



Special - Regular Meeting Agenda

City Council

Rich Constantine - Mayor
Rene Spring - Mayor Pro Tem
Yvonne Martinez Beltran - Council Member
Larry Carr - Council Member
John McKay - Council Member

Wednesday, February 20, 2019 6:00 pm

Council Chamber
17555 Peak Avenue, Morgan Hill, CA 95037

SPECIAL/REGULAR MEETING

A special meeting of the City Council is called at 6:00 p.m. for the purpose of conducting Planning Commission interviews.

SPECIAL MEETING

6:00 P.M.

COMMISSION INTERVIEWS

1. INTERVIEWS TO FILL TWO (2) VACANCIES ON THE PLANNING COMMISSION

Recommendation:

1. Discuss the characteristics/traits that a successful applicant(s) would possess;
2. Conduct Interviews;
3. Council Members identify top applicant(s) and provide recommendation to the Mayor; and
4. Discuss and/or appoint applicant(s).

CALL TO ORDER

Mayor Constantine

ROLL CALL ATTENDANCE

Deputy City Clerk Bigelow

DECLARATION OF POSTING AGENDA

Per Government Code Section 54954.2
Deputy City Clerk Bigelow

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 McKay

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin

OTHER REPORTS

PRESENTATIONS

YAC PRESENTATION ASSET #1 - FAMILY SUPPORT

REGIONAL AGENCY REPORTS

Santa Clara County Roads and Airports

San Martin Airport

Harry Freitas

Valley Transportation Authority

2019 New Transit Services Plan

Jay Tyree

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)

EMAIL SUBMITTED FOR PUBLIC COMMENT

ADOPTION OF AGENDA

February 20, 2019

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

2. APPROVE PURCHASE OF PROPERTY (BETPOLICE) APN 767-03-036 FOR THE HALE AVENUE EXTENSION PROJECT

Recommendation:

1. Adopt resolution approving the purchase of a portion of APN 767-03-036 for \$310,500 plus escrow and closing costs from Farideh Betpolice for the Hale Avenue Extension Project; and
2. Authorize the City Manager to execute all documents and make minor modifications as necessary in order to consummate the transaction.

3. APPROVE SERVICE AGREEMENT FOR DESIGN PROFESSIONALS WITH LUHDORFF & SCALMANINI CONSULTING ENGINEERS FOR WELL REMEDIATION AND FIELD OVERSIGHT SERVICES

Recommendation:

1. Approve Service Agreement for Design Professionals with Luhdorff & Scalmanini Consulting Engineers for a total not to exceed contract amount of \$45,000; and
2. Authorize the City Manager to execute and administer the Service Agreement for Design Professionals with Luhdorff & Scalmanini Consulting Engineers.

4. APPROVE PURCHASE OF 150KW TRAILER-MOUNTED PORTABLE GENERATOR

Recommendation:

1. Approve the purchase of one 150kW trailer-mounted diesel generator from Leete Generators, in the amount of \$84,776.15;
2. Authorize City Manager to approve purchase order in the amount of \$84,776.15 with Leete Generators;
3. Declare generator W99014 to be surplus; and
4. Authorize the disposal of equipment in accordance with Section 3.04.400 of the City of Morgan Hill Municipal Code.

5. AWARD CORPORATION YARD SPACE NEEDS STUDY

Recommendation:

1. Approve and authorize the City Manager to execute an agreement with Griffin Structures in the amount of \$141,480 for a space needs analysis of the City's Corporation Yard and the Morgan Hill Unified School District's (MHUSD) transportation yard;
2. Approve and authorize the City Manager to execute a Cost Sharing Agreement with the MHUSD for the Space Needs Project; and
3. Adopt resolution amending the Capital Improvement Program Budget for Fiscal Year 2018-19, and appropriating an additional expenditure of \$61,480, and reimbursement revenue of \$70,740 in the Public Facilities Fund (347).

6. ADOPT ORDINANCE 2297 APPROVING A ZONING AMENDMENT FOR APPROXIMATELY 8.55 ACRES OF PROPERTY LOCATED ON THE NORTHEAST CORNER OF MONTEREY ROAD AND BURNETT AVENUE (APN NO. 725-01-018, -032, AND -033) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK ONE

Recommendation:

Waive the reading, adopt Ordinance No. 2297, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

7. ADOPT ORDINANCE 2298 APPROVING A ZONING AMENDMENT FOR APPROXIMATELY 7.58 ACRES OF PROPERTY LOCATED ON THE EAST SIDE OF MONTEREY ROAD OPPOSITE OLD MONTEREY ROAD (APN NOS. 726-25-006 AND -005) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK FOUR

Recommendation:

Waive the reading, adopt Ordinance No. 2298, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

8. APPROVE THE FEBRUARY 6, 2019 MEETING MINUTES

Recommendation:

Approve Minutes.

