and Depot Street. Construction activities can generate high noise levels, especially during demolition, excavation, and foundation construction when heavy equipment is used. Implementation of standard measures (SM NOI-1 through SM NOI-7) will reduce potential construction related noise impacts to nearby sensitive receptors. The proposed residential and office development would not generate substantially more noise in operation than the other surrounding commercial and residential developments do. The main source of noise associated with the development in operation would be vehicle traffic. The Downtown Specific Plan FEIR calculated the growth of traffic volumes with build-out of the Specific Plan as well as the associated noise increases. Traffic noise levels along major routes are anticipated to increase by one to two dBA Ldn by 2030, which was found to be a less than significant impact. The proposed residential development is consistent with the Specific

Plan assumptions and would not increase traffic (and the associated noise) above the volumes estimated in the Downtown Specific Plan FEIR.

Pavement removal and excavation could produce substantial vibration. Mitigation Measure MM NV-3.1 from Downtown FEIR shall be implemented as part of the site development permit process for development allowed under the Specific Plan to reduce impacts to residents from ground-borne vibration to a less than significant level.

The future Hale Lumber site residents are sensitive receptors. Consistent with the Downtown FEIR and the City of Morgan Hill policy, the future residential development would implement mitigation measures MM NOI-5 through MM NOI-7 to reduce the noise impacts to future residents of the project site. The future townhome development will be adjacent to the UPRR tracks and adjacent and/or near public roadways. A project-level noise assessment will evaluate the compatibility of the project with surrounding uses, and the project's potential to generate noise levels that will exceed any limits or result in a substantial temporary or permanent increase in noise will be conducted in the future. The assessment will also evaluate the compatibility of the future on-site noise-sensitive receptors.

Realigned Depot Street – Construction activities can generate high noise levels, especially during the construction of project infrastructure when heavy equipment is used. Implementation of standard measures (SM NOI-1 through SM NOI-7) will reduce potential construction related noise impacts to nearby sensitive receptors. The main source of noise associated with the realigned Depot Street project component in operation would be vehicle traffic. The Downtown Specific Plan FEIR calculated the growth of traffic volumes with build-out of the Specific Plan as well as the associated noise increases. Traffic noise levels along major routes are anticipated to increase by one to two dBA Ldn by 2030, which was found to be a less than significant impact. The proposed project component is consistent with the Specific Plan assumptions and would not increase traffic (and the associated noise) above the volumes estimated in the Downtown Specific Plan FEIR.

Pavement removal and excavation could produce substantial vibration. Mitigation measure MM NV-3.1 from the Downtown FEIR shall be implemented as part of the site development permit process for development allowed under the Specific Plan to reduce impacts to residents from ground-borne vibration to a less than significant level. A new realigned roadway is not considered noise- or vibration-sensitive uses, and would not be subject to such impacts from the surrounding environment.

5.8 TRANSPORTATION

Downtown Specific Plan FEIR – Transportation/Traffic Conclusions

The traffic analysis prepared in support of the Downtown FEIR evaluated traffic impacts of the Specific Plan by analyzing projected 2015 and 2030 development conditions against existing conditions. The Downtown Specific Plan FEIR concluded that build out of the Specific Plan under 2030 conditions would result in significant intersection level of service impacts.

The realignment of Depot Street was disclosed as an alternative roadway improvement in the Downtown Specific Plan and Circulation Element EIRs. The realignment was evaluated for trip re-distribution and level of service and concluded that the new alignment with the new mixed use development is within the scope of the General Plan FIER and Downtown Specific Plan Master FIER. Therefore, no further review is needed.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development - The approved Downtown Specific Plan will add housing, retail, and office/service land uses within the Specific Plan project area. The FEIR's analysis of projected 2030 development in the Specific Plan project area included an increase of approximately 1,200 multi-family residential units, 93,490 square feet of retail, and 85,590 square feet of office/service development in the Specific Plan project area. The enlarged Hale Lumber site would eventually be developed with approximately 48 residential units and 3,000 square foot of office. According to the TIA prepared for the FEIR, this development was projected to generate a total of approximately 10,520 daily, 807 AM peak-hour, and 911 PM peak-hour trips. Intersection levels of service were calculated with projected 2030 development traffic volumes, and the FEIR disclosed that under projected 2030 conditions all of the signalized intersections would operate acceptably except the Main Avenue/Monterey Road intersection which would operate at LOS E during the AM peak hour and LOS D during the PM peak hour. In addition, the following four unsignalized study intersection operations would be degraded to LOS E or F during one or both peak hours:

- Monterey Road/Central Avenue (LOS F, AM and PM peak hours)
- Monterey Road/Fourth Street (LOS F, AM and PM peak hours)
- Monterey Road/Fifth Street (LOS E, AM peak hour and LOS F, PM peak hour)
- Main Avenue and Depot Street (LOS E, AM peak hour)

The remaining unsignalized study intersections would operate at acceptable levels of service during both peak hours. A signal warrant analysis was conducted as part of the FEIR TIA for each unsignalized study intersection operating at LOS E or F. Under projected 2030 conditions, the Main Avenue and Depot Street intersection is the only intersection operating at LOS E or F that would meet the peak-hour warrant criteria for signalization during either the AM or PM peak hours.

The future development on the enlarged Hale Lumber site would be consistent with the development assumptions in the Downtown Plan that were analyzed in the FEIR TIA. Therefore, the future development will contribute to the traffic impacts disclosed in the FEIR.

Realigned Depot Street - The Morgan Hill 2035 General Plan discusses routing Depot street south through the existing community and cultural Center parking lot to provide a continuous north-south travel route to, from, and within Downtown. The Downtown Specific Plan assumed closure of Depot Street north of East Dunne Avenue and grade separating East Dunne Avenue and the UPRR rail line. The realignment of Depot Street was disclosed as an alternative roadway improvement in the Downtown Specific Plan and Circulation Element EIRs, however, this realignment was not evaluated for trip re-distribution and level of service. A East Dunne Avenue/Church Street/Depot Street intersection Traffic Study was conducted and concludes that the level of service analysis is projected

to operate acceptably with implementation of the proposed project under the 2035 General Plan and Downtown Specific Plan.

5.9 CUMULATIVE IMPACTS

Under Section 15065(a)(3) of the CEQA Guidelines, a lead agency shall find that a project may have a significant effect on the environment where there is substantial evidence that the project has potential environmental effects “that are individually limited, but cumulatively considerable.” As defined in Section 15065(a)(3) of the CEQA Guidelines, cumulatively considerable means “that the incremental effects of an individual project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.” In addition, under Section 15152(f) of the CEQA Guidelines, where a lead agency has determined that a cumulative effect has been adequately addressed in a prior EIR, the effect is not treated as significant for purposes of later environmental review and need not be discussed in detail.

The foreseeable future development activities that would result from the proposed land transaction are consistent, as explained previously, with the development assumptions in the Downtown Specific Plan. The Downtown Specific Plan FEIR concluded that development allowed under the Specific Plan, including the foreseeable future development activities facilitated by the land transaction, would be consistent with adopted regional Clean Air Plan and, therefore, would not have a cumulatively considerable contribution to a significant cumulative air quality impact. A screening level health risk assessment associated with construction-related toxic air emissions will be completed prior to the issuance of the project’s grading permit. Results of the analysis would determine if implementation of additional construction mitigation measures would be necessary to reduce toxic air contaminant emissions below BAAQMD health risk thresholds, both as a matter of single-source and cumulative conditions reflecting combined emissions from other nearby sources.

The future development anticipated on the enlarged Hale Lumber site is below the BAAQMD screening thresholds for GHG emissions from construction and operations of new condo/townhome developments. The project would, therefore, not result in a cumulatively considerable GHG impact. GHG mitigation measures from the Downtown Specific Plan FEIR would be implemented to further reduce GHG impacts.

The Downtown Specific Plan FEIR disclosed that buildout of the Specific Plan would result in significant unavoidable intersection level of service impacts. Since the proposed mixed use development components were assumed in the Specific Plan, the project would contribute to the significant unavoidable intersection level of service impacts disclosed in the Downtown Specific Plan FEIR. The Depot Street realignment was evaluated for trip re-distribution and level of service in the Downtown Specific Plan and confirm its acceptable operation according to City’s adopted level of service policy, both under existing and 2030 Downtown Specific Plan cumulative buildout conditions and is consistent with what was disclosed previously in the Downtown Specific Plan FEIR.

The cumulative impacts on aesthetics, agricultural lands, biological resources, cultural resources, geology and soils, hazards and hazardous materials, hydrology and water quality, land use, noise,

population and housing, public services, recreation, and utilities and service systems from buildout of the Specific Plan were analyzed in the certified Downtown Specific Plan FEIR. The proposed land transaction would not lead to future development activities that would result in any new or more significant cumulative impacts than the previously approved Downtown Specific Plan project disclosed in the Specific Plan FEIR. Mitigation measures were adopted for the previously approved project where feasible, and will be implemented by the proposed project.

There are no recently approved or reasonably foreseeable projects that, when combined with the proposed project, would result in a new or greater cumulatively considerable impact not previously identified by Downtown Specific Plan FEIR. While the San Jose to Merced segment of the CA High-speed Rail project is evaluating an alignment that would run east of the project area, that project's environmental review has not yet been made public by the High-speed Rail Authority and it is not possible for the City of Morgan Hill to predict the impacts of that project for purposes of cumulative impacts assessment without speculation.

6.0 CONCLUSION

Based on the above analysis and discussion, no substantive revisions are needed to the 2009 *Morgan Hill Downtown Specific Plan FEIR*. No new significant impacts or impacts of substantially greater severity would result from the modified project because there have been no major changes in circumstances in the project area that would result in new significant environmental impacts or substantially more severe impacts; and no new information has come to light that would indicate the potential for new significant impacts or substantially more severe impacts than were identified in the 2009 FEIR. The General Plan Amendment and Zoning Amendment is to amend the map to support the realignment of Depot Street. The realignment is consistent with the 2035 General Plan and Downtown Specific Plan as discussed throughout this report and therefore, no further evaluation is required, and no Subsequent EIR is needed pursuant to State CEQA Guidelines Section 15162. An Addendum to the Downtown Specific Plan 2009 FEIR and the 2035 General Plan FEIR is the appropriate review document for the modified project, pursuant to Section 15164.

Tiffany Brown, Associate Planner
City of Morgan Hill

Signature

Date


9/4/18



HEXAGON TRANSPORTATION CONSULTANTS, INC.

Hale Lumber Mixed-Use Development

Traffic Impact Analysis

Prepared for:

City of Morgan Hill

September 26, 2018

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Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)



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Executive Summary

This report presents the results of the traffic impact analysis conducted for the proposed Hale Lumber Mixed-Use development located in Morgan Hill, California. The project site is currently occupied by industrial uses and is bounded by Depot Street to the west, the Morgan Hill Caltrain Station to the north, the UPRR rail tracks to the east, and Dunne Avenue to the south. The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 residential (40 townhome and 8 condominium) units and 3,150 square feet (s.f.) of office space.

In addition to the development of the project site with the proposed project, the realignment of Depot Street also is being proposed. Per the current City of Morgan Hill General Plan, Depot Street is planned to be realigned between Fifth Street and Dunne Avenue, shifting the south end of this roadway westward to form the north leg of the Church Street and Dunne Avenue intersection. The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue. The Depot Street realignment would be constructed concurrently with the proposed development, and is assumed in place for the evaluation of the project.

In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Scope of Study

The potential impacts related to the proposed development were evaluated following the standards and methodologies set forth by the City of Morgan Hill and the Santa Clara Valley Transportation Authority (VTA). The VTA administers the County Congestion Management Program (CMP). The study includes an analysis of AM and PM peak-hour traffic conditions for seven intersections and 16 directional freeway segments.

The proposed project is located within the Downtown Core area and it is estimated to generate less than 50 peak-hour trips. Based on two of the requirements for the preparation of a transportation impact study presented in the City of Morgan Hill Guidelines for Preparation of Transportation Impact Reports, the proposed project would be exempt from having to complete a transportation impact study. However, a third condition requiring an transportation impact study is described as a project that creates a transportation issue that City staff requests to have analyzed.

Project Trip Generation

Trip estimates for the proposed project were developed based on trip generation rates obtained from ITE's *Trip Generation*, Tenth Edition, 2017, and reductions for the proposed mixed-use land uses and close proximity to a Caltrain station.

Based on the ITE trip generation rates and applicable VTA's trip reductions, it is estimated that the proposed project would generate a net new 320 daily trips, with 25 trips (8 inbound and 17 outbound) occurring during the AM peak-hour and 32 trips (19 inbound and 13 outbound) occurring during the PM peak-hour.

Existing Plus Project Intersection Levels of Service Analysis

Intersection Level of Service Analysis

The intersection level of service is summarized in Table ES1. The results of the intersection level of service analysis under existing plus project conditions show that no study intersections would be impacted by the project according to City of Morgan Hill level of service standards.

Freeway Segment Analysis

The results of the freeway level of service analysis are summarized in Table ES 2. The freeway level of service analysis shows that the proposed project would not result in a significant impact under existing plus project conditions on any of the study freeway segments.

Year 2035 General Plan Intersection Levels of Service Analysis

The results of the intersection level of service analysis under Year 2035 General Plan plus project conditions show that no study intersections would be impacted by the project, according to City of Morgan Hill level of service standards.

Other Transportation Issues

Site Access and Circulation

Access to the project site would be provided via two driveways along Depot Street. Additionally, access to the project area would be provided by the new intersection of Depot Street with Church Street and Dunne Avenue and the existing intersection of Depot Street and Main Avenue. Both of these intersections are projected to operate acceptably with implementation of the proposed project under both existing plus project and Year 2035 General Plan plus project conditions.

A single drive aisle, located east of the proposed buildings and parallel to Depot Street, would provide access to the proposed housing units and office space via the two proposed driveways. The straight nature of the internal drive aisle, along with the two proposed access points, would facilitate vehicular circulation within the site. However, it could also result in drivers traveling at higher than the recommended speeds. For this reason, it may be desirable to implement speed-reducing measures along the internal drive aisle.

Based on the existing and proposed pedestrian facilities in the project area, pedestrian circulation would be adequate.

Recommended Site Access and On-Site Circulation Improvements

The following are recommended adjustments to improve site access and on-site circulation:

Installation of Speed-Reducing Measures. Due to the straight nature of the internal drive aisle, it may be desirable to implement speed-reducing measures to limit/prevent drivers from traveling at speeds that are unsafe. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

Adhere to City of Morgan Hill Design Standards and Guidelines. The design of the project site, including but not limited to driveways, sidewalks, corner radii, drive aisle width, parking dimensions, and signage, should adhere to City of Morgan Hill design standards and guidelines. This will help provide adequate on-site circulation for all vehicle types, including larger emergency vehicles.

Intersection Operations Analysis

The results of the queuing analysis at the intersection of Depot Street/Church Street and Dunne Avenue indicate that all intersection movements evaluated are projected to have adequate queue storage capacity to accommodate the estimated maximum queue lengths that would result with implementation of the project.

At the southbound approach of the intersection, however, the addition of project traffic, in addition to the Depot Street realignment, would result in the increase of the maximum queue length by 6 vehicles (from 2 to 8 vehicles, or 50 to 200 feet) during the PM peak-hour. This projected maximum queue length could be accommodated along the entire length of the street, however, the queue must not block access to any of the three Community and Cultural Center parking lot driveways proposed to be located along the realigned Depot Street.

Recommended Operations Improvements

The following are recommended adjustments to improve operating conditions along Depot Street:

Installation of “Keep Clear” Signs. It is recommended that “Keep Clear” pavement markings be installed adjacent to one (the western driveway) or both of the Morgan Hill Community and Cultural Center parking lot driveways located along the realigned Depot Street. This will prevent projected maximum vehicle queue lengths at the intersection of Depot Street/Church Street and Dunne Avenue (southbound approach) from blocking access to/from the center’s parking lot.

Parking Demand

Recommended Parking Improvements

Provide Required Number of Parking Spaces. The proposed project must provide the minimum number of parking spaces required to satisfy the City’s Downtown Specific Plan parking requirements.

Transit, Pedestrian, and Bicycle Analysis

A typical mode split in Morgan Hill would be a three percent transit share. Assuming up to three percent transit mode share for the project equates to no more than 1 transit rider during each of the peak hours. The transit ridership demands of the proposed project can be accommodated by the existing transit services serving the project site.

Sidewalks are provided along both sides of the street on Dunne Avenue, Monterey Road, Fifth Street, and Depot Street, with the exception the segment on Depot Street along the project site's frontage, south of Fifth Street. With implementation of the proposed project, sidewalks would be provided along the entire east side of Depot Street, along the project site frontage and the realigned roadway. Additionally, the site plan shows a pedestrian pathway that would run from Depot Street to Dunne Avenue, adjacent to the project site, providing a direct pedestrian connection between the project site and Dunne Avenue. The proposed pedestrian facilities would enhance existing pedestrian facilities, providing a more complete pedestrian network. Therefore, based on the existing and proposed pedestrian facilities in the project area, continuous pedestrian connections between the project site and surrounding pedestrian destinations would be available, resulting in adequate pedestrian circulation to and from the project site.

The site plan shows on-street parking on both sides of the street along the project site frontage on Depot Street. This segment of Depot Street is shown on the site plan as having a 40-foot curb-to-curb right-of-way and would include two 12-foot travel lanes and 8 feet of parking on both sides of the street. The proposed Depot Street cross-section along the project site frontage does not include bike lanes. Additionally, an approximately 200-foot segment of the existing bike lane on the east side of Depot Street, north of Fifth Street and along the project site frontage, would be removed to accommodate the proposed on-street parking. Therefore, the existing bike lane on Depot Street would continue to be incomplete. However, the proposed pedestrian pathway that would connect Depot Street to Dunne Avenue, adjacent to the project site, also could be utilized by bicycle traffic, connecting the existing bike lanes on Dunne Avenue to Depot Street.

Conservatively assuming that bicycle trips would comprise no more than five percent of the total project-generated trips, this calculates to no more than 1-2 new bicycle trips during the peak hours. The demand generated by the proposed project could be accommodated by the existing bicycle facilities in the vicinity of the project site.

Table ES 1
Intersection Level of Service Summary

Int. #	Intersection	Intersection Control	LOS Standard	Peak Hour	Count Date	Existing		Existing Plus Project				Year 2035 General Plan		Year 2035 GP Plus Project			
						Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C	Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C
1	Church Street and Dunne Avenue	Signal	E	AM	06/06/18	17.8	B	17.7	B	0.1	0.060	20.0	B	18.1	B	-2.4	0.016
				PM	06/06/18	19.9	B	24.7	C	6.2	0.101	20.7	C	24.0	C	5.9	0.099
2	Monterey Road and Dunne Avenue	Signal	E	AM	06/06/18	29.6	C	29.6	C	-0.1	-0.004	30.7	C	30.4	C	-0.8	-0.039
				PM	06/06/18	30.7	C	30.6	C	-0.1	-0.002	36.2	D	36.2	D	0.0	0.000
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM	06/06/18	10.4	B	<i>Intersection Abandoned</i>				12.0	B	<i>Intersection Abandoned</i>			
				PM	06/06/18	11.7	B					12.8	B				
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM	06/06/18	37.7	D	37.7	D	0.1	0.002	40.4	D	40.4	D	0.1	0.002
				PM	06/06/18	34.9	C	35.0	D	0.1	0.004	38.9	D	39.0	D	0.2	0.004
5	Depot Street and Main Avenue	Two-Way Stop	E	AM	06/06/18	20.3	C	20.4	C	N/A	N/A	38.6	E	38.6	E	N/A	N/A
				PM	06/06/18	21.0	C	21.1	C	N/A	N/A	35.5	E	35.8	E	N/A	N/A
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM	06/06/18	18.2	C	18.1	C	N/A	N/A	96.5	F	81.0	F	N/A	N/A
				PM	06/06/18	34.1	D	34.1	D	N/A	N/A	127.0	F	122.1	F	N/A	N/A
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM	06/06/18	9.2	A	9.2	A	N/A	N/A	9.5	A	9.6	A	N/A	N/A
				PM	06/06/18	9.8	A	10.3	B	N/A	N/A	10.2	B	10.5	B	N/A	N/A
¹ The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.																	

Table ES 2
Freeway Segment Level of Service Summary

#	Freeway	Segment	Direction	Peak Hour	Existing Plus Project										Project Trip					
					Mixed-Flow Lane					HOV Lane					Mixed-Flow Lane		HOV Lane			
					Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Volume	% of Capacity	Volume	% of Capacity
1	US 101	from Masten Avenue to San Martin Avenue	NB	AM	66	3	6,900	4,761	24	C	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,202	16	B	--	--	--	--	--	2	0.03	--	--	
2	US 101	from San Martin Avenue to Tennant Avenue	NB	AM	20	3	6,900	4,981	83	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,402	17	B	--	--	--	--	--	2	0.03	--	--	
3	US 101	from Tennant Avenue to East Dunne Avenue	NB	AM	16	3	6,900	4,421	92	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	66	3	6,900	4,362	22	C	--	--	--	--	--	2	0.03	--	--	
4	US 101	from East Dunne Avenue to Cochrane Road	NB	AM	41	3	6,900	6,290	51	E	--	--	--	--	--	10	0.14	--	--	
			NB	PM	66	3	6,900	3,778	19	C	--	--	--	--	--	8	0.12	--	--	
5	US 101	from Cochrane Road to Burnett Avenue (Lane Drop)	NB	AM	64	3	6,900	6,158	32	D	66	1	1,650	1,522	23	C	8	0.12	2	0.12
			NB	PM	66	3	6,900	4,567	23	C	70	1	1,650	841	12	B	7	0.10	1	0.06
6	US 101	from Burnett Avenue (Lane Drop) to Sheller Avenue	NB	AM	65	3	6,900	6,057	31	D	62	1	1,650	2,173	35	D	7	0.10	3	0.18
			NB	PM	43	3	6,900	6,337	49	E	70	1	1,650	841	12	B	7	0.10	1	0.06
7	US 101	from Sheller Avenue to Lane Drop (SB)	NB	AM	66	3	6,900	5,317	27	D	65	1	1,650	1,953	30	D	7	0.10	3	0.18
			NB	PM	66	3	6,900	3,776	19	C	70	1	1,650	1,052	15	B	6	0.09	2	0.12
8	US 101	from Lane Drop (SB) to SR 85	NB	AM	66	3	6,900	4,568	23	C	67	1	1,650	1,142	17	B	8	0.12	2	0.12
			NB	PM	67	3	6,900	3,607	18	B	70	1	1,650	491	7	A	7	0.10	1	0.06
9	US 101	from SR 85 to Lane Drop (SB)	SB	AM	67	4	9,200	3,994	15	B	67	1	1,650	541	8	A	4	0.04	1	0.06
			SB	PM	66	4	9,200	5,029	19	C	70	1	1,650	1,472	21	C	9	0.10	2	0.12
10	US 101	from Lane Drop (SB) to Sheller Avenue	SB	AM	67	3	6,900	3,404	17	B	67	1	1,650	811	12	B	4	0.06	1	0.06
			SB	PM	48	3	6,900	6,488	45	D	50	1	1,650	2,403	48	E	8	0.12	3	0.18
11	US 101	from Sheller Avenue to Burnett Avenue (Lane Drop)	SB	AM	67	3	6,900	3,204	16	B	67	1	1,650	541	8	A	4	0.06	1	0.06
			SB	PM	30	3	6,900	5,768	64	F	40	1	1,650	2,443	61	F	8	0.12	3	0.18
12	US 101	from Burnett Avenue (Lane Drop) to Cochrane Road	SB	AM	67	3	6,900	3,405	17	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	19	3	6,900	4,801	84	F	--	--	--	--	--	11	0.16	--	--	
13	US 101	from Cochrane Road to East Dunne Avenue	SB	AM	67	3	6,900	3,005	15	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	42	3	6,900	6,311	50	E	--	--	--	--	--	11	0.16	--	--	
14	US 101	from East Dunne Avenue to Tennant Avenue	SB	AM	67	3	6,900	3,602	18	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	42	3	6,900	6,301	50	E	--	--	--	--	--	1	0.01	--	--	
15	US 101	from Tennant Avenue to San Martin Avenue	SB	AM	67	3	6,900	2,802	14	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	36	3	6,900	6,161	57	E	--	--	--	--	--	1	0.01	--	--	
16	US 101	from San Martin Avenue to Masten Avenue	SB	AM	67	3	6,900	2,602	13	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	47	3	6,900	6,491	46	D	--	--	--	--	--	1	0.01	--	--	
¹ Source: Santa Clara Valley Transportation Authority Congestion Management Program Monitoring Study, 2016. Bold indicates unacceptable LOS. Boxed indicates significant impact.																				

1.

Introduction

This report presents the results of the traffic impact analysis conducted for the proposed Hale Lumber Mixed-Use development located in Morgan Hill, California. The project site is currently occupied by industrial uses and is bounded by Depot Street to the west, the Morgan Hill Caltrain Station to the north, the UPRR rail tracks to the east, and Dunne Avenue to the south. The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 residential (40 townhome and 8 condominium) units and 3,150 square feet (s.f.) of office space.

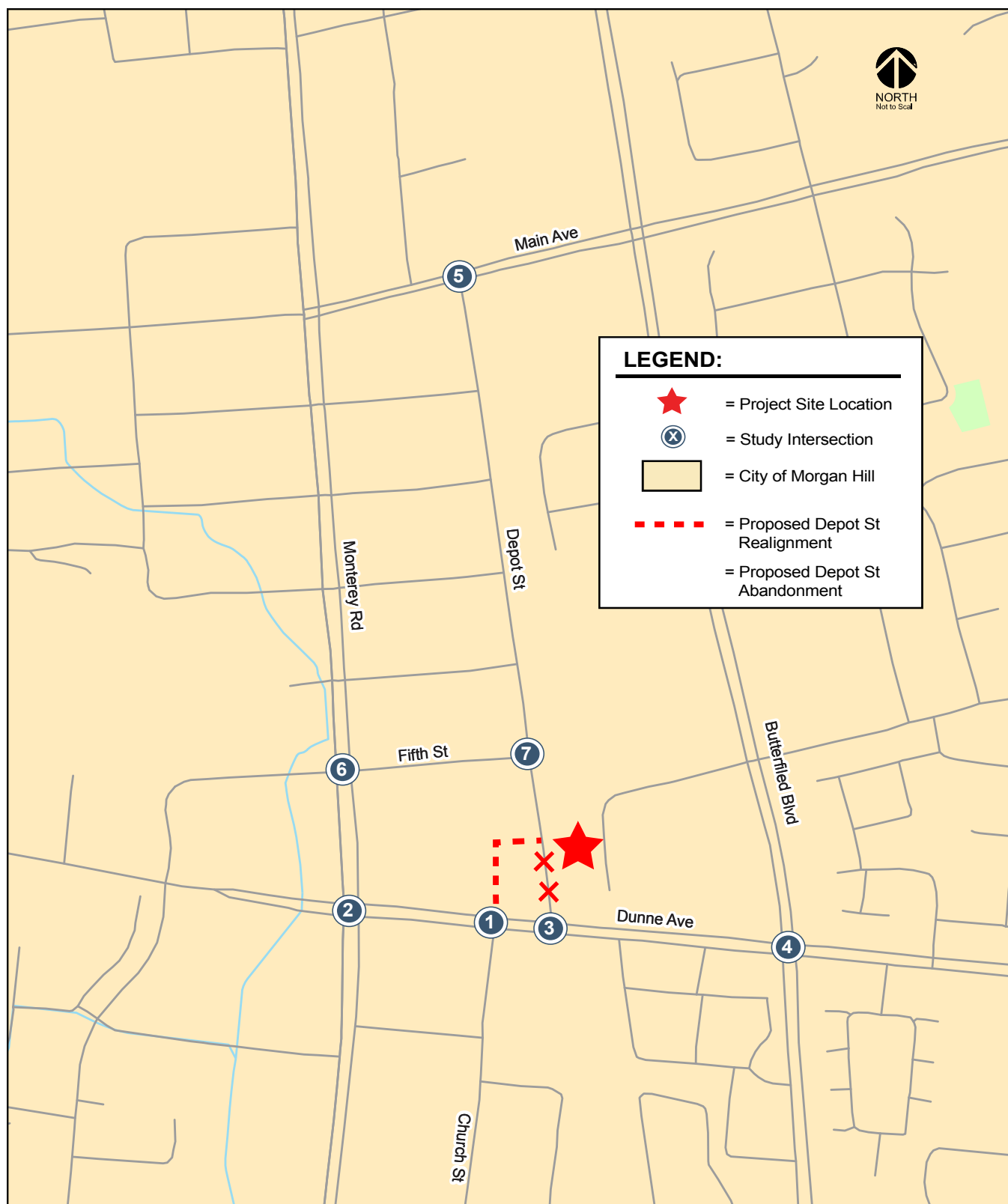
In addition to the development of the project site with the proposed project, the realignment of Depot Street also is being proposed. Per the current City of Morgan Hill General Plan, Depot Street is planned to be realigned between Fifth Street and Dunne Avenue, shifting the south end of this roadway westward to form the north leg of the Church Street and Dunne Avenue intersection. The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue. The Depot Street realignment would be constructed concurrently with the proposed development, and is assumed in place for the evaluation of the project.

Access to the project sites would be provided via two driveways along Depot Street. The project site location and the surrounding study area are shown on Figure 1. The project site plan is shown on Figure 2.

Scope of Study

The potential impacts related to the proposed development were evaluated following the standards and methodologies set forth by the City of Morgan Hill and the Santa Clara Valley Transportation Authority (VTA). The VTA administers the County Congestion Management Program (CMP). The study includes an analysis of AM and PM peak-hour traffic conditions for seven intersections and 16 directional freeway segments. The study intersections and freeway segments are identified below.

According to the City of Morgan Hill Guidelines for Preparation of Transportation Impact Reports, dated February 2010, a transportation impact study is required when a proposed project generates 100 or more net peak-hour trips or adds 50 to 99 net new peak-hour trips to the roadway system where nearby intersections are currently operating at LOS D (LOS F for Downtown intersections) or worse. Projects located within the 14-block Downtown Core area are exempt from the above two requirements. A third condition requiring an transportation impact study is described as a project that creates a transportation issue that City staff requests to have analyzed.



Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 1
Site Location and Study Intersections

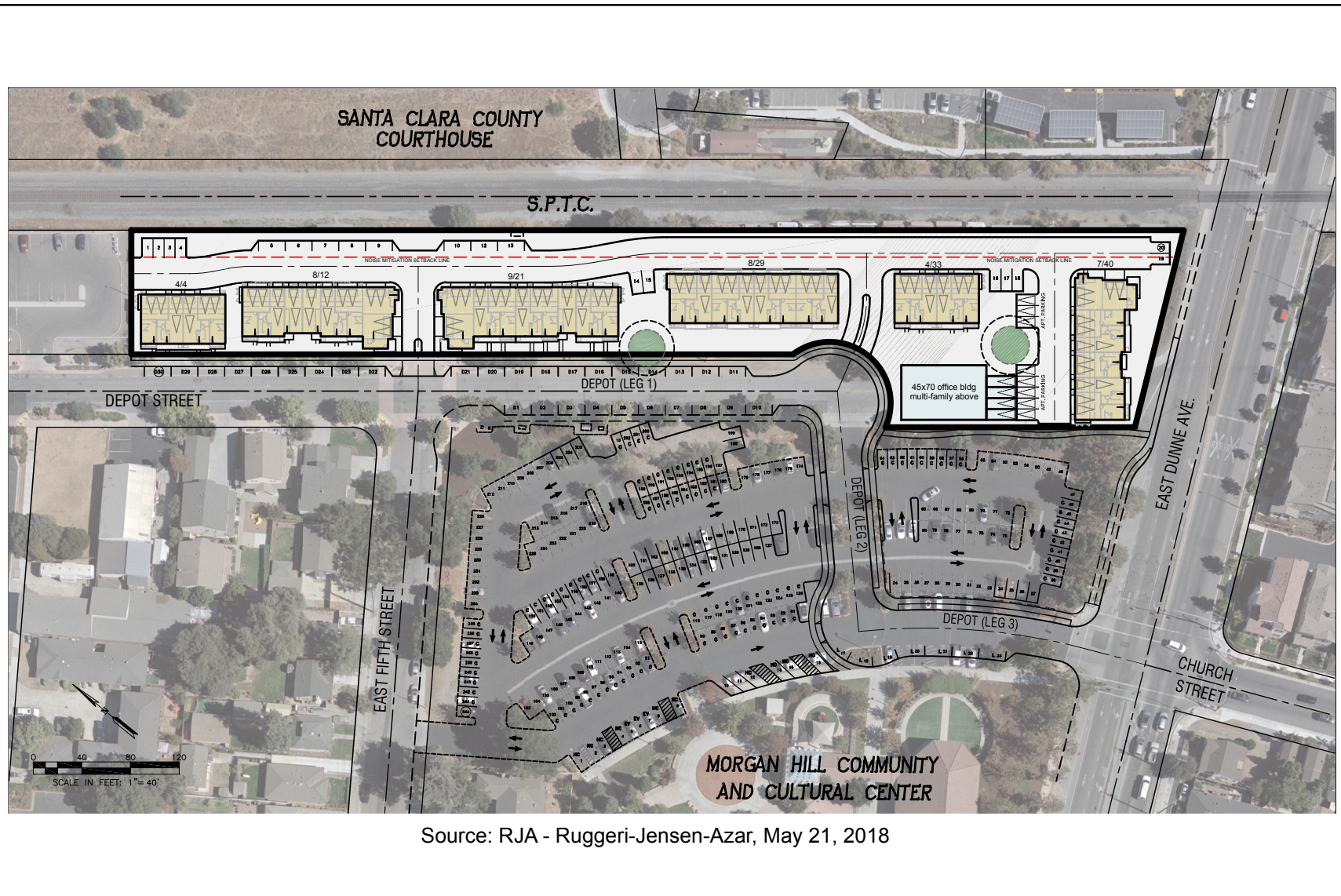


Figure 2
Site Plan

The proposed project is located within the Downtown Core area and it is estimated to generate less than 50 peak-hour trips. Based on the above two requirements, the proposed project would be exempt from having to complete a transportation impact study.

Study Intersections

The study includes the evaluation of traffic conditions at the following three signalized intersections and four unsignalized intersection:

1. Church Street and Dunne Avenue
2. Monterey Road and Dunne Avenue
3. Depot Street and Dunne Avenue (no project conditions only, unsignalized)
4. Butterfield Boulevard and Dunne Avenue
5. Depot Street and Main Avenue (unsignalized)
6. Monterey Road and Fifth Street (unsignalized)
7. Depot Street and Fifth Street (unsignalized)

Study Freeway Segments

The study includes the evaluation of the following directional freeway segments:

1. Southbound US 101 between SR 85 and the Southbound Lane Drop
2. Southbound US 101 between Southbound Lane Drop and Sheller Avenue
3. Southbound US 101 between Sheller Avenue and Burnett Avenue
4. Southbound US 101 between Burnett Avenue and Cochrane Road
5. Southbound US 101 between Cochrane Road and Dunne Avenue
6. Southbound US 101 between Dunne Avenue and Tennant Avenue
7. Southbound US 101 between Tennant Avenue and San Martin Avenue
8. Southbound US 101 between San Martin Avenue and Masten Avenue
9. Northbound US 101 between Masten Avenue and San Martin Avenue
10. Northbound US 101 between San Martin Avenue and Tennant Avenue
11. Northbound US 101 between Tennant Avenue and Dunne Avenue
12. Northbound US 101 between Dunne Avenue and Cochrane Road
13. Northbound US 101 between Cochrane Road and Burnett Avenue
14. Northbound US 101 between Burnett Avenue and Sheller Avenue
15. Northbound US 101 between Sheller Avenue and Southbound Lane Drop
16. Northbound US 101 between the Southbound Lane Drop and SR 85

Study Time Periods

Traffic conditions at the study intersections and freeway segments were analyzed for the weekday AM and PM peak hours. The weekday AM peak hour of traffic is generally between 7:00 and 9:00 AM and the weekday PM peak hour is typically between 4:00 and 6:00 PM. It is during these periods that the most congested traffic conditions occur on a typical weekday.

Study Scenarios

Traffic conditions were evaluated for the following scenarios:

Scenario 1: *Existing Conditions*. Existing conditions represent existing peak-hour traffic volumes on the existing roadway network. Existing peak-hour traffic volumes were obtained from new turn-movement traffic counts conducted at all of the study intersections.

- Scenario 2: *Existing Plus Project Conditions.* Project-generated traffic volumes were added to existing traffic volumes to estimate existing plus project conditions. Adjustments to traffic volumes associated with the Depot Street realignment project also were included. Existing plus project conditions were evaluated relative to existing conditions in order to determine potential project impacts.
- Scenario 3: *Year 2035 General Plan Conditions.* Year 2035 General Plan conditions represent future traffic volumes on the future transportation network. Year 2035 General Plan conditions include traffic growth projected to occur in the Year 2035 without the proposed project. This scenario includes the Year 2035 General Plan transportation network improvements without the Depot Street realignment.
- Scenario 4: *Year 2035 General Plan with Project Conditions.* Year 2035 General Plan with project consists of Year 2035 General Plan traffic conditions with the addition of project traffic and the adjustments to traffic volumes associated with the Depot Street realignment project.

Methodology

This section presents the methods used to determine the traffic conditions for each scenario described above. It includes descriptions of the data requirements, the analysis methodologies, and the applicable level of service standards.

Data Requirements

The data required for the analysis were obtained from new peak hour intersection turn-movement counts, previous traffic studies, the City of Morgan Hill, and field observations. The following data were collected from these sources:

- existing traffic volumes
- lane configurations
- signal timing and phasing (signalized intersections)
- average speeds on freeway segments
- Year 2035 traffic forecasts

Analysis Methodologies and Level of Service Standards

Traffic conditions at the study intersections were evaluated using level of service (LOS). *Level of Service* is a qualitative description of operating conditions ranging from LOS A, or free-flow conditions with little or no delay, to LOS F, or jammed conditions with excessive delays. The analysis methods are described below.

Signalized Intersections

Signalized study intersections are subject to the City of Morgan Hill level of service standards. The City of Morgan Hill level of service methodology is TRAFFIX, which is based on the 2000 *Highway Capacity Manual* (HCM) method for signalized intersections. TRAFFIX evaluates signalized intersections operations based on average control delay time for all vehicles at the intersection. Since TRAFFIX is also the CMP-designated intersections level of service methodology, the City of Morgan Hill methodology employs the CMP defaults values for the analysis parameters, which include adjusted saturation flow rates to reflect conditions in Santa Clara County.

In accordance with the adopted threshold of significance described in the City of Morgan Hill's Guidelines for Preparation of Transportation Impact Reports, , dated February 2010, all intersections within the City of Morgan Hill are required to meet the City's LOS standard of LOS D, with the exception of the following:

- **LOS F** for Downtown intersections and segments including at Main Avenue/Monterey Road, along Monterey Road between Main Avenue and Fifth Street, and along Depot Street at First Street through Fifth Street;
- **LOS E** for the following intersections and freeway zones:
 - Main Avenue and Del Monte Avenue
 - Main Avenue and Depot Street
 - Dunne Avenue and Del Monte Avenue
 - Dunne Avenue and Monterey Avenue
 - Dunne Avenue and Church Street
 - Dunne Avenue and Depot Street
 - Cochrane Road and Monterey Road
 - Tennant Avenue and Monterey Road
 - Tennant Avenue and Butterfield Boulevard
 - Cochrane Road Freeway Zone: from Madrone Parkway/Cochrane Plaza to Cochrane Road/DePaul Drive
 - Dunne Avenue Freeway Zone: from Walnut Grove Drive/East Dunne Avenue to Condit Road/East Dunne Avenue
 - Tennant Avenue Freeway Zone: from Butterfield Boulevard/Tennant Avenue to Condit Road/Tennant Avenue

Six of the study intersections (two signalized intersections) are located within the Downtown Core area and have a LOS E or F standard. The intersection of Butterfield Boulevard and Dunne Avenue (study intersection #4) has a LOS D standard.

The correlation between average delay and level of service for signalized intersections is shown in Table 1.

Unsignalized Intersections

The methodology used to determine the level of service for unsignalized intersections is also TRAFFIX and the 2000 HCM methodology for unsignalized intersection analysis. This method is applicable for both two-way and all-way stop-controlled intersections. For the analysis of stop-controlled intersections, the 2000 HCM methodology evaluates intersection operations on the basis of average control delay time for all vehicles on the stop-controlled approaches. For the purpose of reporting level of service for one- and two-way stop-controlled intersections, the delay and corresponding level of service for the stop-controlled minor street approach with the highest delay is reported. For all-way stop-controlled intersections, the reported average delay and corresponding level of service is the average for all approaches at the intersection.

The City uses a minimum acceptable level of service standard of LOS D for unsignalized intersections (with the exception of unsignalized intersections located within the Downtown area and freeway zones, as described previously), in accordance with its adopted threshold of significance described in its Guidelines for Preparation of Transportation Impact Reports. All four of the unsignalized study intersections are located within the Downtown Core area and have a level of service standard of LOS E or F.

Table 1
Signalized Intersection Level of Service Definitions Based on Control Delay

Level of Service	Description	Average Control Delay per Vehicle (sec.)
A	Operations with very low delay occurring with favorable progression and/or short cycle lengths.	up to 10.0
B	Operations with low delay occurring with good progression and/or short cycle lengths.	10.1 to 20.0
C	Operations with average delays resulting from fair progression and/or longer cycle lengths. Individual cycle failures begin to appear.	20.1 to 35.0
D	Operations with longer delays due to a combination of unfavorable progression, long cycle lengths, or high V/C ratios. Many vehicles stop and individual cycle failures are noticeable.	35.1 to 55.0
E	Operations with high delay values indicating poor progression, long cycle lengths, and high V/C ratios. Individual cycle failures are frequent occurrences. This is considered to be the limit of acceptable delay.	55.1 to 80.0
F	Operation with delays unacceptable to most drivers occurring due to oversaturation, poor progression, or very long cycle lengths.	Greater than 80.0

Sources: Transportation Research Board, *2000 Highway Capacity Manual. Traffic Level of Service Analysis Guidelines*, Santa Clara County Transportation Authority Congestion Management Program, June 2003.

The correlation between average delay and level of service for unsignalized intersections is shown in Table 2.

Signal Warrants

The level of service analysis at unsignalized intersections is supplemented with an assessment of the need for signalization of the intersection. The need for signalization of unsignalized intersections is assessed based on the Peak Hour Volume Warrant (Warrant 3) described in the *California Manual on Uniform Traffic Control Devices for Streets and Highways (CA MUTCD)*, Part 4, Highway Traffic Signals, 2014. This method makes no evaluation of intersection level of service, but simply provides an indication whether vehicular peak-hour traffic volumes are, or would be, sufficient to justify installation of a traffic signal. The decision to install a traffic signal should not be based purely on the warrants alone. Instead, the installation of a signal should be considered and further analysis performed when one or more of the warrants are met. Additionally, engineering judgment is exercised on a case-by-case basis to evaluate the effect a traffic signal will have on certain types of accidents and traffic conditions at the subject intersection as well as at adjacent intersections. Intersections that meet the peak hour warrant are subject to further analysis before determining that a traffic signal is necessary. Other

Table 2
Unsignalized Intersection Level of Service Definitions Based on Control Delay

Level of Service	Description	Average Control Delay per Vehicle (sec.)
A	Operations with very low delays occurring with favorable progression.	up to 10.0
B	Operations with low delays occurring with good progression.	10.1 to 15.0
C	Operations with average delays resulting from fair progression.	15.1 to 25.0
D	Operation with longer delays due to a combination of unfavorable progression of high V/C ratios.	25.1 to 35.0
E	Operation with high delay values indicating poor progression and high V/C ratios. This is considered to be the limited of acceptable delay.	35.1 to 50.0
F	Operation with delays unacceptable to most drivers occurring due to oversaturation and poor progression.	Greater than 50.0

Source: Transportation Research Board, 2000 Highway Capacity Manual, (Washington, D.C., 2000).

options such as traffic control devices, signage, or geometric changes may be preferable based on existing field conditions.

Freeway Segments

As prescribed in the CMP technical guidelines, the level of service for freeway segments is estimated based on vehicle density. Density is calculated by the following formula:

$$D = V / (N \cdot S)$$

Where:

D= density, in vehicles per mile per lane (vpmp/l)

V= peak hour volume, in vehicles per hour (vph)

N= number of travel lanes

S= average travel speed, in miles per hour (mph) The vehicle density on a segment is correlated to level of service as shown in Table 3. The CMP specifies that a capacity of 2,300 vehicles per hour per lane (vphpl) be used for mixed-flow lane segments that are three lanes or wider in one direction, and a capacity of 2,200 vphpl be used for mixed-flow lane segments that are two lanes wide in one direction. A capacity of 1,650 vphpl was used for high occupancy vehicle (HOV) lanes. The CMP defines an acceptable level of service for freeway segments as LOS E or better.

Table 3
Freeway Level of Service Definitions Based on Density

Level of Service	Description	Density (vehicles/mile/lane)
A	Average operating speeds at the free-flow speed generally prevail. Vehicles are almost completely unimpeded in their ability to maneuver within the traffic stream.	0-11
B	Speeds at the free-flow speed are generally maintained. The ability to maneuver within the traffic stream is only slightly restricted, and the general level of physical and psychological comfort provided to drivers is still high.	>11-18
C	Speeds at or near the free-flow speed of the freeway prevail. Freedom to maneuver within the traffic stream is noticeably restricted, and lane changes require more vigilance on the part of the driver.	>18-26
D	Speeds begin to decline slightly with increased flows at this level. Freedom to maneuver within the traffic stream is more noticeably limited, and the driver experiences reduced physical and psychological comfort levels.	>26-46
E	At this level, the freeway operates at or near capacity. Operations in this level are volatile, because there are virtually no usable gaps in the traffic stream, leaving little room to maneuver within the traffic stream.	>46-58
F	Vehicular flow breakdowns occur. Large queues form behind breakdown points.	>58

Sources: Transportation Research Board, *2000 Highway Capacity Manual. Traffic Level of Service Analysis Guidelines*, Santa Clara County Transportation Authority Congestion Management Program, June 2003.

Report Organization

The remainder of this report is divided into five chapters. Chapter 2 describes existing conditions in terms of the existing roadway network, transit service, and existing bicycle and pedestrian facilities. Chapter 3 presents the project impact on the transportation system and describes the recommended mitigation measures under existing plus project conditions. Chapter 4 presents the analysis of other transportation related issues, including site access. Chapter 5 presents the traffic conditions in the study area under Year 2035 General Plan conditions without and with the addition of project traffic. Chapter 6 presents the conclusions of the traffic impact analysis.

2. Existing Conditions

This chapter describes the existing conditions for all of the major transportation facilities in the vicinity of the site, including the roadway network, transit service, and bicycle and pedestrian facilities.

Existing Roadway Network

Regional access to the project site is provided via US 101. Local access to the site is provided by Monterey Road, Butterfield Boulevard, Main Avenue, Fifth Street, Dunne Avenue, Church Street, and Depot Street. These facilities are described below.

US 101 is a north-south freeway extending northward to San Francisco and southward through Gilroy. US 101 is an eight-lane freeway (three mixed-flow lanes and one high-occupancy vehicle (HOV) lane in each direction) north of Cochrane Road. South of Cochrane Road, it is a six-lane freeway with no HOV lanes. Access to the project site would be provided via a full interchange at Dunne Avenue.

Monterey Road is a four-lane north-south divided major arterial that runs directly through Morgan Hill. Monterey Road extends from Market Street, in downtown San Jose, to US 101 south of the City of Gilroy. Monterey Road runs west of the project site with posted speed limits ranging from 25 miles per hour (mph) to 35 mph in the project vicinity. The segment of Monterey Road between Main Avenue and Dunne Avenue is designated as a bike route (Class III facility), while the segments of Monterey Road north of Main Avenue and south of Dunne Avenue currently provide bike lanes (Class II) along both sides of the street.

Butterfield Boulevard is a north-south four-lane divided arterial roadway that runs south from Cochrane Road to its intersection with Watsonville Road/Monterey Road. Butterfield Boulevard has a posted speed limit of 45 mph. Along with Monterey Road, Butterfield Boulevard serves as a primary north-south route within the City of Morgan Hill. Butterfield Boulevard is planned to be extended north of Cochrane Road as a two-lane arterial to connect to Madrone Parkway. Bike lanes are currently provided along the entire length of Butterfield Boulevard. Butterfield Boulevard would provide access to the project site via Dunne Avenue and Main Avenue.

Main Avenue is an east-west roadway that extends from the foothills west of Dewitt Avenue over US 101 to Cochrane Road on the east part of Morgan Hill. Main Avenue is mainly a two-lane roadway, with segments that include a center two-way left-turn lane. West of Butterfield Boulevard, Main Avenue has a posted speed limit of 30 mph while east of Butterfield Boulevard, it has a posted speed limit of 40 mph. Bike lanes are found along both sides of Main Avenue. Main Avenue would provide access to the project site via Depot Street.

Fifth Street is an east-west two-lane undivided roadway that extends from Depot Street westward to west of Monterey Road, where it transitions to Del Monte Avenue. The entire length of Fifth Street is approximately one quarter of a mile long, and it provides direct access to various businesses and single family residential units that lined the street. Although no speed limit signs are posted along Fifth Street, it can be assumed that the speed limit along Fifth Street ranges between 25 and 30 mph, similar to the adjacent streets. Fifth Street would provide direct access to the project site via its intersection with Depot Street.

Dunne Avenue is an east-west four-lane major arterial, with the exception of the two-lane arterial segment between Del Monte Avenue and Peak Avenue. Dunne Avenue transverses the City extending from the east part of town to the west with a posted speed limit of 35 to 40 mph. Bike lanes are found along both side of Dunne Avenue between Peak Avenue and Gallop Drive (east of US 101). Dunne Avenue would provide access to the project site via its new proposed intersection with Depot Street.

Church Street is a north-south two-lane undivided roadway that extends between Dunne Avenue and Tennant Avenue parallel to and east of Monterey Road. In the vicinity of the project site, Church Street has a posted speed limit of 30 mph. With the proposed Depot Street realignment, Church Street would continue north of Dunne Avenue as Depot Street, providing direct access to the project site.

Depot Street is a north-south two-lane undivided roadway that extends between Main Avenue and Dunne Avenue, forming at T-intersection with both streets. Depot Street has a posted speed limit of 30 mph. With the proposed Depot Street realignment, the existing T-intersection of Depot Street with Dunne Avenue would be abandoned and Depot Street would be shifted westward approximately 200 feet to become the north leg of the existing T-intersection of Church Street and Dunne Avenue. Depot Street would provide direct access to the project site via two driveways.

Existing Bicycle and Pedestrian Facilities

As defined by the Valley Transportation Authority (VTA), bicycle facilities include Class I bikeways (defined as bike paths off street, which is shared with pedestrians and excludes general motor vehicle traffic), Class II bikeways (defined as striped bike lanes on street), and rated streets. The latter refers to streets frequently used by bicyclists, sharing the roadway with motor vehicles, and includes city designated Class III bike routes. Rated streets include extreme caution (heavy traffic volumes with high traffic speeds), alert (moderate traffic volumes and speeds), and moderate (low traffic volumes and moderate to low traffic speeds). Class III bikeways only have signs to help guide bicyclists on recommended routes to certain locations.

Bike lanes are currently provided along various roadways within the project study area, some of which serve the project site directly. Class II Bike lanes are currently provided along the following roadways:

- Depot Street, between Main Avenue and Fifth Street;
- Butterfield Boulevard, along its entire length;
- Monterey Road, nearly its entire length within City of Morgan Hill limits, with the exception of the segment that runs through downtown between Dunne Avenue and Main Avenue;
- Main Avenue, from Peak Avenue to east of US 101;
- Dunne Avenue, from Peak Avenue to east of Hill Road.

Other bicycle facilities in the project vicinity include the following:

- A bike route (Class III) on Monterey Road, between Dunne Avenue and Main Avenue;
- A paved bike path (Class I) on the east side of Butterfield Boulevard, between San Pedro Avenue and Central Avenue.

The existing bicycle facilities in the study area are presented graphically on Figure 3.

Pedestrian facilities in the study areas consist primarily of sidewalks, pedestrian push buttons and signal heads at intersections. All of the signalized intersections in the vicinity of the project site have marked crosswalks and pedestrian push buttons and signal heads.

Sidewalks are provided along at least one of the sides of the following roadways in the vicinity of the project site:

Dunne Avenue – sidewalks are provided along both sides of the street between Peak Avenue and Condit Road.

Butterfield Boulevard – sidewalks and a bicycle/pedestrian pathway are provided along both sides of the street along most of Butterfield Boulevard, with the exception of segment between Jarvis Drive (North and South) where sidewalks are provided along the east side of the street only and south of San Pedro Avenue where sidewalks are found along the west side of the street only.

Monterey Road – sidewalks are found along both sides of the street in the project vicinity.

Main Street – sidewalks are found along both sides of the street between Dewitt Avenue and just west of the US 101 overcrossing.

Fifth Street – sidewalks are found along both sides of the street between Depot Street and west of Monterey Road.

Depot Street – sidewalks are provided along both sides of the street with the exception of the project site frontage.

Existing Transit Service

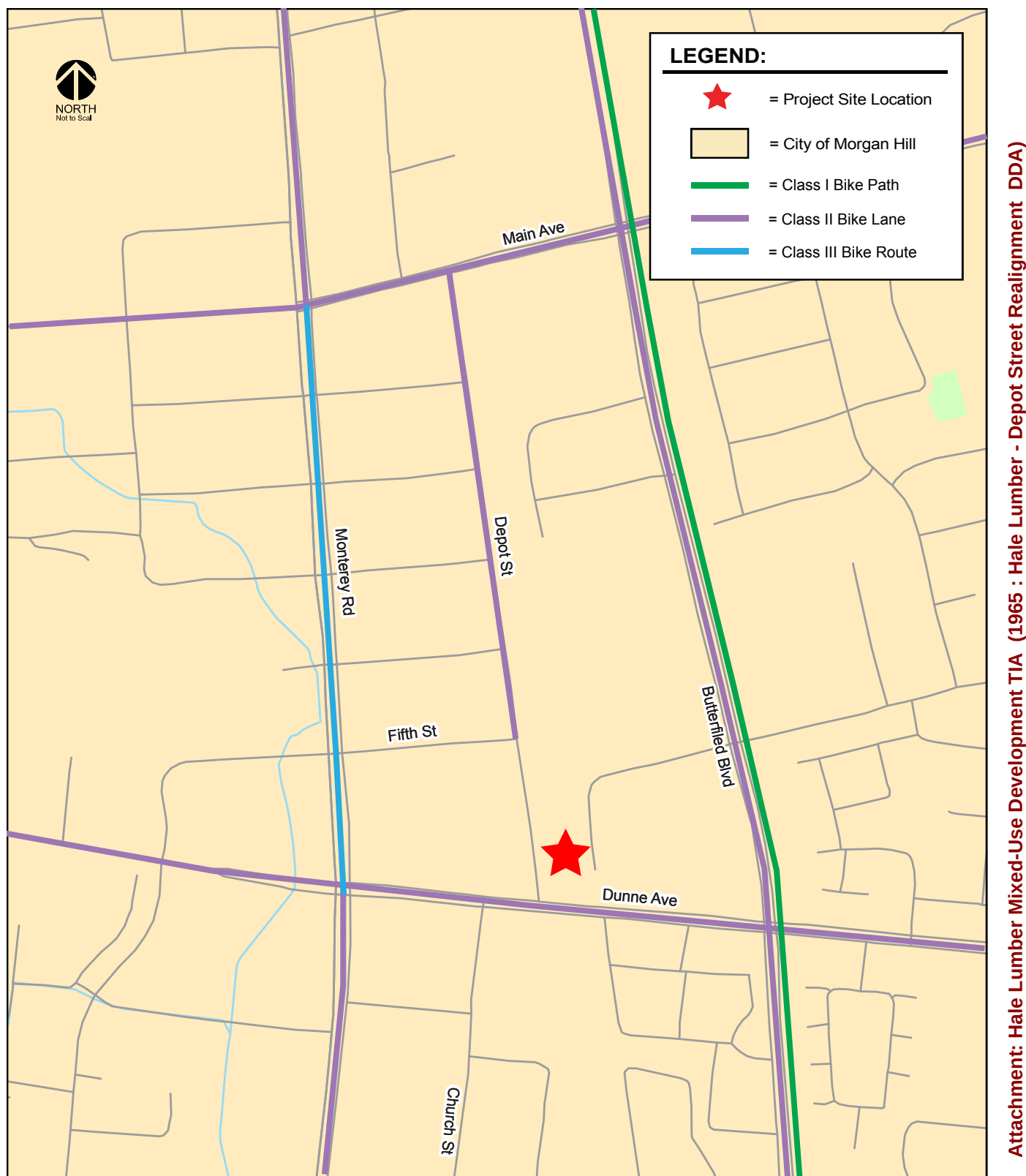
Existing transit service to the study area is provided by the VTA, the Monterey-Salinas Transit (MST), and Caltrain. The Morgan Hill Caltrain Station is located on the east side of Depot Street, immediately north of the project site, and provides a connection to most transit lines serving Morgan Hill. The transit services are described below and shown on Figure 4.

Community Bus Route 16 operates on Main Avenue in the study area. It runs from Burnett Avenue to the Civic Center (Main and Dewitt) in Morgan Hill with approximately 60-minute headways in the AM and PM peak hours. Route 16 operates between 6:30 AM and 6:00 PM. The nearest Route 16 stops to the project site are located on Main Avenue between Monterey Road and Butterfield Boulevard.

Local Route 68 operates on Monterey Road and Hale Avenue on its route between the Gilroy Transit Center and the Diridon Transit Center in San Jose with 15-20 minute headways on weekdays in the AM and PM peak hours. Route 68 operates between 4:00 AM and 1:30 AM. The nearest Route 68 stops to the project site are located near the Monterey Road/Dunne Avenue intersection.

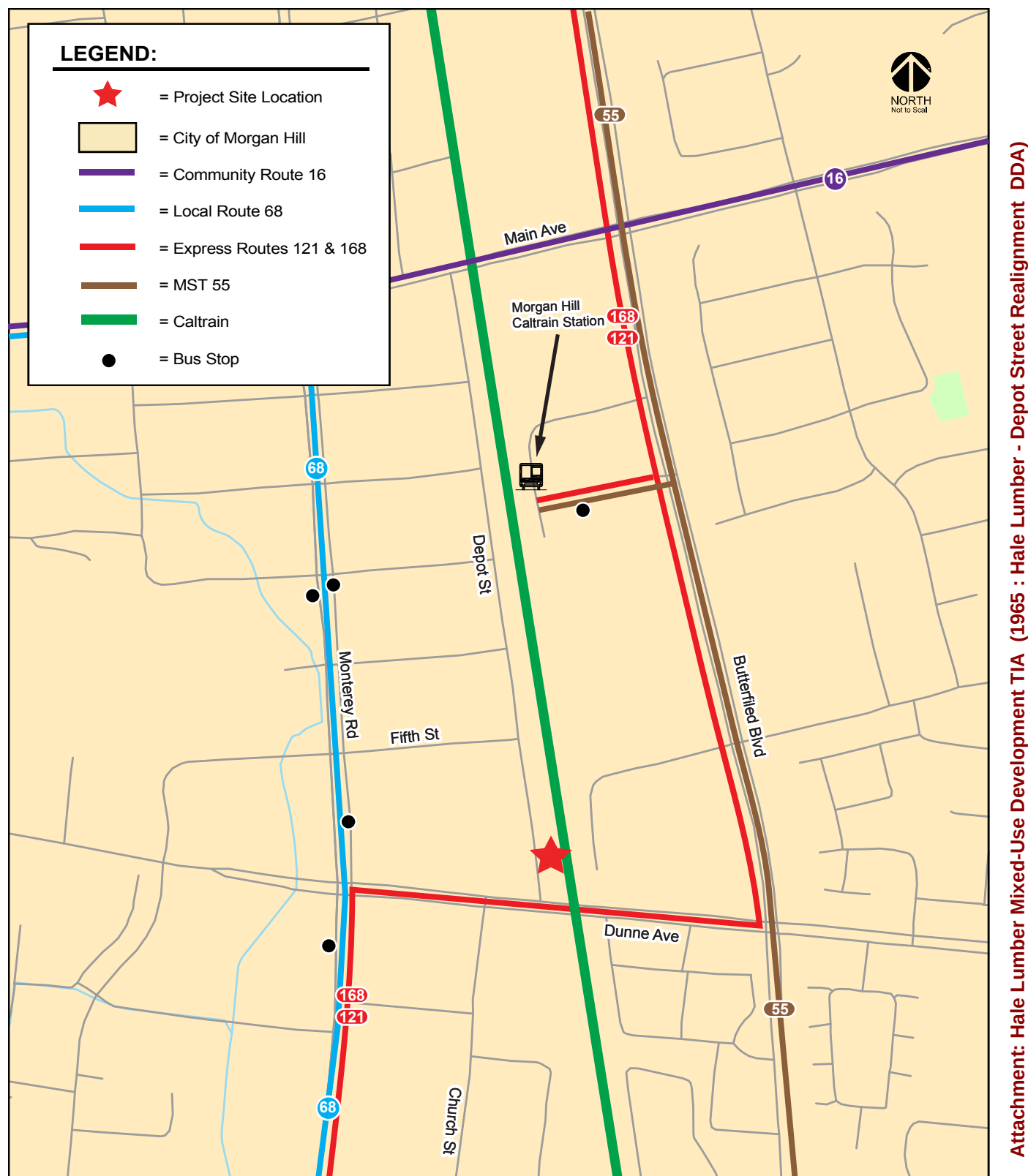
Express Route 121 operates on Butterfield Boulevard and Monterey Road on its route between the Gilroy Transit Center and the Lockheed Martin Transit Center. It operates northbound with 15 to 30-minute headways during the AM peak hour and southbound with 15 to 30-minute headways during the PM peak hour. The nearest Route 121 stop to the project site is at the Morgan Hill Caltrain Station.

Express Route 168 operates on Butterfield Boulevard and Monterey Road on its route between the Gilroy Transit Center and the San Jose Diridon Transit Center. It operates northbound with 30-minute headways during the AM peak hour and southbound with 30-minute headways during the PM peak hour. The nearest Route 168 stop to the project site is at the Morgan Hill Caltrain Station.



Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 3
Existing Bicycle Facilities



Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 4
Existing Transit Services

The Monterey Salinas Transit (**MST 55**) provides service between Monterey and the San Jose Diridon Station with three daily trips (one during the morning, one midday, and one in the evening). The MST 55 line has scheduled stops at the Morgan Hill Caltrain Station.

Commuter rail service between San Francisco and Gilroy is provided by Caltrain. The Morgan Hill Caltrain Station is located north of the project site, with main access and parking off of Butterfield Boulevard. At the Morgan Hill Station, Caltrain provides service with approximately 30- to 40-minute headways during commute hours.

Existing Intersection Lane Configurations

The existing lane configurations at the study intersections were determined by observations in the field and are shown on Figure 5.

Existing Traffic Volumes

Existing peak-hour traffic volumes were obtained new manual turning-movement counts conducted on June 6, 2018 at all of the study intersections. The existing peak-hour intersection volumes are shown on Figure 6. The intersection turning-movement counts are presented in Appendix A.

Existing Intersection Levels of Service

The results of the level of service analysis under existing conditions are summarized in Table 4. The results show that, measured against the City of Morgan Hill level of service standards, all the study intersections currently operate at an acceptable level of service under existing conditions during each of the peak hours analyzed.

In addition, all unsignalized study intersections currently have traffic conditions that fall below the thresholds that warrant signalization. The level of service calculation sheets are included in Appendix C. The peak-hour signal warrant sheets are contained in Appendix D.

Existing Freeway Segment Levels of Service

Traffic volumes for the subject freeway segments were obtained from the 2016 CMP Annual Monitoring Report. The results of the analysis are summarized in Table 5. The results show that the mixed-flow lanes on the following four directional study freeway segments plus one directional HOV lane segment analyzed currently operate at an unacceptable LOS F during at least one peak-hour of traffic:

Mixed-Flow Freeway Segment Unacceptable LOS F

2. US 101, Northbound from San Martin Avenue to Tennant Avenue (AM Peak Hour)
3. US 101, Northbound from Tennant Avenue to East Dunne Avenue (AM Peak Hour)
11. US 101, Southbound from Sheller Avenue to Burnett Avenue (Lane Drop) (PM Peak Hour)
12. US 101, Southbound from Burnett Avenue (Lane Drop) to Cochrane Road (PM Peak Hour)

HOV Freeway Segment Unacceptable LOS F

11. US 101, Southbound from Sheller Avenue to Burnett Avenue (Lane Drop) (PM Peak Hour)

All other freeway segments analyzed operate at LOS E or better conditions during the AM and PM peak hours.

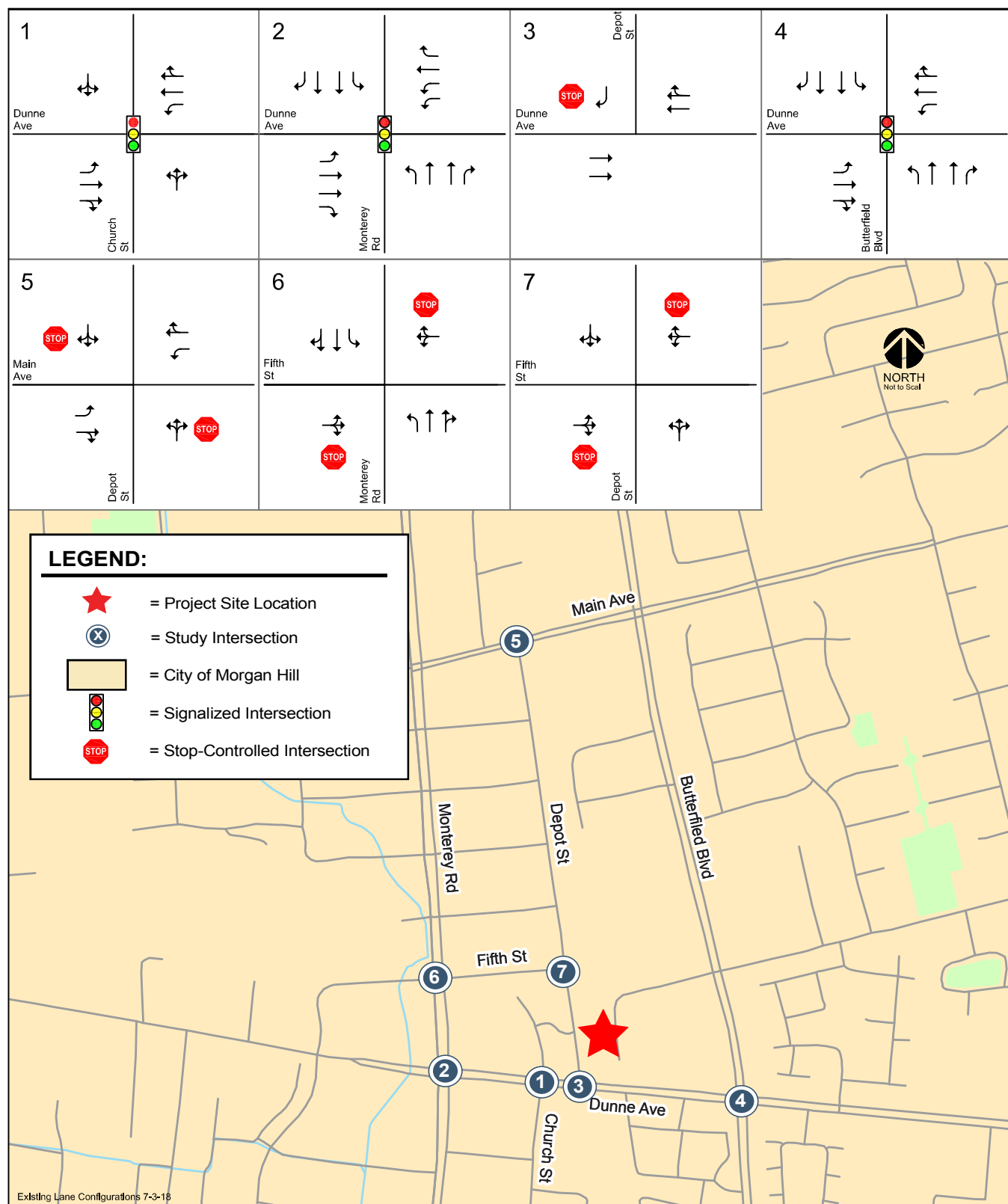
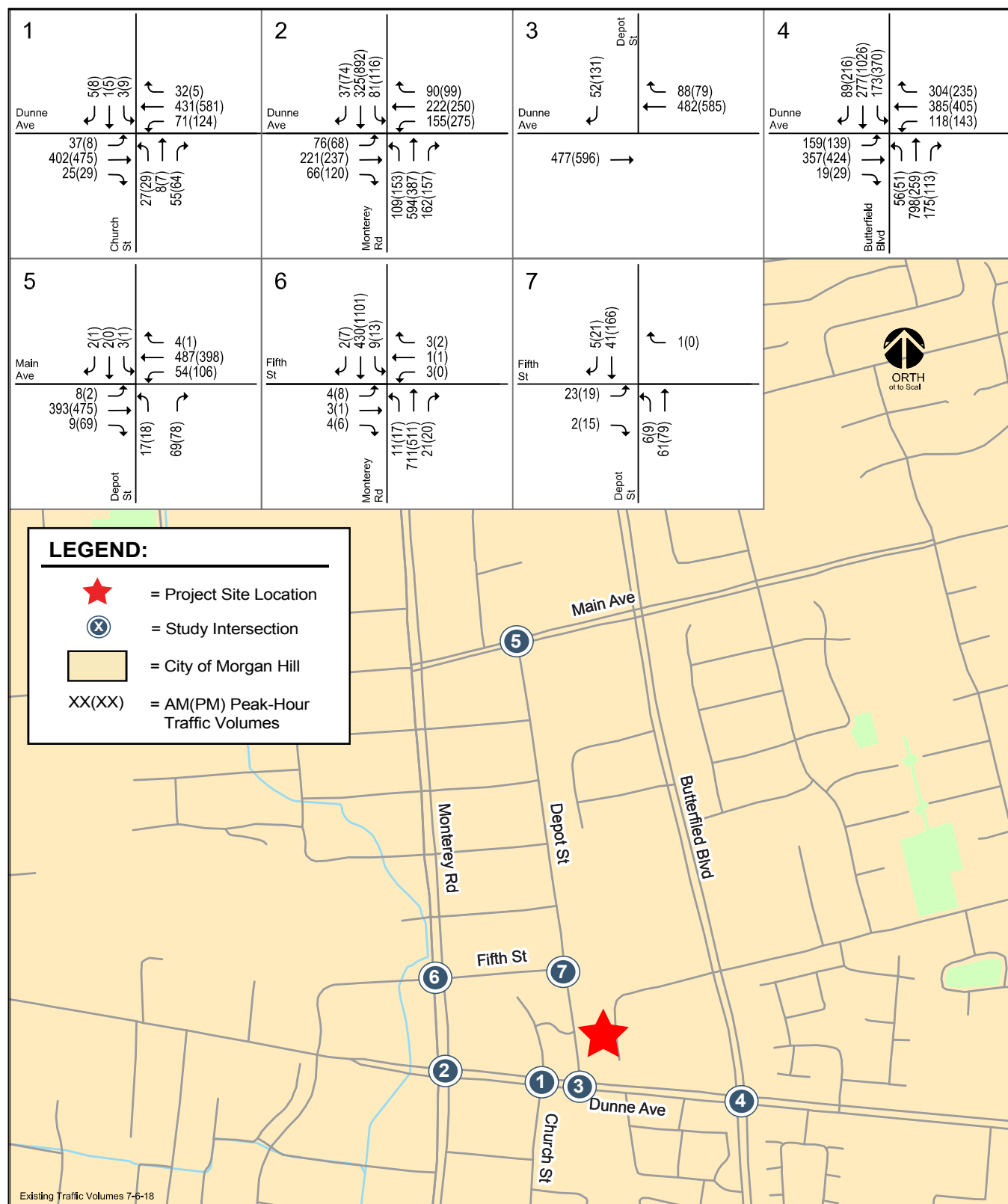


Figure 5
Existing Lane Configurations



Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 6
Existing Traffic Volumes

Table 4
Existing Intersection Levels of Service

Int. #	Intersection	Intersection Control	LOS Standard	Peak Hour	Count Date	Existing Delay ¹	LOS
1	Church Street and Dunne Avenue	Signal	E	AM PM	06/06/18 06/06/18	17.8 19.9	B B
2	Monterey Road and Dunne Avenue	Signal	E	AM PM	06/06/18 06/06/18	29.6 30.7	C C
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM PM	06/06/18 06/06/18	10.4 11.7	B B
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM PM	06/06/18 06/06/18	37.7 34.9	D C
5	Depot Street and Main Avenue	Two-Way Stop	E	AM PM	06/06/18 06/06/18	20.3 21.0	C C
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM PM	06/06/18 06/06/18	18.2 34.1	C D
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM PM	06/06/18 06/06/18	9.2 9.8	A A

¹The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.

Table 5
Existing Freeway Segment Levels of Service

#	Freeway Segment	Direction	Peak Hour	Mixed-Flow Lane					HOV Lane				
				Avg. Speed ¹	# of Lanes ¹	Volume ¹	Density ¹	LOS ¹	Avg. Speed ¹	# of Lanes ¹	Volume ¹	Density ¹	LOS ¹
1	US 101 from Masten Avenue to San Martin Avenue	NB	AM	66	3	4,760	24	C	--	--	--	--	--
		NB	PM	67	3	3,200	16	B	--	--	--	--	--
2	US 101 from San Martin Avenue to Tennant Avenue	NB	AM	20	3	4,980	83	F	--	--	--	--	--
		NB	PM	67	3	3,400	17	B	--	--	--	--	--
3	US 101 from Tennant Avenue to East Dunne Avenue	NB	AM	16	3	4,420	92	F	--	--	--	--	--
		NB	PM	66	3	4,360	22	C	--	--	--	--	--
4	US 101 from East Dunne Avenue to Cochrane Road	NB	AM	41	3	6,280	51	E	--	--	--	--	--
		NB	PM	66	3	3,770	19	C	--	--	--	--	--
5	US 101 from Cochrane Road to Burnett Avenue (Lane Drop)	NB	AM	64	3	6,150	32	D	66	1	1,520	23	C
		NB	PM	66	3	4,560	23	C	70	1	840	12	B
6	US 101 from Burnett Avenue (Lane Drop) to Sheller Avenue	NB	AM	65	3	6,050	31	D	62	1	2,170	35	D
		NB	PM	43	3	6,330	49	E	70	1	840	12	B
7	US 101 from Sheller Avenue to Lane Drop (SB)	NB	AM	66	3	5,310	27	D	65	1	1,950	30	D
		NB	PM	66	3	3,770	19	C	70	1	1,050	15	B
8	US 101 from Lane Drop (SB) to SR 85	NB	AM	66	3	4,560	23	C	67	1	1,140	17	B
		NB	PM	67	3	3,600	18	B	70	1	490	7	A
9	US 101 from SR 85 to Lane Drop (SB)	SB	AM	67	4	3,990	15	B	67	1	540	8	A
		SB	PM	66	4	5,020	19	C	70	1	1,470	21	C
10	US 101 from Lane Drop (SB) to Sheller Avenue	SB	AM	67	3	3,400	17	B	67	1	810	12	B
		SB	PM	48	3	6,480	45	D	50	1	2,400	48	E
11	US 101 from Sheller Avenue to Burnett Avenue (Lane Drop)	SB	AM	67	3	3,200	16	B	67	1	540	8	A
		SB	PM	30	3	5,760	64	F	40	1	2,440	61	F
12	US 101 from Burnett Avenue (Lane Drop) to Cochrane Road	SB	AM	67	3	3,400	17	B	--	--	--	--	--
		SB	PM	19	3	4,790	84	F	--	--	--	--	--
13	US 101 from Cochrane Road to East Dunne Avenue	SB	AM	67	3	3,000	15	B	--	--	--	--	--
		SB	PM	42	3	6,300	50	E	--	--	--	--	--
14	US 101 from East Dunne Avenue to Tennant Avenue	SB	AM	67	3	3,600	18	B	--	--	--	--	--
		SB	PM	42	3	6,300	50	E	--	--	--	--	--
15	US 101 from Tennant Avenue to San Martin Avenue	SB	AM	67	3	2,800	14	B	--	--	--	--	--
		SB	PM	36	3	6,160	57	E	--	--	--	--	--
16	US 101 from San Martin Avenue to Masten Avenue	SB	AM	67	3	2,600	13	B	--	--	--	--	--
		SB	PM	47	3	6,490	46	D	--	--	--	--	--

¹ Source: Santa Clara Valley Transportation Authority Congestion Management Program Monitoring Study, 2016.
 Bold indicates unacceptable LOS.

3.

Existing Plus Project Conditions

This chapter describes existing plus project traffic conditions, significant project impacts, and measures that are recommended to mitigate project impacts. Included are descriptions of the significance criteria that define an impact, estimates of project-generated traffic, identification of the impacts, and descriptions of the mitigation measures. Existing plus project conditions are represented by existing traffic conditions with the addition of traffic generated by the proposed project.

Significant Impact Criteria

Significance criteria are used to establish what constitutes an impact. Significance criteria for impacts on intersections and freeway segments for this analysis are based on the City of Morgan Hill and CMP Level of Service standards and impact criteria.

Definition of Significant Signalized Intersection Impacts

All intersections within the City of Morgan Hill are required to meet the City's LOS standard of LOS D, with the exception of the following:

- **LOS F** for Downtown intersections and segments including at Main/Monterey, along Monterey Road between Main and Fifth Street, and along Depot Street at First through Fifth Street;
- **LOS E** for the following intersections and freeway zones:
 - Main Avenue and Del Monte Avenue
 - Main Avenue and Depot Street
 - Dunne Avenue and Del Monte Avenue
 - Dunne Avenue and Monterey Avenue
 - Dunne Avenue and Church Street;
 - Dunne Avenue and Depot Street
 - Cochrane Road and Monterey Road
 - Tennant Avenue and Monterey Road
 - Tennant Avenue and Butterfield Boulevard
 - Cochrane Road Freeway Zone: from Madrone Parkway/Cochrane Plaza to Cochrane Road/DePaul Drive
 - Dunne Avenue Freeway Zone: from Walnut Grove Drive/East Dunne Avenue to Condit Road/East Dunne Avenue
 - Tennant Avenue Freeway Zone: from Butterfield Boulevard/Tennant Avenue to Condit Road/Tennant Avenue

Two of the three signalized study intersections are located within the Downtown Core area and have a LOS E standard. The intersection of Butterfield Boulevard and Dunne Avenue (study intersection #4) has a LOS D standard.

According to the City of Morgan Hill level of service significant impact thresholds, a development is said to create a significant adverse impact on traffic conditions at a signalized intersection if for either peak hour:

1. The level of service at the intersection degrades from an acceptable level (LOS D or LOS E as identified above) under existing conditions to an unacceptable level (LOS E or F) under project conditions, or
2. The level of service at the intersection is an unacceptable level (LOS E or F as identified above) under existing conditions and the addition of project trips causes the average critical delay to increase by four (4) or more seconds *and* the volume-to-capacity ratio (V/C) to increase by 0.01.

An exception to this rule applies when the addition of project traffic reduces the amount of average delay for critical movements (i.e., the change in average delay for critical movements is negative). In this case, the threshold of significance is an increase in the critical V/C value by 0.01 or more.

Definition of Significant Unsignalized Intersection Impacts

Unsignalized intersections within the City of Morgan Hill have a minimum operating level of LOS D, with the exception of unsignalized intersections located within the Downtown area and freeway zones, as identified above, which have a LOS E or F standard. All four of the unsignalized study intersections are located within the Downtown Core area and have a level of service standard of LOS E or F.

According to the City of Morgan Hill level of service significant impact thresholds, a development is said to have a significant adverse impact on traffic conditions at an unsignalized intersection if for either peak hour the intersection (for all-way stop control) or the worst approach (for one- and two-way stop control) delay corresponds to an unacceptable LOS E or F *and* the traffic volumes at the intersection are sufficiently high to satisfy the peak hour volume warrant. For unsignalized intersections with a LOS F standard, a significant impact would occur when the traffic volumes at the intersection are sufficiently high to satisfy the peak hour volume warrant.

CMP Definition of Significant Freeway Segment Impacts

A project is said to create a significant adverse impact on traffic conditions on a CMP freeway segment if for either peak hour:

1. The level of service on the freeway segment is an unacceptable LOS F under no project conditions, and the number of project trips on that segment constitutes at least one percent of capacity on that segment.
2. The level of service on the freeway segment degrades from an acceptable LOS E or better under existing conditions to an unacceptable LOS F under project conditions.

A significant impact by CMP standards is said to be satisfactorily mitigated when measures are implemented that would restore freeway conditions to LOS E or better.

Project Description

The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 housing units (40 townhome units and 8 condominium units) and 3,150 square feet (s.f.) of office space. The town home units would be three stories high, each with a two-car garage. The condominium units will be located on the second and third floor of the mixed-use building, with the proposed office space located on the first floor. Parking for the condominium units would be located adjacent to the mixed-use building.

In addition to the development of the project site, the realignment of Depot Street, between Fifth Street and Dunne Avenue, also is being proposed. The proposed realignment would shift the south end of Depot Street westward to form the north leg of the Church Street and Dunne Avenue intersection. The Depot Street realignment would be constructed concurrently with the proposed development, and is assumed in place for the evaluation of the project.

Transportation Network under Existing Plus Project Conditions

It is assumed in this analysis that the roadway network and intersection configurations under existing plus project conditions would be the same as described under existing conditions with the exception of the following improvements that would be constructed as part of the project:

Depot Street Realignment. The realignment of Depot Street is being proposed as part of the project. Per the current City of Morgan Hill General Plan, Depot Street is planned to be realigned between Fifth Street and Dunne Avenue, shifting the south end of this roadway westward to form the north leg of the Church Street and Dunne Avenue intersection (currently the north leg of this intersection is the driveway providing access to the Morgan Hill Community and Cultural Center). The realignment would begin approximately 250 feet north of Dunne Avenue (at the existing Community and Cultural Center driveway on Depot Street), with a 90-degree bend on the roadway westward into the Center's parking lot and a second almost immediate 90-degree bend southward to connect to the Church Street/Dunne Avenue intersection (see Figure 2). The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves, in addition to the proposed project, via its new full-access intersection at Church Street/Dunne Avenue. The Depot Street realignment would be constructed concurrently with the proposed development.

With the realignment and in conjunction with the proposed project, parallel on-street parking would be provided along the project site frontage and along most of the Community and Cultural Center's frontage on Depot Street. The site plan identifies an increase of 11 curb side parking spaces (from 19 to 30) along Depot Street with the proposed Depot Street realignment. The realignment would not affect the existing number of on-site parking spaces at the Community and Cultural Center since it would transverse its parking lot along existing drive aisles. With the realignment, however, the center's parking lot would be divided into two separate lots with two driveways along the realigned Depot Street providing access to the north parking lot and one driveway providing access to the south parking lot.

In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Depot Street/Dunne Avenue Intersection Abandonment. With the proposed Depot Street realignment, the southern end of Depot Street, approximately 250-foot long segment north of Dunne Avenue, and the intersection of Depot Street and Dunne Avenue, would be abandoned. The abandoned roadway segment would become part of the project site.

Project Trip Estimates

The magnitude of traffic produced by a new development and the locations where that traffic would appear are estimated using a three-step process: (1) trip generation, (2) trip distribution, and (3) trip assignment. In determining project trip generation, the magnitude of traffic entering and exiting the site is estimated for the AM and PM peak hours. As part of the project trip distribution step, an estimate is made of the directions to and from which the project trips would travel. In the project trip assignment step, the project trips are assigned to specific streets and intersections in the study area. These procedures are described further in the following sections.

Trip Generation

Through empirical research, data have been collected that correlate to common land uses their propensity for producing traffic. Thus, for the most common land uses there are standard trip generation rates that can be applied to help predict the future traffic increases that would result from a new development. Hexagon has prepared project trip estimates for the proposed project based on trip generation rates obtained from the Institute of Transportation Engineers' (ITE's) *Trip Generation Manual*, Tenth Edition, 2017. The proposed project consists of the development of 48 residential (40 townhome and 8 condominium) units and 3,150 s.f. of office space. As a conservative approach, trip generation rates for townhouse units were applied to all proposed 48 residential units.

Trip reductions were applied for the mixed-use components of the project and for its proximity to a major bus stop, as prescribed by the VTA Transportation Impact Analysis Guidelines (October 2014). The trip estimates for each of the proposed land use components of the project were reduced to account for internalization, or trips made between each of the proposed land uses. The reductions are based on the assumption that vehicle trips to each of the proposed land uses of the site would be reduced due to internalization of trips. The VTA recommends trip reductions of 3 percent (%) to account for the internalization between residential and employment land uses. The 3% reduction is based on the smaller trip generator and is applied to both land uses. Furthermore, the VTA recommends transit reductions of 9% and 6% to be applied to the trips estimated to be generated by residential and employment projects, respectively, that are located within a 2,000-foot walking distance of a transit facility. The proposed project site is located less than 2,000 feet from the Morgan Hill Caltrain Station.

Typically, trip credit for the existing uses on site is applied to the estimated trips for the proposed project since traffic generated by the existing uses would no longer access the project site once the proposed project is built. However, the project site is currently occupied by industrial uses, which generate minimal traffic during the peak hours. Therefore, as a conservative approach, trip credit for the existing uses on-site was not taken.

Based on the ITE trip generation rates and applicable VTA's trip reductions, it is estimated that the proposed project would generate a net new 320 daily trips, with 25 trips (8 inbound and 17 outbound) occurring during the AM peak-hour and 32 trips (19 inbound and 13 outbound) occurring during the PM peak-hour. The project trip generation estimates for the proposed project are presented in Table 6.

Table 6
Project Trip Generation Estimates

Land Use	ITE Land Use Code	Reduction %	Size	Daily		AM Peak Hour						PM Peak Hour					
				Rate	Trip	Split		Trip		Total	Rate	Split		Trip		Total	
						In	Out	In	Out			In	Out	In	Out		
Multi-family Housing (Low-Rise)	220		48 Dwelling Units	6.709	322	0.495	23%	77%	6	18	24	0.640	63%	37%	20	11	31
<i>Housing & Employment¹</i>		3%			-1				0	0	0				0	0	0
<i>Housing near a Caltrain station²</i>		9%			-29				-1	-2	-3				-2	-1	-3
General Office Building	710		3,150 Square Feet	9.740	31	1.160	86%	14%	3	1	4	1.150	16%	84%	1	3	4
<i>Housing & Employment¹</i>		3%			-1				0	0	0				0	0	0
<i>Employment near a Caltrain station²</i>		6%			-2				0	0	0				0	0	0
Net Project Trips					320				8	17	25				19	13	32

Source: ITE Trip Generation Manual, 10th Edition 2017

¹As prescribed by the VTA Transportation Impact Analysis Guidelines (October 2014), the maximum trip reduction for a mixed-use development project with housing and employment components is equal to 3% off the smaller trip generator.

²As prescribed by the VTA Transportation Impact Analysis Guidelines (October 2014), the maximum trip reduction for housing and employment located within a 2,000-foot walking distance of a Caltrain station (Morgan Hill Caltrain Station) is equal to 9% for the housing and 6% for the employment components.

Trip Distribution

The trip distribution pattern for project-generated traffic was estimated based on existing travel patterns on the surrounding roadway system and on the locations of complementary land uses. The project trip distribution pattern is shown graphically on Figure 7.

Trip Assignment

The peak-hour trips associated with the proposed project were added to the transportation network in accordance with the distribution pattern discussed above. Figure 8 shows the assignment of project traffic on the local transportation network. A tabular summary of project traffic at each study intersection is contained in Appendix B.

Existing Plus Project Traffic Volumes

Project trips, as presented in the above project trip assignment, were added to existing traffic volumes to obtain existing plus project traffic volumes. In addition, a reassignment of existing traffic was conducted to account for the anticipated change in travel patterns in the immediate project area associated with the proposed Depot Street realignment.

Currently, access between Depot Street and Dunne Avenue is limited to right-turn access only. The Depot Street realignment would provide full-access to and from the Depot Street area via Dunne Avenue, resulting in the displacement of traffic between some of the surrounding intersections, in particular the intersections of Church Street/Dunne Avenue, Monterey Road/Dunne Avenue, Monterey Road/Fifth Street, and Depot Street/Fifth Street. Therefore, the reassignment of existing traffic due to the proposed Depot Street realignment and the proposed project trips were added to existing traffic volumes to obtain existing plus project traffic volumes.

The existing plus project traffic volumes are shown on Figure 9.