PUBLIC HEARING

9. ORDINANCE APPROVING DEPOT-LATALA- DEVELOPMENT AGREEMENT TO CONFIRM RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS) PUBLIC BENEFIT COMMITMENTS FOR 49 DOWNTOWN RDCS BUILDING ALLOTMENTS. THE PROPERTY, IDENTIFIED BY ASSESSOR PARCEL NUMBER 726-13-049, IS LOCATED ON THE EAST SIDE OF DEPOT STREET, NORTH OF EAST DUNNE AVENUE

Recommendation:

1. Open and close public hearing;
2. Waive first and second reading of Development Agreement Ordinance; and
3. Introduce Development Agreement Ordinance.

Estimated Time: 20 Minutes

OTHER BUSINESS

10. FIRE DISASTER PREPAREDNESS

Recommendation:

Receive report.

Estimated Time: 45 Minutes

11. REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) UPDATE

Recommendation:

Receive Report.

Estimated Time: 30 Minutes

12. ORDINANCE AMENDING SECTION 14.04.070 ALTERNATIVES OF CHAPTER 14.04, INCLUSIONARY HOUSING

Recommendation:

1. Waive the first and second reading of the ordinance; and
2. Introduce ordinance.

Estimated Time: 10 Minutes

13. ACCEPT DECEMBER 2018 FINANCIAL AND INVESTMENT REPORT

Recommendation:

Accept and file report.

Estimated Time: 5 Minutes

14. INTRODUCE WASTEWATER RATE STUDY, RECEIVE POLICY DIRECTION, AND SET PUBLIC HEARING TO ADOPT RATE INCREASES

Recommendation:

1. Introduce the 2019 Wastewater Rate Study; and
2. Discuss and provide policy direction to staff on wastewater rate implementation.

Estimated Time: 30 Minutes

15. INTRODUCE DEVELOPMENT IMPACT FEE UPDATE STUDY AND RECEIVE POLICY DIRECTION

Recommendation:

1. Introduce 2019 Development Impact Fee Update Study;
2. Discuss and provide policy direction to staff on Development Impact Fee Update implementation.

Estimated Time: 30 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.

CLOSED SESSION

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

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

Number of Cases: One (1)

RECONVENE

CLOSED SESSION ANNOUNCEMENT

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:

To sustain a safe, inclusive, socially responsible, environmentally conscious, and economically sound community

Choose Morgan Hill:

The City of Morgan Hill is the best community for people to live, work, visit, and operate their businesses.

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 Community History ·
Enhancing Diversity and Inclusiveness · Advancing Regional Initiatives

2019-2020 STRATEGIC PRIORITIES

Agricultural Preservation
Cannabis Policy
Community Engagement and Messaging
Economic Development
Financial Stewardship
High Speed Rail
Homelessness
Housing Infrastructure
Telecommunications
Traffic/Transportation



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Michelle Bigelow, Deputy City Clerk
APPROVED BY: City Manager

INTERVIEWS TO FILL TWO (2) VACANCIES ON THE PLANNING COMMISSION

RECOMMENDATION(S)

1. Discuss the characteristics/traits that a successful applicant(s) would possess;
2. Conduct Interviews;
3. Council Members identify top applicant(s) and provide recommendation to the Mayor; and
4. Discuss and/or appoint applicant(s).

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Supporting Our Youth
Seniors
and Entire Community
Fostering a Positive Organizational Culture
Preserving and Cultivating Public Trust
Preserving Our Cultural Heritage

2019 Strategic Priorities

Economic Development
Financial Stewardship

REPORT NARRATIVE:

On December 12, 2018, Planning Commissioners Yvonne Martinez Beltran and John McKay were sworn in to serve on the City Council. Recruitment efforts were conducted and resulted in five applications being submitted for Planning Commission appointment consideration: Andrew Frouis, Ariz Paz, Chip Williams, Chris Wood, and Ken Murray. The appointed applicants would fill the vacant seats with a term ending June 1, 2021.

All applicants have been invited and confirmed availability to interview before the City Council on February 20, 2019. Their applications are attached for Council consideration.

COMMUNITY ENGAGEMENT: Involve

Recruitment efforts were undertaken to encourage citizens to apply for City Council appointment consideration to the Planning Commission via the Morgan Hill Times, City Website, Government Access Channel, and social media.

ALTERNATIVE ACTIONS:

The City Council may choose to make appointments to fill one, both, or neither of the two vacant seats. If the City Council desires to have a larger pool of applicants, it could

decide to re-open the application process to solicit more applicants to fill those seats not appointed at the February 20, 2019 meeting.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Planning Commissioners serve four-year terms with possible reappointment consideration. Every year, recruitment efforts are conducted to maintain the seven (7) member Commission.

FISCAL AND RESOURCE IMPACT:

There is no fiscal impact associated with the actions to interview and appoint, as the recruitment and appointment process is accommodated in the Administrative Services operating budget.

CEQA (California Environmental Quality Act):

Not a project.

The interview and appointment of commissioners is not a project, as defined in Section 15378 of the State CEQA guidelines.