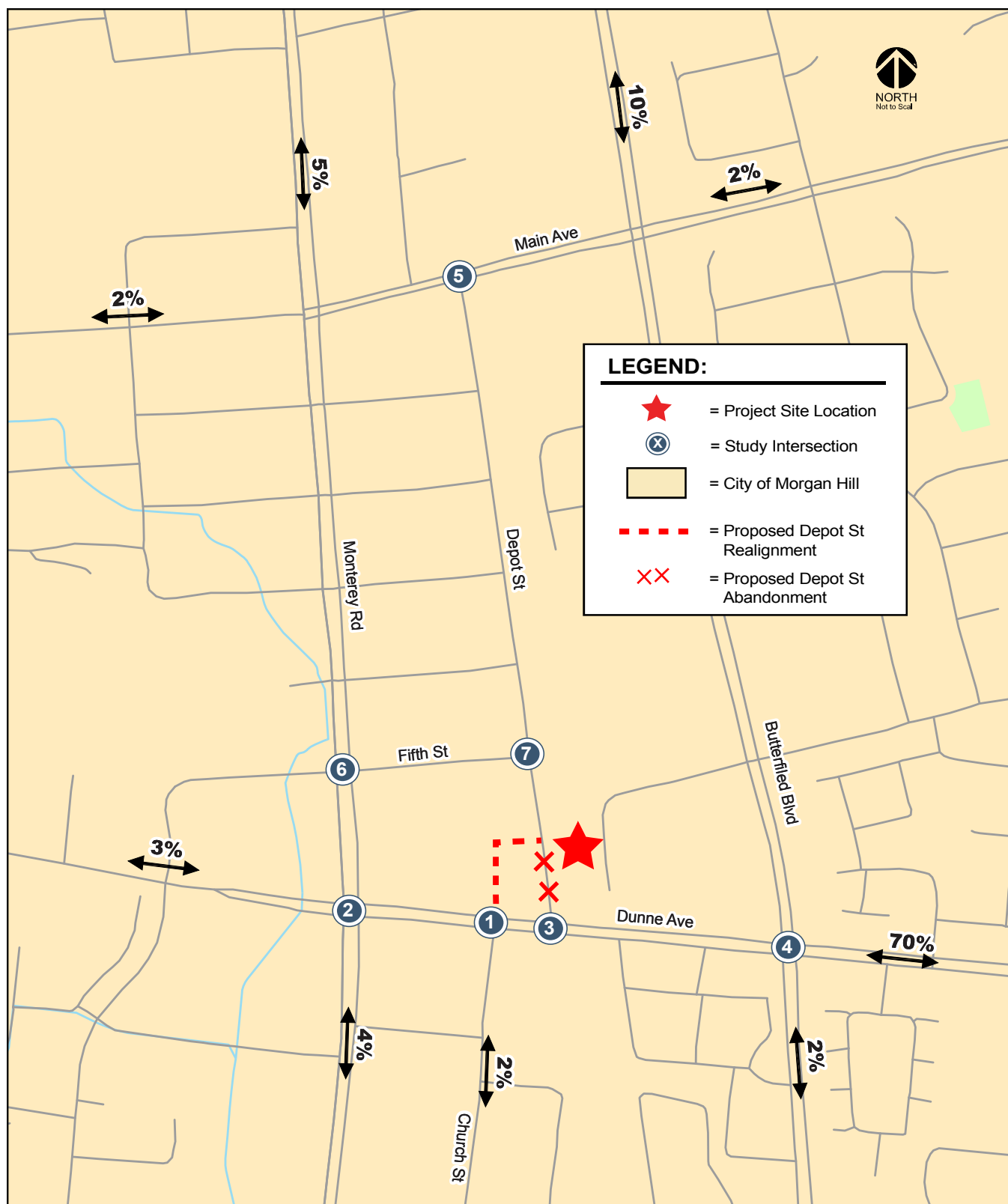
Existing Plus Project Intersection Analysis

The results of the level of service analysis under existing plus project conditions are summarized in Table 7. The results show that, measured against the City of Morgan Hill level of service standards, all the study intersections are projected to operate at acceptable levels of service under existing plus project conditions during each of the peak hours analyzed. Therefore, no study intersections would be significantly impacted by the project, according to City's level of service impact criteria.

In addition, all unsignalized study intersections are projected to have traffic conditions that fall below the thresholds that warrant signalization under existing plus project conditions. The level of service calculation sheets are included in Appendix C. The peak-hour signal warrant sheets are contained in Appendix D.

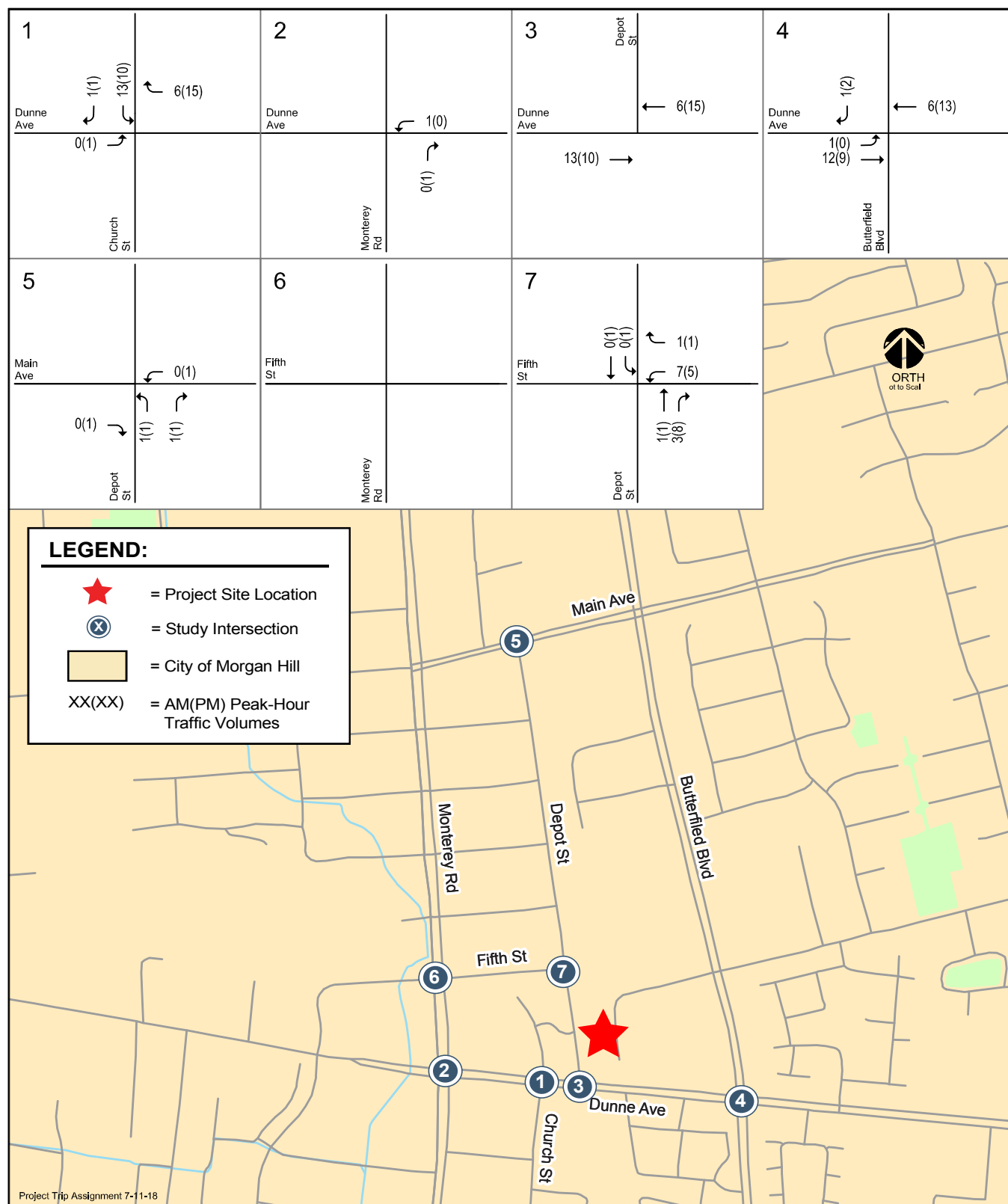
Freeway Segment Analysis

The results of the CMP freeway level of service analysis under existing plus project conditions are summarized in Table 8. Traffic volumes on the study freeway segments under existing plus project conditions were estimated by adding to the existing traffic volumes obtained from the 2016 CMP Annual Monitoring Report the estimated project trips on the freeway. The results show that the project would not cause an increase in traffic volumes of one percent or more of freeway capacity on any freeway



Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 7
Project Trip Distribution



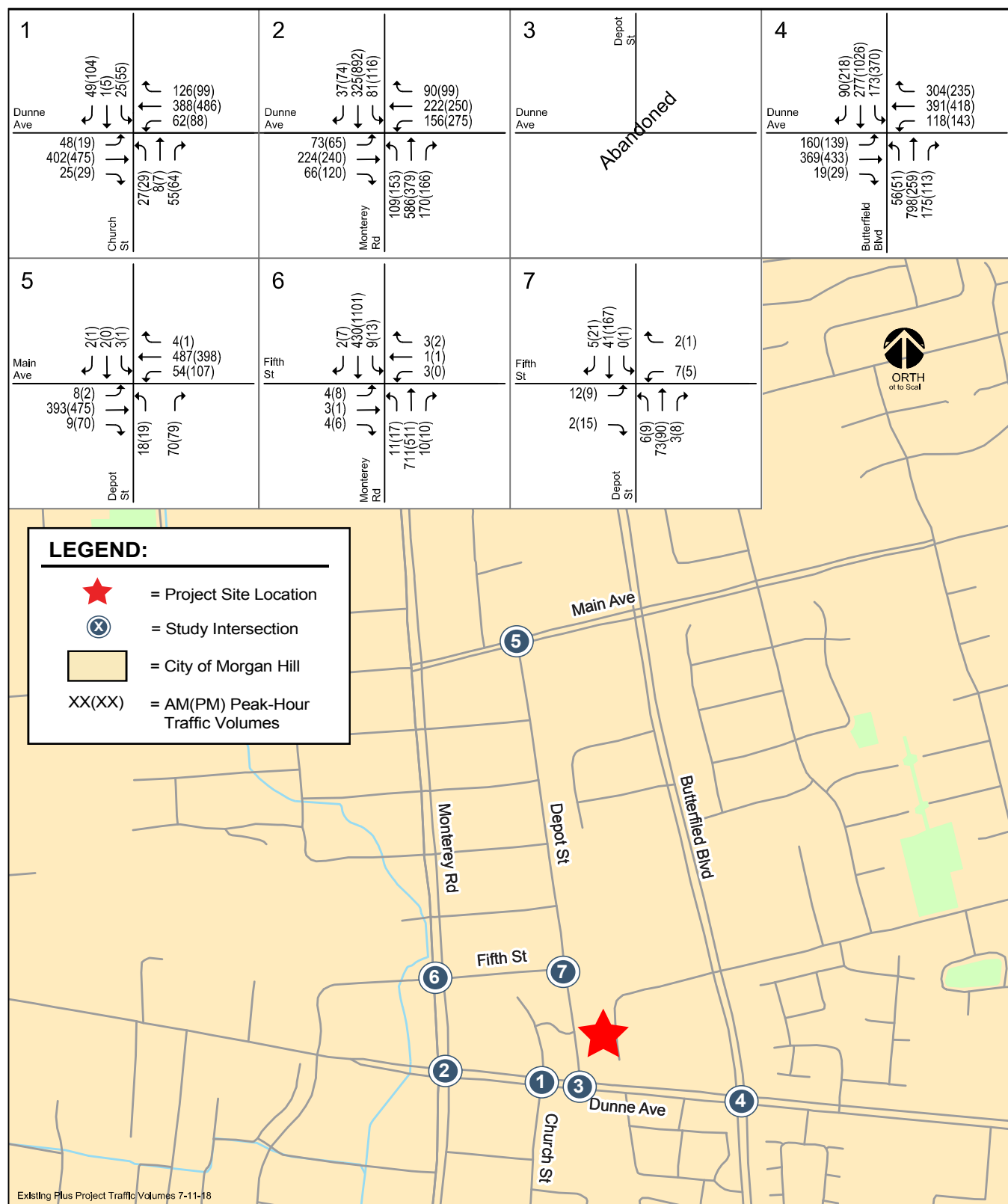


Figure 9
Existing Plus Project Traffic Volumes

Table 7
Existing Plus Project Intersection Levels of Service

Int. #	Intersection	Existing Intersection Control	LOS Standard	Peak Hour	Existing		Existing Plus Project			
					Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C
1	Church Street and Dunne Avenue	Signal	E	AM	17.8	B	17.7	B	0.1	0.060
				PM	19.9	B	24.7	C	6.2	0.101
2	Monterey Road and Dunne Avenue	Signal	E	AM	29.6	C	29.6	C	-0.1	-0.004
				PM	30.7	C	30.6	C	-0.1	
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM	10.4	B	<i>Intersection Abandoned</i>			
				PM	11.7	B				
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM	37.7	D	37.7	D	0.1	0.002
				PM	34.9	C	35.0	D	0.1	0.004
5	Depot Street and Main Avenue	Two-Way Stop	E	AM	20.3	C	20.4	C	N/A	N/A
				PM	21.0	C	21.1	C	N/A	N/A
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM	18.2	C	18.1	C	N/A	N/A
				PM	34.1	D	34.1	D	N/A	N/A
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM	9.2	A	9.2	A	N/A	N/A
				PM	9.8	A	10.3	B	N/A	N/A

¹The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.

segments currently operating at an unacceptable LOS F, nor would the addition of project traffic result in the degradation of LOS on any freeway segment currently operating at an acceptable LOS E to an unacceptable LOS F. Therefore, based on CMP impact criteria, the proposed project would not have a significant impact on freeways.

Table 8
Freeway Segment Levels of Service Summary

#	Freeway	Segment	Direction	Peak Hour	Existing Plus Project												Project Trip			
					Mixed-Flow Lane						HOV Lane						Mixed-Flow Lane		HOV Lane	
					Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Volume	% of Capacity	Volume	% of Capacity
1	US 101	from Masten Avenue to San Martin Avenue	NB	AM	66	3	6,900	4,761	24	C	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,202	16	B	--	--	--	--	--	2	0.03	--	--	
2	US 101	from San Martin Avenue to Tennant Avenue	NB	AM	20	3	6,900	4,981	83	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,402	17	B	--	--	--	--	--	2	0.03	--	--	
3	US 101	from Tennant Avenue to East Dunne Avenue	NB	AM	16	3	6,900	4,421	92	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	66	3	6,900	4,362	22	C	--	--	--	--	--	2	0.03	--	--	
4	US 101	from East Dunne Avenue to Cochrane Road	NB	AM	41	3	6,900	6,290	51	E	--	--	--	--	--	10	0.14	--	--	
			NB	PM	66	3	6,900	3,778	19	C	--	--	--	--	--	8	0.12	--	--	
5	US 101	from Cochrane Road to Burnett Avenue (Lane Drop)	NB	AM	64	3	6,900	6,158	32	D	66	1	1,650	1,522	23	C	8	0.12	2	0.12
			NB	PM	66	3	6,900	4,567	23	C	70	1	1,650	841	12	B	7	0.10	1	0.06
6	US 101	from Burnett Avenue (Lane Drop) to Sheller Avenue	NB	AM	65	3	6,900	6,057	31	D	62	1	1,650	2,173	35	D	7	0.10	3	0.18
			NB	PM	43	3	6,900	6,337	49	E	70	1	1,650	841	12	B	7	0.10	1	0.06
7	US 101	from Sheller Avenue to Lane Drop (SB)	NB	AM	66	3	6,900	5,317	27	D	65	1	1,650	1,953	30	D	7	0.10	3	0.18
			NB	PM	66	3	6,900	3,776	19	C	70	1	1,650	1,052	15	B	6	0.09	2	0.12
8	US 101	from Lane Drop (SB) to SR 85	NB	AM	66	3	6,900	4,568	23	C	67	1	1,650	1,142	17	B	8	0.12	2	0.12
			NB	PM	67	3	6,900	3,607	18	B	70	1	1,650	491	7	A	7	0.10	1	0.06
9	US 101	from SR 85 to Lane Drop (SB)	SB	AM	67	4	9,200	3,994	15	B	67	1	1,650	541	8	A	4	0.04	1	0.06
			SB	PM	66	4	9,200	5,029	19	C	70	1	1,650	1,472	21	C	9	0.10	2	0.12
10	US 101	from Lane Drop (SB) to Sheller Avenue	SB	AM	67	3	6,900	3,404	17	B	67	1	1,650	811	12	B	4	0.06	1	0.06
			SB	PM	48	3	6,900	6,488	45	D	50	1	1,650	2,403	48	E	8	0.12	3	0.18
11	US 101	from Sheller Avenue to Burnett Avenue (Lane Drop)	SB	AM	67	3	6,900	3,204	16	B	67	1	1,650	541	8	A	4	0.06	1	0.06
			SB	PM	30	3	6,900	5,768	64	F	40	1	1,650	2,443	61	F	8	0.12	3	0.18
12	US 101	from Burnett Avenue (Lane Drop) to Cochrane Road	SB	AM	67	3	6,900	3,405	17	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	19	3	6,900	4,801	84	F	--	--	--	--	--	11	0.16	--	--	
13	US 101	from Cochrane Road to East Dunne Avenue	SB	AM	67	3	6,900	3,005	15	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	42	3	6,900	6,311	50	E	--	--	--	--	--	11	0.16	--	--	
14	US 101	from East Dunne Avenue to Tennant Avenue	SB	AM	67	3	6,900	3,602	18	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	42	3	6,900	6,301	50	E	--	--	--	--	--	1	0.01	--	--	
15	US 101	from Tennant Avenue to San Martin Avenue	SB	AM	67	3	6,900	2,802	14	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	36	3	6,900	6,161	57	E	--	--	--	--	--	1	0.01	--	--	
16	US 101	from San Martin Avenue to Masten Avenue	SB	AM	67	3	6,900	2,602	13	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	47	3	6,900	6,491	46	D	--	--	--	--	--	1	0.01	--	--	

¹ Source: Santa Clara Valley Transportation Authority Congestion Management Program Monitoring Study, 2016.

Bold indicates unacceptable LOS.

Boxed indicates significant impact.

4. Year 2035 General Plan Conditions

This chapter describes Year 2035 General Plan traffic conditions with and without the proposed project. General Plan conditions are comprised of forecasted traffic volumes and reflect estimated traffic growth in the City of Morgan Hill for the Year 2035. This chapter describes the procedure used to determine Year 2035 General Plan traffic volumes and the resulting traffic conditions.

Significant Impact Criteria

Significance criteria for impacts on intersections are based on the City of Morgan Hill Level of Service standards and impact criteria, and is described in the previous chapter.

Year 2035 General Plan Land Use and Traffic Forecasts

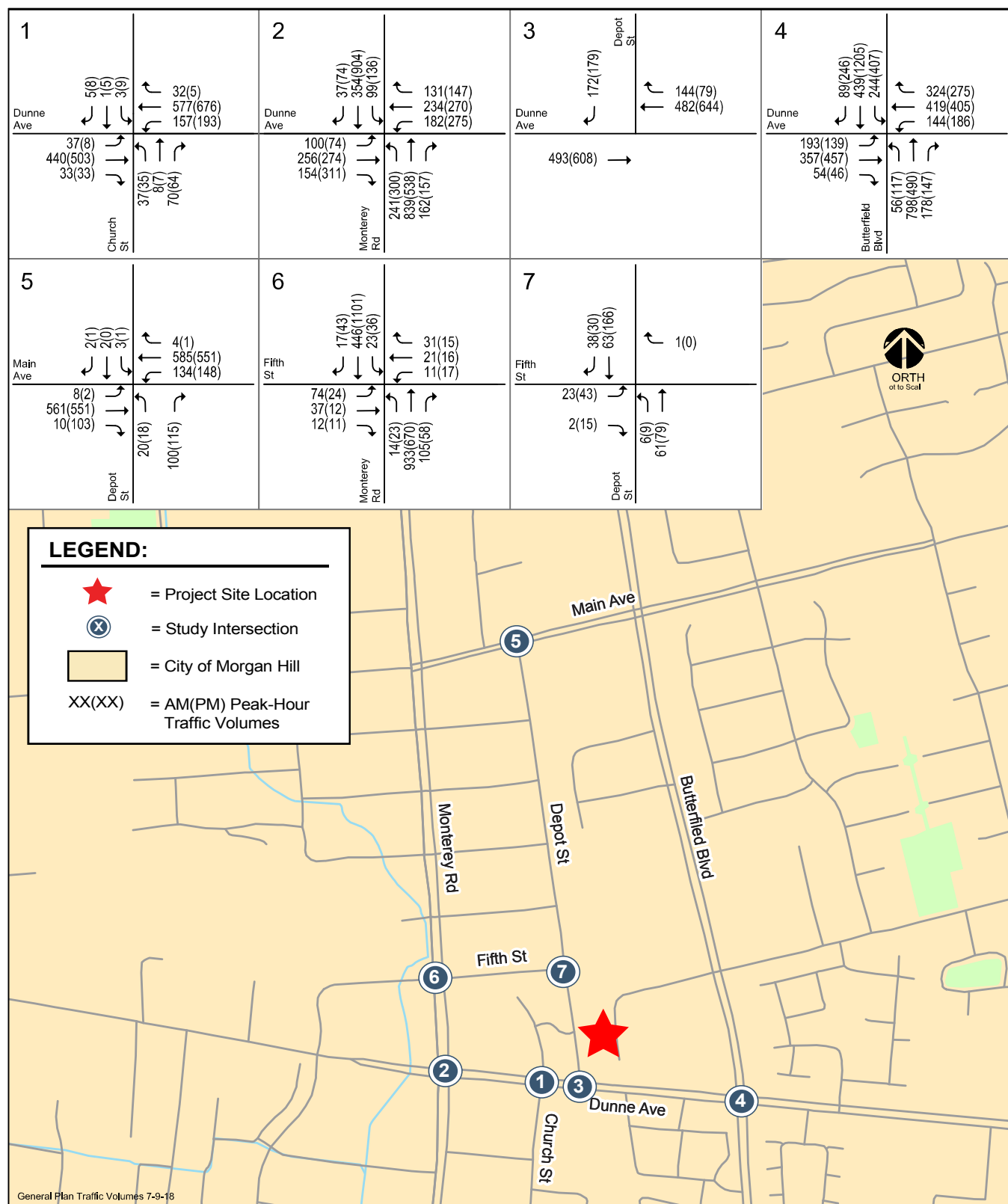
Year 2035 General Plan traffic volumes were developed based on traffic forecasts produced for the City of Morgan Hill 2035 General Plan using the City's Traffic Demand Forecasting (TDF) model. The Year 2035 General Plan traffic forecasts include land use growth and transportation improvements associated with buildout of the City's General Plan. The projected traffic growth was calculated by taking the difference between Base Year 2015 and Year 2035 forecasted turn movement volumes. This projected growth was added to the existing traffic volumes to derived Year 2035 General Plan traffic conditions.

Project trips, as presented in the previous chapter, and the reassignment of future traffic volumes (anticipated change in travel patterns in the immediate project area) resulting with the proposed Depot Street realignment, were added to the Year 2035 General Plan conditions traffic volumes to obtain Year 2035 General Plan plus project conditions traffic volumes.

Figures 10 and 11 show the Year 2035 General Plan and Year 2035 General Plan plus project traffic volumes, respectively. Appendix B lists each of the components used to tabulate General Plan traffic volumes at each study intersection.

Year 2035 General Plan Transportation Network

Several new roadways are planned under 2035 General Plan conditions to provide for enhanced connectivity and circulation throughout the City. However, no roadway network improvements are planned for the Downtown area. Therefore, it is assumed in this analysis that the roadway network and intersection lane configurations under General Plan conditions would be the same as described under



Attachment: Hale Lumber Mixed-Use Development TIA (1965 : Hale Lumber - Depot Street Realignment DDA)

Figure 10
Year 2035 General Plan Traffic Volumes

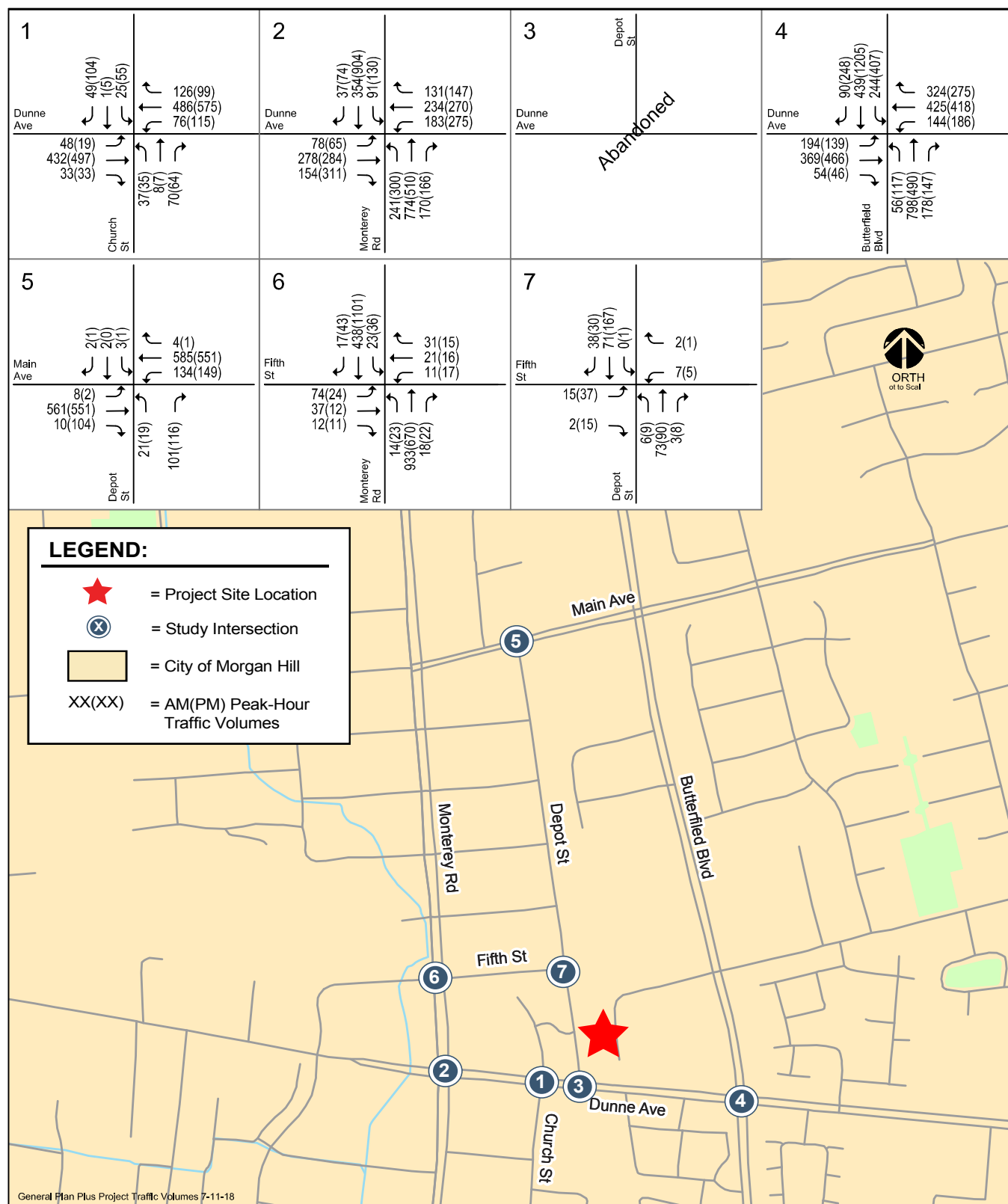


Figure 11
Year 2035 General Plus Project Traffic Volumes

existing conditions. The transportation roadway network under Year 2035 General Plan plus project conditions would be the same as described under existing plus project conditions, including the proposed Depot Street realignment and the Depot Street/Dunne Avenue intersection abandonment (described in the previous chapter).

Intersection Levels of Service under General Plan Conditions

The level of service results under Year 2035 General Plan without and with project conditions are summarized in Table 9. The results show that, measured against the City of Morgan Hill level of service standards, all the study intersections are projected to operate at acceptable levels of service under Year 2035 General Plan and General Plan plus project conditions during each of the peak hours analyzed. Therefore, no study intersections would be significantly impacted by the project, according to the City's level of service impact criteria.

The signal warrant analysis indicates that the intersection of Depot Street and Main Avenue is projected to have traffic conditions that would meet the traffic signal warrant during the PM peak-hour under both Year 2035 General Plan and General Plan plus project conditions. However, the intersection also is projected to continue to operate at acceptable levels of service during both peak hours. Therefore, according to the City of Morgan Hill level of service impact criteria for unsignalized intersections, this is not considered a significant project impact.

The level of service calculation sheets are included in Appendix C. The peak-hour signal warrant sheets are contained in Appendix D.

Table 9
Year 2035 General Plan Intersection Levels of Service

Int. #	Intersection	Intersection Control	LOS Standard	Peak Hour	Year 2035 General Plan		Year 2035 GP Plus Project			
					Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C
1	Church Street and Dunne Avenue	Signal	E	AM	20.0	B	18.1	B	-2.4	0.016
				PM	20.7	C	24.0	C	5.9	0.099
2	Monterey Road and Dunne Avenue	Signal	E	AM	30.7	C	30.4	C	-0.8	-0.039
				PM	36.2	D	36.2	D	0.0	0.000
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM	12.0	B	<i>Intersection Abandoned</i>			
				PM	12.8	B				
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM	40.4	D	40.4	D	0.1	0.002
				PM	38.9	D	39.0	D	0.2	0.004
5	Depot Street and Main Avenue	Two-Way Stop	E	AM	38.6	E	38.6	E	N/A	N/A
				PM	35.5	E	35.8	E	N/A	N/A
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM	96.5	F	81.0	F	N/A	N/A
				PM	127.0	F	122.1	F	N/A	N/A
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM	9.5	A	9.6	A	N/A	N/A
				PM	10.2	B	10.5	B	N/A	N/A

¹The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.

5. Other Transportation Issues

This chapter presents an analysis of other transportation issues associated with the project site, including:

- Vehicular site access
- On-site circulation
- Intersection operations analysis – vehicle queuing and left-turn pocket storage at intersections
- Potential impacts to bike, pedestrian and transit facilities

Unlike the level of service impact methodology, which is adopted by the City Council, the analyses in this chapter are based on professional judgment in accordance with the standards and methods employed by the traffic engineering community.

Site Access and Circulation

A review of the project site plan was performed to determine if adequate site access is provided and to identify any access and circulation issues that should be improved. This review is based on the project site plan prepared by RJA dated May 21, 2018 and in accordance with generally accepted traffic engineering standards.

Site Access

Access to the project site would be provided via two driveways along Depot Street. The first driveway would be located at the intersection of Depot Street and Fifth Street, while the second driveway would be located at the first bend of the proposed Depot Street realignment. Both driveways would provide full access to and from the project site.

The proposed new intersection of Depot Street with Church Street and Dunne Avenue would provide full access to the project site to all project traffic on Dunne Avenue, including traffic originating from and heading to US 101 and locations south of Dunne Avenue. Project traffic to and from the north would access the project site via the existing full-access Depot Street and Main Avenue intersection. The estimated project trips at each of the site driveways are shown on Figure 12.

The level of service analysis presented in previous chapters shows that both the study intersections of Depot Street with Main Avenue and Church Street/Dunne Avenue are projected to operate acceptably with implementation of the proposed project under both existing plus project and Year 2035 General Plan plus project conditions.

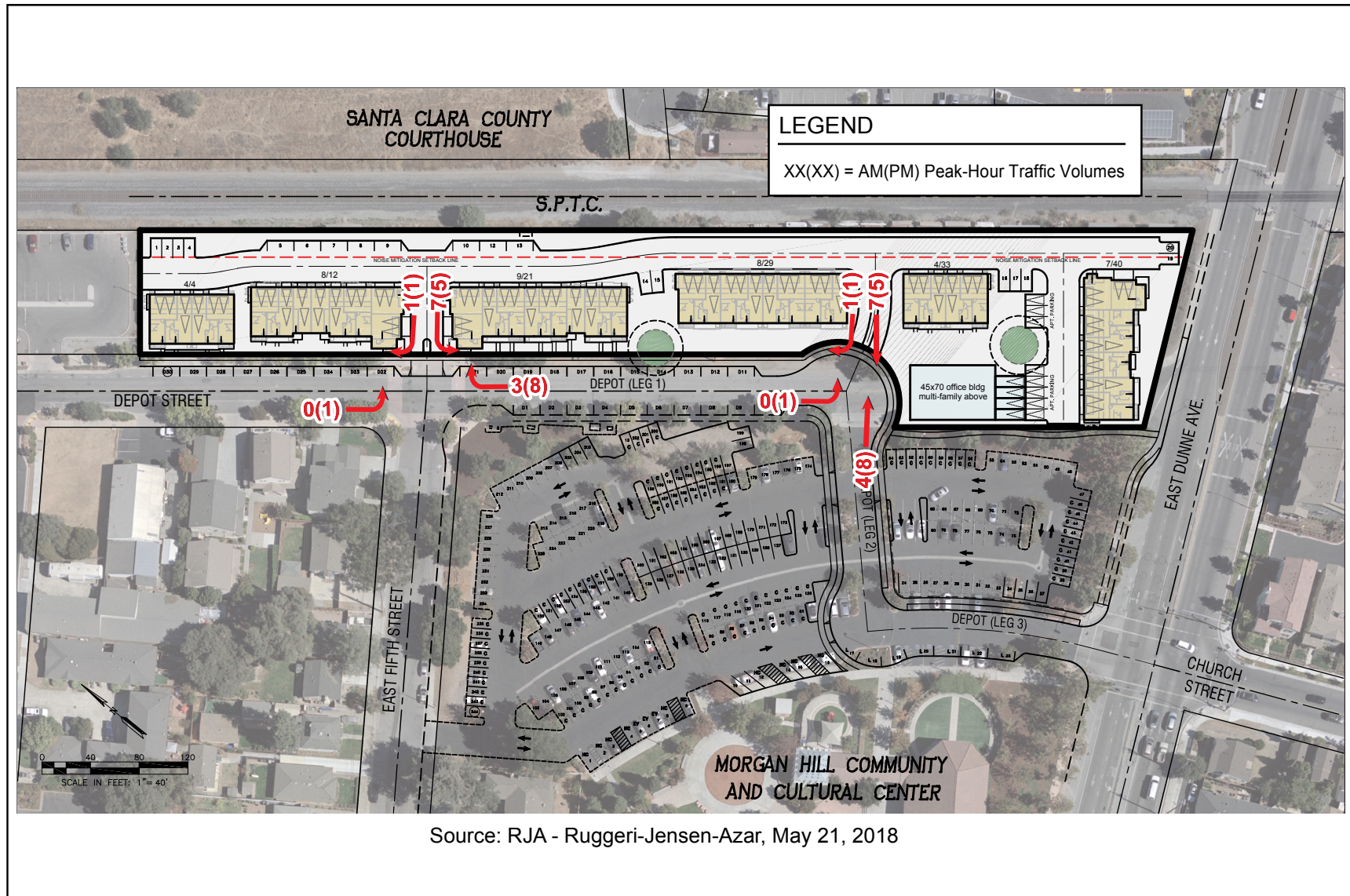


Figure 12
Project Trips Site Access Driveways

On-Site Circulation

A single drive aisle, located east of the proposed buildings and parallel to Depot Street, would provide access to the proposed housing units and office space via the two proposed driveways. Although the drive aisle's dimensions are not shown on the site plan, the drive aisle is shown to consist of two travel lanes with short segments that include on-street 90-degree or parallel parking spaces. A total of 19 parking spaces along the internal drive aisle are shown on the site plan. According to the site plan, these parking spaces would be designated as guest parking (the site plan lists 20 guest parking spaces although only 19 are shown on the site plan).

The site plan shows all town home units to have a two-car garage that would be accessible via the internal drive aisle, with the exception of two units located along the access driveway on Fifth Street and six units located along a short east-west drive aisle at the south end of the project site. The short drive aisle also would provide direct access to the condominium units designated parking.

The entrance to the parking garages located along the Fifth Street project driveway are shown to be approximately 30 to 40 feet from the driveway/Depot Street. This distance would provide adequate storage space for one vehicle to queue up at this driveway without blocking Depot Street in the given case access to the project site was momentarily blocked by vehicle ingress/egress activity at these garages. However, it is not anticipated that the locations of these two garage entrances, in relation to the access driveway, would create access or on-site circulation issues since it is estimated that a maximum of 9 vehicles would enter the project site via this driveway during the peak-hour. The estimated project traffic volumes are relatively low that the development of vehicle queues at the project site driveways is very unlikely.

The site plan shows three dead end aisles within the project site – one each at the north and south ends of the site and a third one at the end of the short east-west drive aisle. Dead end aisles are less desirable because drivers will enter the aisle, and upon discovering that there is no available parking, must back out or conduct three-point turns. In areas where parking spaces are designated for specific individuals or where traffic volumes are relatively low, like in the case of the proposed project, dead end aisles are less problematic. Therefore, it is not anticipated that the proposed dead-end aisles would have an effect on the on-site circulation.

The straight nature of the internal drive aisle, along with the two proposed access points, would facilitate vehicular circulation within the site. However, it could also result in drivers traveling at higher than the recommended speeds. For this reason, it may be desirable to implement speed-reducing measures along the internal drive aisle. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

In order to provide adequate on-site circulation for all vehicle types, including larger emergency vehicles and garbage and delivery trucks, the design of all drive aisles and access driveways should adhere to City of Morgan Hill design standards and guidelines. The design of the site must include adequate corner radii, driveway width, drive aisle width, parking dimensions, and signage to the satisfaction of the City of Morgan Hill design standards. Adhering to City of Morgan Hill standards and requirements, the proposed site access driveways and internal drive aisle layout would be adequate to accommodate circulation of both passenger and emergency vehicles.

The project site plan shows pedestrian connections between all proposed buildings on site and the proposed sidewalks along the project site frontages on Depot Street. Providing clear pedestrian connections between the proposed project and proposed and existing pedestrian facilities along the adjacent streets would facilitate pedestrian travel between the project site and other pedestrian destinations, such as the Downtown area, the Community and Cultural Center, and the Caltrain Station.

Additionally, the continuous sidewalks along Depot Street and a proposed new pedestrian connection that would run from Depot Street to Dunne Avenue adjacent to the project site, along with the traffic signal at the intersection of Depot Street/Church Street and Dunne Avenue would provide a pedestrian connection between the project site and the existing land uses on the south side of Dunne Avenue. Therefore, based on the existing and proposed pedestrian facilities in the project area, pedestrian circulation would be adequate.

Recommended Site Access and On-Site Circulation Improvements

Installation of Speed-Reducing Measures. Due to the straight nature of the internal drive aisle, it may be desirable to implement speed-reducing measures to limit/prevent drivers from traveling at speeds that are unsafe. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

Adhere to City of Morgan Hill Design Standards and Guidelines. The design of the project site, including but not limited to driveways, sidewalks, corner radii, drive aisle width, parking dimensions, and signage, should adhere to City of Morgan Hill design standards and guidelines.

Intersection Operations Analysis

The analysis of intersection level of service was supplemented with an analysis of intersection operations for selected intersections where the project would add a significant number of left-turning vehicles. The operations analysis is based on vehicle queuing for high demand left-turn movements at intersections. Vehicle queues were estimated using a Poisson probability distribution, which estimates the probability of “n” vehicles for a vehicle movement using the following formula:

$$P(x=n) = \frac{\lambda^n e^{-\lambda}}{n!}$$

Where:

P (x=n) = probability of “n” vehicles in queue per lane

n = number of vehicles in the queue per lane

λ = Average number of vehicles in the queue per lane (vehicles per hour per lane/signal cycles per hour)

The basis of the analysis is as follows: (1) the Poisson probability distribution is used to estimate the 95th percentile maximum number of queued vehicles per cycle for a particular movement; (2) the estimated maximum number of vehicles in the queue is translated into a queue length, assuming 25 feet per vehicle; and (3) the estimated maximum queue length is compared to the existing or planned available storage capacity for the movement. This analysis thus provides a basis for estimating future left-turn storage requirements at intersections. The 95th percentile queue length value indicates that during the peak-hour, a queue of this length or less would occur on 95 percent of the signal cycles. Likewise, a queue length larger than the 95th percentile queue would only occur on 5 percent of the signal cycles (about 3 cycles during the peak hour for a signal with a 60-second cycle length). Therefore, left-turn storage pocket designs based on the 95th percentile queue length would ensure that storage space would be exceeded only 5 percent of the time. The 95th percentile queue length is also known as the “design queue length”.

The intersection of Depot Street/Church Street and Dunne Avenue is the only intersection where the project is anticipated to add more than 10 peak-hour trips per lane to some of the intersection movements. Thus, the eastbound left-turn and westbound left-turn movements and the southbound approach at the intersection were evaluated.

The vehicle queue estimates and a tabulated summary of the findings are provided in Table 10. The vehicular queuing analysis (Poisson probability calculations) is included in Appendix E.

The results of the queuing analysis at the intersection of Depot Street/Church Street and Dunne Avenue indicate that all intersection movements evaluated are projected to have adequate queue storage capacity to accommodate the estimated maximum queue lengths that would result with implementation of the project.

The projected maximum queue length of 2 vehicles, or 50 feet, for the eastbound left-turn movement could be accommodated within the existing queue storage capacity of approximately 125 feet.

The westbound left-turn queue length is projected to decrease by one vehicle from existing conditions, as existing southbound Depot Street to eastbound Dunne Avenue traffic would no longer access this turn pocket to make a U-turn with implementation of the proposed Depot Street realignment.

At the southbound approach of the intersection, however, the addition of project traffic, in addition to the Depot Street realignment, would result in the increase of the maximum queue length by 6 vehicles (from 2 to 8 vehicles, or 50 to 200 feet) during the PM peak-hour. This projected maximum queue length could be accommodated along the entire length of the street, however, the queue must not block access to any of the three Community and Cultural Center parking lot driveways proposed be located along the realigned Depot Street. The first driveway to the center's parking lot along the realigned Depot Street would be located approximately 175 feet from Dunne Avenue, and the next two driveways (one on each side of the street) would be located approximately 280 feet north and east of Dunne Avenue. A southbound queue length of 200 feet would extend past the first Community and Cultural Center parking lot driveway. Thus, it may be desirable to install "Keep Clear" pavement markings adjacent to one (the western driveway) or both of the center's driveways along the realigned Depot Street.

Project generated traffic at other locations would be too low to have a measurable effect on queue lengths.

Recommended Operations Improvements

Installation of "Keep Clear" Signs. It is recommended that "Keep Clear" pavement markings be installed adjacent to one (the western driveway) or both of the Morgan Hill Community and Cultural Center parking lot driveways located along the realigned Depot Street. This will prevent projected maximum vehicle queue lengths at the intersection of Depot Street/Church Street and Dunne Avenue (southbound approach) from blocking access to/from the center's parking lot.

Parking Demand Analysis

According to the Morgan Hill Downtown Specific Plan, dated November 2009, residential projects located within the Downtown Specific Plan area are required to provide the following number of parking spaces: 1.0 parking space for residential units smaller than 600 square feet, 1.5 parking spaces for residential units between 600 and 1,350 square feet, and 2.0 parking spaces for residential units greater than 1,350 square feet. Office space located within the Downtown Specific Plan area is required to provide one off-street parking space per 250 square feet of floor area.

Table 10
Queuing Analysis Summary

Measurement	Church Street and Dunne Avenue					
	EBL AM	EBL PM	WBL AM	WBL PM	SB AM	SB PM
Existing Conditions						
Cycle Length (sec)	60	90	60	90	60	90
Lanes	1	1	1	1	1	1
Volume (vph)	37	8	71	124	9	22
Volume (vphpl)	37	8	71	124	9	22
95th % Queue (veh/ln.)	2	1	3	6	1	2
95th % Queue (ft./ln.) ¹	50	25	75	150	25	50
Storage (ft./ ln.)	125	125	150	150	Unlimited	Unlimited
Adequate (Y/N)	YES	YES	YES	YES	YES	YES
Existing Plus Project Conditions						
Cycle Length (sec)	60	90	60	90	60	90
Lanes	1	1	1	1	1	1
Volume (vph)	48	19	62	88	75	164
Volume (vphpl)	48	19	62	88	75	164
95th % Queue (veh/ln.)	2	2	3	5	3	8
95th % Queue (ft./ln.) ¹	50	50	75	125	75	200
Storage (ft./ ln.)	125	125	150	150	Unlimited	Unlimited
Adequate (Y/N)	YES	YES	YES	YES	YES	YES
Notes:						
¹ Assumes 25 feet per vehicle queued						
NB = Northbound, SB = Southbound, EB = Eastbound, WB = Westbound, R = Right, T = Through, L = Left.						

The site plan shows two parking spaces provided for each of the 40 town home units, for a total of 80 covered parking spaces. Additionally, 8 “apron” parking stalls (4 which would be covered) and 4 additional uncovered stalls are being proposed for the 2-bedroom and 1-bedroom, respectively, condominium units located. The site plan also lists 20 guest parking spaces (although only 19 parking spaces are shown on the site plan). However, no parking spaces are listed or designated on the site plan for the office space. Based on the above Downtown parking requirements, a total of 13 parking spaces should be provided to serve the proposed office space.

Recommended Parking Improvements

Provide Required Number of Parking Spaces. The proposed project must provide the minimum number of parking spaces required to satisfy the City’s Downtown Specific Plan parking requirements.

Transit, Pedestrian and Bicycle Analyses

The project site is served by three VTA bus lines, one MST bus line, and Caltrain. The transit stops on Monterey Road/Dunne Avenue and at the Morgan Hill Caltrain Station are located within walking distance from the project site. A typical mode split in Morgan Hill would be a three percent transit share. Assuming up to three percent transit mode share for the project equates to no more than 1 transit rider

during each of the peak hours. The transit ridership demands of the proposed project can be accommodated by the existing transit services serving the project site.

Sidewalks are provided along both sides of the street on Dunne Avenue, Monterey Road, Fifth Street, and Depot Street, with the exception the segment on Depot Street along the project site's frontage, south of Fifth Street. With implementation of the proposed project, sidewalks would be provided along the entire east side of Depot Street, along the project site frontage and the realigned roadway. Additionally, the site plan shows a pedestrian pathway that would run from Depot Street to Dunne Avenue, adjacent to the project site, providing a direct pedestrian connection between the project site and Dunne Avenue. The proposed pedestrian facilities would enhance existing pedestrian facilities, providing a more complete pedestrian network. Therefore, based on the existing and proposed pedestrian facilities in the project area, continuous pedestrian connections between the project site and surrounding pedestrian destinations would be available, resulting in adequate pedestrian circulation to and from the project site.

There are several bike lanes and bike paths in the vicinity of the project site, some of which serve the project site directly. Depot Street currently has bike lanes along most of its length, with the exception of the small segment between Fifth Street and Dunne Avenue. Monterey Road has bike lanes along nearly its entire length within City of Morgan Hill limits, with the exception of the segment that runs through downtown between Dunne Avenue and Main Avenue, which is designated as a bike route. Bike lanes also are provided along Dunne and Main Avenues.

The site plan shows on-street parking on both sides of the street along the project site frontage on Depot Street. This segment of Depot Street is shown on the site plan as having a 40-foot curb-to-curb right-of-way and would include two 12-foot travel lanes and 8 feet of parking on both sides of the street. The proposed Depot Street cross-section along the project site frontage does not include bike lanes. Additionally, an approximately 200-foot segment of the existing bike lane on the east side of Depot Street, north of Fifth Street and along the project site frontage, would be removed to accommodate the proposed on-street parking. Therefore, the existing bike lane on Depot Street would continue to be incomplete. However, the proposed pedestrian pathway that would connect Depot Street to Dunne Avenue, adjacent to the project site, also could be utilized by bicycle traffic, connecting the existing bike lanes on Dunne Avenue to Depot Street.

Conservatively assuming that bicycle trips would comprise no more than five percent of the total project-generated trips, this calculates to no more than 1-2 new bicycle trips during the peak hours. The demand generated by the proposed project could be accommodated by the existing bicycle facilities in the vicinity of the project site.

6. Conclusions

The potential impacts of the project were evaluated in accordance with the standards set forth by the City of Morgan Hill and the Santa Clara Valley Transportation Authority (VTA). The study includes an analysis of AM and PM peak-hour traffic conditions for seven intersections and 16 directional freeway segments. The weekday AM peak hour of traffic is generally between 7:00 and 9:00 AM and the weekday PM peak hour is typically between 4:00 and 6:00 PM. It is during these periods that the most congested traffic conditions occur on a typical weekday.

The impacts of the project on intersections were identified on the basis of the City of Morgan Hill Level of Service standards. Project impacts on other transportation facilities, such as pedestrian facilities, bicycle facilities and transit, were determined on the basis of engineering judgment.

The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 residential (40 townhome and 8 condominium) units and 3,150 square feet (s.f.) of office space. The realignment of Depot Street also is being proposed and would be constructed concurrently with the proposed development. The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue.

In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Existing Plus Project Intersection Levels of Service Analysis

The results of the intersection level of service analysis under existing plus project conditions show that no study intersections would be impacted by the project according to City of Morgan Hill level of service standards.

Freeway Segment Analysis

The results of the freeway level of service analysis shows that the proposed project would not result in a significant impact under project conditions on any of the study freeway segments.

Year 2035 General Plan Intersection Levels of Service Analysis

The results of the intersection level of service analysis under Year 2035 General Plan plus project conditions show that no study intersections would be impacted by the project, according to City of Morgan Hill level of service standards.

Other Transportation Issues

Site Access and Circulation

Recommended Site Access and On-Site Circulation Improvements

The following are recommended adjustments to improve site access and on-site circulation:

Installation of Speed-Reducing Measures. Due to the straight nature of the internal drive aisle, it may be desirable to implement speed-reducing measures to limit/prevent drivers from traveling at speeds that are unsafe. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

Adhere to City of Morgan Hill Design Standards and Guidelines. The design of the project site, including but not limited to driveways, sidewalks, corner radii, drive aisle width, parking dimensions, and signage, should adhere to City of Morgan Hill design standards and guidelines. This will help provide adequate on-site circulation for all vehicle types, including larger emergency vehicles.

Intersection Operations Analysis

Recommended Operations Improvements

The following are recommended adjustments to improve operating conditions along Depot Street:

Installation of “Keep Clear” Signs. It is recommended that “Keep Clear” pavement markings be installed adjacent to one (the western driveway) or both of the Morgan Hill Community and Cultural Center parking lot driveways located along the realigned Depot Street. This will prevent projected maximum vehicle queue lengths at the intersection of Depot Street/Church Street and Dunne Avenue (southbound approach) from blocking access to/from the center’s parking lot.

Parking Demand

Recommended Parking Improvements

Provide Required Number of Parking Spaces. The proposed project must provide the minimum number of parking spaces required to satisfy the City’s Downtown Specific Plan parking requirements.

Transit, Pedestrian, and Bicycle Analysis

The transit ridership demands of the proposed project can be accommodated by the existing transit services serving the project site.

Based on the existing and proposed pedestrian facilities in the project area, continuous pedestrian connections between the project site and surrounding pedestrian destinations would be available, resulting in adequate pedestrian circulation to and from the project site.

The proposed Depot Street cross-section along the project site frontage does not include bike lanes. Additionally, an approximately 200-foot segment of the existing bike lane on the east side of Depot Street, north of Fifth Street and along the project site frontage, would be removed to accommodate the proposed on-street parking. Therefore, the existing bike lane on Depot Street would continue to be incomplete. However, the proposed pedestrian pathway that would connect Depot Street to Dunne Avenue, adjacent to the project site, also could be utilized by bicycle traffic, connecting the existing bike lanes on Dunne Avenue to Depot Street.

The bicycle trips generated by the proposed project could be accommodated by the existing bicycle facilities in the vicinity of the project site.



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(408) 515-9205
paul@latalahomes.com

May 12, 2018

Property at: Depot Street, MH
Project: Hale Lumber Residential
Project Depot Street

As per your request we visited the property shown above in order to make observations and recommendations regarding the condition of the trees located on site as per proposal #1603.

Construction site preservation measures are included and outline on page 6.
All trees retained on site should have all measures implemented and verified by an ISA Certified Arborist.

Trees numbered 11955 and 11956 are in very poor condition and could be removed, however, if preservation is desired recommendations are provided although there can be no guarantee as to whether or not those trees will survive whether or not construction takes place due to their poor condition.

Please feel free to call if you have any questions.

Respectfully submitted,

Moki Smith
Smith Tree Specialists, Inc
ISA Certified Arborists #WE-6620A

Attachment: Arborist Report and Peer Review (1965 : Hale Lumber - Depot Street Realignment DDA)

Tag #

11948.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Coast live oak	<i>Quercus agrifolia</i>	37.5"	32'	27'	Poor

Observations:

This tree has a multi leader main stem with 3 main uprights.

The first main crotch is approximately 18" above grade with included bark and a weak attachment.

This trees canopy is severely deformed due with only one side of the canopy developed to competition with adjacent Oak.

Recommendations:

Remove in order to allow the adjacent Oak to develop properly.

11949.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Coast live oak	<i>Quercus agrifolia</i>	19.5"	37'	30'	Fair

Observations:

This tree is in Fair condition with good structure and no sign of decay or serious pest or pathogen infestation. The grade appears to be slightly raised at mainstem.

Recommendations:

Preserve and perform all construction site tree preservation measures as outlined on page 5.

Excavate root crown and inspect.

Where root damage cannot be avoided, roots encountered (over 1" diameter) should be exposed approximately 12" beyond the area to be disturbed towards tree main stem, by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, treat the wound with fungicide and immediately back-fill with soil.

Install temporary protective fence as far from the tree stem (trunk) as possible, completely surrounding the tree and 6-8 feet in height.

Post no parking or storage signs outside / on fencing. Do not attach posting to the mainstem of the tree.

Do not allow vehicles, equipment, pedestrian traffic; building materials or debris storage; or disposal of toxic or other materials inside of the fenced off area.

Prune for clearance only or to remove large deadwood or structurally dangerous limbs.

Fertilize and vertically mulch to drip line.

Apply 3" layer of organic compost mulch material to dripline

Ensure adequate irrigation throughout summer months and until after rainy season begins.

Arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as they occur for no less than 5 years after construction in order to maintain health and address any problems occurring from the impact of construction as they arise.

11950.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Pepper	<i>Schinus molle/unidentified</i>	32"	31'	36'	Poor

Observations:

This tree has a multi leader main stem with 2 main uprights.

The first main crotch is approximately 18" above grade with included bark and a weak attachment.

There are large wounds located just above the root flair and in the lower structure.

Recommendations:

Remove for safety.

Attachment: Arborist Report and Peer Review (1965 : Hale Lumber - Depot Street Realignment DDA)

11951.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Coast live oak	<i>Quercus agrifolia</i>	43"	30'	48'	Poor

Observations:

This tree has a multi leader main stem with 2 main uprights.

The tree has included bark and a weak attachment.

There is a large cavity in the root flair with fungal conk visible, there are also fungal conks visible on the North heading upright and a cavity in the 2nd main crotch.

Recommendations:

Remove for safety.

11952.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Coast live oak	<i>Quercus agrifolia</i>	25"	30'	31'	Fair

Observations:

This tree is in Fair condition with good structure and no sign of decay or serious pest or pathogen infestation.

Recommendations:

Preserve and perform all construction site tree preservation measures as outlined on page 6.

Excavate root crown and inspect.

Where root damage cannot be avoided, roots encountered (over 1" diameter) should be exposed approximately 12" beyond the area to be disturbed towards tree main stem, by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, treat the wound with fungicide and immediately back-fill with soil.

Install temporary protective fence as far from the tree stem (trunk) as possible, completely surrounding the tree and 6-8 feet in height.

Post no parking or storage signs outside / on fencing. Do not attach posting to the mainstem of the tree.

Do not allow vehicles, equipment, pedestrian traffic; building materials or debris storage; or disposal of toxic or other materials inside of the fenced off area.

Prune for clearance only or to remove large deadwood or structurally dangerous limbs.

Fertilize and vertically mulch to drip line.

Apply 3" layer of organic compost mulch material to dripline

Ensure adequate irrigation throughout summer months and until after rainy season begins.

Arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as they occur for no less than 5 years after construction in order to maintain health and address any problems occurring from the impact of construction as they arise.

11953.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Black acacia	<i>Acacia melanoxylon</i>	35"	37'	28'	Poor

Observations:

This tree has a multi leader main stem with 3 main uprights.

The tree has included bark and a weak attachment.

There is a cavity in the first main crotch with visible decay.

Previously the 4th main upright has failed.

Recommendations:

Remove for safety.

11954.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Pepper	<i>Schinus molle/unidentified</i>	58"	37'	39'	Poor

Observations:

This tree has a multi leader main stem with 8 main uprights.
The first main crotch has included bark and a weak attachment.

Recommendations:

Remove for safety.

11955.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Coast live oak	<i>Quercus agrifolia</i>	62"	52'	55'	Poor

Observations:

This tree is in poor condition.
The main stem is inclined approximately 40° East with signs of extensive mainstem decay.
There are signs of extensive root flair decay in the upper structure.
NOTE: This Oak tree may fail at the root collar at any time. The failure could result in the canopy making contact with the railroad tracks.

Recommendations:

- A. Remove for safety.
- B. Install vertical brace from the ground
 - Excavate root collar and inspect
 - Remove approximately 30% of the canopy weight by proper pruning practices and remove deadwood.
- Excavate root crown and inspect.
- Preserve and perform all construction site tree preservation measures as outlined on page 6.
- Where root damage cannot be avoided, roots encountered (over 1" diameter) should be exposed approximately 12" beyond the area to be disturbed towards tree main stem, by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, treat the wound with fungicide and immediately back-fill with soil.
- Install temporary protective fence as far from the tree stem (trunk) as possible, completely surrounding the tree and 6-8 feet in height.
- Post no parking or storage signs outside / on fencing. Do not attach posting to the mainstem of the tree.
- Do not allow vehicles, equipment, pedestrian traffic; building materials or debris storage; or disposal of toxic or other materials inside of the fenced off area.
- Prune for clearance only or to remove large deadwood or structurally dangerous limbs.
- Fertilize and vertically mulch to drip line.
- Apply 3" layer of organic compost mulch material to dripline
- Ensure adequate irrigation throughout summer months and until after rainy season begins.
- Arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as they occur for no less than 5 years after construction in order to maintain health and address any problems occurring from the impact of construction as they arise.

11956.	Common Name	Species	D.B.H.	Height	Canopy Spread	Condition
	Coast live oak	<i>Quercus agrifolia</i>	54"	36'	62'	Poor

Observations:

This tree is in poor condition.

The main stem is inclined approximately 35° West with signs of extensive mainstem decay.

There are signs of extensive root flair decay in the upper structure.

NOTE: This Oak tree may fail at the root collar at any time. The failure could result in the canopy making contact with / crossing Depot Street.

Recommendations:

A. Remove for safety.

B. Install vertical brace from the ground

Excavate root collar and inspect

Remove approximately 30% of the canopy weight by proper pruning practices and remove deadwood.

Preserve and perform all construction site tree preservation measures as outlined on page 6.

Excavate root crown and inspect.

Where root damage cannot be avoided, roots encountered (over 1" diameter) should be exposed approximately 12" beyond the area to be disturbed towards tree main stem, by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, treat the wound with fungicide and immediately back-fill with soil.

Install temporary protective fence as far from the tree stem (trunk) as possible, completely surrounding the tree and 6-8 feet in height.

Post no parking or storage signs outside / on fencing. Do not attach posting to the mainstem of the tree.

Do not allow vehicles, equipment, pedestrian traffic; building materials or debris storage; or disposal of toxic or other materials inside of the fenced off area.

Prune for clearance only or to remove large deadwood or structurally dangerous limbs.

Fertilize and vertically mulch to drip line.

Apply 3" layer of organic compost mulch material to dripline

Ensure adequate irrigation throughout summer months and until after rainy season begins.

Arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as they occur for no less than 5 years after construction in order to maintain health and address any problems occurring from the impact of construction as they arise.

Construction Site - Tree Preservation

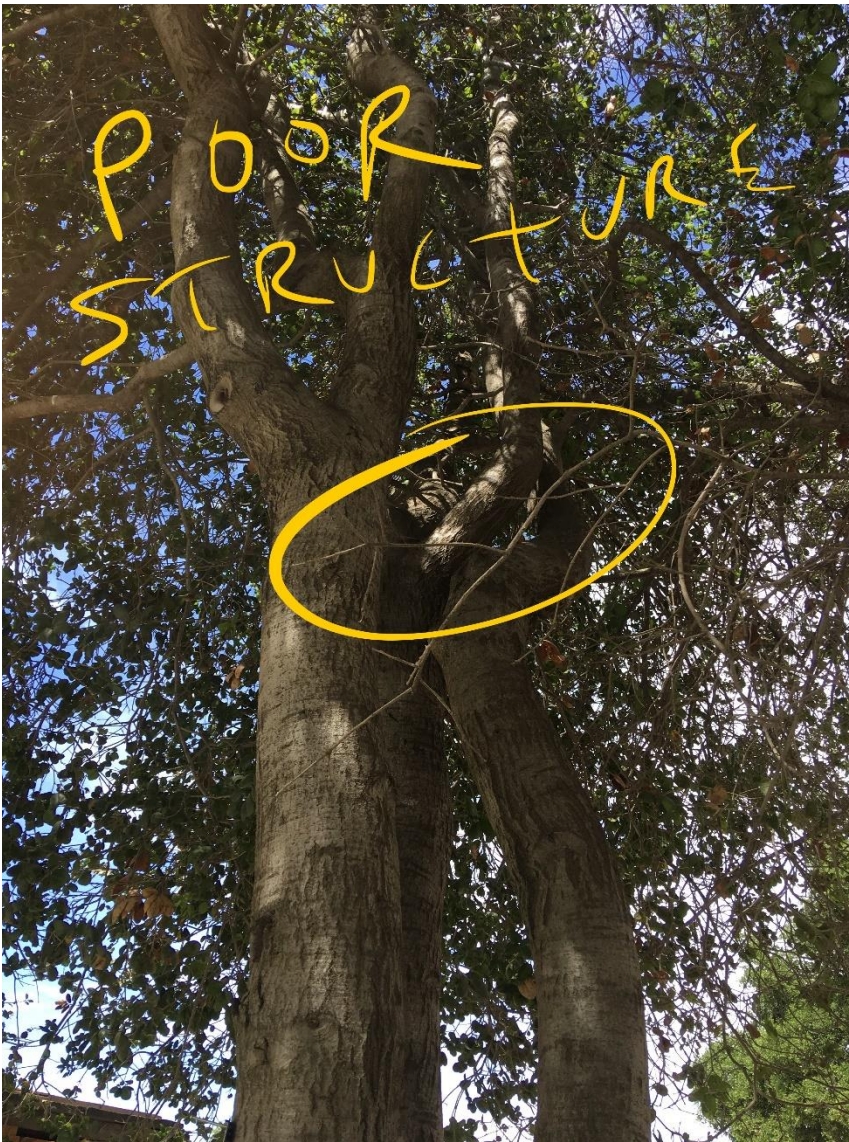
- Locate structures, grade changes, etc. as far as feasible from the 'dripline' area of the tree.
- Avoid root damage through grading, trenching, compaction, etc., at least within an area 1.5 times the 'dripline' area of trees. Where root damage cannot be avoided, roots encountered (over 1" diameter) should be exposed approximately 12" beyond the area to be disturbed (towards tree stem), by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, and immediately back-filled with soil. Avoid tearing, or otherwise disturbing that portion of the root(s) to remain.
- Construct a temporary fence as far from the tree stem (trunk) as possible, completely surrounding the tree, and 6-8 feet in height. Post no parking or storage signs outside / on fencing. Do not attach posting to the mainstem of the tree.
- **Do not allow vehicles, equipment, pedestrian traffic; building materials or debris storage; or disposal of toxic or other materials inside of the fenced off area.**
- Avoid pruning immediately before, during, or immediately after construction impact. Perform only that pruning which is unavoidable due to conflicts with proposed development. Aesthetic pruning should not be performed for at least 1-2 years following completion of construction.
- Trees that will be impacted by construction may benefit from fertilization, ideally performed in the fall, and preferably prior to any construction activities, with not more than 6 lbs. of actual nitrogen per 1,000 square feet of accessible 'drip line' area or beyond.
- Mulch 'rooting' area with an acidic, organic compost or mulch.
- Arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as they occur, or as appropriate.
- Individual trees likely to suffer significant impacts may require specific, more extensive efforts and/or a more detailed specification than those contained within these general guidelines.



Tree #11948 – Poorly developed canopy



#11948 – Included Bark



#11948 – Poor Structure



#11949



#11949 – Grade slightly high on main stem

Attachment: Arborist Report and Peer Review (1965 : Hale Lumber - Depot Street Realignment DDA)



#11950 – Included bark



#11950 – Large wound



#11950 – Large wound at base



#11950 – Large wound in canopy



#11951 – Included bark



#11951 – Fungal conk



#11951 – Fungal conks



#11951 – Cavity and decay in first main crotch



#11952 –

Attachment: Arborist Report and Peer Review (1965 : Hale Lumber - Depot Street Realignment DDA)



#11953 –



#11953 – Included bark

Attachment: Arborist Report and Peer Review (1965 : Hale Lumber - Depot Street Realignment DDA)



#11953 – Large wound



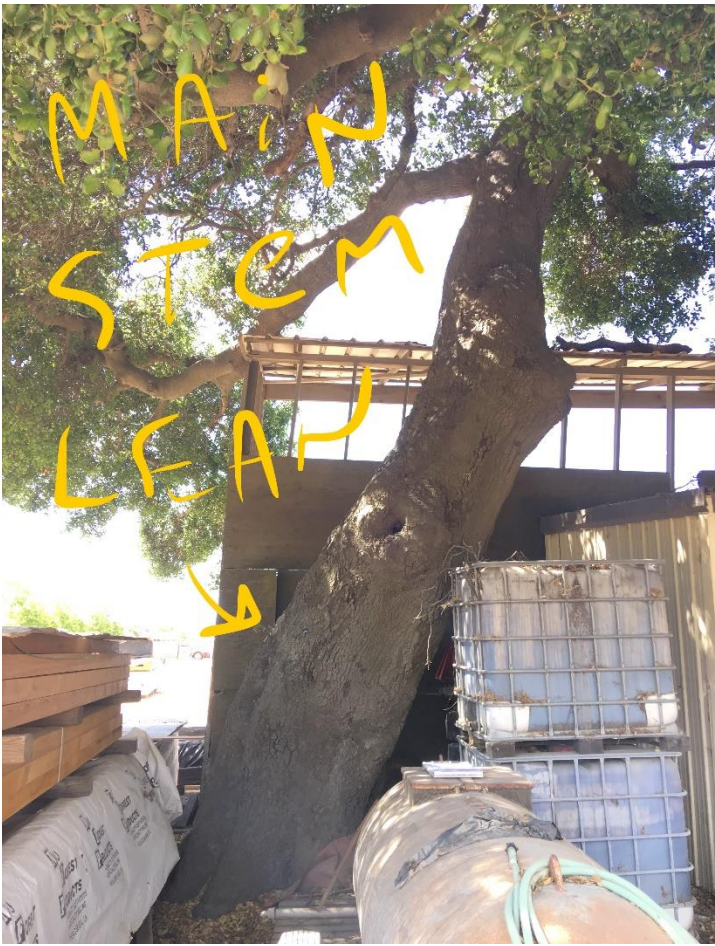
#11954 – Poor structure



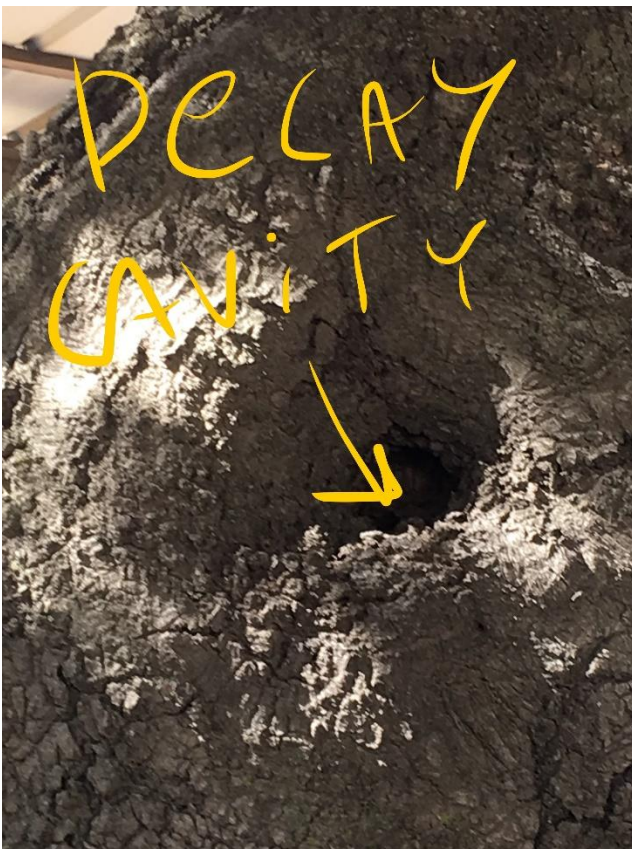
#11954 – Included bark



#11955



#11955 – Inclined main stem



#11955 – Cavity



#11955- Root flare cavity



#11955- Root flare decay



#11955- Root flair decay



#11955- Cavity decay



#11956



#11956 – Root flair decay

Attachment: Arborist Report and Peer Review (1965 : Hale Lumber - Depot Street Realignment DDA)



#11956 – Root flair decay



#11956 – Canopy decay



#11956 – Main stem incline



#11956 – Upper canopy decay



Kielty Arborist Services, LLC

Certified Arborist WE#0476A

P.O. Box 6187

San Mateo, CA 94403

650- 515-9783

August 22, 2018

City Of Morgan Hill
Attn: Tiffany Brown-Associate Planner
17575 Peak Avenue
Morgan Hill, CA 95037

Site: Property at Depot Street, Morgan Hill

Project: Hale Lumber Residential Project and Proposed Depot Street Re-Alignment, Morgan Hill

Dear Ms. Brown,

Assignment:

As requested on August 13th, 2018, I visited the above site for the purpose of providing a peer review of the Arborist Report prepared by Smith Tree Specialist Inc, dated May 12, 2018. During my site visit I assessed the trees and site conditions for consistency in the report and available plan regarding tree numbers, species, size, location, and condition. At this time the only plan available is an aerial image with a site plan overlay provided by RJA Engineers Planners and Surveyors, dated May 21, 2018. This report is to be used by the City of Morgan Hill to help determine any deficiencies within the provided Arborist Report.

Observations of Arborist Report:

The provided Arborist Report does a good job in stating observations and recommendations for each tree. All of the observations are believed to be true. The provided photographs in the report do a good job in explaining the observations. The only errors observed within the tree survey portion of the report were with species names. Tree #11950 is a Brazilian pepper (*Schinus terebinthifolius*) not a California pepper (*Schinus molle*). Tree #11954 is a Valley oak (*Quercus lobata*) not a pepper tree and may have been a typo when typing the report. I agree with the removal recommendations. Trees such as coast live oak tree #11955 appear to have good vigor, and from a distance look like a healthy tree. When closely observed numerous structural problems exist. Tree #11955 has large sections of decay on the trunk and at grade. This tree has a high risk of failure.

Recommendations for Arborist Report

- Sections of the Arborist Report should have a title in bold to make for easier readability. Sections with the titles-Assignment, method, survey, evaluation of impacts and recommendations, summary, and tree preservation guidelines(provided) would make for an easier read.
- A statement is needed as to what trees and size are protected in the City of Morgan Hill.
- The Arborist should make a statement as to what plans were viewed. The only plan available right now is not an official plan but just an overlay of what is proposed on top of an aerial image. No scale to the plan or existing trees were observed on this plan making it hard to tell how far from the trees excavation activities would be taking place.

Hale Lumber 8/22/18

(2)

The project arborist will need to review the entire building set once made available to give better judgments as to the impacts to the retained trees on site. Any change in plans that may affect trees will need to be reviewed by the Project Arborist.

- A general statement about what is proposed on site is needed.
- The Arborist should describe his survey methods such as, where trees were measured (at what height), were the trees tagged, how he comes up with tree condition ratings, and how the height and canopy spread of each tree measured.
- Impact to the two trees to be retained on site (#11952 & #11949) should be discussed, as well as any mitigation measures needed for these trees. It appears that tree #11952 will have a new office building constructed in close proximity to this tree. Distances for soil disturbance/root cutting should be provided to ensure the trees structural integrity and health. Specific tree protection measures should also be discussed for these trees. For example tree #11949 cannot have tree protection fencing located at the tree's dripline as the tree is adjacent to a sidewalk.
- Type of tree protection fencing needs to be more specific, such as the type of tree protection fencing (usually stated as metal chain link), how deep post are driven into the ground and how far away are post from each other. Also, the report should say what to do if tree protection fencing at the dripline restricts access to areas of proposed work. Usually a landscape barrier is needed in these areas, and consist of thick coarse mulch spread to a depth of 6 inches with plywood placed on to protect soil and roots from compaction while still allowing for access.
- Specific precautions necessary for tree preservation during all phases of development (demolition, grading, during construction, and landscaping) should be discussed.
- Describe any mitigation measures if roots are likely to be cut.
- I noticed during my site visit that the trees along Depot Road are located below high voltage line. These trees have or will be pruned for line clearance in the future. The Project Arborist should give recommendations as to future structure problems created by line clearance pruning.
- In the recommendations section under the 2 oak trees to be retained it states to ensure adequate irrigation during throughout summer months. Oak trees do not require supplemental irrigation during summer months as they are native to the area. Summer time irrigation can raise risk of developing oak root fungus disease. Generally I recommend oak trees to be deep watered only during the months of May and September. I do recommend minor summer irrigation if roots have been traumatized as a result of construction, but irrigation should only be done at where root loss has taken place, not for the entire tree.
- Some of the trees need to be removed as they appear to be in direct line with the proposed work. For example trees# 11950 and 11951 are located within a proposed site entrance/ driveway. These things should be mentioned in the report.
- Include a statement saying that the project arborist will need to be on site during any excavation activity underneath the dripline of a protected tree on site to remain.
- The report gives recommendations to remove the trees as well as what to do to preserve the trees (mitigations) when structural problems were observed. The report should say what the risk of failure is before and after mitigations are put into place.
- Mulch is specified in the tree protection plan but does not indicate depth of mulch and mulch benefits.

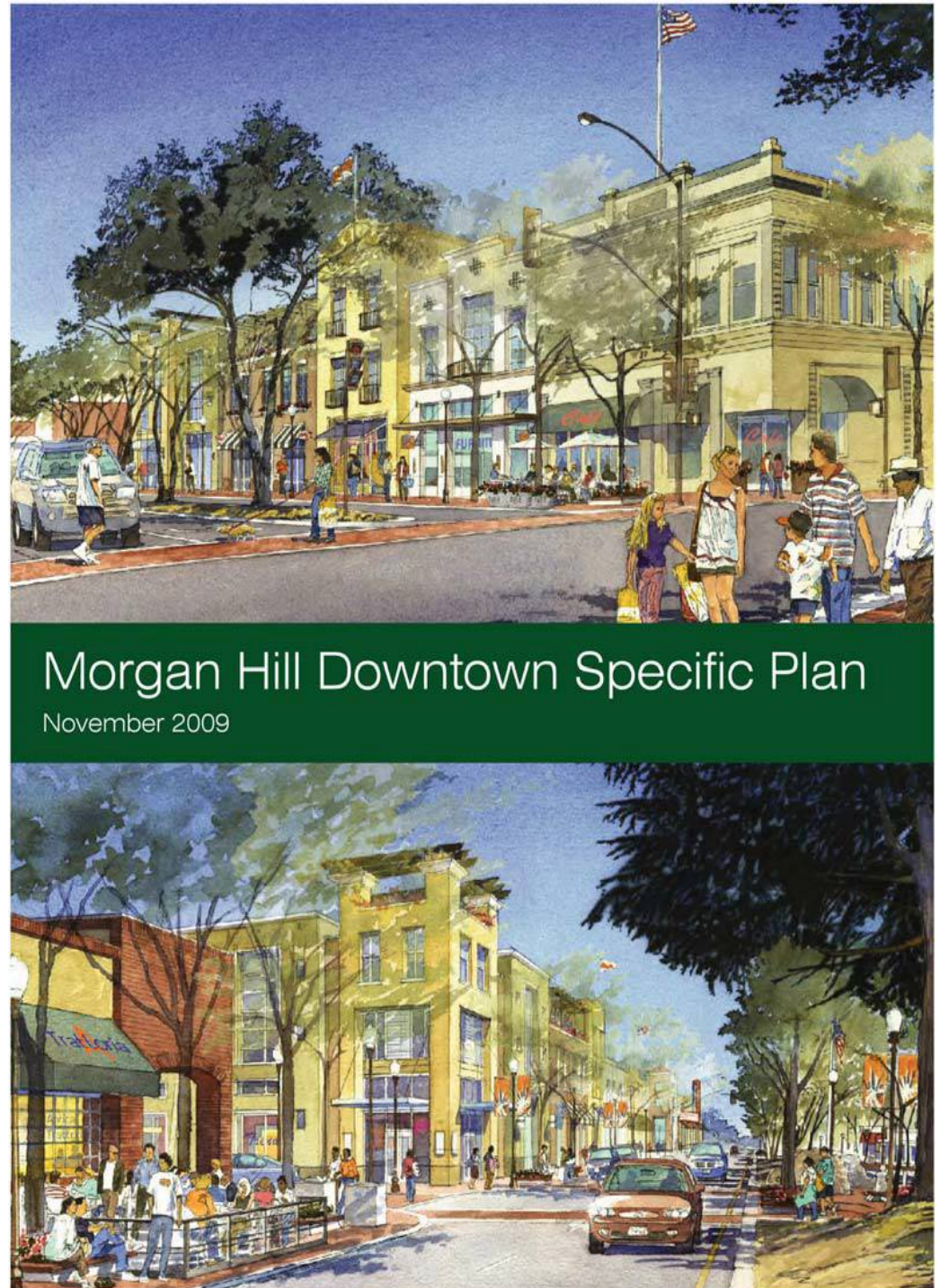


Downtown Housing and Retail Update

- 1 Downtown Specific Plan
- 2 Development Assumptions
- 3 Recent Decisions
- 4 Things to Consider

Vision Statement

“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.”





Urban Design Goals

Creating an active Downtown village through **intensifying residential, retail, restaurant, and entertainment uses**, within an urban setting improved with unified landscaping and streetscape improvements.

Making **Monterey Road and Third Street** more **pedestrian and retail friendly**, and improve other roads with better street lighting and streetscape improvements;

Strengthening Downtown's identity and scale with new design related to a **traditional character**, and

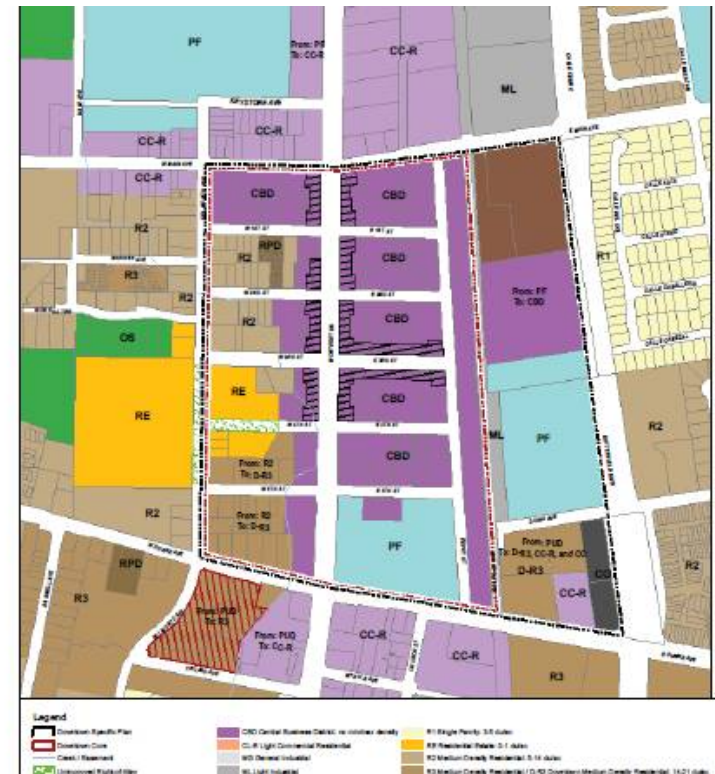
Creating **visual and physical linkages** to Downtown with landscaping; and with **linking downtown commercial uses to common parking areas** available to the general public



Land Use Goals and Objectives



- Specialty retail, restaurant, entertainment, residential and commuter-serving uses
- Monterey Rd. and Third St. as main commercial spines
- Transit-oriented uses which do not require large amounts of on-street parking
- Rehabilitate residential and intensify redevelopment sites
- Densities ranging from 18 to 40+ dwellings per acre
- Infill development along Monterey Rd. and Third St.
- Conversion of residential to commercial from Monterey Rd. to Depot St.
- Increase density West of Monterey between Dunne Ave. and 4th St.
- Lodging uses





Ground Floor Overlay

Requires ground-floor retail uses along portions of Monterey Road and Third Street

Permitted Uses

- **retail**
- **restaurant**
- **entertainment**
- * *Interim office uses allowed via administrative permit*

Guidelines for retail building depths.



Development Assumptions



DSP assumed 94,221 SF of NEW retail space by 2015

DSP assumed 850 new housing units in Downtown

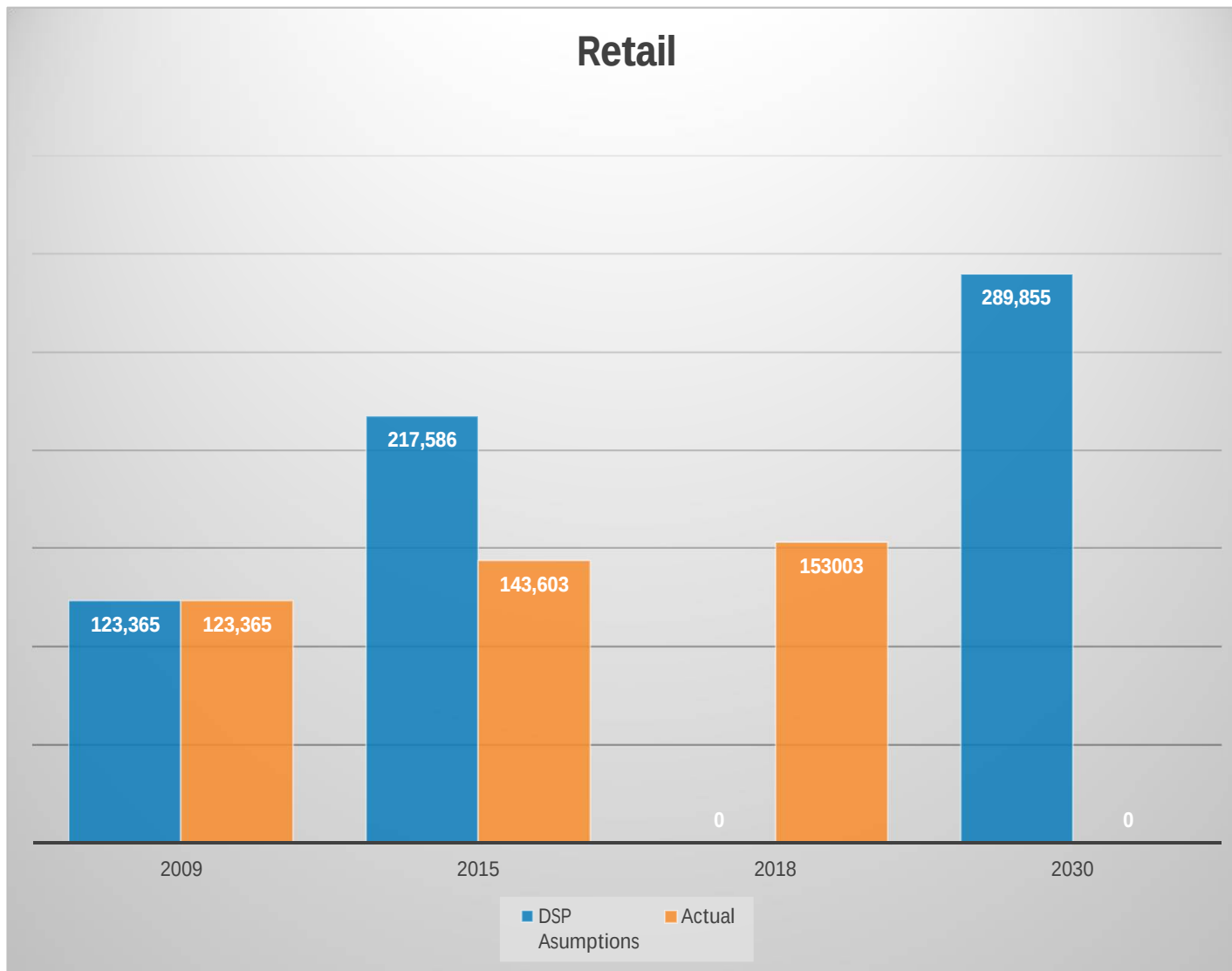
City of Morgan Hill
Downtown Specific Plan
2030 Development Summary - Blocks 1-14 (Downtown Core)

Land Use	Existing Development ¹	Development by 2015		Development by 2030	
		Net New	Total	Net New	Total
Retail	123,365 Sq Ft	94,221 Sq Ft	217,586 Sq Ft	166,490 Sq Ft	289,855 Sq Ft
Residential	193 DU	546 DU	739 DU	681 DU	874 DU
Office/Service	122,248 Sq Ft	30,157 Sq Ft	152,405 Sq Ft	60,591 Sq Ft	182,839 Sq Ft

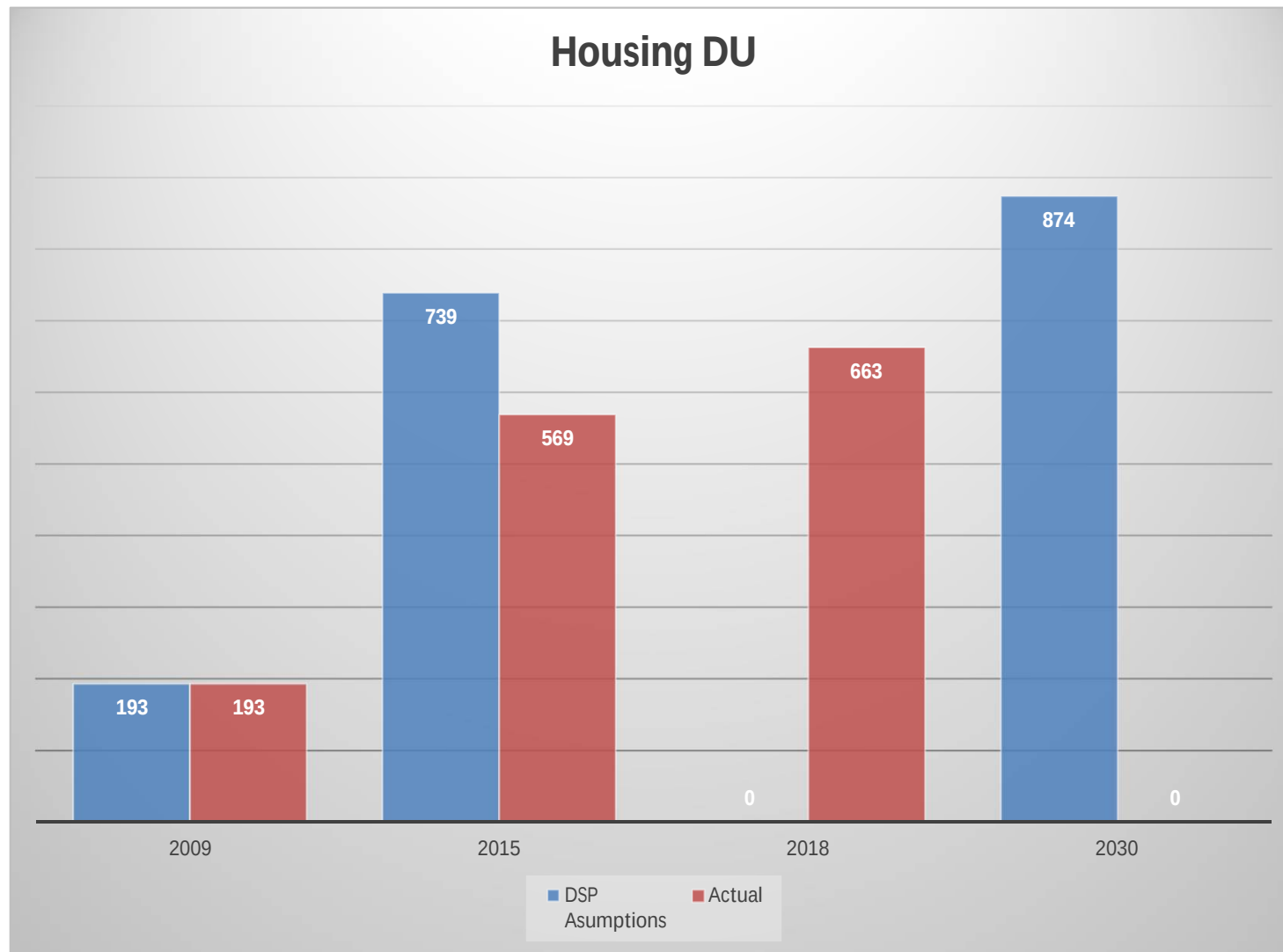
¹ Blocks 1-14 excluding public facilities (including schools, Community and Cultural Center, churches, social halls) and industrial

Assumptions		
Existing Retail Development to be Replaced by Projected Redevelopment		
	16,800 sq ft	from the existing Downtown Mall at Monterey Road and First Street (Block 2)
	20,050 sq ft	from the existing bookstore building along Depot Street (Block 3)
	2,050 sq ft	from the existing liquor store at Monterey Road and Third Street (Block 4)
total	38,900 sq ft	

Retail Square Footage



Housing Dwelling Units



2015 Discussion about Downtown



Does the Council agree with the overall vision?

Are the retail expectations reasonable?

Are the housing density expectations reasonable?

If the vision is right but difficult to achieve today, what steps, if any, should be taken?

Will the DSP remain relevant as our market evolves?



Recent Decisions



Allowed for 2 stories in height *retail only*

Parking Surplus Waiver/Parking Garage

Provided flexibility on retail

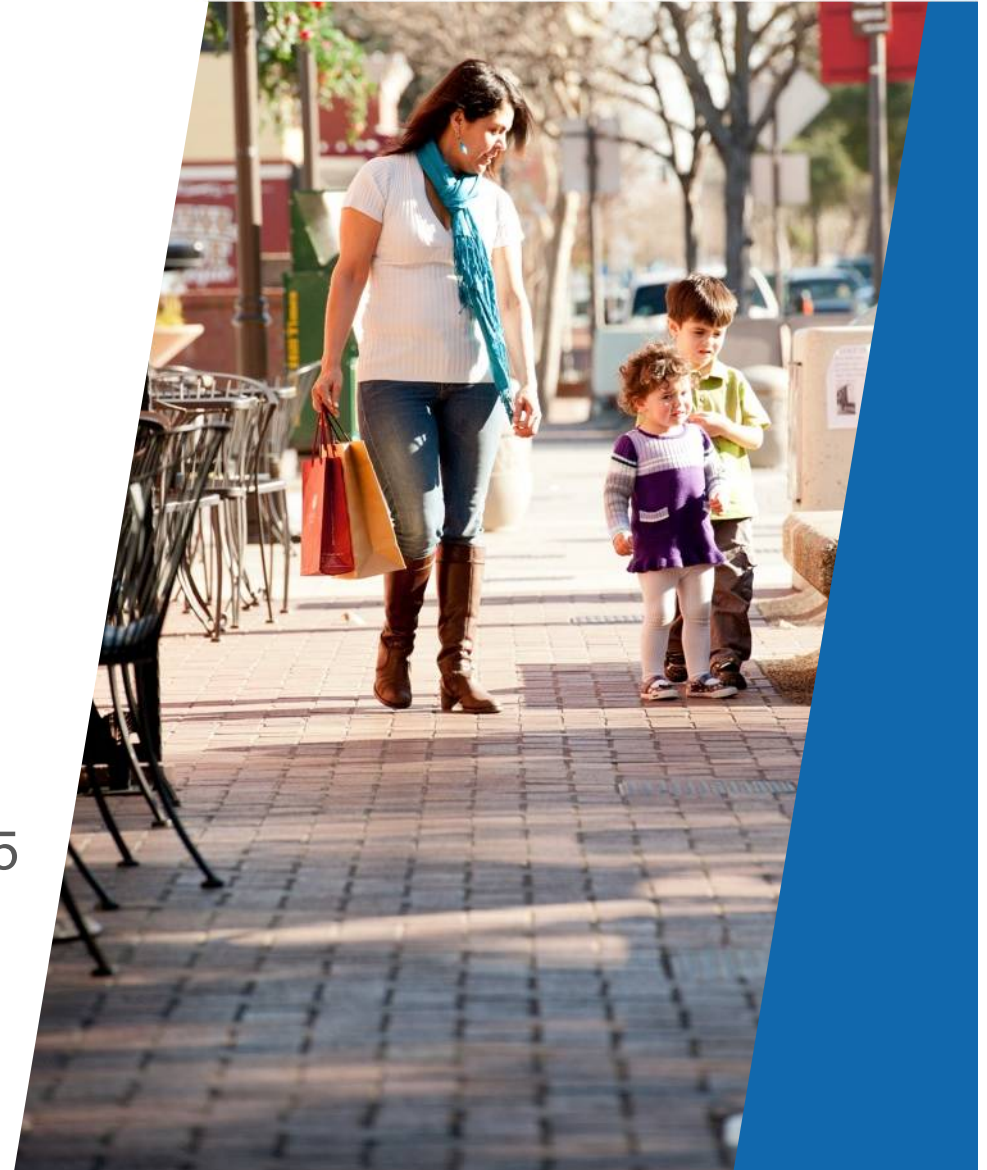


Willard Hicks Restaurant

Station Area Master Plan Market Study



- q Stacked flat developments will likely need to be at least 60 dwelling units per acre
- q Ground floor retail has to be supported without additional parking
- q Additional street work or structured parking will likely require a subsidy
- q Parking limits the feasibility of many developments. Most podium developments will likely need to provide no more than 1.5 spaces per unit



Vision for Downtown



Make Downtown the most.....

walkable,
bike-friendly,
urban,
family-oriented, and
transit oriented

Neighborhood in Morgan Hill





Things to Consider!

High Speed Rail

State housing requirements

Complete Streets

Activation/Events/Programming

-3rd Street

-Parklets

-Amgen TOC

Parking Management

VTA Parking Lot

Depot Street



Questions Discussion



RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AND EXECUTE A DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE CITY OF MORGAN HILL, AND THE LATALA GROUP, LLC, FOR THE PURCHASE BY THE CITY OF PROPERTY; FOR THE SALE OF PROPERTY BY THE CITY; AND FOR THE CONSTRUCTION OF PUBLIC IMPROVEMENTS INCLUDING SURFACE PARKING ENHANCEMENTS AT THE COMMUNITY AND CULTURAL CENTER, AND THE REALIGNMENT OF DEPOT STREET.

WHEREAS, the City of Morgan Hill (“City”) is the owner of (i) the Community and Cultural Center (the “CCC”) located on an approximate eight (8) acre parcel located at the northeast corner of East Dunne Avenue and Monterey Road in Morgan Hill California, designated by Assessors Parcel Number 726-13-052 (the “CCC Property”) and (ii) Depot Street, a City street that runs north-south between East Main Avenue and East Dunne Avenue;

WHEREAS, the City desires to sell, and the The Latala Group, LLC (“Developer”) desires to buy, for fair market value, Depot Street right-of-way, which totals .29 acres.

WHEREAS, The Downtown Specific Plan, and the General Plan 2035 guide development in Morgan Hill. These documents envision the realignment of Depot Street to connect to Church Street, improving transportation circulation and movement in the Downtown area. To reach this goal, City has been examining opportunities that could lead to realignment of Depot Street by exploring development opportunities with adjacent properties;

WHEREAS, Developer and the City propose to enter into this Agreement for the purpose of memorializing an agreement between themselves to redevelop the sites as follows: 1) a mixed-use housing development with office space on the Hale Lumber Property located at 17020 Depot Street, Morgan Hill (APN: 726-13-049), including the .29 acre portion of the former Depot Street alignment, 2) the realignment of Depot Street to connect with Church Street, 3) and surface parking lot enhancements on with no net loss in parking on the CCC property;

WHEREAS, the Developer will construct the new realigned Depot Street with enhanced crosswalk. Developer will additionally construct new surface parking with parking lot enhancements on the CCC property for purposes of public parking;

WHEREAS, the Developer will construct a 3,000 square foot office building to be sold to the City at fair market value;

WHEREAS, the parties previously entered into an Exclusive Negotiating Agreement (“ENA”) approved by the City Council and this Disposition and Development Agreement memorializes the transaction described within the ENA;

WHEREAS, the City Council has determined that the Project is consistent with the Downtown Specific Plan and the 2035 General Plan;

WHEREAS, the Final Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan was certified in November 2009 in conformance with California Environmental Quality Act (CEQA) Guidelines Section 15175(a), identified the impacts of the Downtown Specific Plan in order to streamline the later environment review of projects and approvals required to implement the Specific Plan. The intent was for the Downtown Specific Plan FEIR to be a program-level document from which subsequent development consistent with the Specific Plan could tier from (in conformance with CEQA Guidelines Section 15176(d)).

WHEREAS, an Environmental Impact Report (EIR) for the Morgan Hill 2035 Project, was prepared in accordance with CEQA and certified by the Morgan Hill City Council on July 27, 2016. (SCH #2015022074).

WHEREAS, CEQA Guidelines Section 15164 states that the lead agency or a responsible agency shall prepare an Addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred.

WHEREAS, an Addendum was prepared to provide a program-level CEQA analysis of the proposed project, as part of the adopted 2009 Downtown Specific Plan EIR. The TIA prepared for the project concluded consistency with both the General Plan Final Environmental Impact Report (FEIR) and the Downtown Specific Plan Master Environmental Impact Report (MFEIR) and was incorporated within the Addendum.

WHEREAS, the Addendum found no impacts that were not previously disclosed in the General Plan FEIR or the Downtown Specific Plan Master FEIR, nor would it result in a substantial increase in the magnitude of any significant environmental impacts previously identified.

WHEREAS, the City will contribute up to \$303,178 toward the construction costs to realign Depot Street;

WHEREAS, the City’s overall contribution of land and funds does not exceed the value that the City is receiving in return. The City is receiving a net benefit from this DDA; and

WHEREAS, pursuant to Government Code Section 65402, on September 11, 2018, the City of Morgan Hill Planning Commission determined that the Project is consistent with the General Plan.

NOW, THEREFORE, THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

SECTION 1. The City does hereby find, determine and resolve that all of the foregoing recitals are true and correct.

SECTION 2. That the sales price of \$303,178 as provided in the DDA for the sale of the .29 acres of former Depot Street to the Developer represents fair market value of the Property.

SECTION 3. That the sales price of \$800,812 as provided in the DDA for the sale of the office building to the City represents fair market value of the property.

SECTION 4. That the City hereby approves and authorizes the City Manager and City Clerk to execute and enter into the Agreement with Developer, in substantially the form attached hereto as Exhibit A, together with such further minor conforming, technical or clarifying changes or revisions as may be agreed to and approved by the City Attorney which do not materially increase the obligations of the City there under. Further, the City Manager and City Clerk are authorized and directed to take such further actions and execute such documents on behalf of the City of Morgan Hill as are necessary to carry out the transaction contemplated by the Agreement, including without limitation, one or more deeds, use agreements, easements, assignment and assumption agreements, and certificates of completion.

SECTION 4. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 3rd day of October 2018 by the following vote:

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 18-XXX, adopted by the City Council at the meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Attachment: Resolution to approve DDA (Draft)9.26.18 [Revision 1] (1965 : Hale Lumber - Depot Street Realignment DDA)

DISPOSITION AND DEVELOPMENT AGREEMENT

by and between the

CITY OF MORGAN HILL,

a California municipal corporation

and

THE LATALA GROUP, LLC

a California Limited Liability Company

regarding the

HALE LUMBER SITE, DEPOT STREET REALIGNMENT

AND COMMUNITY & CULTURAL CENTER

Dated: _____, 2018

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LIST OF EXHIBITS

Exhibit A-1	Exiting Site Map
Exhibit A-2	Legal Description –Property
Exhibit B	Form of Grant Deeds (With Covenants)

DISPOSITION AND DEVELOPMENT AGREEMENT

HALE LUMBER, DEPOT STREET, AND COMMUNITY CULTURAL CENTER

THIS DISPOSITION AND DEVELOPMENT AGREEMENT ("**Agreement**") dated as of this ____ day of _____, 2018 ("**Date of Agreement**"), is entered into by and between the CITY OF MORGAN HILL, a California municipal corporation ("**City**"), and the Latala Group, LLC, a California Limited Liability Company ("**Latala**" or "**Developer**"). Developer and City are sometimes referred to individually as a "**Party**", and collectively as the "**Parties**."

R E C I T A L S

The following Recitals are a substantive part of this Agreement; capitalized terms used and not otherwise defined are defined in Section 1.1 of this Agreement:

A. Robert and Linda Hammond, Trustees of the Robert and Linda Hammond Revocable Trust, Robert Hammond Jr., and Robert Taurig (collectively, the "**Hale Lumber Property Owners**") are the owners of that certain approximately two (2) acre real property located at the northeast corner of East Dunne Avenue and Depot Street in Morgan Hill, California, designated as APN 726-13- 049 (the "**Hale Lumber Property**"). The Hale Lumber Property Owners currently operate a lumber yard, Hale Lumber, on the Hale Lumber Property.

B. The Developer is the Latala Group, LLC, a California Limited Liability Company.

C. City is the owner of (i) the Community and Cultural Center (the "**CCC**") located on approximately eight (8) acre real property located at the corner of Dunne Avenue and Monterey Road in Morgan Hill California, designated as APN 726-13-052 (the "**CCC Property**") and (ii) a portion of Depot Street, a City street that runs north-south, adjacent to the CCC between East Dunne Avenue and East Fifth Street, consisting of approximately .29 acres ("**Depot Property**").

D. The area encompassing the Hale Lumber Property, CCC Property, and Depot Property are shown on the attached map, attached hereto as Exhibit "A" and incorporated herein by this reference.

E. The Downtown Specific Plan and the Morgan Hill 2035 General Plan guide development in Morgan Hill. These documents envision the realignment of Depot Street through the existing CCC parking lot to connect to Church Street, improving transportation circulation and movement in the Downtown area. To realize this, City has been examining opportunities that could lead to the realignment of Depot Street by exploring development opportunities with adjacent properties.

F. The City and the Developer have entered into an “Exclusive Negotiating Agreement,” dated as of April 18, 2018 (ENA), which provides for the Parties to negotiate towards a Disposition and Development Agreement with respect to the Project. This Agreement is entered into pursuant to and in furtherance of certain provisions of the ENA. Notwithstanding the foregoing, the Parties acknowledge that this Agreement differs in certain respects from certain terms of the ENA. Upon mutual execution and delivery of this Agreement, this Agreement shall supersede and replace the ENA which shall be hereby terminated, except to the extent that certain provisions thereof expressly remain in effect.

G. Developer and City have entered into this Agreement for the purpose of memorializing an agreement between themselves that Developer shall redevelop the sites as follows: 1) a mixed use development on the Project Property with a 3,116 square feet ground floor office building which will include multi-family residential space on the second floor; 2) the realignment of Depot Street to connect with Church Street, and 3) the replacement of the parking spaces and parking lot enhancements for the CCC Property (the “**Project**”).

H. Developer will privately acquire the Hale Lumber Property from the Hale Lumber Property Owners. City will not be a party to this transaction and will not be a third-party beneficiary of this transaction.

I. To implement the purposes of this Agreement, City desires to sell a portion of Depot Street (“Depot Property”) to the Developer for fair market value and Developer desires to acquire the property from City on an “As Is with All Faults” basis.

J. Together, the Hale Lumber Property and the Depot Property are the “**Project Property**”.

K. Developer shall realign Depot Street and construct the new Depot Street, which will impact the current CCC parking. Developer shall replace parking within the CCC parking lot and construct associated parking lot enhancements for purposes of public parking.

L. Upon completion of construction of the ground floor office building, Developer shall offer to the City the ground floor office portion of the building for purchase for fair market value as further described below.

M. The Project relies on the following analysis under the California Environmental Quality Act (“**CEQA**”) (set forth in Public Resources Code, section 21000 *et seq.*): Draft Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan, as modified by the Final Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan (“**DSP**”) (SCH #2008012025) (together, “**FEIR**”) certified by the City Council on November 18, 2009 by Ordinance No. 1956. This Project is further described in the Program Level Addendum for the Hale Lumber and Community and Cultural Center project (“**ADDENDUM**”). Collectively, the FEIR, DSP, and ADDENDUM are the “**CEQA Project Review**.”

N. On September 11, 2018, the City Planning Commission conducted a review pursuant to Government Code Section 65402 and determined that the Project described is consistent with the City's General Plan.

The execution and performance of this Agreement is in the best interests of City and the health, safety and welfare of its residents, and is in accord with the provisions of applicable federal, state, and local law.

A G R E E M E N T

NOW, THEREFORE, City and Developer hereby agree as follows:

1. DEFINITIONS; REPRESENTATIONS AND WARRANTIES; CHANGE IN OWNERSHIP, MANAGEMENT AND CONTROL.

1.1 Definitions.

"Affiliate of Developer" means an entity or person that is directly or indirectly controlling, controlled by, or under common control with Developer. For the purposes of this definition, "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity or a person, whether through the ownership of voting securities, by contract, or otherwise, and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Agreement" means this Disposition and Development Agreement between City and Developer.

"As-Is Condition" is defined in Section 2.27.

"CEQA" California Environmental Quality Act is defined in Recital M.

"City" means the City of Morgan Hill, a California municipal corporation.

"City Council" means the City Council of the City of Morgan Hill.

"City Infrastructure" means the Depot Street realignment, Depot Street utility relocation, CCC parking resurfacing, striping, construction of new spaces, and lot enhancements.

"City Party" means a City employee, agent or representative.

"City Properties" means that Depot Property and Community and Cultural Center (CCC) properties.

"City's Actual Knowledge" or words to that effect shall mean the present, actual knowledge of Christina Turner, the City Manager, excluding constructive knowledge or duty of inquiry, existing as of the Date of Agreement.

“Claims” means liabilities, obligations, orders, claims, damages, governmental fines or penalties, and expenses of defense with respect thereto, including reasonable attorneys’ fees and costs.

“Close of Escrow” is defined in Section 2.19.

“Closing” is defined in Section 2.19.

“Commenced Construction of the City Infrastructure” shall be deemed to have occurred when the Developer has completed plans, obtained all required permits and commenced construction of the Improvements, including on the CCC parking lot and for the realigned Depot Street.

“Control” is defined in Section 1.2.1.

“Date of Agreement” means the date that this Agreement is approved by the City Council at a noticed public hearing.

“Day-to-Day Management” means active, day-to day-management responsibilities for the activities of Developer.

“Default” means the failure of a Party to perform any action or covenant required by this Agreement within the time period provided following applicable notice and opportunity to cure period.

“Depot Property” means that approximately .29-acre portion of Depot Street in-between 5th Street and East Dunne Avenue.

“Developer” is defined in recital B.

“Developer Conditions Precedent” is defined in Section 2.14.

“Documents” is defined in Section 2.26.

“Downtown Specific Plan” or **“DSP”** is defined in Recital J.

“Environmental Laws” means, collectively: (i) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. § 9601, *et seq.*, (ii) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, *et seq.*, (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, *et seq.*, (iv) the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, *et seq.*, (v) the Clean Air Act, as amended, 42 U.S.C. § 7401, *et seq.*, (vi) the Toxic Substances Control Act, as amended, 15 U.S.C. § 2601, *et seq.*, (vii) the Clean Water Act, as amended, 33 U.S. Code § 1251, *et seq.*, (viii) the Oil Pollution Act, as amended, 33 U.S.C. § 2701, *et seq.*, (ix) California Health & Safety Code § 25100, *et seq.* (Hazardous Waste Control), (x) the Hazardous Substance Account Act, as amended, Health & Safety Code § 25300, *et seq.*, (xi) the Unified Hazardous Waste and Hazardous Materials Management Regulatory Program, as amended, Health & Safety Code § 25404, *et seq.*,

(xii) Health & Safety Code § 25531, *et seq.* (Hazardous Materials Management), (xiii) the California Safe Drinking Water and Toxic Enforcement Act, as amended, Health & Safety Code § 25249.5, *et seq.*, (xiv) Health & Safety Code § 25280, *et seq.* (Underground Storage of Hazardous Substances), (xv) the California Hazardous Waste Management Act, as amended, Health & Safety Code § 25170.1, *et seq.*, (xvi) Health & Safety Code § 25501, *et seq.*, (Hazardous Materials Response Plans and Inventory), (xvii) Health & Safety Code § 18901, *et seq.* (California Building Standards), (xviii) the Porter-Cologne Water Quality Control Act, as amended, California Water Code § 13000, *et seq.*, (xix) California Fish and Game Code §§ 5650-5656 and (xx) any other federal, state or local laws, ordinances, rules, regulations, court orders or common law related in any way to the protection of the environment, health or safety.

“Escrow Agent” means Chicago Title, 675 North First Street, Suite 300, San Jose, California 95112 (Christina Molotla, Escrow Officer).

“Final Certificate of Completion” is defined in Section 3.10.

“Final Completion” means Final completion of all City Infrastructure and acceptance by the City Council.

“Final Environmental Impact Report” or **“FEIR”** is defined in Recital J.

“Force Majeure Delay” is defined in Section 6.2.

“Governmental Requirements” means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the State, the County, the City,

“Grant Deeds” means the grant deeds for the conveyance of the properties from City to Developer or from the Developer to the City to be executed and recorded at the Closing substantially in the form attached hereto as Exhibit “B” and incorporated herein by this reference.

“Hazardous Materials” means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government under any Environmental Laws, including any material or substance which is defined as a “hazardous waste,” “extremely hazardous waste,” “restricted hazardous waste” or “hazardous substance” under any Environmental Laws.

“Improvements” means the improvements to be constructed by the Developer upon the Project Property and the offsite improvements relating thereto.

“Initial Litigation Challenge” is defined in Section 6.23.

“Municipal Code” means the Morgan Hill Municipal Code.

“Mixed Use” is defined in Morgan Hill Municipal Code Chapter 18.128.020.

“Mixed Use Project” means the office space and the residential development proposed by Developer on the Project Property.

“Notice” means a written notice in the form prescribed by Section 6.1.

“Office Building” means the 3,116 square feet office building constructed by Developer to be sold to the City.

“Organizational Documents” means the Certificate of Formation and Operating Agreement of the Developer, as the same may be amended from time to time.

“Partial Certificate of Completion” is defined in Section 3.10.

“Permitted Transfer” is defined in Section 1.22.

“Planning Commission” means the Planning Commission of the City of Morgan Hill.

“Project” is defined in Recital G.

“Project Agreements” means this Agreement and the Grant Deeds (once recorded).

“Project Approvals” means all of the discretionary approvals by the City which will permit the Project in its entirety to proceed.

“Property Claims” is defined in Section 2.30.

“Reports” is defined in Section 2.26.

“Residential Development Control System” or **“RDSC”** is contained in Morgan Hill Municipal Code Chapter 18.156.

“Schedule of Performance” means the dates and/or time periods by which certain obligations set forth in this Agreement must be accomplished.

“Substantially Complete” or **“Substantial Completion”** shall be deemed to have occurred when (i) Substantial completion of all City Infrastructure as reasonably determined by the City Manager.

“Title Company” means Chicago Title.

“Transfer” means any assignment or transfer of this Agreement or the Property or any portion thereof or any interest therein.

“Title Policy” is defined in Section 2.23.

“Unrecorded Agreements” is defined in Section 2.26.

“Warm Shell” means a commercial building with all wiring, sheetrock, a heating and cooling (HVAC) system including all electronic controls and duct work, drop ceilings, plumbing and restrooms including all fixtures, interior lighting, hardscape and landscape to the standard of a high quality office building in the City of Morgan Hill.

1.2 Representations and Warranties.

1.2.1 City Representations. City represents and warrants to Developer as follows:

a) Authority. City is a California municipal corporation with full right, power, and lawful authority to perform its obligations hereunder, and the execution, delivery, and performance of this Agreement by City has been fully authorized by all requisite actions on the part of the City Council.

b) No Conflict. City’s execution, delivery, and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement, or order to which City is a party or by which City is bound.

c) No Litigation or Other Proceeding. To City’s Actual Knowledge, no litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent, hinder, or delay the ability of City to perform its obligations under this Agreement, or that would adversely affect the Depot Property or the ability of Developer to develop the same as contemplated by this Agreement.

d) No City Bankruptcy. City is not the subject of any bankruptcy proceeding, and no general assignment or general arrangement for the benefit of creditors or the appointment of a trustee or receiver to take possession of all or substantially all of City’s assets has been made.

e) Right to Possession. No person or entity other than City has the right to use, occupy, or possess the City Properties, or any portion thereof. City shall not enter into any lease or other agreement respecting use, occupancy, or possession of the Property or any portion thereof that would affect the ability of the Developer to complete its obligations without the written consent of Developer.

f) Condition of Property. City has no notice of any pending or threatened action or proceeding arising out of the condition of the City Properties or any alleged violation of any Environmental Laws. Except as otherwise disclosed by City, to City’s Actual Knowledge, the Property is in compliance with all Environmental Laws.

g) Until the expiration or earlier termination of this Agreement, City shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 1.2.1 not to be true, immediately give written Notice of this fact or condition to Developer. The foregoing representations and warranties shall survive each Closing for a period of 12 months.

1.2.2 Developer's Representations.

Developer represents and warrants to City as follows:

(a) Authority. Developer is a limited liability company duly organized in the State of California and is qualified to do business and is in good standing under the laws of the State of California. The Organizational Documents provided (or to be provided) by Developer to City are true and complete copies of the originals. Developer has full right, power and lawful authority to undertake all of its obligations hereunder and the execution, performance and delivery of this Agreement by Developer has been fully authorized by all requisite company actions on the part of Developer.

(b) No Conflict. Developer's execution, delivery, and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement, or order to which Developer is a party to.

(c) No Litigation or Other Proceeding. To Developer's current actual knowledge, no litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent, hinder, or delay the ability of Developer to perform its obligations under this Agreement.

(d) No Developer Bankruptcy. Developer is not the subject of any bankruptcy proceeding, and no general assignment or general arrangement for the benefit of creditors or the appointment of a trustee or receiver to take possession of all or substantially all of Developer's assets has been made.

(e) Until the issuance of a Final Certificate of Completion or earlier termination of this Agreement, Developer shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 1.2.2 not to be true, immediately give written Notice of such fact or condition to City. The foregoing representations and warranties shall survive each Closing and continue until issuance of a Final Certificate of Completion.

(f) The Developer is an experienced developer of mixed use and residential projects.

1.3 Change in Ownership, Management and Control of Developer. The qualifications and identity of Developer are of particular concern to City. It is because of those unique qualifications and identity that City has entered into this Agreement with Developer.

1.3.1 Additional Matters. Except for Permitted Transfers as provided in Section 1.3.2, the term "Transfer" for the purposes of this Section 1.3.1 shall include any significant change in the Control of Developer by any method or means. The term "**Control**" as used in the immediately preceding sentence, shall mean the power to direct

the Day-to-Day Management of Developer, and it shall be a presumption that control with respect to a corporation or limited liability company is the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity, or association, control is the possession, indirectly or directly, of the power to direct or cause the direction of the Day-to-Day Management of the controlled entity. An assignment of this Agreement to an Affiliate of Developer, shall be subject to prior review and approval by the City Manager. (. Any Transfers, except those delineated below shall be subject to prior review and approval by the City Manager. City Manager's criteria shall be the capitalization, financial capacity, experience and ability of the successor Developer to assume all rights and obligations entered into by Developer through this Agreement..

1.3.2 Permitted Transfers. Notwithstanding any other provision of this Agreement to the contrary, each of following Transfers are permitted and shall not require City consent under this Section 1.3.2 (each, a "**Permitted Transfer**"):

(a) Any lien or encumbrance on the Mixed Use Project to secure the funds necessary for acquisition, construction, and/or permanent financing of the Project;

(b) Permanent financing of a portion of the Project following its Substantial Completion; or

(c) Dedications and grants of easements and rights of way required in accordance with the Project Approvals.

2. SALE OF PROPERTY AND INFRASTRUCTURE IMPROVEMENTS.

2.1 The City and the Developer desire by this Agreement for the City to acquire from the Developer an office building, and for City to convey the Depot Property to Developer, in two separate closings. Developer shall develop a mixed use project, together with other onsite and offsite improvements (collectively, the "Improvements").

2.2 Escrow. The parties will open an escrow for the conveyance of the Depot Property to Developer and the Office Building to City.

2.4 City Conveyance to Developer. In the first closing, City shall convey to Developer a portion of the current Depot Street alignment such that Developer is provided an additional approximately .29 acres to add to the Mixed Use Project. The Grant Deed to the Developer shall contain a reversionary clause in that the Depot Property shall revert to the City upon Developer's failure to complete the construction and relocation of Depot Street by _____, 201_. Developer is not entitled to construct any portion of its project on the Depot Street portion until the relocation and vacation of Depot Street are complete. The City shall have the right to re-enter and take possession of the conveyed Depot Property from Developer with all improvements thereon if after conveyance to Developer of title to the Depot Property the Developer has failed to complete construction of the relocated road. The funds from this sale may be treated as a credit in escrow to

be considered as City's contribution to the realignment of Depot Street. The Developer acknowledges and understands that the Depot Property will be conveyed to the Developer for purposes of development pursuant to this Agreement and not for speculation in undeveloped land.

2.4 Developer Conveyance to City. Once Developer has constructed the office building, in the second closing, Developer shall convey to City, on the terms and conditions provided in this Agreement, a ground floor office building ("**Office Building**") of approximately 3,116 square feet to be used by the City as office space for public purposes. The office building shall be constructed on the Developer Property. Should developer not construct either a mixed use condominium or a residential condominium above the Office Building, Developer shall convey to City the Office Building Parcel in fee simple absolute. If Developer constructs either condominium project as planned than Developer shall convey City all air rights to the Office Building via Grant Deed.

2.5 City Conditions Precedent. City's obligation to proceed with the disposition of the Depot Property to Developer pursuant to the terms of this Agreement is subject to the fulfillment or waiver by City of each and all of the conditions precedent described below ("City Conditions Precedent"). The City Conditions Precedent are solely for the benefit of City and shall be fulfilled or waived within the time periods provided for herein, and in any event, no later than the closing of escrow for each applicable transaction, as the case may be. Except as otherwise indicated, all City Conditions Precedent shall apply to both the closings.

2.5.1 No Default. Developer shall not be in Default under this Agreement or the other Project Agreements, and no event shall have occurred which with the passage of time or giving of Notice or both would constitute a Default by Developer hereunder or under any of the other Project Agreements.

2.2. Execution and Delivery of Documents. City and Developer shall have executed and acknowledged the Grant Deeds for the applicable closing, and City and Developer shall each have executed (and, where appropriate, acknowledged), and delivered into escrow all other documents that each party is required to deliver into escrow pursuant to this Agreement.

2.4.3 Delivery of Funds. Developer shall deposit into escrow the Purchase Price and such other funds, including escrow costs, recording fees, and other closing costs as are necessary to comply with Developer's obligations under this Agreement for the Depot Property closing.

The Parties may agree to credit the purchase price to Developer in place of Developer depositing fees in escrow in the amount of \$303,178.00.

2.4.4 Evidence of Available Funds. In connection with closing of the Depot Property transaction, Developer shall demonstrate evidence of available funds equal to the purchase price, regardless of whether it is to be deposited into escrow.

2.4.5 Financial Documentation. Developer shall provide the City with sufficient financial documentation prior to commencing construction of City Infrastructure that Developer has the financial capacity to complete construction of the City Infrastructure.

2.8 Insurance. Developer shall have provided proof of insurance as required by Section 3.7 below.

2.12 Organizational Documents. Developer shall have submitted the Organizational Documents for Developer confirming that the Developer is a valid Limited Liability Company formed as a California LLC.

2.13 Anything herein to the contrary notwithstanding, so long as the applicable City Conditions Precedent above are satisfied or waived by the City, Developer shall have the right to acquire the Depot Property in accordance with this DDA.

2. 4 Developer Conditions Precedent. Developer's obligation to proceed with the acquisition of the Property from City pursuant to the terms of this Agreement is subject to the fulfillment or waiver by Developer of each and all of the conditions precedent described below ("Developer Conditions Precedent"). The Developer Conditions Precedent are solely for the benefit of Developer and shall be fulfilled or waived within the time periods provided for herein, and in any event, no later than the closing of escrow for each applicable transaction, as the case may be.

2. 4. 1 No Default by City. City shall not be in Default under this Agreement or the other Project Agreements, and no event shall have occurred which with the passage of time or giving of Notice or both would constitute a default by City hereunder or under the other Project Agreements.

2. 4.2 Execution and Delivery of Documents by City. City and Developer shall have executed and acknowledged the applicable Grant Deed for the applicable transaction, and City shall have executed (and, where appropriate, acknowledged) and delivered into escrow all other documents that City is required to deliver into escrow pursuant to Section 2. 7. 2.

2. 4.4 Permits. Subject to payment of the applicable fees and completion of all application requirements, City shall be ready to issue the demolition and grading permit(s) necessary for the Developer to perform the work for the Initial Site Preparation for the applicable portion of the Project.

2. 4. 5 Title Policy. The Parties shall request that the Title Company, upon payment of Title Company's regularly scheduled premium, issue the Title Policy upon recordation of the Grant Deed subject only to the Pre -Approved Exceptions or the Condition of Title.

2. 4. 6 Absence of Proceedings. There shall be an absence of any condemnation, environmental or other pending governmental or any type of administrative or legal

proceedings with respect to the Property, or applicable part thereof, which would materially and adversely affect Developer's intended uses of the Property or the development or value of the Property, or applicable part thereof.

2. 4. 7 No Material Adverse Change. There shall not have occurred between the Date of Agreement and the Closing a material adverse change to the physical, environmental or title condition of the Property, or applicable part thereof.

2. 4. 8 No Leases or Parties in Possession. City shall have demonstrated to Developer the ability to deliver fee title to the applicable Phase of the Property to Developer free and clear of any tenants, lessees, licensees or any third party occupants or parties in possession, and executed the Title Company's standard form Commercial Owner's Affidavit as required by Section 2. 7. 2(d) below.

2.5 Escrow. The parties will open escrow for the conveyance of the Depot Street Property to Developer. Within five days following Developer's delivery of a notice of completion of the Office Building, the Parties shall open an escrow for the conveyance of the Office Building to City.

2.5.1 Costs of Escrow. All customary fees, charges, and costs chargeable by Escrow Agent for the escrows including recording fees, document fees, title insurance premiums, and documentary transfer taxes, if any, due with respect to the conveyance of the Depot Property to Developer and the Office Building to City shall be paid by Developer or the City, as the case may be, in accordance with the custom in Santa Clara County; provided, however, the City shall take all actions and pay all charges and costs (if any) required by Section 2.6.

2.5.2 Escrow Instructions. This Agreement constitutes the joint escrow instructions of Developer and City with respect to the conveyances of the Depot Property to Developer and the Office Building to City, and the Escrow Agent to whom these instructions are delivered is hereby empowered to act under this Agreement. Insurance policies for fire or casualty are not to be transferred. To the extent that substantial funds aside from those to cover the costs of escrow are received in the escrow shall be deposited in interest-bearing accounts for the benefit of the depositing Party in any state or national bank doing business in the State of California. All disbursements shall be made by check or wire transfer from such accounts. If, in the opinion of either Party, it is necessary or convenient in order to accomplish the Closing, such Party may provide supplemental escrow instructions; provided that if there is any inconsistency between this Agreement and the supplemental escrow instructions, then the provisions of this Agreement shall control. The Closing shall take place as set forth as described herein. Escrow Agent is instructed to release City's and Developer's escrow closing statements to the respective parties.

2.4.1 Authority of Escrow Agent. Escrow Agent is authorized to, and shall:

(a) For the Depot Property, charge City for that portion of the premium of the Title Policy allocable to a CLTA standard owner's policy of title insurance and charge Developer for the any excess premium of the Title Policy allocable to extended coverage, including any endorsements requested by Developer.

(b) For the Office Building, charge Developer for that portion of the premium of the Title Policy allocable to a CLTA standard owner's policy of title insurance and charge City for the any excess premium of the Title Policy allocable to extended coverage, including any endorsements requested by City.

(c) Charge Developer for escrow fees associated with the closing of the purchase and sale of the Depot Property, as applicable. Charge City for escrow fees associated with the closing of the purchase and sale of the Office Building, as applicable.

(d) Charge City or Developer, as the case may be, all other charges and costs referred to in Section 2.18.

(e) Disburse funds, if any, to City and record the Grant Deed for the Depot Property, as applicable, when both the Developer Conditions Precedent for the Project have been fulfilled or waived in writing by Developer and City, as applicable and after City has provided notice of acceptance of all infrastructure; or Developer has provided payment and performance bonds to the City in amount to completely cover the costs of construction of all of the public improvements. Immediately following recordation of the Grant Deed, Escrow Agent shall record any other recordable documents delivered into escrow for the Closing.

(f) Do such other actions as necessary, including obtaining and issuing the Title Policies, to fulfill its obligations under this Agreement.

(g) Direct City and Developer to execute and deliver any instrument, affidavit, and statement, and to perform any act, reasonably necessary to comply with the provisions of FIRPTA, if applicable, and any similar state act and regulations promulgated thereunder.

(h) Prepare and file with all appropriate governmental or taxing authorities uniform settlement statements, closing statements, tax withholding forms including IRS 1099-S forms, and be responsible for withholding taxes, if any such forms are provided for or required by law.

2.5 Closing. The escrow for conveyance of the Depot Property and the Office Building close (each, a "**Close of Escrow**") within 30 days after the satisfaction, or waiver by the appropriate Party, Conditions Precedent, and acceptance of the City of all Developer constructed City Infrastructure. For purposes of this Agreement, a "**Closing**" shall mean the time and date each Grant Deed is recorded with the Santa Clara County Recorder.

2.6 Delivery of Documents and Closing Funds.

2.6.1 At or before the Closing, Developer and City as applicable to their respective parcels shall deposit into escrow the following items with respect to Depot Property and the Office Building:

- (a) Funds in an amount necessary to consummate the Closing, including the applicable escrow costs, respectively;
- (b) executed and acknowledged Grant Deed for each Property;
- (c) an original executed Preliminary Change of Ownership Report for each Property;
- (d) a duly executed non-foreign certification for the Property in accordance with the requirements of Section 1445 of the Internal Revenue Code of 1986, as amended, for each property;
- (e) a duly executed California Form 593-W Certificate for the Property or comparable non-foreign person affidavit each property; and
- (f) a Commercial Owner's Affidavit in the standard form of the Title Company for each property.

2.6.2 At each Closing, City and Developer shall each deposit such other instruments as are reasonably required by the Title Company or otherwise required to close the escrow and consummate the conveyance of the Property in accordance with the terms hereof.

2.7 Condition of Title. Developer and City will work together in good faith to remove exceptions to the title policy or agree to accept the exceptions.

2.8 Title Insurance. Concurrently with recordation of each Grant Deed, the Title Company shall issue to the appropriate Party such policy of title insurance for the respective Property, which at appropriate Party's option may be an ALTA extended coverage owner's policy (or if requested by the appropriate Party a CLTA standard owner's policy of title insurance with survey exceptions) (each, a "**Title Policy**") as may be required by the appropriate Party, and/or the appropriate Party's lenders or other institutions that may be providing financing for the Project, together with endorsements as are reasonably requested by the appropriate Party and/or the appropriate Party's lenders or other institutions, insuring that the appropriate Party has a valid fee ownership interest in the Property, subject only to Pre-Approved Exceptions and the Condition of Title. The Title Policy for each Property shall be in the amount as specified by the appropriate Party. The premium for each Title Policy, plus any additional costs related thereto (except for such costs to remove any title exceptions agreed to be removed by the appropriate Party, which shall be at the appropriate Party's sole cost), including the

cost of surveys, and any endorsements requested by appropriate Party shall be paid by the appropriate Party.

2.10 Property Taxes and Assessments. Ad valorem taxes and assessments levied, assessed, or imposed on the Depot Property or the Office Building for any period prior to the applicable Closing, if any, shall be paid by appropriate Party. Ad valorem taxes and assessments levied, assessed, or imposed on the Property acquired by either Party or any other improvements thereon, for the period after the applicable Closing shall be paid by the appropriate Party.

2.11 Access to Property. Prior to the Closing, City shall cooperate to enable representatives of Developer to obtain the right of access to all portions of the Depot Property for the purposes of implementing this Agreement. Developer agrees to provide written Notice to City at least twenty-four (24) hours prior to undertaking any studies or work upon the Depot Property.

2.11.1 Indemnity. Developer shall indemnify, defend, protect, and hold City harmless from any Claims arising out of the acts, omissions, negligence, or willful misconduct of Developer or its employees, agents, contractors, subcontractors, or representatives in connection with such studies and investigations, except for Claims arising from or related to any pre-existing condition on or of the City Property or Claims to the extent caused by the active negligence or willful misconduct of Developer or its employees, agents, contractors, or representatives. In addition, in the event Developer causes any damage to any portion of the Property, Developer shall promptly restore the Property as nearly as possible to the physical condition existing immediately prior to Developer's entry onto the Property. Developer shall deliver to City, within ten (10) days of receipt thereof, a complete copy of any written investigation, test, report or study which Developer conducts, or causes to be conducted, with respect to the involved Depot Property.

2.11.2 Documents. The Parties represent and warrants that, to the best of their current actual knowledge, as of the Date of Agreement, the Parties have furnished each other with copies or provided each other with access to any and all material existing surveys, inspection reports, environmental and/or hazardous material reports, and any other data, reports, studies, agreements, correspondence, and other writings (collectively, "**Reports**") pertaining to the physical, environmental, and/or title condition of the Property, or applicable portion thereof, and the use and development of the Property, or applicable portion thereof, which are in Developer's possession or control. The Parties also represent and warrant that, each has furnished each other with copies of any and all unrecorded leases, service contracts, easements, licenses, and/or other unrecorded agreements (collectively, "**Unrecorded Agreements**," and with the Reports, "**Documents**") affecting the Property, or portion thereof. The Parties shall notify each other in writing of any material changes to any Documents of which Developer becomes aware before Closing. Developer shall terminate any Unrecorded Agreements prior to Closing.

2.12 AS-IS CONVEYANCE.

DEVELOPER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT CITY IS CONVEYING AND DEVELOPER IS TAKING TITLE TO, AS OF THE APPLICABLE CLOSING, THE DEPOT PROPERTY ON AN "AS IS WITH ALL FAULTS" BASIS, CONDITION AND STATE OF REPAIR INCLUSIVE OF ANY AND ALL FAULTS AND DEFECTS, LEGAL, PHYSICAL, OR ECONOMIC, WHETHER KNOWN OR UNKNOWN, AS MAY EXIST AS OF THE CLOSING ("**AS-IS CONDITION**") AND THAT, EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE REPORTS OR THE DOCUMENTS, DEVELOPER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES FROM CITY, OFFICERS, AGENTS, EMPLOYEES, REPRESENTATIVES OR ATTORNEYS AS TO ANY MATTERS CONCERNING THE PROPERTY

2.13 Independent Investigation. Developer acknowledges, agrees, represents, and warrants that, prior to Closing, Developer will have been given a full opportunity to obtain, review, inspect, and investigate each and every aspect of the City Properties, either independently or through agents of the Developer's choosing, including the following:

- (a) The size and dimensions of the Property;
- (b) The availability and adequacy of water, sewage, fire protection, and any utilities serving the Property;
- (c) All matters relating to title including extent and conditions of title to the Property, taxes, assessments, and liens;
- (d) All legal and governmental laws, statutes, rules, regulations, ordinances, limitations on title, restrictions or requirements concerning the Property including zoning, use permit requirements and building codes;
- (e) Natural hazards, including flood plain issues, currently or potentially concerning or affecting the Property;
- (f) The physical, legal, economic, and environmental condition and aspects of the Property, and all other matters concerning the conditions, use or sale of the Property, including any permits, licenses, agreements, liens, zoning reports, engineers' reports, and studies and similar information relating to the Property. This examination of the condition of the Property has included examinations for the presence or absence of Hazardous Materials as Developer deemed necessary or desirable;
- (g) Any easements and/or access rights affecting the Property;
- (h) Any contracts and other documents or agreements affecting the Property; and

(i) All other matters of material significance affecting the Property.

2.14 Disclaimers. Developer acknowledges and agrees that except as expressly set forth in this Agreement: (a) neither City, nor any City Party, has made any representations, warranties, or promises to Developer, or to anyone acting for or on behalf of Developer, concerning the condition of the City Properties or any other aspect of the Properties; (b) the condition of the Properties has been independently evaluated by Developer prior to the Closing; and (c) any information including any engineering reports, architectural reports, feasibility reports, marketing reports, title reports, soils reports, environmental reports, analyses, or data or other similar reports, analyses, data or information of whatever type or kind, if any, which Developer has received or may hereafter receive from City or any City Party were and are furnished without warranty of any kind and on the express condition that Developer has made its own independent verification of the accuracy, reliability and completeness of such information and that Developer may rely on the foregoing at its own risk.

2.15 Waivers and Releases. Developer hereby waives and releases City and City Parties, as of the Closing for the Depot Property, from any Claims or other compensation whatsoever, in law or equity, of whatever kind or nature, whether known or unknown, direct or indirect, foreseeable or unforeseeable, absolute or contingent, now existing or which may in the future arise, including lost business opportunities or economic advantage, and special and consequential damages, arising out of, directly or indirectly, or in any way connected with: (a) all warranties of whatever type or kind (excepting therefrom warranties set forth in Section 1.1.1 above) with respect to the physical or environmental condition of the Properties, whether express (except as set forth in Section 1.1.1), implied or otherwise, including those of fitness for a particular purpose, tenantability, habitability or use; (b) use, management, ownership or operation of the Depot Property, whether before or after Closing; (c) the physical, environmental or other condition of the Properties; (d) the application of, compliance with or failure to comply with any and all Applicable Laws with respect to the Properties; (e) Hazardous Materials in, on, or under the Properties; and (vi) the As-Is Condition of the Properties; the foregoing are collectively referred to as “**Property Claims**”.

Notwithstanding the foregoing to the contrary, the release and waiver of Property Claims set forth in this Section 2.13 shall not apply to (a) any Property Claims to the extent arising from the active negligence or willful misconduct of City or any City Party, (b) any breaches or Defaults by City of any covenants, agreements, representations, or warranties set forth in this Agreement, (c) any breaches or Defaults by City of any other Projects Agreements to which City is a party, or (d) any fraud committed by City or any City Party.

3. DEVELOPMENT OF THE PROJECT.

3.1 Permits. Developer, at its expense, shall exercise commercially reasonable efforts to secure or cause to be secured any and all permits and approvals which may be required by City and any other governmental agency having jurisdiction over the

applicable portion of the Project, including permits for the demolition and removal of any temporary structures or improvements, if any, on the Project Property. Upon approval of the General Plan Amendment and the Zoning Amendment, but no later than December 31, 2018, Developer shall submit all entitlement applications, at its own expense, including but not limited to RDCS application, Subdivision Map, Development Agreement, Encroachment Permit, and Conditional Use Permit (if required), along with any required environmental documents/reports concerning the proposed Project, for City consideration. Applications for on-site and off-site improvements shall be as detailed below and as contained in the Subdivision Improvement Agreement. No entitlements for residential construction may be permitted until allotments have been awarded through the RDCS.

3.2 The execution of this Agreement does not constitute the granting of, or a commitment to grant or obtain, any land use permits, or approvals required by City or any other government agency. City shall process within a reasonable time all entitlements, zone change, and general plan change, following application from the Developer, with the City retaining discretion on all items.

3.3 Costs of Development. All the costs of site preparation (including demolition and removal of all temporary structures or improvements on the Property), planning, designing, constructing and developing the Project, or applicable Phase thereof, incurred by Developer shall be borne solely by Developer.

3.4 Residential Development Control System Application. Pursuant to MHMC section 18.156.060, Developer must apply for allotments through the RDCS. Project is not required to compete, but must achieve a minimum score. If approved by the City and subject to reasonable conditions, Developer shall construct up to 48 residential dwelling units on the Hale Lumber property.

(a) Developer understands and agrees that its RDCS application will be processed according to the RDCS manual approved by City Council in September 2018. If Developers' application fails to meet the minimum score of 160 points to receive allotments, it must submit a new RDCS application.

(b) All residential development shall be constructed pursuant to a separately negotiated Development Agreement.

(c) Measure S Allocations. So long as the Project achieves the required minimum score, City shall award up to 48 Downtown residential allocations in accordance with Measure S for the Latala residential project. City is not waiving its discretionary rights under Measure S.

3.5 Allocation of Sewage Treatment Payment Credits to Developer. The City has a sewer credit program available to certain developers within the former downtown redevelopment area (RDA) on a first come, first served basis. To the extent available, this project is located in the former RDA area and is eligible to receive credit for sewer impact fees.

3.6 Subdivision Maps Required. Developer shall file all required Tentative and Final Maps in compliance with Title 17 of the MHMC, and as required by RDCS to exercise allotments.

(a) Tentative map. Tentative map shall be filed no later than February 28, 2019. Developer's engineer shall timely respond to all corrections requested by the city engineer until it has been marked as "Approved as Submitted."

(b) Final Map. Within 6 months of approval the tentative map, but no later than August 30, 2019, Developer must file its phase 1 Final Map and execute the Subdivision Improvement Agreement if improvements have not been constructed. Within six months of approval of the phase 1 Final map by City Council, Developer shall apply to the Engineering and Public Works Department for all entitlements necessary for the off-site improvements.

3.6.1 Developer may process the Final Map as a Phased Map. Due to the fact that a portion of the project is proposed to be located within a current City Street, and the City desires to vacate the portion of Depot Street after construction of the realigned Depot Street, Developer may submit a Phase 1 Final map to allow it to commence construction on the mixed use project concurrently with construction of the off-site improvements. The Phase 2 Final Map would contain the remaining portion of the project that is contained within the Depot Street Property.

3.6.2 Subdivision Map. City shall process the Subdivision (Tentative and Final) Maps for the Mixed Use Project in compliance with Title 17. Construction of City Infrastructure shall be a condition of approval required by the Tentative map.

3.7 Developer to Construct City Infrastructure Improvements. Subject to all of the other terms and conditions set forth in this Agreement, the Developer shall develop or cause the development of the City Improvements in accordance with the City's Municipal Code, and the plans, drawings and documents submitted by the Developer and reasonably approved by the City as set forth herein. These Improvements shall be a condition of the tentative map. The off-site Improvements shall generally consist of the following:

3.7.1 Realignment of Depot Street: In order to acquire .29 additional acres for Developer's project, and to receive points through the City's RDCS, Developer agrees to cause Depot Street to be realigned, including utility relocation. The Depot Street realignment will result in an approximately .7 acre realigned street. Substantial completion of the realignment of Depot Street is a condition precedent to Developer being issued permits for the demolition of the current alignment portion of Depot Street.

3.7.2 Redesign and Construction of CCC Parking Lot: Developer shall cause the CCC Parking Lot to be redesigned so that there is no net loss of parking to the CCC. If approved by the City, Developer shall replace Morgan Hill Community and Cultural Center ("CCC") parking and on-street parking on a 1:1 basis resulting in no net loss of parking concurrently with the road construction. Developer shall replace parking by resurfacing and restriping the remaining CCC parking lot spaces, construct new parking in

underutilized landscaped areas, construct new on-street parking, and construct parking enhancements. The CCC has 264 spaces currently. Developer covenants that at the conclusion of the Project that the CCC will have 274 spaces.

3.7.3 The Developer shall construct and develop the City Infrastructure in accordance with this Agreement. City Improvements shall be constructed per City standards, and shall be reviewed and approved to the satisfaction of the City Engineer. All such work related to the City Infrastructure shall be performed by licensed contractors.

3.8 Financing of City Improvements

3.8.1 Depot Street:

City and Developer agree on the construction and improvements and to expend the estimated cost of Depot Street alignment in the amount of \$710,821, which includes a 20% contingency consistent with the "Order of Magnitude Cost Analysis Hale Lumber/Community Center Depot Street Realignment" dated August 13, 2018. Cost estimates will be reconfirmed during off-site permit review.

City shall contribute \$303,178.00 received from the sale of Depot Property to Developer. Developer and City agree this transaction may occur as a credit in escrow.

Developer will pay \$213,739.00 toward the reconstruction of the realigned Depot Street as described in the cost estimate portion of Depot Street project frontage.

Developer will pledge between 8 (8 x \$1,000 x 48 units = \$384,000) and 10 (10 x \$1,000 x 48 units = \$480,000) points under the *Transportation* portion of the RDSCS manual at \$1,000 each unit up to 48 units which pledge will contribute up to \$193,904.00 to the remaining construction costs for Depot Street realignment.

If the project exceeds the budget, the City would require approval from City Council to amend this Agreement.

If the project costs less than the estimate, the City keeps the funds as they are cost for development fees. Those fees will stay in the accounts separated RDSCS accounts and go towards the account associated projects.

3.8.2 CCC Parking Lot:

The parking improvements are estimated to cost \$190,905, including a contingency, pursuant to the "Order of Magnitude Cost Analysis Hale Lumber/Community Center Community Surface Improvements" dated August 13, 2018. Developer Fees pledged towards the RDSCS commitments will fund the parking lot improvements.

3.9 Timing of City Improvements

Developer will work with City on phasing construction plan to insure minimal disruption to CCC facilities. The CCC parking lot construction shall be performed concurrently with the road construction.

Parties agree to negotiate in good faith a construction timeline for realignment of Depot Street to minimize impacts to the travelling public. Developer acknowledges that Depot Street must remain open to the public during construction of the realignment to the

greatest extent possible. Developer shall not build in or obstruct in anyway the current Depot Street alignment until Substantial Completion of the Depot Street realignment without written permission of the City.

Construction of parking facilities and Depot Street realignment shall begin by 2020, and be completed within 18 months from the date of commencement of construction.

3.10 Mixed Use Construction.

Developer shall construct a 3,116 square foot “warm shell” ground floor office building on the Project Property to be conveyed to City for public purpose (“Office Building”). If approved by City, Developer may construct up to eight condominiums on the second floor of the building. The Office Building shall be conveyed from Developer to City at Fair Market Value of \$800,812 based upon \$257 per square foot valuation (Purchase Price) established by appraisal dated August 3, 2018 by Valbridge Property Advisors/Hulberg Associates. Should the size of the portion of the building be increased or decreased the payment by City shall be adjusted based upon the \$257 per square foot calculation.

(a) Should the building include residential units, Developer shall convey to City only the office portion of the building.

(b) Conditional Use Permit. A CUP will be required if the Project is residential only, and not Mixed Use.

(c) Agreements regarding common areas. The City will not participate in or become a member of the Home Owners Association (HOA) contemplated to be formed for the residential areas of the project. The City will be responsible for maintenance and repair of grounds specifically designated as a part of the commercial parcel to a commercially reasonable standard and will limit access of commercial tenants and their customers to those commercial areas as designated on a mutually agreed upon plan to be determined during site review.

As to those common structures necessitating replacement or common maintenance/servicing (roof, exterior paint, common water lines), the City will contribute to the cost of the repair, replacement, servicing, in a manner proportionate to the square footage cost of the improvements, commensurate with the proportionate square footage of commercial occupancy. Should the residential or mixed use portion not be constructed, and City purchases the office building in fee simple than City will be solely responsible for any maintenance and there will be no common area.

To the extent that the City has not maintained the commercial space and associated landscaping in a commercially reasonable manner, HOA may notice City, describe failure, and City will respond to HOA and or replace or repair within 60 days. City intends to maintain a cooperative relationship with the HOA, indicative of the long term occupancy of a portion of the project.

3.11 Depot Street Transactions

City shall sell to Developer the Depot Property, and Developer shall purchase from City a portion of Depot Street on the terms and conditions and for the fair market value amount as described below.

If City approves the General Plan Amendment and the Zoning Amendment, City shall sell to Developer for the fair market value of \$303,178.00, based upon \$24.00 per square foot valuation for the approximately .29-acre portion of existing Depot Street to be made part of the Mixed Use Project development site. These funds may be placed in escrow, and shall be released to Developer upon verification from the City that Developer has applied for, and City has approved, all entitlements necessary to relocate Depot Street. Developer and City agree this transaction may occur as a credit in escrow.

Subject to applicable hearing and notice requirements, City shall vacate Depot Street from 5th Street to Dunne Avenue. City shall use its best efforts to notice for public hearing, if required, the vacation of Depot Street property so that it is scheduled before City Council at the same meeting at which the Phase 2 Final map is considered. If the Depot Street realignment is complete, this may occur as a summary vacation.

In order to assure that the development of the Depot Street realignment occurs in a timely manner and prior to demolition of the existing Depot Street required for the Project, Depot Street alignment shall be constructed to substantial completion prior to any demolition or construction occurring in the Depot Property area. Developer shall provide performance and payment bonds, regardless of whether these bonds are accompanied by a Subdivision Improvement Agreement, guaranteeing construction of the Depot Street realignment, and the demolition of the current Depot Street.

Until Developer constructs the realigned Depot Street and it is accepted by the City and opened for public use, Developer agrees to keep Depot Street open to the public to the maximum extent possible. Developer shall be responsible for all maintenance of Depot Street once it has been vacated and conveyed to Developer. Any closing of Depot Street prior to the opening of the Depot Street realignment shall only be done with the prior written approval of the City.

Developer shall not allow any lien or stop notice to be placed on the Depot Property arising from any work performed or materials provided by Developer or its contractors, subcontractors, agents or representatives until after the vacation is complete.

4. COVENANTS, RESTRICTIONS AND AGREEMENTS.

4.1 Taxes and Assessments. After the Closing, it shall be Developer's responsibility to pay prior to delinquency all ad valorem real estate taxes and assessments on the Residential Property, subject to Developer's right to contest in good faith any such taxes.

4.2 Effect and Duration of Covenants. The covenants established in this Agreement shall, without regard to technical classification and designation, be binding upon and inure for the benefit and in favor of City, and its successors and assigns. City is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided. This Agreement and the covenants shall run in favor of City without regard to whether City has been, remains or is an owner of any land or interest in the Project. Subject to the limitations on remedies set forth in Section 5, City shall have the right, if this Agreement or the covenants are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it may be entitled under the terms of this Agreement.

4.3 Limitations of this Agreement. By its execution of this Agreement, City is not committing itself to or agreeing to undertake: (a) approval of the proposed development Project described, or (b) any other acts or activities requiring the subsequent independent exercise of discretion by City or any agency or department thereof. In addition, nothing in this Agreement shall be construed to limit the application of CEQA to any change to the DDA or the proposed Project, or to changes to the foregoing, or to control the actions of City in meeting its CEQA obligations. In fulfilling its obligations under CEQA, City reserves full and complete discretion with respect to any such CEQA approvals without reference to this Agreement. City shall not be liable, in any respect, to Developer for its action or inaction in fulfilling its CEQA obligations. City will not consider the approval of any DDA or the proposed Project, or to changes to the foregoing, unless and until it has fully reviewed and considered the environmental impacts in accordance with CEQA. City is not, and shall not be considered to be, obligated by this Agreement, or otherwise, to approve the proposed Project or any changes to this Agreement or any other agreement. After CEQA review, City is not obligated, by this Agreement or otherwise, to adopt findings of overriding considerations for approval of or to take any other action in support of the proposed Project or any changes to this Agreement or any changes to the foregoing. City is not precluded from rejecting any change to this Agreement DDA or the proposed Project or imposing mitigation measures as a condition of Project approval, which measures mitigate or avoid direct or indirect environmental effects of the proposed Project. If City rejects the proposed Project, this Agreement shall automatically terminate and, except as otherwise provided in Sections 4.1 and 4.8, neither Party shall have any further rights or obligations hereunder.

4.4 Due to the location of the Mixed Use Project, access to the Project may at times be limited due to special circumstances. City and Developer agree to discuss in good faith the creation of an easement over City property to allow for an emergency access to the Project.

5. DEFAULTS AND REMEDIES.

5.1 Default Remedies– General. Failure by either Party to perform any action or covenant required by this Agreement within 30 days following receipt by the failing Party of written Notice from the other Party specifying the failure shall constitute a “**Default**” under this Agreement; provided, however, that if the failure to perform cannot be reasonably cured within such 30 day period, a Party shall be allowed additional time as is reasonably necessary to cure the failure so long as such Party commences to cure the failure within the 30 day period and thereafter diligently prosecutes the cure to completion. Subject to the limitations of Section 6.2 below, any default by either Party under one or more of the other Project Agreements which is not cured following notice and expiration of any applicable cure periods thereunder shall also constitute a Default under this Agreement, and upon occurrence of such Default and without any right to further notice or additional cure period, the non-defaulting Party shall have all remedies available to it under this Agreement, including the right to terminate this Agreement as set forth in Section 5.3 below.

5.2 Legal Actions.

5.2.1 Institution of Legal Actions. Upon the occurrence of a Default by Developer, City shall have the right, in addition to any other rights or remedies (but subject to the limitations set forth in Section 5.2.2 below), to institute any action at law or in equity to cure, correct, prevent, or remedy such Default, or to recover actual damages (subject to the limitations set forth below and in Section 5.2.2); provided, however, that in no event shall City’s pre-Closing remedies include specific performance of Developer’s obligation to close escrow on the Property. Developer’s remedies in the event of a Default by City under this Agreement shall be limited to obtaining specific performance or injunctive relief, or terminating this Agreement. Neither Party shall have the right to recover any punitive, consequential, or special damages. All legal actions must be instituted in the Superior Court of the County of Santa Clara, State of California.

5.3 Termination. In addition to the automatic termination provided for under Section 2.6 above, this Agreement may be terminated: (a) if there is an uncured Default, after Notice from the Party not in default and expiration of all cure periods, or (b) if there is a failure of an express Developer Conditions Precedent (which is not waived by the Party whom the condition benefits) by timely Notice from the Party whom the condition benefits. If requested by City, upon termination of this Agreement, Developer shall promptly execute and deliver to City a Quitclaim Deed, in recordable form, as to all portions of the Property not yet purchased by Developer.

5.4 City Option to Repurchase, Reenter, and Repossess.

5.4.1 Depot Property. Subject to notice and opportunity to cure under Section 5.1, City shall have the additional right, at its option, to reenter and take possession of the Depot Property if after conveyance of title to the Depot Property, Developer shall:

(a) Fail to Commence Construction of Mixed Use Project within the time set forth on the Schedule of Performance; or

(b) Abandon or substantially suspend construction of City Infrastructure.

5.4.2 Such rights to reenter and repossess, to the extent provided in this Agreement and (as applicable) Grant Deeds, shall be subordinate and subject to and be limited by and shall not defeat, render invalid or limit:

(a) Any mortgage, deed of trust or other security instrument permitted by this Agreement (including, without limitation, any assignment of rents and leases);

(b) Any rights or interests provided in this Agreement for the protection of the holder of such mortgages, deeds of trust or other security instruments; or

(c) City's rights under this Section 5.4 shall terminate upon the issuance of a Final Certificate of Completion as to those portions of the Property covered by such Final Certificate of Completion.

5.5 Rights and Remedies Are Cumulative. Except as specified otherwise in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party, except as otherwise expressly provided herein.

5.6 Inaction Not a Waiver of Default . Except as specified otherwise in the Agreement, any failures or delays by either Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

6. GENERAL PROVISIONS.

6.1 Insurance Requirements. Prior to Commencement of Construction until the completion of construction of the Project, as evidenced by issuance of a Final Certificate of Completion, Developer shall take out and maintain or shall cause its contractor to take out and maintain, a commercial general liability policy with a minimum limit of Two Million Dollars (\$2,000,000) per occurrence for bodily injury, personal injury, and property damage, or such other higher policy limits as may be required by Developer's lenders or other institutions providing financing to Developer for the Project. Coverage shall be at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001). If commercial general liability insurance or other form with a general aggregate is used, the general aggregate limit shall at least Five Million Dollars

(\$5,000,000). Developer and each of its contractors shall also take out and maintain a comprehensive automobile liability policy in an amount not less than One Million Dollars (\$1,000,000).

Until such time as Developer has completed the Project, Developer shall also obtain and maintain builder's all-risk insurance in an amount not less than the full insurable cost of the building shell improvements applicable to that particular portion of the Project to be constructed, or caused to be constructed, on a replacement cost basis, or such other greater policy limits as may be required by Developer's lenders or other institutions providing financing for the Project, and shall furnish or cause to be furnished to City evidence reasonably satisfactory to City that Developer and any contractor with whom it has contracted for the performance of work on the Property or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law.

Companies writing the insurance required hereunder shall be licensed to do business in the State of California. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII or otherwise reasonably acceptable to City. The commercial general liability and comprehensive automobile policies hereunder shall name City and City Parties as additional insureds with respect to liability arising out of work or operations performed by or on behalf of the Developer on or about the Property, including materials, parts or equipment furnished in connection with such work or operations.

Developer shall furnish City with a certificate of insurance evidencing the required insurance coverage and a duly executed endorsement evidencing such additional insured status. To the extent provided by the insurance carrier, the insurance policies shall be endorsed to notify City of any material change, cancellation or termination of the coverage at least 30 days in advance of the effective date of any such material change, cancellation or termination. Coverage provided hereunder by Developer shall be primary insurance and shall not be contributing with any insurance, self-insurance or joint self-insurance maintained by City, and the policy shall so provide. Any insurance, self-insurance or joint self-insurance maintained by City shall be excess of and shall not contribute with the insurance required to be maintained by Developer. The insurance policies shall contain a waiver of subrogation for the benefit of City. The required certificate and endorsement for the Project shall be furnished by the Developer to City prior to the commencement of construction of the Project.

Any deductibles or self-insured retentions must be declared to and approved by City (which shall not be unreasonably withheld, conditioned or delayed), which may require Developer to provide proof of its ability to pay losses and costs of related investigation, claim administration, and defense expenses within the retention.

6.2 Notices, Demands and Communications Between the Parties

Any approval, disapproval, demand, document or other notice ("**Notice**") which either Party may desire to give to the other Party under this Agreement must be in writing and shall be given by certified mail, return receipt requested and postage prepaid, personal

delivery, or reputable overnight courier (but not by facsimile or email), to the Party to whom the Notice is directed at the address of the Party as set forth below, or at any other address as that Party may later designate by Notice.

To City: City of Morgan Hill
Office of the City Manager
17575 Peak Avenue
Morgan Hill, CA 95037
Attention: City Manager

With a copy to: City of Morgan Hill
City Attorney's Office
17575 Peak Avenue
Morgan Hill, CA 95037
Attention: City Attorney

To Developer: The Latala Group, LLC
1999 South Bascom Avenue,
Suite 700
Campbell, CA 95008
Attention: Paul Latala

Any Notice shall be deemed received on the date of delivery if delivered by personal service, on the date of delivery or refused delivery as shown by the return receipt if sent by certified mail, and on the date of delivery or refused delivery as shown by the records of the overnight courier if sent via nationally recognized overnight courier. Notices sent by a Party's attorney on behalf of such Party shall be deemed delivered by such Party.

6.3. Compliance with Laws. Developer shall carry out, and shall ensure that its contractors and subcontractors carry out the Project work in conformity with all Applicable Laws, including all applicable state labor laws and standards; the City zoning and development standards; building, plumbing, mechanical and electrical codes; all other provisions of the City of Morgan Hill Municipal Code; and all applicable disabled and handicapped access requirements, including the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.* Developer's obligations under this Section 3.10 shall include the obligation to undertake all appropriate inquiries with state and federal governmental enforcement and regulatory agencies as necessary to fully comply with all Applicable Laws.

6.4 Prevailing Wages. For the City Infrastructure improvements considered to be a Public Work for purpose of the prevailing wage laws under State law, Developer and any successor or assign shall cause the contractor and any subcontractor to pay prevailing wages in the construction of those improvements as those wages are determined pursuant to Labor Code section 1720 *et seq.* and implementing regulations

of the Department of Industrial Relations. Developer shall further cause its contractor and any subcontractor employed on the work to comply with all State laws relating to Public Works, including but not limited to registration, record keeping, and postings.

6.5 Enforced Delay; Extension of Time of Performance. Subject to the limitations set forth below, performance by either Party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Agreement shall be extended, where delays are due to: (a) war and insurrection; (b) strikes, lockouts and labor disputes; (c) riots, floods, earthquakes, fires, casualties, acts of God and acts of the public enemy; (d) epidemics, quarantine restrictions, freight embargoes, and governmental restrictions or priority; (e) delays in issuance of any Project Approvals entitlements or permits necessary to develop any improvements contemplated to be developed on the Property, except for those delays which are caused by actions of the Developer or applicable portion thereof; (f) litigation and arbitration, including court delays; legal challenges to this Agreement, the Project Agreements, the Project Approvals, or any other approval required for the Project or any initiatives or referenda regarding the same; (g) unusually severe weather or unseasonable inclement weather); or (h) moratorium (each a “**Initial Delay**”). An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if Notice by the Party claiming such extension is sent to the other Party within 30 days of the commencement of the cause or discovery of the cause. If Notice is sent after the 30 day period, then the extension shall commence to run no sooner than 30 days prior to the giving of the Notice. Developer’s inability or failure to obtain financing or otherwise timely satisfy the Conditions Precedent to Closing (other than due to clauses (e) and (f) above or due to the acts, failure to act or fault of the City, and other than the Conditions to Closing set forth in Sections 2.4.1, 2.4.6, 2.4.7 and 2.4.8) on or before any date in the Performance Schedule Date shall not be deemed to be a cause outside the reasonable control of the Developer and shall not be the basis for an excused delay unless approved in writing by the City.

6.6 Successors and Assigns. Subject to the restrictions on Developer transfers set forth in Section 1.2.1 above, all of the terms, covenants and conditions of this Agreement shall be binding upon Developer and City and their respective successors and assigns. Whenever the term “Developer” is used in this Agreement, such term shall include any permitted successors and assigns as provided.

6.7 Relationship Between City and Developer. It is hereby acknowledged that the relationship between City and Developer is not that of a partnership or joint venture and that City and Developer shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided or in the exhibits hereto, City shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance, or management of the Project.

6.8 City Approvals and Actions. Whenever a reference is made herein to an action or approval to be undertaken by City, the City Manager or his or her designee is

authorized to act on behalf of City, unless specifically provided otherwise or the context requires otherwise.

6.9 Counterparts. This Agreement may be signed in multiple counterparts each of which shall be deemed to be an original.

6.10 Integration. This Agreement, including the exhibits hereto, and the other Project Agreements contain the entire understanding between the parties relating to the transactions contemplated by this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, other than the other Project Agreements, are merged in this Agreement and shall be of no further force or effect. Each Party is entering this Agreement based solely upon the representations set forth herein and upon each Party's own independent investigation of any and all facts such Party deems material.

6.11 Brokerage Commissions. City and Developer each represents to the other that it has not engaged the services of any finder or broker and that it is not liable for any real estate commissions, broker's fees, or finder's fees which may accrue by means of the conveyance of the Property as described in this Agreement, or the negotiation and execution of this Agreement. Each Party shall indemnify, defend, protect and hold the other Party harmless from any and all Claims based upon any assertion that such commissions or fees are allegedly due from the Party making such representations.

6.12 Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or of any of its terms. References to section numbers are to sections in this Agreement, unless expressly stated otherwise. References to specific section numbers shall include all subsections which follow the referenced section.

6.13 Interpretation. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The words "include" and "including" shall be construed as if followed by the words "without limitation." The parties acknowledge that each Party and his, her or its counsel have reviewed and revised this Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any document executed and delivered by either Party in connection with this Agreement.

6.14 Modifications. Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party.

6.15 Severability. If any term, provision, condition or covenant of this Agreement or its application to any Party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which

it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

6.16 Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day, and including the last day, unless the last day is a holiday, Saturday, or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Sections 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

6.17 Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other Party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

6.18 Time of Essence. Time is expressly made of the essence with respect to the performance by City and Developer of each and every obligation and condition of this Agreement.

6.19 Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, shall execute any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement.

6.20 Conflicts of Interest. No City Council member, official or employee of City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

6.21 Time for Acceptance of Agreement by City. This Agreement, when executed by Developer and delivered to City, must be authorized, executed, and delivered by City on or before forty five (45) days after signing and delivery of this Agreement by Developer or this Agreement shall be void, except to the extent that Developer shall consent in writing to a further extension of time for the authorization, execution and delivery of this Agreement.

6.22 Developer's Indemnity. Developer shall indemnify, defend (with counsel reasonably acceptable to City), protect, and hold City and its officers, employees, agents, and representatives, harmless from, all Claims to the extent arising out of the development of the Project or by anyone directly or indirectly employed or contracted with by Developer that arise out of the construction by or on behalf of Developer of

improvements comprising the Project and whether the Claims shall accrue or be discovered before or after termination of this Agreement. Developer's indemnity obligations under this Section 6.22 shall not extend to Claims to the extent caused by the active negligence or willful misconduct of City or its officers, employees, agents or representatives. Insurance limits shall not operate to limit Developer's indemnity obligations under this Section 6.22. Notwithstanding anything to the contrary in this Section 6.22, any claims related to Initial Litigation Challenges shall be controlled exclusively by Section 6.22.

6.23 Cooperation in the Event of Legal Challenge to Project Approvals. City and Developer shall cooperate in the defense of any court action or proceeding instituted by a third party or other governmental entity or official challenging the validity of any provision of this Agreement or the City's initial approval of this Agreement or any of the Project Approvals ("**Initial Litigation Challenge**"), and the Parties shall keep each other informed of all developments relating to such defense, subject only to confidentiality requirements that may prevent the communication of such information.

6.23.1 Meet and Confer. If an Initial Litigation Challenge is filed, upon receipt of the petition, the Parties will have 20 days to meet and confer regarding the merits of such Initial Litigation Challenge and to determine whether to defend against the Initial Litigation Challenge, which period may be extended by the Parties' mutual agreement so long as it does not impact any litigation deadlines. The City and Developer mutually commit to meet all required litigation timelines and deadlines. If the terms of the proposed settlement would constitute an amendment or modification of this Agreement, the settlement shall not become effective unless the amendment or modification is approved by Developer, and by City in accordance with Applicable Laws, and City reserves its full legislative discretion with respect thereto.

6.23.2 Defense Election. If, after meeting and conferring, the Parties mutually agree (each in its sole discretion) to defend against the Initial Litigation Challenge, then the following shall apply:

(a) Developer shall take the lead role defending such Initial Litigation Challenge and may, in its sole discretion, elect to be represented by the legal counsel of its choice;

(b) City may, in its sole discretion, elect to be separately represented by the outside legal counsel of its choice in any such action or proceeding with the reasonable costs of such representation to be paid by Developer;

(c) Developer shall reimburse City, within ten business days following City's written demand therefor, which may be made from time to time during the course of such litigation, all necessary and reasonable costs incurred by City in connection with the Initial Litigation Challenge, including City's administrative, outside legal fees and costs, and court costs.

(d) The Parties intend that the City's role under subsection shall be primarily oversight although the City reserves its right to protect the City's interests, and the City shall make good faith efforts to maximize coordination and minimize its outside legal costs (for example, minimizing filing separate briefs, and duplication of effort to the extent feasible).

(e) For any Initial Litigation Challenge which the Developer has elected to defend under this Section, Developer shall indemnify, and hold harmless the City and City Parties from any liability, damages, claim, action, cause of action, judgment (including City costs to effectuate such judgment, including any attorneys' fees or cost awards, including attorneys' fees awarded under Code of Civil Procedure Section 1021.5, assessed or awarded against City by way of judgment, settlement, or stipulation), loss (direct or indirect), or proceeding (including legal costs, attorneys' fees, expert witness or consultant fees, staff time, expenses or costs) related to such Initial Litigation Challenge; provided, however, such indemnification, defense and hold harmless obligation shall not apply to Claims to the extent caused by the active negligence or willful misconduct of City or any of its agents, employees, officers, contractors or representatives.

6.23.3 Developer Election Not to Defend. If Developer elects, in its sole and absolute discretion, not to defend against the Initial Litigation Challenge, it shall deliver written notice to the City regarding such decision. If Developer elects not to defend, the City has the right, but not the obligation, to proceed to defend against the Initial Litigation Challenge and shall take the lead role defending such Initial Litigation Challenge and may, in its sole discretion, elect to be represented by the legal counsel of its choice, at Developer's sole cost and expense. If Developer elects not to defend, the City has the right, but not the obligation, to terminate this Agreement and consider the Developer's pending application for any related Project Approvals withdrawn. In the event the City does not terminate this Agreement, then if the terms of a proposed settlement would constitute an amendment or modification of this Agreement, the settlement shall not become effective unless the amendment or modification is approved by Developer (which approval shall not be unreasonably withheld), and by City in accordance with Applicable Laws, and City reserves its full legislative discretion with respect thereto. In the event the Developer unreasonably withholds its approval of such amendment or modification, the City retains the right, but not the obligation, to terminate this Agreement and consider the Developer's application for any related Project Approvals withdrawn.

6.24 Non-liability of Officials and Employees of City. No member, official or employee of City shall be personally liable to Developer, or any successor in interest, in the event of any Default or breach by City or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Agreement. Developer hereby waives and releases any claim it may have against the members, officials, or employees of City with respect to any Default or breach by City or for any amount which may become due to Developer or its successors under the terms of this Agreement.

6.25 Limitation of Remedies. In the event of an uncured default by either Party under this Agreement, the non-defaulting Party's exclusive remedy is to terminate this Agreement. In no event shall either Party have the right, and each Party expressly waives the right, to seek monetary damages of any kind (including, but not limited to, actual damages, economic damages, consequential damages, or lost profits) in the event of a default by the other Party under this Agreement.

6.26 Applicable Law; Venue. The laws of the State of California, without regard to conflict of laws principles, shall govern the interpretation and enforcement of this Agreement. The exclusive venue for any disputes or legal actions shall be the Superior Court of California in and for the County of Santa Clara.

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6.27 Survival. The parties' indemnification obligations under Sections 3.7, 6.19 and 6.21 shall survive termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CITY:

CITY OF MORGAN HILL, a California municipal corporation

By:

Christina Turner, City Manager

APPROVED AS TO FORM:

By:

Donald A. Larkin, City Attorney

ATTEST:

By:

Irma Torrez, City Clerk

DEVELOPER:**The Latala Group, LLC**

a California Limited Liability Company

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

Approved as to Form:

By: _____
Name: _____
Its: _____



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Tiffany Brown, Associate Planner
APPROVED BY: City Manager

APPROVE GENERAL PLAN AND ZONING AMENDMENT TO CHANGE THE GENERAL PLAN LAND USE DESIGNATION FROM PUBLIC FACILITIES TO MIXED-USE AND THE ZONING CLASSIFICATION FROM PUBLIC FACILITIES TO DOWNTOWN MIXED USE (MU-D) ON HALF OF A 0.29 ACRE PORTION OF DEPOT STREET LOCATED AT THE CORNER OF DEPOT STREET AND EAST DUNNE AVENUE

RECOMMENDATION(S)

1. Adopt resolution approving an amendment to the 2035 General Plan;
2. Waive first and second reading of the ordinance;
3. Introduce ordinance approving a Zoning amendment;
4. Determine Project Consistency with the General Plan; and
5. Adopt an Addendum to the 2035 General Plan Final Environmental Impact Report (FEIR) and Downtown Specific Plan FEIR.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety

2018 Strategic Priorities

Economic Development and
Telecommunications
Infrastructure

GUIDING DOCUMENTS

Bikeways
Trails
Parks and Recreation Masterplan
Downtown Specific Plan
Economic Blueprint
General Plan/Housing Element
Station Area Master Plan
Vision Zero

POLICY CONSIDERATION:

Is the re-alignment of Depot Street consistent with the City's guiding documents?

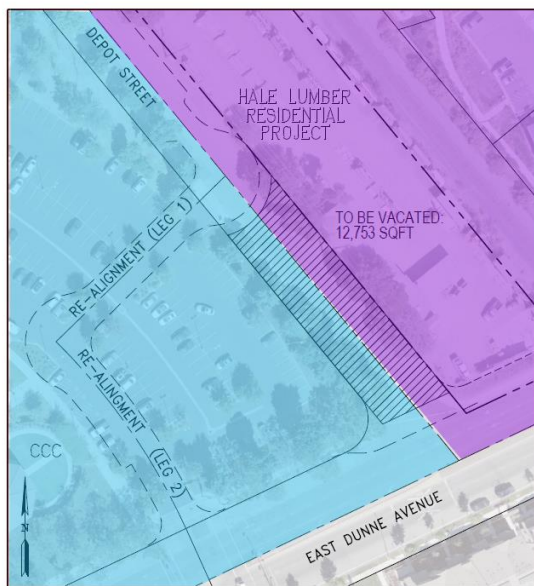
REPORT NARRATIVE:

The Downtown Specific Plan (DSP), created a vision for the 18 Downtown blocks located within the Downtown boundary. Part of that vision includes realigning Depot Street through the Community and Cultural Center (CCC) parking lot. The subject of this

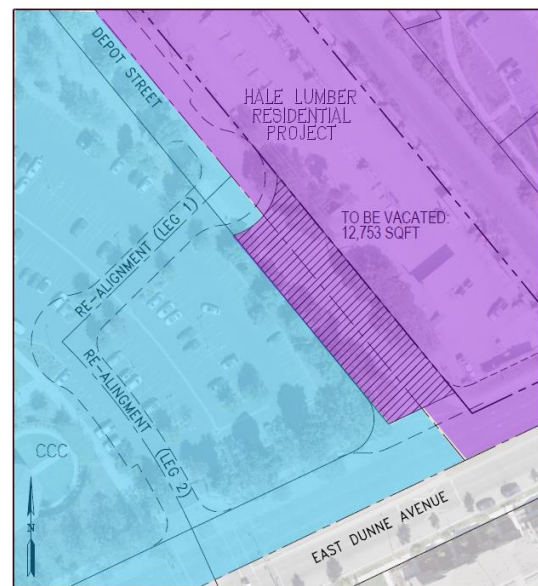
report is the realignment of a segment of Depot Street between Fifth Street and East Dunne Avenue. The proposed realignment of Depot Street is dependent on City Council approval of a Disposition and Development Agreement (DDA), which is contingent upon vacating 0.29-acres of Depot Street right-of-way and approving a land transaction.

The City of Morgan Hill proposes to amend the General Plan land use designation (Attachment No. 2) and Zoning classification (Attachment No. 3) for 12,753 square feet of the Depot Street right-of-way located approximately 225 lineal feet from the corner of Depot Street and East Dunne Avenue. The General Plan land use designation would be changed from Public Facilities to Mixed-Use, and zoning from Public Facilities to Downtown Mixed Use (MU-D). Land use and zoning designations extend to the centerline of public rights of way.

Current Land Use and Zoning



Proposed Land Use and Zoning



- Public Facilities**
- Mixed Use, Downtown Mixed Use**

The proposed General Plan and zoning amendments were analyzed for consistency with the City's guiding documents and presented to the Planning Commission at the September 11, 2018 meeting (Attachment No. 1).

COMMUNITY ENGAGEMENT: Inform

The Morgan Hill community was informed about the proposed project through public notification including site signage, newspaper notice, and direct mail to property owners within 300 feet of the project.

ALTERNATIVE ACTIONS:

If the City Council denies the Disposition Development Agreement for the realignment of Depot Street in conjunction with the redevelopment of the Hale Lumber site, then this request for a General Plan Amendment and Zoning Amendment is unnecessary.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The Planning Commission reviewed the application at the September 11, 2018 meeting. The Commission collectively recommended approval of the project to Council (6-aye,0-no,1-absent).

FISCAL AND RESOURCE IMPACT:

Reviewing and proposing amendments to land use designation and zoning classifications is part of the Planning Division's activity workplan, which is funded by development services' user fees.

CEQA (California Environmental Quality Act):

The Final Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan that was certified in November 2009 in conformance with California Environmental Quality Act (CEQA) Guidelines Section 15175(a), identified the impacts of the Downtown Specific Plan in order to streamline the later environmental review of projects and approvals required to implement the Specific Plan. The intent was for the Downtown Specific Plan FEIR to be a program-level document from which subsequent development consistent with the Specific Plan could tier from (in conformance with CEQA Guidelines Section 15176(d)).

An Environmental Impact Report (EIR) for the Morgan Hill 2035 Project, was prepared in accordance with CEQA and certified by the Morgan Hill City Council on July 27, 2016. (SCH #2015022074).

CEQA Guidelines § 15164 state that the lead agency or a responsible agency shall prepare an Addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in § 15162 calling for preparation of a subsequent EIR have occurred.

An Addendum was prepared (Attachment No. 4) to provide a program-level CEQA analysis of the proposed project, as part of the adopted 2009 Downtown Specific Plan EIR.

The Traffic Impact Analysis (TIA) (Attachment No. 5) prepared for the project concluded consistency with both the General Plan Final Environmental Impact Report (FEIR) and the Downtown Specific Plan Master Environmental Impact Report (MFEIR) and was incorporated within the Addendum.

The Addendum found no impacts that were not previously disclosed in the General Plan FEIR or the Downtown Specific Plan Master FEIR, nor would it result in a substantial increase in the magnitude of any significant environmental impacts previously identified.

The project site is within Block 6 and 8 of the Specific Plan areas. The Morgan Hill CCC is located on Block 6 which consists of buildings, landscaping and surface parking

spaces. Block 8 is currently developed with a warehouse and lumber yard which is separated from existing residential uses by Depot Street. A project-level analysis of future development for the attached three-story townhome style units with 3,000 square feet of office with condos project, and the realignment of Depot Street will be completed as more detail becomes available about each prior to the City acting or committing to implementation or project components, in accordance with CEQA and City standards.

LINKS/ATTACHMENTS:

1. September 11, 2018 Planning Commission Staff Report (weblink)
2. Resolution - General Plan Amendment
3. Ordinance- Zoning Amendment
4. Hale Lumber Depot Street Land Transaction Addendum
5. Hale Lumber Mixed-Use Development TIA

RESOLUTION NO. XXX

A RESOLUTION OF THE CITY OF MORGAN HILL APPROVING A GENERAL PLAN AMENDMENT GPA2018- 0005 TO UPDATE THE GENERAL PLAN LAND USE MAP ON HALF OF THE 0.29 ACRE PORTION OF DEPOT STREET LOCATED AT THE END OF DEPOT STREET AND EAST DUNNE AVENUE INTERSECTION, ADJACENT TO 17020 DEPOT STREET (APN 726-13-049)

WHEREAS, Latala Group, LLC proposes to develop the property located at 17020 Depot Street, identified by Assessor Parcel Number(s) 726-13-049, on the east side of the .29 acre portion of Depot Street with a 48-unit residential housing project which may incorporate up to 3,000 square feet of office space;

WHEREAS, as part of the adjacent residential project, Depot Street would be re-aligned through the Community and Cultural Center parking lot, and the portion of Depot Street (0.29 acres) adjacent to 17020 Depot Street at the East Dunne intersection, would be sold to Latala Group, LLC as part of the residential project and vacated upon completion of the realigned Depot Street.

WHEREAS, the portion of the 0.29-acre area that is currently designated as Public Facilities in the General Plan would be updated to a Mixed-Use designation.

WHEREAS, the General Plan Amendment to amend the map to support the realignment of Depot Street was reviewed and found to be consistent with the 2035 General Plan.

WHEREAS, an Addendum to the 2035 General Plan Final Environmental Impact Report (FEIR) and Downtown Specific Plan Master Final Environmental Impact Report (MFEIR) was prepared consistent with the State California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15164 and no further evaluation is required, and no subsequent EIR is needed pursuant to State CEQA Guidelines Section 15162.

WHEREAS, such request was considered by the Planning Commission at its regular meeting of September 11, 2018, at which time the Planning Commission recommended approval of General Plan Amendment application, GPA2018-0005: Depot – Morgan Hill; 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, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT:

SECTION 1. The proposed General Plan Amendment is found to be consistent with the policies and provisions of the Morgan Hill 2035 General Plan.

SECTION 2. An addendum to the 2035 General Plan Final Environmental Impact Report

and Downtown Specific Plan Master Final Environmental Impact Report (MFEIR) was prepared in accordance with the California Environmental Quality Act.

SECTION 3. The City Council of the City of Morgan Hill hereby adopts the amendment to the General Plan land-use map as described in the attached Exhibit “A”, and by this reference incorporated herein.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 3rd day of October 2018 by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

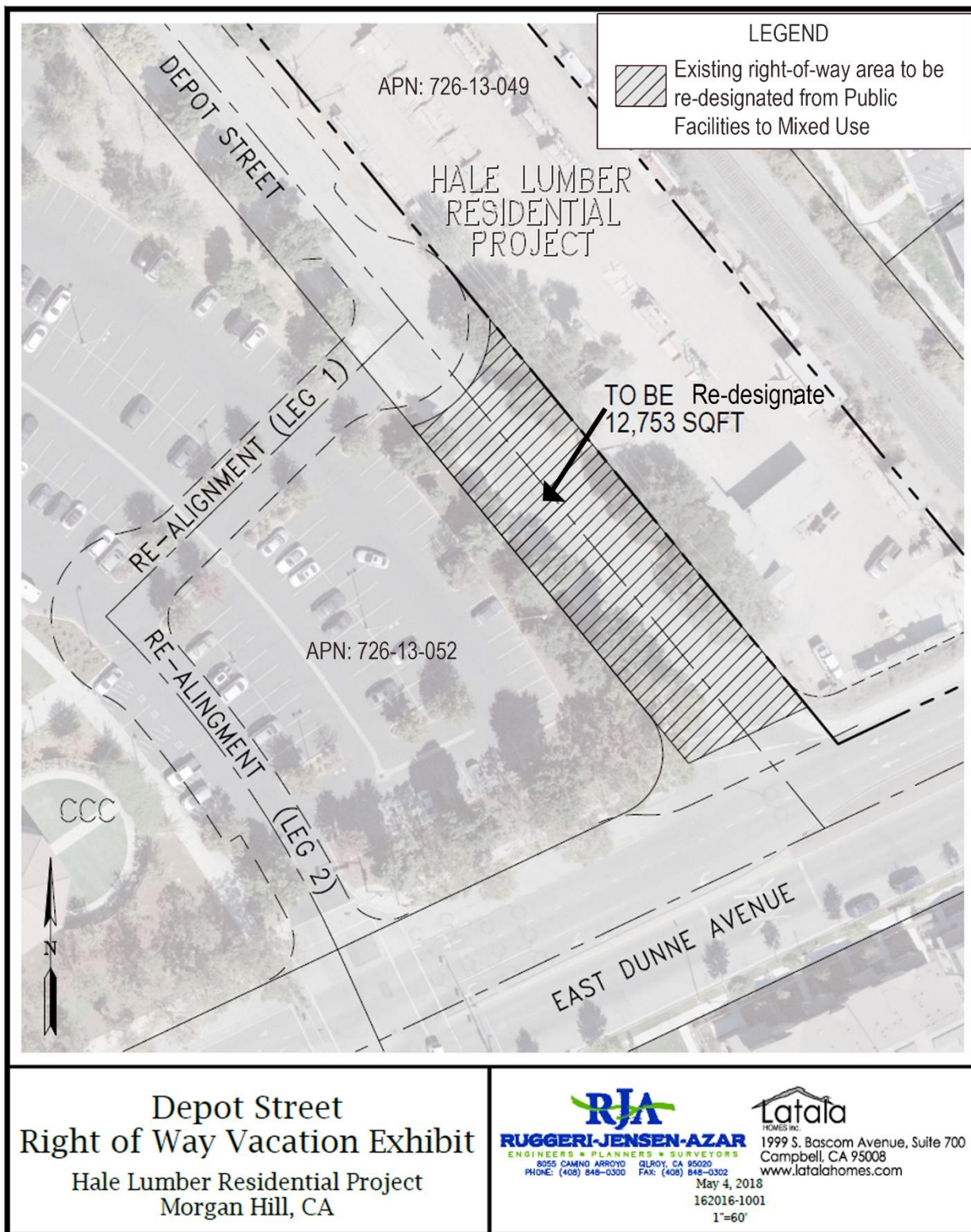
I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 18-XXX, adopted by the City Council at the meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

EXHIBIT "A"



ORDINANCE NO. XXXX, NEW SERIES

**AN ORDINANCE OF THE CITY OF MORGAN HILL
APPROVING A ZONING AMENDMENT ZA2018-0004 TO
AMEND THE ZONING ON HALF OF THE 0.29 ACRE
PORTION OF DEPOT STREET LOCATED AT THE END OF
DEPOT STREET AND EAST DUNNE AVENUE
INTERSECTION, ADJACENT TO 17020 DEPOT STREET
(APN 726-13-049)**

WHEREAS, the Latala Group, LLC proposes to develop the property located at 17020 Depot Street, identified by Assessor Parcel Number(s) 726-13-049, on the east side of the 0.29-acre portion of Depot Street with a 48-unit residential housing project which may incorporate up to 3,000 square feet of office space;

WHEREAS, as part of the adjacent residential project, Depot Street would be re-aligned through the Community and Cultural Center parking lot, and the portion of Depot Street (0.29 acres) adjacent to 17020 Depot Street at the East Dunne intersection, would be sold to the Latala Group, LLC as part of the residential project and vacated upon completion of the realigned Depot Street.