LINKS/ATTACHMENTS:

1. chapter 2.22 Master Provisions for boards and commissions
2. Chapter 2.36 Planning Commission
3. Andrew Froumis Application- not attached
4. Chip Williams Application Packet_Redacted
5. Andrew Froumis Application Packet_Redacted
6. Aris Paz Application Packet_Redacted
7. Chris Wood Application Packet_Redacted
8. Ken Murray Application Packet_Redacted

Chapter 2.22

MASTER PROVISIONS FOR BOARDS AND COMMISSIONS*

Sections:

- 2.22.010 Establishment of boards and commissions.**
- 2.22.030 Clerk and secretary.**
- 2.22.040 Rules of procedure.**
- 2.22.050 Rules of attendance.**
- 2.22.060 Meetings.**
- 2.22.070 Compensation.**
- 2.22.080 Effect.**

* Prior ordinance history: Ords. 811 N.S., 890 N.S., 891 N.S., 1607 N.S. and 1719 N.S.

2.22.010 Establishment of boards and commissions.

A. There are established within the city the following boards and commissions:

1. Planning commission;
2. Parks and recreation commission;
3. Library, culture and arts commission; and
4. Disaster council.

B. Unless otherwise set forth, all members of boards, commissions and committees shall be residents of the city and shall continue to be residents of the city during their terms of office. Notwithstanding the foregoing, individuals who reside within the Morgan Hill Unified School District boundary and who do not otherwise reside in any city other than Morgan Hill may be appointed to boards, commissions and committees provided that no more than thirty percent of the members of any board, commission or committee shall be non-Morgan Hill residents.

C. Members shall be appointed by the mayor subject to approval of a majority vote of the city council and may be removed without cause by vote of any three members of the city council.

D. The appointment terms of members may be extended, at the discretion of the city council, until such time as a successor member may be appointed and take office.

E. Vacancies in the commission occurring other than by expiration of term shall be filled for the unexpired term in the same manner as original appointments.

F. The members of the commission shall organize the commission and shall elect from its members a chair and vice-chair and such other officers as may be necessary in accordance with adopted city council policy. (Ord. 1778 N.S. § 2 (part), 2006)
(Ord. No 1930 N.S., § 2, 4-22-2009; Ord. No. 1935 N.S., § 1, 6-3-2009)

2.22.030 Clerk and secretary.

The city clerk or designate shall also act as clerk for each of the boards and commissions and shall have authority to sign any official notices and also to certify any resolution of the commissions or boards. The city council may appoint a person not a member of the commission or board to act as secretary of the commission or board. The secretary shall keep a record of all proceedings of said board or commission, its resolutions, its findings and actions, which records shall be a public record and kept with the city clerk in the City Hall building. (Ord. 1778 N.S. § 2 (part), 2006)

2.22.040 Rules of procedure.

A. The chair shall preside at all meetings of the board or commission. The vice chair shall assume the duties of the chair in the absence of or in case of inability of the chair.

B. A majority of the members of the commission or board shall constitute a quorum for the transaction of business.

C. Unless otherwise specified herein, each board or commission may adopt its own rules and regulations for the transaction of its business. Such rules shall be subject to approval of the city council before becoming effective. (Ord. 1778 N.S. § 2 (part), 2006)

2.22.050 Rules of attendance.

If any member is absent from three of any six consecutive regular board or commission meet-

2.22.050

ings, unless such absence is with the permission of the chair, or vice chair in absence of the chair, expressed in the official minutes, the member's seat shall be deemed vacated. The city manager shall so notify the city council and the council shall take action to fill the seat within a reasonable period of time. (Ord. 1778 N.S. § 2 (part), 2006)

2.22.060 Meetings.

Unless otherwise specified, the commission shall hold regular meetings once every two months at a designated time and place which shall be fixed and determined by the commission and entered upon in its minutes. Special meetings of the commission may be called at any time by the chair or by a majority of the members of the board upon notice being given to all members of the board and to all news media at least twenty-four hours in advance of the meetings, as required by the laws of the state of California. (Ord. 1778 N.S. § 2 (part), 2006)

(Ord. No. 1930 N.S., § 3, 4-22-2009)

2.22.070 Compensation.

Members of the boards and commissions shall serve without compensation but may receive reimbursement for actual and necessary expenditures made or incurred in the performance of their prescribed duties in accordance with state law and the Municipal Code and policies of the city of Morgan Hill. (Ord. 1778 N.S. § 2 (part), 2006)

2.22.080 Effect.

Nothing in this chapter shall be construed as restricting or curtailing any of the powers of the city council or city officers as defined by the laws of the state of California or by this Municipal Code. Except as otherwise set forth in Chapter 2.36, the city council declares that the public interest and convenience require the appointment of the boards and commissions established pursuant to Section 2.22.010 to act purely in an advisory capacity to the city council. (Ord. 1778 N.S. § 2 (part), 2006)

Chapter 2.36 PLANNING COMMISSION*

Sections:

[2.36.010 Created--Statutory authority.](#)

[2.36.020 Membership--Terms of office--Vacancies.](#)

[2.36.030 Meetings.](#)

[2.36.040 Powers and duties.](#)

* Prior ordinance history: Ords. 470 N.S. and 483 N.S.

2.36.010 Created--Statutory authority.

The planning commission is established pursuant to the authority contained in Chapter 3 of Title VII of the California Government Code, entitled "Local Planning, " as existing or hereafter amended. Reference shall be made to said Chapter 3 for interpretation of this chapter.

(Ord. 811 N.S. § 1 (II-3-1), 1987)

2.36.020 Membership--Terms of office--Vacancies.

A. The city planning commission shall consist of seven members. Members of the planning commission shall serve the following terms:

1. In the year 1998, three members shall be appointed to serve terms ending June 1, 2001;
2. The four members who were appointed in 1996 shall serve terms ending June 1, 1999;
3. Thereafter, all terms shall be for four years and shall expire on June 1st.

(Ord. 1778 N.S. § 5, 2006; Ord. 1407 N.S. § 2, 1998; Ord. 1083 N.S. § 1, 1992; Ord. 811 N.S. § 1 (II-3-2), 1987)

2.36.030 Meetings.

The commission shall hold regular meetings at least twice a month or as otherwise deemed necessary by the commission. All meetings of the commission shall be held in the city council chambers at City Hall or other location designated by minute order of the city council or at a location deemed necessary or appropriate by the planning commission.

(Ord. 1197 N.S. § 1 (part), 1994; Ord. 811 N.S. § 1 (II-3-3), 1987)

2.36.040 Powers and duties.

The planning commission shall have the powers and shall perform all the duties conferred and imposed upon city planning commissions by the applicable provisions of Chapter 3 of Title VII of the Government Code of the state and, in addition, the planning commission shall:

- A. Perform all the functions assigned to the commission by the subdivision and zoning ordinances (Titles 17 and 18 of this code) of the city, and all general laws of the state of California;
- B. Serve as an advisory body to the city council on matters related to city growth and development and on such other matters as may be requested by the council;
- C. Promote public interest in and understanding of the subdivision and zoning ordinances of the city, and also of all master plans and other official plans and regulations pertaining to planning which have been approved officially by the city council;

- D. Review and advise the city council on all proposed amendments to Title 17, Subdivisions, and Title 18, Planning and Land Use Regulations;
 - E. Approve or disapprove application for designation of cultural resources and historic districts pursuant to Chapter 18.75 of this code, or as amended;
 - F. Approve or disapprove permits sought to remove or demolish a cultural resource, cultural resource site or historic district pursuant to Chapter 18.75 of this code, or as amended.
- (Ord. 1111 N.S. §§ 2, 3, 1992; Ord. 899 N.S. § 18, 1989; Ord. 811 N.S. § 1 (II-3-4), 1987)

Print**Commission Application - Submission #15090****Date Submitted: 2/13/2019****First Name**

Howell

Last Name

Williams

Address1**Address2****City**

Morgan Hill

State

CA

Zip

95037

Home Phone Number**Cell Phone Number****email address****Occupation**

Retired

Are you a registered voter?

yes ▼

Please list any properties you own in Morgan Hill

Home a

Do you have any relatives currently employed by the City of Morgan Hill?

No ▼

Attachment: Chip Williams Application Packet_Redacted (2198 : Commission Interviews)

If yes, please provide name

Visit the link below for information on the Planning Commission

[Planning Commission](#)

Visit the link below for information on the Parks and Recreation Commission

[Parks and Recreation Commission](#)

Visit the link below for information on the Library, Culture, and Arts Commission

[Library, Culture, and Arts Commission](#)

Please select the commission you are interested in serving on

Planning Commission ▼

Please select the commission that would be your second choice. If you do not have a second choice, please move on to the next question.

Please upload a letter of interest or cover letter*

Chip Williams - Cover Letter.pdf

Please upload a resume*

Chip Williams Resume.pdf

Have you ever served on any other citizen advisory commission or committee? If yes, please list and briefly explain the purpose of each one.*

None

What skills and/or experience do you possess that would be important to your role as a commissioner?*

I have extensive experience managing technical businesses and projects in complex operational environments. I have broad technical competence and demonstrated ability to objectively evaluate all alternatives when formulating decisions. I hold my personal and professional integrity inviolate and beyond compromise for any reason.

What do you understand the role of the commission to be and why would you like to serve on this commission?*

The primary role of the Planning Commission is to evaluate development plans with respect to the City General Plan, and when applicable allocate units per the RDCS, and provide a recommendation for approval/denial to the City Council. I have read the General Plan; I found it to be a well structured and comprehensive document for guiding the continued evolution of the City.

What would you like to accomplish as a commissioner?*

I would seek to contribute to the process of managing the growth and development of Morgan Hill in a fashion that is sustainable both fiscally and environmentally to the benefit of all of our residents. I would like to see Morgan Hill become the model for successful and sustainable growth in the region and the State.

Attachment: Chip Williams Application Packet_Redacted (2198 : Commission Interviews)

What are the greatest opportunities facing the community in regards to this commission?*

Continuous growth in this region is inevitable given the continued prosperity of the Silicon Valley. We have the opportunity to grow this community in a fashion that is both sustainable and enriching to all that choose to make Morgan Hill their home.