WHEREAS, the portion of the 0.29-acre area that is currently zoned as Public Facilities would be updated to a Mixed Use Downtown (MU-D) designation.

WHEREAS, the Zoning Amendment to amend the map to support the realignment of Depot Street was reviewed and found to be consistent with the 2035 General Plan and Downtown Specific Plan.

WHEREAS, an Addendum to the 2035 General Plan Final Environmental Impact Report (FEIR) and Downtown Specific Plan Master Final Environmental Impact Report (MFEIR) was prepared consistent with the State California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15164. No further evaluation is required, and no subsequent EIR is needed pursuant to State CEQA Guidelines Section 15162.

WHEREAS, such request was considered by the Planning Commission at its regular meeting of September 11, 2018, at which time the Planning Commission recommended approval of Zoning Amendment application, ZA2018-0007: Depot – Morgan Hill; 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 CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

SECTION 1. The proposed Zoning Amendment is consistent with the General Plan and the Downtown Specific Plan as required by Section 18.114.060 of the Municipal Code.

The project is consistent with the 2035 General Plan, specifically the Transportation Policy TR-3.15 and is consistent with the General Plan FEIR.

The project is consistent with the 2009 Downtown Specific Plan, specifically Chapter 7: Infrastructure, under Transportation Projections and Improvements for the preferred alignment of Depot Street through the Community and Cultural Center parking lot.

SECTION 2. The proposed amendment will not be detrimental to the public interest, health, safety, convenience, or welfare of the City as provided in Section 18.114.060 of the Municipal Code.

The amendment supports the realignment of Depot Street to Church Street which provides public convenience by enhancing circulation to and through the Downtown and achieving complete streets by completing sidewalk and bicycle gaps within the Downtown.

SECTION 3. The affected site is physically suitable in terms of design, location, shape, size and other characteristics to ensure that the permitted land uses, and development will comply with the Zoning Code and General Plan and contribute to the health safety, and welfare of the property, surrounding properties and the community at large.

After the realignment of Depot Street, the proposed amendment will allow the 0.29 acres of vacated street to be redeveloped as part of the adjacent housing project. An office building for public purposes which will serve the community is also potentially part of the proposed project.

SECTION 4. The City of Morgan Hill hereby finds that, on the basis of the whole record before it, there is no substantial evidence that the project as currently proposed will have a significant effect on the environment beyond what was anticipated in the Initial Study and Addendum, and this finding reflects the City Council's independent judgment and analysis. The custodian of the documents or other material which constitute the record shall be the Development Services Department.

SECTION 5. The City Council hereby adopts the amendment to the Zoning for the .29 acres of Depot Street right-of-way as described in the attached Exhibit "A", and by this reference incorporated herein.

SECTION 6. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 3RD DAY OF OCTOBER 2018 AND WAS FINALLY ADOPTED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 17TH DAY OF OCTOBER 2018 AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
 NOES: COUNCIL MEMBERS:
 ABSTAIN: COUNCIL MEMBERS:
 ABSENT: COUNCIL MEMBERS:

APPROVED:

 STEVE TATE, Mayor

ATTEST:

DATE:

 IRMA TORREZ, City Clerk

Effective Date:

∞ CERTIFICATE OF THE CITY CLERK ∞

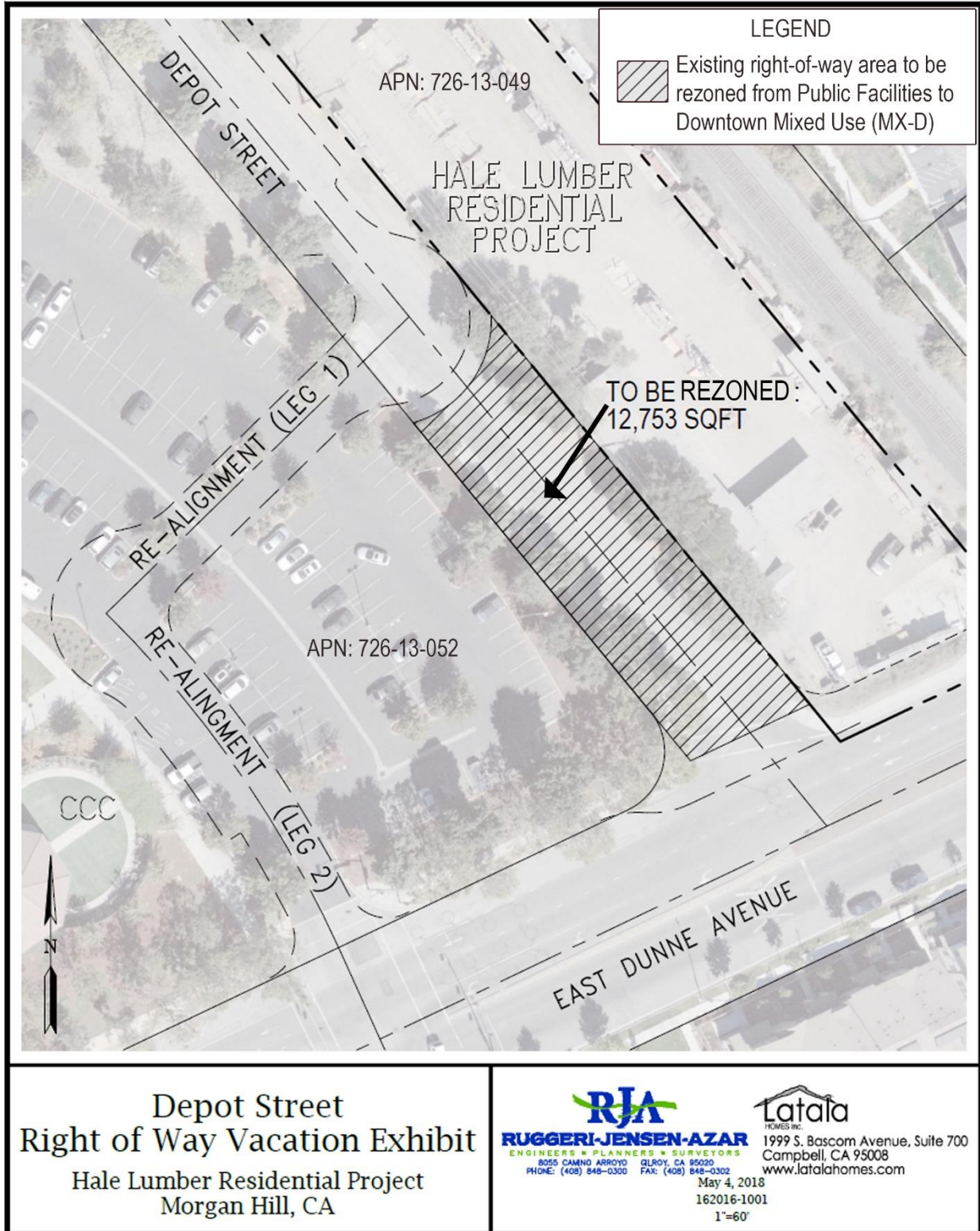
I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 17th day of October 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

 IRMA TORREZ, City Clerk

EXHIBIT "A"



**Addendum to the
2035 General Plan Final Environmental
Impact Report and 2009 Morgan Hill
Downtown Specific Plan Final
Environmental Impact Report**

**Morgan Hill Hale Lumber
Land Exchange Project**



August 2018

ADDENDUM TO THE 2009 DOWNTOWN SPECIFIC PLAN FINAL ENVIRONMENTAL IMPACT REPORT FOR THE MORGAN HILL HALE LUMBER LAND EXCHANGE PROJECT

August 2018

1.0 BACKGROUND INFORMATION

In November 2009, the City of Morgan Hill adopted the Morgan Hill Downtown Specific Plan, which provides strategies for achieving the community's vision of redevelopment in the Downtown area outlined in the City-adopted 2030 General Plan. The Morgan Hill Downtown Specific Plan outlines policies and design guidelines that promote redevelopment in the 20 Blocks addressed by the Specific Plan. The *Final Master Environmental Impact Report for the Morgan Hill Downtown Specific Plan* (Downtown Specific Plan FEIR), certified in November 2009, in conformance with California Environmental Quality Act (CEQA) Guidelines Section 15175(a), identifies the impacts of the Downtown Specific Plan in order to streamline the later environmental review of projects and approvals required to implement the Specific Plan. The intent was for the Downtown Specific Plan FEIR to be a program-level document from which subsequent development consistent with the Specific Plan could tier from (in conformance with CEQA Guidelines Section 15176(d)).

The Downtown Specific Plan provides development projections for Blocks 1-20 for years 2015 and 2030. The purpose of the development projections is to identify the likely development that might reasonably be assumed to occur by the 2015 and 2030 timeframes in order to provide CEQA clearance for future projects developed consistent with the Specific Plan. The Specific Plan supports the development of a mix of residential and commercial uses within the Morgan Hill Downtown boundary along with other associated improvements such as the realignment of Depot Street to Church Street through the Community and Cultural Center Parking lot.

The City of Morgan Hill is the Lead Agency under CEQA and has prepared this Addendum to address the impacts of implementing the currently proposed project. This Addendum is being prepared to conform to the requirements of the CEQA, the CEQA Guidelines (California Code of Regulations §15000 et.seq.) and the regulations and policies of the City of Morgan Hill. The Addendum evaluates the environmental impacts that might reasonably be anticipated to result from implementation of the proposed project. The proposed project is consistent with the development assumptions in the Downtown Specific Plan. As discussed in the following analysis, the proposed project is within the Downtown area, consistent with the development assumptions in the Downtown Specific Plan and related FEIR, and no new significant impacts, nor a substantial increase in the severity of previously identified impacts, are expected to occur from the implementation of the proposed project, therefore this Addendum has been prepared in conformance with CEQA.

2.0 PURPOSE OF ADDENDUM

The California Environmental Quality Act (CEQA) recognizes that between the date an environmental document is completed and the date the project is fully implemented, one or more of the following changes may occur: 1) the project may change; 2) the environmental setting in which the project is located may change; 3) laws, regulations, or policies may change in ways that impact the environment; and/or 4) previously unknown information can arise. Before proceeding with a

project, CEQA requires the Lead Agency to evaluate these changes to determine whether or not they affect the conclusion in the environmental document.

The CEQA Guidelines §15162 state that when an EIR has been certified, no subsequent EIR shall be prepared for that project unless the lead agency determines, on the basis of substantial evidence in light of the whole record, one or more of the following:

1. Substantial changes are proposed in the project which will require major revisions of the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects;
2. Substantial changes occur with respect to the circumstances under which the project is undertaken that will require major revisions of the previous EIR, due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; or
3. New information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous EIR was certified as complete shows any of the following:
 - a. The project will have one or more significant effects not discussed in the previous EIR;
 - b. Significant effects previously examined will be substantially more severe than shown in the previous EIR;
 - c. Mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or
 - d. Mitigation measures or alternatives which are considerably different from those analyzed in the previous EIR would substantially reduce one or more significant effects on the environment, but the project proponents decline to adopt the mitigation measure or alternative.

CEQA Guidelines §15164 states that the lead agency or a responsible agency shall prepare an addendum to a previously certified EIR if some changes or additions are necessary, but none of the conditions described in §15162 (see above) calling for preparation of a subsequent EIR have occurred.

The purpose of this Addendum is to provide a program-level CEQA analysis of the proposed project, as part of the adopted 2009 Downtown Specific Plan EIR.

This Addendum will not be circulated for public review, but will be attached to the Downtown Specific Plan FEIR, pursuant to CEQA Guidelines §15164(c). All documents referenced in this Initial Study/Addendum are available for public review in the Community Development Department at the City of Morgan Hill during normal business hours.

3.0 PROJECT INFORMATION

3.1 Project Title

Morgan Hill Hale Lumber Land Exchange Project, General Plan Amendment No. GPA2018-0005, Zoning Amendment No. ZA2018-0004, Disposition Development Agreement File No. DA2018-0005

3.2 Project Location

The project site (APNs 726-13-049 and -052) is located within Blocks 6 and 8 of the Morgan Hill Downtown Specific Plan area. The project site is adjacent to the Union Pacific Railroad (UPRR) tracks to the east, the surface parking lot and public park to the north, East Dunne Avenue to the south, East Fifth Street and single-family residences to the west and northwest, and the Morgan Hill Community and Cultural Center and residences located to the west and southwest. The regional map, vicinity map, and aerial photograph and surrounding land uses are shown in Figures 1, 2 and 3 respectively.

3.3 Lead Agency Contact

Tiffany Brown, Associate Planner
City of Morgan Hill
Community Development Agency
17575 Peak Avenue
Morgan Hill, CA 95037
Phone: (408) 310-4655
Email: Tiffany.Brown@morganhill.ca.gov

3.4 Assessor's Parcel Numbers

APNs 726-13-049 and -052

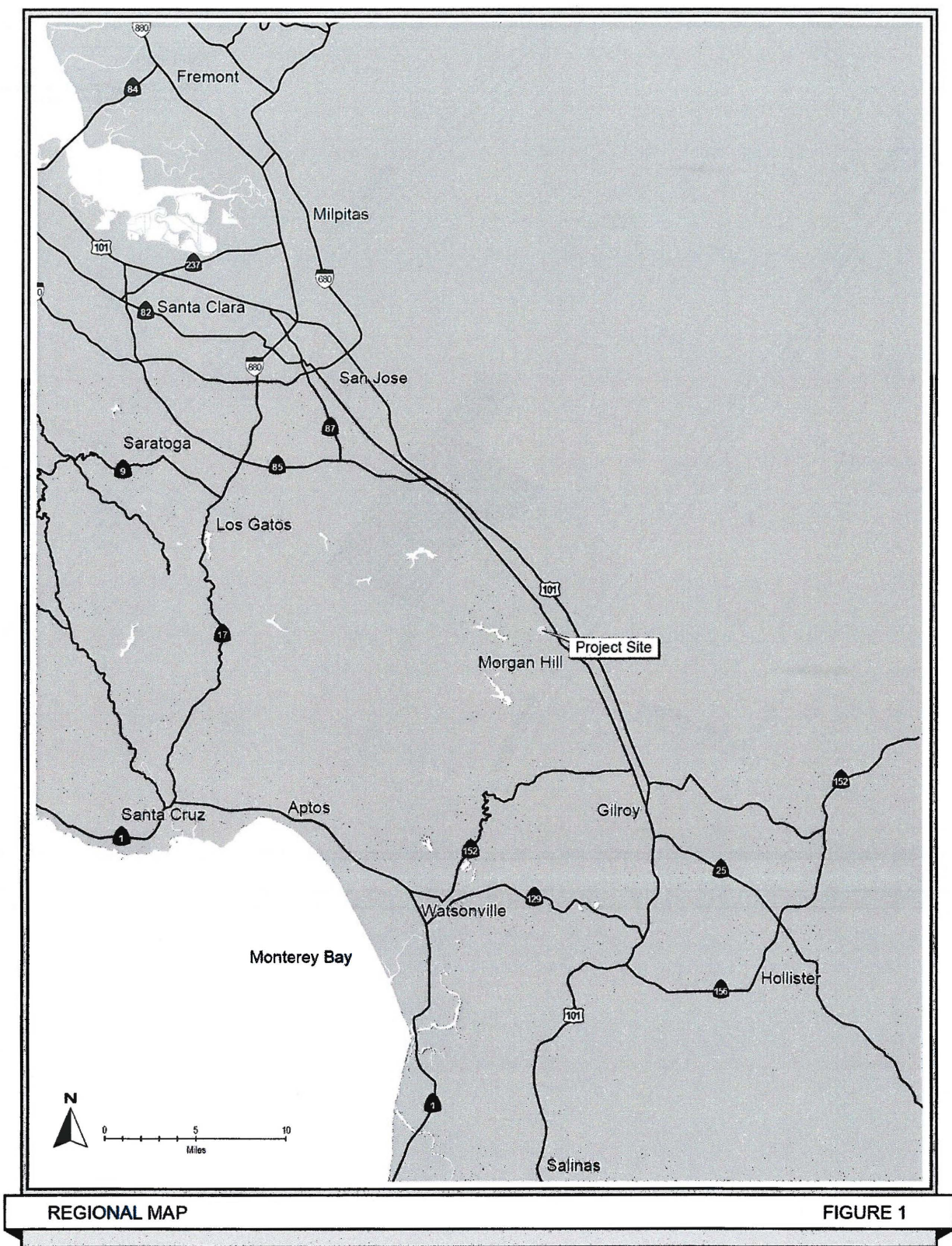
3.5 General Plan Land use and Zoning District

General Plan Land Use Designation: Mixed Use and Public Facility

Zoning District: Downtown Mixed Use (MU-D, no maximum residential density) and Public Facilities District

Specific Plan: Downtown Specific Plan

Figure 1 Regional Map



Attachment: Hale Lumber Depot Street Land Transaction Addendum (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

Figure 2 Vicinity Map



VICINITY MAP

FIGURE 2

Attachment: Hale Lumber Depot Street Land Transaction Addendum (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

Figure 3 Aerial Photograph and Surrounding Land Uses



AERIAL PHOTOGRAPH AND SURROUNDING LAND USES

FIGURE 3

Attachment: Hale Lumber Depot Street Land and Transaction Addendum (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

3.6 Project-Related Approvals, Agreements, and Permits

The project would require the City to approve a land transaction with an adjacent private property owner with a General Plan Amendment and Zoning Amendment to amend the maps to support the Depot Street realignment.

Each of the project components related to this land transaction (future mixed-use development and realigned Depot Street right-of-way, and parking lot improvements) will undergo separate project-level environmental review prior to the City taking an action committing to their respective implementation, or in the case of the mixed-use development, prior to issuance of entitlements.

3.7 Habitat Plan Land Use Designation

Private Development Areas:	Urban Development Equal to or Greater Than 2 Acres Covered
Land Cover:	Urban - Suburban
Land Cover Fee Zone:	Urban Areas (No Land Cover Fee)
Burrowing Owl Survey and Fee Zone:	N/A

4.0 PROJECT DESCRIPTION

4.1 Project Overview

This Addendum provides program-level CEQA analysis for a General Plan Amendment and Zoning Amendment for the proposed land transaction between the City and the adjacent private property owner, to allow for the transfer of approximately .29 acres of land currently occupied by Depot Street lot located in Downtown Morgan Hill. Once the land transaction is complete, a mixed-use development project of approximately 48 townhome style attached residential units with approximate 3,000 square foot office space with condos above would be built on the enlarged parcel, the Depot Street right-of-way would be relocated approximately 230 feet west of its current alignment to form the northern leg of the existing East Dunne Avenue and Church Street signalized intersection as consistent with the Morgan Hill General Plan Policy TR-3.15 and Downtown Specific Plan Chapter 7, Transportation Projections and Improvements, and improvements to the community center surface lot would be constructed to insure no net loss of parking spaces. (See Figure 6).

4.1.1 Environmental Setting

The mixed-use project site (APNs 726-13-049, and -052) on the current Hale Lumber site and the Depot Street right-of-way is approximately 2.29 acres. Depot Street will be realigned through the Community and Cultural Center parking lot. (See Figure 5). The project site is adjacent to the Union Pacific Railroad (UPRR) tracks to the east, the Caltrain surface parking lot to the north, East Dunne Avenue to the south, East Fifth Street and single-family residences to the northwest, and the Morgan Hill Community and Cultural Center and residences located to the west and southwest.

The two parcels (APNs 726-13-049 and -052) that constitute the project site is a developed property with a warehouse and lumber yard.

4.2 Project Description

4.2.1 Land Transaction, General Plan Amendment, and Zoning Amendment

The specific project addressed within this Addendum includes a land transaction between the City and an adjacent private party to convey land area currently devoted to Depot Street right-of-way to provide additional land area for a future mixed-use development project of approximately 48 three-story attached townhome style units, an approximate 3,000 square foot office space with condos above, and the realignment of Depot Street (which would transect the Community and Cultural Center parking lot to form an intersection with Church Street). The realignment of Depot Street includes this General Plan Amendment and Zoning amendment to assign the Mix Use Downtown designation to the vacated portion of Depot Street and increase the Mixed Use Downtown (zoning designation currently applied to the Hale Lumber site) by approximately .29 acres.

The project site is within Block 6 and 8 of the Specific Plan area (See Figure 4). The Morgan Hill Community and Cultural Center is located on Block 6 which consists of buildings, landscaping and surface parking spaces. Block 8 is currently developed with a warehouse and lumber yard which is

separated from existing residential uses by Depot Street. A project-level analysis of future development for the attached three story townhome style units with 3,000 square feet of office with condos project, and the realignment of Depot Street will be completed as more detail becomes available about each prior to the City taking actions to commit to each component's respective implementation, in accordance with CEQA and City standards.

4.2.2 Reasonably Foreseeable Future Indirect Environmental Changes

This land transaction will be the first step to provide additional land area for a future mixed use project of approximately 48 attached residential townhome style units with 3,000 square feet of office space and condos above that would occur on the Hale Lumber site and the .29 acres of Depot Street adjacent to the site. In addition, the existing Depot Street will be relocated west within the Morgan Hill Community and Cultural Center surface parking lot and connect to East Dunne Avenue at the Church Street intersection to form the fourth leg, and the parking spaces lost from incursion of Depot Street will be recouped through surface parking enhancements and constructing new surface parking within existing landscaped area of the Community and Cultural Center parking lot.

The Downtown Specific Plan FEIR previously evaluated the project sites on either side of Depot Street as potential locations for residential development and a parking structure, respectively. The proposed Depot Street realignment was disclosed as an alternative roadway improvement to enhance circulation within downtown and allow for the potential implementation of a grade separation at the UPRR crossing in Downtown Specific Plan FEIR and the Morgan Hill Circulation Element EIR. Therefore, the proposed project is consistent with the development assumptions disclosed in the 2009 Morgan Hill Downtown Specific Plan and Downtown Specific Plan FEIR.

There are no specific development plans currently proposed that permit evaluation of the project-level impacts of the realignment of Depot Street and the mixed-use development on the Hale Lumber site after expansion from the land transaction. Therefore, the land transaction involving realignment of Depot Street and the mixed-use project will undergo a subdivision map with design review (RDCS submittal with associated development agreement for the residential portion of the project) and a project-level environmental review in accordance with CEQA and City standards, once sufficient detail becomes available and prior to their implementation. The only action currently to be taken by the Morgan Hill City Council is the proposed land transaction, and this Addendum is focused on the reasonably foreseeable indirect future environmental changes that could result from the proposed land transaction. Project-level environmental review will be completed prior to any City actions to approve the mixed-use development project on Hale Lumber site, to realign and construct Depot Street, and construct associated enhancements to the community center surface parking lot.

Figure 4 Specific Plan Blocks

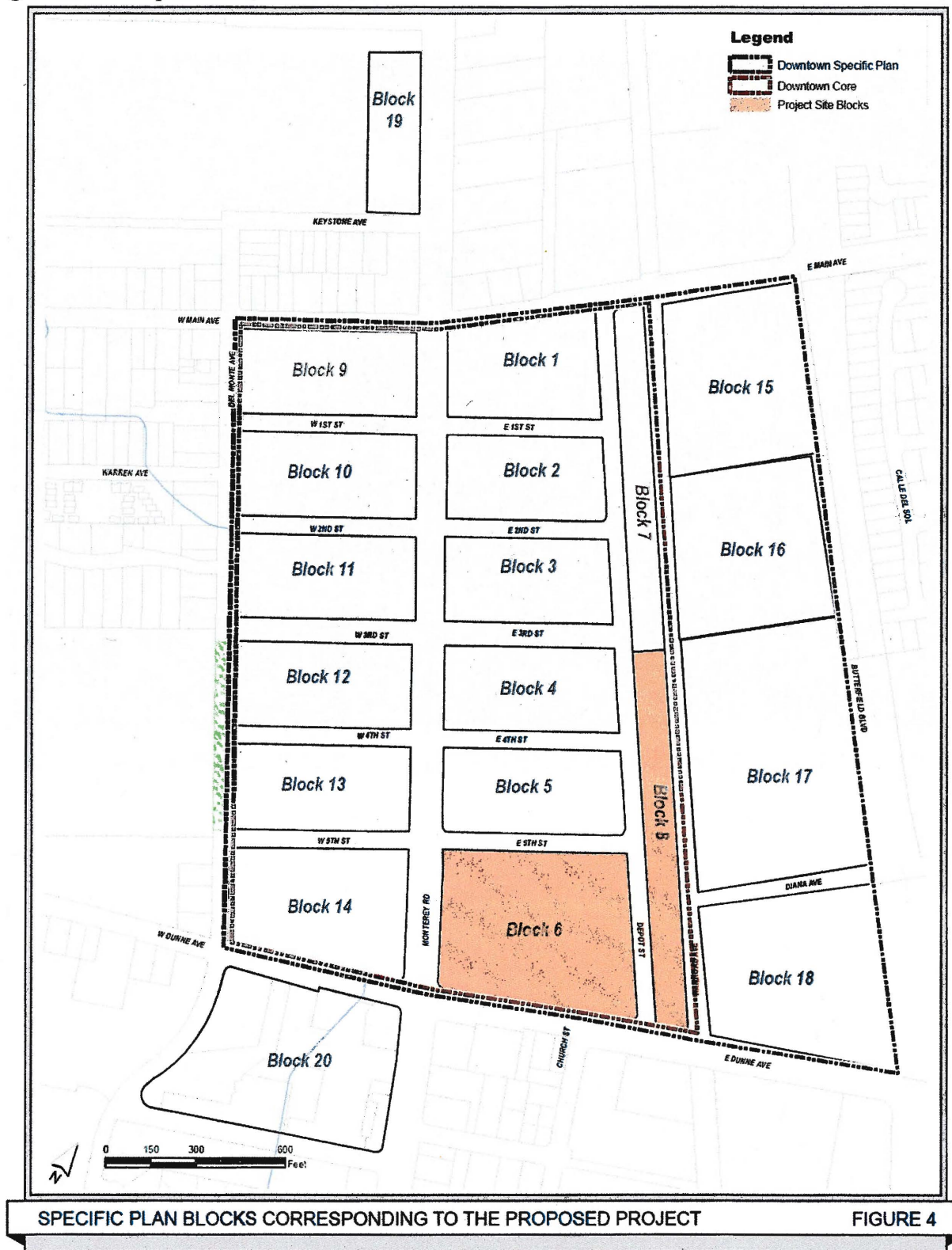


Figure 5 Existing Areas

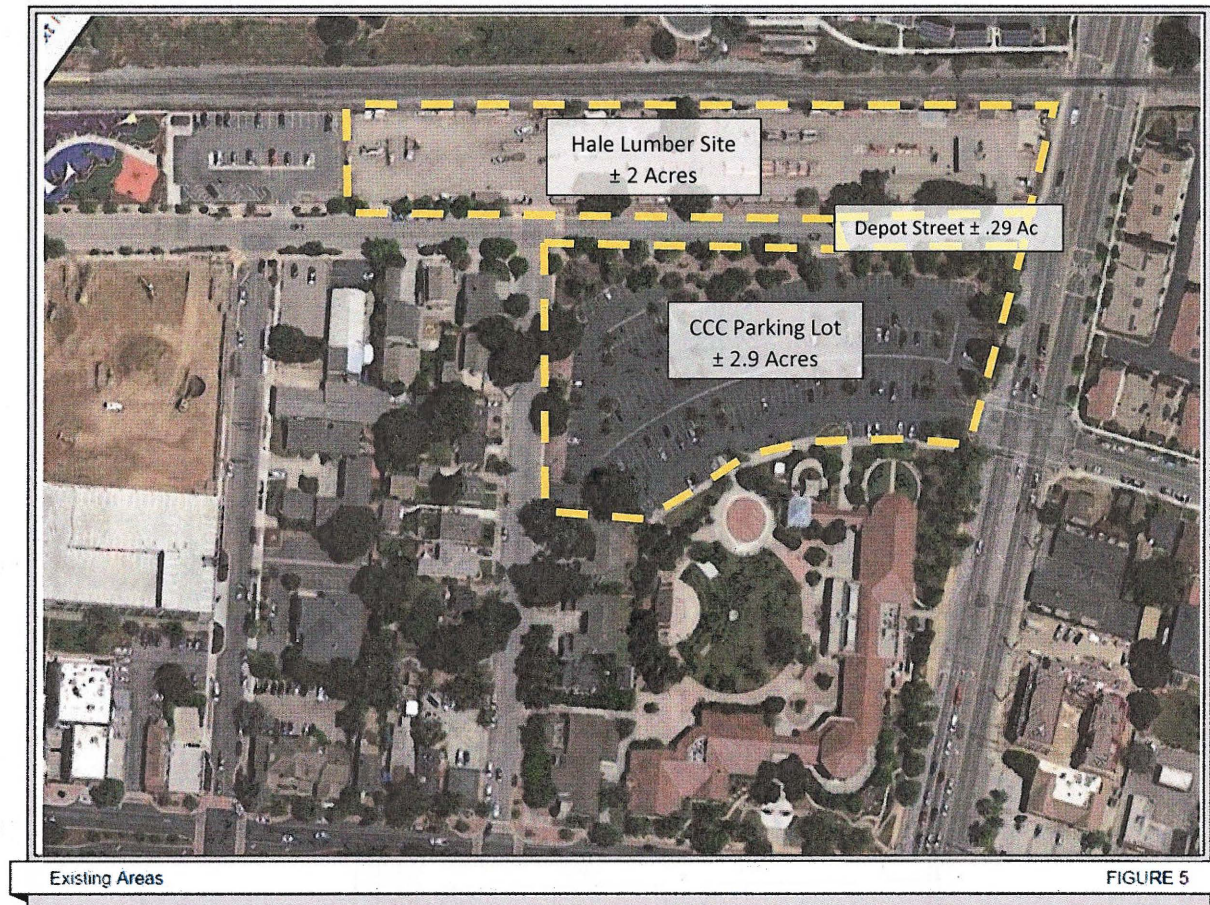
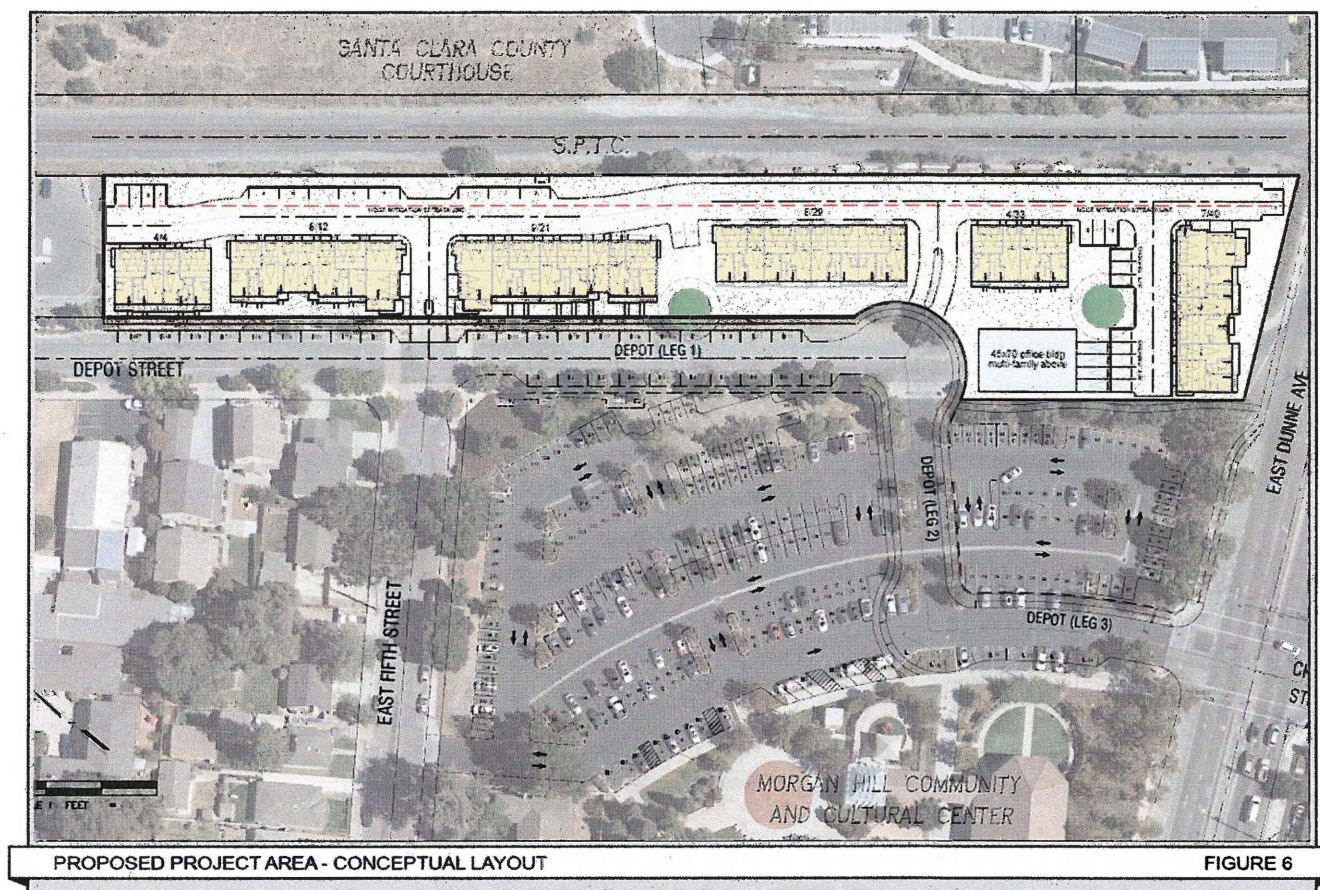


Figure 6 Proposed project Areas – Conceptual Layout



Attachment: Hale Lumber Depot Street Land and Transaction Addendum (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

5.0 ENVIRONMENTAL IMPACTS OF THE PROPOSED CHANGES TO THE PROJECT

The discussion below describes the environmental impacts of the modified project (i.e. implementation of the Downtown Specific Plan development program that would now include future realignment of Depot Street west to connect to the East Dunne Ave./Church St. intersection), as they compare with the impacts of the previously evaluated project in the 2009 FEIR. This Addendum only addresses those resource areas that would be potentially negatively affected by the proposed changes to the previously evaluated project.

The reasonably foreseeable indirect negative environmental effects of the proposed land transaction are primarily associated with a future mixed-use development on the Hale Lumber site (construction and ongoing occupancy of residences), and the realignment of Depot Street (street construction and ongoing vehicular travel). The revisions to the project (i.e. the overall Downtown Specific Plan development program would now be implemented assuming a realigned Depot Street and expanded Block 8 mixed use parcel) would have no effect on the following resource areas beyond what has been previously disclosed in the 2009 FEIR because these impact areas are not affected by the foreseeable future indirect physical changes resulting from the land transaction:

- Aesthetics
- Agricultural and Forestry Resources
- Historic Resources
- Geology and Soils
- Land Use
- Mineral Resources
- Population and Housing
- Public Services
- Recreation
- Utilities

The impact categories listed above are areas that would not be affected beyond what has been previously disclosed in the 2009 FEIR because the land transaction would not lead to an expansion of the boundaries of the Downtown Specific Plan, nor involve enough increase in the amount of development included in the Downtown Specific Plan that would induce unplanned population growth nor displace existing housing, nor place additional new burdens on public services, recreation facilities, and utilities and service systems beyond what was disclosed in the 2009 FEIR.

Additionally, the land transaction would not involve lands that were identified as sensitive for aesthetics, agricultural and forestry resources, historic resources, geologic hazards, and mineral resources. Impacts in these areas, therefore, would be consistent with those disclosed in the 2009 FEIR, and no further discussion is warranted.

The revised project (i.e. the overall Downtown Specific Plan development program would now be implemented assuming a realigned Depot Street and expanded Block 8 mixed use parcel) would entail future mixed-use development on the Hale Lumber site after expansion from the land transaction that the realignment of Depot Street. This Addendum, therefore, evaluates the impacts of the revised Downtown Specific Plan project in regards to the following environmental issues:

- Air Quality
- Biological Resources
- Archaeological Resources
- Greenhouse Gas Emissions
- Hazards and Hazardous Materials
- Hydrology and Water Quality
- Noise
- Transportation

5.0.1 Direct vs. Indirect Effects

There will be no direct environmental changes that would result from the land transaction between the City of Morgan Hill and private property owner, but it is foreseeable the land transaction would indirectly lead to future physical changes to the environment given the City would at a later time, once more detail was available for each, take action on the following components that would lead to physical changes to the environment:

- Expansion of Hale Lumber site located in Block 8 into existing Depot Street right-of-way resulting in a total of approximately 2.29 acres of residential development with 3,000 square feet of office (APNs 726-13-049 and -052) to facilitate a future mixed use project of approximately 48 units.
- Realignment of Depot Street 230 feet west to run through the existing Morgan Hill Community and Cultural Center parking lot and ultimately become the fourth leg of the existing East Dunne Avenue and Church Street intersection. The 2009 Downtown Specific Plan FEIR evaluated modifications to Depot Street to plan for future grade separation of East Dunne Ave with the UPRR railroad tracks in which it was anticipated Depot Street would terminate if not realigned prior to reaching newly grade-separated East Dunne Avenue. Although discussed in the 2009 Downtown Specific Plan FIER, the alignment for Depot Street (which is the current proposed land transaction) was not evaluated in the 2009 EIR by creating a new connection at the East Dunne Ave/Church St. intersection.

5.1 AIR QUALITY

Downtown Specific Plan FEIR – Air Quality Conclusions

The air quality analysis in the Downtown FEIR found that build-out of the Specific Plan would result in significant unavoidable increases in emissions of reactive organic gases (ROG) and coarse particulate matter (PM10). Impacts to nearby receptors and to local air quality from construction and demolition were also found to be significant, however mitigation measures were included to reduce construction-related impacts to a less than significant level. The Specific Plan was found consistent with the Bay Area Clean Air Plan, and no violations of carbon monoxide standards were expected from build-out of the Plan Area. Impacts to future residents of the Specific Plan area from existing sources of toxic air contaminants (TACs) as well as impacts to nearby sensitive receptors from construction-related TACs were found to be less than significant.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development – The foreseeable future development of approximately 48 units and 3,000 square feet of office is consistent with the development assumptions in the Downtown Specific Plan and, therefore, is consistent with the development and population growth projections that were evaluated in the Downtown Specific Plan FEIR. The FEIR found that development under the Specific Plan would be consistent with the Bay Area Clean Air Plan because it would place

housing near transit and would be consistent with the City of Morgan Hill's Residential Development Control System (RDCS) population cap. The proposed project is consistent with the Specific Plan and therefore is consistent with the Bay Area Clean Air Plan. The foreseeable future development is consistent with the Specific Plan designation for the site and with the vehicle trip generation forecasts made for it, and would not result in new or greater carbon monoxide impacts than previously evaluated for the site. Therefore, the foreseeable future residential project would have a less than significant impact on local air quality.

Since the certification of the 2009 Downtown FEIR, the BAAQMD updated the thresholds of significance for air quality impacts. Table 5.1-1 below shows the current BAAQMD thresholds. The updated thresholds of significance lowered the significance thresholds for ROG, NO_x, and PM_{2.5}, but slightly increased (i.e. relaxed) the emission standard for PM₁₀. Comparing the emissions predicted in the FEIR to the current thresholds of significance, the conclusions of the FEIR remain the same: build-out of the Specific Plan would result in significant unavoidable impacts from emissions of criteria pollutants above the BAAQMD thresholds.

Table 5.1-1 Thresholds of Significance for Air Quality Impacts		
Pollutant	Operation-Related	
	Average Daily Emissions (pounds/day)	Maximum Annual Emissions (tons/year)
ROG, NO _x	54	10
PM ₁₀	82	15
PM _{2.5}	54	10
Fugitive Dust (PM ₁₀ /PM _{2.5})	None	None
Risk and Hazards for New Sources and Receptors (Project)	- Increased cancer risk of >10.0 in one million - Increased non-cancer risk of > 1.0 Hazard Index (chronic or acute) - Ambient PM_{2.5} increase: > 0.3 μ/m³ [Zone of influence: 1,000-foot radius from property line of source or receptor]	
Risk and Hazards for New Sources and Receptors (Cumulative)	- Increased cancer risk of >100 in one million - Increased non-cancer risk of > 10.0 Hazard Index (chronic or acute) - Ambient PM_{2.5} increase: > 0.8 μ/m³ [Zone of influence: 1,000-foot radius from property line of source or receptor]	
Sources: BAAQMD Thresholds Options and Justification Report (2009) and BAAQMD CEQA Air Quality Guidelines (dated May 2011).		

Since the foreseeable future project assuming approximately 48 units is below the construction and operational screening size for criteria air pollutants (451 dwelling units for operations and 240 dwelling units for construction of condo/townhouses), the future housing alone would not result in significant criteria air pollutant emissions. The future housing would contribute, however, to the significant unavoidable cumulative criteria pollutant air quality impacts identified for development of

the Plan Area in the Downtown Specific Plan EIR. The future housing would implement the mitigation measures from the 2009 DEIR (MM AQ-1 and AQ-2), as conditions of project approval.

Since the future mixed-use development and roadway realignment project would be constructed in close proximity to residences and require the use of various diesel-powered equipment, construction-related activities could adversely expose receptors to TACs. New sensitive receptors are proposed near the Union Pacific Railroad (UPRR) and within the vicinity of stationary sources of toxic air contaminants. Impacts to new sensitive receptors at the enlarged Block 8 mixed-use site from activities along the UPRR will be evaluated prior to City Council approval to ensure the emissions will not pose a hazard or risk to sensitive receptors. Appropriate setbacks between sources of air pollution or mitigation measures will be assessed using guidance provided by the BAAQMD and the California Air Resources Board.

In addition to emitting TACs, demolition, grading, and construction activities also emit fugitive dust and particulate matter. Given the proximity of sensitive receptors, dust emissions during construction could result in significant impacts. Implementation of 2009 FEIR mitigation measures MM AQ-4.1 through MM AQ-4.7 would reduce potential fugitive dust impacts to a less than significant level. The proposed residential development would not be a source of new odors in the area.

Realigned Depot Street - The proposed land transaction will lead to the realignment of Depot Street by transecting the Community and Cultural Center parking lot to form an intersection with Church Street/E. Dunne Avenue. The realignment of Depot Street was disclosed as a potential alternative roadway improvement in the Downtown Specific Plan and Circulation Element EIRs. Construction activities including demolition, grading and paving would generate air pollutant emissions. Implementation of 2009 FEIR mitigation measures MM AQ-4.1 through MM AQ-4.7 as discussed above would reduce the impacts to a less than significant level. The 2009 FEIR found that vehicular traffic under alternate roadway conditions would not cause any new violations of the eight-hour standards for carbon monoxide and, therefore, would not significantly increase carbon monoxide concentrations. The realignment of Depot Street would not be a major source of TACs or odors in the area.

5.2 BIOLOGICAL RESOURCES

Downtown Specific Plan FEIR – Biological Resources Conclusions

The Downtown Specific Plan FEIR concluded that due to the highly urbanized nature of the Specific Plan area, development under the Specific Plan would not result in impacts to special-status plant and wildlife species, with the exception of raptors (birds of prey) that could use the trees in the area for nesting. Implementation of mitigation measures (such as pre-construction nesting surveys) would reduce the impacts of development on raptors to a less than significant level. There are no sensitive habitats in the Downtown Specific Plan area, including areas of high biological diversity, areas providing important wildlife habitat, or unusual or regionally restricted habitat types.

Based on the FEIR, the Specific Plan area contains a few underutilized parcels (portions of Block 8) which could provide habitat for Burrowing Owls. Burrowing owls typically dwell in open grassland habitats. The project site is not considered owl habitat, due to the urban development in the area and

lack of suitable habitat. If a burrowing owl were to nest on the ruderal portion of the site which currently consists of non-native grasses, prior to the onset of construction, however, project construction activities could lead to the abandonment of active nests or direct mortality of these birds. Given the developed nature of parcels in Downtown Morgan Hill, such an event is considered highly unlikely. Nonetheless, if burrowing owl nests are identified on the project site, the Standard Measures SM BIO-1, SM BIO-2 and SM BIO-3 outlined in the 2009 Specific Plan FEIR will be implemented to avoid direct impacts to burrowing owls and to offset impacts to their habitat.

Several large, mature indigenous oak trees are found on the project site. The City of Morgan Hill Municipal Code (Chapter 12.32) Significant Tree Removal Ordinance regulates the removal of trees in the City. An arborist report was prepared and peer reviewed by another arborist. Prior to planning entitlements for the mixed use project, the site design will take the arborist report into account including the construction protection for trees that will remain. Any trees to be removed will follow the City's Tree Removal Ordinance.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development – The development site is approximately 2.29 acres of relatively flat land and is located within the Santa Clara Valley Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP) area. Under the HCP/NCCP, which was adopted after preparation of the FEIR and adoption of the Downtown Specific Plan, the proposed residential development is considered a 'covered activity' occurring in an Urban Development/Private Development Area. The HCP/NCCP has classified the land cover type as "Urban Parks and Urban/Suburban. The Downtown area is not within a planned Priority Reserve Area or within an Urban Reserve System Interface Zone.

As stated in the Specific Plan FEIR, due to the highly urbanized nature of the project area, proposed development would not result in impacts to special-status plant and wildlife species, with the exception of raptors (birds of prey) that could use the trees and vacant sites in the Specific Plan area for nesting. Implementation of mitigation measures 2009 FEIR mitigation measures BIO -1.1 and 1.2 would reduce impacts to tree-nesting raptors to a less than significant level.

Mature trees are located on various parcels throughout the Specific Plan project area. The City of Morgan Hill Municipal Code (Chapter 12.32) Significant Tree Removal Ordinance regulates the removal of trees in the City. The future project-level analysis will describe the health and condition of all trees on the project site, including street trees that could be affected by proposed construction. To fulfil downtown FEIR mitigation measure SM BIO-4, this description will be based on a tree survey that will be completed by a certified arborist for the project. The project-level analysis will also describe the existing habitat on the project site and any CEQA biological impacts based on the project plans. Mitigation measures for significant biological resource impacts will be identified, as appropriate.

Realigned Depot Street – As discussed above, under the HCP/NCCP the proposed realigned Depot street project component is a covered activity occurring in an Urban Development/Private Development Area. As the Depot Street right-of-way is being realigned in a fully developed urban

area, no biological resources are expected to be impacted by the proposed project component. Some trees could be removed and their impacts will be studied at a project-level before the City Council approves the specific realigned roadway design.

To ensure that the project (including the realigned Depot Street and private mixed use development components) complies with conditions of the HCP/NCCP, the conditions will be applied to each component as part of the entitlement approval conditions and/or other permits (i.e. grading permits, building permits, etc.).

5.3 ARCHAEOLOGICAL RESOURCES

Downtown Specific Plan FEIR - Cultural Resources Conclusions

As described in the Downtown Specific Plan FEIR, with the implementation of standard measures, development under the Downtown Specific Plan would not result in significant impacts to buried materials, including archaeological and paleontological resources, or historic resources.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development with Realigned Depot Street - Based on a historic resource assessment completed for the Downtown Specific Plan EIR by *Circa* in 2008, none of the structures on the project site, or adjacent to the site, are designated as historic or cultural resources nor are they eligible for listing on the National Register of Historic Places, California Register of Historical Resources, or local listing. No new historic resources have been documented in the project area since the 2008 *Circa* assessment was prepared.

Given that the proposed residential and office development would not likely require excavation five feet below ground surface, paleontological resources would not likely be discovered during construction. The project would, therefore, not result in a significant impact to paleontological resources.

Consistent with the conclusions in the Downtown Specific Plan FEIR and the City's Archaeological Sensitivity Map, a portion of the project site is in an archaeologically sensitive area. In accordance with Standard Measure CULT-2 identified in the Downtown Specific Plan EIR, the applicant will contract an archaeologist to be present on-site to monitor all ground-disturbing activities. The project-level environmental review will include mitigation measures and/or standard conditions of approval that will reduce any significant cultural resources to a less than significant level.

5.4 GREENHOUSE GAS EMISSIONS

Downtown Specific Plan FEIR - Greenhouse Gas Emissions Conclusions

Greenhouse gas emissions are discussed in the Section 5.2.5, *Cumulative Global Climate Change Impacts* of the Downtown Specific Plan FEIR. Implementation of air quality and energy mitigation and avoidance measures would reduce greenhouse gas emissions impacts from buildout of the Specific Plan to a less than significant level.

Since the approval of the Downtown Specific Plan FEIR, the Bay Area Air Quality Management District adopted The Bay Area 2010 Clean Air Plan (an update to the Clean Air Plan adopted in 2000 that was discussed in the Downtown Specific Plan FEIR) which is a multi-pollutant plan prepared that addresses GHG emissions along with other air emissions in the San Francisco Bay Area Air Basin. The current CAP also includes performance objectives, consistent with the State's climate protection goals under AB 32 and SB 375, designed to reduce emissions of GHGs to 1990 levels by 2020 and 40 percent below 1990 levels by 2035.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development – The proposed development would allow development of vacant lumber land to a more intense uses (dwelling units, new building area, etc.). The primary sources of greenhouse gas emissions from implementation of the proposed project are anticipated to be from the generation of electricity (i.e., for lighting, cooling, pumping water), demolition activities and vehicle trips. A small amount of GHG emissions are generated by the breakdown of solid waste from the sites.

The project site is located in an urbanized location, within close distance of construction supplies and equipment, which will help minimize greenhouse gas emissions generated from transport of construction materials and waste. There is no reliable method to estimate construction-related emissions associated with the manufacturing of project materials. Neither the City of Morgan Hill nor the BAAQMD have quantified thresholds for construction activities, and given that the project site is in an urban setting close to construction supplies and equipment, manufacture and construction of the projects will not contribute substantially to greenhouse gas emissions.

GHG (e.g., carbon dioxide, methane, and nitrogen dioxide) from operation of the project will include electricity and natural gas used by residents of the site, and fuel burned for transportation to and from the site. Indirect emissions will include utility usage by building residents for water conveyance, wastewater treatment, and solid waste disposal. Based on BAAQMD GHG screening guidelines for the operation of new developments, the future approximately 48-unit townhome development with 3,000 square foot of office is expected to be below the operational screening size (78 dwelling units) for new condo/townhome developments and office. The future residential project would not likely, therefore, warrant a project-level GHG assessment. The future residential project, however, would be required to implement several mitigation and avoidance measures adopted in the Downtown FEIR to reduce greenhouse gas emissions from transportation, building, and/or solid waste.

Realigned Depot Street –GHG emissions primarily result from demolition activities and vehicle trips. The proposed realigned Depot Street would accommodate the mixed-use development that was assumed in the Downtown Specific Plan and would not cause an increase in emissions beyond what was disclosed in the Downtown FEIR.

5.5 HAZARDS AND HAZARDOUS MATERIALS

Downtown Specific Plan FEIR – Hazards and Hazardous Materials Conclusions

Many of the existing and past businesses located in the downtown area use, store, and dispose of hazardous materials. There is one site in Block 6 that was identified in the Downtown FEIR as a known contaminated site. The site is located at 17090 Monterey Road and its status is closed as of January 5, 1998. The Union Pacific Railroad (UPRR) right-of-way runs between properties fronting on Depot Street. Soils on Block 8 near the railroad tracks may be contaminated with chemicals that were historically used for dust suppression and weed control along rail lines. Based on the Downtown FEIR findings, soil and/or groundwater in the project area may be contaminated by hazardous materials that could be disturbed, exposed, or released due to development and redevelopment in the project area.

The Downtown Specific Plan FEIR concluded that with the implementation of mitigation measures MM HM-1.1 through MM HM-1.4 for soil and/or groundwater contamination disclosed in the EIR, development under the Specific Plan would have a less than significant impact on the public or environment. With implementation of standard measures SM HM-1 through SM HM-4 to reduce impacts of hazardous building materials, development under the Specific Plan would have a less than significant impact on construction workers and the public.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development with Realigned Depot Street - The future residential and office development would routinely use limited amounts of cleaning materials and would not generate substantial hazardous emissions or accidental chemical releases from hazardous materials use, storage, or transport. As applicable, current regulations and programs for regulated hazardous materials use would reduce impacts to a less than significant level.

Mitigation measures (MM HM-1.1 and MM HM-1.2) from the Downtown FEIR state that Phase I Environmental Site Assessments shall be required for all properties proposed for redevelopment with residential uses where previous uses including industrial, commercial or agricultural use that could have led to soil and/or groundwater contamination. The mitigation measures also state that a Phase II Environmental Site Assessment, which identifies specific remediation measures required to ensure the site is suitable for residential development, and remedial action shall be completed, if warranted. Based on this, the future residential and office project project-level environmental review will include a project-level Phase I ESA and Phase II, if required, to document current site conditions and any necessary remediation to prepare the property for residential use.

Due to the age of the structures in the Specific Plan area, the existing structures may contain asbestos and lead-based paint, including the structure on the Hale Lumber site. Standard Measures (SM HM-1 – SM HM-4) outlined in the Downtown FEIR would reduce exposure of hazardous building materials to a less than significant level. The standard measures are in accordance with standards for California Occupation Safety and Health Administration (Cal/OSHA), U.S. OSHA, and BAAQMD standards; as well as U.S. EPA's National Emission Standards for Hazardous Air Pollutants (NESHAPs) for removing ACMs and lead-based paint prior to demolition.

The project site is not located within two miles of a public airport, nor is it on one of the City's designated evacuation routes. Based on Specific Plan FEIR findings, the Specific Plan project area is not located within a very high fire hazard severity zone.

5.6 HYDROLOGY AND WATER QUALITY

Downtown Specific Plan FEIR – Hydrology and Water Quality Conclusions

With the implementation of standard measures, the Downtown Specific Plan EIR concluded that development under the Specific Plan would not increase stormwater runoff and would not exceed the capacity of planned stormwater drainage facilities. Development under the Specific Plan would result in less than significant flooding, water quality, and groundwater supply impacts.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development—The project site consists of impervious and pervious surfaces (unpaved surfaces). The land use changes and development proposed by the foreseeable development on the Hale Lumber site would result in an increase in impervious surfaces in the project area and stormwater runoff within the Specific Plan area. Implementation of standard measures from the Downtown FEIR, SM HYDRO-1 to SM HYDRO-4, would ensure that construction of the proposed development would not increase more stormwater runoff than allowed for in the Specific Plan and would not exceed the capacity of planned stormwater drainage facilities.

Construction activities temporarily increase the amount of debris on-site and grading activities, which could increase pollutant loads of eroded material in stormwater runoff. There are no waterways on or adjacent to the project site; therefore, the impacts of increased pollutant loads in stormwater runoff on local waterways should be minimal. Compared to existing conditions, vehicle use and human activity would increase with the future residential and office development and, as a result, the amount of pollution carried by runoff could increase. Stormwater from urban uses contains metals, pesticides, herbicides, and other contaminants such as oil, grease, lead, and animal waste. Runoff from the future development may contain oil and grease from parked vehicles, as well as sediment and chemicals (i.e., fertilizers, pesticides, etc.) from the landscaped areas or new roof areas. Implementation of the standard measures, SM HYDRO-7 and SM HYDRO-8 (from the Downtown FEIR), would ensure that construction of the proposed development would result in less than significant water quality impacts.

As disclosed in the Downtown Specific Plan EIR, a portion of the project site is located in a 100-year flood zone based on the Federal Emergency Management Agency's Flood Insurance Rate Map. Implementation of standard measures, SM HYDRO-5 and SM HYDRO-6 from the Downtown FEIR, would ensure flooding impacts to future development would be less than significant.

Groundwater beneath the project sites is likely present at depths of approximately 20 to 40 feet bgs. The future development is likely to include excavation of approximately five feet bgs. Based on this assumption, the groundwater would be deep enough such that the future construction would not interfere with groundwater flow or expose any aquifers.

The future development project-level analysis will describe existing runoff, runoff under project conditions, and proposed stormwater detention structures and flood protection measures based available information. The future residences and office space must comply with Morgan Hill Municipal Code Chapter 18.42, the Flood Damage Prevention Ordinance, which requires new residential construction to elevate habitable spaces one foot above anticipated flood levels and non-residential construction to be flood-proofed, and subgrade floors to withstand hydrostatic flood forces. Mitigation measures will be described for significant hydrology and/or water quality impacts, as appropriate, at the time of project-level environmental review.

Realigned Depot Street - The circulation and infrastructure improvements proposed by the Realigned Depot Street project component would occur primarily on existing impervious surfaces and therefore would not increase the stormwater runoff within the area. Construction activities temporarily increase the amount of debris on-site and grading activities, which could increase pollutant loads of eroded material in stormwater runoff. There are no waterways on or adjacent to the project site; therefore, the impacts of increased pollutant loads in stormwater runoff on local waterways should be minimal. Implementation of the standard measures, SM HYDRO-7 and SM HYDRO-8 from the Downtown FEIR, would ensure that construction of the proposed development would result in less than significant water quality impacts.

5.7 NOISE AND VIBRATION

Downtown Specific Plan FEIR – Noise and Vibration Conclusions

The 2009 Downtown FEIR found that noise levels from traffic and the railroad would exceed the City of Morgan Hill's interior and exterior noise standards for residential uses allowed under the Specific Plan, resulting in significant and unavoidable impacts despite the incorporation of mitigation measures. The FEIR also found significant unavoidable impacts related to construction noise because construction activities, although mitigated with noise control measures, could impact noise-sensitive receptors for more than one year. All other noise and vibration-related impacts were found to be either less than significant or less than significant after the incorporation of mitigation measures.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development - The biggest noise sources in the project area are the Caltrain/UPRR tracks and vehicle traffic on Monterey Road, Dunne Avenue, and Depot Street. Construction activities can generate high noise levels, especially during demolition, excavation, and foundation construction when heavy equipment is used. Implementation of standard measures (SM NOI-1 through SM NOI-7) will reduce potential construction related noise impacts to nearby sensitive receptors. The proposed residential and office development would not generate substantially more noise in operation than the other surrounding commercial and residential developments do. The main source of noise associated with the development in operation would be vehicle traffic. The Downtown Specific Plan FEIR calculated the growth of traffic volumes with build-out of the Specific Plan as well as the associated noise increases. Traffic noise levels along major routes are anticipated to increase by one to two dBA Ldn by 2030, which was found to be a less than significant impact. The proposed residential development is consistent with the Specific

Plan assumptions and would not increase traffic (and the associated noise) above the volumes estimated in the Downtown Specific Plan FEIR.

Pavement removal and excavation could produce substantial vibration. Mitigation Measure MM NV-3.1 from Downtown FEIR shall be implemented as part of the site development permit process for development allowed under the Specific Plan to reduce impacts to residents from ground-borne vibration to a less than significant level.

The future Hale Lumber site residents are sensitive receptors. Consistent with the Downtown FEIR and the City of Morgan Hill policy, the future residential development would implement mitigation measures MM NOI-5 through MM NOI-7 to reduce the noise impacts to future residents of the project site. The future townhome development will be adjacent to the UPRR tracks and adjacent and/or near public roadways. A project-level noise assessment will evaluate the compatibility of the project with surrounding uses, and the project's potential to generate noise levels that will exceed any limits or result in a substantial temporary or permanent increase in noise will be conducted in the future. The assessment will also evaluate the compatibility of the future on-site noise-sensitive receptors.

Realigned Depot Street – Construction activities can generate high noise levels, especially during the construction of project infrastructure when heavy equipment is used. Implementation of standard measures (SM NOI-1 through SM NOI-7) will reduce potential construction related noise impacts to nearby sensitive receptors. The main source of noise associated with the realigned Depot Street project component in operation would be vehicle traffic. The Downtown Specific Plan FEIR calculated the growth of traffic volumes with build-out of the Specific Plan as well as the associated noise increases. Traffic noise levels along major routes are anticipated to increase by one to two dBA Ldn by 2030, which was found to be a less than significant impact. The proposed project component is consistent with the Specific Plan assumptions and would not increase traffic (and the associated noise) above the volumes estimated in the Downtown Specific Plan FEIR.

Pavement removal and excavation could produce substantial vibration. Mitigation measure MM NV-3.1 from the Downtown FEIR shall be implemented as part of the site development permit process for development allowed under the Specific Plan to reduce impacts to residents from ground-borne vibration to a less than significant level. A new realigned roadway is not considered noise- or vibration-sensitive uses, and would not be subject to such impacts from the surrounding environment.

5.8 TRANSPORTATION

Downtown Specific Plan FEIR – Transportation/Traffic Conclusions

The traffic analysis prepared in support of the Downtown FEIR evaluated traffic impacts of the Specific Plan by analyzing projected 2015 and 2030 development conditions against existing conditions. The Downtown Specific Plan FEIR concluded that build out of the Specific Plan under 2030 conditions would result in significant intersection level of service impacts.

The realignment of Depot Street was disclosed as an alternative roadway improvement in the Downtown Specific Plan and Circulation Element EIRs. The realignment was evaluated for trip re-distribution and level of service and concluded that the new alignment with the new mixed use development is within the scope of the General Plan FIER and Downtown Specific Plan Master FIER. Therefore, no further review is needed.

Foreseeable Indirect Environmental Changes from the Land Transaction

Residential and Office Development - The approved Downtown Specific Plan will add housing, retail, and office/service land uses within the Specific Plan project area. The FEIR's analysis of projected 2030 development in the Specific Plan project area included an increase of approximately 1,200 multi-family residential units, 93,490 square feet of retail, and 85,590 square feet of office/service development in the Specific Plan project area. The enlarged Hale Lumber site would eventually be developed with approximately 48 residential units and 3,000 square foot of office. According to the TIA prepared for the FEIR, this development was projected to generate a total of approximately 10,520 daily, 807 AM peak-hour, and 911 PM peak-hour trips. Intersection levels of service were calculated with projected 2030 development traffic volumes, and the FEIR disclosed that under projected 2030 conditions all of the signalized intersections would operate acceptably except the Main Avenue/Monterey Road intersection which would operate at LOS E during the AM peak hour and LOS D during the PM peak hour. In addition, the following four unsignalized study intersection operations would be degraded to LOS E or F during one or both peak hours:

- Monterey Road/Central Avenue (LOS F, AM and PM peak hours)
- Monterey Road/Fourth Street (LOS F, AM and PM peak hours)
- Monterey Road/Fifth Street (LOS E, AM peak hour and LOS F, PM peak hour)
- Main Avenue and Depot Street (LOS E, AM peak hour)

The remaining unsignalized study intersections would operate at acceptable levels of service during both peak hours. A signal warrant analysis was conducted as part of the FEIR TIA for each unsignalized study intersection operating at LOS E or F. Under projected 2030 conditions, the Main Avenue and Depot Street intersection is the only intersection operating at LOS E or F that would meet the peak-hour warrant criteria for signalization during either the AM or PM peak hours.

The future development on the enlarged Hale Lumber site would be consistent with the development assumptions in the Downtown Plan that were analyzed in the FEIR TIA. Therefore, the future development will contribute to the traffic impacts disclosed in the FEIR.

Realigned Depot Street - The Morgan Hill 2035 General Plan discusses routing Depot street south through the existing community and cultural Center parking lot to provide a continuous north-south travel route to, from, and within Downtown. The Downtown Specific Plan assumed closure of Depot Street north of East Dunne Avenue and grade separating East Dunne Avenue and the UPRR rail line. The realignment of Depot Street was disclosed as an alternative roadway improvement in the Downtown Specific Plan and Circulation Element EIRs, however, this realignment was not evaluated for trip re-distribution and level of service. A East Dunne Avenue/Church Street/Depot Street intersection Traffic Study was conducted and concludes that the level of service analysis is projected

to operate acceptably with implementation of the proposed project under the 2035 General Plan and Downtown Specific Plan.

5.9 CUMULATIVE IMPACTS

Under Section 15065(a)(3) of the CEQA Guidelines, a lead agency shall find that a project may have a significant effect on the environment where there is substantial evidence that the project has potential environmental effects “that are individually limited, but cumulatively considerable.” As defined in Section 15065(a)(3) of the CEQA Guidelines, cumulatively considerable means “that the incremental effects of an individual project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.” In addition, under Section 15152(f) of the CEQA Guidelines, where a lead agency has determined that a cumulative effect has been adequately addressed in a prior EIR, the effect is not treated as significant for purposes of later environmental review and need not be discussed in detail.

The foreseeable future development activities that would result from the proposed land transaction are consistent, as explained previously, with the development assumptions in the Downtown Specific Plan. The Downtown Specific Plan FEIR concluded that development allowed under the Specific Plan, including the foreseeable future development activities facilitated by the land transaction, would be consistent with adopted regional Clean Air Plan and, therefore, would not have a cumulatively considerable contribution to a significant cumulative air quality impact. A screening level health risk assessment associated with construction-related toxic air emissions will be completed prior to the issuance of the project’s grading permit. Results of the analysis would determine if implementation of additional construction mitigation measures would be necessary to reduce toxic air contaminant emissions below BAAQMD health risk thresholds, both as a matter of single-source and cumulative conditions reflecting combined emissions from other nearby sources.

The future development anticipated on the enlarged Hale Lumber site is below the BAAQMD screening thresholds for GHG emissions from construction and operations of new condo/townhome developments. The project would, therefore, not result in a cumulatively considerable GHG impact. GHG mitigation measures from the Downtown Specific Plan FEIR would be implemented to further reduce GHG impacts.

The Downtown Specific Plan FEIR disclosed that buildout of the Specific Plan would result in significant unavoidable intersection level of service impacts. Since the proposed mixed use development components were assumed in the Specific Plan, the project would contribute to the significant unavoidable intersection level of service impacts disclosed in the Downtown Specific Plan FEIR. The Depot Street realignment was evaluated for trip re-distribution and level of service in the Downtown Specific Plan and confirm its acceptable operation according to City’s adopted level of service policy, both under existing and 2030 Downtown Specific Plan cumulative buildout conditions and is consistent with what was disclosed previously in the Downtown Specific Plan FEIR.

The cumulative impacts on aesthetics, agricultural lands, biological resources, cultural resources, geology and soils, hazards and hazardous materials, hydrology and water quality, land use, noise,

population and housing, public services, recreation, and utilities and service systems from buildout of the Specific Plan were analyzed in the certified Downtown Specific Plan FEIR. The proposed land transaction would not lead to future development activities that would result in any new or more significant cumulative impacts than the previously approved Downtown Specific Plan project disclosed in the Specific Plan FEIR. Mitigation measures were adopted for the previously approved project where feasible, and will be implemented by the proposed project.

There are no recently approved or reasonably foreseeable projects that, when combined with the proposed project, would result in a new or greater cumulatively considerable impact not previously identified by Downtown Specific Plan FEIR. While the San Jose to Merced segment of the CA High-speed Rail project is evaluating an alignment that would run east of the project area, that project's environmental review has not yet been made public by the High-speed Rail Authority and it is not possible for the City of Morgan Hill to predict the impacts of that project for purposes of cumulative impacts assessment without speculation.

6.0 CONCLUSION

Based on the above analysis and discussion, no substantive revisions are needed to the 2009 *Morgan Hill Downtown Specific Plan FEIR*. No new significant impacts or impacts of substantially greater severity would result from the modified project because there have been no major changes in circumstances in the project area that would result in new significant environmental impacts or substantially more severe impacts; and no new information has come to light that would indicate the potential for new significant impacts or substantially more severe impacts than were identified in the 2009 FEIR. The General Plan Amendment and Zoning Amendment is to amend the map to support the realignment of Depot Street. The realignment is consistent with the 2035 General Plan and Downtown Specific Plan as discussed throughout this report and therefore, no further evaluation is required, and no Subsequent EIR is needed pursuant to State CEQA Guidelines Section 15162. An Addendum to the Downtown Specific Plan 2009 FEIR and the 2035 General Plan FEIR is the appropriate review document for the modified project, pursuant to Section 15164.

Tiffany Brown, Associate Planner
City of Morgan Hill

Signature

Date


9/4/18



HEXAGON TRANSPORTATION CONSULTANTS, INC.

Hale Lumber Mixed-Use Development

Traffic Impact Analysis

Prepared for:

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September 26, 2018

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Executive Summary

This report presents the results of the traffic impact analysis conducted for the proposed Hale Lumber Mixed-Use development located in Morgan Hill, California. The project site is currently occupied by industrial uses and is bounded by Depot Street to the west, the Morgan Hill Caltrain Station to the north, the UPRR rail tracks to the east, and Dunne Avenue to the south. The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 residential (40 townhome and 8 condominium) units and 3,150 square feet (s.f.) of office space.

In addition to the development of the project site with the proposed project, the realignment of Depot Street also is being proposed. Per the current City of Morgan Hill General Plan, Depot Street is planned to be realigned between Fifth Street and Dunne Avenue, shifting the south end of this roadway westward to form the north leg of the Church Street and Dunne Avenue intersection. The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue. The Depot Street realignment would be constructed concurrently with the proposed development, and is assumed in place for the evaluation of the project.

In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Scope of Study

The potential impacts related to the proposed development were evaluated following the standards and methodologies set forth by the City of Morgan Hill and the Santa Clara Valley Transportation Authority (VTA). The VTA administers the County Congestion Management Program (CMP). The study includes an analysis of AM and PM peak-hour traffic conditions for seven intersections and 16 directional freeway segments.

The proposed project is located within the Downtown Core area and it is estimated to generate less than 50 peak-hour trips. Based on two of the requirements for the preparation of a transportation impact study presented in the City of Morgan Hill Guidelines for Preparation of Transportation Impact Reports, the proposed project would be exempt from having to complete a transportation impact study. However, a third condition requiring an transportation impact study is described as a project that creates a transportation issue that City staff requests to have analyzed.

Project Trip Generation

Trip estimates for the proposed project were developed based on trip generation rates obtained from ITE's *Trip Generation*, Tenth Edition, 2017, and reductions for the proposed mixed-use land uses and close proximity to a Caltrain station.

Based on the ITE trip generation rates and applicable VTA's trip reductions, it is estimated that the proposed project would generate a net new 320 daily trips, with 25 trips (8 inbound and 17 outbound) occurring during the AM peak-hour and 32 trips (19 inbound and 13 outbound) occurring during the PM peak-hour.

Existing Plus Project Intersection Levels of Service Analysis

Intersection Level of Service Analysis

The intersection level of service is summarized in Table ES1. The results of the intersection level of service analysis under existing plus project conditions show that no study intersections would be impacted by the project according to City of Morgan Hill level of service standards.

Freeway Segment Analysis

The results of the freeway level of service analysis are summarized in Table ES 2. The freeway level of service analysis shows that the proposed project would not result in a significant impact under existing plus project conditions on any of the study freeway segments.

Year 2035 General Plan Intersection Levels of Service Analysis

The results of the intersection level of service analysis under Year 2035 General Plan plus project conditions show that no study intersections would be impacted by the project, according to City of Morgan Hill level of service standards.

Other Transportation Issues

Site Access and Circulation

Access to the project site would be provided via two driveways along Depot Street. Additionally, access to the project area would be provided by the new intersection of Depot Street with Church Street and Dunne Avenue and the existing intersection of Depot Street and Main Avenue. Both of these intersections are projected to operate acceptably with implementation of the proposed project under both existing plus project and Year 2035 General Plan plus project conditions.

A single drive aisle, located east of the proposed buildings and parallel to Depot Street, would provide access to the proposed housing units and office space via the two proposed driveways. The straight nature of the internal drive aisle, along with the two proposed access points, would facilitate vehicular circulation within the site. However, it could also result in drivers traveling at higher than the recommended speeds. For this reason, it may be desirable to implement speed-reducing measures along the internal drive aisle.

Based on the existing and proposed pedestrian facilities in the project area, pedestrian circulation would be adequate.

Recommended Site Access and On-Site Circulation Improvements

The following are recommended adjustments to improve site access and on-site circulation:

Installation of Speed-Reducing Measures. Due to the straight nature of the internal drive aisle, it may be desirable to implement speed-reducing measures to limit/prevent drivers from traveling at speeds that are unsafe. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

Adhere to City of Morgan Hill Design Standards and Guidelines. The design of the project site, including but not limited to driveways, sidewalks, corner radii, drive aisle width, parking dimensions, and signage, should adhere to City of Morgan Hill design standards and guidelines. This will help provide adequate on-site circulation for all vehicle types, including larger emergency vehicles.

Intersection Operations Analysis

The results of the queuing analysis at the intersection of Depot Street/Church Street and Dunne Avenue indicate that all intersection movements evaluated are projected to have adequate queue storage capacity to accommodate the estimated maximum queue lengths that would result with implementation of the project.

At the southbound approach of the intersection, however, the addition of project traffic, in addition to the Depot Street realignment, would result in the increase of the maximum queue length by 6 vehicles (from 2 to 8 vehicles, or 50 to 200 feet) during the PM peak-hour. This projected maximum queue length could be accommodated along the entire length of the street, however, the queue must not block access to any of the three Community and Cultural Center parking lot driveways proposed to be located along the realigned Depot Street.

Recommended Operations Improvements

The following are recommended adjustments to improve operating conditions along Depot Street:

Installation of “Keep Clear” Signs. It is recommended that “Keep Clear” pavement markings be installed adjacent to one (the western driveway) or both of the Morgan Hill Community and Cultural Center parking lot driveways located along the realigned Depot Street. This will prevent projected maximum vehicle queue lengths at the intersection of Depot Street/Church Street and Dunne Avenue (southbound approach) from blocking access to/from the center’s parking lot.

Parking Demand

Recommended Parking Improvements

Provide Required Number of Parking Spaces. The proposed project must provide the minimum number of parking spaces required to satisfy the City’s Downtown Specific Plan parking requirements.

Transit, Pedestrian, and Bicycle Analysis

A typical mode split in Morgan Hill would be a three percent transit share. Assuming up to three percent transit mode share for the project equates to no more than 1 transit rider during each of the peak hours. The transit ridership demands of the proposed project can be accommodated by the existing transit services serving the project site.

Sidewalks are provided along both sides of the street on Dunne Avenue, Monterey Road, Fifth Street, and Depot Street, with the exception the segment on Depot Street along the project site's frontage, south of Fifth Street. With implementation of the proposed project, sidewalks would be provided along the entire east side of Depot Street, along the project site frontage and the realigned roadway. Additionally, the site plan shows a pedestrian pathway that would run from Depot Street to Dunne Avenue, adjacent to the project site, providing a direct pedestrian connection between the project site and Dunne Avenue. The proposed pedestrian facilities would enhance existing pedestrian facilities, providing a more complete pedestrian network. Therefore, based on the existing and proposed pedestrian facilities in the project area, continuous pedestrian connections between the project site and surrounding pedestrian destinations would be available, resulting in adequate pedestrian circulation to and from the project site.

The site plan shows on-street parking on both sides of the street along the project site frontage on Depot Street. This segment of Depot Street is shown on the site plan as having a 40-foot curb-to-curb right-of-way and would include two 12-foot travel lanes and 8 feet of parking on both sides of the street. The proposed Depot Street cross-section along the project site frontage does not include bike lanes. Additionally, an approximately 200-foot segment of the existing bike lane on the east side of Depot Street, north of Fifth Street and along the project site frontage, would be removed to accommodate the proposed on-street parking. Therefore, the existing bike lane on Depot Street would continue to be incomplete. However, the proposed pedestrian pathway that would connect Depot Street to Dunne Avenue, adjacent to the project site, also could be utilized by bicycle traffic, connecting the existing bike lanes on Dunne Avenue to Depot Street.

Conservatively assuming that bicycle trips would comprise no more than five percent of the total project-generated trips, this calculates to no more than 1-2 new bicycle trips during the peak hours. The demand generated by the proposed project could be accommodated by the existing bicycle facilities in the vicinity of the project site.

Table ES 1
Intersection Level of Service Summary

Int. #	Intersection	Intersection Control	LOS Standard	Peak Hour	Count Date	Existing		Existing Plus Project				Year 2035 General Plan		Year 2035 GP Plus Project			
						Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C	Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C
1	Church Street and Dunne Avenue	Signal	E	AM	06/06/18	17.8	B	17.7	B	0.1	0.060	20.0	B	18.1	B	-2.4	0.016
				PM	06/06/18	19.9	B	24.7	C	6.2	0.101	20.7	C	24.0	C	5.9	0.099
2	Monterey Road and Dunne Avenue	Signal	E	AM	06/06/18	29.6	C	29.6	C	-0.1	-0.004	30.7	C	30.4	C	-0.8	-0.039
				PM	06/06/18	30.7	C	30.6	C	-0.1	-0.002	36.2	D	36.2	D	0.0	0.000
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM	06/06/18	10.4	B	<i>Intersection Abandoned</i>				12.0	B	<i>Intersection Abandoned</i>			
				PM	06/06/18	11.7	B					12.8	B				
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM	06/06/18	37.7	D	37.7	D	0.1	0.002	40.4	D	40.4	D	0.1	0.002
				PM	06/06/18	34.9	C	35.0	D	0.1	0.004	38.9	D	39.0	D	0.2	0.004
5	Depot Street and Main Avenue	Two-Way Stop	E	AM	06/06/18	20.3	C	20.4	C	N/A	N/A	38.6	E	38.6	E	N/A	N/A
				PM	06/06/18	21.0	C	21.1	C	N/A	N/A	35.5	E	35.8	E	N/A	N/A
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM	06/06/18	18.2	C	18.1	C	N/A	N/A	96.5	F	81.0	F	N/A	N/A
				PM	06/06/18	34.1	D	34.1	D	N/A	N/A	127.0	F	122.1	F	N/A	N/A
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM	06/06/18	9.2	A	9.2	A	N/A	N/A	9.5	A	9.6	A	N/A	N/A
				PM	06/06/18	9.8	A	10.3	B	N/A	N/A	10.2	B	10.5	B	N/A	N/A
¹ The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.																	

Table ES 2
Freeway Segment Level of Service Summary

#	Freeway	Segment	Direction	Peak Hour	Existing Plus Project												Project Trip			
					Mixed-Flow Lane								HOV Lane				Mixed-Flow Lane		HOV Lane	
					Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Volume	% of Capacity	Volume	% of Capacity
1	US 101	from Masten Avenue to San Martin Avenue	NB	AM	66	3	6,900	4,761	24	C	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,202	16	B	--	--	--	--	--	2	0.03	--	--	
2	US 101	from San Martin Avenue to Tennant Avenue	NB	AM	20	3	6,900	4,981	83	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,402	17	B	--	--	--	--	--	2	0.03	--	--	
3	US 101	from Tennant Avenue to East Dunne Avenue	NB	AM	16	3	6,900	4,421	92	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	66	3	6,900	4,362	22	C	--	--	--	--	--	2	0.03	--	--	
4	US 101	from East Dunne Avenue to Cochrane Road	NB	AM	41	3	6,900	6,290	51	E	--	--	--	--	--	10	0.14	--	--	
			NB	PM	66	3	6,900	3,778	19	C	--	--	--	--	--	8	0.12	--	--	
5	US 101	from Cochrane Road to Burnett Avenue (Lane Drop)	NB	AM	64	3	6,900	6,158	32	D	66	1	1,650	1,522	23	C	8	0.12	2	0.12
			NB	PM	66	3	6,900	4,567	23	C	70	1	1,650	841	12	B	7	0.10	1	0.06
6	US 101	from Burnett Avenue (Lane Drop) to Sheller Avenue	NB	AM	65	3	6,900	6,057	31	D	62	1	1,650	2,173	35	D	7	0.10	3	0.18
			NB	PM	43	3	6,900	6,337	49	E	70	1	1,650	841	12	B	7	0.10	1	0.06
7	US 101	from Sheller Avenue to Lane Drop (SB)	NB	AM	66	3	6,900	5,317	27	D	65	1	1,650	1,953	30	D	7	0.10	3	0.18
			NB	PM	66	3	6,900	3,776	19	C	70	1	1,650	1,052	15	B	6	0.09	2	0.12
8	US 101	from Lane Drop (SB) to SR 85	NB	AM	66	3	6,900	4,568	23	C	67	1	1,650	1,142	17	B	8	0.12	2	0.12
			NB	PM	67	3	6,900	3,607	18	B	70	1	1,650	491	7	A	7	0.10	1	0.06
9	US 101	from SR 85 to Lane Drop (SB)	SB	AM	67	4	9,200	3,994	15	B	67	1	1,650	541	8	A	4	0.04	1	0.06
			SB	PM	66	4	9,200	5,029	19	C	70	1	1,650	1,472	21	C	9	0.10	2	0.12
10	US 101	from Lane Drop (SB) to Sheller Avenue	SB	AM	67	3	6,900	3,404	17	B	67	1	1,650	811	12	B	4	0.06	1	0.06
			SB	PM	48	3	6,900	6,488	45	D	50	1	1,650	2,403	48	E	8	0.12	3	0.18
11	US 101	from Sheller Avenue to Burnett Avenue (Lane Drop)	SB	AM	67	3	6,900	3,204	16	B	67	1	1,650	541	8	A	4	0.06	1	0.06
			SB	PM	30	3	6,900	5,768	64	F	40	1	1,650	2,443	61	F	8	0.12	3	0.18
12	US 101	from Burnett Avenue (Lane Drop) to Cochrane Road	SB	AM	67	3	6,900	3,405	17	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	19	3	6,900	4,801	84	F	--	--	--	--	--	11	0.16	--	--	
13	US 101	from Cochrane Road to East Dunne Avenue	SB	AM	67	3	6,900	3,005	15	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	42	3	6,900	6,311	50	E	--	--	--	--	--	11	0.16	--	--	
14	US 101	from East Dunne Avenue to Tennant Avenue	SB	AM	67	3	6,900	3,602	18	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	42	3	6,900	6,301	50	E	--	--	--	--	--	1	0.01	--	--	
15	US 101	from Tennant Avenue to San Martin Avenue	SB	AM	67	3	6,900	2,802	14	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	36	3	6,900	6,161	57	E	--	--	--	--	--	1	0.01	--	--	
16	US 101	from San Martin Avenue to Masten Avenue	SB	AM	67	3	6,900	2,602	13	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	47	3	6,900	6,491	46	D	--	--	--	--	--	1	0.01	--	--	
¹ Source: Santa Clara Valley Transportation Authority Congestion Management Program Monitoring Study, 2016. Bold indicates unacceptable LOS. Boxed indicates significant impact.																				

1.

Introduction

This report presents the results of the traffic impact analysis conducted for the proposed Hale Lumber Mixed-Use development located in Morgan Hill, California. The project site is currently occupied by industrial uses and is bounded by Depot Street to the west, the Morgan Hill Caltrain Station to the north, the UPRR rail tracks to the east, and Dunne Avenue to the south. The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 residential (40 townhome and 8 condominium) units and 3,150 square feet (s.f.) of office space.

In addition to the development of the project site with the proposed project, the realignment of Depot Street also is being proposed. Per the current City of Morgan Hill General Plan, Depot Street is planned to be realigned between Fifth Street and Dunne Avenue, shifting the south end of this roadway westward to form the north leg of the Church Street and Dunne Avenue intersection. The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue. The Depot Street realignment would be constructed concurrently with the proposed development, and is assumed in place for the evaluation of the project.

Access to the project sites would be provided via two driveways along Depot Street. The project site location and the surrounding study area are shown on Figure 1. The project site plan is shown on Figure 2.

Scope of Study

The potential impacts related to the proposed development were evaluated following the standards and methodologies set forth by the City of Morgan Hill and the Santa Clara Valley Transportation Authority (VTA). The VTA administers the County Congestion Management Program (CMP). The study includes an analysis of AM and PM peak-hour traffic conditions for seven intersections and 16 directional freeway segments. The study intersections and freeway segments are identified below.

According to the City of Morgan Hill Guidelines for Preparation of Transportation Impact Reports, dated February 2010, a transportation impact study is required when a proposed project generates 100 or more net peak-hour trips or adds 50 to 99 net new peak-hour trips to the roadway system where nearby intersections are currently operating at LOS D (LOS F for Downtown intersections) or worse. Projects located within the 14-block Downtown Core area are exempt from the above two requirements. A third condition requiring an transportation impact study is described as a project that creates a transportation issue that City staff requests to have analyzed.

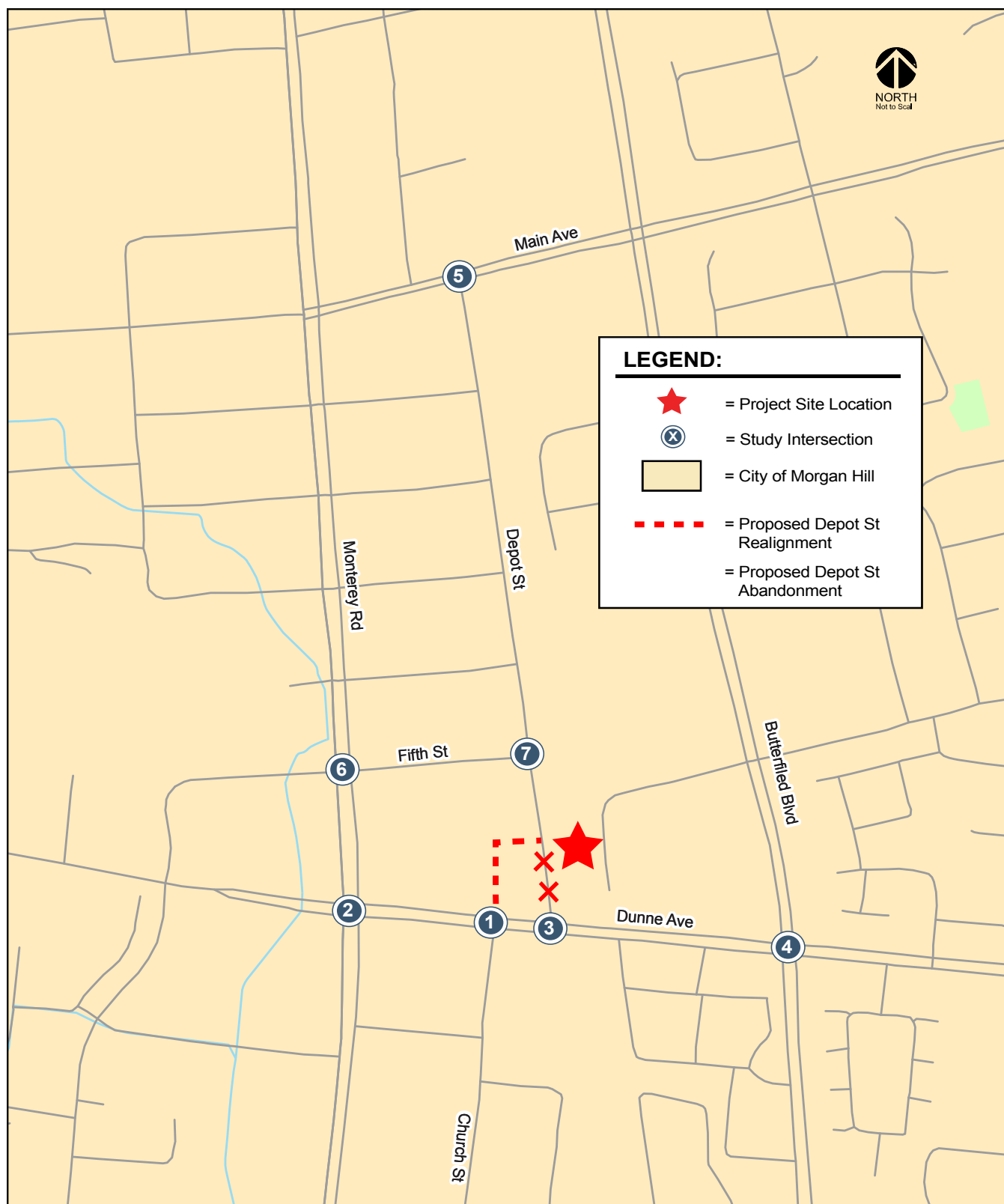


Figure 1
Site Location and Study Intersections

Attachment: Hale Lumber Mixed-Use Development TIA (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

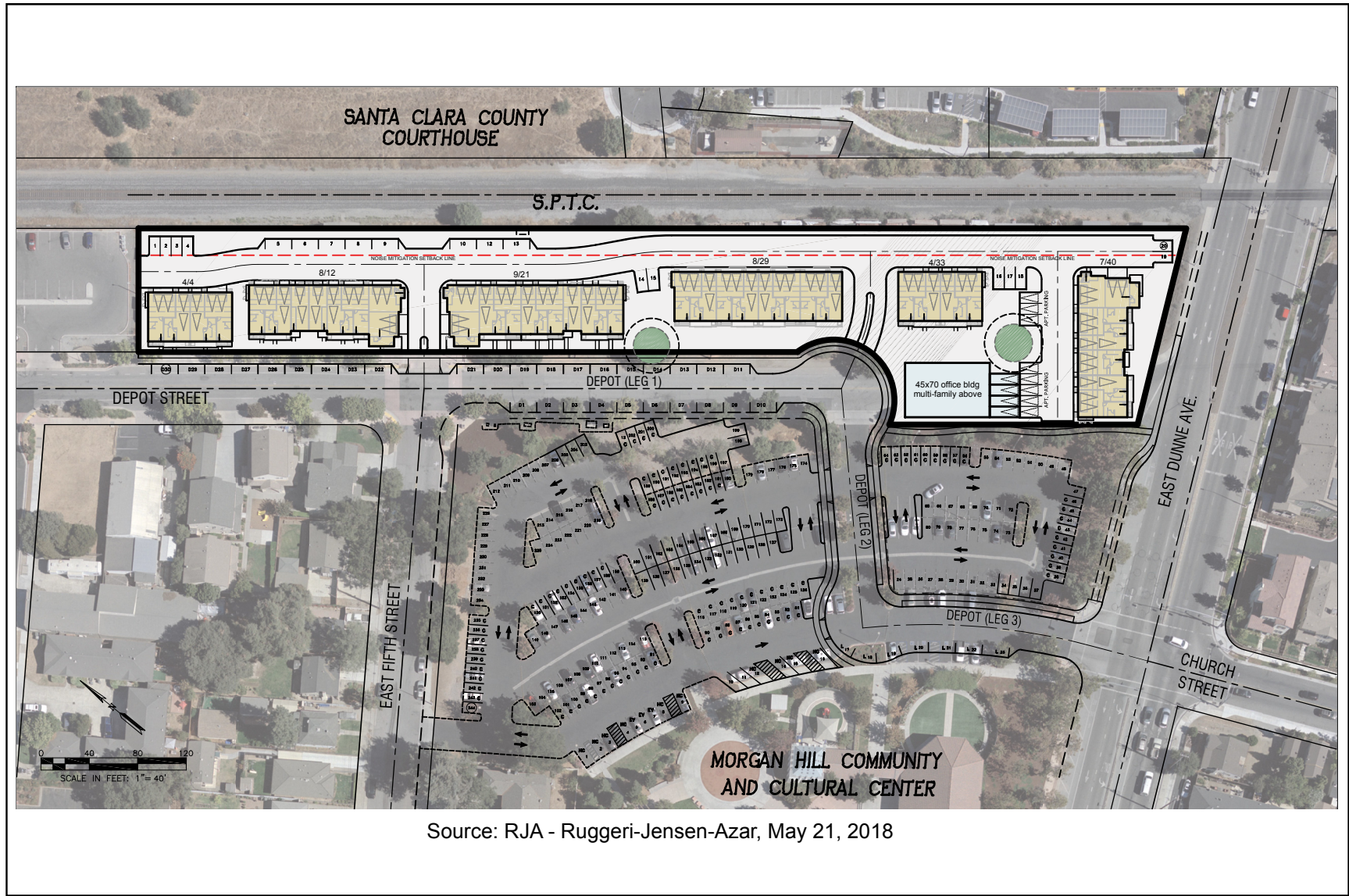


Figure 2
Site Plan

Attachment: Hale Lumber Mixed-Use Development TIA (1970 : General Plan Amendment / Zoning

The proposed project is located within the Downtown Core area and it is estimated to generate less than 50 peak-hour trips. Based on the above two requirements, the proposed project would be exempt from having to complete a transportation impact study.