If you are an incumbent seeking reappointment:**Are you next in line to serve as Chair or Vice-Chair?**

- ☐ Yes
☐ No

Are you currently serving on a committee

- ☐ Yes
☐ No

Are you assigned to a special project?

- ☐ Yes
☐ No

If you are assigned to a special project, please describe the project.

Please review the City Council Ethics Policy

[City Council Ethics Policy](#)

Please type name to sign. By my signature, I agree to comply with all government regulations, should I be appointed to serve on a City of Morgan Hill Commission or Committee and confirm that I have read the attached Ethics Policy and that I do subscribe to this Policy; that I will apply it to the specific responsibilities s which I may be assigned; and that I will practice the core values set forth in this Policy in my public service for the City of Morgan Hill. Additionally, I commit to attend and participate in all Commission and Committee meetings to which I am appointed, unless excused by the Chair.*

Howell P. Williams

Date*

2/13/2019

12:45 PM

Attachment: Chip Williams Application Packet_Redacted (2198 : Commission Interviews)

Chip Williams

Morgan Hill, CA 95037

City of Morgan Hill

Dear members of the City Council:

My wife Bonnie and I have lived in Morgan Hill since 1983. We love living here and adore this community. During most of the past 36 years I found little time outside of my professional commitments to actively engage in the evolution of our community. I am now retired and have both the time and desire to serve this community.

I believe that my professional experience and abilities can be of significant value to the City as a member of the Planning Commission. I request your consideration of my application for appointment to this Commission.

Sincerely,

Chip Williams

Howell P. Williams (Chip)

Morgan Hill, CA 95037

SUMMARY

Retired senior business leader with a rich mix of operations, business development, product marketing, and general management experience. I have a track record of success building new teams and turning around under performing business units in technically demanding environments.

PROFESSIONAL EXPERIENCE

Siemens Smart Grid Division, 1998 – 2015

Business Manager, California Operations (2004) – Business segment P&L and site general manager of the Energy Automation facility in Mountain View, CA. This segment includes all business functions with the exception of purchasing and HR that are provided as corporate functions from division HQ. The primary role of the site is to address the small to mid-range energy control center market, with direct sales responsibility in North America (NAFTA) and to provide product management, sales support, ongoing innovation and global supply of the Siemens Spectrum Power™ TG SCADA/EMS product line, one of a family of Spectrum Power control system platforms offered by Siemens. This operation provides direct-to-end customer delivery and services for customers in the Americas, plus Saudi Arabia, Australia, New Zealand, and the Netherlands. In other geographies we supply software only to a regional Siemens unit for integration and delivery. Key accomplishment was rescuing this business that had not been consistently profitable before acquisition by Siemens and was on the verge of being shutdown following several years of unsuccessful attempts at integration. The business returned a slight profit in 2004 and since 2005 has delivered consistent EBIT ~ 10%. Current outlook is strong with substantial growth opportunity, particularly in distribution automation driven by SmartGrid investment. The Siemens organization has had several restructurings during this time with this business operation now an element of the Smart Grid Division within the Infrastructure & Cities Sector.

Operations Manager (2002, Siemens PT&D) – Transition role following integration of the Telegyr Systems business into the Siemens Energy Management division. Primary efforts during this period were fulfilling current customer obligations while responding to a variety of corporate restructuring and product rationalization concepts driven from the division.

Director, Product Delivery (1999, Telegyr Systems, Inc.) – Established Product Delivery Centers in the USA and Switzerland for the Telegyr NMS for Windows control center product line. Managed the USA Delivery Center operations responsible for the delivery of 45 Telegyr NMS systems (over 3 year period) to customers in Canada, Peru, Brazil, and USA. A significant accomplishment was to achieve profitability during the first year of operations with significant improvements as we scaled up volume.

Senior Marketing Manager (1998, Landis & Gyr/Telegyr Systems, Inc.) – Responsible for market analysis, product requirements definition, and global market introductions. The most significant accomplishment was a Microsoft Windows based, utility class electrical network control system (SCADA) targeted for small to mid range utility customers. Market introduction included branding, pricing structure, sales collateral and advertising, business model (factory production, delivery/install, and maintenance service). The key process innovation was to apply product oriented delivery methods to what had traditionally been a custom project business model and thereby dramatically reduce cost and delivery time for a control center that was functionally competitive with custom project implementations. This was to be

Howell P. Williams (Chip)

accomplished by establishing two Product Delivery Centers, one in USA to service the Americas and one in Switzerland to service Europe.

General Electric Company (Nuclear Energy), 1980 - 1998

Senior Manager, Nuclear Measurement & Control Systems – Led a business unit responsible for a ~\$20 million nuclear measurement and control (NUMAC) systems business serving original installation and retrofit applications markets. This organization was responsible for technical sales support, pricing, proposals, project management, product development, hardware and software design, materials management, production control (manufacturing was out-sourced), delivery, installation/startup and all customer interactions. When I accepted the position the business was operating at a loss. Turned the business into a highly profitable one by restructuring the organization to reduce management overhead, identifying and rewarding key individual contributors to drive accountability throughout the team, implementing rigorous configuration control constraints to minimize scope creep, and renegotiating with several customers as well as our out-source manufacturer. Acquired new orders and completed system deliveries to customers in Japan, Mexico, Sweden, and USA.

Senior Manager, Business Development – Established and led a marketing and business development team for a \$100 million replacement equipment and services business. Consolidated and managed all new product development activities from conception through initial sale. Evaluated strategic alliance opportunities with companies in Canada, Mexico, Spain, Taiwan, and USA.

Senior Manager, Electrical Products – Established and led a cross-functional product team providing replacement electrical, instrumentation, and control system products. This business team of 30 people was responsible for sales, pricing, application engineering, all materials logistics including purchasing and inventory, delivery, and customer service for both nuclear safety-related and nonsafety-related equipment originally manufactured by GE Nuclear as well as by various GE commercial product departments and non-GE manufacturers. Key accomplishments were reducing delivery cycles by 50%, increasing profit margins, and increasing sales volume through improved customer satisfaction. This team was a model of success that was to be emulated with other product lines.

Senior Manager, Materials Services Engineering – As part of a major re-organization of the Nuclear division, established and led a new organization comprised of 5 departments (one located in Pennsylvania, the others in California) providing all technical support functions for the replacement parts & services business. Functions provided included technical sales support, product application engineering, new product qualification including requirements for nuclear safety-related applications, and electronics test and repair services.

Senior Program Manager – Directed GE's nuclear equipment qualification programs establishing compliance to IEEE standards and U.S. Regulatory requirements for nuclear safety-related systems. Established engineering standards for specifying equipment performance requirements at a systems and component level; managed the environmental and seismic testing programs for approximately 100 major equipment assemblies and control instrumentation.

Program Manager – Managed cost, schedules and established program technical requirements to meet new U.S. Regulatory requirements for nuclear power plant safety systems.

Howell P. Williams (Chip)

Quadrex Corporation, 1977 – 1980

Senior Engineer - Performed as the project engineer for design qualification of safety systems equipment at a commercial nuclear power project in Texas. Established and managed project schedule to support construction schedule; integrated activities between the onsite constructor, the utility staff in Dallas, and the architect-engineer staff in New York City.

Engineer - Performed analytical assignments involving environmental risk assessment and site evaluation for commercial nuclear power projects and U.S. Department of Energy facilities.

EDUCATION

B.S., Environmental Resources Management, The Pennsylvania State University, State College, Pennsylvania.

Numerous corporate sales, business, management, and leadership courses including at GE's Management Development Institute (Crotonville).

VOLUNTEER ACTIVITIES

Monterey Bay Aquarium, 1984 – 1998

Maintenance Diver & Dive Team Leader – Performed routine underwater maintenance of large exhibit tanks, public feeding shows, and open water specimen collection dives. (total over 700 dives).

Print**Commission Application - Submission #14967****Date Submitted: 1/21/2019****First Name**

Andrew

Last Name

Froumis

Address1**Address2****City**

Morgan Hill

State

CA

Zip

95037

Home Phone Number**Cell Phone Number**

3

email address**Occupation**

Retired Executive

Are you a registered voter?

yes ▼

Please list any properties you own in Morgan Hill

Own home a , Morgan Hill, 95037

Do you have any relatives currently employed by the City of Morgan Hill?

No ▼

Attachment: Andrew Froumis Application Packet_Redacted (2198 : Commission Interviews)

If yes, please provide name

Visit the link below for information on the Planning Commission

[Planning Commission](#)

Visit the link below for information on the Parks and Recreation Commission

[Parks and Recreation Commission](#)

Visit the link below for information on the Library, Culture, and Arts Commission

[Library, Culture, and Arts Commission](#)

Please select the commission you are interested in serving on

Planning Commission ▼

Please select the commission that would be your second choice. If you do not have a second choice, please move on to the next question.

Parks and Recreation Commission ▼

Please upload a letter of interest or cover letter*

RESUME14.doc

Please upload a resume*

RESUME14.doc

Have you ever served on any other citizen advisory commission or committee? If yes, please list and briefly explain the purpose of each one.*

No

What skills and/or experience do you possess that would be important to your role as a commissioner?*

Besides being a 20 year resident in Morgan Hill, I have been involved in Operations and Planning on various projects, including Government contracting and in the private sector.

What do you understand the role of the commission to be and why would you like to serve on this commission?*

It's my understanding that this commission is primarily responsible for the growth and control of Morgan Hill's development.

What would you like to accomplish as a commissioner?*

Assure the growth of Morgan Hill continues with adequate infrastructure to handle increase demands resulting from the growth.

What are the greatest opportunities facing the community in regards to this commission?*

To help maintain quality of living in Morgan Hill, while it continues to grow as a desired location for residents and businesses.

If you are an incumbent seeking reappointment:**Are you next in line to serve as Chair or Vice-Chair?**☐ Yes☐ No**Are you currently serving on a committee**☐ Yes☐ No**Are you assigned to a special project?**☐ Yes☐ No

If you are assigned to a special project, please describe the project.