Study Intersections

The study includes the evaluation of traffic conditions at the following three signalized intersections and four unsignalized intersection:

1. Church Street and Dunne Avenue
2. Monterey Road and Dunne Avenue
3. Depot Street and Dunne Avenue (no project conditions only, unsignalized)
4. Butterfield Boulevard and Dunne Avenue
5. Depot Street and Main Avenue (unsignalized)
6. Monterey Road and Fifth Street (unsignalized)
7. Depot Street and Fifth Street (unsignalized)

Study Freeway Segments

The study includes the evaluation of the following directional freeway segments:

1. Southbound US 101 between SR 85 and the Southbound Lane Drop
2. Southbound US 101 between Southbound Lane Drop and Sheller Avenue
3. Southbound US 101 between Sheller Avenue and Burnett Avenue
4. Southbound US 101 between Burnett Avenue and Cochrane Road
5. Southbound US 101 between Cochrane Road and Dunne Avenue
6. Southbound US 101 between Dunne Avenue and Tennant Avenue
7. Southbound US 101 between Tennant Avenue and San Martin Avenue
8. Southbound US 101 between San Martin Avenue and Masten Avenue
9. Northbound US 101 between Masten Avenue and San Martin Avenue
10. Northbound US 101 between San Martin Avenue and Tennant Avenue
11. Northbound US 101 between Tennant Avenue and Dunne Avenue
12. Northbound US 101 between Dunne Avenue and Cochrane Road
13. Northbound US 101 between Cochrane Road and Burnett Avenue
14. Northbound US 101 between Burnett Avenue and Sheller Avenue
15. Northbound US 101 between Sheller Avenue and Southbound Lane Drop
16. Northbound US 101 between the Southbound Lane Drop and SR 85

Study Time Periods

Traffic conditions at the study intersections and freeway segments were analyzed for the weekday AM and PM peak hours. The weekday AM peak hour of traffic is generally between 7:00 and 9:00 AM and the weekday PM peak hour is typically between 4:00 and 6:00 PM. It is during these periods that the most congested traffic conditions occur on a typical weekday.

Study Scenarios

Traffic conditions were evaluated for the following scenarios:

Scenario 1: *Existing Conditions*. Existing conditions represent existing peak-hour traffic volumes on the existing roadway network. Existing peak-hour traffic volumes were obtained from new turn-movement traffic counts conducted at all of the study intersections.

- Scenario 2: *Existing Plus Project Conditions.* Project-generated traffic volumes were added to existing traffic volumes to estimate existing plus project conditions. Adjustments to traffic volumes associated with the Depot Street realignment project also were included. Existing plus project conditions were evaluated relative to existing conditions in order to determine potential project impacts.
- Scenario 3: *Year 2035 General Plan Conditions.* Year 2035 General Plan conditions represent future traffic volumes on the future transportation network. Year 2035 General Plan conditions include traffic growth projected to occur in the Year 2035 without the proposed project. This scenario includes the Year 2035 General Plan transportation network improvements without the Depot Street realignment.
- Scenario 4: *Year 2035 General Plan with Project Conditions.* Year 2035 General Plan with project consists of Year 2035 General Plan traffic conditions with the addition of project traffic and the adjustments to traffic volumes associated with the Depot Street realignment project.

Methodology

This section presents the methods used to determine the traffic conditions for each scenario described above. It includes descriptions of the data requirements, the analysis methodologies, and the applicable level of service standards.

Data Requirements

The data required for the analysis were obtained from new peak hour intersection turn-movement counts, previous traffic studies, the City of Morgan Hill, and field observations. The following data were collected from these sources:

- existing traffic volumes
- lane configurations
- signal timing and phasing (signalized intersections)
- average speeds on freeway segments
- Year 2035 traffic forecasts

Analysis Methodologies and Level of Service Standards

Traffic conditions at the study intersections were evaluated using level of service (LOS). *Level of Service* is a qualitative description of operating conditions ranging from LOS A, or free-flow conditions with little or no delay, to LOS F, or jammed conditions with excessive delays. The analysis methods are described below.

Signalized Intersections

Signalized study intersections are subject to the City of Morgan Hill level of service standards. The City of Morgan Hill level of service methodology is TRAFFIX, which is based on the 2000 *Highway Capacity Manual* (HCM) method for signalized intersections. TRAFFIX evaluates signalized intersections operations based on average control delay time for all vehicles at the intersection. Since TRAFFIX is also the CMP-designated intersections level of service methodology, the City of Morgan Hill methodology employs the CMP defaults values for the analysis parameters, which include adjusted saturation flow rates to reflect conditions in Santa Clara County.

In accordance with the adopted threshold of significance described in the City of Morgan Hill's Guidelines for Preparation of Transportation Impact Reports, , dated February 2010, all intersections within the City of Morgan Hill are required to meet the City's LOS standard of LOS D, with the exception of the following:

- **LOS F** for Downtown intersections and segments including at Main Avenue/Monterey Road, along Monterey Road between Main Avenue and Fifth Street, and along Depot Street at First Street through Fifth Street;
- **LOS E** for the following intersections and freeway zones:
 - Main Avenue and Del Monte Avenue
 - Main Avenue and Depot Street
 - Dunne Avenue and Del Monte Avenue
 - Dunne Avenue and Monterey Avenue
 - Dunne Avenue and Church Street
 - Dunne Avenue and Depot Street
 - Cochrane Road and Monterey Road
 - Tennant Avenue and Monterey Road
 - Tennant Avenue and Butterfield Boulevard
 - Cochrane Road Freeway Zone: from Madrone Parkway/Cochrane Plaza to Cochrane Road/DePaul Drive
 - Dunne Avenue Freeway Zone: from Walnut Grove Drive/East Dunne Avenue to Condit Road/East Dunne Avenue
 - Tennant Avenue Freeway Zone: from Butterfield Boulevard/Tennant Avenue to Condit Road/Tennant Avenue

Six of the study intersections (two signalized intersections) are located within the Downtown Core area and have a LOS E or F standard. The intersection of Butterfield Boulevard and Dunne Avenue (study intersection #4) has a LOS D standard.

The correlation between average delay and level of service for signalized intersections is shown in Table 1.

Unsignalized Intersections

The methodology used to determine the level of service for unsignalized intersections is also TRAFFIX and the 2000 HCM methodology for unsignalized intersection analysis. This method is applicable for both two-way and all-way stop-controlled intersections. For the analysis of stop-controlled intersections, the 2000 HCM methodology evaluates intersection operations on the basis of average control delay time for all vehicles on the stop-controlled approaches. For the purpose of reporting level of service for one- and two-way stop-controlled intersections, the delay and corresponding level of service for the stop-controlled minor street approach with the highest delay is reported. For all-way stop-controlled intersections, the reported average delay and corresponding level of service is the average for all approaches at the intersection.

The City uses a minimum acceptable level of service standard of LOS D for unsignalized intersections (with the exception of unsignalized intersections located within the Downtown area and freeway zones, as described previously), in accordance with its adopted threshold of significance described in its Guidelines for Preparation of Transportation Impact Reports. All four of the unsignalized study intersections are located within the Downtown Core area and have a level of service standard of LOS E or F.

Table 1
Signalized Intersection Level of Service Definitions Based on Control Delay

Level of Service	Description	Average Control Delay per Vehicle (sec.)
A	Operations with very low delay occurring with favorable progression and/or short cycle lengths.	up to 10.0
B	Operations with low delay occurring with good progression and/or short cycle lengths.	10.1 to 20.0
C	Operations with average delays resulting from fair progression and/or longer cycle lengths. Individual cycle failures begin to appear.	20.1 to 35.0
D	Operations with longer delays due to a combination of unfavorable progression, long cycle lengths, or high V/C ratios. Many vehicles stop and individual cycle failures are noticeable.	35.1 to 55.0
E	Operations with high delay values indicating poor progression, long cycle lengths, and high V/C ratios. Individual cycle failures are frequent occurrences. This is considered to be the limit of acceptable delay.	55.1 to 80.0
F	Operation with delays unacceptable to most drivers occurring due to oversaturation, poor progression, or very long cycle lengths.	Greater than 80.0

Sources: Transportation Research Board, *2000 Highway Capacity Manual. Traffic Level of Service Analysis Guidelines*, Santa Clara County Transportation Authority Congestion Management Program, June 2003.

The correlation between average delay and level of service for unsignalized intersections is shown in Table 2.

Signal Warrants

The level of service analysis at unsignalized intersections is supplemented with an assessment of the need for signalization of the intersection. The need for signalization of unsignalized intersections is assessed based on the Peak Hour Volume Warrant (Warrant 3) described in the *California Manual on Uniform Traffic Control Devices for Streets and Highways (CA MUTCD)*, Part 4, Highway Traffic Signals, 2014. This method makes no evaluation of intersection level of service, but simply provides an indication whether vehicular peak-hour traffic volumes are, or would be, sufficient to justify installation of a traffic signal. The decision to install a traffic signal should not be based purely on the warrants alone. Instead, the installation of a signal should be considered and further analysis performed when one or more of the warrants are met. Additionally, engineering judgment is exercised on a case-by-case basis to evaluate the effect a traffic signal will have on certain types of accidents and traffic conditions at the subject intersection as well as at adjacent intersections. Intersections that meet the peak hour warrant are subject to further analysis before determining that a traffic signal is necessary. Other

Table 2
Unsignalized Intersection Level of Service Definitions Based on Control Delay

Level of Service	Description	Average Control Delay per Vehicle (sec.)
A	Operations with very low delays occurring with favorable progression.	up to 10.0
B	Operations with low delays occurring with good progression.	10.1 to 15.0
C	Operations with average delays resulting from fair progression.	15.1 to 25.0
D	Operation with longer delays due to a combination of unfavorable progression of high V/C ratios.	25.1 to 35.0
E	Operation with high delay values indicating poor progression and high V/C ratios. This is considered to be the limited of acceptable delay.	35.1 to 50.0
F	Operation with delays unacceptable to most drivers occurring due to oversaturation and poor progression.	Greater than 50.0

Source: Transportation Research Board, 2000 Highway Capacity Manual, (Washington, D.C., 2000).

options such as traffic control devices, signage, or geometric changes may be preferable based on existing field conditions.

Freeway Segments

As prescribed in the CMP technical guidelines, the level of service for freeway segments is estimated based on vehicle density. Density is calculated by the following formula:

$$D = V / (N \cdot S)$$

Where:

D= density, in vehicles per mile per lane (vpmpl)

V= peak hour volume, in vehicles per hour (vph)

N= number of travel lanes

S= average travel speed, in miles per hour (mph) The vehicle density on a segment is correlated to level of service as shown in Table 3. The CMP specifies that a capacity of 2,300 vehicles per hour per lane (vphpl) be used for mixed-flow lane segments that are three lanes or wider in one direction, and a capacity of 2,200 vphpl be used for mixed-flow lane segments that are two lanes wide in one direction. A capacity of 1,650 vphpl was used for high occupancy vehicle (HOV) lanes. The CMP defines an acceptable level of service for freeway segments as LOS E or better.

Table 3
Freeway Level of Service Definitions Based on Density

Level of Service	Description	Density (vehicles/mile/lane)
A	Average operating speeds at the free-flow speed generally prevail. Vehicles are almost completely unimpeded in their ability to maneuver within the traffic stream.	0-11
B	Speeds at the free-flow speed are generally maintained. The ability to maneuver within the traffic stream is only slightly restricted, and the general level of physical and psychological comfort provided to drivers is still high.	>11-18
C	Speeds at or near the free-flow speed of the freeway prevail. Freedom to maneuver within the traffic stream is noticeably restricted, and lane changes require more vigilance on the part of the driver.	>18-26
D	Speeds begin to decline slightly with increased flows at this level. Freedom to maneuver within the traffic stream is more noticeably limited, and the driver experiences reduced physical and psychological comfort levels.	>26-46
E	At this level, the freeway operates at or near capacity. Operations in this level are volatile, because there are virtually no usable gaps in the traffic stream, leaving little room to maneuver within the traffic stream.	>46-58
F	Vehicular flow breakdowns occur. Large queues form behind breakdown points.	>58

Sources: Transportation Research Board, *2000 Highway Capacity Manual. Traffic Level of Service Analysis Guidelines*, Santa Clara County Transportation Authority Congestion Management Program, June 2003.

Report Organization

The remainder of this report is divided into five chapters. Chapter 2 describes existing conditions in terms of the existing roadway network, transit service, and existing bicycle and pedestrian facilities. Chapter 3 presents the project impact on the transportation system and describes the recommended mitigation measures under existing plus project conditions. Chapter 4 presents the analysis of other transportation related issues, including site access. Chapter 5 presents the traffic conditions in the study area under Year 2035 General Plan conditions without and with the addition of project traffic. Chapter 6 presents the conclusions of the traffic impact analysis.

2. Existing Conditions

This chapter describes the existing conditions for all of the major transportation facilities in the vicinity of the site, including the roadway network, transit service, and bicycle and pedestrian facilities.

Existing Roadway Network

Regional access to the project site is provided via US 101. Local access to the site is provided by Monterey Road, Butterfield Boulevard, Main Avenue, Fifth Street, Dunne Avenue, Church Street, and Depot Street. These facilities are described below.

US 101 is a north-south freeway extending northward to San Francisco and southward through Gilroy. US 101 is an eight-lane freeway (three mixed-flow lanes and one high-occupancy vehicle (HOV) lane in each direction) north of Cochrane Road. South of Cochrane Road, it is a six-lane freeway with no HOV lanes. Access to the project site would be provided via a full interchange at Dunne Avenue.

Monterey Road is a four-lane north-south divided major arterial that runs directly through Morgan Hill. Monterey Road extends from Market Street, in downtown San Jose, to US 101 south of the City of Gilroy. Monterey Road runs west of the project site with posted speed limits ranging from 25 miles per hour (mph) to 35 mph in the project vicinity. The segment of Monterey Road between Main Avenue and Dunne Avenue is designated as a bike route (Class III facility), while the segments of Monterey Road north of Main Avenue and south of Dunne Avenue currently provide bike lanes (Class II) along both sides of the street.

Butterfield Boulevard is a north-south four-lane divided arterial roadway that runs south from Cochrane Road to its intersection with Watsonville Road/Monterey Road. Butterfield Boulevard has a posted speed limit of 45 mph. Along with Monterey Road, Butterfield Boulevard serves as a primary north-south route within the City of Morgan Hill. Butterfield Boulevard is planned to be extended north of Cochrane Road as a two-lane arterial to connect to Madrone Parkway. Bike lanes are currently provided along the entire length of Butterfield Boulevard. Butterfield Boulevard would provide access to the project site via Dunne Avenue and Main Avenue.

Main Avenue is an east-west roadway that extends from the foothills west of Dewitt Avenue over US 101 to Cochrane Road on the east part of Morgan Hill. Main Avenue is mainly a two-lane roadway, with segments that include a center two-way left-turn lane. West of Butterfield Boulevard, Main Avenue has a posted speed limit of 30 mph while east of Butterfield Boulevard, it has a posted speed limit of 40 mph. Bike lanes are found along both sides of Main Avenue. Main Avenue would provide access to the project site via Depot Street.

Fifth Street is an east-west two-lane undivided roadway that extends from Depot Street westward to west of Monterey Road, where it transitions to Del Monte Avenue. The entire length of Fifth Street is approximately one quarter of a mile long, and it provides direct access to various businesses and single family residential units that lined the street. Although no speed limit signs are posted along Fifth Street, it can be assumed that the speed limit along Fifth Street ranges between 25 and 30 mph, similar to the adjacent streets. Fifth Street would provide direct access to the project site via its intersection with Depot Street.

Dunne Avenue is an east-west four-lane major arterial, with the exception of the two-lane arterial segment between Del Monte Avenue and Peak Avenue. Dunne Avenue transverses the City extending from the east part of town to the west with a posted speed limit of 35 to 40 mph. Bike lanes are found along both side of Dunne Avenue between Peak Avenue and Gallop Drive (east of US 101). Dunne Avenue would provide access to the project site via its new proposed intersection with Depot Street.

Church Street is a north-south two-lane undivided roadway that extends between Dunne Avenue and Tennant Avenue parallel to and east of Monterey Road. In the vicinity of the project site, Church Street has a posted speed limit of 30 mph. With the proposed Depot Street realignment, Church Street would continue north of Dunne Avenue as Depot Street, providing direct access to the project site.

Depot Street is a north-south two-lane undivided roadway that extends between Main Avenue and Dunne Avenue, forming at T-intersection with both streets. Depot Street has a posted speed limit of 30 mph. With the proposed Depot Street realignment, the existing T-intersection of Depot Street with Dunne Avenue would be abandoned and Depot Street would be shifted westward approximately 200 feet to become the north leg of the existing T-intersection of Church Street and Dunne Avenue. Depot Street would provide direct access to the project site via two driveways.

Existing Bicycle and Pedestrian Facilities

As defined by the Valley Transportation Authority (VTA), bicycle facilities include Class I bikeways (defined as bike paths off street, which is shared with pedestrians and excludes general motor vehicle traffic), Class II bikeways (defined as striped bike lanes on street), and rated streets. The latter refers to streets frequently used by bicyclists, sharing the roadway with motor vehicles, and includes city designated Class III bike routes. Rated streets include extreme caution (heavy traffic volumes with high traffic speeds), alert (moderate traffic volumes and speeds), and moderate (low traffic volumes and moderate to low traffic speeds). Class III bikeways only have signs to help guide bicyclists on recommended routes to certain locations.

Bike lanes are currently provided along various roadways within the project study area, some of which serve the project site directly. Class II Bike lanes are currently provided along the following roadways:

- Depot Street, between Main Avenue and Fifth Street;
- Butterfield Boulevard, along its entire length;
- Monterey Road, nearly its entire length within City of Morgan Hill limits, with the exception of the segment that runs through downtown between Dunne Avenue and Main Avenue;
- Main Avenue, from Peak Avenue to east of US 101;
- Dunne Avenue, from Peak Avenue to east of Hill Road.

Other bicycle facilities in the project vicinity include the following:

- A bike route (Class III) on Monterey Road, between Dunne Avenue and Main Avenue;
- A paved bike path (Class I) on the east side of Butterfield Boulevard, between San Pedro Avenue and Central Avenue.

The existing bicycle facilities in the study area are presented graphically on Figure 3.

Pedestrian facilities in the study areas consist primarily of sidewalks, pedestrian push buttons and signal heads at intersections. All of the signalized intersections in the vicinity of the project site have marked crosswalks and pedestrian push buttons and signal heads.

Sidewalks are provided along at least one of the sides of the following roadways in the vicinity of the project site:

Dunne Avenue – sidewalks are provided along both sides of the street between Peak Avenue and Condit Road.

Butterfield Boulevard – sidewalks and a bicycle/pedestrian pathway are provided along both sides of the street along most of Butterfield Boulevard, with the exception of segment between Jarvis Drive (North and South) where sidewalks are provided along the east side of the street only and south of San Pedro Avenue where sidewalks are found along the west side of the street only.

Monterey Road – sidewalks are found along both sides of the street in the project vicinity.

Main Street – sidewalks are found along both sides of the street between Dewitt Avenue and just west of the US 101 overcrossing.

Fifth Street – sidewalks are found along both sides of the street between Depot Street and west of Monterey Road.

Depot Street – sidewalks are provided along both sides of the street with the exception of the project site frontage.

Existing Transit Service

Existing transit service to the study area is provided by the VTA, the Monterey-Salinas Transit (MST), and Caltrain. The Morgan Hill Caltrain Station is located on the east side of Depot Street, immediately north of the project site, and provides a connection to most transit lines serving Morgan Hill. The transit services are described below and shown on Figure 4.

Community Bus Route 16 operates on Main Avenue in the study area. It runs from Burnett Avenue to the Civic Center (Main and Dewitt) in Morgan Hill with approximately 60-minute headways in the AM and PM peak hours. Route 16 operates between 6:30 AM and 6:00 PM. The nearest Route 16 stops to the project site are located on Main Avenue between Monterey Road and Butterfield Boulevard.

Local Route 68 operates on Monterey Road and Hale Avenue on its route between the Gilroy Transit Center and the Diridon Transit Center in San Jose with 15-20 minute headways on weekdays in the AM and PM peak hours. Route 68 operates between 4:00 AM and 1:30 AM. The nearest Route 68 stops to the project site are located near the Monterey Road/Dunne Avenue intersection.

Express Route 121 operates on Butterfield Boulevard and Monterey Road on its route between the Gilroy Transit Center and the Lockheed Martin Transit Center. It operates northbound with 15 to 30-minute headways during the AM peak hour and southbound with 15 to 30-minute headways during the PM peak hour. The nearest Route 121 stop to the project site is at the Morgan Hill Caltrain Station.

Express Route 168 operates on Butterfield Boulevard and Monterey Road on its route between the Gilroy Transit Center and the San Jose Diridon Transit Center. It operates northbound with 30-minute headways during the AM peak hour and southbound with 30-minute headways during the PM peak hour. The nearest Route 168 stop to the project site is at the Morgan Hill Caltrain Station.



Figure 3
Existing Bicycle Facilities

Attachment: Hale Lumber Mixed-Use Development TIA (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

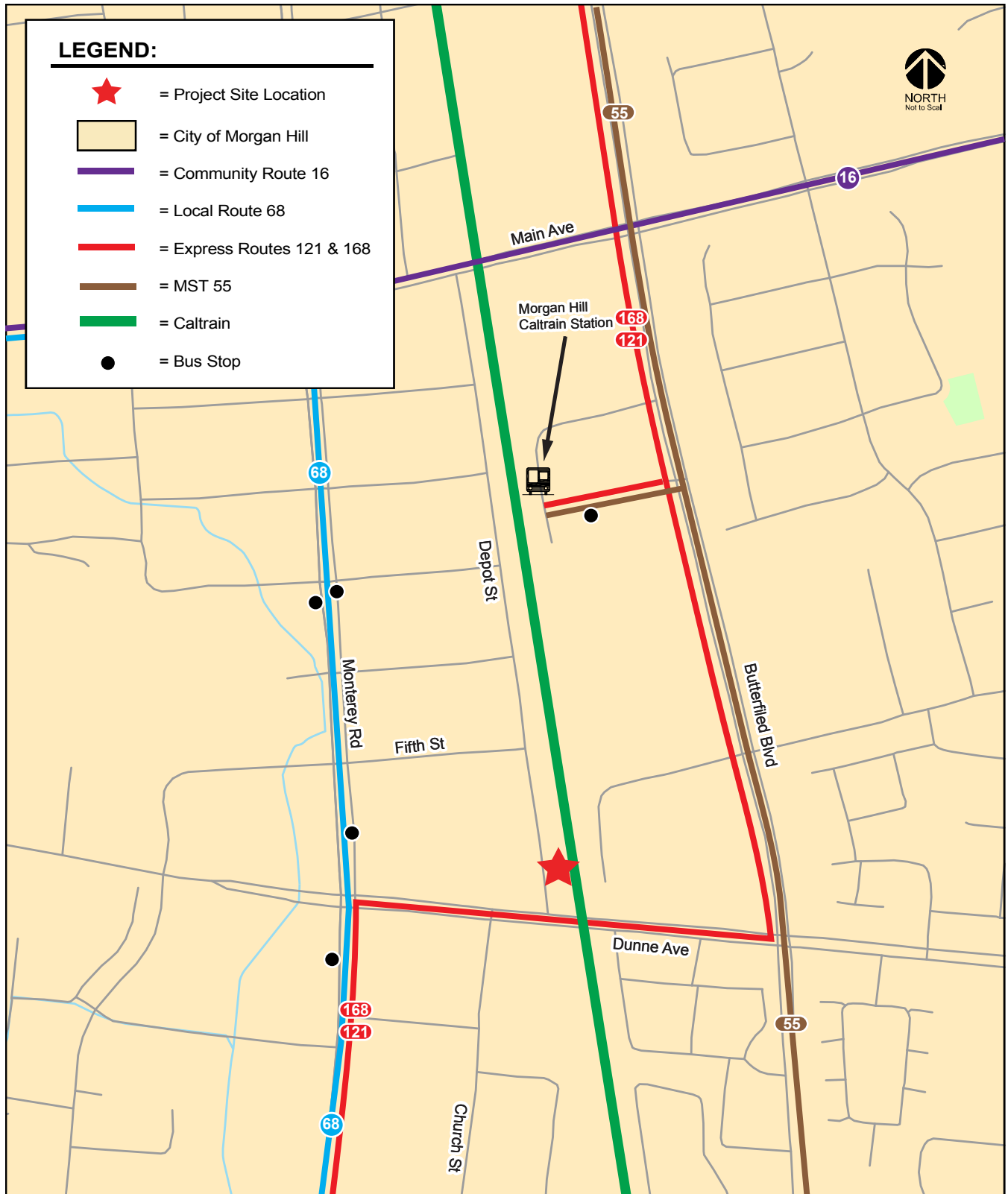


Figure 4
Existing Transit Services

Attachment: Hale Lumber Mixed-Use Development TIA (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

The Monterey Salinas Transit (**MST 55**) provides service between Monterey and the San Jose Diridon Station with three daily trips (one during the morning, one midday, and one in the evening). The MST 55 line has scheduled stops at the Morgan Hill Caltrain Station.

Commuter rail service between San Francisco and Gilroy is provided by Caltrain. The Morgan Hill Caltrain Station is located north of the project site, with main access and parking off of Butterfield Boulevard. At the Morgan Hill Station, Caltrain provides service with approximately 30- to 40-minute headways during commute hours.

Existing Intersection Lane Configurations

The existing lane configurations at the study intersections were determined by observations in the field and are shown on Figure 5.

Existing Traffic Volumes

Existing peak-hour traffic volumes were obtained new manual turning-movement counts conducted on June 6, 2018 at all of the study intersections. The existing peak-hour intersection volumes are shown on Figure 6. The intersection turning-movement counts are presented in Appendix A.

Existing Intersection Levels of Service

The results of the level of service analysis under existing conditions are summarized in Table 4. The results show that, measured against the City of Morgan Hill level of service standards, all the study intersections currently operate at an acceptable level of service under existing conditions during each of the peak hours analyzed.

In addition, all unsignalized study intersections currently have traffic conditions that fall below the thresholds that warrant signalization. The level of service calculation sheets are included in Appendix C. The peak-hour signal warrant sheets are contained in Appendix D.

Existing Freeway Segment Levels of Service

Traffic volumes for the subject freeway segments were obtained from the 2016 CMP Annual Monitoring Report. The results of the analysis are summarized in Table 5. The results show that the mixed-flow lanes on the following four directional study freeway segments plus one directional HOV lane segment analyzed currently operate at an unacceptable LOS F during at least one peak-hour of traffic:

Mixed-Flow Freeway Segment Unacceptable LOS F

- 2. US 101, Northbound from San Martin Avenue to Tennant Avenue (AM Peak Hour)
- 3. US 101, Northbound from Tennant Avenue to East Dunne Avenue (AM Peak Hour)
- 11. US 101, Southbound from Sheller Avenue to Burnett Avenue (Lane Drop) (PM Peak Hour)
- 12. US 101, Southbound from Burnett Avenue (Lane Drop) to Cochrane Road (PM Peak Hour)

HOV Freeway Segment Unacceptable LOS F

- 11. US 101, Southbound from Sheller Avenue to Burnett Avenue (Lane Drop) (PM Peak Hour)

All other freeway segments analyzed operate at LOS E or better conditions during the AM and PM peak hours.

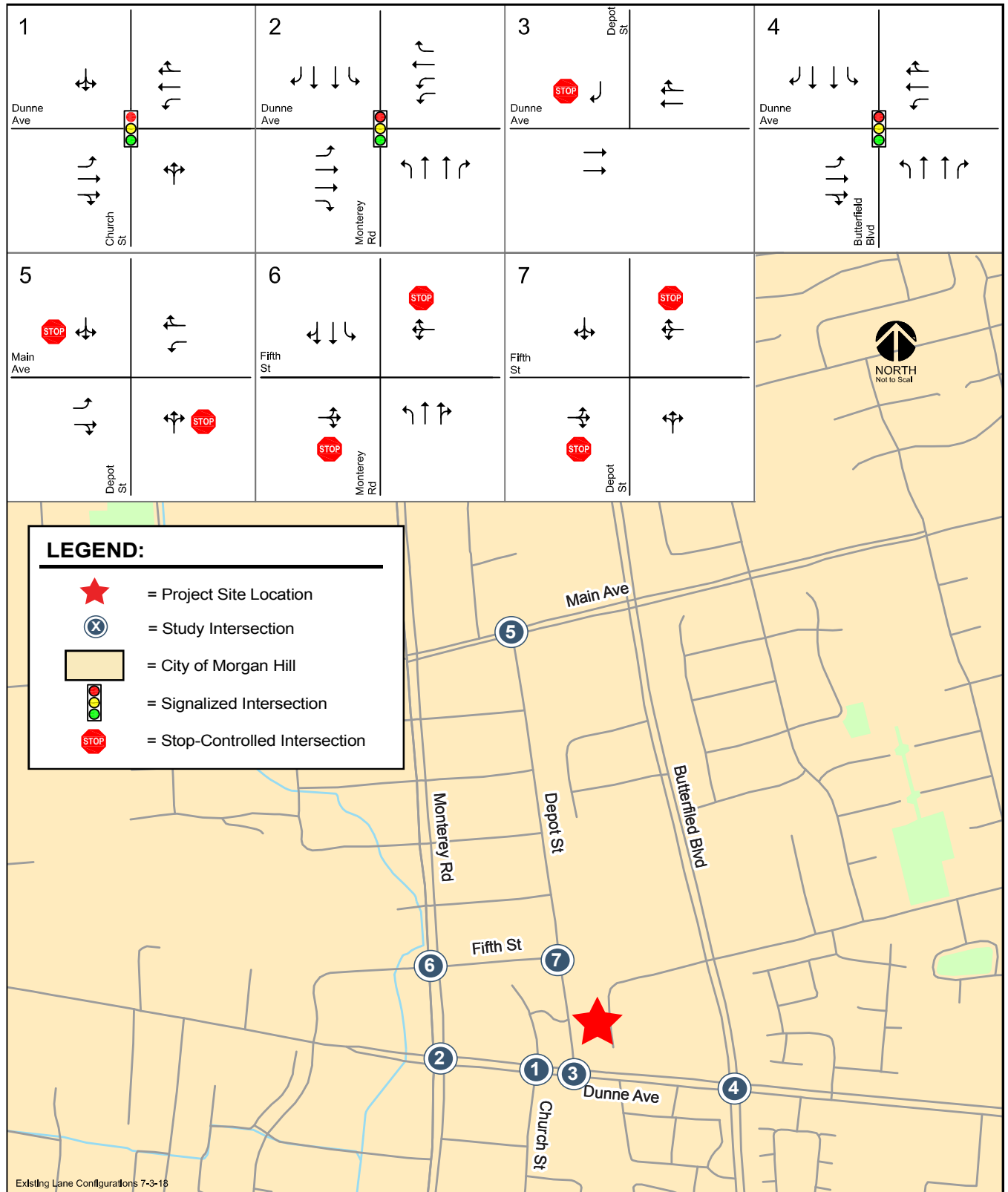


Figure 5
Existing Lane Configurations

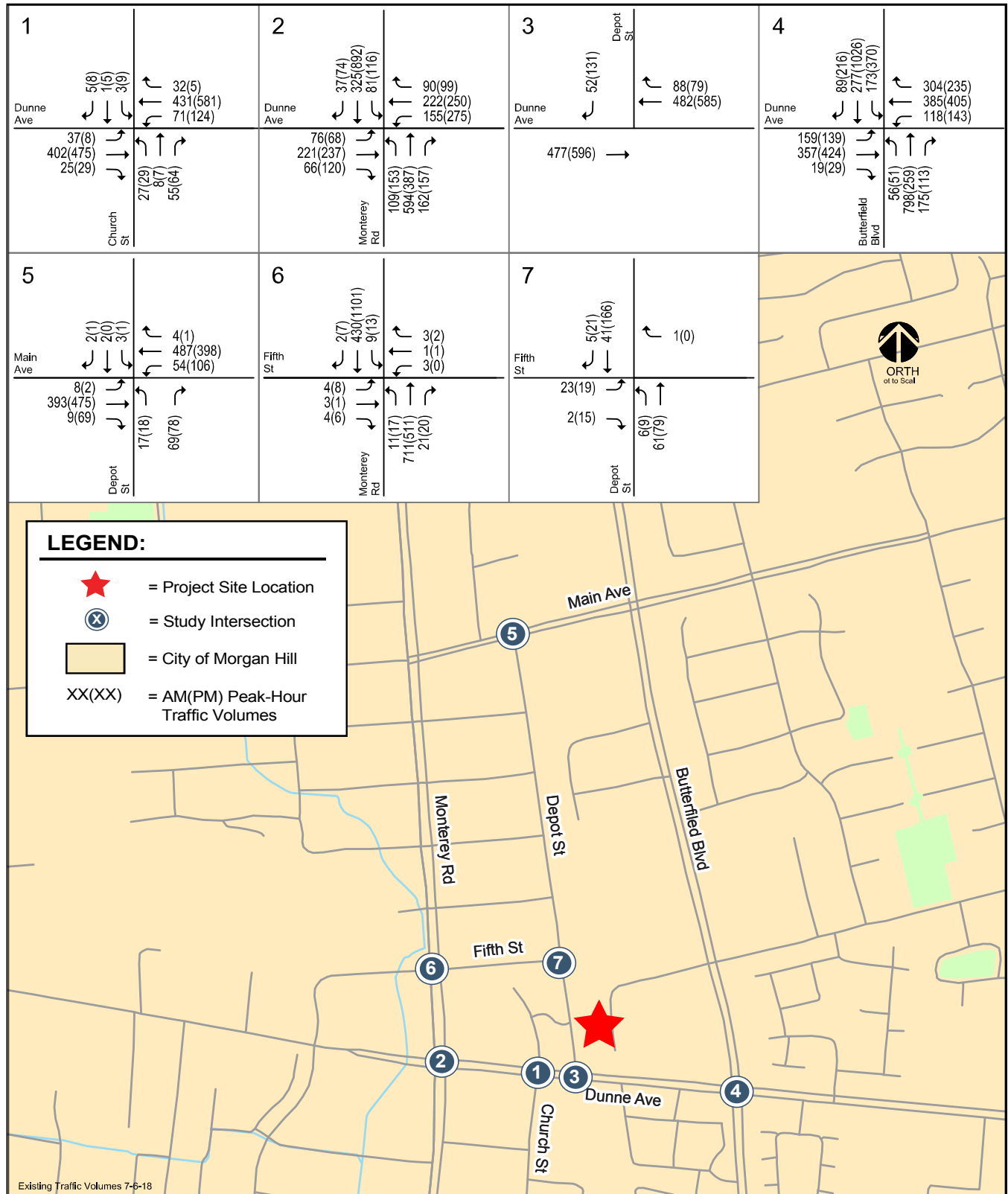


Figure 6
Existing Traffic Volumes

Table 4
Existing Intersection Levels of Service

Int. #	Intersection	Intersection Control	LOS Standard	Peak Hour	Count Date	Existing Delay ¹	LOS
1	Church Street and Dunne Avenue	Signal	E	AM PM	06/06/18 06/06/18	17.8 19.9	B B
2	Monterey Road and Dunne Avenue	Signal	E	AM PM	06/06/18 06/06/18	29.6 30.7	C C
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM PM	06/06/18 06/06/18	10.4 11.7	B B
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM PM	06/06/18 06/06/18	37.7 34.9	D C
5	Depot Street and Main Avenue	Two-Way Stop	E	AM PM	06/06/18 06/06/18	20.3 21.0	C C
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM PM	06/06/18 06/06/18	18.2 34.1	C D
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM PM	06/06/18 06/06/18	9.2 9.8	A A

¹The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.

Table 5
Existing Freeway Segment Levels of Service

#	Freeway Segment	Direction	Peak Hour	Mixed-Flow Lane					HOV Lane				
				Avg. Speed ¹	# of Lanes ¹	Volume ¹	Density ¹	LOS ¹	Avg. Speed ¹	# of Lanes ¹	Volume ¹	Density ¹	LOS ¹
1	US 101 from Masten Avenue to San Martin Avenue	NB	AM	66	3	4,760	24	C	--	--	--	--	--
		NB	PM	67	3	3,200	16	B	--	--	--	--	--
2	US 101 from San Martin Avenue to Tennant Avenue	NB	AM	20	3	4,980	83	F	--	--	--	--	--
		NB	PM	67	3	3,400	17	B	--	--	--	--	--
3	US 101 from Tennant Avenue to East Dunne Avenue	NB	AM	16	3	4,420	92	F	--	--	--	--	--
		NB	PM	66	3	4,360	22	C	--	--	--	--	--
4	US 101 from East Dunne Avenue to Cochrane Road	NB	AM	41	3	6,280	51	E	--	--	--	--	--
		NB	PM	66	3	3,770	19	C	--	--	--	--	--
5	US 101 from Cochrane Road to Burnett Avenue (Lane Drop)	NB	AM	64	3	6,150	32	D	66	1	1,520	23	C
		NB	PM	66	3	4,560	23	C	70	1	840	12	B
6	US 101 from Burnett Avenue (Lane Drop) to Sheller Avenue	NB	AM	65	3	6,050	31	D	62	1	2,170	35	D
		NB	PM	43	3	6,330	49	E	70	1	840	12	B
7	US 101 from Sheller Avenue to Lane Drop (SB)	NB	AM	66	3	5,310	27	D	65	1	1,950	30	D
		NB	PM	66	3	3,770	19	C	70	1	1,050	15	B
8	US 101 from Lane Drop (SB) to SR 85	NB	AM	66	3	4,560	23	C	67	1	1,140	17	B
		NB	PM	67	3	3,600	18	B	70	1	490	7	A
9	US 101 from SR 85 to Lane Drop (SB)	SB	AM	67	4	3,990	15	B	67	1	540	8	A
		SB	PM	66	4	5,020	19	C	70	1	1,470	21	C
10	US 101 from Lane Drop (SB) to Sheller Avenue	SB	AM	67	3	3,400	17	B	67	1	810	12	B
		SB	PM	48	3	6,480	45	D	50	1	2,400	48	E
11	US 101 from Sheller Avenue to Burnett Avenue (Lane Drop)	SB	AM	67	3	3,200	16	B	67	1	540	8	A
		SB	PM	30	3	5,760	64	F	40	1	2,440	61	F
12	US 101 from Burnett Avenue (Lane Drop) to Cochrane Road	SB	AM	67	3	3,400	17	B	--	--	--	--	--
		SB	PM	19	3	4,790	84	F	--	--	--	--	--
13	US 101 from Cochrane Road to East Dunne Avenue	SB	AM	67	3	3,000	15	B	--	--	--	--	--
		SB	PM	42	3	6,300	50	E	--	--	--	--	--
14	US 101 from East Dunne Avenue to Tennant Avenue	SB	AM	67	3	3,600	18	B	--	--	--	--	--
		SB	PM	42	3	6,300	50	E	--	--	--	--	--
15	US 101 from Tennant Avenue to San Martin Avenue	SB	AM	67	3	2,800	14	B	--	--	--	--	--
		SB	PM	36	3	6,160	57	E	--	--	--	--	--
16	US 101 from San Martin Avenue to Masten Avenue	SB	AM	67	3	2,600	13	B	--	--	--	--	--
		SB	PM	47	3	6,490	46	D	--	--	--	--	--

¹ Source: Santa Clara Valley Transportation Authority Congestion Management Program Monitoring Study, 2016.
 Bold indicates unacceptable LOS.

3.

Existing Plus Project Conditions

This chapter describes existing plus project traffic conditions, significant project impacts, and measures that are recommended to mitigate project impacts. Included are descriptions of the significance criteria that define an impact, estimates of project-generated traffic, identification of the impacts, and descriptions of the mitigation measures. Existing plus project conditions are represented by existing traffic conditions with the addition of traffic generated by the proposed project.

Significant Impact Criteria

Significance criteria are used to establish what constitutes an impact. Significance criteria for impacts on intersections and freeway segments for this analysis are based on the City of Morgan Hill and CMP Level of Service standards and impact criteria.

Definition of Significant Signalized Intersection Impacts

All intersections within the City of Morgan Hill are required to meet the City's LOS standard of LOS D, with the exception of the following:

- **LOS F** for Downtown intersections and segments including at Main/Monterey, along Monterey Road between Main and Fifth Street, and along Depot Street at First through Fifth Street;
- **LOS E** for the following intersections and freeway zones:
 - Main Avenue and Del Monte Avenue
 - Main Avenue and Depot Street
 - Dunne Avenue and Del Monte Avenue
 - Dunne Avenue and Monterey Avenue
 - Dunne Avenue and Church Street;
 - Dunne Avenue and Depot Street
 - Cochrane Road and Monterey Road
 - Tennant Avenue and Monterey Road
 - Tennant Avenue and Butterfield Boulevard
 - Cochrane Road Freeway Zone: from Madrone Parkway/Cochrane Plaza to Cochrane Road/DePaul Drive
 - Dunne Avenue Freeway Zone: from Walnut Grove Drive/East Dunne Avenue to Condit Road/East Dunne Avenue
 - Tennant Avenue Freeway Zone: from Butterfield Boulevard/Tennant Avenue to Condit Road/Tennant Avenue

Two of the three signalized study intersections are located within the Downtown Core area and have a LOS E standard. The intersection of Butterfield Boulevard and Dunne Avenue (study intersection #4) has a LOS D standard.

According to the City of Morgan Hill level of service significant impact thresholds, a development is said to create a significant adverse impact on traffic conditions at a signalized intersection if for either peak hour:

1. The level of service at the intersection degrades from an acceptable level (LOS D or LOS E as identified above) under existing conditions to an unacceptable level (LOS E or F) under project conditions, or
2. The level of service at the intersection is an unacceptable level (LOS E or F as identified above) under existing conditions and the addition of project trips causes the average critical delay to increase by four (4) or more seconds *and* the volume-to-capacity ratio (V/C) to increase by 0.01.

An exception to this rule applies when the addition of project traffic reduces the amount of average delay for critical movements (i.e., the change in average delay for critical movements is negative). In this case, the threshold of significance is an increase in the critical V/C value by 0.01 or more.

Definition of Significant Unsignalized Intersection Impacts

Unsignalized intersections within the City of Morgan Hill have a minimum operating level of LOS D, with the exception of unsignalized intersections located within the Downtown area and freeway zones, as identified above, which have a LOS E or F standard. All four of the unsignalized study intersections are located within the Downtown Core area and have a level of service standard of LOS E or F.

According to the City of Morgan Hill level of service significant impact thresholds, a development is said to have a significant adverse impact on traffic conditions at an unsignalized intersection if for either peak hour the intersection (for all-way stop control) or the worst approach (for one- and two-way stop control) delay corresponds to an unacceptable LOS E or F *and* the traffic volumes at the intersection are sufficiently high to satisfy the peak hour volume warrant. For unsignalized intersections with a LOS F standard, a significant impact would occur when the traffic volumes at the intersection are sufficiently high to satisfy the peak hour volume warrant.

CMP Definition of Significant Freeway Segment Impacts

A project is said to create a significant adverse impact on traffic conditions on a CMP freeway segment if for either peak hour:

1. The level of service on the freeway segment is an unacceptable LOS F under no project conditions, and the number of project trips on that segment constitutes at least one percent of capacity on that segment.
2. The level of service on the freeway segment degrades from an acceptable LOS E or better under existing conditions to an unacceptable LOS F under project conditions.

A significant impact by CMP standards is said to be satisfactorily mitigated when measures are implemented that would restore freeway conditions to LOS E or better.

Project Description

The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 housing units (40 townhome units and 8 condominium units) and 3,150 square feet (s.f.) of office space. The town home units would be three stories high, each with a two-car garage. The condominium units will be located on the second and third floor of the mixed-use building, with the proposed office space located on the first floor. Parking for the condominium units would be located adjacent to the mixed-use building.

In addition to the development of the project site, the realignment of Depot Street, between Fifth Street and Dunne Avenue, also is being proposed. The proposed realignment would shift the south end of Depot Street westward to form the north leg of the Church Street and Dunne Avenue intersection. The Depot Street realignment would be constructed concurrently with the proposed development, and is assumed in place for the evaluation of the project.

Transportation Network under Existing Plus Project Conditions

It is assumed in this analysis that the roadway network and intersection configurations under existing plus project conditions would be the same as described under existing conditions with the exception of the following improvements that would be constructed as part of the project:

Depot Street Realignment. The realignment of Depot Street is being proposed as part of the project. Per the current City of Morgan Hill General Plan, Depot Street is planned to be realigned between Fifth Street and Dunne Avenue, shifting the south end of this roadway westward to form the north leg of the Church Street and Dunne Avenue intersection (currently the north leg of this intersection is the driveway providing access to the Morgan Hill Community and Cultural Center). The realignment would begin approximately 250 feet north of Dunne Avenue (at the existing Community and Cultural Center driveway on Depot Street), with a 90-degree bend on the roadway westward into the Center's parking lot and a second almost immediate 90-degree bend southward to connect to the Church Street/Dunne Avenue intersection (see Figure 2). The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves, in addition to the proposed project, via its new full-access intersection at Church Street/Dunne Avenue. The Depot Street realignment would be constructed concurrently with the proposed development.

With the realignment and in conjunction with the proposed project, parallel on-street parking would be provided along the project site frontage and along most of the Community and Cultural Center's frontage on Depot Street. The site plan identifies an increase of 11 curb side parking spaces (from 19 to 30) along Depot Street with the proposed Depot Street realignment. The realignment would not affect the existing number of on-site parking spaces at the Community and Cultural Center since it would transverse its parking lot along existing drive aisles. With the realignment, however, the center's parking lot would be divided into two separate lots with two driveways along the realigned Depot Street providing access to the north parking lot and one driveway providing access to the south parking lot.

In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Depot Street/Dunne Avenue Intersection Abandonment. With the proposed Depot Street realignment, the southern end of Depot Street, approximately 250-foot long segment north of Dunne Avenue, and the intersection of Depot Street and Dunne Avenue, would be abandoned. The abandoned roadway segment would become part of the project site.

Project Trip Estimates

The magnitude of traffic produced by a new development and the locations where that traffic would appear are estimated using a three-step process: (1) trip generation, (2) trip distribution, and (3) trip assignment. In determining project trip generation, the magnitude of traffic entering and exiting the site is estimated for the AM and PM peak hours. As part of the project trip distribution step, an estimate is made of the directions to and from which the project trips would travel. In the project trip assignment step, the project trips are assigned to specific streets and intersections in the study area. These procedures are described further in the following sections.

Trip Generation

Through empirical research, data have been collected that correlate to common land uses their propensity for producing traffic. Thus, for the most common land uses there are standard trip generation rates that can be applied to help predict the future traffic increases that would result from a new development. Hexagon has prepared project trip estimates for the proposed project based on trip generation rates obtained from the Institute of Transportation Engineers' (ITE's) *Trip Generation Manual*, Tenth Edition, 2017. The proposed project consists of the development of 48 residential (40 townhome and 8 condominium) units and 3,150 s.f. of office space. As a conservative approach, trip generation rates for townhouse units were applied to all proposed 48 residential units.

Trip reductions were applied for the mixed-use components of the project and for its proximity to a major bus stop, as prescribed by the VTA Transportation Impact Analysis Guidelines (October 2014). The trip estimates for each of the proposed land use components of the project were reduced to account for internalization, or trips made between each of the proposed land uses. The reductions are based on the assumption that vehicle trips to each of the proposed land uses of the site would be reduced due to internalization of trips. The VTA recommends trip reductions of 3 percent (%) to account for the internalization between residential and employment land uses. The 3% reduction is based on the smaller trip generator and is applied to both land uses. Furthermore, the VTA recommends transit reductions of 9% and 6% to be applied to the trips estimated to be generated by residential and employment projects, respectively, that are located within a 2,000-foot walking distance of a transit facility. The proposed project site is located less than 2,000 feet from the Morgan Hill Caltrain Station.

Typically, trip credit for the existing uses on site is applied to the estimated trips for the proposed project since traffic generated by the existing uses would no longer access the project site once the proposed project is built. However, the project site is currently occupied by industrial uses, which generate minimal traffic during the peak hours. Therefore, as a conservative approach, trip credit for the existing uses on-site was not taken.

Based on the ITE trip generation rates and applicable VTA's trip reductions, it is estimated that the proposed project would generate a net new 320 daily trips, with 25 trips (8 inbound and 17 outbound) occurring during the AM peak-hour and 32 trips (19 inbound and 13 outbound) occurring during the PM peak-hour. The project trip generation estimates for the proposed project are presented in Table 6.

Table 6
Project Trip Generation Estimates

Land Use	ITE Land Use Code	Reduction %	Size	Daily		AM Peak Hour						PM Peak Hour					
				Rate	Trip	Rate	Split		Trip		Total	Rate	Split		Trip		Total
Multi-family Housing (Low-Rise)	220		48 Dwelling Units	6.709	322	0.495	23%	77%	6	18	24	0.640	63%	37%	20	11	31
<i>Housing & Employment¹</i>		3%			-1				0	0	0				0	0	0
<i>Housing near a Caltrain station²</i>		9%			-29				-1	-2	-3				-2	-1	-3
General Office Building	710		3,150 Square Feet	9.740	31	1.160	86%	14%	3	1	4	1.150	16%	84%	1	3	4
<i>Housing & Employment¹</i>		3%			-1				0	0	0				0	0	0
<i>Employment near a Caltrain station²</i>		6%			-2				0	0	0				0	0	0
Net Project Trips					320				8	17	25				19	13	32

Source: ITE Trip Generation Manual, 10th Edition 2017

¹As prescribed by the VTA Transportation Impact Analysis Guidelines (October 2014), the maximum trip reduction for a mixed-use development project with housing and employment components is equal to 3% off the smaller trip generator.

²As prescribed by the VTA Transportation Impact Analysis Guidelines (October 2014), the maximum trip reduction for housing and employment located within a 2,000-foot walking distance of a Caltrain station (Morgan Hill Caltrain Station) is equal to 9% for the housing and 6% for the employment components.

Trip Distribution

The trip distribution pattern for project-generated traffic was estimated based on existing travel patterns on the surrounding roadway system and on the locations of complementary land uses. The project trip distribution pattern is shown graphically on Figure 7.

Trip Assignment

The peak-hour trips associated with the proposed project were added to the transportation network in accordance with the distribution pattern discussed above. Figure 8 shows the assignment of project traffic on the local transportation network. A tabular summary of project traffic at each study intersection is contained in Appendix B.

Existing Plus Project Traffic Volumes

Project trips, as presented in the above project trip assignment, were added to existing traffic volumes to obtain existing plus project traffic volumes. In addition, a reassignment of existing traffic was conducted to account for the anticipated change in travel patterns in the immediate project area associated with the proposed Depot Street realignment.

Currently, access between Depot Street and Dunne Avenue is limited to right-turn access only. The Depot Street realignment would provide full-access to and from the Depot Street area via Dunne Avenue, resulting in the displacement of traffic between some of the surrounding intersections, in particular the intersections of Church Street/Dunne Avenue, Monterey Road/Dunne Avenue, Monterey Road/Fifth Street, and Depot Street/Fifth Street. Therefore, the reassignment of existing traffic due to the proposed Depot Street realignment and the proposed project trips were added to existing traffic volumes to obtain existing plus project traffic volumes.

The existing plus project traffic volumes are shown on Figure 9.

Existing Plus Project Intersection Analysis

The results of the level of service analysis under existing plus project conditions are summarized in Table 7. The results show that, measured against the City of Morgan Hill level of service standards, all the study intersections are projected to operate at acceptable levels of service under existing plus project conditions during each of the peak hours analyzed. Therefore, no study intersections would be significantly impacted by the project, according to City's level of service impact criteria.

In addition, all unsignalized study intersections are projected to have traffic conditions that fall below the thresholds that warrant signalization under existing plus project conditions. The level of service calculation sheets are included in Appendix C. The peak-hour signal warrant sheets are contained in Appendix D.

Freeway Segment Analysis

The results of the CMP freeway level of service analysis under existing plus project conditions are summarized in Table 8. Traffic volumes on the study freeway segments under existing plus project conditions were estimated by adding to the existing traffic volumes obtained from the 2016 CMP Annual Monitoring Report the estimated project trips on the freeway. The results show that the project would not cause an increase in traffic volumes of one percent or more of freeway capacity on any freeway

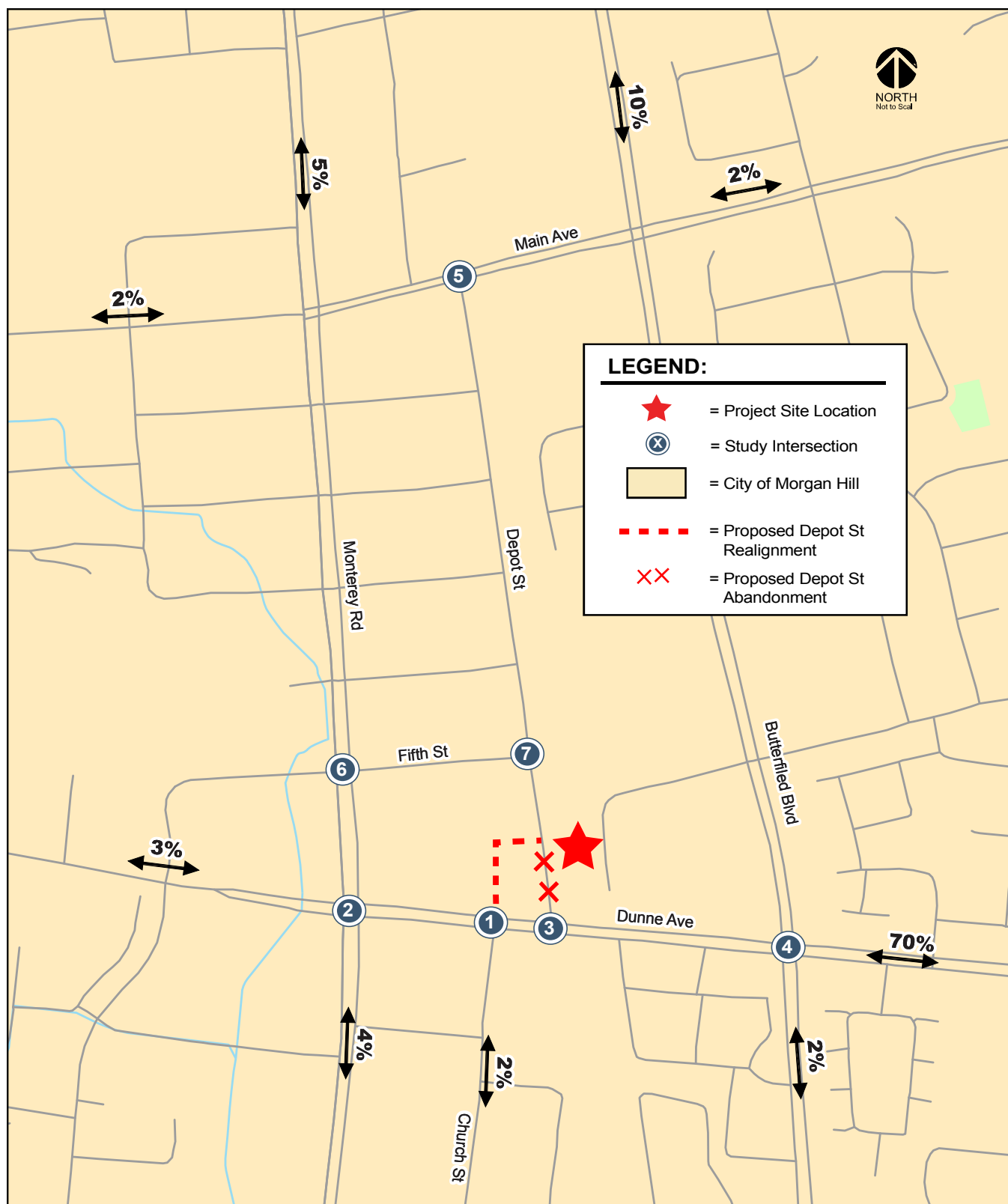


Figure 7
Project Trip Distribution

Attachment: Hale Lumber Mixed-Use Development TIA (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

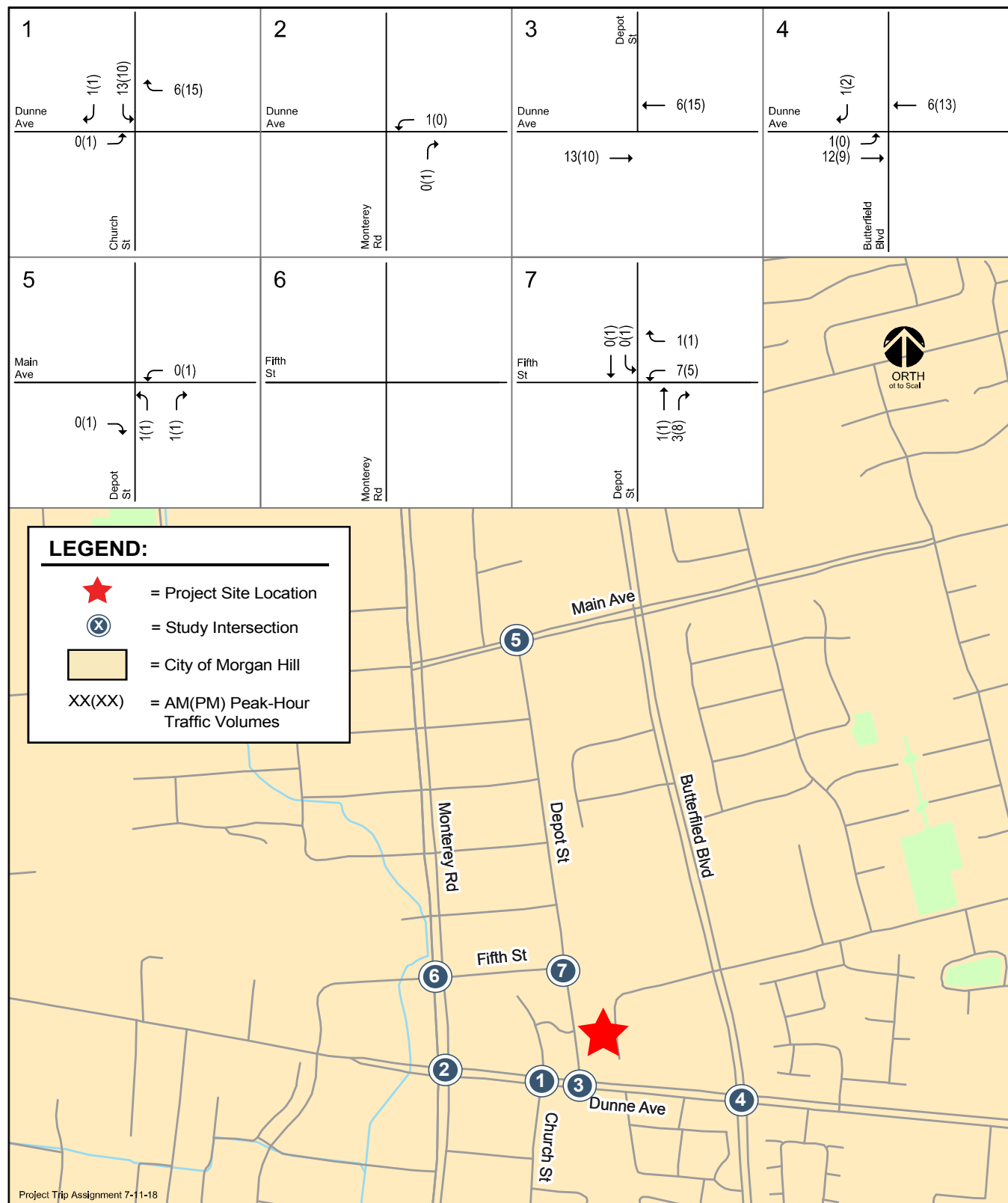


Figure 8
Project Trip Assignment

Attachment: Hale Lumber Mixed-Use Development TIA (1970 : General Plan Amendment / Zoning Amendment for Depot Street)

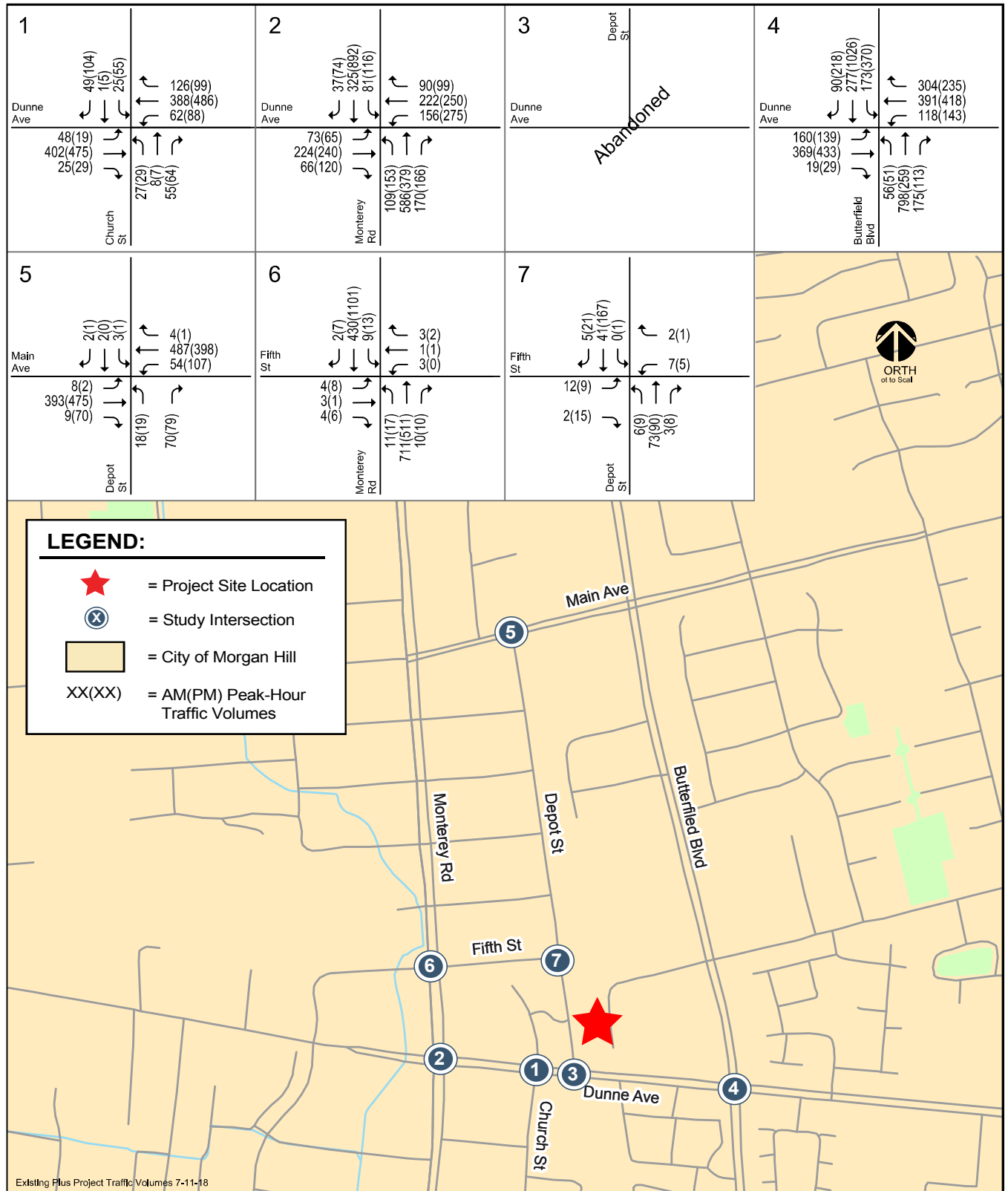


Figure 9
Existing Plus Project Traffic Volumes

Table 7
Existing Plus Project Intersection Levels of Service

Int. #	Intersection	Existing Intersection Control	LOS Standard	Peak Hour	Existing		Existing Plus Project			
					Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C
1	Church Street and Dunne Avenue	Signal	E	AM	17.8	B	17.7	B	0.1	0.060
				PM	19.9	B	24.7	C	6.2	0.101
2	Monterey Road and Dunne Avenue	Signal	E	AM	29.6	C	29.6	C	-0.1	-0.004
				PM	30.7	C	30.6	C	-0.1	
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM	10.4	B	<i>Intersection Abandoned</i>			
				PM	11.7	B				
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM	37.7	D	37.7	D	0.1	0.002
				PM	34.9	C	35.0	D	0.1	0.004
5	Depot Street and Main Avenue	Two-Way Stop	E	AM	20.3	C	20.4	C	N/A	N/A
				PM	21.0	C	21.1	C	N/A	N/A
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM	18.2	C	18.1	C	N/A	N/A
				PM	34.1	D	34.1	D	N/A	N/A
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM	9.2	A	9.2	A	N/A	N/A
				PM	9.8	A	10.3	B	N/A	N/A

¹The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.

segments currently operating at an unacceptable LOS F, nor would the addition of project traffic result in the degradation of LOS on any freeway segment currently operating at an acceptable LOS E to an unacceptable LOS F. Therefore, based on CMP impact criteria, the proposed project would not have a significant impact on freeways.

Table 8
Freeway Segment Levels of Service Summary

#	Freeway	Segment	Direction	Peak Hour	Existing Plus Project												Project Trip			
					Mixed-Flow Lane						HOV Lane						Mixed-Flow Lane		HOV Lane	
					Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Avg. Speed ¹	# of Lanes ¹	Capacity (vph)	Volume	Density	LOS	Volume	% of Capacity	Volume	% of Capacity
1	US 101	from Masten Avenue to San Martin Avenue	NB	AM	66	3	6,900	4,761	24	C	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,202	16	B	--	--	--	--	--	2	0.03	--	--	
2	US 101	from San Martin Avenue to Tennant Avenue	NB	AM	20	3	6,900	4,981	83	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	67	3	6,900	3,402	17	B	--	--	--	--	--	2	0.03	--	--	
3	US 101	from Tennant Avenue to East Dunne Avenue	NB	AM	16	3	6,900	4,421	92	F	--	--	--	--	--	1	0.01	--	--	
			NB	PM	66	3	6,900	4,362	22	C	--	--	--	--	--	2	0.03	--	--	
4	US 101	from East Dunne Avenue to Cochrane Road	NB	AM	41	3	6,900	6,290	51	E	--	--	--	--	--	10	0.14	--	--	
			NB	PM	66	3	6,900	3,778	19	C	--	--	--	--	--	8	0.12	--	--	
5	US 101	from Cochrane Road to Burnett Avenue (Lane Drop)	NB	AM	64	3	6,900	6,158	32	D	66	1	1,650	1,522	23	C	8	0.12	2	0.12
			NB	PM	66	3	6,900	4,567	23	C	70	1	1,650	841	12	B	7	0.10	1	0.06
6	US 101	from Burnett Avenue (Lane Drop) to Sheller Avenue	NB	AM	65	3	6,900	6,057	31	D	62	1	1,650	2,173	35	D	7	0.10	3	0.18
			NB	PM	43	3	6,900	6,337	49	E	70	1	1,650	841	12	B	7	0.10	1	0.06
7	US 101	from Sheller Avenue to Lane Drop (SB)	NB	AM	66	3	6,900	5,317	27	D	65	1	1,650	1,953	30	D	7	0.10	3	0.18
			NB	PM	66	3	6,900	3,776	19	C	70	1	1,650	1,052	15	B	6	0.09	2	0.12
8	US 101	from Lane Drop (SB) to SR 85	NB	AM	66	3	6,900	4,568	23	C	67	1	1,650	1,142	17	B	8	0.12	2	0.12
			NB	PM	67	3	6,900	3,607	18	B	70	1	1,650	491	7	A	7	0.10	1	0.06
9	US 101	from SR 85 to Lane Drop (SB)	SB	AM	67	4	9,200	3,994	15	B	67	1	1,650	541	8	A	4	0.04	1	0.06
			SB	PM	66	4	9,200	5,029	19	C	70	1	1,650	1,472	21	C	9	0.10	2	0.12
10	US 101	from Lane Drop (SB) to Sheller Avenue	SB	AM	67	3	6,900	3,404	17	B	67	1	1,650	811	12	B	4	0.06	1	0.06
			SB	PM	48	3	6,900	6,488	45	D	50	1	1,650	2,403	48	E	8	0.12	3	0.18
11	US 101	from Sheller Avenue to Burnett Avenue (Lane Drop)	SB	AM	67	3	6,900	3,204	16	B	67	1	1,650	541	8	A	4	0.06	1	0.06
			SB	PM	30	3	6,900	5,768	64	F	40	1	1,650	2,443	61	F	8	0.12	3	0.18
12	US 101	from Burnett Avenue (Lane Drop) to Cochrane Road	SB	AM	67	3	6,900	3,405	17	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	19	3	6,900	4,801	84	F	--	--	--	--	--	11	0.16	--	--	
13	US 101	from Cochrane Road to East Dunne Avenue	SB	AM	67	3	6,900	3,005	15	B	--	--	--	--	--	5	0.07	--	--	
			SB	PM	42	3	6,900	6,311	50	E	--	--	--	--	--	11	0.16	--	--	
14	US 101	from East Dunne Avenue to Tennant Avenue	SB	AM	67	3	6,900	3,602	18	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	42	3	6,900	6,301	50	E	--	--	--	--	--	1	0.01	--	--	
15	US 101	from Tennant Avenue to San Martin Avenue	SB	AM	67	3	6,900	2,802	14	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	36	3	6,900	6,161	57	E	--	--	--	--	--	1	0.01	--	--	
16	US 101	from San Martin Avenue to Masten Avenue	SB	AM	67	3	6,900	2,602	13	B	--	--	--	--	--	2	0.03	--	--	
			SB	PM	47	3	6,900	6,491	46	D	--	--	--	--	--	1	0.01	--	--	
¹ Source: Santa Clara Valley Transportation Authority Congestion Management Program Monitoring Study, 2016. Bold indicates unacceptable LOS. Boxed indicates significant impact.																				

4. Year 2035 General Plan Conditions

This chapter describes Year 2035 General Plan traffic conditions with and without the proposed project. General Plan conditions are comprised of forecasted traffic volumes and reflect estimated traffic growth in the City of Morgan Hill for the Year 2035. This chapter describes the procedure used to determine Year 2035 General Plan traffic volumes and the resulting traffic conditions.

Significant Impact Criteria

Significance criteria for impacts on intersections are based on the City of Morgan Hill Level of Service standards and impact criteria, and is described in the previous chapter.

Year 2035 General Plan Land Use and Traffic Forecasts

Year 2035 General Plan traffic volumes were developed based on traffic forecasts produced for the City of Morgan Hill 2035 General Plan using the City's Traffic Demand Forecasting (TDF) model. The Year 2035 General Plan traffic forecasts include land use growth and transportation improvements associated with buildout of the City's General Plan. The projected traffic growth was calculated by taking the difference between Base Year 2015 and Year 2035 forecasted turn movement volumes. This projected growth was added to the existing traffic volumes to derived Year 2035 General Plan traffic conditions.

Project trips, as presented in the previous chapter, and the reassignment of future traffic volumes (anticipated change in travel patterns in the immediate project area) resulting with the proposed Depot Street realignment, were added to the Year 2035 General Plan conditions traffic volumes to obtain Year 2035 General Plan plus project conditions traffic volumes.

Figures 10 and 11 show the Year 2035 General Plan and Year 2035 General Plan plus project traffic volumes, respectively. Appendix B lists each of the components used to tabulate General Plan traffic volumes at each study intersection.

Year 2035 General Plan Transportation Network

Several new roadways are planned under 2035 General Plan conditions to provide for enhanced connectivity and circulation throughout the City. However, no roadway network improvements are planned for the Downtown area. Therefore, it is assumed in this analysis that the roadway network and intersection lane configurations under General Plan conditions would be the same as described under

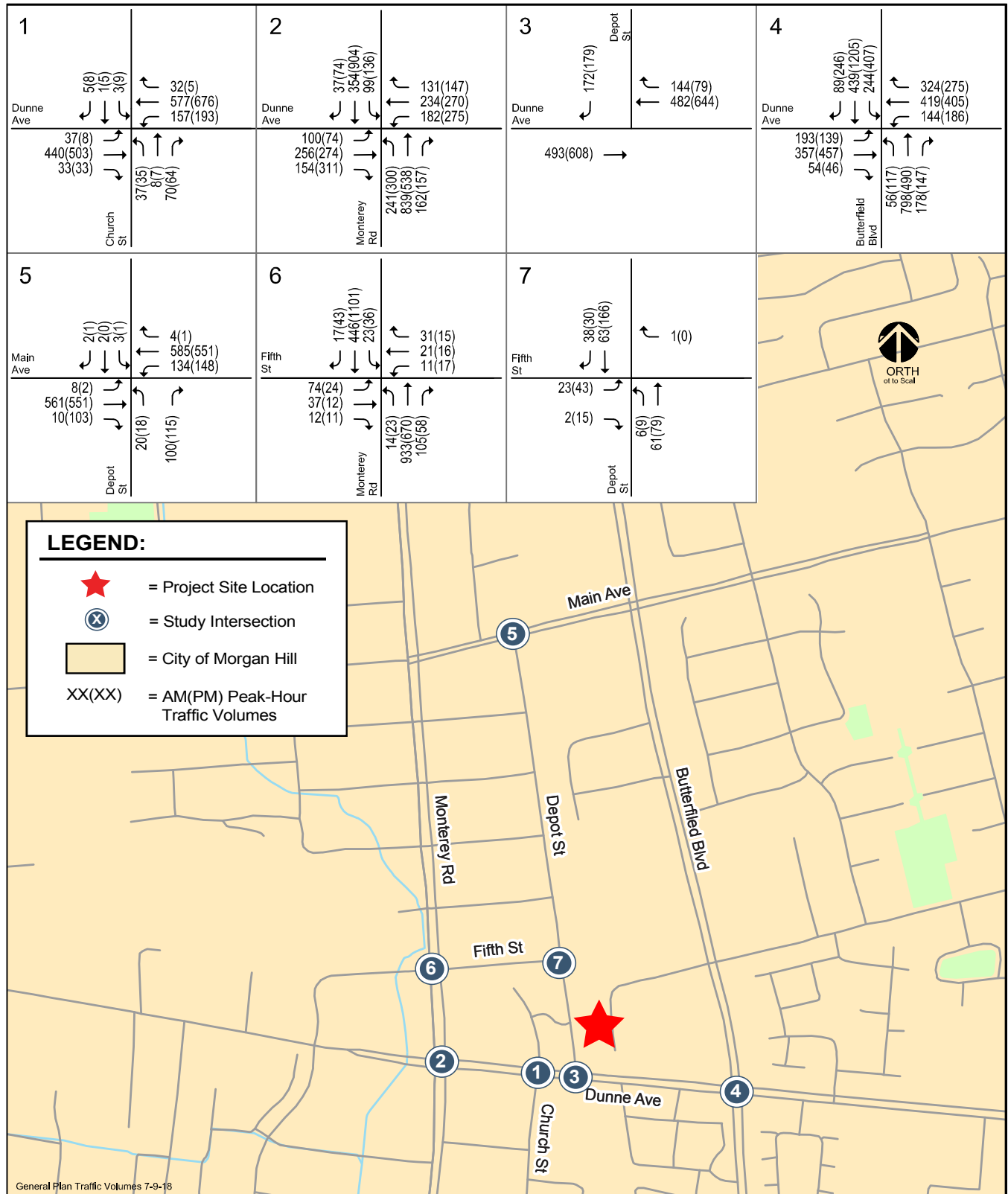


Figure 10
Year 2035 General Plan Traffic Volumes

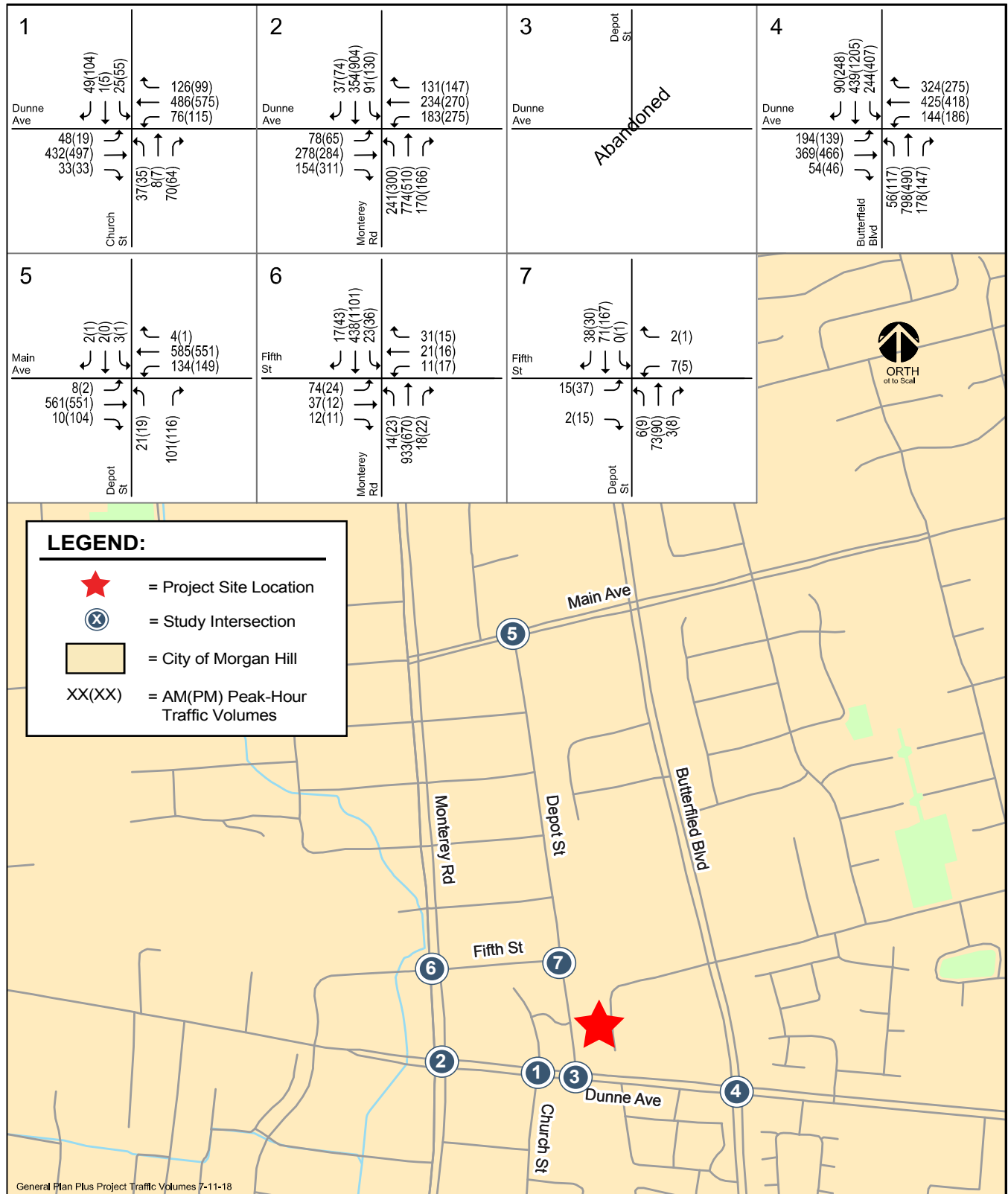


Figure 11
Year 2035 General Plus Project Traffic Volumes

existing conditions. The transportation roadway network under Year 2035 General Plan plus project conditions would be the same as described under existing plus project conditions, including the proposed Depot Street realignment and the Depot Street/Dunne Avenue intersection abandonment (described in the previous chapter).

Intersection Levels of Service under General Plan Conditions

The level of service results under Year 2035 General Plan without and with project conditions are summarized in Table 9. The results show that, measured against the City of Morgan Hill level of service standards, all the study intersections are projected to operate at acceptable levels of service under Year 2035 General Plan and General Plan plus project conditions during each of the peak hours analyzed. Therefore, no study intersections would be significantly impacted by the project, according to the City's level of service impact criteria.

The signal warrant analysis indicates that the intersection of Depot Street and Main Avenue is projected to have traffic conditions that would meet the traffic signal warrant during the PM peak-hour under both Year 2035 General Plan and General Plan plus project conditions. However, the intersection also is projected to continue to operate at acceptable levels of service during both peak hours. Therefore, according to the City of Morgan Hill level of service impact criteria for unsignalized intersections, this is not considered a significant project impact.

The level of service calculation sheets are included in Appendix C. The peak-hour signal warrant sheets are contained in Appendix D.

Table 9
Year 2035 General Plan Intersection Levels of Service

Int. #	Intersection	Intersection Control	LOS Standard	Peak Hour	Year 2035 General Plan		Year 2035 GP Plus Project			
					Delay ¹	LOS	Delay ¹	LOS	Incr. In Crit. Delay	Incr. In Crit. V/C
1	Church Street and Dunne Avenue	Signal	E	AM	20.0	B	18.1	B	-2.4	0.016
				PM	20.7	C	24.0	C	5.9	0.099
2	Monterey Road and Dunne Avenue	Signal	E	AM	30.7	C	30.4	C	-0.8	-0.039
				PM	36.2	D	36.2	D	0.0	0.000
3	Depot Street and Dunne Avenue	One-Way Stop	E	AM	12.0	B	<i>Intersection Abandoned</i>			
				PM	12.8	B				
4	Butterfield Boulevard and Dunne Avenue	Signal	D	AM	40.4	D	40.4	D	0.1	0.002
				PM	38.9	D	39.0	D	0.2	0.004
5	Depot Street and Main Avenue	Two-Way Stop	E	AM	38.6	E	38.6	E	N/A	N/A
				PM	35.5	E	35.8	E	N/A	N/A
6	Monterey Road and Fifth Avenue	Two-Way Stop	F	AM	96.5	F	81.0	F	N/A	N/A
				PM	127.0	F	122.1	F	N/A	N/A
7	Depot Street and Fifth Avenue	Two-Way Stop	F	AM	9.5	A	9.6	A	N/A	N/A
				PM	10.2	B	10.5	B	N/A	N/A

¹The reported delay and corresponding level of service for signalized intersections represent the average delay for all approaches at the intersection. The reported delay and corresponding level of service for one- and two-way stop-controlled intersections are based on the stop-controlled approach with the highest delay.

5. Other Transportation Issues

This chapter presents an analysis of other transportation issues associated with the project site, including:

- Vehicular site access
- On-site circulation
- Intersection operations analysis – vehicle queuing and left-turn pocket storage at intersections
- Potential impacts to bike, pedestrian and transit facilities

Unlike the level of service impact methodology, which is adopted by the City Council, the analyses in this chapter are based on professional judgment in accordance with the standards and methods employed by the traffic engineering community.

Site Access and Circulation

A review of the project site plan was performed to determine if adequate site access is provided and to identify any access and circulation issues that should be improved. This review is based on the project site plan prepared by RJA dated May 21, 2018 and in accordance with generally accepted traffic engineering standards.

Site Access

Access to the project site would be provided via two driveways along Depot Street. The first driveway would be located at the intersection of Depot Street and Fifth Street, while the second driveway would be located at the first bend of the proposed Depot Street realignment. Both driveways would provide full access to and from the project site.

The proposed new intersection of Depot Street with Church Street and Dunne Avenue would provide full access to the project site to all project traffic on Dunne Avenue, including traffic originating from and heading to US 101 and locations south of Dunne Avenue. Project traffic to and from the north would access the project site via the existing full-access Depot Street and Main Avenue intersection. The estimated project trips at each of the site driveways are shown on Figure 12.

The level of service analysis presented in previous chapters shows that both the study intersections of Depot Street with Main Avenue and Church Street/Dunne Avenue are projected to operate acceptably with implementation of the proposed project under both existing plus project and Year 2035 General Plan plus project conditions.

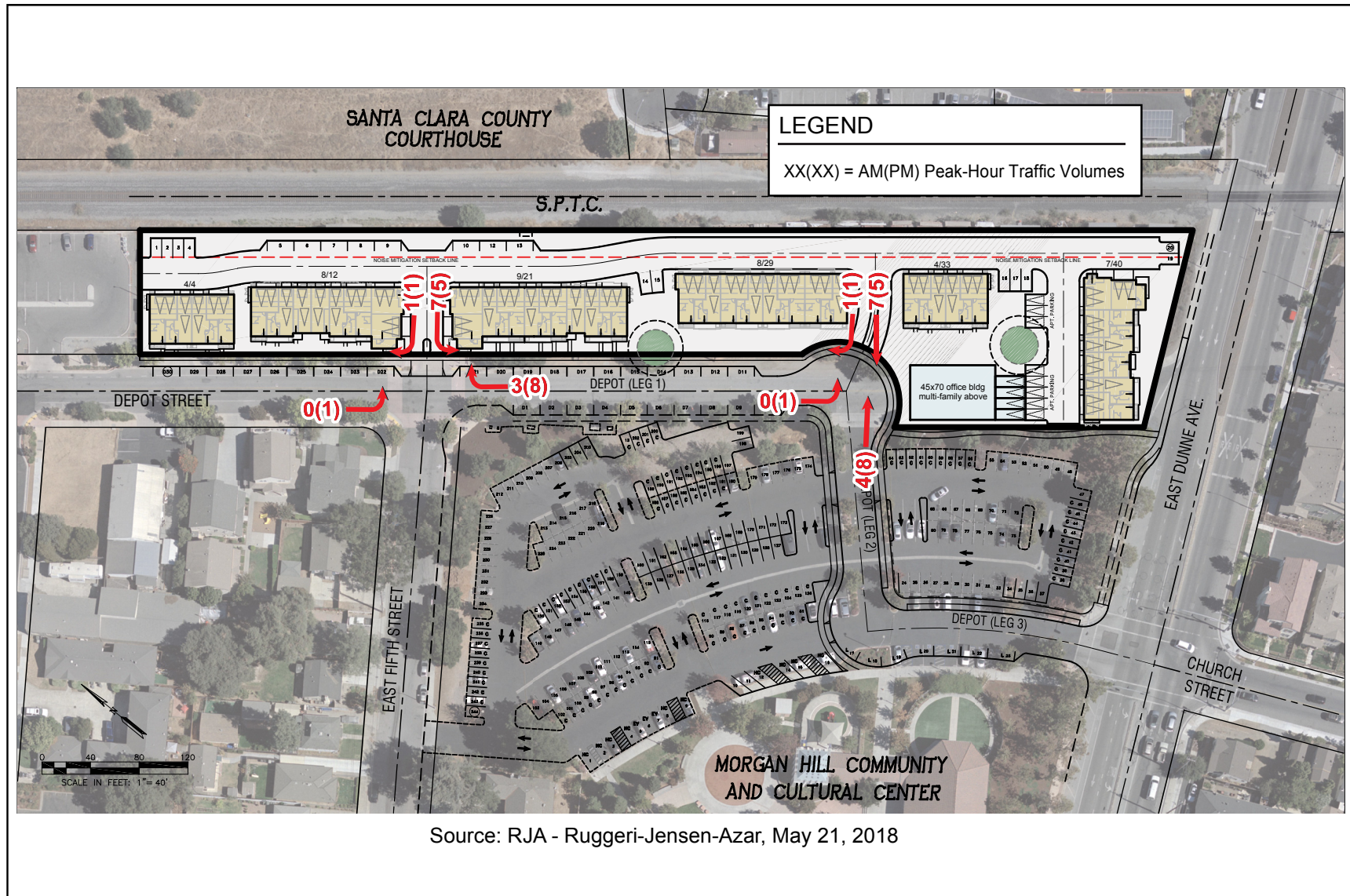


Figure 12
Project Trips Site Access Driveways

On-Site Circulation

A single drive aisle, located east of the proposed buildings and parallel to Depot Street, would provide access to the proposed housing units and office space via the two proposed driveways. Although the drive aisle's dimensions are not shown on the site plan, the drive aisle is shown to consist of two travel lanes with short segments that include on-street 90-degree or parallel parking spaces. A total of 19 parking spaces along the internal drive aisle are shown on the site plan. According to the site plan, these parking spaces would be designated as guest parking (the site plan lists 20 guest parking spaces although only 19 are shown on the site plan).