Please review the City Council Ethics Policy

[City Council Ethics Policy](#)

Please type name to sign. By my signature, I agree to comply with all government regulations, should I be appointed to serve on a City of Morgan Hill Commission or Committee and confirm that I have read the attached Ethics Policy and that I do subscribe to this Policy; that I will apply it to the specific responsibilities s which I may be assigned; and that I will practice the core values set forth in this Policy in my public service for the City of Morgan Hill. Additionally, I commit to attend and participate in all Commission and Committee meetings to which I am appointed, unless excused by the Chair.*

Andrew J. Froumis

Date*

1/21/2019

7:45 AM

ANDREW J. FROUMIS

, Morgan Hill, CA 95037 (408)

EDUCATION

MBA - Business Management, St. Ambrose University, Iowa 1983
BA - Business Administration, St. Ambrose University, Iowa 1980
Ph.D. - Business Administration, International Business, UOP 2002

OBJECTIVE An Executive Materials/Operations position with a progressive organization.

EXPERIENCE & ACCOMPLISHMENTS:

Applied Materials - Sante Clara, California

1997 - Present **Senior Director of Materials, Quality and Reliability**

Applied Materials is the world leading supplier of Semi-Conductor manufacturing equipment. The company designs, manufactures, distributes, and markets semi-conductor equipment used in the manufacture of computer chips by all manufacturers in the industry. Applied Material's facilities are located throughout the world.

Materials responsibilities include the management of professional purchasing personnel. All production and indirect materials for the leading division, along with inventory control are the primary tasks. Led efforts to reduce the costs of purchases meeting corporate goals and also increased inventory turns meeting the goal of 12 turns on high cost materials. Quality and Reliability responsibilities include the leadership and management of operations towards Quality Assurance of process to prevent problems, product improvement, development of the corporate Quality Management System, reduction of defects in products, software, and services delivered to the customer, improved reliability measured in "up time" of the systems, and greater length of time between maintenance at the customer. In the area of new product introduction, responsibilities include the development of automated tools/fixtures for testing of systems and resolving issues prior to customer delivery. Currently responsible for the documentation of procedures and progressing towards ISO certification as a milestone progression towards total quality management.

ACHIEVEMENTS

- Designed and deployed the QMS(Quality Management System) for the entire enterprise. Identified key milestones for measuring level of deployment and efficiency of QMS deployment.
- Utilized world class Quality performance measures to determine customer satisfaction and manage the CLCA (closed loop corrective action) process.
- Developed goals for Quality standards and provided training to all personnel in the operations and software disciplines of the organization.
- Established Quality standards for components and modules that were outsourced for optimum utilization of resources. Successfully outsourced major modules to include gas delivery systems, sub assemblies, and software development.

Accuride International Incorporated - Sante Fe Springs, California

1996 - 1997 Vice President of Materials and Logistics

Accuride International Incorporated is the world leading supplier of metallic slides and components for various industries including automotive, computer, electronic, appliance and assembly industries. The company designs, manufactures, distributes, and markets advanced design assemblies used in the manufacture of high quality end products. Accuride's manufacturing facilities are located in four North American locations, Mexico, United Kingdom, Germany, and Japan.

Responsible for the Purchasing, Master Scheduling, Planning, Distribution, Inventory control, Receiving, Shipping and Stockroom functions throughout all the worldwide located facilities.. Corporate responsibilities include the development of Supplier Certification, Negotiations of major subcontracts, establishment of blanket orders with long term suppliers, manage the development of procedures, successfully achieve ISO 9001 Certification, and develop required skills in materials personnel. Manage inventory turns through the implementation of J.I.T. and developed highly responsive suppliers while improving vendor relationships. Responsibilities include both line reporting structure for material's personnel and staff to the office of the president as an executive board member.

SILICON VALLEY GROUP - Thermco Systems Division, Orange, California

1994 - 1996 Corporate Director of Materials

Silicon Valley Group, Inc.(SVG), Thermco Systems Division is a leading supplier of automated wafer processing equipment for the worldwide semiconductor industry. The division designs, manufactures, and markets technically sophisticated capital equipment used in the primary stages of semiconductor manufacturing.

Responsible for the Purchasing, Master Scheduling, Planning, Inventory control, Receiving, Shipping and Stockroom functions. Corporate responsibilities include the development of Supplier Certification, Negotiations of major subcontracts, establishment of blanket orders with long term suppliers, manage the development of procedures, successfully achieve ISO 9001 Certification, and develop required skills in materials personnel. Manage inventory turns through the implementation of J.I.T. and developed highly responsive suppliers while improving vendor relationships.