The site plan shows all town home units to have a two-car garage that would be accessible via the internal drive aisle, with the exception of two units located along the access driveway on Fifth Street and six units located along a short east-west drive aisle at the south end of the project site. The short drive aisle also would provide direct access to the condominium units designated parking.

The entrance to the parking garages located along the Fifth Street project driveway are shown to be approximately 30 to 40 feet from the driveway/Depot Street. This distance would provide adequate storage space for one vehicle to queue up at this driveway without blocking Depot Street in the given case access to the project site was momentarily blocked by vehicle ingress/egress activity at these garages. However, it is not anticipated that the locations of these two garage entrances, in relation to the access driveway, would create access or on-site circulation issues since it is estimated that a maximum of 9 vehicles would enter the project site via this driveway during the peak-hour. The estimated project traffic volumes are relatively low that the development of vehicle queues at the project site driveways is very unlikely.

The site plan shows three dead end aisles within the project site – one each at the north and south ends of the site and a third one at the end of the short east-west drive aisle. Dead end aisles are less desirable because drivers will enter the aisle, and upon discovering that there is no available parking, must back out or conduct three-point turns. In areas where parking spaces are designated for specific individuals or where traffic volumes are relatively low, like in the case of the proposed project, dead end aisles are less problematic. Therefore, it is not anticipated that the proposed dead-end aisles would have an effect on the on-site circulation.

The straight nature of the internal drive aisle, along with the two proposed access points, would facilitate vehicular circulation within the site. However, it could also result in drivers traveling at higher than the recommended speeds. For this reason, it may be desirable to implement speed-reducing measures along the internal drive aisle. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

In order to provide adequate on-site circulation for all vehicle types, including larger emergency vehicles and garbage and delivery trucks, the design of all drive aisles and access driveways should adhere to City of Morgan Hill design standards and guidelines. The design of the site must include adequate corner radii, driveway width, drive aisle width, parking dimensions, and signage to the satisfaction of the City of Morgan Hill design standards. Adhering to City of Morgan Hill standards and requirements, the proposed site access driveways and internal drive aisle layout would be adequate to accommodate circulation of both passenger and emergency vehicles.

The project site plan shows pedestrian connections between all proposed buildings on site and the proposed sidewalks along the project site frontages on Depot Street. Providing clear pedestrian connections between the proposed project and proposed and existing pedestrian facilities along the adjacent streets would facilitate pedestrian travel between the project site and other pedestrian destinations, such as the Downtown area, the Community and Cultural Center, and the Caltrain Station.

Additionally, the continuous sidewalks along Depot Street and a proposed new pedestrian connection that would run from Depot Street to Dunne Avenue adjacent to the project site, along with the traffic signal at the intersection of Depot Street/Church Street and Dunne Avenue would provide a pedestrian connection between the project site and the existing land uses on the south side of Dunne Avenue. Therefore, based on the existing and proposed pedestrian facilities in the project area, pedestrian circulation would be adequate.

Recommended Site Access and On-Site Circulation Improvements

Installation of Speed-Reducing Measures. Due to the straight nature of the internal drive aisle, it may be desirable to implement speed-reducing measures to limit/prevent drivers from traveling at speeds that are unsafe. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

Adhere to City of Morgan Hill Design Standards and Guidelines. The design of the project site, including but not limited to driveways, sidewalks, corner radii, drive aisle width, parking dimensions, and signage, should adhere to City of Morgan Hill design standards and guidelines.

Intersection Operations Analysis

The analysis of intersection level of service was supplemented with an analysis of intersection operations for selected intersections where the project would add a significant number of left-turning vehicles. The operations analysis is based on vehicle queuing for high demand left-turn movements at intersections. Vehicle queues were estimated using a Poisson probability distribution, which estimates the probability of “n” vehicles for a vehicle movement using the following formula:

$$P(x=n) = \frac{\lambda^n e^{-\lambda}}{n!}$$

Where:

P (x=n) = probability of “n” vehicles in queue per lane

n = number of vehicles in the queue per lane

λ = Average number of vehicles in the queue per lane (vehicles per hour per lane/signal cycles per hour)

The basis of the analysis is as follows: (1) the Poisson probability distribution is used to estimate the 95th percentile maximum number of queued vehicles per cycle for a particular movement; (2) the estimated maximum number of vehicles in the queue is translated into a queue length, assuming 25 feet per vehicle; and (3) the estimated maximum queue length is compared to the existing or planned available storage capacity for the movement. This analysis thus provides a basis for estimating future left-turn storage requirements at intersections. The 95th percentile queue length value indicates that during the peak-hour, a queue of this length or less would occur on 95 percent of the signal cycles. Likewise, a queue length larger than the 95th percentile queue would only occur on 5 percent of the signal cycles (about 3 cycles during the peak hour for a signal with a 60-second cycle length). Therefore, left-turn storage pocket designs based on the 95th percentile queue length would ensure that storage space would be exceeded only 5 percent of the time. The 95th percentile queue length is also known as the “design queue length”.

The intersection of Depot Street/Church Street and Dunne Avenue is the only intersection where the project is anticipated to add more than 10 peak-hour trips per lane to some of the intersection movements. Thus, the eastbound left-turn and westbound left-turn movements and the southbound approach at the intersection were evaluated.

The vehicle queue estimates and a tabulated summary of the findings are provided in Table 10. The vehicular queuing analysis (Poisson probability calculations) is included in Appendix E.

The results of the queuing analysis at the intersection of Depot Street/Church Street and Dunne Avenue indicate that all intersection movements evaluated are projected to have adequate queue storage capacity to accommodate the estimated maximum queue lengths that would result with implementation of the project.

The projected maximum queue length of 2 vehicles, or 50 feet, for the eastbound left-turn movement could be accommodated within the existing queue storage capacity of approximately 125 feet.

The westbound left-turn queue length is projected to decrease by one vehicle from existing conditions, as existing southbound Depot Street to eastbound Dunne Avenue traffic would no longer access this turn pocket to make a U-turn with implementation of the proposed Depot Street realignment.

At the southbound approach of the intersection, however, the addition of project traffic, in addition to the Depot Street realignment, would result in the increase of the maximum queue length by 6 vehicles (from 2 to 8 vehicles, or 50 to 200 feet) during the PM peak-hour. This projected maximum queue length could be accommodated along the entire length of the street, however, the queue must not block access to any of the three Community and Cultural Center parking lot driveways proposed be located along the realigned Depot Street. The first driveway to the center's parking lot along the realigned Depot Street would be located approximately 175 feet from Dunne Avenue, and the next two driveways (one on each side of the street) would be located approximately 280 feet north and east of Dunne Avenue. A southbound queue length of 200 feet would extend past the first Community and Cultural Center parking lot driveway. Thus, it may be desirable to install "Keep Clear" pavement markings adjacent to one (the western driveway) or both of the center's driveways along the realigned Depot Street.

Project generated traffic at other locations would be too low to have a measurable effect on queue lengths.

Recommended Operations Improvements

Installation of "Keep Clear" Signs. It is recommended that "Keep Clear" pavement markings be installed adjacent to one (the western driveway) or both of the Morgan Hill Community and Cultural Center parking lot driveways located along the realigned Depot Street. This will prevent projected maximum vehicle queue lengths at the intersection of Depot Street/Church Street and Dunne Avenue (southbound approach) from blocking access to/from the center's parking lot.

Parking Demand Analysis

According to the Morgan Hill Downtown Specific Plan, dated November 2009, residential projects located within the Downtown Specific Plan area are required to provide the following number of parking spaces: 1.0 parking space for residential units smaller than 600 square feet, 1.5 parking spaces for residential units between 600 and 1,350 square feet, and 2.0 parking spaces for residential units greater than 1,350 square feet. Office space located within the Downtown Specific Plan area is required to provide one off-street parking space per 250 square feet of floor area.

Table 10
Queuing Analysis Summary

Measurement	Church Street and Dunne Avenue					
	EBL AM	EBL PM	WBL AM	WBL PM	SB AM	SB PM
Existing Conditions						
Cycle Length (sec)	60	90	60	90	60	90
Lanes	1	1	1	1	1	1
Volume (vph)	37	8	71	124	9	22
Volume (vphpl)	37	8	71	124	9	22
95th % Queue (veh/ln.)	2	1	3	6	1	2
95th % Queue (ft./ln.) ¹	50	25	75	150	25	50
Storage (ft./ ln.)	125	125	150	150	Unlimited	Unlimited
Adequate (Y/N)	YES	YES	YES	YES	YES	YES
Existing Plus Project Conditions						
Cycle Length (sec)	60	90	60	90	60	90
Lanes	1	1	1	1	1	1
Volume (vph)	48	19	62	88	75	164
Volume (vphpl)	48	19	62	88	75	164
95th % Queue (veh/ln.)	2	2	3	5	3	8
95th % Queue (ft./ln.) ¹	50	50	75	125	75	200
Storage (ft./ ln.)	125	125	150	150	Unlimited	Unlimited
Adequate (Y/N)	YES	YES	YES	YES	YES	YES
Notes:						
¹ Assumes 25 feet per vehicle queued						
NB = Northbound, SB = Southbound, EB = Eastbound, WB = Westbound, R = Right, T = Through, L = Left.						

The site plan shows two parking spaces provided for each of the 40 town home units, for a total of 80 covered parking spaces. Additionally, 8 “apron” parking stalls (4 which would be covered) and 4 additional uncovered stalls are being proposed for the 2-bedroom and 1-bedroom, respectively, condominium units located. The site plan also lists 20 guest parking spaces (although only 19 parking spaces are shown on the site plan). However, no parking spaces are listed or designated on the site plan for the office space. Based on the above Downtown parking requirements, a total of 13 parking spaces should be provided to serve the proposed office space.

Recommended Parking Improvements

Provide Required Number of Parking Spaces. The proposed project must provide the minimum number of parking spaces required to satisfy the City’s Downtown Specific Plan parking requirements.

Transit, Pedestrian and Bicycle Analyses

The project site is served by three VTA bus lines, one MST bus line, and Caltrain. The transit stops on Monterey Road/Dunne Avenue and at the Morgan Hill Caltrain Station are located within walking distance from the project site. A typical mode split in Morgan Hill would be a three percent transit share. Assuming up to three percent transit mode share for the project equates to no more than 1 transit rider

during each of the peak hours. The transit ridership demands of the proposed project can be accommodated by the existing transit services serving the project site.

Sidewalks are provided along both sides of the street on Dunne Avenue, Monterey Road, Fifth Street, and Depot Street, with the exception the segment on Depot Street along the project site's frontage, south of Fifth Street. With implementation of the proposed project, sidewalks would be provided along the entire east side of Depot Street, along the project site frontage and the realigned roadway. Additionally, the site plan shows a pedestrian pathway that would run from Depot Street to Dunne Avenue, adjacent to the project site, providing a direct pedestrian connection between the project site and Dunne Avenue. The proposed pedestrian facilities would enhance existing pedestrian facilities, providing a more complete pedestrian network. Therefore, based on the existing and proposed pedestrian facilities in the project area, continuous pedestrian connections between the project site and surrounding pedestrian destinations would be available, resulting in adequate pedestrian circulation to and from the project site.

There are several bike lanes and bike paths in the vicinity of the project site, some of which serve the project site directly. Depot Street currently has bike lanes along most of its length, with the exception of the small segment between Fifth Street and Dunne Avenue. Monterey Road has bike lanes along nearly its entire length within City of Morgan Hill limits, with the exception of the segment that runs through downtown between Dunne Avenue and Main Avenue, which is designated as a bike route. Bike lanes also are provided along Dunne and Main Avenues.

The site plan shows on-street parking on both sides of the street along the project site frontage on Depot Street. This segment of Depot Street is shown on the site plan as having a 40-foot curb-to-curb right-of-way and would include two 12-foot travel lanes and 8 feet of parking on both sides of the street. The proposed Depot Street cross-section along the project site frontage does not include bike lanes. Additionally, an approximately 200-foot segment of the existing bike lane on the east side of Depot Street, north of Fifth Street and along the project site frontage, would be removed to accommodate the proposed on-street parking. Therefore, the existing bike lane on Depot Street would continue to be incomplete. However, the proposed pedestrian pathway that would connect Depot Street to Dunne Avenue, adjacent to the project site, also could be utilized by bicycle traffic, connecting the existing bike lanes on Dunne Avenue to Depot Street.

Conservatively assuming that bicycle trips would comprise no more than five percent of the total project-generated trips, this calculates to no more than 1-2 new bicycle trips during the peak hours. The demand generated by the proposed project could be accommodated by the existing bicycle facilities in the vicinity of the project site.

6. Conclusions

The potential impacts of the project were evaluated in accordance with the standards set forth by the City of Morgan Hill and the Santa Clara Valley Transportation Authority (VTA). The study includes an analysis of AM and PM peak-hour traffic conditions for seven intersections and 16 directional freeway segments. The weekday AM peak hour of traffic is generally between 7:00 and 9:00 AM and the weekday PM peak hour is typically between 4:00 and 6:00 PM. It is during these periods that the most congested traffic conditions occur on a typical weekday.

The impacts of the project on intersections were identified on the basis of the City of Morgan Hill Level of Service standards. Project impacts on other transportation facilities, such as pedestrian facilities, bicycle facilities and transit, were determined on the basis of engineering judgment.

The proposed project consists of the replacement of the existing industrial uses on site with a mixed-use development consisting of 48 residential (40 townhome and 8 condominium) units and 3,150 square feet (s.f.) of office space. The realignment of Depot Street also is being proposed and would be constructed concurrently with the proposed development. The realigned Depot Street would continue to provide access to the Caltrain Station and all other existing land uses that it currently serves via its new full-access intersection at Dunne Avenue.

In addition to providing full access to the project site from Dunne Avenue, the Depot Street realignment would provide a local (Downtown) area benefit in regards to improved vehicular, bike, and pedestrian circulation to and from areas south of Dunne Avenue. The realignment and full access connection to Dunne Avenue would provide for a direct route to land uses, including a significant amount of parking and transit services, along Depot Street. Though minimal, the Depot Street realignment, full-access intersection with Dunne Avenue, and connection to Butterfield is anticipated to reduce vehicular traffic along Monterey Street through Downtown as well as along the east-west connections of 3rd, 4th, and 5th Streets that currently provide a connection between Monterey Street and Depot Street.

Existing Plus Project Intersection Levels of Service Analysis

The results of the intersection level of service analysis under existing plus project conditions show that no study intersections would be impacted by the project according to City of Morgan Hill level of service standards.

Freeway Segment Analysis

The results of the freeway level of service analysis shows that the proposed project would not result in a significant impact under project conditions on any of the study freeway segments.

Year 2035 General Plan Intersection Levels of Service Analysis

The results of the intersection level of service analysis under Year 2035 General Plan plus project conditions show that no study intersections would be impacted by the project, according to City of Morgan Hill level of service standards.

Other Transportation Issues

Site Access and Circulation

Recommended Site Access and On-Site Circulation Improvements

The following are recommended adjustments to improve site access and on-site circulation:

Installation of Speed-Reducing Measures. Due to the straight nature of the internal drive aisle, it may be desirable to implement speed-reducing measures to limit/prevent drivers from traveling at speeds that are unsafe. These measures could be as simple as posting speed limit signs and/or using removable on street signs, to more permanent measures such as the installation of speed bumps/humps along the internal drive aisle.

Adhere to City of Morgan Hill Design Standards and Guidelines. The design of the project site, including but not limited to driveways, sidewalks, corner radii, drive aisle width, parking dimensions, and signage, should adhere to City of Morgan Hill design standards and guidelines. This will help provide adequate on-site circulation for all vehicle types, including larger emergency vehicles.

Intersection Operations Analysis

Recommended Operations Improvements

The following are recommended adjustments to improve operating conditions along Depot Street:

Installation of “Keep Clear” Signs. It is recommended that “Keep Clear” pavement markings be installed adjacent to one (the western driveway) or both of the Morgan Hill Community and Cultural Center parking lot driveways located along the realigned Depot Street. This will prevent projected maximum vehicle queue lengths at the intersection of Depot Street/Church Street and Dunne Avenue (southbound approach) from blocking access to/from the center’s parking lot.

Parking Demand

Recommended Parking Improvements

Provide Required Number of Parking Spaces. The proposed project must provide the minimum number of parking spaces required to satisfy the City’s Downtown Specific Plan parking requirements.

Transit, Pedestrian, and Bicycle Analysis

The transit ridership demands of the proposed project can be accommodated by the existing transit services serving the project site.

Based on the existing and proposed pedestrian facilities in the project area, continuous pedestrian connections between the project site and surrounding pedestrian destinations would be available, resulting in adequate pedestrian circulation to and from the project site.

The proposed Depot Street cross-section along the project site frontage does not include bike lanes. Additionally, an approximately 200-foot segment of the existing bike lane on the east side of Depot Street, north of Fifth Street and along the project site frontage, would be removed to accommodate the proposed on-street parking. Therefore, the existing bike lane on Depot Street would continue to be incomplete. However, the proposed pedestrian pathway that would connect Depot Street to Dunne Avenue, adjacent to the project site, also could be utilized by bicycle traffic, connecting the existing bike lanes on Dunne Avenue to Depot Street.

The bicycle trips generated by the proposed project could be accommodated by the existing bicycle facilities in the vicinity of the project site.



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Harjot Sangha, Accounting Manager
APPROVED BY: City Manager

AMEND CHAPTER 5.32 - MASSAGE ESTABLISHMENT, AND INSTATE AN ANNUAL REGULATORY FEE FOR RELATED COMPLIANCE ACTIVITIES

RECOMMENDATION(S)

1. Open/close public hearing;
2. Waive the first and second reading of the ordinance;
3. Introduce Massage Establishment Amendment Ordinance; and
4. Adopt resolution establishing an Annual Regulatory Fee for Massage Establishments.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety

Maintaining Fiscal Responsibility

REPORT NARRATIVE:

The City of Morgan Hill introduced its first ordinance regulating massage establishments and practitioners in 2001. At the time, there was no comprehensive oversight or regulation by the State of massage businesses, therapists, or practitioners. Local jurisdictions primarily regulated the industry by ordinances imposing standards related to hours of operation, sanitary conditions, education, and other areas of interest and concern.

In 2009, new state regulations took effect governing the certification of massage practitioners. The regulation created a quasi-state agency, the California Massage Therapy Council (CAMTC). The CAMTC was authorized to license and provide oversight of massage professionals in California. The regulation further preempted local permit and fee requirements. In 2011, City staff amended the existing ordinance to become compliant to the state laws, including phasing out the City's massage permitting process, and requiring all practitioners to obtain state certifications. The local permitting process was staff intensive and duplicative of the more rigorous state certification. The state certification includes all the background checks traditionally done locally and has more rigorous academic and training standards.

In 2014, with the passage of SB 1147, the state updated and amended the Massage Therapy Act as codified in sections 4600-4621, of the Business and Professions Code. More recently, SB 2194 extended the operations of the provisions and CAMTC to

January 1, 2021. Now, the code allows local governments to impose and enforce reasonable and necessary fees and regulations on massage businesses/establishments, in keeping with the requirements of existing law, of being mindful of the need to protect legitimate business owners and professionals, particularly sole providers.

While the City of Morgan Hill recognizes massage as a valid therapy; it also recognizes that massage activities raise concerns regarding illicit establishments, and health and safety issues.

After review of the Business and Professions Code sections 4600-4621, State laws, and research of other local ordinances related to the regulation of massage establishments, staff recommends it is in the best interest of the public to update the existing massage establishment ordinance (Chapter 5.32), to follow the intent of State law. Staff recommends having all certification of massage therapists to be a responsibility of CAMTC, while regulatory compliance and oversight of massage establishments will continue to be the responsibility of the City.

Specifically, staff recommends:

- Establishing the annual regulatory fee, to be assessed in conjunction with the business license application and/or renewal. See exhibit A to the attached resolution for proposed regulatory fee.
- Amending ordinance to include:
 - Background checks, including criminal background checks, or submission of fingerprints for a state or federal background check, for business massage establishment owners, partners, managers, and/or operators, excluding CAMTC certificate holders. All related applicable fees to be paid by applicant.
 - Each owner/operator, who is not a CAMTC-certified massage professional, to complete a supplemental form, to include business, occupation, employment history for the five years preceding the date of application; including dates of such employment history, name and addresses of massage establishment or similar business owned or operated by the individual.
 - Any omission or falsified information within the application, will result in automatic denial.
 - Transfer: The massage establishment business shall not be transferred except with the prior written approval from the Police Department, especially if the current establishment is subject to suspension or revocation of its license. The City reserves the right to place a temporary moratorium at the establishment location for a similar business type, up to a one (1) year period. An appeal may be reviewed by the City Manager and/or Police Chief for any exceptions.

The Morgan Hill Police Department (MHPD) has used existing rules and regulations to conduct undercover operations resulting in prostitution related arrests. In the last two

years, MHPD has conducted three undercover operations and arrested six individuals. All cases have been adjudicated.

By increasing the required information related to owners of massage establishments and practitioners alike, and by keeping a copy of said information in the care of the MHPD, it will help Detectives keep track of who is working in the city and make it easier to conduct enforcement, compliance checks, and prevent illegal activity.

These changes will provide regular oversight of the establishments and allow additional measures of background checks for establishment owners/operators not possessing a valid CAMTC certificate, while being mindful of the need to protect legitimate business owners and professionals. Staff will evaluate the effectiveness of these additional measures and may propose additional recommendations, as necessary.

COMMUNITY ENGAGEMENT: Engage

In general, the community has expressed the need for additional measures to ensure adequate screening is performed on new establishments and professionals, as well as ongoing oversight. If approved, staff will follow up with each massage establishment and licensed professional, notifying them of the change, and work together to ensure that they are in compliance with the City's ordinance.

ALTERNATIVE ACTIONS:

Staff has identified two alternative actions:

1. Reject both the amendment and adoption of regulatory fee.
2. Accept amendments and reject the adoption of regulatory fee. The expanded monitoring services without offsetting cost recovery revenues would cause additional strain to the City's limited General Fund revenue.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

In 2001, City established Massage Establishment ordinance, Chapter 5.32.

In 2004, City amended Chapter 5.32, and established massage permit process and related fees.

In 2011, City amended Chapter 5.32 to become in compliance with new State laws, which established the CAMTC, and massage professional certifications.

FISCAL AND RESOURCE IMPACT:

The establishment of the regulatory fee is as following:

- New applications: \$843
- Annual renewals: \$663

This additional revenue will be accounted for in the General Fund (010.37299), where the related monitoring expenditures will occur. No budget amendments are requested at this time. Currently, there are 18 licensed establishments within the City.

CEQA (California Environmental Quality Act):

Not a project, as these administrative activities of governments will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. Chapter 5.32 Ordinance_Redline
2. Resolution
3. Exhibit A - Fees

ORDINANCE NO. _____, NEW SERIES

**AN ORDINANCE OF THE CITY OF MORGAN HILL
AMENDING CHAPTER 5.32 (MASSAGE
ESTABLISHMENTS) TO TITLE 5 (BUSINESS LICENSES
GENERALLY) TO CLARIFY BUSINESS LICENSE
REQUIREMENT AND REVOCATIONS FOR MASSAGE
ESTABLISHMENTS AND SERVICES.**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA DOES
ORDAIN AS FOLLOWS:**

SECTION 1: Chapter 5.32 of Title 5 of the Morgan Hill Municipal Code is here by amended in its entirety as follows:

Chapter 5.32 - MASSAGE ESTABLISHMENTS

5.32.010 - Definitions.

- A. "City manager" means the city manager of the City of Morgan Hill or his/her designee.
- B. "Massage" "massage services" or "massage therapy" means performing any act or practice of treating the external parts of the human body by bathing, rubbing, pressing, stroking, kneading, tapping, vibrating or touching or stimulating with the hands, any part of the body or any instrument. Types of massage may include but are not limited to activities commonly known as massage therapy, bodywork, acupressure, reflexology, deep tissue touch, and shiatsu release.
- C. "Massage establishment" means any establishment, having a fixed place of business in the city where any person engages in or permits to be engaged in or carries on any of the activities mentioned in this chapter. Any establishment engaged in, permitted to be engaged in or carrying on any combination of massage and bath house, spa, sauna or other activity mentioned in this chapter shall be deemed a massage establishment.
- D. "Massage practitioner" or "practitioner" means a person who is certified as such by the California Massage Therapy Council and who administers massage for compensation.
- E. "Massage therapist" or "therapist" means a person who is certified as such by the California Massage Therapy Council and who administers massage for compensation.
- F. "Outcall massage service" means any business or operation which provides massage services at a location designated by the customer or client or the massage practitioner or therapist or outcall massage service, other than at a fixed location of a massage establishment permitted under this chapter.
- G. "Owner" of a massage establishment, or an outcall massage service, means any person who operates, maintains, or permits a massage establishment or outcall massage service. To the extent the "owner" is any type of association, partnership, corporation or other entity, "owner" includes all publicly named or registered persons, officers, directors,

managers and shareholders within those entities. Where the "owner" is one or more persons, each such person is jointly and severally liable for compliance with this chapter.

- H. "Person" means any individual, partnership, firm, association, corporation, joint venture or any other combination of individuals for the purpose of doing business.
- I. "Police chief" means the Morgan Hill police chief or his/her designee.
- J. "State massage certification" means a massage practitioner or massage therapist certification issued by the California Massage Therapy Council created pursuant to California Business & Professions Code Section 4600 et seq.

(Ord. No. 2002 N.S., § 1, 2-16-2011)

5.32.020 - Exemptions.

The provisions of this chapter shall not apply to:

- A. Physicians, surgeons, chiropractors, osteopaths, nurses, physical therapists or other health professionals who are duly licensed to practice their respective professions under the laws of the State of California.
- B. Persons performing massage in the offices of a licensed physician, surgeon, chiropractor, osteopath, physical therapist or other licensed medical professional, or at a hospital, nursing home, convalescent home, hospice or sanitarium when and while under the supervision of a licensed medical professional.
- C. Barbers or cosmetologists who are duly licensed under the laws of the State of California while performing massage within the scope of their licenses.
- D. Persons performing massages which are clearly incidental, but integral, to the operation of a personal fitness training center, gymnasium, athletic facility or health club, when the giving of massage for compensation is not a principal function of such businesses. In determining whether massage constitutes a principal or incidental function of personal fitness training centers, gymnasiums, athletic facilities or health clubs, the police chief shall consider the percent of income derived from massages, the amount of floor space devoted to and the number of employees assigned to massage services, as well as the manner in which the business advertises and holds itself out to the public.
- E. Coaches and trainers acting within their scope of employment at an accredited high school, junior college, college or university.
- F. Trainers of amateur, semiprofessional or professional athletes, or athletic teams, performing troupes or similar groups while engaging in their training responsibilities for and with athletes and performers; and trainers working in conjunction with a specific athletic event or performance.
- G. Students performing massage therapy while at an approved massage school, as defined in Business and Professions Code Section 4600, and in the presence and active supervision of a massage therapist.

H. Persons administering massages or health treatments involving massage to other persons who are participating in a recreational or special event that has been approved by the city, provided that the following conditions are met:

1. Massage services are made available equally to all participants in the event;
2. The event is open to participation by the general public or a significant segment of the public;
3. The massage services are provided during the event in an open environment at the site of the event;
4. The sponsors of the event have approved the provision of massage services at the event;
5. The persons providing the massage services are in compliance with all applicable city codes and other laws.

5.32.030 - State massage certification required.

A. It shall be a violation of this chapter for:

1. Any person to perform massage services for compensation without a valid state massage certification;
2. A massage establishment or outcall massage service to engage in, conduct, or carry on, permit to engage in, in or upon any premises with the City of Morgan Hill the business of providing massage services or massage therapy unless all persons providing such massage services possess a valid state massage certification.

B. Any person holding a valid massage practitioner permit issued pursuant to prior Morgan Hill Municipal Code Chapter 5.32 may continue to provide massage therapy under that massage permit. The existing practitioner permit, and any renewal thereof, shall only be effective for and shall expire one year from the adoption of this ordinance.

C. Any massage establishment holding a valid massage establishment permit pursuant to prior Morgan Hill Municipal Chapter 5.32 may continue to provide massage therapy services as long as each of their employees, agents, independent contractors or other representatives providing massage therapy has a valid massage practitioner permit or state massage certification. The existing establishment permit, and any renewal thereof, shall only be effective for and shall expire one year from the adoption of this ordinance.

5.32.040 - Massage establishment, massage services or outcall massage services—business license required.

A. Any person operating a massage establishment, or engaging in the business of providing massage services or outcall massage services shall apply for and obtain a business license pursuant to Chapter 5.04 of this code and, in addition, shall submit the following information with the application:

1. Full name.

2. Date of birth.
 3. State issued identification number.
 4. Social Security number.
 5. Home address and phone number.
 6. Work address and phone number.
 7. Color photograph.
 8. Proof of state massage certification for each massage practitioner or massage therapist.
- B. It shall be the responsibility of each owner or operator to notify the city of any change in persons providing massage services and to provide copies of the state massage certification for all such persons to the city prior to such persons providing massage services.
- C. It shall be the responsibility of each owner or operator to notify the city of any intention to rename, change management, or convey the business to another person.
- D. Each owner or operator of the massage business, who is not a CAMTC certified professional, is subject to background check, including criminal background checks, and submission of fingerprints for a state or federal background check.
- E. Each owner or operator, who is not a CAMTC certified professional, shall complete a supplemental form, to include employment history for the five years preceding the date of application; including dates, name, and addresses of massage establishment or similar businesses owned or operated by the individual.
- F. Any omission or falsified information within the application, will result in an automatic denial.
- G. A copy of all the personal information, as required by 5.32.040 A, provided during the application of a City business license will be kept at the police department until said business or practitioner relinquishes the City business license.

5.32.050 - Operating requirements for massage establishments.

Unless otherwise specified herein, all massage establishments shall comply with the following operating requirements.

- A. **Exterior Signs.** A recognizable and legible sign should be posted at the main entrance identifying the business as a massage establishment. Such sign need not be the primary sign for the business, but should clearly identify the establishment to foot and/or automobile traffic.
- B. **Posting of State Massage Certification.** Each person providing massage services shall have a valid state massage certification, a clearly legible copy of which shall be conspicuously posted in the room or location where massage services will be provided.
- C. **State Massage Certification—Verification.** All massage establishments shall maintain on their premises evidence for review by local authorities that demonstrates that all persons providing massage services hold state massage certification.

- D. Owner Responsible. An owner of a massage establishment shall be responsible for the conduct of all persons working on the premises or at their direction.
- E. Any violation of provisions of this chapter or any other ordinance of the city shall be justification for revocation of owner's business license under the procedures of Section 5.32.090 of this code.
- F. Inspection. All massage establishments shall be open at all times during hours during which massage is being provided for inspection by any police officer, building official or code enforcement officer of the City of Morgan Hill.
- G. Dressing Room. Clients of the massage establishment shall be furnished with a dressing room. Dressing rooms shall be used only by clients of the same sex at the same time.
- H. Payment/Tips. All massage services and all tips, if any, shall be paid for in the reception area. Massage establishments may utilize a system where tip envelopes are provided in the treatment rooms to be utilized and deposited by the client in the reception area.
- I. Alcohol Prohibited. No alcoholic beverages may be possessed or consumed on the premises of the massage establishment.
- J. Doors to Massage Rooms/Dressing Rooms to be Unlocked. All doors leading into a massage establishment or area where massages are performed shall remain unlocked during business hours unless there is no staff available to assure security for clients and massage staff behind closed doors.
- K. Standard of Dress. All employees or independent contractors of the massage business shall remain fully clothed in clean outer garments, the use of which is restricted to the massage business, at all times while on the premises of the massage establishment. At a minimum, such clothing shall be made of a nontransparent material and shall not expose the buttocks, genital area or breasts of any employee or the holder of the permit. Low cut blouses, mini skirts, bikini swimsuits and halter tops shall not be acceptable.
- L. Operating Hours. All massage establishments shall be closed for business by no later than ten p.m. and shall open for business no earlier than seven a.m. Specific operating hours for each massage establishment may be set through the conditional use permit process. It shall be unlawful for any massage practitioner, therapist or other employee or independent contractor of a massage establishment to give or practice massage during the hours when the massage business is required to be closed.
- M. Birth Control Devices Prohibited. No birth control device or aid, including but not limited to condoms, shall be stored, kept or distributed on the premises of a massage establishment.

5.32.060 - Sanitation requirements/condition of premises.

- A. Required Maintenance of Massage Establishments. All premises and facilities of the massage establishments shall be maintained in a clean and sanitary condition and shall be thoroughly cleaned after each day of operation. The premises and facilities shall meet applicable code requirements of the city, including but not limited to those related to the

safety of the structure, adequacy of the plumbing, heating, ventilating and waterproofing of rooms in which showers, water or steam baths are used.

- B. Linens. All massage establishments shall provide clean, laundered sheets, towels and other linens in sufficient quantity for use by their clients. Such linens shall be laundered after each use and stored in a sanitary manner. No common use of linens or towels shall be permitted. Heavy white paper may be substituted for sheets on massage tables, so long as such paper is used only once for each client and is then discarded into a sanitary receptacle. Sanitary receptacles shall be provided for the storage of all soiled linens.
- C. Privacy Standards for Massage Rooms, Dressing Rooms and Rest Rooms. Dressing rooms and rest rooms may only be used by clients of the same sex at the same time. The massage establishments shall provide doors on all of its dressing rooms and massage rooms. Draw drapes, curtain enclosures or accordion-pleated enclosures are acceptable in lieu of doors for dressing and massage rooms.

5.32.070 - Prohibited acts.

- A. Touching of Sexual and Genital Parts During Massage. No massage practitioner, therapist or any other employee or independent contractor of a massage establishment shall place either his/her hand or hands upon, or touch with any part of his/her body, a sexual or genital part of any other person in the course of a massage, or massage a sexual or genital part of any other person. Sexual and genital parts shall include the genitals, pubic area, anus or perineum of any person or the vulva or breast of a female.
- B. Uncovering and Exposure of Sexual and Genital Parts Before, During or After Massage. No massage practitioner, therapist or other employee or independent contractor of a massage establishments shall uncover and expose the sexual or genital parts, as defined in subsection A above, of any client or themselves in the course of giving a massage, or before or after a massage. This subsection does not prohibit a client from turning over in the course of a massage, so long as the massage practitioner holds a towel, sheet, blanket or other drape over the client to protect his/her genital and sexual parts from exposure.

5.32.080 - Outcall massage services.

- A. All outcall massage services with a principal place of business located inside city limits or which is located outside of city limits and provides massage services within city limits shall obtain and maintain a city business license.
- B. State Massage Certification Required for Outcall Massage Services. Any person dispatched to give massages at locations within city limits from an outcall massage service located within or outside of city limits must obtain and maintain in effect a state massage certification and shall comply with all applicable provisions of this chapter. Such massage practitioners or therapists shall maintain their state certificates upon their persons or within their immediate reach at all times while performing massage in the city and shall display such certification upon the request of any city police officer or code enforcement officer.

- C. Special Procedures for Massage Practitioners or Therapists Dispatched to Facilities Which are Open to the Public and/or Available for Rental or Hire in City Limits by Outcall Massage Service. Massage practitioners or therapists may be dispatched to facilities which are open to the public and/or available for rental or hire within the city limits by any outcall massage service only by the direct arrangement of the facilities which are open to the public and/or available for rental or hire in conjunction with an incidental service regularly provided by the facilities which are open to the public and/or available for rental or hire and only if the massage service and massage practitioners or therapists have complied with all requirements of this chapter. It shall be unlawful to perform massages at any facilities which are open to the public and/or available for rental or hire that does not have an appropriate business license.
- D. Owner Responsible. An owner of an outcall massage service shall be responsible for the conduct of all employees or independent contractors working within city limits. Any violation of provisions of this chapter, or any other ordinance of the city, shall be justification for revocation of owner's business license under the procedures of Section 5.32.090.

5.32.090 - Revocation of business license.

- A. Any massage establishment or outcall massage service operated or maintained contrary to the provisions of this chapter or other ordinance of the city shall result in the revocation of the business license of the massage establishment or outcall massage service in accordance with the procedures of Section 5.04.040 of this code.
- B. Any massage practitioner or therapist that violates any provision of this chapter or other ordinance of the city shall result in the revocation of the business license of the massage practitioner or therapist in accordance with the procedures of Section 5.04.040 of this code.
- C. The City reserves the right to place a temporary moratorium up to one (1) year on a massage establishment business which violates the provisions of this chapter or other ordinances of the City. The massage establishment business shall not be transferred except with prior written approval from the Police Department.

5.32.100 - Criminal penalties.

A violation of any provision of this chapter is a misdemeanor and may be prosecuted in the name of the people of the State of California. The maximum fine or penalty for any violation of this article shall be one thousand dollars, or a term of imprisonment in the county jail for a period not exceeding six months, or both such fine and imprisonment.

5.32.110 - Massage establishment operated, or massage services offered in violation of this chapter deemed a public nuisance.

Any massage establishment which is opened, operated or maintained or massage services offered contrary to the provisions of this chapter shall be deemed a public nuisance and may be abated according to the procedures of Chapter 1.18 of the Morgan Hill Municipal Code.

SECTION 6. Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 7. Effective Date; Publication. This ordinance shall take effect thirty (30) days after the date of its passage and adoption. The City Clerk is hereby directed to publish in full or summary this ordinance pursuant to §36933 of the Government Code in a newspaper of general circulation in the City of Morgan Hill.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 3RD DAY OF OCTOBER 2018 AND WAS FINALLY ADOPTED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 17TH DAY OF OCTOBER 2018 AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

APPROVED:

STEVE TATE, Mayor

ATTEST:

DATE:

IRMA TORREZ, City Clerk

Effective Date:

∞ **CERTIFICATE OF THE CITY CLERK** ∞

I, **IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 17th day of October 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO.**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF MORGAN HILL ESTABLISHING AN ANNUAL
MASSAGE ESTABLISHMENT REGULATORY FEE**

WHEREAS, an ordinance to amend Chapter 5.32 of Title 5 of the Morgan Hill Municipal Code to regulate massage establishments is being introduced concurrently with this resolution; and

WHEREAS, Morgan Hill Municipal Code Chapter 3.50 establishes City policy as to the percentage of the City's costs reasonably borne in providing the regulation; and

WHEREAS, a new regulatory fee for massage establishments needs to be established; and

WHEREAS, state law explicitly authorizes cities to adopt, and the City has adopted, a business license ordinance and allows for the suspension or revocation of a license for violation of any state law and such local ordinance do not expand or reduce the degree to which the acts regulated by federal or state law are criminally proscribed or alter the penalties provided by such laws; and

WHEREAS, the proposed establishment of an annual massage establishment regulatory fee that is the subject of this Resolution was agendized for consideration by the City Council of the City of Morgan Hill at a duly noticed public hearing of the Council held on October 3, 2018, at which hearing all interested persons were afforded an opportunity to be heard on said proposed fees; and

WHEREAS, the Council heard all relevant testimony and reviewed all written materials submitted in connection with its hearing on this Resolution.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL
DOES HEREBY FIND, DETERMINE, RESOLVE, AND ORDER AS FOLLOWS:**

1. The City Council finds and determines the fees calculations utilized, as shown in Exhibit A, to establish the annual regulatory fee for massage establishments will not cause the fee to exceed the estimated cost reasonably borne of providing the regulation for which the fees are levied.
2. The City Council finds and determines that it is reasonable to annually adjust the fees as set forth above based on the productive hourly rate of the said positions as set forth in Exhibit A and hereby instructs, authorizes, and directs the City Manager to so annually adjust the applicable fees as of July 1 of each fiscal year based upon the factors set forth in the fee calculation.

3. The City Manager or his/her designee is hereby authorized and directed to amend the City Fee Schedule to reflect the fees as set forth in Exhibit A.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morgan Hill at a regular meeting held on the 3rd day of October 2018.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ **CERTIFICATION** ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. XX-XXX, adopted by the City Council at a regular meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Exhibit A

Massage Establishment and Licensee Regulatory Fee

Process	Position	Productive Hourly Rate With OH	# of FTE	# of Hr per FTE	Total
Initial Application					
Application	Police Officer	\$ 133.21	1.00	1.00	\$ 133.21
Application	Accounting Assistant II	62.13	1.00	1.50	93.20
Annual Compliance Check	Police Officer - Corporal	154.17	2.00	2.00	616.68
Total Initial Fee					\$ 843.09
Renewal					
Renewal	Accounting Assistant II	\$ 62.13	1.00	0.75	\$ 46.60
Annual Compliance Check	Police Officer - Corporal	154.17	2.00	2.00	616.68
Total Renewal Fee					\$ 663.28



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Dat Nguyen, Finance Director
APPROVED BY: City Manager

APPROVE AMENDMENTS TO THE MORGAN HILL MUNICIPAL CODE BY AMENDING SECTION 2.08.040 OF CHAPTER 2.08 (CITY MANAGER) OF TITLE 2 TO AMEND THE CITY MANAGER'S POWERS AND DUTIES AND BY AMENDING CHAPTER 3.04 OF TITLE 3 RELATED TO PURCHASING OF GOODS AND SERVICES

RECOMMENDATION(S)

1. Open/Close Public Hearing;
2. Waive the first and second reading of the Ordinance to amend Section 2.08.040 of Chapter 2.08 of Title 2 of the Municipal Code to increase the signature authority of the City Manager;
3. Introduce Ordinance by title;
4. Waive the first and second reading of the Ordinance to amend Chapter 3.04 of Title 3 of the Municipal Code to revise the regulations pertaining to the purchasing of goods and services; and
5. Introduce this Ordinance by title.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Fiscal Responsibility
Preserving and Cultivating Public Trust

2018 Strategic Priorities

Financial Stewardship

REPORT NARRATIVE:

This report and recommended Council action is to amend two chapters of the Municipal Code, Chapter 2.08 (City Manager) and Chapter 3.04 (Purchasing).

On July 15, 2015, the Council adopted a resolution electing that the City become subject to the California Uniform Public Construction Cost Accounting Act (CUPCCAA). The law promotes statewide uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities. It authorized public projects of \$45,000 or less to be performed by the employees of a public agency, public projects of \$175,000 or less to be let to contract by informal procedures, and public projects of more than \$175,000 to be let to contract by formal bidding procedures. The act permitted the governing body of a public agency, in the event all bids received for the performance of that public project are in excess of \$175,000, to award the contract at \$187,500 or less to the lowest responsible bidder if it determined the cost estimate of the public agency was reasonable.

On August 20, 2018, the Governor signed Assembly Bill 2249 (AB 2249) which increased the thresholds of public projects to be performed by (1) the employees of a public agency to \$60,000 or less; (2) contract by informal procedures to \$200,000 or less; and (3) contract by formal bidding of more than \$200,000. The bill would permit the governing body of a public agency, in the event all bids received for the performance of that public project are in excess of \$200,000, to award the contract at \$212,500 or less to the lowest responsible bidder if it determines the cost estimate of the public agency was reasonable.

By electing to become subject to the CUPCCAA, the City Manager's authority on public projects automatically increased to \$60,000 as defined in AB 2249. However, the City Manager's authority for standard purchasing still remains at \$45,000 per the City's municipal code. Staff is proposing to increase the City Manager's authority for standard purchasing to match the limit of the CUPCCAA.

COMMUNITY ENGAGEMENT: Inform

This staff report will serve to inform the Community of the proposed amendments to the Morgan Hill Municipal Code.

ALTERNATIVE ACTIONS:

The Council could find that it desires to sustain Chapters 2.08 and 3.04 of the Municipal Code as they are written and reject the proposed Ordinance amendments.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The Council adopted a resolution electing that the City become subject to the California Uniform Public Construction Cost Accounting Act on July 15, 2015.

The Council approved amendments to Chapters 2.08 and 3.04 of the Morgan Hill Municipal Code to increase the signature authority of the City Manager and to revise the regulations pertaining to the purchasing of goods and services on September 15, 2015.

FISCAL AND RESOURCE IMPACT:

The preparation of the report is a part of the Finance workplan.

CEQA (California Environmental Quality Act):

Not a Project.

This report is not a project, as defined in Section 15378 of the State CEQA Guidelines. Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. 2.08.040___Powers_and_duties (redline)
2. Chapter_3.04___PURCHASING (redline)
3. Presentation - Approve Amendments to Municode

**AN ORDINANCE OF THE CITY OF MORGAN HILL AMENDING
SECTION 2.08.040 (“POWERS AND DUTIES”) OF CHAPTER 2.08
“CITY MANAGER” OF TITLE 2 (“ADMINISTRATION AND
PERSONNEL”) OF THE MORGAN HILL MUNICIPAL CODE TO
MODIFY THE POWERS AND DUTIES OF THE CITY MANAGER**

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~~WHEREAS, the provisions of this Ordinance do not constitute a project under the provisions of the California Environmental Quality Act of 1970; and~~

~~WHEREAS, prior to the adoption of this Ordinance, the City Council of the City of Morgan Hill held a duly noticed public hearing at which all interested persons were afforded an opportunity to be heard upon the adoption of this Ordinance.~~

~~NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN~~ AS FOLLOWS:

SECTION 1. Section 2.08.040 of Chapter 2.08 of Title 2 of the Morgan Hill Municipal Code is hereby ~~by~~ amended to read in its entirety as follows (additions underlined, deletions in ~~strikeout~~):

2.08.040 - Powers and duties.

The city manager shall be the administrative head of the city government acting under the direction and control of the city council. In addition to the city manager's general powers as chief administrator, and not as a limitation thereon, the city manager shall have the powers and duties set forth in the following subsections:

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- A. To see that all laws and ordinances of the city are duly enforced and that all franchises, permits, licenses and privileges granted by the city are faithfully performed and observed;
- B. To perform all financial and accounting duties imposed on the city clerk by Government Code Sections 40802 through 40805. Pursuant to Section 40805.5 of the Government Code, these duties are transferred to the city manager or his/her designee;
- C. To control, order and give directions to all directors of departments and to subordinate officers and employees of the city under the city manager's jurisdiction through their department director;
- D. The services and facilities of the city clerk, city treasurer and city attorney shall be made available to the city manager in the same manner that such services are available to the city council;
- E. The city manager shall have authority to appoint, discipline and dismiss any and all officers and employees of the city, except the city attorney and those elected by the electors of the city. All department directors, persons holding those positions listed in section A of the resolution adopting selected salary ranges and job titles for management, professional and confidential employees, are "at-will" employees and may be removed at any time by the city manager without cause and without right of appeal.
- F. To attend all meetings of the city council unless excused there from by the city council;

- G. To recommend to the city council for adoption such measures and ordinances as he or she deems necessary or expedient;
- H. To keep the city council at all times fully advised as to the financial conditions and needs of the city;
- I. To prepare and submit to the city council the annual budget and to administer it after adoption;
- J. To purchase or cause to be purchased all supplies for all of the departments or divisions of the city. No expenditures shall be submitted or recommended to the city council except on report and approval of the city manager;
- K. To make investigation into the affairs of the city and any department or division thereof and any contract or the proper performance of any obligation pertaining to the city;
- L. To investigate all complaints in relation to matters concerning the administration of the government of the city and in regard to the services maintained by public utilities in the city, and to see that all franchises, permits and privileges granted by the city are faithfully observed;
- M. To execute general supervision over all public buildings, public parks, streets and other public property which are under the control and jurisdiction of the city council;
- N. Reserved.
- O. To receive and open all official mail and communications addressed either to the mayor or to the city council, unless a councilmember has filed a written request with the city manager to forward all mail and communications unopened to the councilmember. The councilmember requesting the forwarding of unopened mail shall assume all responsibility to comply with all laws. The mayor will not have the option to file a request to have his or her mail forwarded unopened;
- P. To make reports and recommendations as may be desirable or as requested by the city council;
- Q. To perform such other duties and exercise such other powers as may be delegated to the city manager from time to time by ordinance, resolution or other action of the city council;
- R. To sign the following instruments on behalf of the city:
 - 1. Without prior approval from the city council:
 - a. Rights of entry onto city property where the city manager determines no reasonable risk of hazard, harm or danger is presented by such entry;
 - b. Written contracts, letters of intent or similar memoranda of understanding made or entered into by city where city council previously has made sufficient appropriation therefore and the total amount to be expended by city under such contract or other written instrument equals ~~forty-five thousand dollars~~ to the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act or less;
 - c. Written contracts, letters of intent or similar memoranda of understanding where the amount or value to be received by city equals ~~forty-five thousand dollars~~ to the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act or less;
 - d. Emergency purchases pursuant to the applicable provisions of Chapter 2.44 or Chapter 3.04 of this code; and

2. Whenever authorized by the city council:
 - a. All warrants drawn on the city treasury,
 - b. All written contracts and conveyances made or entered into by the city where the amount to be expended or received by the city exceeds ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act, and
 - c. All instruments requiring the city seal; and
- S. All claims and actions against the city or any officer or any employee thereof shall be filed, served and processed in accordance with applicable state law. All claims shall be filed with the city clerk. Pursuant to Section 935.4 of the Government Code, the city manager or said manager's designee shall be authorized to accept, settle or reject, without prior approval of the council, claims against the city, provided that no allowance, compromise, or settlement shall exceed twenty thousand dollars. Upon the written order of the city manager or said manager's designee, the director of finance shall cause to be issued a warrant upon the treasury of the city in the amount for which a claim has been allowed, compromised or settled. The city manager or said manager's designee is further authorized to compromise or settle, without prior approval of the council, except on a matter of policy, any actions in which the city is the plaintiff, provided that the amounts of such compromise or settlement shall not exceed twenty thousand dollars.

SECTION 2. Severability. Should any provision of this Ordinance be deemed invalid, unconstitutional, unenforceable or inapplicable to a situation by a court of competent jurisdiction, such determination shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations, and any such invalid or unconstitutional provision shall be severed from this Ordinance, which severance shall not affect the validity of the remainder of this Ordinance.

SECTION 3. Effective Date; Posting. This Ordinance shall take effect thirty (30) days after the date of its passage and adoption. The City Clerk is hereby directed to publish in full or summary this Ordinance in accordance with the provisions of California Government Code Section 36933.

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THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 3RD DAY OF OCTOBER 2018 AND WAS FINALLY ADOPTED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 17TH DAY OF OCTOBER 2018 AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
 NOES: COUNCIL MEMBERS:
 ABSTAIN: COUNCIL MEMBERS:
 ABSENT: COUNCIL MEMBERS:

APPROVED:

 STEVE TATE, Mayor

ATTEST:

DATE:

 IRMA TORREZ, City Clerk

Effective Date:

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 17th day of October 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

 IRMA TORREZ, City Clerk

**AN ORDINANCE OF THE CITY OF MORGAN HILL AMENDING
CHAPTER 3.04 (~~“PURCHASING”~~) OF TITLE 3 (~~“REVENUE AND
FINANCE”~~) OF THE MORGAN HILL MUNICIPAL CODE TO
MODIFY PROVISIONS GOVERNING THE PURCHASE OF
GOODS AND SERVICES**

~~WHEREAS, the provisions of this Ordinance do not constitute a project under the provisions of the California Environmental Quality Act of 1970; and~~

~~WHEREAS, prior to the adoption of this Ordinance, the City Council of the City of Morgan Hill held a duly noticed public hearing at which all interested persons were afforded an opportunity to be heard upon the adoption of this Ordinance.~~

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL
DOES ORDAIN AS FOLLOWS:**

SECTION 1. Chapter ~~23~~.04 of Title 3 of the Morgan Hill Municipal Code is hereby ~~by~~ amended to read in its entirety as follows (additions underlined, deletions in ~~strikeout~~):

Chapter 3.04 - PURCHASING

3.04.010 - Purpose.

The purpose of this chapter is to maximize the purchasing value of public funds in procurement and to provide safeguards for maintaining a procurement system of quality and integrity.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.020 - Application.

Except as otherwise provided in this chapter, this chapter applies to contracts for the procurement of supplies and services entered into by the city. When the procurement involves the expenditure of federal assistance or contract funds, the procurement shall be conducted in accordance with mandatory applicable federal law and regulations. Nothing in this chapter shall prevent city from complying with the terms and conditions of any grant, gift or bequest that is otherwise consistent with law.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.030 - Definitions.

As used in this chapter:

- A. "Business" means any corporation, partnership, individual, sole proprietorship, joint stock company, joint venture or any other private legal entity.
- B. "City" means the city of Morgan Hill.
- C. "Emergency" means a situation where immediate action is required to preserve the public peace, health and safety and/or to avoid severe degradation of a city facility.

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- D. "Local business" means a business that has its headquarters, distribution point or locally-owned franchise located in or having a street address within the city limit for at least six months immediately prior to the request for quotations and holds all required business licenses and other approvals by the city of Morgan Hill.
- E. "Local offeror" means a consultant or service provider that has its headquarters, distribution point or locally-owned franchise located in or having a street address within the Morgan Hill Unified School District Boundary for at least six months immediately prior to the request for quotations and holds all required business licenses and other approvals by the city of Morgan Hill.
- F. "Person" means any business, individual, union, committee, club, other organization or group of individuals.
- G. "Post consumer" means a finished material that would have been disposed of as a solid waste, having completed its life cycle as a consumer item. This would include old newspapers, magazines, boxes, office waste paper, etc.
- H. "Procurement" means the buying, purchasing, renting, leasing or other acquisition of any supplies or services. Procurement also includes all functions that pertain to the obtaining of any supplies or services, including specifications, description of requirements, selection and solicitation of sources, preparation and awards of contracts and contractual administration.
- I. "Public project" means a project governed by Section 20161 of the California Public Contract Code.
- J. "Recycled paper" means paper that contains, in accordance with Presidential Executive Order 12873, a minimum of thirty percent post-consumer materials.
- K. "Services" means the performance of work by an independent contractor of the city; provided, however, services specifically exclude employee services and exclude the performance of work for "public projects." Services specifically includes all professional services, such as attorneys, physicians, consultants, teachers, trainers, architects, engineers, landscape architects, construction managers, environmental, land surveyors, appraisers, accountants and financial advisers, as well as other professional services such as insurance brokers and bankers; nonprofessional services such as cleaning and maintenance; and any "public works" not within the definition of "public projects."
- L. "Specification" means any description of the physical or functional characteristics or of the nature of a supply, service or construction item. It may include a description of any requirement for inspecting, testing or preparing a supply or service for delivery.
- M. "Supplies" means all personal property (including, but not limited to, equipment and materials) except as otherwise provided in this chapter.
- N. "Surplus supplies" means supplies that are worn out, obsolete or unsuitable for city use.
- O. "Total amount" means total price charged for a supply, including tax, shipping and handling and any other associated charges.
- P. "Total taxable amount" means total price for a supply on which sales taxes are charged.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.040 - Purchasing officer—Office established.

The city manager, or his/her designee, shall serve as the purchasing officer of the city.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.050 - Purchasing officer—Duties.

A. In accordance with this chapter, the purchasing officer shall have the following duties and powers:

1. To procure or supervise the procurement of all supplies and services needed by the city, except as otherwise provided in this chapter;
2. To sell, trade or otherwise dispose of surplus supplies belonging to the city to the extent and in the manner allowed by law; and
3. To establish and maintain programs for specifications development, contract administration and inspection and acceptance, in cooperation with the city department(s) using the supplies and services;
4. To call for bids or give notice to any and all persons or publish in any case even if the same is not required by the terms of this chapter; and is empowered to invite bids by telephone, electronic mail, facsimile or by mail when deemed in the best interests of the city; and
5. To keep a record of all purchases made and the bids, if any, submitted thereon. Said records shall be open to public inspection at all times during regular business hours.

B. Direct supervision over the city's central stores. General supervision over all other inventories of supplies belonging to the city may be assigned by the purchasing officer to another city employee or other individual or business.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.060 - Operational procedures.

Consistent with this chapter, the purchasing officer may adopt operational procedures relating to the execution of duties. At a minimum, the purchasing officer shall adopt procedures relating to the preparation of purchase orders, competitive pricing requirements for purchases of less than five thousand dollars, the determination that sufficient funds are available for the purchase, verification that the order received is correct and meets the city's quality standards and establish policies relating to environmental procurement and purchases relating to brand name products.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.070 - Delegation.

The purchasing officer may delegate authority to purchase supplies or services and to dispose of surplus supplies to other city officials, if such delegation is deemed necessary for the effective procurement or disposal of those items and approved by the city manager.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.080 - Consideration of bids and basis of awards.

Purchases shall be awarded on the basis of the bid or bids most advantageous to the city. In determining whether a bid is most advantageous to the city, in addition to price, the purchasing officer, city manager or city council may consider the following:

1. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
2. Whether the bidder can perform the contract or provide the service promptly or within the time specified, without delay or interference;
3. The character, integrity, reputation, judgment, experience and efficiency of the bidder;
4. The quality of performance of previous contracts or services;
5. The previous and existing compliance by the bidder with applicable laws and ordinances;
6. The sufficiency of the financial resources and the ability of the bidder to perform the contract or provide the service;
7. The quality, availability and adaptability of the supplies or contractual services to the particular use required;
8. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract; and
9. The number and scope of conditions attached to the bid.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.090 - Justification for acceptance of a high bid.

In cases where the purchasing officer makes the purchase and, in the opinion of the purchasing officer, the most advantageous bid is not the lowest bid, the purchasing officer shall prepare and place on file with the department making the purchase, a written statement of his/her opinion and the reason therefor. Such statement shall be open to public inspection at all times during regular business hours.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.100 - Local business price preference.

A local business shall be given a one percent preference (calculated on the total taxable amount of the purchase), over a bidder that is not a local business. In cases where considering this one percent preference, two or more bids are judged to be equal on the basis of price, quality and service, the local business bidder shall be preferred.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.101 - Local business quotation preference.

If the lowest price submitted for a purchase is not from a local business, local businesses shall be given a preference in the procurement process if they are otherwise responsive and responsible and within five percent of the lowest price originally submitted by a non-local business. The local business's price will be tabulated as if it were up to five percent lower than the total figure actually set forth in the submitted bid, sufficient to establish the re-tabulated bid as the low bid. The local business would then be awarded the contract at the newly calculated price (deducting the five percent). Local businesses shall have the choice when submitting a bid whether or not they would be willing to reduce their price up to five percent in order to make them the low bidder. The city, when seeking bids or proposals, will notify bidders or proposers that the bids or proposals will be evaluated on the basis of a local preference of five percent of the bid or proposal price. The local business must affirmatively mark on the bid submittal that it would like to apply the local preference. The preference described in this section will be applied in addition to the one percent preference required by Section 3.04.100.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.110 - Purchases in the amount of five thousand dollars or more must be in writing.

No award for supplies or services where the total amount or value is five thousand dollars or more shall be deemed to be an acceptance of any offer or bid unless and until the same is reduced to writing and signed by the purchasing officer and dispatched to the vendor or purchaser. For purchases under five thousand dollars, informal bidding procedures should be utilized whenever beneficial to the city; provided, however, that written documentation of the amount owed by city shall be obtained prior to any payment by city.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.120 - Informal purchases in an amount of up to ten thousand dollars.

Where the total amount or value of a purchase is ten thousand dollars, or less, the city manager may delegate the authority to purchase to the department head for the department making the purchase, provided that the department head conducts and completes an informal price checking process through telephone or mail inquiry, comparison of prices on the Internet, or similar process and shall document the information received in writing. Notwithstanding the foregoing, the department head may elect to make any purchase in a total amount or value of up to ten thousand dollars (except as the laws of the state otherwise require) in the following cases:

1. By department head approval that said purchase may be made cooperatively, as provided in Section 3.04.180 of this chapter, upon a determination that informal price checking would not be likely to result in a lower price to the city from a responsible bidder or would cause unnecessary expense or delay under the circumstances; or
2. By department head approval upon a determination that there is only one source for the required supply or service based on a review of available sources by the purchasing officer and written recommendation therefor.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.130 - Informal purchases in an amount over ten thousand dollars and up to twenty-five thousand dollars.

Where the total amount or value of a purchase is twenty-five thousand dollars, or less, the purchase may be made by the purchasing officer, provided that the purchasing officer shall conduct and complete an informal price checking process through telephone or mail inquiry, comparison of prices on the Internet, or similar process and shall document the information received in writing. Notwithstanding the foregoing, the purchasing officer may elect to make any purchase in a total amount or value of up to twenty-five thousand dollars (except as the laws of the state otherwise require) in the following cases:

1. By purchasing officer approval that said purchase may be made cooperatively, as provided in Section 3.04.180 of this chapter, upon a determination that informal price checking would not be likely to result in a lower price to the city from a responsible bidder or would cause unnecessary expense or delay under the circumstances; or
2. By purchasing officer approval upon a determination that there is only one source for the required supply or service based on a review of available sources by the purchasing officer and written recommendation therefor.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.140 - Competitive bid purchases over twenty-five thousand dollars and up to ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act.

Where the total amount or value of a purchase is twenty-five thousand dollars or more, but not over ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act, the purchase shall be made by the city manager through competitive bid, upon notice as required by Section 3.04.190 of this chapter, provided however, the city manager may elect to make any purchase in any amount (except as the laws of the state otherwise require) in the following cases:

1. By city manager approval upon a determination that competitive bids upon notice would not be likely to result in a lower price to the city from a responsible bidder or would cause unnecessary expense or delay under the circumstances;
2. By city manager approval that said purchase may be made cooperatively, as provided in Section 3.04.180 of this chapter, upon a determination that competitive bids upon notice would not be likely to result in a lower price to the city from a responsible bidder or would cause unnecessary expense or delay under the circumstances;
3. By city manager approval upon a determination that the immediate preservation of the public peace, health or safety requires said purchase to be made without competitive bids upon notice; or
4. By city manager approval upon a determination that there is only one source for the required supply or service based on a review of available sources by the purchasing officer and written recommendation therefor.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.150 - Competitive bid purchases over ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act.

Where the total amount or value involved is over ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act, the purchase shall be made by the city council through competitive bid, upon notice as required by Section 3.04.190 of this chapter, provided however, the city council may elect to make any purchase in any amount (except as the laws of the state otherwise require) in the following cases:

1. By affirmative vote of three city council members upon a determination that competitive bids upon notice would not be likely to result in a lower price to the city from a responsible bidder or would cause unnecessary expense or delay under the circumstances;
2. By majority vote of city council members present at a city council meeting that said purchase may be made cooperatively, as provided in Section 3.04.180 of this chapter, upon a determination that competitive bids upon notice would not be likely to result in a lower price to the city from a responsible bidder or would cause unnecessary expense or delay under the circumstances;
3. By majority vote of those present at a city council meeting upon a determination that the immediate preservation of the public peace, health or safety requires said purchase to be made without competitive bids upon notice; or
4. By majority vote of those present at a city council meeting upon a determination that there is only one source for the required supply or service based on a review of available sources by the purchasing officer and written recommendation therefor.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.160 - Emergency authority of purchasing officer.

- A. In an emergency as defined in Section 3.04.030 where timely action by the city council is not possible, the purchasing officer may purchase supplies or services, even though the total amount thereof may exceed ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act, without competitive bids or notice.
- B. At the next succeeding city council meeting, the purchasing officer shall submit to the city council a written report setting forth a statement of the circumstances of such emergency, a description of the supplies or services purchased and the prices thereof.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.170 - Waiver of informalities—Rejection of bids.

Where the purchasing officer, city manager or city council are required to make purchases upon competitive bids, said officer, manager or city council may waive any informalities or minor irregularities, or may reject any and all bids (anything contained in this chapter to the contrary notwithstanding) if said officer, manager or city council, respectively, deems said rejection to be in the best interests of the city. Said rejection shall be at the sole discretion of the officer, manager

or city council, as the case may be. Upon rejection of bids, the officer, manager or city council may:

1. Give subsequent notice for new competitive bids;
2. Postpone said purchase or disposal definitely or indefinitely; or
3. Elect to make the purchase without competitive bids, upon notice (and as if competitive bids, upon notice, had not been required in the first instance) in accordance with the authority granted by the various subsections of this section.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.180 - Cooperative purchasing.

The purchasing officer has the authority to join with other public jurisdictions in cooperative purchasing plans or programs, including, but not limited to California Communities Purchasing Program (CCPP), the California Department of General Services (CADGS), the California Multiple Award Schedule (CMAS), the National Association of Counties (NACo), or similar arrangements or plans, as determined by the purchasing officer to be in the city's best interests.

The purchasing officer may either: (1) buy directly from a vendor at a price established by a competitive bid by another jurisdiction even if the city had not joined with the public agency in a cooperative purchase; or (2) compare bids among cooperative purchasing plans or programs and choose the bid that best matches the needs of the city. The purchasing officer shall not, however, shop the cooperative purchasing process bid to private vendors.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.190 - Competitive bids—Notice.

Where notice is required, notice shall be given as follows:

- A. The notice shall give such information as to the proposed purchase or disposal as the purchasing officer deems sufficient but shall include the following:
 1. A distinct description of the supplies or services to be purchased or personal property to be disposed;
 2. The location where bid forms, specifications, performance requirements, requests for proposals, or specific disposal requirements can be obtained for bidding;
 3. Date, time and place of bid opening;
 4. Whether bid deposits or bonds and faithful performance bonds will be required; and
 5. A statement that the city has the authority to reject any and all bids and may waive any minor technicality or variance found in the bid document.
- B. For purchases under Sections 3.04.140 or 3.04.150:
 1. By publishing notice in a newspaper of general circulation within the city on at least one occasion at least ten days prior to the date set for the final receipt of bids, provided that publication may be made in any newspaper of general circulation in the county which the purchasing officer shall select if the publication schedule of all

newspapers of general circulation in the city are such that notice by publication cannot be given in time; and

2. Posting on the city's website.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.200 - Competitive bids.

Competitive bids shall be submitted in writing in a sealed envelope to the office of the city clerk no later than the final time and date for receipt of bids as set forth in the notice of publication and opened publicly. If authorized in the notice, bids also may be submitted by electronic mail or facsimile, provided however, that the entire document is received no later than the final time set for receipt of written bids. Any bid may be withdrawn by a written request signed by the bidder and received by the city clerk prior to the final time and date for the receipt of bids.

1. Opening. Bids shall be opened in public at the time and place stated in the public notices.
2. Tabulation. A tabulation of all bids received shall be posted for public inspection.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.210 - Bid deposits.

When deemed necessary by the purchasing officer, city manager or city council, any bidder may be required to submit a bid security or bond in an amount determined by the purchasing officer, city manager or city council that represents the damage costs to the city should the bidder not be able to engage in a contract with the city as a result of the bidder's actions. A successful bidder (and surety, if a bond is furnished) shall be liable for all damages upon said bidder's failure to enter into a contract with the city.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.220 - Faithful performance deposits.

When deemed necessary by the purchasing officer, city manager or city council, any person entering into a contract with the city may be required to furnish a faithful performance and/or a time and materials deposit or bond in an amount determined by the purchasing officer, city manager or city council. Said person (and surety, if a bond is furnished) shall be liable for any damages upon said person's failure to faithfully perform the terms of his/her contract.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.230 - Reserved.

3.04.240 - Consultant contracts.

- A. The city council finds and declares that the competitive bid process is ill-suited for the selection of consultants. The request for proposal procedure set forth in Section 3.04.250 may be used if a determination is made by the officer or official responsible for the purchase — the purchasing officer, city manager or city council, respectively — that to do so would be in the best interest of the city in selecting the best qualified consultant. Consultants are required for professional or technical expertise and for matters requiring specialized abilities

or a high degree of skill. Their numbers in relation to a particular skill or expertise required are comparatively limited. Where consultants are involved, the bidding process is not likely to result in a lower price to the city or eliminate unnecessary expense or delay.

- B. The officer or official responsible for the purchase — the purchasing officer, city manager or city council, respectively — shall be empowered to engage a consultant (including, but not limited to, material testing service, construction inspection services, architectural, engineering, testing, land surveying, appraising, environmental, planning, financial, legal, development processing, governmental operations, special studies, construction project management, information technology and services graphic design and other services related thereto) without the necessity of an informal bid or competitive bid or notice thereof in the following circumstances and subject to the following criteria and conditions:
1. Subject to the delegation of the city manager, with department head approval if the consultant's total fee for services and supplies under the contract by which the consultant is engaged on a per project basis, including any amendments to the contract, does not exceed ten thousand dollars, so long as there exists a sufficient unencumbered appropriation in the fund against which the contract expense may be appropriately charged and provided further that any bifurcation of a purchase or contract into subunits or phases for the purpose of avoiding the maximum dollar amounts set forth in this section is prohibited; or
 2. With city manager approval if the consultant's total fee for services and supplies under the contract by which the consultant is engaged on a per project basis, including any amendments to the contract, does not exceed ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act, so long as there exists a sufficient unencumbered appropriation in the fund against which the contract expense may be appropriately charged and provided further that any bifurcation of a purchase or contract into subunits or phases for the purpose of avoiding the maximum dollar amounts set forth in this section is prohibited; or
 3. With city council approval if the consultant's total fee for services and supplies under the contract by which the consultant is engaged on a per project basis exceeds ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act. City council approval is not required for services in excess of ~~forty-five thousand dollars~~ the amount authorized to be performed by the employees of a public agency for public projects per State of California's Uniform Public Construction Cost Accounting Act if the consultant's total fee for services and supplies is to provide environmental services for a project that will be paid for by a development processing project applicant.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.245 - Non-consultant services contracts.

- A. A services contract is a contract, with or without the furnishing of supplies or equipment, for work, labor or services including, but not limited to:

1. Maintenance of public buildings, streets, parks and playgrounds and other public improvements not governed by the provisions of the California Public Contract Code;
 2. Repair, modification and maintenance of equipment;
 3. Installation and maintenance of computer software;
 4. Janitorial services, uniform cleaning, tree trimming, street sweeping, power washing and landscape maintenance; and
 5. Leasing of personal property for use by the city.
- B. Services contracts shall comply with the necessary informal bid, competitive bid process or request for proposal as set forth in Sections 3.04.080; 3.04.120; 3.04.130; 3.04.140; 3.04.150, and 3.04.250, as applicable.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.250 - Request for proposals.

- A. In lieu of competitive bidding, the officer or official responsible for the purchase — the purchasing officer, city manager or city council, respectively — may utilize the request for proposal method of purchasing supplies or services upon a determination that competitive bidding is not practical or advantageous to the city because of one or more of the following reasons:
1. Quality, capability, performance or qualification is overriding in relation to price;
 2. Delivery, installation, service, maintenance, reliability or replacement is overriding in relation to price;
 3. In the opinion of the purchasing officer, city manager or city council, respectively, the marketplace will respond better to a solicitation permitting a range of alternative proposals or evaluation and discussion of proposals before entering the contract; or
 4. Any of the considerations set forth in Section 3.04.080 are overriding.
- B. The identity of persons responding to the request for proposals and the content of proposals submitted to the city may be kept confidential during the process of negotiation and until a contract is awarded, if deemed necessary by the purchasing officer, city manager or city council to receive the best proposal.
- C. The formats and procedures for requests for proposals shall be established by the purchasing officer.
- D. The contract award shall be based upon the proposal determined by the purchasing officer, city manager or city council, respectively, to be most advantageous to the city, taking into consideration price and the evaluation factors set forth in the request for proposals.
- E. The purchasing officer, city manager or city council, respectively, may reject any and all proposals if such rejection is deemed to be in the best interests of the city and may thereupon direct that proposals be solicited or utilize any other purchasing method set forth in this section.

- F. As provided in the request for proposals, discussions may be conducted with responsible offerors who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of, and conformance to, the solicitation requirements. Offerors shall be accorded equal treatment with respect to any opportunity for discussion and revision of proposals and such revisions may be permitted after submissions and prior to award for the purpose of obtaining the best and final offers. In conducting discussions, there shall be no disclosure of the identity of competing offerors, or of any information derived from proposals submitted by competing offerors.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.300 - Reserved.

3.04.310 - Reserved.

3.04.320 - Disposals of two thousand five hundred dollars or less.

Except as otherwise provided by state law or city ordinance, the purchasing officer shall be empowered to dispose of personal property of the city which cannot be used by any department of the city, at public or private sale, or by renting, donating or destroying the same, (all with or without notice, competitive bid or necessity of posting bid bonds, at the purchasing officer's discretion, and upon such terms as said officer deems best) provided any single item of property involved does not exceed two thousand five hundred dollars in current market value. At the beginning of each fiscal year, the city council may adopt a list of acceptable non-profit organizations to which the city may donate.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.330 - Deposits for disposal of property.

The purchasing officer may, in said officer's discretion, require that a deposit in the amount of the bid or any fraction thereof accompany each bid upon disposal of personal property.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.400 - Disposals of more than two thousand five hundred dollars.

In the event any single item of property exceeds two thousand five hundred dollars in current market value, the city council may empower the purchasing officer to dispose of it (in accordance with the same terms and conditions, and subject to the same discretion and limitations as if it were under two thousand five hundred dollars in value). Alternatively, the city council may elect to sell, rent, donate or destroy the same in accordance with whatever provision and/or terms and conditions the city council may, in its discretion, elect.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

3.04.420 - Exclusions from chapter.

The provisions of this chapter shall not apply:

1. To public projects (governed by the provisions of the California Public Contract Code);

2. To franchises governed by the provisions of the California Public Utilities Code or other statutes of the state;
3. Where state or federal law requires a different procedure;
4. To franchises, rights and privileges granted for refuse disposal under Chapter 13.28, and the cable franchise under Chapter 5.20, of this code;
5. To the purchase of insurance;
6. To the leasing, purchase or sale of land or any interest therein;
7. To the hiring of, or contracting for, personnel (whether as temporary, seasonal or permanent employees);
8. To private construction contracts reviewed pursuant to Titles 17 or 18; and
9. To the purchase of utilities, including, but not limited to, telephone service, gas, electricity or water.

(Ord. No. 2172 N.S., § 1, 10-7-2015)

SECTION 2. Severability. Should any provision of this Ordinance be deemed invalid, unconstitutional, unenforceable or inapplicable to a situation by a court of competent jurisdiction, such determination shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations, and any such invalid or unconstitutional provision shall be severed from this Ordinance, which severance shall not affect the validity of the remainder of this Ordinance.

SECTION 3. Effective Date; Posting. This Ordinance shall take effect thirty (30) days after the date of its passage and adoption. The City Clerk is hereby directed to publish in full or summary this Ordinance in accordance with the provisions of California Government Code Section 36933.

This Ordinance was introduced and the title thereof read at a meeting of the City Council of the City of Morgan Hill held on the _____ day of _____, 2018, and was duly passed and adopted in accordance with applicable law and as follows:

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THE FOREGOING ORDINANCE WAS INTRODUCED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 3RD DAY OF OCTOBER 2018 AND WAS FINALLY ADOPTED AT A REGULAR MEETING OF THE CITY COUNCIL HELD ON THE 17TH DAY OF OCTOBER 2018 AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH LAW BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
 NOES: COUNCIL MEMBERS:
 ABSTAIN: COUNCIL MEMBERS:
 ABSENT: COUNCIL MEMBERS:

APPROVED:

 STEVE TATE, Mayor

ATTEST:

DATE:

 IRMA TORREZ, City Clerk

Effective Date:

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. XXXX, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 17th day of October 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

 IRMA TORREZ, City Clerk

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Approve Amendments to Municipal Code Chapter 2.08 – City Manager Chapter 3.04 – Purchasing



Amend Municipal Code



- Objective
 - Improve Efficiency of Local Government
 - Consistent with California Uniform Public Construction Cost Accounting Act (CUPCCAA)
- How
 - Amend Chapter 2.08 to broaden City Manager's signature authority
 - Amend Chapter 3.08 to increase purchasing thresholds to be consistent with CUPCCAA

Background

- CUPCCAA – enacted 1983
- Adopted resolution electing City to become subject to the CUPCCAA – July 15, 2015
- Approved amendments to Municipal Code to increase City Manager's signature authority and purchasing thresholds to match of CUPCCAA – September 15, 2015



AB 2249



- Governor signed AB 2249 – August 20, 2018
- Increased negotiated contracts from \$45K to \$60K
- Increased informal bids from \$175K to \$200K
- Last increased in 2011

Recommended Code Amendments



- Increase City Manager signature authority from \$45K to \$60K – Chapter 2.08
- Increase threshold for City Manager authority from \$45K to \$60K – Chapter 3.04
- Threshold to match CUPCCAA

Survey Results



<u>City</u>	<u>CM Contract Authority</u>	<u>Population</u>	<u>Limit Per Capita</u>
Morgan Hill	\$ 60,000	44,513	\$ 1.35
Saratoga	\$ 25,000	31,435	\$ 0.80
Campbell	\$ 50,000	42,696	\$ 1.17
Los Gatos	\$ 50,000	30,601	\$ 1.63
Palo Alto	\$ 50,000	69,721	\$ 0.72
Los Altos	\$ 75,000	31,361	\$ 2.39
Gilroy	\$ 100,000	55,615	\$ 1.80
Milpitas	\$ 100,000	74,865	\$ 1.34
Mountain View	\$ 100,000	81,527	\$ 1.23
Sunnyvale	\$ 100,000	153,389	\$ 0.65
Cupertino	\$ 175,000	60,091	\$ 2.91



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Christina Turner, City Manager

APPROVED BY: City Manager

DE PAUL HEALTH CENTER PROPERTY DISCUSSION

RECOMMENDATION(S)

Discuss Verity Health System's Bankruptcy as it relates to the De Paul Health Center Property in Morgan Hill.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Supporting Our Youth
Seniors
and Entire Community
Preserving and Cultivating Public Trust

2018 Strategic Priorities

Regional Initiatives

GUIDING DOCUMENTS

Economic Blueprint
General Plan/Housing Element

REPORT NARRATIVE:

In early September 2018, Verity Health System of California, Inc., notified the City of its filing of Bankruptcy, which includes the Saint Louise Hospital's De Paul Health Center in Morgan Hill.

At the September 5, 2018 City Council meeting, Mayor Tate requested a discussion be added to a future agenda regarding the bankruptcy proceedings and what the implications are to the City.

On September 10, 2018, the City issued the attached press release declaring the City's intent to reserve the entire De Paul Health Center property for medical purposes only. In summary, the De Paul Health Center site has a General Plan designation of Public Facilities and is zoned Planned Unit Development (PUD) which reserves the entire site for medical purposes. Furthermore, healthcare is one of the four key industries that the City of Morgan Hill is focusing economic development efforts on and retaining the De Paul Health Center property's PUD zoning is paramount in the efforts to grow and foster the medical service and diagnostics industry in Morgan Hill.

COMMUNITY ENGAGEMENT: Inform

ALTERNATIVE ACTIONS:

Council may choose not to discuss the bankruptcy or the property at this time.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None.

FISCAL AND RESOURCE IMPACT:

There are no fiscal impacts at this time.

CEQA (California Environmental Quality Act):

Not a Project - organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. Statement on De Paul Medical Center Property



17575 Peak Avenue
Morgan Hill, CA 95037-4128
TEL: (408) 779-7271
FAX: (408) 779-3117
www.morganhill.ca.gov

Contact:
Maureen Tobin
Communications and Engagement Manager
408.310.4706 (o)
408.406.4076 (c)
maureen.tobin@morganhill.ca.gov
@CityofMorganHil

FOR IMMEDIATE RELEASE

Morgan Hill City Council Again Declares that the City Intends to Reserve the Entire De Paul Health Center Property for Medical Purposes Only

Morgan Hill, CA, September 10, 2018 – In anticipation of Verity Health System's potential listing of the St. Louise Regional Hospital and associated De Paul Health Center property for sale, the Morgan Hill City Council once again declares that the City intends to reserve the entire De Paul Health Center Property for medical purposes only, specifically medical services and diagnostics. Verity Health System announced on August 31, 2018 that it has filed for protection under Chapter 11 to facilitate the sale of some, or all, of their six California hospitals and other related healthcare businesses. St. Louise Regional Hospital, in Gilroy, is one of the six Verity Health System hospitals and it also owns and operates the De Paul Health Center in Morgan Hill, which contains medical offices, and other ancillary health care services. The De Paul Medical Center occupies a portion of a 24.55 acre site that is also owned by the Verity Health System.

Services provided at the De Paul campus in Morgan Hill and St. Louise Regional Hospital will continue to operate in the ordinary course of business throughout Verity's reorganization process. The Morgan Hill site has a General Plan designation of Public Facilities and is zoned Planned Unit Development (PUD). The City Council of Morgan Hill would like to clarify that the original intent of the PUD zoning is to reserve the entire site for medical purposes. Healthcare is one of the four key industries that the City of Morgan Hill is focusing economic development efforts on, and the City Council hopes that this can be maintained after a potential sale of the De Paul Health Center. Retaining the De Paul Health Center property's PUD zoning is paramount in the efforts to grow and foster the medical service and diagnostics industry in Morgan Hill.

Having medical services available in Morgan Hill for the treatment and care of Morgan Hill residents has long been a priority of the Morgan Hill City Council. The Council wants to ensure that any changes in the ownership of the De Paul property guarantee benefit to the community in maintaining and growing medical services availability.

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CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Chris Ghione, Public Services Director

APPROVED BY: City Manager

APPROVE FUNDING AGREEMENT FOR DOWNTOWN TREE LIGHTING

RECOMMENDATION(S)

1. Authorize the City Manager to negotiate, execute and administer all necessary agreements and documents to accept \$15,000 from the Morgan Hill Downtown Association, for the purpose of funding tree lighting in Downtown Morgan Hill; and
2. Adopt resolution amending the Fiscal Year 2018/19 Budget appropriating \$30,000 in the General Fund (010).

COUNCIL PRIORITIES, GOALS & STRATEGIES

2018 Strategic Priorities

Economic Development and
Telecommunications

POLICY CONSIDERATIONS:

The Morgan Hill Downtown Association has proposed partnering with the City to fund half of the cost of re-installing tree lighting along Monterey Road in Downtown Morgan Hill. The City Council has identified several unfunded priorities for the City's General Fund. Knowing these priorities exist, does the City Council want to expend \$15,000 in General Fund revenue for the tree lighting that will have a life of approximately two years?

REPORT NARRATIVE:

The Morgan Hill Downtown Association has committed up to one-half or \$15,000, whichever is lesser amount, to support the City in funding tree lighting on the street trees along Monterey Road in Downtown Morgan Hill (Attachment No. 1). The City previously had tree lighting in place for approximately three years before having to remove the lights in the Spring of this year due to the lights failing. Since the removal of the lights, the Downtown Association has expressed an interest in purchasing replacement lights. During the Fiscal Year 2018/19 Budget development process the Downtown Association formally requested the City fund the tree lights. The Council did not elect to fund the tree lights, but Council members made comments suggesting the item return should the Downtown Association find funding for the lighting.

The tree lights greatly enhance the appearance of the Downtown during nighttime hours. Additionally, members of the public have expressed that the increased lighting from tree lights increases a sense of safety for visitors to the downtown. The tree lighting is anticipated to cost \$25,000 for installation and \$5,000 for the eventual

removal of the lights. The lighting is anticipated to last for approximately two years. It is important that the removal cost be included in the planning, as the lights are difficult and time consuming to remove.

City teammates believe that the City should continue to review options for alternative funding sources for enhancements such as the tree lighting and increased maintenance, specifically in Downtown. One such option for this funding is the re-establishment of the Downtown's Property Based Improvement District. However, since other funding options are not currently available, it is recommended that this partnership with the Downtown Association, which will fund 50 percent of the lighting costs, move forward, but that alternative funding sources continue to be explored.

COMMUNITY ENGAGEMENT: Empower and Inform

The Downtown Association and its members have brought forward this proposal and offered \$15,000 to fund this project. This item shall serve as an opportunity to inform community members of this project.

ALTERNATIVE ACTIONS:

The City Council could elect to not fund the tree lighting and direct staff to continue to work on alternate funding sources for the tree lighting.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The Council previously discussed the tree lighting during the Fiscal Year 2018/19 and 2019/20 Budget planning process. Funding for the tree lighting was not allocated at that time.

FISCAL AND RESOURCE IMPACT:

The proposed appropriation of \$30,000 in expense and acceptance of the \$15,000 donation will result in a net impact of \$15,000 to the General Fund (010). Funds would be appropriated from the General Fund Reserve to the Downtown Maintenance Division (010.5460).

CEQA (California Environmental Quality Act):

Categorical Exemption

The planned maintenance and management of city facilities falls within the CEQA categorical exemption of Class 1, Existing Facilities.

LINKS/ATTACHMENTS:

1. MHDA Twinkle Tree Lights Letter 09.10.18 final
2. Resolution for Budget Adjustment Tree Lighting
3. Exhibit A to Attachment 2 Budget Scorecard



September 10, 2018

Christina Turner
Morgan Hill City Manager
 City of Morgan Hill
 17555 Peak Avenue
 Morgan Hill, CA 95037

Re: Morgan Hill Downtown association offer to assist in funding new downtown tree lighting

Dear Ms. Turner,

The Morgan Hill Downtown Association is in the fortunate position to offer a donation to a cause which so many in the community are in support of, the reinstallation of downtown tree lighting.

The tree lighting, affectionately known as “twinkle lights”, were introduced into the Morgan Hill downtown in 2015 and were an instant hit. The thousands of small LED holiday tree lights were strung around trees on either side of Monterey Road artfully highlighting the trunk and branches. The lights helped to create a festive atmosphere and many felt they provided desirable additional light on our sidewalks which provided a sense of safety.

We have all learned that the lights have a finite life span and need to be replaced approximately every one to two years. The original lights have been removed and our goal is to install new lights to replicate the original installation.

The Morgan Hill Downtown Association is committed to pay for up to one-half the cost of replacement lighting or \$15,000.00, whichever is the lesser amount. We request a matching amount or enough to otherwise complete the project which is projected to cost in the vicinity of \$30,000.00.

The current commitment is to provide the funds for only this initial reinstallation, we regret that the Association cannot commit to guaranteeing funding in the future. However, the Association is committed to working with the City of Morgan Hill to define additional funding opportunities and to participate in a reasonable manner to help raise or otherwise secure future funding.

The MHDA is committed to reaching out to other local non-profit organizations like the Rotary Club of Morgan Hill, Chamber of Commerce, Morgan Hill Kiwanis International, TBID and others. Businesses and private parties will be approached as well as members of the former Morgan Hill Downtown PBID for assistance in funding.

We believe that the public, which has shown so much appreciation for the lights, will be willing participants in the future of the twinkle lights. We also hope that the formation of business or property-based improvement districts can play a role in the future of the lights.

We are exhibiting a commitment to our downtown businesses by offering to invest in a feature that will help draw more visitors to our downtown and provide an element of fun and safety for those that live, visit, and work here every day.

Please feel free to contact us with any questions you may have.

Thank you.

Sincerely,
Board of Directors
Morgan Hill Downtown Association

90 W. Main Avenue, Suite 6
Morgan Hill, CA 95037
(408) 779-3190
mhda@morganhilldowntown.org

cc:
Edith Ramirez, Economic Development Director
MHDA Board of Directors

RESOLUTION NO.

A RESOLUTION APPROVING AN AMENDMENT TO THE CITY'S FISCAL YEAR 2018/19 BUDGET IN THE GENERAL FUND (010) TO APPROPRIATE THIRTY THOUSAND (\$30,000) FOR THE PURCHASE OF TREE LIGHTING

WHEREAS, recommended amendments are needed and proposed to the City's previously adopted Budget for Fiscal Year 2018/19 as set forth on Exhibit A to this Resolution, to appropriate the requisite funds to implement the actions authorized by this Resolution; and

WHEREAS, the activities allowed under this Resolution do not constitute a project under the provisions of California Environmental Quality Act of 1970; and

WHEREAS, the consideration by City Council of the adoption of this Resolution has been duly noticed pursuant to applicable laws and has been placed upon the City Council Meeting Agenda on the date set forth in the Staff Report, or to such date that the City Council may have continued or deferred consideration of this Resolution, and on such date the City Council conducted a duly noticed public meeting at which the City Council provided members of the public an opportunity to comment and be heard and considered any and all testimony and other evidence provided in connection with the adoption of this Resolution; and

WHEREAS, the City Council determines that adoption of this Resolution is in the public interest.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. Recitals. The City Council does hereby find, determine and resolve that all of the foregoing recitals are true and correct.

Section 2. Approval and Authorization. The City Council does further resolve, order and/or direct as follows:

- a. That the City's previously adopted Fiscal Year 2018/19 Budget, as the same has been amended to date, is hereby further amended in accordance with and as reflected on Exhibit A attached hereto and incorporated herein by this reference; and
- b. That the City Clerk is hereby authorized and directed to forward a copy of this Resolution to the City's Finance Director, who is hereby authorized and directed to take all actions necessary to implement the terms of this Resolution pertaining to the Fiscal Year 2018/19 Budget of City.

Section 3. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 3rd day of October 2018 by the following vote:

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

APPROVED:

ATTEST:

STEVE TATE, Mayor

IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 18-XXX, adopted by the City Council at the meeting held on October 3, 2018.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Attachment: Resolution for Budget Adjustment Tree Lighting (1969 : Downtown Tree Light Funding)

EXHIBIT A

AGENDA BUDGET SCORECARD

FISCAL YEAR 2018-19

ADJUSTMENT #

011

FUND:

DEPARTMENT:

OBJECT:

010	General Fund
5460	
42231	CONTRACT SERVICES

AGENDA DATE:

AGENDA ITEM TITLE:

10/03/18
Downtown Tree Light Funding

	07/01/18 PROJECTED BEGINNING FUND BALANCE	ESTIMATED REVENUES	AMENDED APPROPRI- ATIONS	06/30/19 PROJECTED ENDING FUND BALANCE
ORIGINAL BUDGET	17,687,052	41,264,549	41,658,489	17,293,112
CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION	-	185,764	252,340	(66,576)
RECOMMENDED ACTION	-	15,000	30,000	(15,000)
RESULT OF RECOMMENDED ACTION	<u>17,687,052</u>	<u>41,465,313</u>	<u>41,940,829</u>	<u>17,211,536</u>



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: David Gittleson, Associate Engineer
APPROVED BY: City Manager

INTRODUCE THE 2018 STORM DRAINAGE SYSTEM MASTER PLAN

RECOMMENDATION(S)

Receive the 2018 Storm Drainage System Master Plan.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment
Maintaining Fiscal Responsibility

2018 Strategic Priorities

Financial Stewardship
Infrastructure

GUIDING DOCUMENTS

General Plan/Housing Element

REPORT NARRATIVE:

The purpose of this report is to introduce the 2018 Storm Drainage System Master Plan.

Upon the completion of the 2035 General Plan in 2016, the City's utility master plans were updated to reflect the infrastructure needs associated with the growth anticipated in the General Plan. The Water, Sewer, and Storm Drainage system master plans were included in this effort and Akel Engineering is the consulting firm preparing all three plans. On August 23, 2017, the City Council held a workshop to review the findings and recommendations in the master plans. On October 18, 2017, the Water and Sewer System Master Plans were both adopted. The Storm Drainage System Master Plan was not ready for Council consideration at that time. This report requests that the City Council review the 2018 Storm Drainage System Master Plan (Plan) and adopt the Plan at the October 17, 2018 City Council meeting.

The utility master plans become the City's blueprint for expanding the water, sewer, and storm drainage infrastructure to meet the community's current and future needs. In the case of these master plans, the growth horizon is 2035 to coincide with the General Plan. In addition to identifying future infrastructure, the Storm Drainage System Master Plan also identifies existing system deficiencies to allow the City to plan for the resources necessary for both maintaining the existing systems and to build out the future infrastructure.

Developing Master Plan:

The Storm Drainage System Master Plan includes the following objectives:

- ✓ Summarize the City's existing storm water facilities

- ✓ Document growth planning assumptions and known future developments
- ✓ Update storm drainage system performance criteria
- ✓ Project future storm water flows
- ✓ Update and calibrate hydraulic models
- ✓ Evaluate the capacity of existing systems to meet existing and projected needs
- ✓ Evaluate existing ground water conditions
- ✓ Perform a capacity analysis for major drainage systems
- ✓ Recommend a Capital Improvement Program and opinion of probable costs
- ✓ Determine responsibility for paying for infrastructure (existing vs. future users)
- ✓ Prepare final report

Recommendations in the Storm Drainage System Master Plan:

The total capital costs projected in the 2018 Storm Drainage System Master Plan are \$18.5 million with approximately two-thirds of that amount paid for by future development. The remainder is paid for by non-development impact funds. Included in the Plan is a list of recommended new and replacement capital improvement projects; including pipe upsizing, new detention basins, storm drain connection improvements for the Upper Llagas Creek Flood Control Project, as well as Hale Avenue extension storm drain improvements.

COMMUNITY ENGAGEMENT: Inform

The Storm Drainage Master Plan was prepared as a subcontract to the General Plan 2035 effort.

The Storm Drainage Master Plan is introduced via this report and is made available for public viewing on the City's website.

Staff plans to recommend the adoption of the Storm Drainage Master Plan at the next scheduled City Council Meeting, October 17, 2018.

ALTERNATIVE ACTIONS:

The Storm Drainage System Master Plan is critical to the future build-out of infrastructure in support of the community's growth. No alternative action is proposed due to the importance of having a utility master plan adopted.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On October 18, 2017, City Council adopted the Water System and Sewer System Master Plans.

FISCAL AND RESOURCE IMPACT:

Introduction of the Storm Drainage System Master Plan has no direct fiscal or resource impact. The recommendations contained in the master plan will be used to guide future Capital Improvement Program (CIP) spending, which will ultimately impact fees charged to developers. The City is currently in the process of reviewing its impact fees and anticipates bringing an update to the Council in late 2018 or early 2019. The capital project expenses in the updated Master Plan are lower than those in the previous Master Plan, that were used to establish the current storm drain impact fees.

CEQA (California Environmental Quality Act):

The proposed Storm Drainage System Master Plan is consistent with the development assumptions in the 2035 General Plan.

On July 27, 2016 the Morgan Hill City Council adopted Resolution No. 16-127, certifying the Final EIR for the Morgan Hill 2035 General Plan consistent with the requirements of the California Environmental Quality Act (CEQA) and adopting a Statement of Overriding Considerations regarding environmental impacts and a related Mitigation Monitoring and Reporting Program (MMRP).

LINKS/ATTACHMENTS:

1. 2018 Storm Drainage System Master Plan (weblink)



CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Dat Nguyen, Finance Director
APPROVED BY: City Manager

JUNE 2018 FINANCIAL AND INVESTMENT REPORT

RECOMMENDATION(S)

Accept and file report.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Fiscal Responsibility
Preserving and Cultivating Public Trust

2018 Strategic Priorities

Financial Stewardship

REPORT NARRATIVE:

As part of the City Council's expectation to maintain a high level of transparency and to be responsible stewards of public funds, attached are the preliminary fiscal year ending June 30, 2018 Financial and Investment Reports. The preliminary Revenue and Expense Summary for the fiscal year is included on the first page. Overall, revenue received for the year for all funds is approximately \$6.7 million or 6% higher than the budgeted amount, and approximately \$14.6 million or 14% higher than the prior fiscal year partially attributable to higher collection of development impact fees and tax revenues. Expenditures, including encumbrances, came in at 76% of the budget.

General Fund revenues totaled \$41.3 million, \$3.5 million or 9% higher than the prior fiscal year led by an increase in secured/unsecured property tax of approximately \$718,000 and sales tax of approximately \$607,000. The increase in property tax was primarily due to new units being added to the assessor's roll. Continued economic growth nationwide, specifically in the Bay Area has been the main cause in higher sales tax revenue. General Fund expenditures, including encumbrances, came in at 97% of the budget.

Development Services Fund revenues for the fiscal year totaled \$4.5 million, a decrease of 4% from the prior fiscal year. Expenditures, including encumbrances, came in at \$5.6 million. Including encumbrances, the fund ended the fiscal year with an operating deficit of approximately \$1.1 million and a fund balance of approximately \$1.9 million. Barring any unforeseen circumstances, this fund balance amount, as well as the phased-in fee increase, should support the fund's operating deficits in the current two-year adopted budget window, however, General Fund support may be required in future years due to the fund's structural deficit. This deficit is primarily due to the time spent on development activities that recover little to none of the related cost.

Enterprise Fund revenues which comprised of Water and Sewer totaled \$35.0 million, \$7.7 million or 28% higher than a year ago primarily due to increased water sales and higher collection of development impact fees. Water Operations ended the fiscal year with an operating income of approximately \$0.9 million, significantly better than prior year as the fund continues to replenish its reserve and fund ongoing capital improvements. Wastewater Operations ended the fiscal year with an operating deficit of approximately \$0.6 million, slightly worse than budget. The City has engaged consultant to conduct a limited wastewater rate study to address the needed capital improvements.

COMMUNITY ENGAGEMENT: Inform

Finance staff prepares these monthly reports in an effort to keep City officials, the Council, the community, and various lenders and stakeholders informed on the financial health of the organization, which assists each one of the interested parties in making sound financial and investment decisions.

ALTERNATIVE ACTIONS:

No alternative action is recommended, as this is a monthly financial report on City transactions which have already occurred.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council receives and files the financial and investment report for each month. At the September 16, 2015 meeting, City Council recommended monthly financial and investment reports be agendaized under the Consent Agenda, and quarterly financial and investment reports be presented to City Council as an “Other Business” item.

FISCAL AND RESOURCE IMPACT:

The preparation of the report is a part of the Finance workplan.

CEQA (California Environmental Quality Act):

Not a Project.

This report is not a project, as defined in Section 15378 of the State CEQA Guidelines. Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. June 2018 Financial Statement Analysis
2. June 2018 Financial and Investment Report
3. Presentation - Preliminary FY17-18 Financial Report

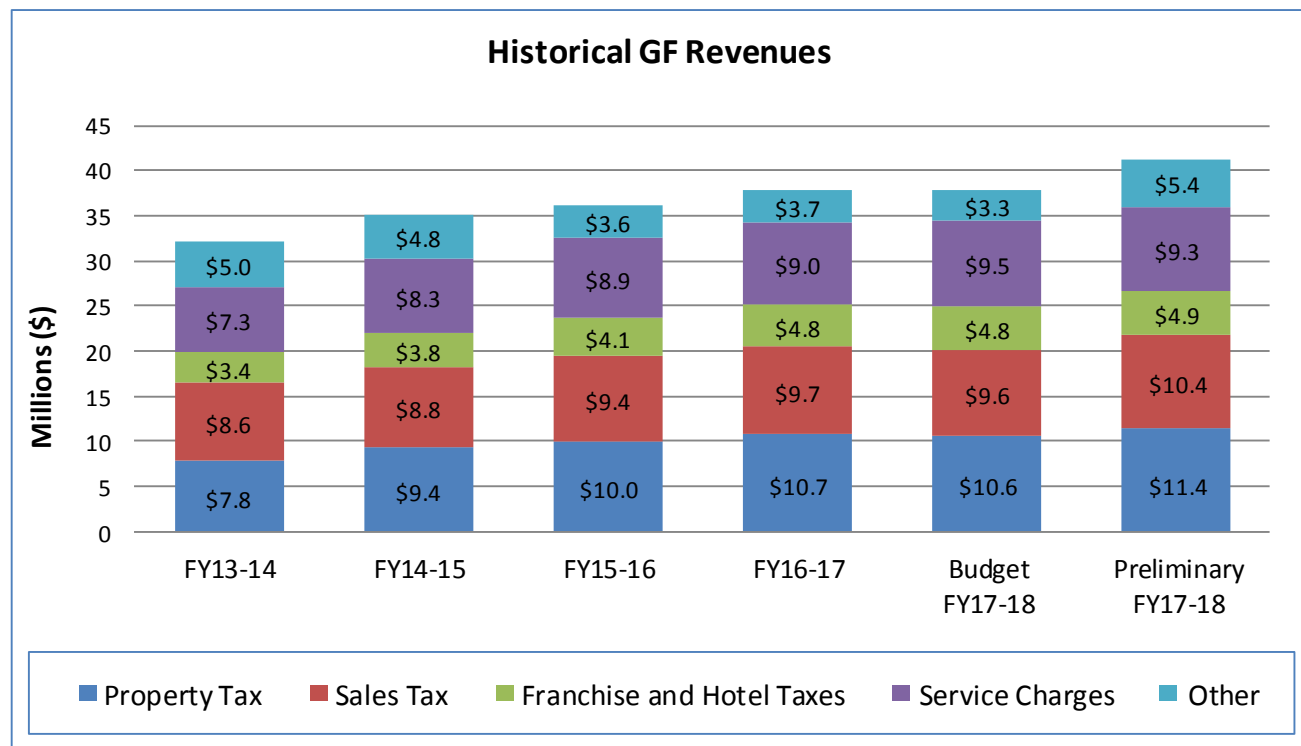


CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2017-18 UNAUDITED
FOR THE MONTH ENDED JUNE 2018 – 100% OF YEAR COMPLETE

- **General Fund** – The preliminary total revenues for the fiscal year exceeded the adopted budget by approximately \$3.6 million. The biggest contributors for the increase came mostly from other revenue and property tax and sales tax. Property tax, excluding property transfer tax, received for the fiscal year of approximately \$11.4 million, exceeded the amended budgeted amount by approximately \$0.8 million, and is 6% or about \$675,000 more than prior fiscal year. The increase is primarily due to new housing units, restoration of Prop 8 temporary reduction, and \$500,000 in excess Educational Revenue Augmentation Fund (ERAF) revenue. Excess ERAF is the money that is returned to the cities, counties, and special districts after schools reach their state-mandated thresholds. Sales tax, including public safety sales tax received for the fiscal year is approximately \$10.4 million, an all-time high for the city, and is 6% or about \$624,000 more than last fiscal year.

For the TOT (hotel tax), the amount received through twelve months ended June 30, 2018 of about \$2.7 million, similar to prior year amount as it appears this revenue category has plateaued.

The chart below shows historical General Fund revenues by major revenue category from FY13-14 through FY16-17 Actual, FY17-18 Budget, and Preliminary FY17-18 Actual.



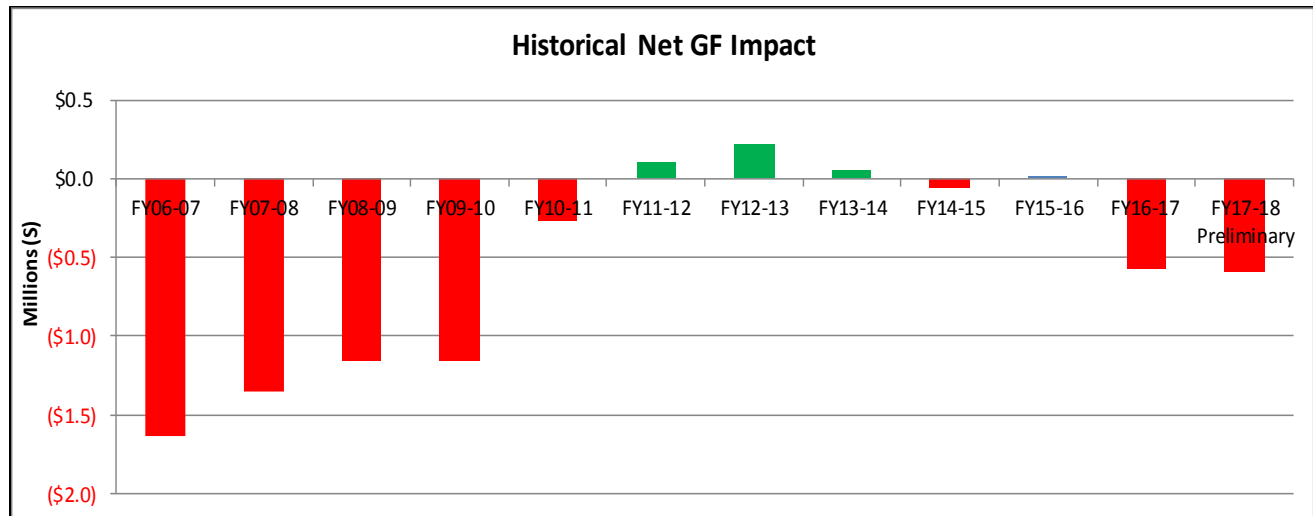
Preliminary year end General Fund expenditures and encumbrances came in slightly under budget, totaling \$41.4 million, or 97% of budgeted appropriations.

- **Community Services** - The Community Services Department's recreation operations, as reflected in the schedule presented on page 4 of the Monthly Financial and Investments Reports, shows a negative impact to the General Fund of approximately \$588,000 for the fiscal year. The amount is better than the budgeted net impact to the general fund of approximately \$666,000 primarily due to conservative



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2017-18 UNAUDITED
FOR THE MONTH ENDED JUNE 2018 – 100% OF YEAR COMPLETE

spending which came in at 96% of the budget, including the encumbrances. Any net impact from the recreation operations increases (decreases) reserves in the General Fund. The following chart reflects the effect of Community Services activity on the General Fund.



Due to longstanding governmental accounting and budgeting convention, the City's recreation operations are not charged for indirect costs (known in Morgan Hill as "General Fund Administration") from the central services departments of City Attorney, City Manager, and Administrative Services. The City's other governmental funds, such as Community Development, and the proprietary funds, such as Water and Wastewater, and the Information Services Fund, are assessed such charges through the City's indirect cost allocation plan, prepared in compliance with the Federal government's OMB Circular No. A-87, which mandates certain calculation and cost allocation practices that must be followed in order to qualify for Federal grant funding, but which also represent best practice for non-grant funded City operations like utilities and information services.

- **Development Services Fund** – Preliminary revenues for the fiscal year totaled \$4.5 million, a decrease of 4% or approximately \$170,000 from the prior fiscal year but still significantly higher than budget, partially due to the fee increases that went into effect January 1st of this year. Expenditures, including encumbrances, came in at \$5.6 million. Including encumbrances, the fund ended the fiscal year with an operating deficit of approximately \$1.1 million. The preliminary fiscal year end fund balance is approximately \$1.9 million or 31% of adopted FY18-19 appropriation.
- **Debt Service Funds** – Preliminary expenditures for the fiscal year totaled \$678,638. The first half of the year payment includes both interest and principal, while the second half of the year the payment will include interest only. Debt service payments were all scheduled when the bonds were issued, and are budgeted for in the months delineated in the underlying bond documents. The General Fund's portion of the annual debt service payments is approximately \$200,000, less than one percent of the General Fund's budgeted revenues.
- **Sewer Operations** – The preliminary results of the Sewer Operations show the fund operated at a deficit for the fiscal year though slightly better than the amended budget. Revenues totaled approximately \$10.3 million. Expenditures and outstanding encumbrances totaled \$10.8 million. The



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2017-18 UNAUDITED
FOR THE MONTH ENDED JUNE 2018 – 100% OF YEAR COMPLETE

table below shows historical Sewer Operations revenues and expenditures from FY13-14 through FY16-17 Actual, FY17-18 Budget, and Preliminary FY17-18 Actual.

(amount in millions)	FY13-14	FY14-15	FY15-16	FY16-17	Budget FY17-18	Preliminary FY17-18
Revenues	9.4	10.3	10.2	9.7	10.3	10.3
Expenditures	8.6	8.8	12.0	9.8	10.9	10.8
Operating Margin	0.8	1.5	(1.8)	(0.1)	(0.6)	(0.5)
Operating Margin without Encumbrances	0.8	1.5	(1.8)	(0.0)	(0.6)	(0.3)

- **Water Operations** – Water Operations includes Utility Billing, Water Conservation, and Water Operations. Revenues from Water Operations for the fiscal year totaled \$13.0 million, approximately \$2.1 million more than a year ago mainly due to increased water consumption and rate adjustment. Water Operations expenditures, including outstanding encumbrances, totaled \$12.1 million for the year. Without the encumbrances, however, the expenditures amounted to \$11.6 million. The table below shows Water Operations revenues and expenditures from FY13-14 through FY16-17 Actual, FY17-18 Budget, and Preliminary FY17-18 Actual.

(amount in millions)	FY13-14	FY14-15	FY15-16	FY16-17	Budget FY17-18	Preliminary FY17-18
Revenues	12.2	8.8	8.5	10.9	12.4	13.0
Expenditures	12.1	9.3	9.7	11.2	12.1	12.1
Operating Margin	0.1	(0.5)	(1.2)	(0.3)	0.3	0.9
Operating Margin without Encumbrances	0.1	(0.5)	(1.2)	(0.1)	0.3	1.4

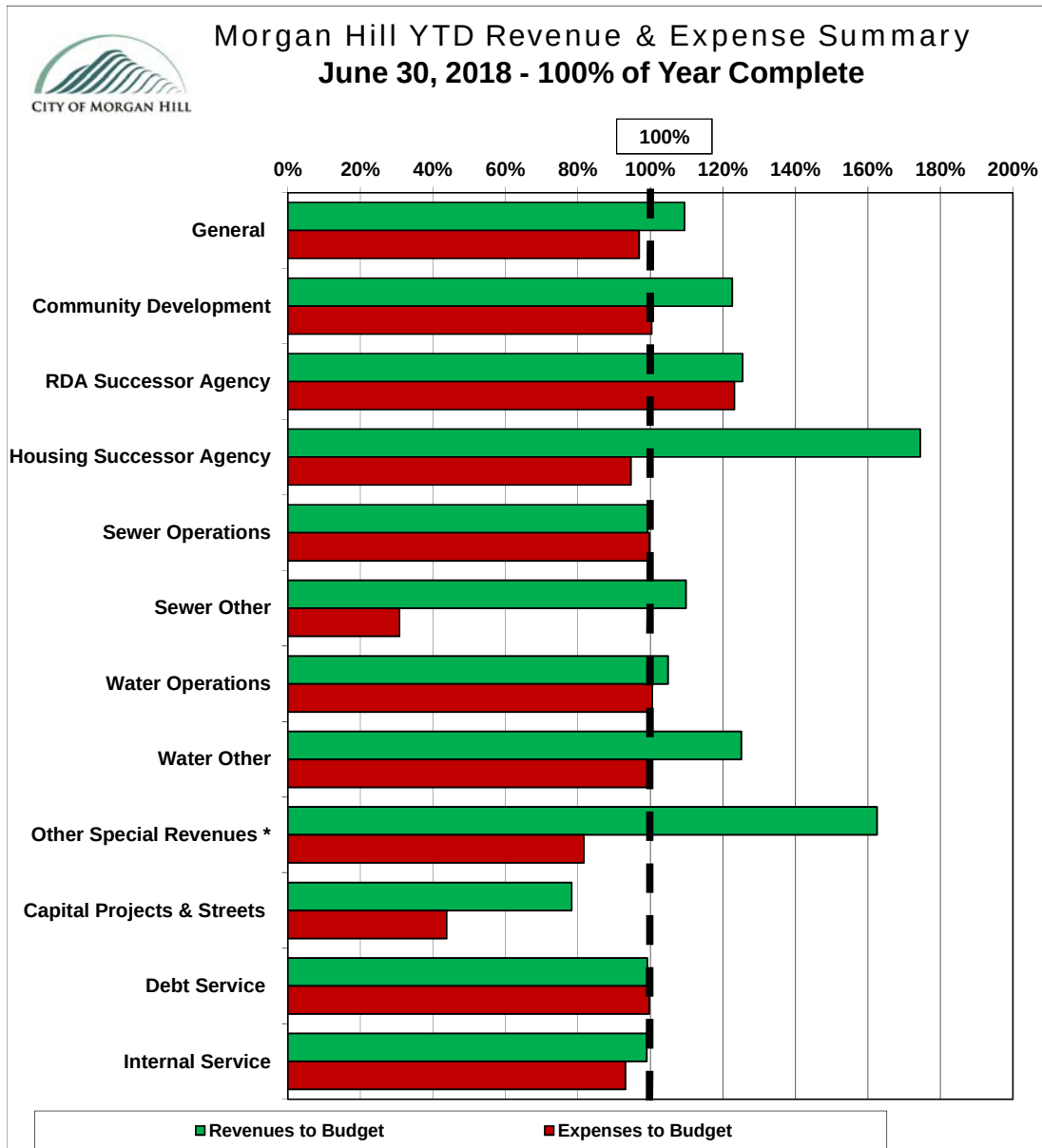
- **Investments** – One security was called and one purchase was made during the month of June 2018. Total interest earnings received on investments were \$25,000 during the month.

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
June 30, 2018 - 100% of Year Complete



CITY OF MORGAN HILL

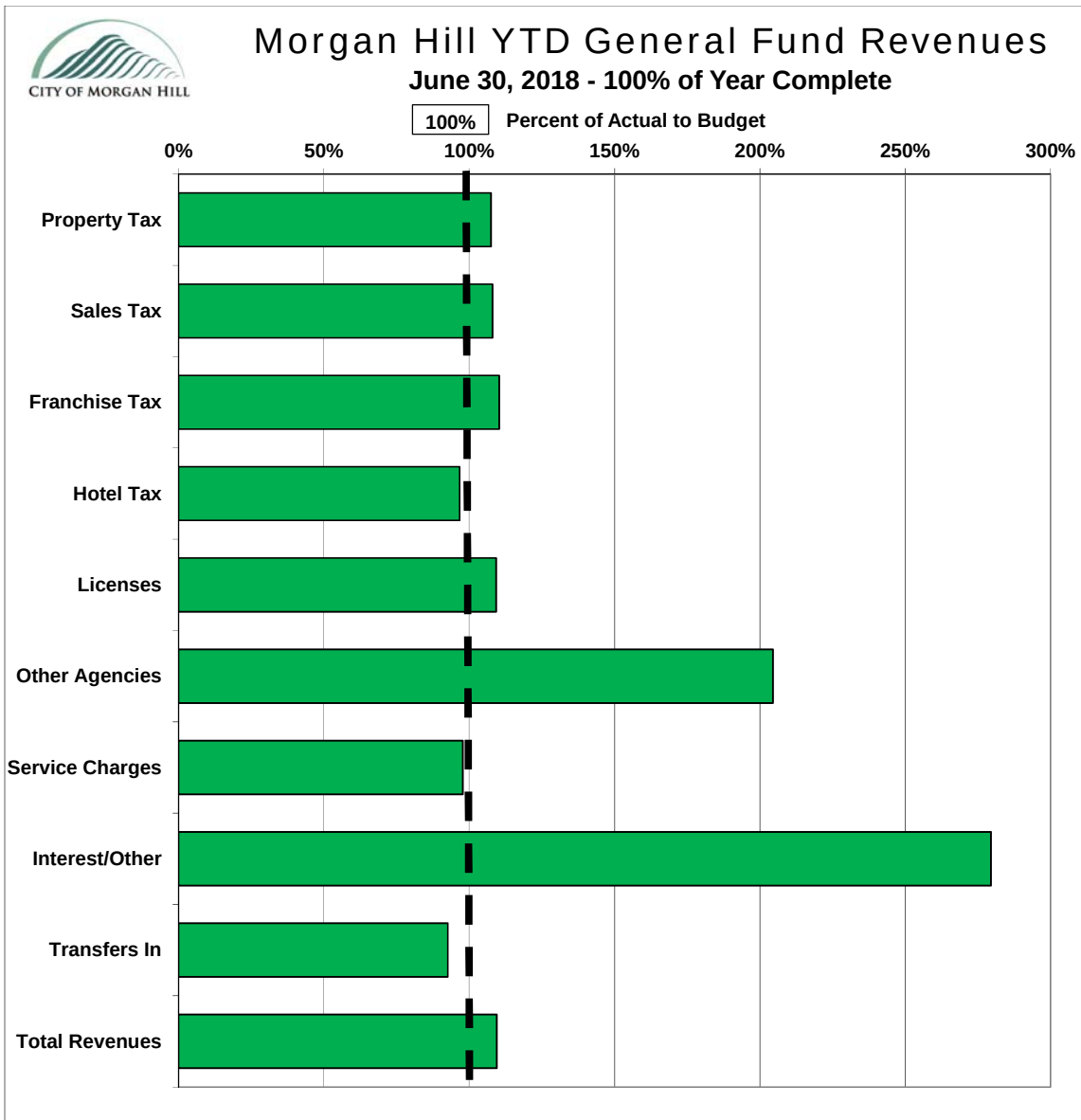
Prepared by:
FINANCE DEPARTMENT



FUND NAME	REVENUES		EXPENSES	
	ACTUAL	% OF BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET
General	\$ 41,318,174	109%	\$ 41,442,430	97%
Community Development	4,510,069	123%	5,562,547	100%
RDA Successor Agency	8,945,909	125%	8,841,704	123%
Housing Successor Agency	2,242,506	174%	3,013,734	95%
Sewer Operations	10,257,632	99%	10,839,373	100%
Sewer Other	7,937,031	110%	8,511,670	31%
Water Operations	13,023,038	105%	12,140,372	101%
Water Other	3,823,247	125%	6,354,246	99%
Other Special Revenues *	3,933,334	163%	3,864,737	82%
Capital Projects & Streets	13,850,739	78%	15,329,550	44%
Debt Service	677,019	99%	678,638	100%
Internal Service	10,349,279	99%	10,474,814	93%
TOTAL FOR ALL FUNDS	\$ 120,867,976	106%	\$ 127,053,814	76%

* Includes all Special Revenue Funds except Community Development, Street Funds, and RDA and Housing Successor Agencies.

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)

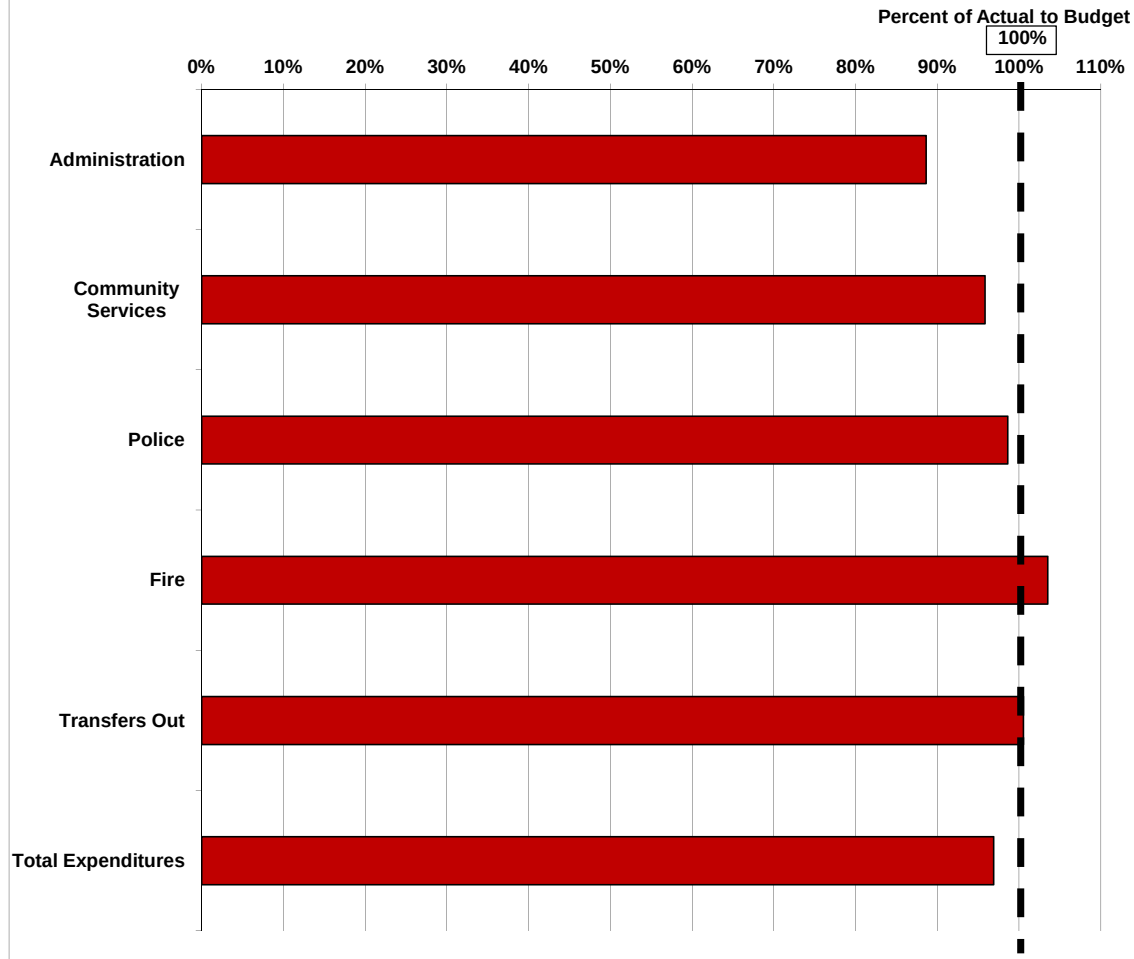


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
Property Tax	\$10,566,000	\$11,359,893	108%	\$ 10,685,109	6%
Sales Tax	9,588,502	10,358,420	108%	9,734,686	6%
Franchise Tax	1,981,796	2,186,272	110%	2,014,469	9%
Hotel Tax	2,827,050	2,732,631	97%	2,741,623	0%
Licenses	210,621	229,952	109%	194,247	18%
Other Agencies	319,875	654,254	205%	531,285	23%
Service Charges	9,536,644	9,325,440	98%	8,973,615	4%
Interest/Other	1,042,760	2,914,261	280%	1,359,981	114%
Transfers In	1,682,103	1,557,052	93%	1,624,528	-4%
TOTAL REVENUES	\$37,755,351	\$41,318,174	109%	\$ 37,859,543	9%



Morgan Hill YTD General Fund Expenditures

June 30, 2018 - 100% of Year Complete



EXPENDITURE CATEGORY	BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET	PRIOR YTD PLUS ENCUMBRANCES	% CHANGE FROM PRIOR YEAR
Administration	\$ 7,443,327	\$ 6,595,806	89%	\$ 6,550,254	1%
Community Services	11,050,226	10,590,453	96%	10,117,202	5%
Police	16,587,190	16,356,248	99%	15,059,788	9%
Fire	5,785,389	5,988,017	104%	5,548,880	8%
Transfers Out	1,901,915	1,911,906	101%	2,074,118	-8%
TOTAL EXPENDITURES	\$ 42,768,047	\$ 41,442,430	97%	\$ 39,350,242	5%

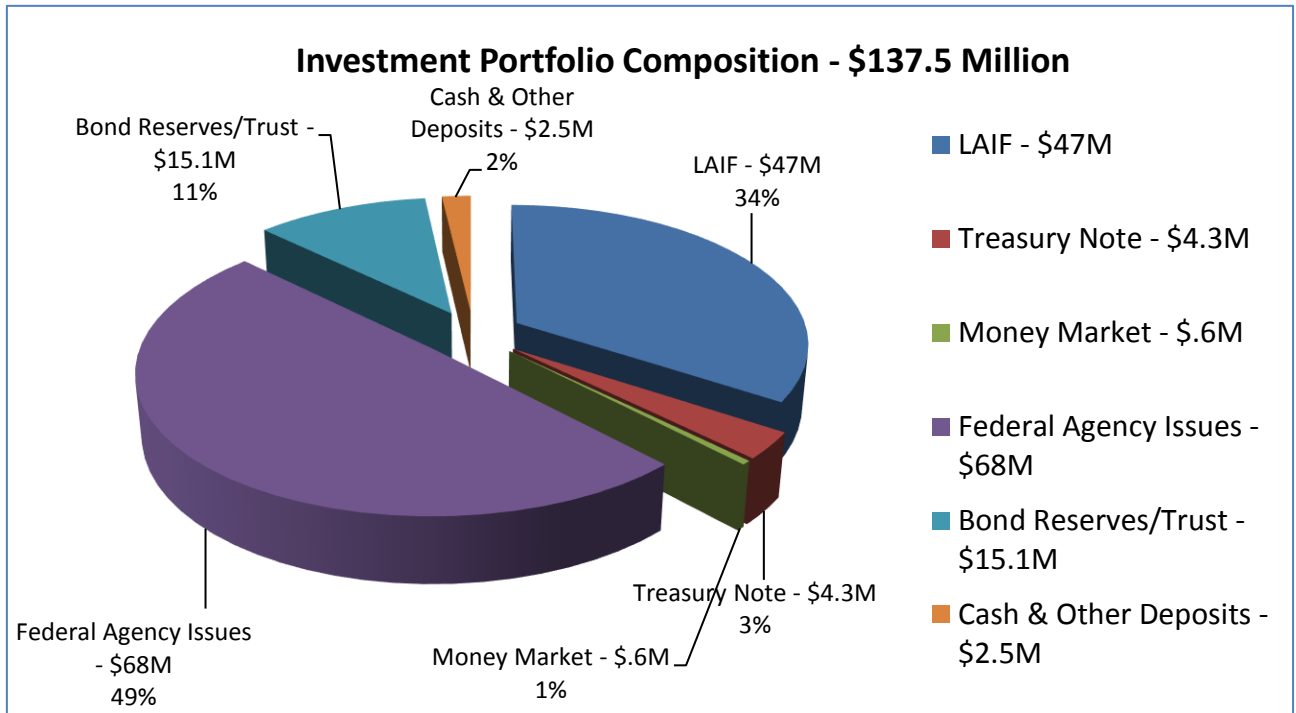


**City of Morgan Hill
Recreation Report - Fiscal Year 2017-18
For the Month and Twelve Months Ended June 30, 2018
100% of Year Complete**

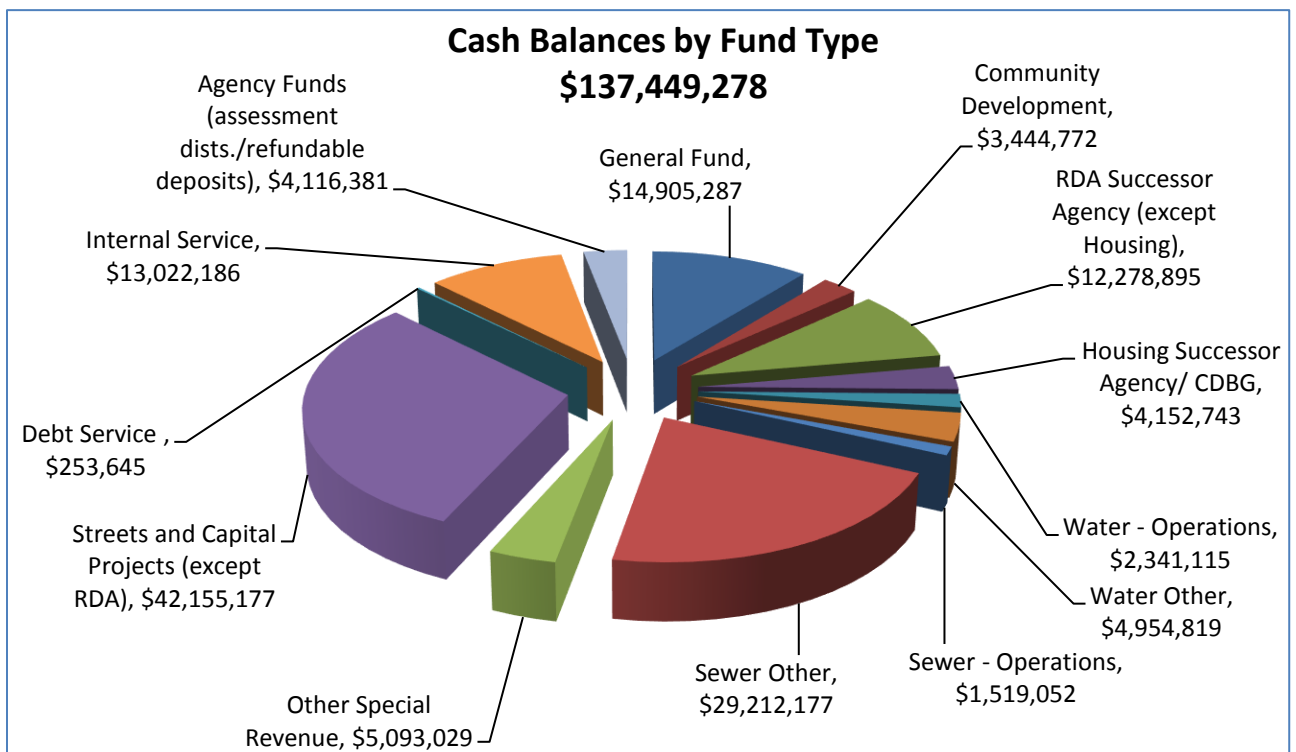
	<u>Budget</u>	<u>June 2018</u>	<u>YTD</u>	<u>% of Budget</u>
Revenues				
Membership Services & Rec Programs	\$ 6,197,036	\$ 529,276	\$ 5,989,130	
Facility Rentals	904,666	32,810	905,383	
Community Services	139,190	2,561	132,142	
Transfers in	75,000	6,250	75,000	
Total Revenues	<u>\$ 7,315,892</u>	<u>\$ 570,896</u>	<u>\$ 7,101,655</u>	97%
Less: Expenditures				
Membership & Program Services	\$ 5,914,430	\$ 802,203	\$ 5,697,527	
Facility Rentals	1,299,185	114,268	1,292,238	
Community Services	768,671	82,205	700,494	
Total Expenditures	<u>\$ 7,982,287</u>	<u>\$ 998,676</u>	<u>\$ 7,690,260</u>	96%
Net Impact without encumbrances	<u>\$ (666,395)</u>	<u>\$ (427,779)</u>	<u>\$ (588,604)</u>	
Encumbrances	-	-	0	
Net Impact with encumbrances	<u>\$ (666,395)</u>	<u>\$ (427,779)</u>	<u>\$ (588,604)</u>	

City of Morgan Hill
Monthly Investment Report - June 30, 2018

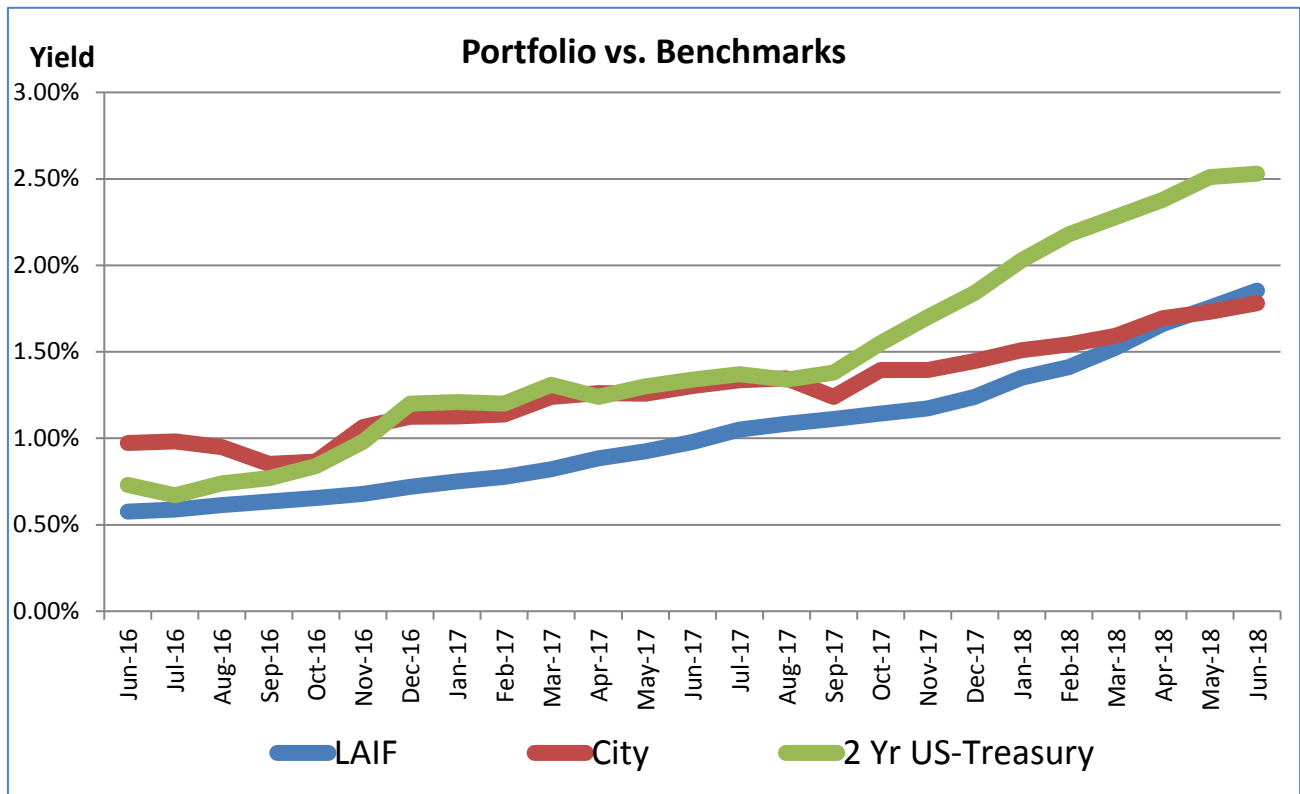
The following are the snapshots of City's investment portfolio as of June 30, 2018. The first chart shows the portfolio composition by investment type:



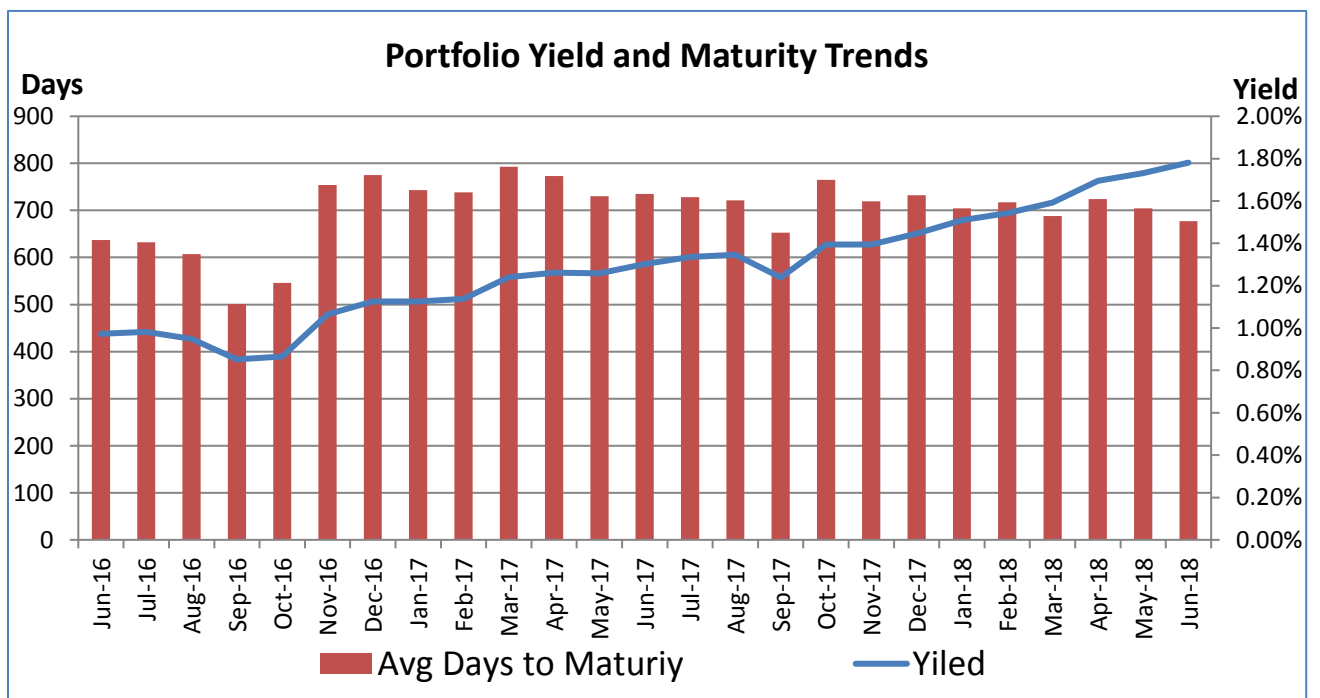
The chart below shows cash balances by fund type reconciled to City's financial system:



The following chart illustrates a yield comparison by month among the City's portfolio, LAIF and 2-Year US Treasury:



The chart below illustrates monthly average days to maturity of the City's portfolio along with the weighted average yield for the past two years:





City of Morgan Hill
Investment Portfolio Detail
As of June 30, 2018

Investment Type	Settlement Date	Book Value	% of Portfolio	Market Value	YTM at Cost	Next Call Date	Date of Maturity
L A I F		\$ 46,977,251	34.18%	\$ 46,889,256	1.85%		
City Managed							
Fed Home Loan Bank	10/19/2015	4,000,000	2.91%	3,907,960	1.70%	7/19/2018	10/19/2020
Fed Home Loan Bank	6/30/2016	4,000,000	2.91%	3,844,480	1.50%	6/30/2021	6/30/2021
Fed Natn'l Mortgage Assn	8/25/2016	4,000,000	2.91%	3,835,640	1.40%	8/25/2021	8/25/2021
Fed Home Loan Mortgage	9/29/2016	2,000,000	1.46%	1,934,040	1.65%	9/29/2018	9/29/2021
Fed Natn'l Mortgage Assn	9/29/2016	4,000,000	2.91%	3,830,200	1.60%	9/29/2018	9/29/2021
Fed Home Loan Mortgage	10/27/2016	4,000,000	2.91%	3,814,480	1.60%	7/27/2018	10/27/2021
Fed Natn'l Mortgage Assn	10/28/2016	4,000,000	2.91%	3,811,640	1.55%	7/28/2018	10/28/2021
Fed Home Loan Mortgage	10/28/2016	2,000,000	1.46%	1,909,260	1.65%	7/28/2018	10/28/2021
Fed Home Loan Bank	11/15/2016	4,000,000	2.91%	3,840,200	1.55%	11/15/2021	11/15/2021
Fed Home Loan Bank	11/23/2016	3,000,000	2.18%	2,884,260	1.65%	7/23/2018	11/23/2021
Fed Home Loan Bank	11/23/2016	4,000,000	2.91%	3,845,600	1.63%	7/23/2018	11/23/2021
Fed Home Loan Mortgage	11/30/2016	4,000,000	2.91%	3,865,480	1.88%	7/26/2018	11/26/2021
Fed Home Loan Mortgage	6/29/2017	1,300,000	0.95%	1,264,757	2.15%	9/29/2018	6/29/2022
Fed Home Loan Bank	10/19/2017	3,850,000	2.80%	3,738,466	2.15%	10/19/2018	10/19/2022
Fed Natn'l Mortgage Assn	10/26/2017	4,150,000	3.02%	4,026,828	2.20%	10/26/2018	10/26/2022
Fed Home Loan Mortgage	1/30/2018	3,000,000	2.18%	2,937,960	2.50%	1/30/2019	1/30/2023
Treasury Note	4/30/2018	4,255,472	3.10%	4,255,830	2.73%	3/31/2023	3/31/2023
Sub Total/Average		\$ 59,555,472	43.33%	\$ 57,547,081	1.82%		
Money Market		\$ 589,713	0.43%	\$ 589,713	1.76%		
Total City Managed/Average		\$ 107,122,436	77.94%	\$ 105,026,049	1.03%		
City Managed - HighMark							
Fed Natn'l Mortgage Assn	8/18/2016	\$ 749,741	0.55%	\$ 744,825	1.06%	1/25/2019	1/25/2019
Fed Natn'l Mortgage Assn	8/18/2016	749,776	0.55%	739,350	1.18%	1/26/2019	7/26/2019
Fed Natn'l Mortgage Assn	8/23/2016	749,971	0.55%	740,003	1.25%	8/23/2018	8/23/2019
Fed Home Loan Mortgage	8/31/2016	750,000	0.55%	739,920	1.25%	8/15/2019	8/15/2019
Fed Home Loan Mortgage	9/13/2016	750,000	0.55%	748,598	1.10%	6/13/2018	9/3/2018
Fed Home Loan Bank	9/21/2016	749,966	0.55%	748,433	1.12%	6/21/2018	9/21/2018
Fed Home Loan Mortgage	10/7/2016	749,862	0.55%	740,123	1.29%	6/12/2018	9/12/2019
Fed Natn'l Mortgage Assn	10/11/2016	749,897	0.55%	742,298	1.22%	8/23/2018	5/23/2019
Fed Home Loan Mortgage	10/24/2016	739,651	0.54%	734,450	1.03%	7/30/2018	1/30/2019
Fed Natn'l Mortgage Assn	10/24/2016	749,968	0.55%	739,125	1.25%	6/30/2018	9/30/2019
Federal Farm Credit Bank	11/1/2016	749,887	0.55%	747,218	1.02%	11/1/2018	11/1/2018
Fed Home Loan Mortgage	12/13/2016	1,003,621	0.73%	994,430	1.35%	5/30/2019	5/30/2019
Fed Home Loan Bank	12/13/2016	999,890	0.73%	994,790	1.27%	1/16/2019	1/16/2019
Fed Home Loan Mortgage	12/29/2016	748,584	0.54%	743,085	1.37%	4/15/2019	4/15/2019
Fed Natn'l Mortgage Assn	12/29/2016	742,541	0.54%	735,434	1.39%	6/20/2019	6/20/2019
Fed Home Loan Bank	6/19/2018	941,470	0.68%	941,593	1.38%	5/28/2019	5/28/2019
Money Market		48,568	0.04%	48,568	1.76%		
Sub Total/Average		\$ 12,723,393	9.26%	\$ 12,622,240	1.23%		
Bond Reserve Accounts - Held By Trustees		\$ 13,295,453	9.67%	\$ 13,304,820			
Cash/Deposits		\$ 2,520,592	1.83%	\$ 2,520,592			
PARS Trust		\$ 1,787,404	1.30%	\$ 2,001,605			
GRAND TOTAL/AVERAGE		\$ 137,449,278	100.00%	\$ 135,475,306			

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
FOR THE MONTH OF JUNE 30, 2018
FOR THE FISCAL YEAR OF 2017-18

	Invested in Fund	Yield	Book Value End of Month	% of Total	Market Value
Investments					
State Treasurer LAIF - City	All Funds Pooled	1.85%	\$ 40,627,649	29.56%	\$ 40,551,548
2014 Water Rev Bonds - Water Impact	Water Fund	1.85%	524,471	0.38%	523,488
2014 Water Rev Bonds - Water CIP	Water Fund	1.85%	114,670	0.08%	114,455
2015 Wastewater Rev Bonds - CIP	Wastewater Fund	1.85%	5,710,461	4.15%	5,699,765
Federal Issues	All Funds Pooled	1.50%	67,974,825	49.45%	65,864,922
US Treasury Notes	All Funds Pooled	2.73%	4,255,472	3.10%	4,255,830
Dreyfus Treas Cash Management Acct	All Funds Pooled	1.76%	638,281	0.46%	638,281
	SUBTOTAL		\$ 119,845,829	87.19%	\$ 117,648,289
Bond Reserve Accounts - held by trustees					
BNY - 2015 Wastewater Bonds					
Cash Balance	Wastewater Fund	0.00%	-	0.00%	-
Zions Bank - Civic Center/Library Facility					
Blackrock Liq Fund	Debt Service	1.53%	55	0.00%	55
Zions Bank - MH Police Facility Lease Revenue Bonds					
Blackrock Liq Fund	Debt Service	1.53%	70	0.00%	70
BNY - RDA Bonds					
Dreyfus Cash Mgmt 521	Successor Fund	1.77%	235,462	0.17%	235,462
US Treasury Notes - Reserve Acct.	Successor Fund	1.08%	11,919,666	8.67%	11,929,033
Zions Bank - MH Ranch 2015					
Blackrock Liq Funds Fed Fund -DI -2015	Agency Fund	1.53%	572,712	0.42%	572,712
Zions Bank - Madrone Bus Park Taxable/ Tax Exempt 2015					
Blackrock Liquidity Temp Fund-2015	Agency Fund	1.53%	567,489	0.41%	567,489
	SUBTOTAL		13,295,453	9.67%	13,304,820
Other Cash/Deposits					
General Checking	All Funds		2,483,480	1.81%	2,483,480
Workers' Comp Administrators	Workers' Comp		30,000	0.02%	30,000
Petty Cash & Emergency Cash	General Fund		7,112	0.01%	7,112
PARS - OPEB Trust			987,404	0.72%	1,138,581
PARS - PENSION Trust			800,000	0.58%	863,024
	SUBTOTAL		4,307,996	3.13%	4,522,197
Total Cash and Investments			\$ 137,449,278	100.00%	\$ 135,475,306

CASH ACTIVITY SUMMARY
FY 2017-18

Fund Type	07/01/17 Balance	Change in Cash Balance	6/30/2018 Balance
General Fund	\$ 13,850,210	\$ 1,055,077	\$ 14,905,287
Community Development	4,641,472	(1,196,700)	3,444,772
RDA Successor Agency (except Housing)	12,149,330	129,565	12,278,895
Housing Successor Agency/ CDBG	4,732,509	(579,766)	4,152,743
Water - Operations	1,512,329	828,785	2,341,115
Water Other	5,507,256	(552,436)	4,954,819
Sewer - Operations	2,085,815	(566,763)	1,519,052
Sewer Other	26,927,307	2,284,870	29,212,177
Other Special Revenue	4,381,840	711,189	5,093,029
Streets and Capital Projects (except RDA)	42,727,410	(572,233)	42,155,177
Debt Service	256,088	(2,443)	253,645
Internal Service	12,201,454	820,732	13,022,186
Agency Funds (assessment dists./refundable deposits)	4,008,713	107,669	4,116,381
Total	\$ 134,981,732	\$ 2,467,546	\$ 137,449,278

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.

I certify the information on the investment reports on pages has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: Harjot Sangha, Accounting Manager

Approved by:

Reviewed by: Dat Nguyen, Finance Director

David Clink, Treasurer



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2017-18
For the Twelve Months Ended June 30, 2018
100% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
TAXES							
Property Tax - Secured/Unsecured	\$ 8,852,000	\$ 9,083,000	\$ 9,619,977	106%	\$ 8,901,569	\$ 718,408	8%
Property Tax - RPTTF Residual Distribution	1,100,000	1,200,000	1,455,681	121%	1,520,408	(64,727)	-4%
Property Tax - Supplemental Roll	162,000	283,000	284,235	100%	263,132	21,102	8%
Sales Tax	9,151,500	9,226,502	10,006,737	108%	9,399,838	606,900	6%
Public Safety Sales Tax	362,000	362,000	351,683	97%	334,848	16,835	5%
Transient Occupancy Taxes	2,827,050	2,827,050	2,732,631	97%	2,741,623	(8,992)	0%
Franchise (Refuse ,Cable ,PG&E)	1,981,796	1,981,796	2,186,272	110%	2,014,469	171,803	9%
Property Transfer Tax	481,000	481,000	559,788	116%	442,313	117,475	27%
TOTAL TAXES	24,917,346	25,444,348	27,197,003	107%	25,618,199	1,578,804	6%
LICENSES/PERMITS							
Business License	202,878	202,878	225,163	111%	190,177	34,986	18%
Other Permits	7,743	7,743	4,789	62%	4,070	719	18%
TOTAL LICENSES/PERMITS	210,621	210,621	229,952	109%	194,247	35,705	18%
FINES AND PENALTIES							
Parking Enforcement	12,240	12,240	12,005	98%	8,838	3,167	36%
Bails & Fines	65,280	65,280	77,386	119%	82,760	(5,374)	-6%
Administrative Citations	-	-	61,800	n/a	1,250	60,550	4844%
TOTAL FINES AND PENALTIES	77,520	77,520	151,190	195%	92,848	58,343	63%
OTHER AGENCIES							
Motor Vehicle in-Lieu	17,538	17,538	23,237	132%	19,552	3,685	19%
Other Revenue - Other Agencies	406,875	319,875	654,254	205%	531,285	122,969	23%
TOTAL OTHER AGENCIES	424,413	337,413	677,492	201%	550,838	126,654	23%
CHARGES CURRENT SERVICES							
Police False Alarm Charge	32,640	32,640	47,196	145%	51,560	(4,364)	-8%
Business License Application Review	36,633	36,633	37,852	103%	42,910	(5,058)	-12%
Membership Services & Rec Programs	6,023,650	6,197,036	5,989,130	97%	5,650,459	338,672	6%
Facility Rentals	932,986	904,666	905,383	100%	873,593	31,790	4%
Community Services	139,190	139,190	132,142	95%	157,010	(24,868)	-16%
General Administration Overhead	1,323,077	1,323,077	1,320,288	100%	1,257,420	62,868	5%
Other Charges Current Services	903,402	903,402	893,448	99%	940,664	(47,216)	-5%
TOTAL CURRENT SERVICES	9,391,578	9,536,644	9,325,440	98%	8,973,615	351,824	4%
OTHER REVENUE							
Use of money/property	309,396	309,396	369,762	120%	342,275	27,487	8%
Other Revenues	151,306	157,306	1,810,284	1151%	462,994	1,347,290	291%
TOTAL OTHER REVENUE	460,702	466,702	2,180,046	467%	805,268	1,374,777	171%
TRANSFERS IN							
One Time Transfer	-	26,595	-	0%	-	-	0%
Public Safety	100,000	100,000	106,000	106%	138,192	(32,192)	-23%
Streets	761,458	761,458	657,000	86%	721,336	(64,336)	-9%
Police Impact	25,000	25,000	24,996	100%	-	24,996	n/a
Sewer Operations	347,025	347,025	347,028	100%	345,000	2,028	1%
Water Operations	347,025	347,025	347,028	100%	345,000	2,028	1%
Park Development	75,000	75,000	75,000	100%	75,000	-	n/a
TOTAL TRANSFERS IN	1,655,508	1,682,103	1,557,052	93%	1,624,528	(67,476)	-4%
TOTAL GENERAL FUND	37,137,688	37,755,351	41,318,174	109%	37,859,543	3,458,631	9%
SPECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	761,458	761,458	716,340	94%	720,826	(4,486)	-1%
Interest / Other Revenue/Other Charges	72	72	885	1230%	1,117	(231)	-21%
202 STREET MAINTENANCE	761,530	761,530	717,226	94%	721,943	(4,717)	-1%

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2017-18
For the Twelve Months Ended June 30, 2018
100% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
SPECIAL REVENUE FUNDS							
205 PUBLIC SAFETY TRUST							
Interest Income	395	395	248	63%	363	(115)	-32%
Police Grant/SLEF/JAG	100,000	100,000	139,416	139%	129,324	10,093	8%
205 PUBLIC SAFETY TRUST	100,395	100,395	139,665	139%	129,687	9,978	8%
206 COMMUNITY DEVELOPMENT							
Building Fees	1,937,862	1,937,862	2,647,536	137%	2,652,798	(5,262)	0%
Planning Fees	1,131,051	1,131,055	1,113,723	98%	744,127	369,597	50%
Engineering Fees	601,640	601,640	698,058	116%	1,029,646	(331,588)	-32%
Other Revenue/Current Charges	9,417	9,417	50,752	539%	253,237	(202,485)	-80%
206 COMMUNITY DEVELOPMENT	3,679,970	3,679,974	4,510,069	123%	4,679,808	(169,739)	-4%
207 LONG RANGE PLANNING	706,212	706,212	681,222	96%	743,600	(62,378)	-8%
215 and 216 HCD BLOCK GRANT							
Interest Income/Other Revenue	417	120,417	197,801	164%	29,507	168,294	570%
215 and 216 HCD BLOCK GRANT	417	120,417	197,801	164%	29,507	168,294	570%
225 ASSET SEIZURE	250	250	1,839	735%	69,337	(67,499)	-97%
229 LIGHTING AND LANDSCAPE	187,321	187,321	181,316	97%	184,421	(3,105)	-2%
230 COMMUNITY FACILITIES DISTRICT	43,340	43,340	43,368	100%	40,651	2,717	7%
232 ENVIRONMENTAL PROGRAMS	382,164	382,164	452,749	118%	373,135	79,614	21%
234 MOBILE HOME PARK RENT STAB.	3,931	3,931	3,034	77%	5,839	(2,805)	-48%
235 SENIOR HOUSING	1,633	1,633	2,831	173%	2,157	673	31%
236 HOUSING MITIGATION	842,443	842,443	2,198,200	261%	2,840,250	(642,050)	-23%
240 EMPLOYEE ASSISTANCE	30,966	30,966	29,514	95%	26,565	2,949	11%
247 ENVIRONMENT REMEDIATION	1,104	1,104	1,796	163%	1,458	338	23%
250 COMH-SUCCESSOR AGENCY-MHRDA	7,131,889	7,131,889	8,945,909	125%	9,308,080	(362,171)	-4%
255 HOUSING SUCCESSOR AGENCY	1,285,374	1,285,374	2,242,506	174%	946,553	1,295,953	137%
TOTAL SPECIAL REVENUE FUNDS	15,158,940	15,278,944	20,349,043	133%	20,102,990	246,054	1%
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	1,439,640	3,693,620	2,278,480	62%	2,133,694	144,786	7%
302 PARK MAINTENANCE	888,026	905,061	1,361,566	150%	963,131	398,435	41%
303 LOCAL DRAINAGE	1,822,884	1,822,884	2,017,458	111%	1,314,260	703,198	54%
304 LOCAL DRAINAGE/NON AB1600	70,894	70,894	159,599	225%	170,786	(11,187)	-7%
306 AGRICULTURE & OPEN SPACE PRESERVATION	1,539,970	1,539,970	1,107,544	72%	255,061	852,483	334%
308 STREET CIP	1,357,235	3,555,460	2,688,414	76%	1,421,493	1,266,921	89%
309 TRAFFIC IMPACT	1,348,287	1,348,287	722,510	54%	752,729	(30,219)	-4%
311 POLICE IMPACT	256,218	256,218	276,250	108%	114,215	162,035	142%
313 FIRE IMPACT	94,577	94,577	92,440	98%	134,979	(42,540)	-32%
346 PUBLIC FACILITIES NON-AB1600	617,956	617,956	124,777	20%	787,910	(663,133)	-84%
347 PUBLIC FACILITIES IMPACT	171,217	171,217	183,487	107%	75,662	107,824	143%
348 LIBRARY	1,250,509	1,250,509	762,745	61%	381,573	381,172	100%
350 UNDERGROUNDING	53,236	53,236	204,610	384%	897,524	(692,914)	-77%
355 SCHOOL PEDESTRIAN/TRAFFIC SAFETY	544,341	544,341	147,240	27%	856,122	(708,883)	-83%
360 COMMUNITY/REC IMPACT FUND	985,274	985,274	1,006,395	102%	232,536	773,859	333%
TOTAL CAPITAL PROJECTS FUNDS	12,440,264	16,909,504	13,133,514	78%	10,491,677	2,641,837	25%
DEBT SERVICE FUNDS							
420 CIVIC CENTER DEBT	297,408	297,408	295,540	99%	299,905	(4,365)	-1%
441 POLICE FACILITY BOND	385,373	385,373	381,479	99%	382,916	(1,437)	0%
TOTAL DEBT SERVICE FUNDS	682,781	682,781	677,019	99%	682,821	(5,802)	-1%

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2017-18
For the Twelve Months Ended June 30, 2018
100% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	10,602,695	10,102,695	9,899,564	98%	9,315,205	584,359	6%
Interest Income/Transfers	48,461	48,461	28,363	59%	20,980	7,383	35%
Other Revenue/Current Charges	183,354	183,354	329,705	180%	407,748	(78,043)	-19%
640 SEWER OPERATION	10,834,510	10,334,510	10,257,632	99%	9,743,933	513,699	5%
641 SEWER EXPANSION							
Interest Income	59,474	59,474	191,510	322%	140,466	51,044	36%
Development Impact Fee	4,727,753	4,727,753	3,956,935	84%	1,756,309	2,200,626	125%
Transfers/Other	-	-	-	0%	600	(600)	-100%
641 SEWER EXPANSION	4,787,227	4,787,227	4,148,445	87%	1,897,375	2,251,070	119%
642 SEWER RATE STABILIZATION	15,702	15,702	33,705	215%	60,919	(27,215)	-45%
643 SEWER-CAPITAL PROJECT	2,424,509	2,424,509	3,754,880	155%	2,704,692	1,050,188	39%
TOTAL SEWER FUNDS	18,061,948	17,561,948	18,194,662	104%	14,406,920	3,787,742	26%
650 WATER OPERATION							
Water Sales	11,201,856	11,401,856	11,636,708	102%	9,639,081	1,997,627	21%
Meter Install & Service	120,575	120,575	239,934	199%	145,274	94,660	65%
Transfers-In / Interest Income	424,507	424,507	443,895	105%	416,444	27,451	7%
Other Revenue/Current Charges	475,784	475,784	702,501	148%	697,349	5,152	1%
650 WATER OPERATION	12,222,722	12,422,722	13,023,038	105%	10,898,147	2,124,891	19%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	1,944	1,944	47,668	2452%	36,199	11,469	32%
Development Impact Fee	1,196,984	1,196,984	1,050,635	88%	518,209	532,426	103%
651 WATER EXPANSION	1,198,928	1,198,928	1,098,303	92%	554,408	543,895	98%
652 Water Rate Stabilization	505,618	912,836	9,845	1%	502,753	(492,908)	-98%
653 Water Capital Project	1,351,992	944,774	2,715,099	287%	969,076	1,746,023	180%
TOTAL WATER FUNDS	15,279,260	15,479,260	16,846,285	109%	12,924,384	3,921,901	30%
TOTAL ENTERPRISE FUNDS	33,341,208	33,041,208	35,040,947	106%	27,331,304	7,709,643	28%
INTERNAL SERVICE FUNDS							
730 INFORMATION SYSTEMS	1,592,812	1,592,812	1,607,533	101%	1,606,526	1,008	0%
740 BUILDING MAINTENANCE	3,066,615	3,149,985	3,103,276	99%	3,101,517	1,759	0%
741 BUILDING REPLACEMENT	487,008	487,008	499,157	102%	478,456	20,701	4%
745 CIP ADMINISTRATION	1,869,109	1,869,109	1,419,097	76%	1,354,996	64,101	5%
760 UNEMPLOYMENT INSURANCE	1,094	1,094	2,088	191%	1,680	407	24%
770 WORKERS COMPENSATION	763,390	763,390	1,024,834	134%	765,974	258,860	34%
790 EQUIPMENT REPLACEMENT	974,418	1,024,418	1,123,505	110%	1,050,358	73,147	7%
791 EMPLOYEE BENEFITS	624,676	624,676	613,866	98%	617,508	(3,642)	-1%
793 CORPORATION YARD COMMISSION	-	-	3,778	0%	2,144	1,634	76%
795 GENERAL LIABILITY INSURANCE	941,342	941,342	952,145	101%	861,882	90,264	10%
TOTAL INTERNAL SERVICE FUNDS	10,320,464	10,453,834	10,349,279	99%	9,841,040	508,239	5%
TOTAL FOR ALL FUNDS	\$ 109,081,345	\$ 114,121,622	\$ 120,867,976	106%	\$ 106,309,375	\$ 14,558,600	14%

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2017-18
For the Month and Twelve Months Ended June 30, 2018
100% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
010 GENERAL FUND								
I. ADMINISTRATION								
	CITY COUNCIL	\$ 17,491	\$ 401,865	\$ 326,950	\$ -	\$ 326,950	81%	\$ 326,950
	CITY ATTORNEY	68,237	836,813	714,605	73,972	788,577	94%	700,000
	CITY MANAGER/ATTORNEY LOAN	-	1,300,000	1,300,000	-	1,300,000	100%	830,000
	CITY MANAGER	126,591	1,901,979	1,140,766	-	1,140,766	60%	850,000
	HUMAN RESOURCES	88,187	757,742	705,549	3,740	709,289	94%	680,000
	COUNCIL SVCS & RECORDS MGMT							
	Council Svcs & Records Mgmt	68,663	601,195	600,083	-	600,083	100%	560,000
	Elections	6,619	30,669	77,944	-	77,944	254%	130,000
	COUNCIL SVCS & RECORDS MGMT	75,282	631,864	678,027	-	678,027	107%	690,000
	FINANCE	160,525	1,613,065	1,620,094	32,103	1,652,197	102%	1,620,000
	TOTAL ADMINISTRATION	536,314	7,443,327	6,485,991	109,816	6,595,806	89%	5,720,000
II. COMMUNITY SERVICES								
	Membership Services & Rec. Programs	802,203	5,914,430	5,697,527	-	5,697,527	96%	5,070,000
	Recreation Facility Rentals	114,268	1,299,185	1,292,238	-	1,292,238	99%	1,260,000
	Community Services	82,205	768,671	700,494	-	700,494	91%	640,000
	Solid Waste Management	22,191	277,104	192,917	-	192,917	70%	170,000
	Street Maintenance	286,563	2,225,954	2,114,831	67,019	2,181,850	98%	2,060,000
	Downtown Maintenance	33,087	296,241	289,647	-	289,647	98%	190,000
	Cable Television	2,172	49,443	20,069	-	20,069	41%	20,000
	COMMUNITY SERVICES	1,342,690	10,831,028	10,307,724	67,019	10,374,743	96%	9,450,000
	CODE COMPLIANCE	15,376	141,628	128,355	-	128,355	91%	120,000
	CONGESTION MANAGEMENT	1,840	77,570	61,524	-	61,524	79%	80,000
	ECONOMIC DEVELOPMENT PROGRAMS	25,831	-	25,831	-	25,831		
	TOTAL COMMUNITY SERVICES	1,385,737	11,050,226	10,523,434	67,019	10,590,453	96%	9,650,000
III. PUBLIC SAFETY								
	POLICE							
	PD Administration	123,742	1,185,166	1,181,571	21,813	1,203,384	102%	1,150,000
	Field Operations	932,268	8,620,306	7,932,470	800,663	8,733,133	101%	7,470,000
	Support Services	210,916	2,089,756	2,088,850	3,500	2,092,350	100%	2,040,000
	Emergency Services/Haz Mat	36,683	217,012	220,608	-	220,608	102%	180,000
	Special Operations	224,136	2,779,972	2,450,226	-	2,450,226	88%	2,620,000
	Dispatch Services	210,832	1,694,978	1,646,044	10,503	1,656,547	98%	1,550,000
	POLICE	1,738,577	16,587,190	15,519,768	836,480	16,356,248	99%	15,030,000
	FIRE	499,490	5,785,389	5,952,287	35,730	5,988,017	104%	5,530,000
	TOTAL PUBLIC SAFETY	2,238,067	22,372,579	21,472,055	872,210	22,344,265	100%	20,560,000
IV. TRANSFERS								
	Other	145,443	1,901,915	1,911,906	-	1,911,906	101%	2,070,000
	TOTAL TRANSFERS	145,443	1,901,915	1,911,906	-	1,911,906	101%	2,070,000
	TOTAL GENERAL FUND	4,305,560	42,768,047	40,393,386	1,049,044	41,442,430	97%	38,020,000

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2017-18
For the Month and Twelve Months Ended June 30, 2018
100% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
SPECIAL REVENUE FUNDS								
202	STREET MAINTENANCE	122,169	763,480	659,078	-	659,078	86%	72%
205	PUBLIC SAFETY/SUPP.LAW	-	100,000	106,000	-	106,000	106%	13%
206	COMMUNITY DEVELOPMENT FUND							
	Planning	287,382	2,241,307	2,039,619	171,386	2,211,005	99%	2,00%
	Building	236,087	1,864,823	1,785,643	16,009	1,801,652	97%	1,78%
	Engineering	210,290	1,437,702	1,417,297	132,593	1,549,890	108%	1,02%
206	COMMUNITY DEVELOPMENT FUND	733,760	5,543,832	5,242,559	319,988	5,562,547	100%	4,80%
207	LONG RANGE PLANNING	97,761	1,530,662	662,851	567,208	1,230,058	80%	62%
215/216	CDBG	1,022	165,331	205,997	-	205,997	125%	2%
225	ASSET SEIZURE	-	26,595	-	-	-	0%	-
229	LIGHTING AND LANDSCAPE	32,695	205,430	185,022	-	185,022	90%	18%
230	COMMUNITY FACILITIES DISTRICT	4,305	45,100	21,762	-	21,762	48%	1%
232	ENVIRONMENT PROGRAMS	30,362	345,422	374,478	15,910	390,388	113%	53%
234	MOBILE HOME PARK	71	880	852	-	852	97%	-
236	HOUSING MITIGATION	1,048,605	2,270,091	1,678,718	18,969	1,697,688	75%	3,29%
240	EMPLOYEE ASSISTANCE	104	41,247	26,971	-	26,971	65%	3%
250	COMH-SUCCESSOR AGENCY-MHRDA	1,764,213	7,178,310	8,817,814	23,890	8,841,704	123%	8,61%
255	HOUSING SUCCESSOR AGENCY	65,522	3,185,955	2,853,002	160,732	3,013,734	95%	89%
TOTAL SPECIAL REVENUE FUNDS		3,900,588	21,402,335	20,835,103	1,106,697	21,941,800	103%	19,89%
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	519	9,252,699	4,348,724	528,883	4,877,607	53%	4,47%
302	PARK MAINTENANCE	165,162	2,688,257	2,545,158	193,000	2,738,158	102%	94%
303	LOCAL DRAINAGE	2,289	47,010	18,153	2,120	20,273	43%	2%
304	LOCAL DRAIN. NON-AB1600	1,117	189,171	55,066	-	55,066	29%	2%
306	AGRICULTURE & OPEN SPACE PRESERVATION	18,856	4,481,696	120,509	64,331	184,840	4%	85%
308	STREET CIP	27,940	5,335,964	2,178,323	298,567	2,476,890	46%	55%
309	TRAFFIC IMPACT	43,520	3,913,053	1,999,562	199,041	2,198,603	56%	1,30%
311	POLICE IMPACT	3,771	237,117	235,071	2,120	237,191	100%	27%
313	FIRE IMPACT	1,460	623,735	7,528	2,120	9,648	2%	-
346	PUBLIC FAC.NON AB1600	14,961	1,020,977	578,186	47,489	625,675	61%	94%
347	PUBLIC FACILITIES IMPACT	1,589	439,481	7,414	2,120	9,534	2%	-
348	LIBRARY IMPACT	66,314	3,824,836	500,567	114,958	615,525	16%	45%
350	UNDERGROUNDING	45	55,539	540	-	540	1%	71%
355	SCHOOL PEDESTRIAN & TRAFFIC SAFETY	31,832	1,809,032	289,269	24,032	313,300	17%	21%
360	COMM/REC CENTER IMPACT	87,993	309,400	164,266	143,355	307,621	0%	-
TOTAL CAPITAL PROJECTS FUNDS		467,367	34,227,966	13,048,335	1,622,137	14,670,472	43%	10,77%
DEBT SERVICE FUNDS								
420	CIVIC CENTER DEBT	97	297,423	285,539	-	285,539	96%	29%
441	POLICE FACILITY BOND DEBT	198	383,610	393,098	-	393,098	102%	38%
TOTAL DEBT SERVICE FUNDS		295	681,033	678,638	-	678,638	100%	68%

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City of Morgan Hill
 Year to Date Expenses - Fiscal Year 2017-18
 For the Month and Twelve Months Ended June 30, 2018
 100% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
ENTERPRISE FUNDS								
SEWER								
640	SEWER OPERATIONS	567,889	10,871,377	10,628,381	210,992	10,839,373	100%	9,674
641	SEWER CAPITAL EXPANSION	520,597	19,130,592	2,039,639	518,933	2,558,571	13%	2,171
642	SEWER RATE STABILIZATION	325	3,900	3,900	-	3,900	100%	-
643	SEWER-CAPITAL PROJECTS	172,906	8,453,383	3,484,601	2,464,598	5,949,199	70%	3,381
TOTAL SEWER FUND(S)		1,261,718	38,459,252	16,156,521	3,194,523	19,351,044	50%	15,244
WATER								
	Water Operations	2,841,769	11,030,629	10,806,939	416,314	11,223,252	102%	10,131
	Utility Billing	94,076	836,258	753,833	12,826	766,660	92%	701
	Water Conservation	9,900	212,502	100,460	50,000	150,460	71%	111
650	WATER OPERATIONS	2,945,744	12,079,389	11,661,232	479,140	12,140,372	101%	10,951
651	WATER CAPITAL EXPANSION	1,212,176	3,405,848	1,563,850	1,844,191	3,408,042	100%	1,931
652	WATER RATE STABILIZATION	51	662	612	-	612	92%	-
653	WATER-CAPITAL PROJECTS	871,398	2,991,557	2,740,576	205,017	2,945,593	98%	4,381
TOTAL WATER FUND(S)		5,029,369	18,477,455	15,966,270	2,528,348	18,494,618	100%	17,281
TOTAL ENTERPRISE FUNDS		6,291,087	56,936,707	32,122,791	5,722,871	37,845,662	66%	32,524
INTERNAL SERVICE FUNDS								
730	INFORMATION SYSTEMS	208,172	1,796,307	1,684,421	6,709	1,691,129	94%	1,341
740	BUILDING MAINTENANCE	426,285	3,328,743	3,167,317	96,972	3,264,289	98%	3,151
741	BUILDING REPLACEMENT	126,822	524,821	486,427	15,806	502,233	96%	881
745	CIP ADMINISTRATION	157,327	1,872,190	1,419,090	-	1,419,090	76%	1,361
760	UNEMPLOYMENT	-	20,400	3,728	-	3,728	18%	141
770	WORKERS COMPENSATION	4,678	808,807	914,995	-	914,995	113%	471
790	EQUIPMENT REPLACEMENT	24,952	1,275,467	803,472	357,625	1,161,096	91%	1,291
791	EMPLOYEE BENEFITS FUND	54,856	558,538	659,481	-	659,481	118%	491
793	CORP YARD COMMISSION	1,250	-	9,820	1,903	11,723	0%	-
795	GEN. LIABILITY INSURANCE	23,263	1,059,920	847,050	-	847,050	80%	901
TOTAL INTERNAL SERVICE FUNDS		1,027,605	11,245,194	9,995,799	479,014	10,474,814	93%	9,941
REPORT TOTAL		\$ 15,992,503	\$ 167,261,281	\$ 117,074,051	\$ 9,979,764	\$ 127,053,814	76%	\$ 111,854

Attachment: June 2018 Financial and Investment Report (1961 : June 2018 Financial and Investment Report)

City of Morgan Hill Fund Activity Summary - Fiscal Year 2017-18 For the Twelve Months Ended June 30, 2018 100% of Year Complete										
Fund No.	Fund	Fund Balance 06-30-17	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	
010	GENERAL FUND	\$ 16,830,617	\$ 41,318,174	109%	\$ 40,393,386	94%	\$ 924,788	\$ 1,049,044	\$ 16,706,361	
TOTAL GENERAL FUND		\$ 16,830,617	\$ 41,318,174	109%	\$ 40,393,386	94%	\$ 924,788	\$ 1,049,044	\$ 16,706,361	
202	STREET MAINTENANCE	440	\$ 717,226	94%	\$ 659,078	96%	\$ 58,148	\$ -	\$ 58,588	
205	PUBLIC SAFETY/SUPPL. LAW	16,702	139,665	139%	106,000	99%	33,665	-	50,367	
206	COMMUNITY DEVELOPMENT	2,646,685	4,510,069	123%	5,242,559	95%	(732,489)	319,988	1,594,207	
207	LONG RANGE PLANNING	1,170,077	681,222	96%	662,851	43%	18,371	567,208	621,241	
215 / 216	CDBG	95,752	197,801	164%	205,997	0%	(8,196)	-	87,556	
225	ASSET SEIZURE	136,345	1,839	735%	-	0%	1,839	-	138,184	
229	LIGHTING AND LANDSCAPE	160,594	181,316	97%	185,022	90%	(3,706)	-	156,889	
230	COMMUNITY FACILITIES DISTRICT	60,276	43,368	100%	21,762	0%	21,606	-	81,882	
232	ENVIRONMENTAL PROGRAMS	157,637	452,749	118%	374,478	108%	78,272	15,910	219,999	
234	MOBILE HOME PK RENT STAB.	41,059	3,034	77%	852	97%	2,182	-	43,240	
235	SENIOR HOUSING	220,710	2,831	173%	-	0%	2,831	-	223,540	
236	HOUSING MITIGATION	2,178,174	2,198,200	261%	1,678,718	74%	519,481	18,969	2,678,686	
240	EMPLOYEE ASSISTANCE	36,302	29,514	95%	26,971	65%	2,543	-	38,845	
247	ENVIRONMENT REMEDIATION	139,723	1,796	163%	-	0%	1,796	-	141,519	
250	COMH-SUCCESSOR AGENCY-MHRDA	4,650,153	8,945,909	125%	8,817,814	123%	128,095	12,179,018	(7,400,770)	
255	HOUSING SUCCESSOR AGENCY	3,956,700	2,242,506	174%	2,853,002	90%	(610,496)	2,674,007	672,197	
TOTAL SPECIAL REVENUE FUNDS		\$ 15,667,329	\$ 20,349,043	133%	\$ 20,835,103	97%	\$ (486,059)	\$ 15,775,100	\$ (593,830)	
301	PARK DEV. IMPACT FUND	4,850,439	\$ 2,278,480	62%	\$ 4,348,724	47%	(2,070,244)	\$ 528,883	\$ 2,251,313	
302	PARK MAINTENANCE	5,431,371	1,361,566	150%	2,545,158	95%	(1,183,593)	193,000	4,054,778	
303	LOCAL DRAINAGE	8,381,669	2,017,458	111%	18,153	39%	1,999,305	2,120	10,378,853	
304	LOCAL DRAINAGE/NON-AB1600	1,301,563	159,599	225%	55,066	29%	104,532	-	1,406,096	
306	AGRICULTURE AND OPEN SPACE PRESERV	6,014,381	1,107,544	72%	120,509	3%	987,035	64,331	6,937,085	
308	STREET CIP	1,819,399	2,688,414	76%	2,178,323	41%	510,090	298,567	2,030,922	
309	TRAFFIC IMPACT FUND	4,539,601	722,510	54%	1,999,562	51%	(1,277,051)	199,041	3,063,509	
311	POLICE IMPACT FUND	(778,194)	276,250	108%	235,071	99%	41,179	2,120	(739,135)	
313	FIRE IMPACT FUND	3,818,916	92,440	98%	7,528	1%	84,912	2,120	3,901,708	
346	PUBLIC FACILITIES NON-AB1600	1,117,552	124,777	20%	578,186	57%	(453,409)	2,120	662,023	
347	PUBLIC FACILITIES IMPACT FUND	343,009	183,487	107%	7,414	2%	176,073	114,958	404,124	
348	LIBRARY IMPACT FUND	2,103,639	762,745	61%	500,567	13%	262,178	-	2,365,817	
350	UNDERGROUNDING	510,438	204,610	384%	540	1%	204,070	24,032	690,476	
355	SCHOOL PEDESTRIAN/TRAFFIC SFTY	1,640,864	147,240	27%	289,269	16%	(142,029)	143,355	1,355,480	
360	COMM/REC CTR IMPACT FUND	268,766	1,006,395	102%	164,266	0%	842,129	-	1,110,896	
TOTAL CAPITAL PROJECT FUNDS		\$ 41,363,413	\$ 13,133,514	78%	\$ 13,048,335	38%	\$ 85,179	\$ 1,574,648	\$ 39,873,944	
420	CIVIC CENTER DEBT	161,328	\$ 295,540	99%	\$ 285,539	96%	\$ 10,001	\$ 55	\$ 171,274	
441	POLICE FACILITY BOND DEBT	93,903	381,479	99%	393,098	102%	(11,620)	70	82,214	
TOTAL DEBT SERVICE FUNDS		\$ 255,231	\$ 677,019	99%	\$ 678,638	100%	\$ (1,619)	\$ 124	\$ 253,488	

 CITY OF MORGAN HILL City of Morgan Hill Fund Activity Summary - Fiscal Year 2017-18 For the Twelve Months Ended June 30, 2018 100% of Year Complete									
Fund No.	Fund	Fund Balance 06-30-17	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved

640	SEWER OPERATIONS	\$ 2,997,397	99%	\$ 10,257,632	98%	\$ 10,628,381	98%	\$ (370,750)	210,992	2,415,655
641	SEWER IMPACT FUND*	13,739,517	87%	4,148,445	87%	2,039,639	11%	2,108,807	518,933	15,329,391
642	SEWER RATE STABILIZATION	2,538,125	215%	33,705	215%	3,900	100%	29,805	-	2,567,930
643	SEWER-CAPITAL PROJECTS	8,964,265	155%	3,754,880	155%	3,484,601	41%	270,279	2,464,598	6,769,947
650	WATER OPERATIONS	1,329,683	105%	13,023,038	105%	11,661,232	97%	1,361,806	479,140	2,212,349
651	WATER IMPACT FUND*	3,153,845	92%	1,098,303	92%	1,563,850	46%	(485,547)	1,844,191	844,106
652	WATER RATE STABILIZATION	539,303	1%	9,845	1%	612	92%	9,233	-	548,536
653	WATER -CAPITAL PROJECT	613,123	287%	2,715,099	287%	2,740,576	92%	(25,476)	205,017	382,630
TOTAL ENTERPRISE FUNDS		\$ 33,875,258	106%	\$ 35,040,947	106%	\$ 32,122,791	56%	\$ 2,918,156	\$ 5,722,871	\$ 31,070,543

730	INFORMATION SERVICES	\$ 612,170	101%	\$ 1,607,533	101%	\$ 1,684,421	94%	\$ (76,888)	6,709	\$ 528,574
740	BUILDING MAINTENANCE	126,409	99%	3,103,276	99%	3,167,317	95%	(64,041)	96,972	(34,604)
741	BUILDING REPLACEMENT	2,063,612	102%	499,157	102%	486,427	93%	12,730	15,806	2,060,535
745	CIP ENGINEERING	32,485	76%	1,419,097	76%	1,419,090	76%	7	-	32,492
760	UNEMPLOYMENT	164,584	191%	2,088	191%	3,728	18%	(1,640)	-	162,944
770	WORKERS COMPENSATION	1,647,992	134%	1,024,834	134%	914,995	113%	109,839	30,000	1,727,831
790	EQUIPMENT REPLACEMENT	4,110,874	110%	1,123,505	110%	803,472	63%	320,034	357,625	4,073,283
791	EMPLOYEE BENEFITS FUNDS	584,228	98%	613,866	98%	659,481	118%	(45,614)	-	538,614
793	CORP YARD COMMISSION	-	0%	3,778	0%	9,820	0%	(6,042)	1,903	(7,945)
795	GEN. LIABILITY INSURANCE	1,106,814	101%	952,145	101%	847,050	80%	105,095	-	1,211,909
TOTAL INTERNAL SERVICE FUNDS		\$ 10,449,167	99%	\$ 10,349,279	99%	\$ 9,995,799	89%	\$ 353,480	\$ 509,014	\$ 10,293,633

SUMMARY BY FUND TYPE

GENERAL FUND GROUP	\$ 16,830,617	\$ 41,318,174	109%	\$ 40,393,386	94%	\$ 924,788	\$ 1,049,044	\$ 16,706,361
SPECIAL REVENUE GROUP	15,667,329	20,349,043	133%	20,835,103	97%	(486,059)	15,775,100	(593,830)
DEBT SERVICE GROUP	255,231	677,019	99%	678,638	100%	(1,619)	124	253,488
CAPITAL PROJECTS GROUP	41,363,413	13,133,514	78%	13,048,335	38%	85,179	1,574,648	39,873,944
ENTERPRISE GROUP	33,875,258	35,040,947	106%	32,122,791	56%	2,918,156	5,722,871	31,070,543
INTERNAL SERVICE GROUP	10,449,167	10,349,279	99%	9,995,799	89%	353,480	509,014	10,293,633
TOTAL ALL GROUPS	\$ 118,441,015	\$ 120,867,976	106%	\$ 117,074,051	70%	\$ 3,793,925	\$ 24,630,801	\$ 97,604,139

For Enterprise Funds: Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

*Unreserved fund balance includes bond proceeds reserved for projects listed in bond documents.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.

Preliminary FY2017-18 Financial Report





General Fund

- Both revenues and expenditures came in better than budget
- Key GF revenues:

Category	Budget	Preliminary FY17-18	FY16-17
Property Tax	\$10,566,000	\$11,359,893	\$10,685,109
Sales Tax	9,588,502	10,358,420	9,734,686
Svc Charges	9,536,644	9,325,440	8,973,615
Hotel Tax	2,827,050	2,732,631	2,741,623

- Expenditures including encumbrances:

Total Exp	\$42,768,047	\$41,442,430	\$39,350,242
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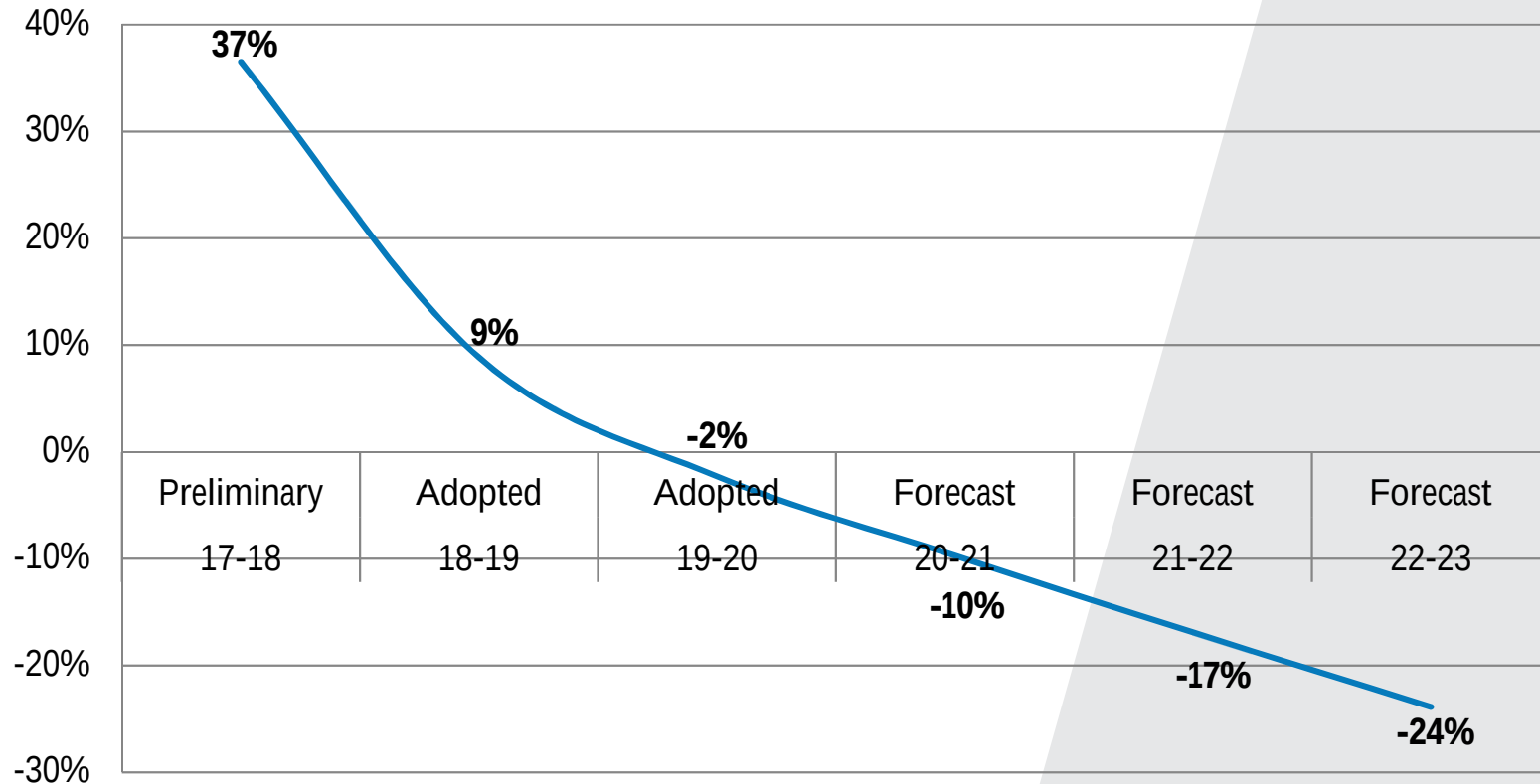


Development Services Fund

- Both revenues and expenditures, including encumbrances came in as projected

Category	Budget	Preliminary FY17-18	FY16-17
Revenues	\$3,679,974	\$4,510,069	\$4,679,808
Expenditures	5,543,832	5,562,547	5,069,996

Development Services Fund (cont'd)



Enterprise Funds

- Wastewater Operations

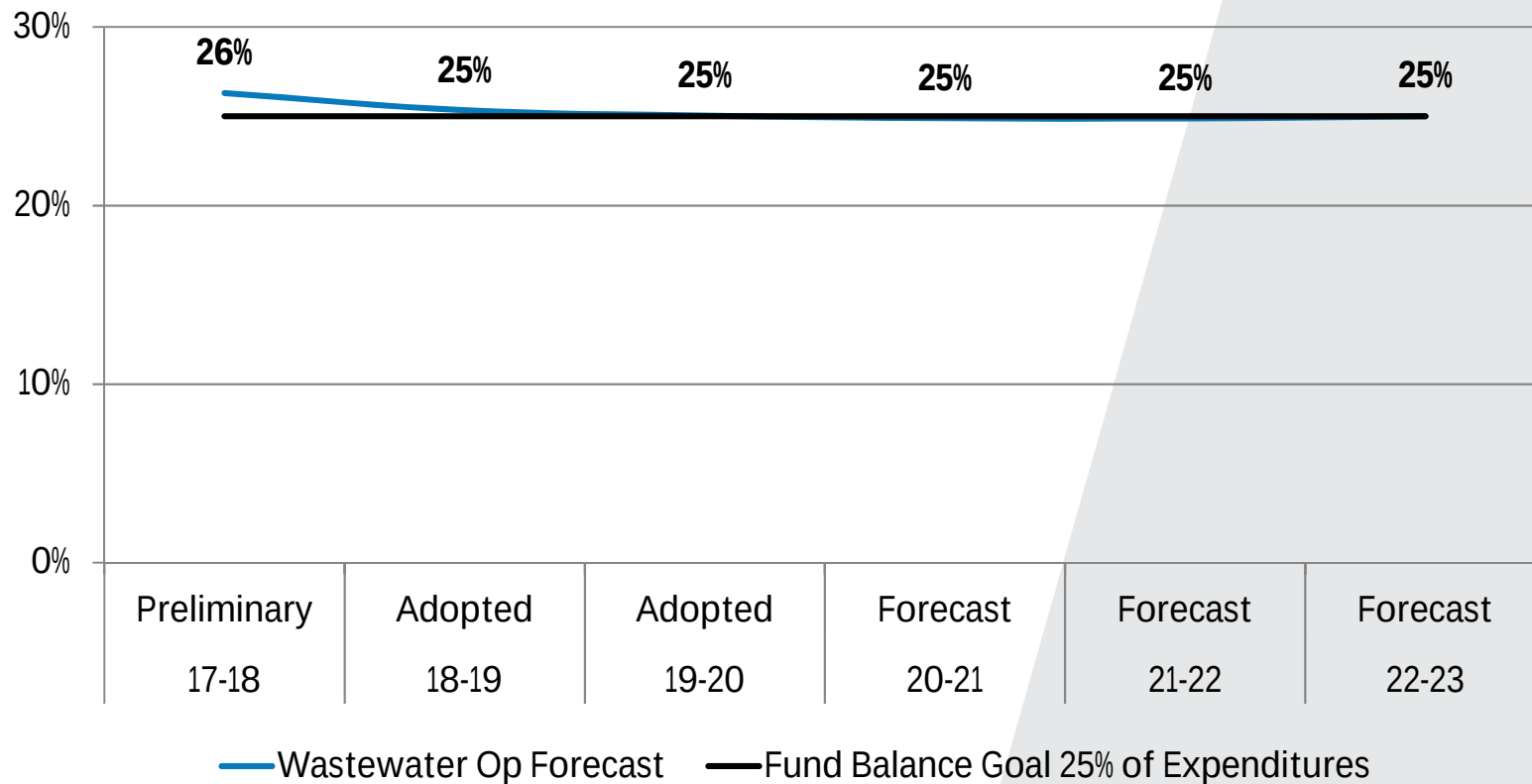
Category	Budget	Preliminary FY17-18	FY16-17
Revenues	\$10,334,510	\$10,257,632	\$9,743,933
Expenditures	10,871,377	10,839,373	9,778,259
Net	(\$536,867)	(\$581,741)	(\$34,326)





Enterprise Funds (cont'd)

- Wastewater operations fund balance forecast



Enterprise Funds (cont'd)

- Water operations

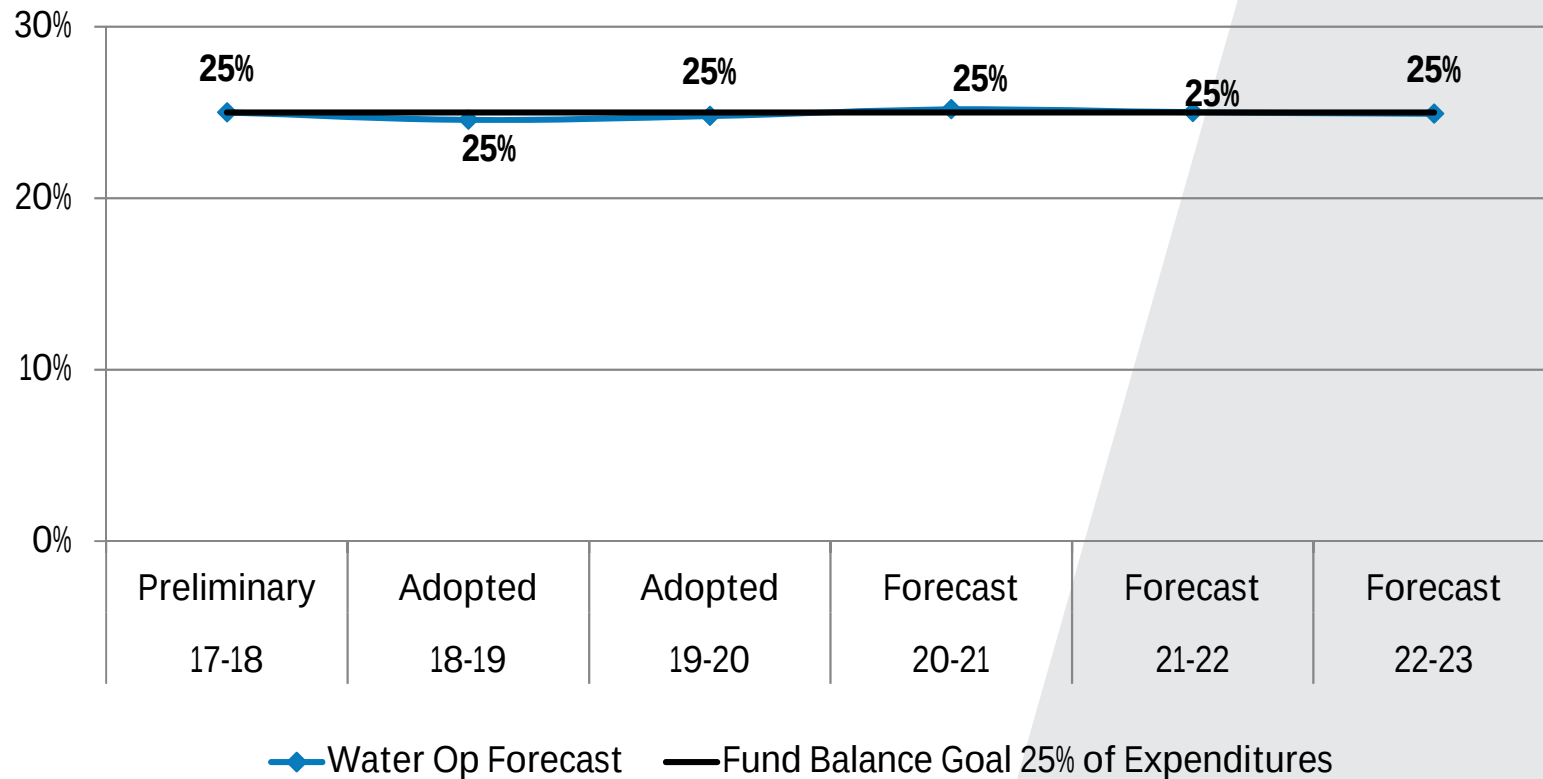
Category	Budget	Preliminary FY17-18	FY16-17
Revenues	\$ 12,422,722	\$13,023,038	\$10,898,147
Expenditures	12,079,389	12,140,372	11,190,161
Net	\$343,333	\$882,666	(\$292,014)





Enterprise Funds (cont'd)

- Water operations fund balance forecast





CITY COUNCIL STAFF REPORT

MEETING DATE: October 3, 2018

PREPARED BY: Michelle Bigelow, Deputy City Clerk
APPROVED BY: City Manager

APPROVE CITY COUNCIL MEETING SCHEDULE FOR CALENDAR YEAR 2019

RECOMMENDATION(S)

1. Review and adjust the 2019 City Council meeting schedule as deemed appropriate; and
2. Approve 2019 City Council meeting schedule.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment
Maintaining Fiscal Responsibility
Supporting Our Youth
Seniors
and Entire Community
Fostering a Positive Organizational Culture
Preserving and Cultivating Public Trust
Preserving Our Cultural Heritage
Enhancing Diversity and Inclusiveness

2018 Strategic Priorities

Community Engagement and Messaging
Economic Development and
Telecommunications
Financial Stewardship
Infrastructure
Regional Initiatives
Telecommunications

REPORT NARRATIVE:

The City Council has adopted a policy regarding its meeting schedule (policy CP 06-02, Attachment No. 2). Staff requests the City Council review its meeting schedule for the months of January 2019 through December 2019 (Attachment No. 1). The following meetings are proposed to be canceled and/or scheduled:

1. January 2nd regular meeting of the City Council canceled per Council Policy CP-06-02. **(Cancel)**
2. January 25th at 9:00 a.m. and January 26th at 9:00 a.m. Special City Council Goal Setting Workshop. **(Schedule)**
3. May 24th at 9:00 a.m. Special City Council Budget and CIP Workshop. **(Schedule)**
4. July 3rd regular meeting of the City Council canceled pursuant to Council Policy CP-06-02 **(Cancel)**
5. July 26th at 9:00 a.m. Special City Council Mid-Year Goal Review Workshop. **(Schedule)**

6. August 7th, 21st, and 28th regular meetings of the City Council for the summer break. The meeting on August 21st canceled pursuant to Council Policy, CP-06-02. **(Cancel)**
7. October 16th regular meeting of the City Council canceled to allow the City Council and staff to attend the League of California Cities Annual Conference. **(Cancel)**
8. November 27th regular meeting of the City Council canceled pursuant to Council Policy CP-06-02. **(Cancel)**
9. December 25th regular meeting of the City Council canceled pursuant to Council Policy CP-06-02. **(Cancel)**

Given the above information, the City Council may wish to retain, adjust and/or cancel regularly scheduled meetings.

COMMUNITY ENGAGEMENT: Inform

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council reviews the meeting schedule annually.

FISCAL AND RESOURCE IMPACT:

There is no fiscal impact associated with this action.

CEQA (California Environmental Quality Act):

Not a Project. Administrative activities of governments that do not result in direct physical changes in the environment do not qualify as a project for purposes of CEQA.

LINKS/ATTACHMENTS:

1. Draft 2019 City Council Meeting Schedule
2. Council Policy -06-02

Draft 2019 City Council Meeting Schedule

Note: Should a scheduled City Council meeting be cancelled, the Council Member reporting will be rotated to avoid a lapse in reporting of a Council Member.

Special meetings that are added during the year will not have City Council Member reporting.

Meeting Date	Type of Meeting	Notes	Council Member Report
01/02/2019 Wednesday	Regular CC	Cancelled per Council Policy (CP 06-02)	
01/16/2019 Wednesday	Regular CC		
01/23/2019 Wednesday	Regular CC		
01/25/2019 Friday	Special CC	9:00 a.m. – 5:00 p.m. Goal Setting Workshop	
01/26/2019 Saturday	Continued from 01/25/2019	9:00 a.m. Continued Goal Setting Workshop	
02/06/2019 Wednesday	Regular CC		
02/20/2019 Wednesday	Regular CC		
02/21/2019 Thursday	Agenda Not Required	State of the City Address	
02/27/2019 Wednesday	Regular CC		
03/06/2019 Wednesday	Regular CC		
03/20/2019 Wednesday	Regular CC		
03/27/2019 Wednesday	Regular CC		
04/03/2019 Wednesday	Regular CC		
04/17/2019 Wednesday	Regular CC		
04/24/2019 Wednesday	Regular CC		
05/01/2019 Wednesday	Regular CC		
05/15/2019 Wednesday	Regular CC		

Attachment: Draft 2019 City Council Meeting Schedule (1971 : 2019 CC Meeting Schedule)

Draft 2019 City Council Meeting Schedule

Meeting Date	Type of Meeting	Notes	Council Member Report
5/22/2019 Wednesday	Regular CC		
05/24/2019 Friday	Special CC	9:00 a.m. – 5:00 p.m. Budget workshop	
06/05/2019 Wednesday	Regular CC		
06/19/2019 Wednesday	Regular CC		
06/26/2019 Wednesday	Regular CC		
07/03/2019 Wednesday	Regular CC	Cancelled per Council Policy (CP 06-02)	
07/17/2019 Wednesday	Regular CC		
07/24/2019 Wednesday	Regular CC		
07/26/2019 Friday	Special CC	9:00 a.m. – 5:00 p.m. Mid-Year Goal Review Workshop	
08/07/2019 Wednesday	Regular CC	Cancelled Summer Recess	
08/21/2019 Wednesday	Regular CC	Cancelled Summer Recess	
08/28/2019 Wednesday	Regular CC	Cancelled Summer Recess	
09/04/2019 Wednesday	Regular CC		
09/18/2019 Wednesday	Regular CC		
09/25/2019 Wednesday	Regular CC		
10/02/2019 Wednesday	Regular CC		
10/16/2019 Wednesday	Regular CC	Cancelled League of California Cities Annual Conference	
10/23/2019 Wednesday	Regular CC		

Attachment: Draft 2019 City Council Meeting Schedule (1971 : 2019 CC Meeting Schedule)

Draft 2019 City Council Meeting Schedule

Meeting Date	Type of Meeting	Notes	Council Member Report
11/06/2019 Wednesday	Regular CC		
11/20/2019 Wednesday	Regular CC		
11/27/2019 Wednesday	Regular CC	Cancelled per Council Policy (CP 06-02)	
12/04/2019 Wednesday	Regular CC		
12/18/2019 Wednesday	Regular CC		
12/25/2019 Wednesday	Regular CC	Cancelled per Council Policy (CP 06-02)	

Attachment: Draft 2019 City Council Meeting Schedule (1971 : 2019 CC Meeting Schedule)

CITY OF MORGAN HILL

CITY COUNCIL POLICIES AND PROCEDURES

CP-06-02

SUBJECT: CITY COUNCIL MEETING SCHEDULE

EFFECTIVE DATE: March 22, 2006, Revised November 20, 2013,
Revised October 21, 2015

ORIGINATING DEPT: City Clerk

The City Council has ordained that regular meetings are to be held on the first, third, and fourth Wednesdays of every month at 7:00 p.m. In the event of a legal holiday occurring on a regular City Council meeting day, the meeting(s) will be canceled. Should the Mayor and City Manager determine that the third meeting of the month is not necessary, they shall have the authority to cancel the meeting.

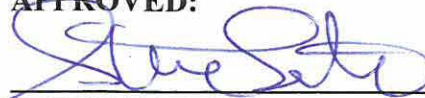
The City Council desires to take official legislative recesses, at various times, to accommodate community and civic commitments, vacations, and the City's operations schedule. As such, the following meeting schedule will apply for the months of January, July, August, September, October, November and December of every year:

- For the month of January, should the City furlough its employees the last week in December, the first meeting in January shall be canceled. The Council will hold its annual Goal Setting retreat the last Friday and Saturday of the month.
- The Council will hold its annual Budget Workshop during the month of May.
- For the month of July, the first Wednesday meeting is to be canceled.
- For the month of August, the third Wednesday meeting is to be canceled.
- For the months of September and October, regular meetings will be held on the first, third, and fourth Wednesdays, beginning at 7:00 p.m.; unless the meeting date falls on Rosh Hashanah or Yom Kippur. In which case, said meeting will be canceled.
- For the month of November, regular meetings will be held on the first, third, and fourth Wednesdays, beginning at 7:00 p.m.; unless the Wednesday meeting date falls the day before the Thanksgiving Holiday. In which case, said meeting will be canceled.
- For the month of December, regular meetings will be held on the first, third, and fourth Wednesdays, beginning at 7:00 p.m.; unless the Wednesday meeting date(s) fall on the Christmas Holiday and/or during the Holiday furlough. In which case, said meeting(s) will be canceled.

The City Council shall have the ability to adjust and/or add other meeting dates, as deemed appropriate.

This policy shall remain in effect until modified by the City Council respectively.

APPROVED:



STEVE TATE, Mayor

Attachment: Council Policy -06-02 (1971 : 2019 CC Meeting Schedule)



Disposition Development Agreement Redevelopment of Hale Lumber Site Agenda Item: 7



October 3, 2018

Disposition Development Agreement



- Sale of 0.29 acres of former Depot Street Right-of-Way
- Construction of realigned Depot Street
- Purchase of 3,000 square feet of Office Space

Agreement Terms



Developer to:

- contribute funds necessary for realigned Depot Street
- construct realigned Depot Street
- submit:
 - RDCS application
 - Planning Entitlements
 - Offsite Improvement Plans
 - Building Permits for Mixed Use Project

City to:

- transfer funds from sale of former Depot Street right-of-way (.29 acres) for construction
- purchase 3,000 square foot Office Space
- process GPA and ZA

City Guiding Documents



- Transportation Element – General Plan
- Downtown Specific Plan
- Vision Zero
- Bikeways, Trails, Parks and Recreation Master Plan
- Station Area Master Plan
- Economic Blue Print

Explore Depot Street Realignment



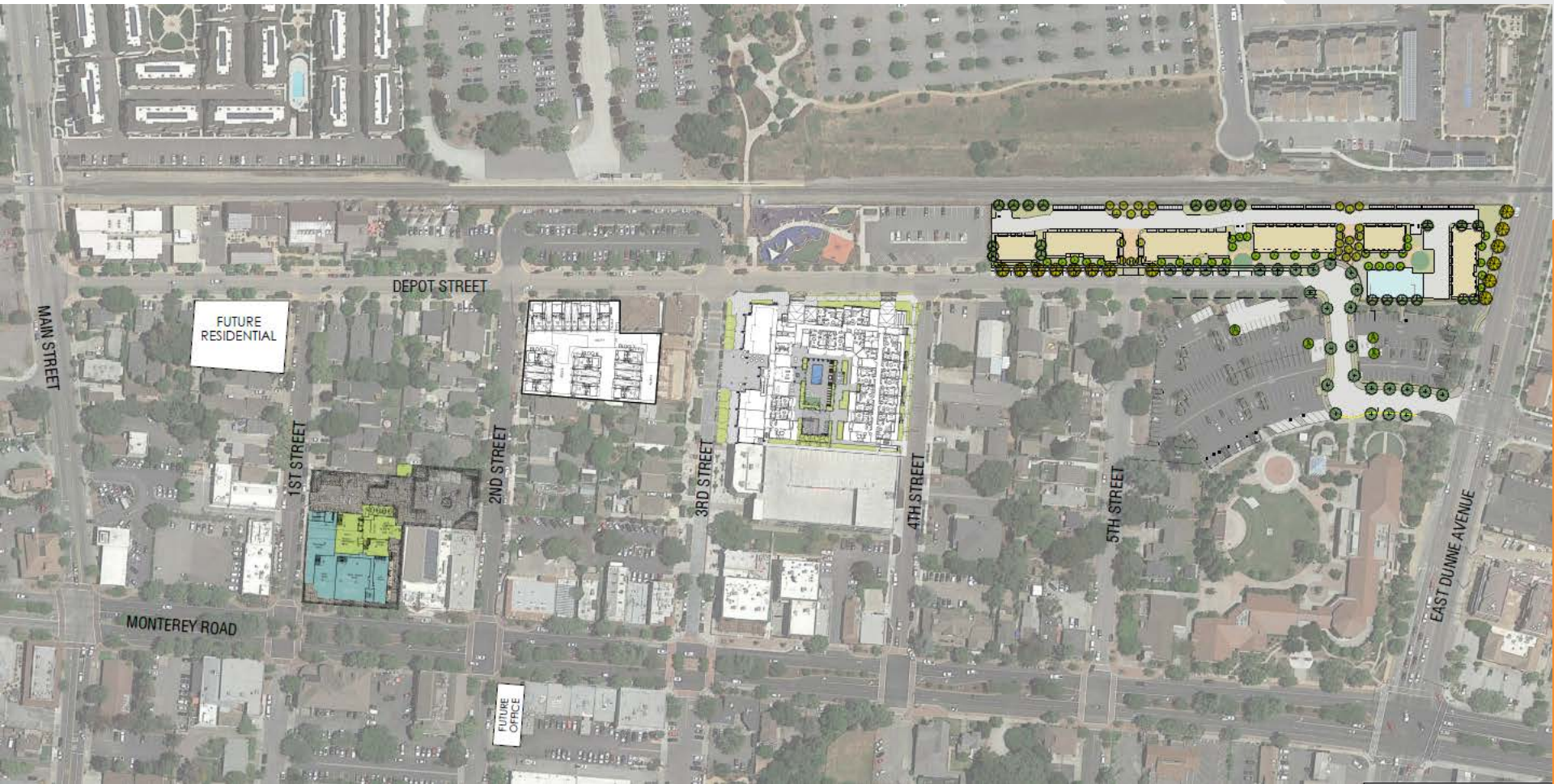
Exclusive Right to Negotiate - April 18, 2018

Explore the realignment of Depot Street through the CCC parking lot in conjunction with the proposed redevelopment of Hale Lumber Site

Solve For:

1. Housing Orientation
2. Heritage Trees
3. Housing and Retail Capacity
4. Transportation Impact Analysis
5. Parking at the CCC
6. Impacts to Downtown Events & CCC
7. Prioritize Safety: Pedestrian, Bicycle & Vehicular

Location



Hale Lumber Redevelopment Concept



Hale Lumber Redevelopment Concept



Transportation Impact Analysis

- Full access intersection
- Direct route to land uses, parking and transit services along Depot Street
- Local Downtown Benefit
 - Improved Vehicular, Bicycle & Pedestrian Circulation

Circulation Connectivity and Safety Enhancements

- Neighborhood street design
- Street designed for slower speeds
- Complete sidewalks
- Enhanced midblock crossings



Circulation Connectivity and Safety Enhancements



Community Outreach



City Coordination

- April 18, 2018 - City Council approval of Exclusive Right to Negotiate
- July 24, 2018 - Planning Commission Workshop on Downtown Housing and Retail Capacity, Trends, and Opportunities
- Multiple dates - Community and Cultural Center Coordination
- September 6 & 28 - Gavilan Collage
- September 6 - South Valley Civic Theater Chamber of Commerce
- September 7 – Independence Day Celebration & Mushroom Mardi Gras

Community Outreach



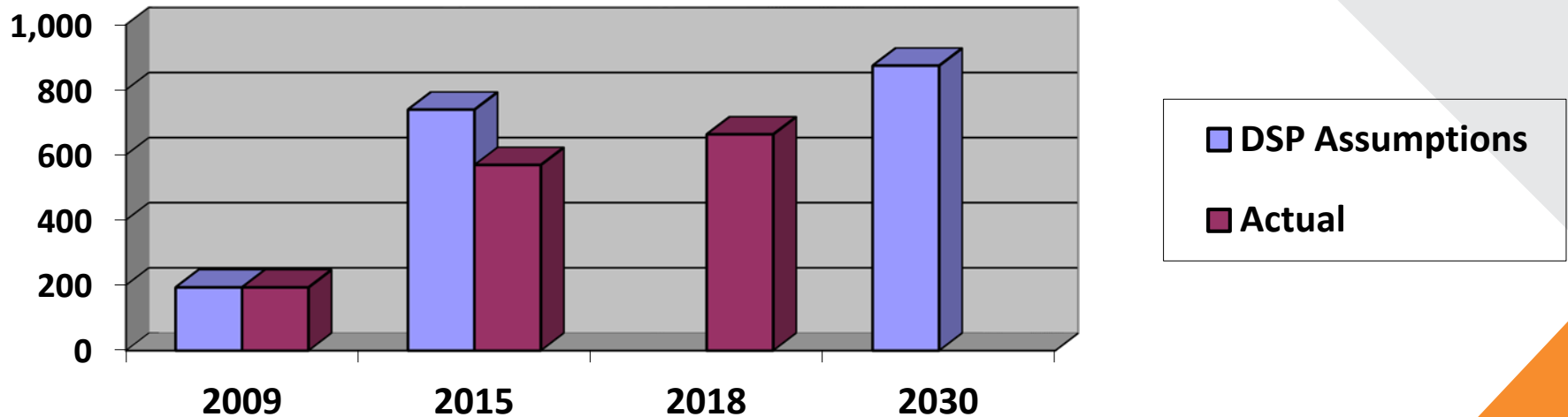
Developer Outreach

- June 15, 2018 - Freedom Fest Event -
- August 13, 2018 - Downtown Restaurant Association
- August 16, 2018 - Downtown Association
- August 28, 2018 - Chamber of Commerce
- September 10 – Mushroom Mardi Gras
- September 13 - Chamber of Commerce
Economic Development Committee
- September 13 - Bingo Organizers

Downtown Specific Plan Housing, Retail & Office Projections

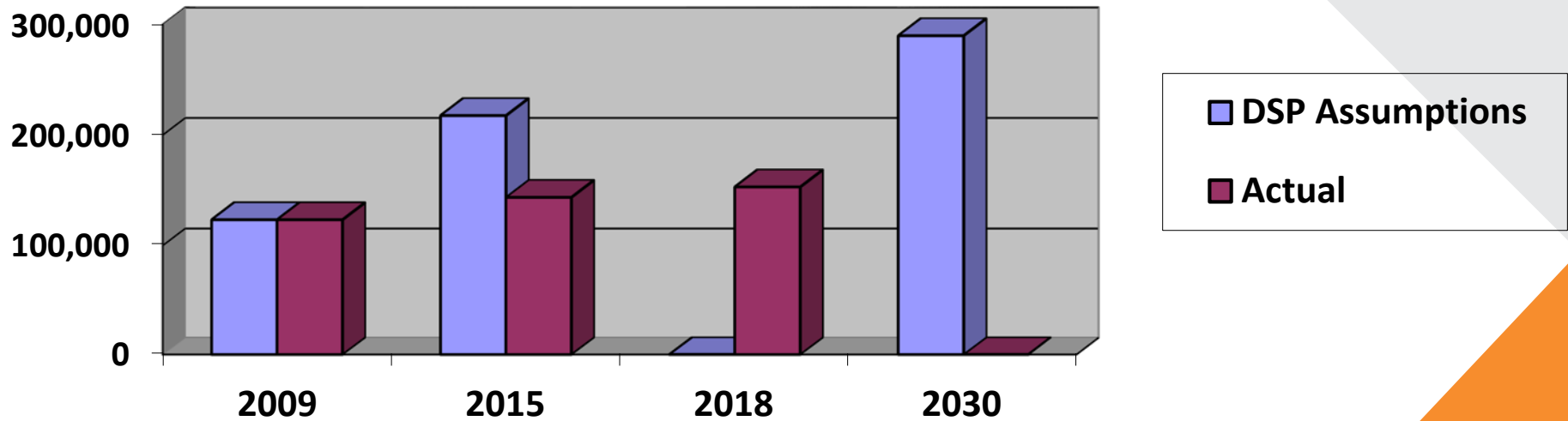
Land Use	Existing Development (2009)	Development by 2015	Development by 2030
Retail (square feet)	123,365	217,586	289,855
Residential (Dwelling Units)	193	739	874
Office/Service	122,248	152,405	182,839

Downtown Housing Capacity



- Assumed units by year 2015: 739
- Current/under construction units (2018): 663
- Assumed units by 2030: 874

Downtown Retail Capacity



- Assumed built retail by 2015: 217,586 SF
- Current built retail (2018): 153,003 SF
- Assumed built retail by 2030: 289,855 SF

Construction Costs of Depot Street & CCC Parking Lot Improvements

Total Cost of Construction	\$901,726
-----------------------------------	------------------

- | | |
|--|-----------|
| • Sale of .29 acres Depot Street Right of Way | \$303,178 |
| • Hale Lumber Project Depot Frontage Improvements Cost | \$213,739 |
| • Hale Lumber Redevelopment RDCS Commitments | \$384,809 |

Next Steps

If DDA is approved



- General Plan Amendment (GPA) and Zoning Amendment (ZA)
- RDCS application
- Planning Department permit entitlements:
 - Development Agreement for RDCS commitments
 - Subdivision Map
 - Site Review permit
- Off Site improvements
- Final Map
- Building permits

Recommendation



Adopt a resolution approving a Disposition and Development Agreement with Latala Group, LLC

Adopt Addendum to the 2035 General Plan FEIR and Downtown Specific Plan FEIR

Thank You





17485 Monterey Road, Suite 105
Morgan Hill, CA 95037
(408)779-9444
October 1, 2018

Item # 07
AGENDA DATE: 10/03/18
SUPPLEMENT # 1

Dear Mayor Tate, Mayor Pro Tem Constantine, and Council Members Carr, Jachimowicz and Spring:

After careful consideration including a small group discussion with the developer, formal presentation at our monthly Economic Development Committee meeting and an extensive discussion of the board of directors, the Morgan Hill Chamber of Commerce supports the redevelopment of the Hale Lumber site, but is opposed to re-routing Depot Street through the Community and Cultural Center parking lot and closing off the existing end of Depot Street near the Dunne Avenue intersection. Our understanding is that the developer originally had a "Hale Lumber site only" plan in mind, but was urged by the city to include rerouting Church Street to Depot Street as part of the proposed development. This city recommendation is consistent with legacy planning documents, but is not in our view the best fit with this area as it has evolved or with the new reality of Waze/Google Maps driven road use patterns. We agree that Hale Lumber's industrial distribution use is not a good fit with the rest of the downtown core and we agree with building more high density housing in the downtown.

In a turn of good fortune not envisioned a decade ago, Depot Street is no longer the back alley for the downtown core, but has developed into a significant local street lined with active residential, recreational and business uses. This evolution of Depot Street is a very positive development. Depot Street currently has an intersection on the northern end of Main Avenue and a partial intersection at Dunne Avenue with access only to the west bound lane. Vehicle traffic is presently limited and primarily consists of people who have a need to get in and out of that area rather than being a thoroughfare for vehicles travelling through the downtown. Consequently there are no traffic lights along this street as they are not needed while pedestrian uses are generally safe and comfortable both for routine daily purposes and for public events like the weekly Saturday Farmers' Market, Friday Night Music, and other special events. New residents will further activate the already popular new children's park.



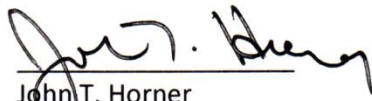
Improving the connectivity of Depot Street to Dunne Avenue per the current proposal has been a part of the City's planning documents for a few decades now, but is an idea which was enshrined in our plans before the new era of Waze, Google Maps and Apple Maps. Communities everywhere are finding that these new apps ensure heavy use of alternative routes for people trying to just get through an area. This new reality makes the traditional ways of estimating expected traffic flow consequences of road changes less reliable. We believe that making changes which encourage more pass through traffic on Depot Street will not help the businesses or residents of that area but will instead make Depot Street more dangerous and less attractive for those who have a desire to be there as they compete with people just passing through.

We also agree with the long term vision of transforming Monterey Road away from being a pass-through route, but we don't support doing so by implicitly encouraging more pass-through traffic onto Depot and Church streets. Long term the pass through traffic needs to be pushed to Butterfield Boulevard or Santa Theresa/Hale Avenues in order for there to be a viable way to reduce traffic on Monterey through the downtown.

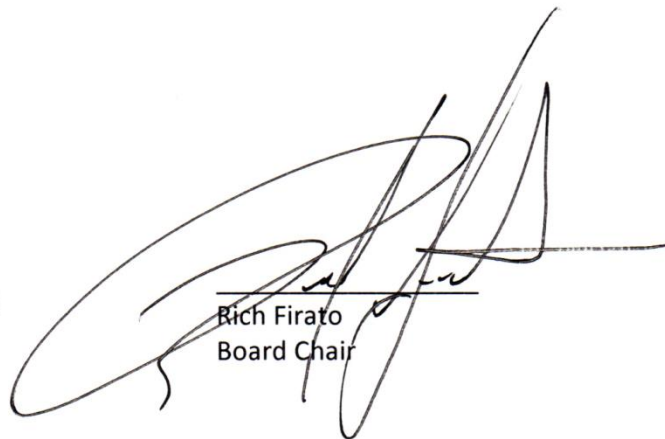
Our final point of objection is the long term undesirability of sub-dividing the largest publicly owned parcel in the downtown core. Perhaps projections of a future where we don't need to own and park cars will come true. In that case, having an uninterrupted large publicly owned space available for potential expansion of the community center and/or more green space would be a delightful thing. If we give up public space now, it is gone forever.

In closing, we reiterate our support for a Hale Lumber site only project which provides more housing in the downtown, moves a legacy industrial use to a more suitable location, and continues the exciting transformation Downtown Morgan Hill is enjoying. We believe that on balance the proposed street rerouting would be a net detriment to pedestrian safety and would reduce the long term options for the large contiguous public space of the Community and Cultural Center and would devalue that facility for both current and future users.

Thank you for considering our view on this topic.



John T. Horner
President & CEO



Rich Firato
Board Chair

AGENDA DATE: 10/03/18
SUPPLEMENT # 2

Subject: Morgan Hill Downtown Restaurant Association: Position on Depot - Latala Project

David Dindak – On Behalf of Morgan Hill Downtown Restaurant Association Morgan Hill Downtown Association

Item # 07
AGENDA DATE: 10/03/18
SUPPLEMENT # 3

From: [Tiffany Brown](#)
To: [Michelle Bigelow](#); [Angie Gonzalez](#); [Edith Ramirez](#); [Jennifer Carman](#); [Leslie Little](#)
Subject: FW: Hale property plans from Charles Weston
Date: Tuesday, October 02, 2018 10:23:31 AM
Attachments: [Hale Development Red Lines 201810011650.pdf](#)
[Hale Development %2F Depot St Realignment.pdf](#)

Supplement for item #7
Tiffany Brown
Associate Planner



From: Charles Weston <charles@wmarchitects.com>
Sent: Monday, October 01, 2018 4:59 PM
To: Tiffany Brown <Tiffany.Brown@morganhill.ca.gov>
Subject: Hale property plans from Charles Weston

See attached.

Charles Weston AIA, NCARB, LEED AP

Principal

P: (408) 779-6686 **M:** (408) 515-9468

[17500 Depot Street, Suite #200](#)

[Morgan Hill, CA 95037](#)



Visit us at www.wmarchitects.com

Please note the change in our office address to Suite #200. Thank you!

#1. Significant oak trees should be saved, trimmed and loved for the first time in their 100 year life. With this they will thrive and be a comfort to the community.

#2. Combined office and residential building. Office users will have to go thru private parking to enter offices

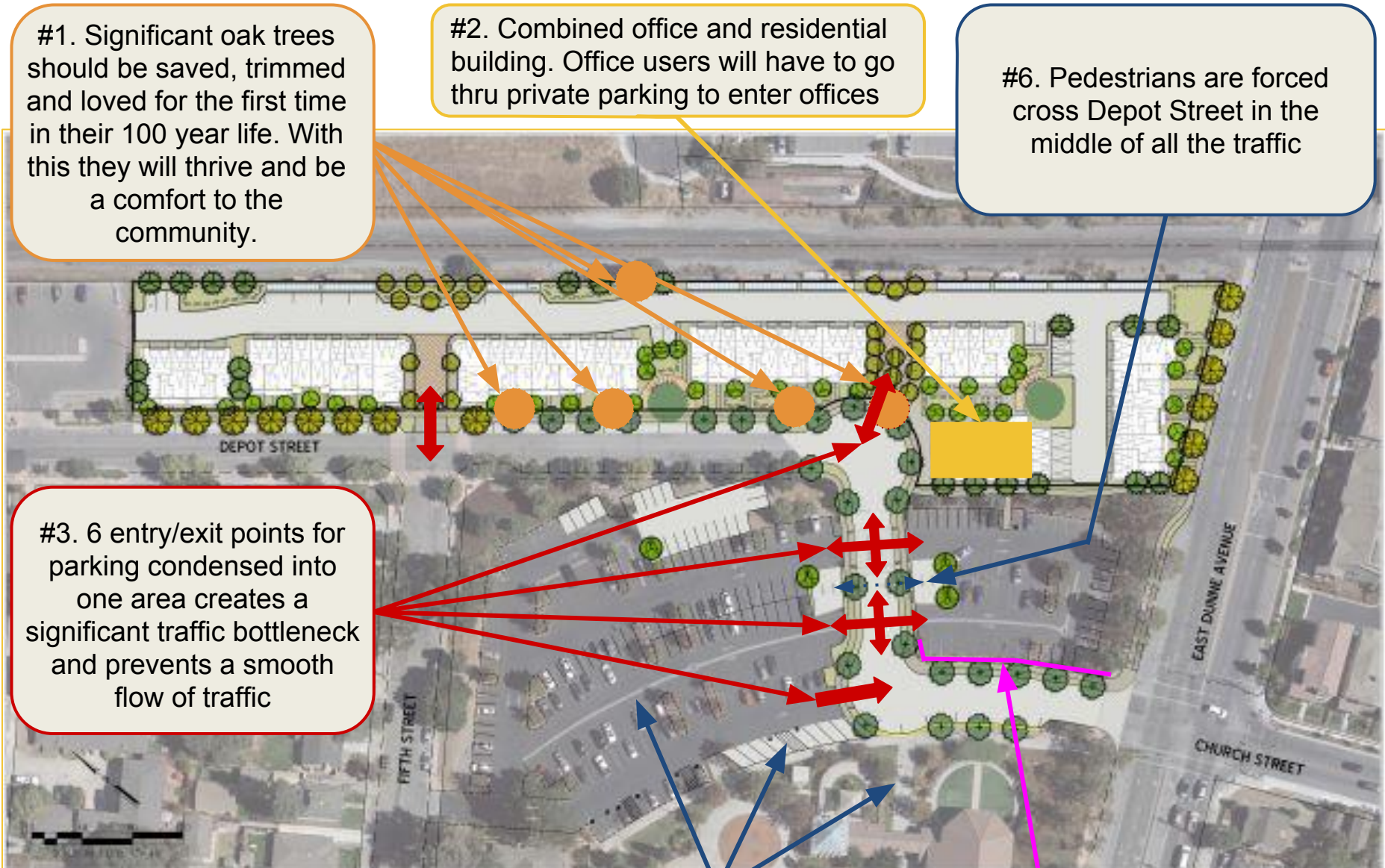
#6. Pedestrians are forced cross Depot Street in the middle of all the traffic

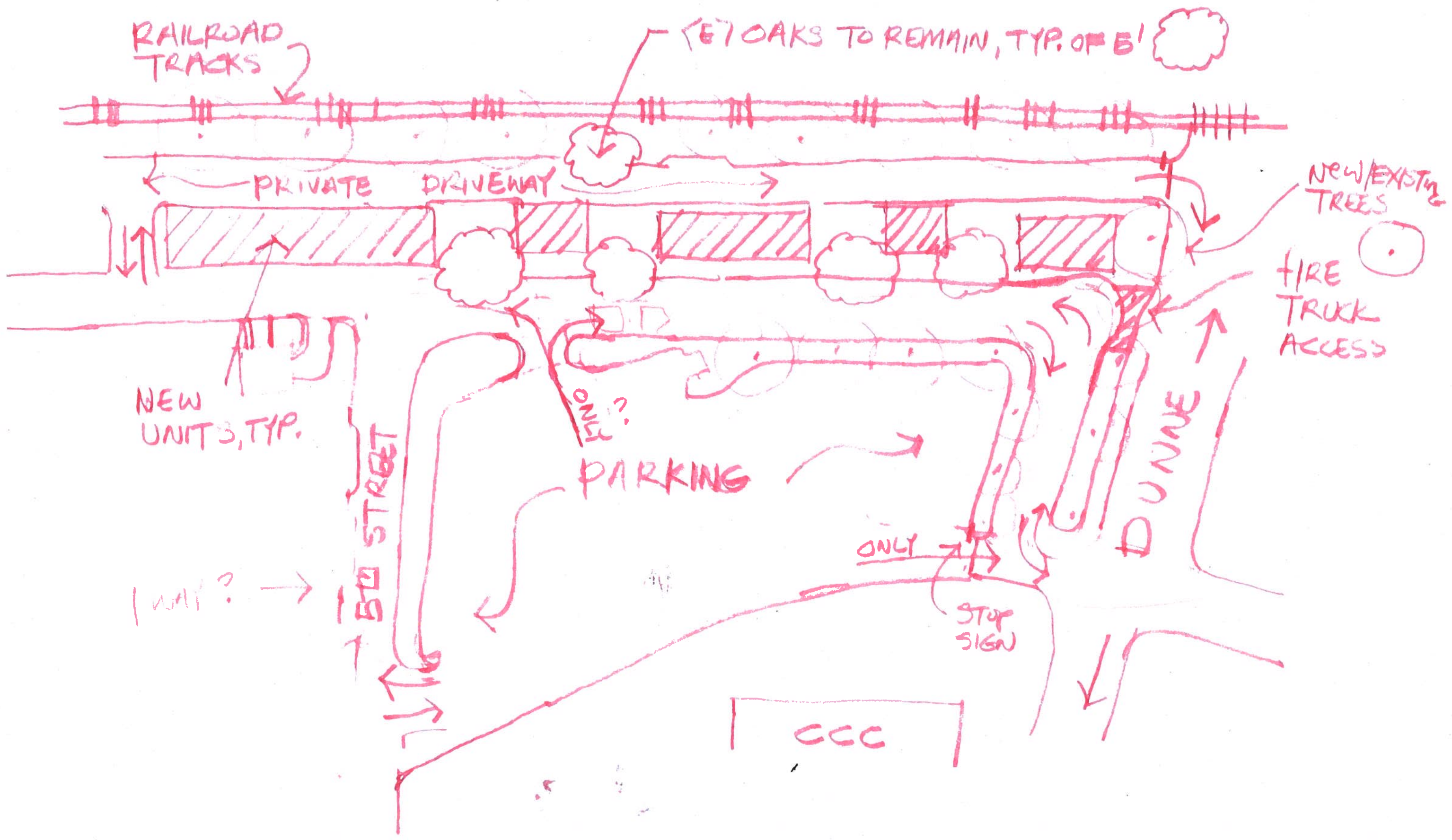
#3. 6 entry/exit points for parking condensed into one area creates a significant traffic bottleneck and prevents a smooth flow of traffic

#4. Parking is offset from Community Center entrance w/ no sightline the pedestrian path is unclear

#5. Need for a fence to block pedestrians indicates a poor overall design

**Hale Development /
Depot St. Realignment
Proposal Comments
Oct. 1, 2018**





From: Charles Weston <charles@wmarchitects.com>
Sent: Wednesday, October 03, 2018 9:56 AM
To: Tiffany Brown <Tiffany.Brown@morganhill.ca.gov>
Subject: Revised site plan from Charles Weston

Item # 07
AGENDA DATE: 10/03/18
SUPPLEMENT # 4

Hi Tiffany,

I realized that the traffic going in and out of the area will be much worse than anyone is planning for right now. So I revised my plan to show a double loaded exit out of the core area. See attached plan

Can you send to council members or do I need to hand deliver? Also below are my comments. Please let me know if you can send to the council people

1. Really this plan is worse plan than we have right now.
2. We need to search for problems (ie congestion and free from parking lots and pedestrians and answer them, this plan does not do that
3. What we have now in front of us is going through the parking lot now, has anyone done that and know how impossible it is?
4. Only depot and Main, the streets 1,2,3,4, 5 to Monterey and this intersection to get out of Downtown core where there are the most residents, soon we will have 150 new units.
5. **This intersection design is the most important intersection in all of Morgan Hill.** its the only one that gets residents out and to the freeway the most direct route on one of the largest roads in Morgan Hill, Dunne
6. I sent you a copy of my markups about my concerns for the oak trees and a plan I drew up that is a lot more considered since I don't have skin in this game, but only the welfare of us all in making downtown for us and future generations the best place that can created by us. But I was wrong too!
7. I have now a revised plan showing more stacking, double wide for exiting out and reducing landscaping to achieve this. This plan will help stack cars in place and when the signal turns green, more cars can exit smoothly without interference, which is our goal!!!
8. I believe breaking the parking lot into 2, as it is no is not the smart answer
9. I believe that the city should not sell any of its property until we have the correct answer to this most important intersection.

Charles Weston AIA, NCARB, LEED AP

Principal

P: (408) 779-6686 **M:** (408) 515-9468

[17500 Depot Street, Suite #200](#)

[Morgan Hill, CA 95037](#)

Visit us at www.wmarchitects.com

Please note the change in our office address to Suite #200. Thank you!

<E> OAKS TO REMAIN, TYPE 5!

RAILROAD
TRUCKS

PRIVATE

DRIVEWAY

ONLY

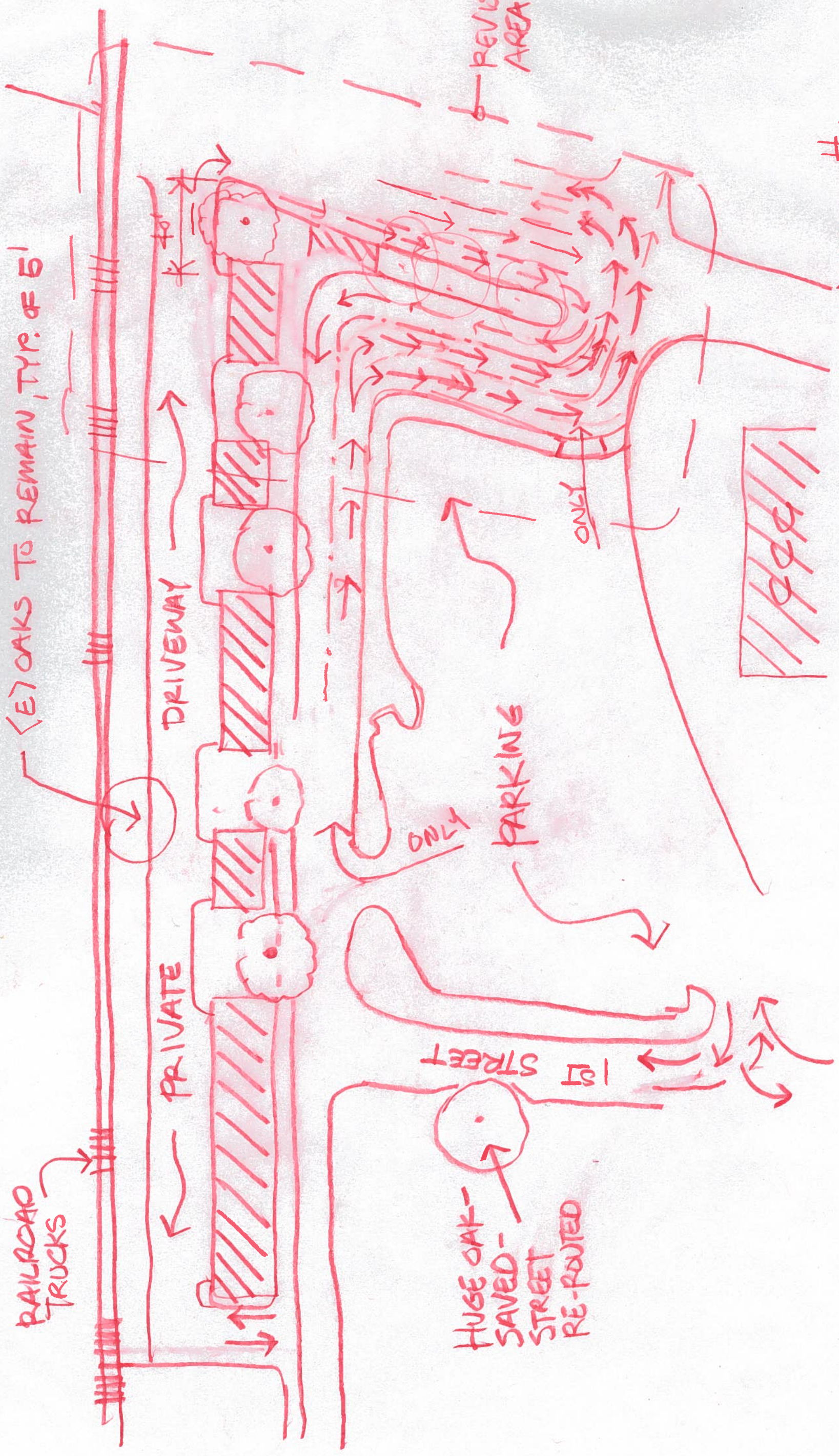
PARKING

ONLY

HUGE OAK -
SAVED -
STREET
RE-ROUTED

REVISED
AREA

Version #2





Item # 07

**AGENDA DATE: 10/03/18
SUPPLEMENT # 5**

October 3, 2018

Mayor Steve Tate and City Council
Morgan Hill City Council
City of Morgan Hill
17555 Peak Avenue
Morgan Hill, CA 95037

Re: October 3, 2018 City Council Meeting Agenda item 7 & 8
DDA Hale Lumber Site Development, Depot/Church Streets Alignment, GPA

Mayor Tate and Councilmembers,

The Morgan Hill Downtown Association continues its support of residential development that will help create an expanded customer base to bring economic and social vitality to the downtown district.

The proposed realignment of Depot Street to connect directly with Church Street offers a long-awaited opportunity to create a safer and more efficient intersection on one of the primary roads serving downtown businesses, residents and visitors. The potential for a complete reconfiguration of Depot Street to better serve the downtown district with better parking, pedestrian and bicyclist movement, and auto traffic could be enhanced with the Depot Street realignment.

We are in support of responsible residential development that is sensitive to the existing and future needs of downtown businesses and residents including, but not limited, to the following goals:

1. Create safe walkways and paths to the downtown core for pedestrians, bicyclists and those using personal mobility devices.
2. Architectural design that complements the district.
3. Supports efficient vehicular circulation around the district.
4. Encourages landscaping and open space areas.
5. Addresses resident and visitor parking.
6. Improves existing conditions to better complement the current and planned uses, design, and circulation of the downtown district.

The report and resolution currently under consideration do not include in depth details on project design, the preceding represent what the MHDA Board of Directors seek in new development.

The prospect of more usable office and meeting space for the Community and Cultural Center is also a positive attribute of the proposed project.

We are not in support of any design or number of dwelling units in the proposed development but desire an outcome that is in alignment with our stated goals.

The MHDA Board of Directors support the resolutions as stated which include the realignment of Depot and Church Streets.

Thank you for your time and attention.

Sincerely,
Board of Directors
Morgan Hill Downtown Association

From: [Michelle Bigelow](#)
To: [Michelle Bigelow](#)
Subject: FW: Tonight's meeting-DA2018-0005
Date: Wednesday, October 3, 2018 6:17:43 PM

From: Jane Martin <mountainmamarn@yahoo.com>
Date: October 3, 2018 at 5:33:00 PM PDT
To: Tiffany.Brown@MorganHill.CA.gov
Cc: Michael Ray <fursey95060@yahoo.com>, steve.tate@morganhill.ca.gov,
rich.constantine@morganhill.ca.gov, larry.carr@morganhill.ca.gov, rene.spring@morganhill.ca.gov,
caitlin.jachimowicz@morganhill.ca.gov, irma.torrez@morganhill.ca.gov
Subject: Tonight's meeting-DA2018-0005

Hi Tiffany,

My name is Jane Martin and I live at 45 East 5th St in Morgan Hill. I was planning on attending tonight's meeting but will be unable to do so.

I am extremely upset and concerned about the notification I received in the mail about the Depot- Latala project. My home is directly across the street from the parking lot of the CCC. If this project goes through it will impact my quality of life greatly- as you are aware the downtown has become extremely congested with buildings and traffic has become almost unbearable with people speeding down 5th Street and all others to avoid traffic congestion. I no longer allow my grandchildren anywhere near the front yard- I know that there will be a tragic accident, just from what we witness several times each day.

My other concern is the fact that my entire home will be surrounded by tall buildings and structures- blocking out any view of anything but those structures. I cannot describe how upsetting this is and cannot believe what this downtown area has been allowed to morph into. Depot Street will become yet another thoroughfare that people will use in a desperate attempt to get to work to the North and return to all points south. Please understand, I am not against growth but MH cannot handle the increase in population at this rapid pace without support structures in place first!!

Thank you for reading this letter- I certainly hope after tonight's meeting you will reconsider this project.

Carolyn Jane Martin RN
45 East 5th Street
Morgan Hill
408-482-1798

Sent from my iPad

From: [Michelle Bigelow](#)
To: [Michelle Bigelow](#)
Subject: FW: Hale Lumber Site, Agenda item #7
Date: Wednesday, October 3, 2018 6:17:56 PM

From: Sunday Minnich <mmgf@mhmarshroommardigras.com>
Sent: Wednesday, October 3, 2018 4:23 PM
To: Steve Tate <Steve.Tate@morganhill.ca.gov>; Rich Constantine <Rich.Constantine@morganhill.ca.gov>; Larry Carr <Larry.Carr@morganhill.ca.gov>; Rene Spring <Rene.Spring@morganhill.ca.gov>; Caitlin Jachimowicz <Caitlin.Jachimowicz@Morgan-Hill.ca.gov>
Cc: City Manager <CityManager@morganhill.ca.gov>; 'Bob Benevento' <rbbenevento@gmail.com>
Subject: Hale Lumber Site, Agenda item #7

7. APPROVE DISPOSITION AND DEVELOPMENT AGREEMENT FOR HALE LUMBER SITE INCLUDING VACATION OF 0.29 ACRES OF DEPOT STREET AND REALIGNMENT OF A PORTION OF DEPOT STREET TO CHURCH STREET AT EAST DUNNE AVENUE INTERSECTION

Mr. Mayor and Members of the City Council:

On behalf of the Morgan Hill Mushroom Mardi Gras Board of Directors, we would like to add an addendum to our previous letter regarding the Hale Lumber site.

We noticed a provision that incorporated a EVA exit to Dunne Avenue, to be used by residents during events. This added EVA would allow the Morgan Hill Mushroom Mardi Gras to continue to operate our festival with minimal impact. If the council should adopt the development and realignment of Depot to Church Street, we ask that you approve the plans with the EVA, so our festival, and other downtown events, can operate as we do now.

Thank you for your consideration.

Sunday Minnich
Morgan Hill Mushroom Mardi Gras Festival – Memorial Weekend
409 Tennant Station, #150
Morgan Hill, CA 95037
(408) 778-1786
www.mhmmg.org

----- Forwarded message -----

From: **Bob Benevento** <rbbenevento@gmail.com>
Date: Mon, Oct 1, 2018 at 10:47 PM
Subject: Hale Lumber Site, Agenda item #7
To: <steve.tate@morganhill.ca.gov>, <rich.constantine@morganhill.ca.gov>, <larry.carr@morganhill.ca.gov>, <rene.spring@morganhill.ca.gov>, <caitlin.jachimowicz@morganhill.ca.gov>
Cc: <citymanager@morganhill.ca.gov>

7. APPROVE DISPOSITION AND DEVELOPMENT AGREEMENT FOR HALE LUMBER SITE INCLUDING VACATION OF 0.29 ACRES OF DEPOT STREET AND REALIGNMENT OF A PORTION OF DEPOT STREET TO CHURCH STREET AT EAST DUNNE AVENUE INTERSECTION

Mr. Mayor and Members of the City Council:

I submit this email on behalf of the Board of Directors of the Morgan Hill Mushroom Mardi Gras. As you know, the Mushroom Mardi Gras has existed for nearly 40 years and has evolved into a two day festival that brings both name recognition to the City of Morgan Hill as well as revenue to its coffers. As the organizers of this event, we raise tens of thousands of dollars for our schools and students.

We award over \$50,000 in scholarships annually, as well as contribute nearly another \$30,000.00 to our elementary, middle and high schools through a series of mini-grants and service stipends. While we primarily support students from our public schools, we also support students and service organizations from nearby private schools so long as the recipients are from Morgan Hill. We believe, and I am sure you would agree, that the Morgan Hill Mushroom Mardi Gras is an event worth continuing.

Over the last forty years, the event has relocated several times, starting at the site of the former "Flying Lady", later to Community Park and finally to the Community and Cultural Center, with several other stops in between. While resident at the MHCCC, the event has expanded its footprint to cover parts of Depot Street, 5th, 4th and 3rd Streets. And even with that expansion, you all are fully aware of the physical constraints of that location. That brings us to the subject of Agenda Item #7, the development of the Hale Lumber site.

The board of the MH Mushroom Mardi Gras does not stand in support of the development, nor in opposition to it. As a board, we understand that change, while not always favorable to some, is inevitable. What we ask of the Mayor and Council at this time is that you please consider our festival and its legacy when deliberating Agenda Items #7 and #8. Developing the Hale Lumber location and re-routing Depot Street to Church Street will most definitely impact the festival in multiple ways, many of which I am sure you will consider. We do not wish to stand as an impediment to progress and / or improvement to our city. But you must know and recognize that the development of housing along Depot Street, from Hale Lumber to 2nd Street, will severely impact our programs and thus our ability to raise funds for our students.

The above said, we ask that you please remember our visibility, role and contribution to the community. We ask that as leaders of the city you and your successors, as well as members of the city administration, work with us to overcome unknown future obstacles. For if we cannot overcome these unknowns, the students, schools, and the community at large could lose a significant part of its history as well as a significant contributor to education in Morgan Hill.

Thank you for your consideration.

Bob Benevento

President, Board of Directors
Morgan Hill Mushroom Mardi Gras



GPA2018-0005, ZA2018-0006, EA2018-0013 Agenda Item: 8



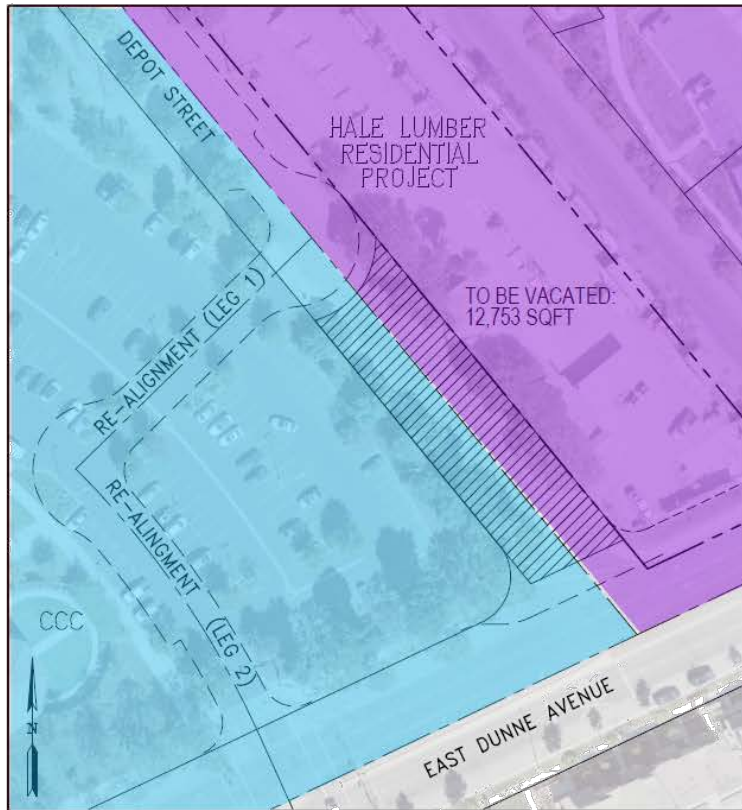
October 3, 2018

Project Location

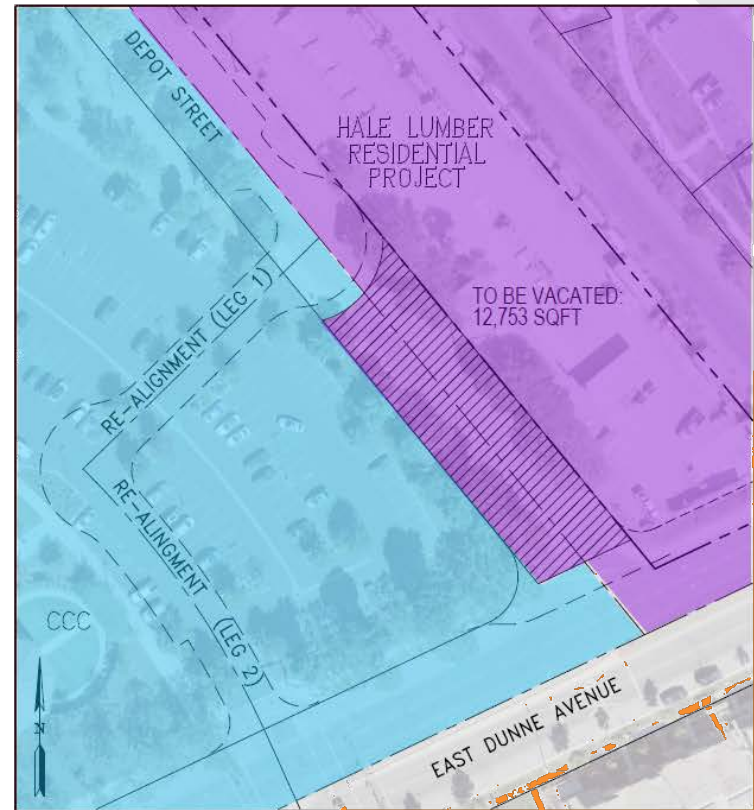


Amendments

Current Land Use and Zoning

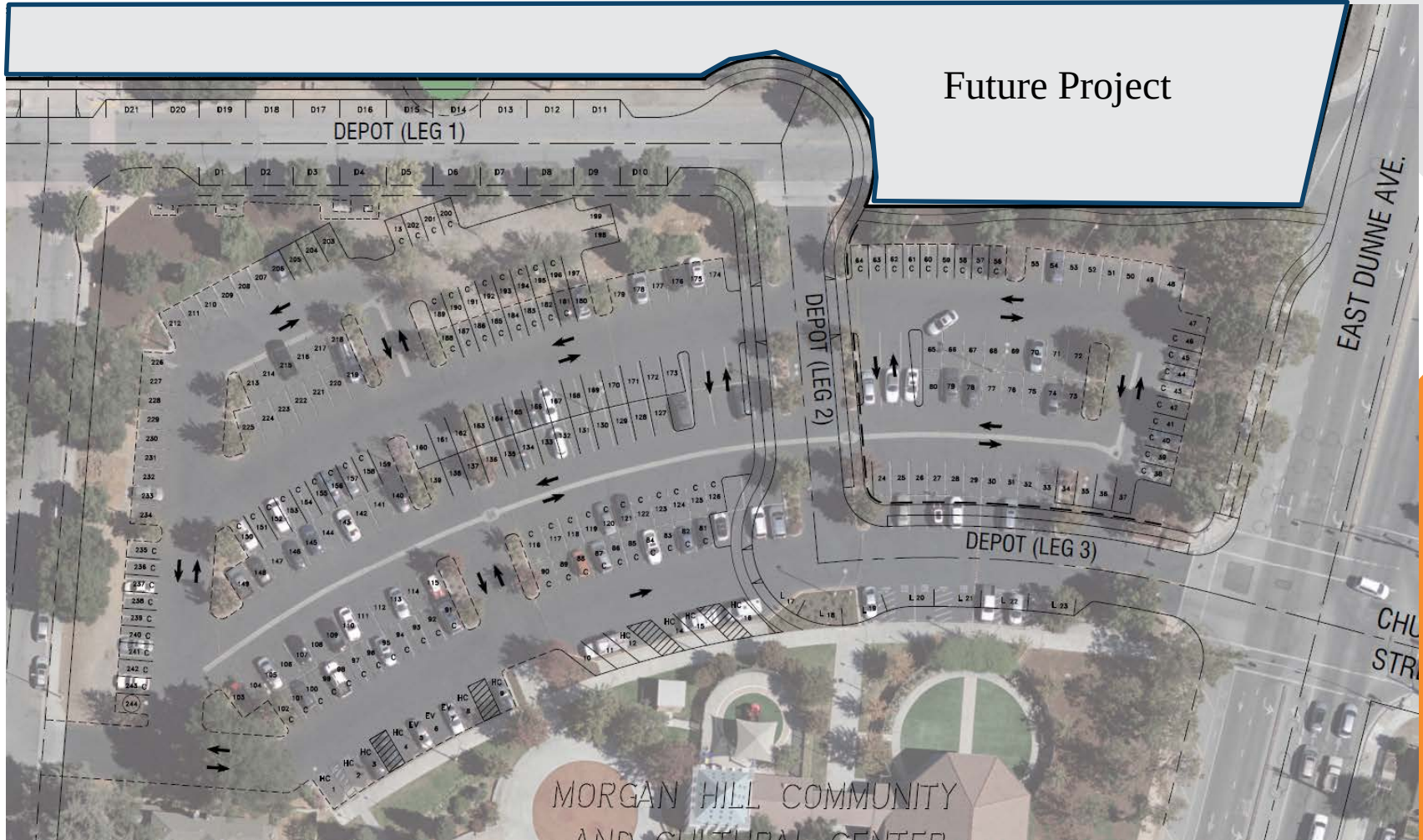


Proposed Land Use and Zoning



-  Public Facilities
-  Mixed Use, Downtown Mixed Use

Conceptual Realignment Plan



Project Consistency with Guiding Documents



- General Plan
- Downtown Specific Plan
- Vision Zero
- Bikeways, Trails, Parks and Recreation Master Plan
- Station Area Master Plan
- Economic Blue Print

Recommendation



Adopt a Resolution approving a
General Plan Amendment

Adopt an Ordinance approving a
Zoning Amendment

Thank You



Item # 08

AGENDA DATE: 10/03/18
SUPPLEMENT # 1

From: [CityClerk](#)
To: [Angie Gonzalez](#)
Subject: Item 8 supplement
Date: Tuesday, October 02, 2018 1:41:54 PM

-----Original Message-----

From: Jane Williams <mountainmamarn@yahoo.com>
Sent: Wednesday, September 26, 2018 4:47 PM
To: CityClerk <clerk@morganhill.ca.gov>
Subject: DA2018-0005 Depot-Latala

Dear city clerk,

I just received this notice of public hearing in the mail- I live at 45 E. 5th St.- basically across the street from the parking lot of the community cultural center. From what I read it appears Hale Lumber property is going to be turned into more residential development. I cannot believe that this city is allowing even more destruction of downtown and feel strongly that this will create unacceptable increase in traffic.

I will be at the meeting on October 3 to voice my opinion.

Jane Martin

Sent from my iPhone



Item # 08

**AGENDA DATE: 10/03/18
SUPPLEMENT # 2**

October 3, 2018

Mayor Steve Tate and City Council
Morgan Hill City Council
City of Morgan Hill
17555 Peak Avenue
Morgan Hill, CA 95037

Re: October 3, 2018 City Council Meeting Agenda item 7 & 8
DDA Hale Lumber Site Development, Depot/Church Streets Alignment, GPA

Mayor Tate and Councilmembers,

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The MHDA Board of Directors support the resolutions as stated which include the realignment of Depot and Church Streets.

Thank you for your time and attention.

Sincerely,
Board of Directors
Morgan Hill Downtown Association

Item # 10

AGENDA DATE: 10/03/18

SUPPLEMENT # 1

From: [D. Muirhead](#)
To: [Michelle Bigelow](#); [Angie Gonzalez](#)
Subject: Morgan Hill City Council Meeting October 3, 2018 Item #10: City Manager signature authority
Date: Sunday, September 30, 2018 11:05:03 AM

Comments for the Public Record submitted by
Doug Muirhead, a resident of Morgan Hill, for:
Morgan Hill City Council
Meeting October 3, 2018
Item #10: Increase signature authority of City Manager

Dear Morgan Hill City Council,

If you are focused on your Ongoing Priority of Preserving and Cultivating Public Trust, you will (re)establish the requirement that the City Manager periodically report on her use of her signature authority.

At your City Council meeting on October 7, 2015, I suggested that you adopt a Best Practice, employed by the County Board of Supervisors, to have a periodic written report of how that authority was exercised (e.g. Quarterly Delegation of Authority Status Report on Agreements executed by the Director, Roads and Airports Department, pursuant to the authority delegated to him).

Council did give direction to the City Manager at that time to provide periodic reports. Mr. Rymer never did so and the Council never held him to account for that failure.

Since we do not know if Ms. Turner inherited this un-enforced requirement, the Council should formally establish this procedure and then follow through on periodic (how often?) reporting.

I would also like to see the periodic report include all instances where the City Manager uses the power to extend the term of a contract for a period of some number of years without Council notification.

Thank you for your consideration,
Doug Muirhead, Morgan Hill



2018 Storm Drainage System Master Plan Item 13



Introduction



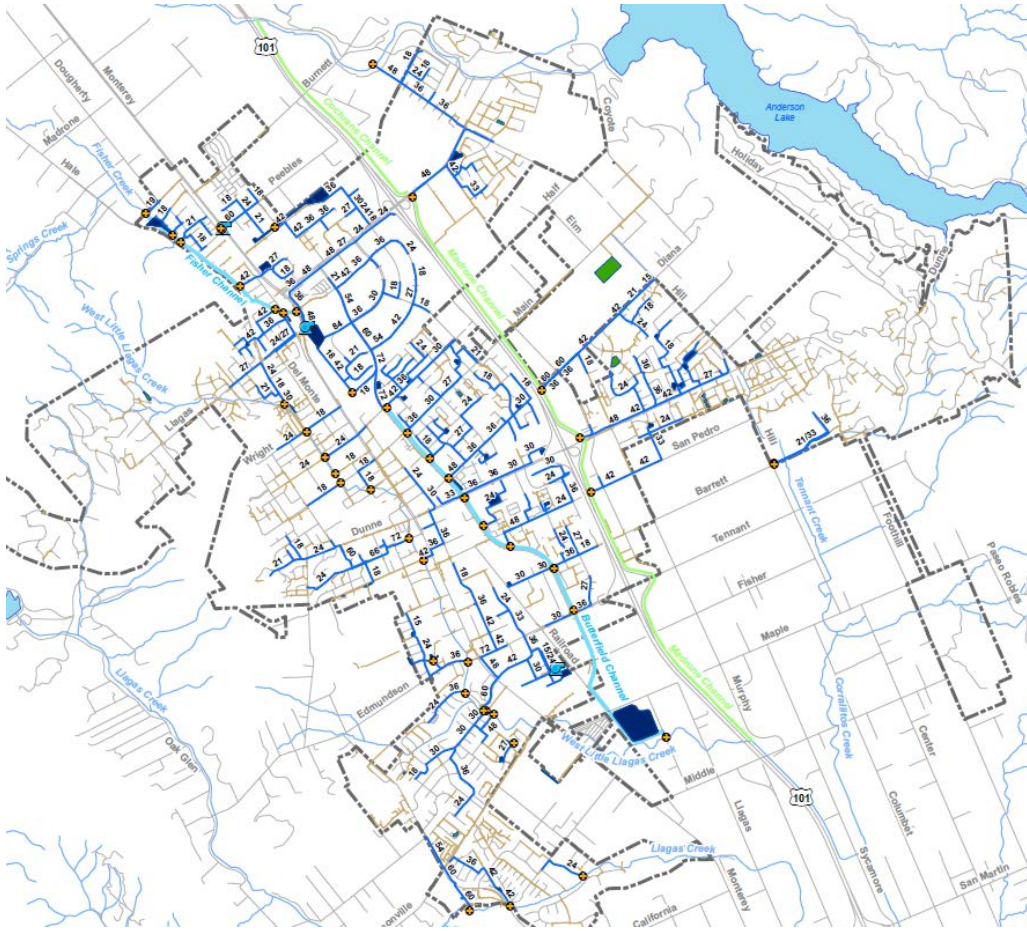
- Master Plans previously completed in 2002
- Update to the Master Planning process
- Meet new regulatory requirements
- Quantify and prioritize system needs
 - New and Existing
- Master Plans become Guiding Document
 - A Business Plan
 - Capital Improvement Planning and Budgeting
 - Meets Assembly Bill AB1600

Master Plan Objectives



- Summarize existing storm water facilities
- Develop hydrologic and hydraulic systems
- Document design storms
- Evaluate existing system capacities
- Recommend improvements to mitigate existing deficiencies
- Recommend improvements to service growth in Morgan Hill 2035 General Plan
- Develop Capital Improvement Program

Existing Storm Drainage System



- Pipeline System: Approx. 38 miles
- Open Channel System: Approx. 5 miles
- 30 Detention Ponds
- 3 Pump Stations
- Approximately 50 outfalls to swales, creeks and channels

Storm Drainage System Problem Areas

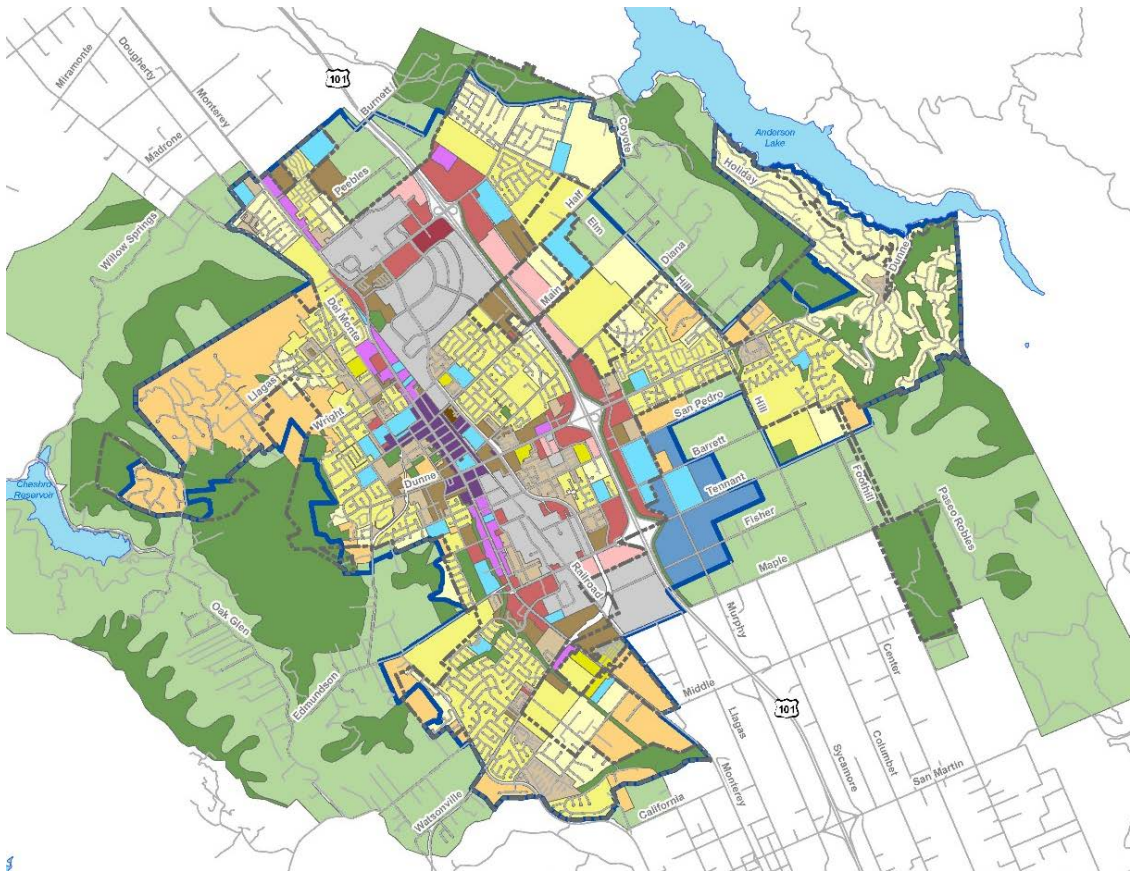
Storm Drain

10-Year Storm



Service Future Areas: Morgan Hill 2035 General Plan

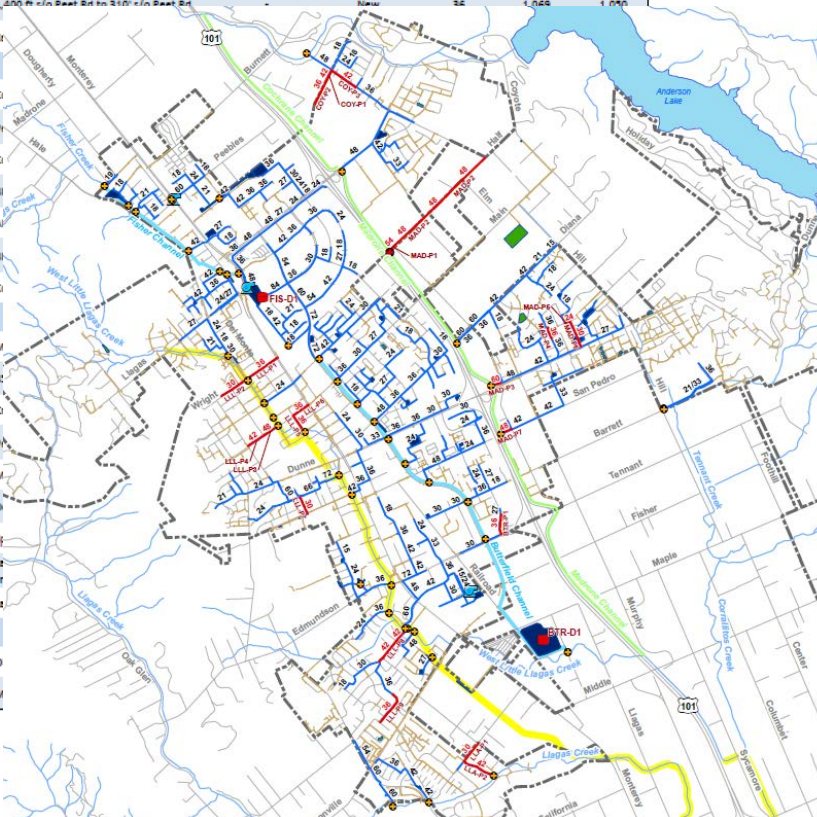
- Adopted 2035 General Plan Land Use
- Updated Population Projections



Capacity Improvements

Table 5.2 Proposed Pipeline Capacity Improvements
Storm Drainage System Master Plan
City of Morgan Hill

Improv. No.	Alignment	Limits	Existing Diameter (in)	Pipeline Improvements			Length (ft)
				New/Parallel/ Replace	Diameter (in)	(ft)	
Butterfield Drainage Basin							
BTR-P1	Juan Hernandez Dr	From 150' s/o Saint James Dr to Tennant Ave	27	Replacement	36	752	750
Coyote Drainage Basin							
COY-P1	Eagle View Dr	From 310' s/o Peet Rd to Peet Rd	-	New	42	309	300
COY-P2	Eagle View Dr	From 1,400' s/o Peet Rd to 310' s/o Peet Rd	-	Same	36	1,049	1,050
COY-P3	Peet Rd	From El					
Madrone Drainage Basin							
MAD-P1	Half Rd	From Ci					
MAD-P2	Half Rd	From Ph					
MAD-P3	Dunne Ave	From Ci					
MAD-P4	Aspen Wy	From Bl					
MAD-P5	Bluebonnet Ct	From Al					
MAD-P6	Percheron Ct	From Bl					
MAD-P7	San Pedro Ave	From Ci					
Little Llagas Drainage Basin							
LLL-P1	Wright Ave	From M					
LLL-P2	Wright Ave	From 4					
LLL-P3	Main Ave	From Ci					
LLL-P4	Main Ave	From Ph					
LLL-P5	Del Monte Ave	From M					
LLL-P6	Main Ave	From D					
LLL-P7	Lone Hill Dr	From S					
LLL-P8	La Crosse Dr	From La Vineyard					
LLL-P9	Alamo Dr	From La					
Llagas Drainage Basin							
LLA-P1	Middle Ave	From O					
LLA-P2	Gallant Fox Wy	From M					



- Existing and Future
- Itemized for a Near-Term and GP Horizon
- Consistent with General Plan
- Meets AB1600

Capital Improvement Program



Table 6.2 Capital Improvement Program
Storm Drainage System Master Plan
City of Morgan Hill

Improv. No.	Type of	Alignment	Limits	Pipeline Improvements		Infrastructure Costs				Baseline Constr. Costs	Estimated Constr. Cost ²	Capital Improvement Costs ³	Suggested Construction Timeline	Suggested Cost Allocation		Cost Sharing		
				Existing Diameter	New/Revised/Replace	Diameter	Length	Unit Cost ⁴	Inf. Cost					Existing Users	Future Users	Existing Users	Future Users	
Pipeline Capacity Improvements																		
Butterfield Drainage Basin																		
BTR-P1	Pipeline	Juan Hernandez Dr	From 150' s/o Saint James Dr to Tennant Ave	27	Replacement	36	752	750	286	214,401	214,401	278,722	362,338	With Development	0%	100%	0	362,338
Subtotal - Butterfield Drainage Subbasin											214,401	278,722	362,338			0	362,338	
Coyote Drainage Basin																		
COY-P1	Pipeline	Eagle View Dr	From 310' s/o Peet Rd to Peet Rd	-	New	42	309	300	331	99,302	99,302	129,092	167,820	Intermediate-Term	0%	100%	0	167,820
COY-P2	Pipeline	Eagle View Dr	From 1,400' s/o Peet Rd to 310' s/o Peet Rd	-	New	36	1,069	1,050	286	300,162	300,162	390,211	507,274	Intermediate-Term	0%	100%	0	507,274
COY-P3	Pipeline	Peet Rd	From Eagle View Dr to Morningstar Dr	36	Replacement	42	1,095	1,100	331	364,106	364,106	473,338	615,340	Intermediate-Term	100%	0%	615,340	0
Subtotal - Coyote Drainage Subbasin											763,570	992,641	1,290,433			615,340	675,094	
Madrone Drainage Basin																		
MAD-P1	Pipeline	Half Rd	From Condit Rd to NB US 101	-	New	54	381	400	436	174,530	174,530	226,889	294,956	With Development	0%	100%	0	294,956
MAD-P2	Pipeline	Half Rd	From Peet Rd to Condit Rd	-	New	48	2,483	2,450	391	958,412	958,412	1,245,936	1,619,716	With Development	0%	100%	0	1,619,716
MAD-P3	Pipeline	Dunne Ave	From Condit Rd to NB US 101	48	Replacement	60	398	400	451	180,549	180,549	234,713	305,127	Near-Term	100%	0%	305,127	0
MAD-P4	Pipeline	Aspen Wy	From Bluebonnet Wy to Pine Wy	27	Replacement	36	431	450	286	128,641	128,641	167,233	217,403	Near-Term	100%	0%	217,403	0
MAD-P5	Pipeline	Bluebonnet Ct	From Almond Wy to Percheron Ct	18	Replacement	24	210	200	196	39,119	39,119	50,855	66,111	Near-Term	100%	0%	66,111	0
MAD-P6	Pipeline	Percheron Ct	From Bluebonnet Ct to 170' s/o Bayo Carlos Cir	21	Replacement	30	1,029	1,050	241	252,768	252,768	328,598	427,178	Near-Term	100%	0%	427,178	0
MAD-P7	Pipeline	San Pedro Ave	From Condit Rd to NB US 101	36	Replacement	48	475	500	391	195,594	195,594	254,273	330,354	With Development	60%	40%	198,333	132,222
Subtotal - Madrone Drainage Subbasin											1,929,613	2,508,497	3,263,046			1,214,152	2,046,894	
Little Llagas Drainage Basin																		
LLL-P1	Pipeline	Wright Ave	From Monterey Rd to Hale Ave	-	New	36	1,450	1,450	286	414,509	414,509	538,862	700,521	Near-Term	50%	50%	350,260	350,260
LLL-P2	Pipeline	Wright Ave	From 450' sw/o Crest Ave to Hale Ave	-	New													
LLL-P3	Pipeline	Main Ave	From Crest Ave to Hale Ave	-	New													
LLL-P4	Pipeline	Main Ave	From Peak Ave to Crest Ave	-	New													
LLL-P5	Pipeline	Del Monte Ave	From Main Ave to 2nd St	-	New													
LLL-P6	Pipeline	Main Ave	From Del Monte Ave to Monterey Rd	-	New													
LLL-P7	Pipeline	Lone Hill Dr	From Spring Ave to Chargin Wy	18	Replacement													
LLL-P8	Pipeline	La Croze Dr	From La Barea Dr to 200' se/o Intersection of the Vineyard Blvd and La Croze Dr	27/30	Replacement													
LLL-P9	Pipeline	Alamo Dr	From La Rocca Dr to 80' n/o Unnamed St	18	Replacement													
Llagas Drainage Basin																		
LLA-P1	Pipeline	Middle Ave	From Olive Ave to Gallant Fox Wy	-	New													
LLA-P2	Pipeline	Gallant Fox Wy	From Middle Ave to 1,200' e/o Middle Ave	24	Replacement													
S																		

• Pipeline Improvements: 3.75 mi

• New Detention Basins: 2

• Other Storm Drain Projects: 1

Total Cost

Existing Users

Cost Allocation		Cost Sharing	
Future Users	Existing Users	Future Users	Future Users
IN			
50%	990,250	990,250	
	990,250	990,250	
50%	515,147	515,147	
	515,147	515,147	
	1,505,397	1,505,397	
100%	0	5,000,000	

- Pipeline Improvements: 3.75 miles
- New Detention Basins: 2
- Other Storm Drain Projects: 1

Total Cost: \$18.5 million
Existing Users: \$6.4 million
Future Users: \$12.1 million

Thank You