ACHIEVEMENTS

- Lead the negotiation of multi-million dollar electronic components, such as, MOS memories, ASIC's and passive components, controllers and subsystems agreements resulting in substantial cost savings.
- Utilized world class material's metrics to benchmark the organization and identify areas requiring further improvement.
- Developed and control budgets within the corporate objective of 2%. Train personnel to incorporate target pricing in meeting materials goals.
- Reduced the materials cost as a percentage of sales through negotiations from 65% to 52%.
- Improved inventory turns with JIT while eliminating shortages to manufacturing's requirements.
- Implemented customer satisfaction metrics through the use of surveys and questionnaires.
- Developed Supplier Certification resulting in reduced inspection while improving supplier quality and delivery performance. Completed certification of 45 suppliers representing 60% of dollars spent.

- Increased efficiency 25% of the purchasing group by restructuring from a geographic buying responsibility to a commodity buying structure.
- Promoted personnel development by presenting TQM philosophy, ISO 9000 implementation, Juran Problem Solving, Statistical Process Control, GMAT preparation and Situational Leadership to divisional personnel.
- Implemented \$8M procurements with international suppliers to satisfy offset obligations on sales to foreign customers.

McDonnell Douglas - Long Beach, California

1990-1994 Director of Procurement

Directed the group that procured or produced all prime product materials. Established business objectives, means to measure and direct the division towards supporting corporate goals. Negotiated short and long term contracts with cost reduction objectives. Established major contracts with foreign sources including currency exchange rates, electronic data exchange, and MRP II planning. Implemented offset contracts to satisfy foreign obligations.

1987-1990 Manager of Procurement

Supervised purchasing professionals for the procurement of major systems, avionics, electronics, for the communication industry and the successful launch of satellites and classified projects.

ACHIEVEMENTS

- Reduced manufacturing costs \$16M and influenced long range strategic planning by establishing innovative contracts which eliminated the backlog of manufacturing hours.
- Produced \$3M of additional sales of prime products while serving as translator/host for two European businessmen.
- Supervised 145 professional procurement personnel in the procurement of prime product to include electrical and electronic components such as robotics, mechanical systems and other complicated assemblies.
- Reduced costs by developing, implementing, and monitoring target pricing.

Caterpillar, Inc. 1973-1987

1981-1987 Purchasing Manager Caterpillar, Inc. Aurora, Illinois

Managed the group responsible for the procurement of \$1 Bil. of components for the production of the world leading capital equipment.

ACHIEVEMENTS

- Optimized efficiency by evaluating the workload and reorganizing personnel in the materials division at the 4th largest component of Caterpillar, Inc.

- Reduced prices of materials 10% annually by developing and implementing an innovative pricing strategy.
- Headed a team that reduced supplier costs 5% or \$14M by leading a "Supplier Day" seminar with 1200 of Caterpillar Inc. suppliers of prime product.
- Demonstrated effective teaching skills of three MBA classes at Aurora University in which my students outsourced full time faculty students on standardized exams.

1978-1981 **Quality Assurance Supervisor** Caterpillar, Inc. Davenport, Iowa

Accumulated quality data for supplier quality performance. Aided Purchasing by visiting suppliers, analyzing their quality plans and correcting any deficiencies found. Performed routine audits with existing suppliers to assure conformance. Established "Supplier Certification" that progressively improved supplier quality ultimately resulting in a "No Inspection" plan reducing costs of materials purchased by 15%.

1973- 1978 **Manufacturing Supervisor/Operations** Caterpillar, Inc. Davenport Iowa

Supervised 130 employees in assembling and packaging parts. Scheduled priorities to feed assembly line with needed material.

1973-1977 **Management Apprentice**

Worked supervisory positions including: times study, quality assurance, training, materials, accounting, engineering, and planning. Operated plant controlling data bases and input data into IBM Vac center.

RELEVANT EXPERIENCE

Conducted seminars in Purchasing, "Just In Time", MRP II, Electronic Data Communication, Inventory Reduction, Target Pricing, Quality and Process Improvement (ISO), Total Quality Management.

Currently teaching three MBA courses at University of Phoenix and Aurora University; "Human Resource Management," "Financial Management for the Profit Sector" and "Organization Theory and Design."

PERSONAL

54 years old, married 33 years, two grown children. U.S. Army Veteran (Viet Nam Veteran)

REFERENCES WILL BE FURNISHED UPON REQUEST

Print**Commission Application - Submission #14951****Date Submitted: 1/17/2019****First Name**

Aris

Last Name

Paz

Address1**Address2****City**

Morgan Hill

State

CA

Zip

95037

Home Phone Number**Cell Phone Number****email address****Occupation**

DSW store stockroom and Student

Are you a registered voter?

yes ▼

Please list any properties you own in Morgan Hill

N/A

Do you have any relatives currently employed by the City of Morgan Hill?

No ▼

Attachment: Aris Paz Application Packet_Redacted (2198 : Commission Interviews)

If yes, please provide name

Visit the link below for information on the Planning Commission

[Planning Commission](#)

Visit the link below for information on the Parks and Recreation Commission

[Parks and Recreation Commission](#)

Visit the link below for information on the Library, Culture, and Arts Commission

[Library, Culture, and Arts Commission](#)

Please select the commission you are interested in serving on

Planning Commission ▼

Please select the commission that would be your second choice. If you do not have a second choice, please move on to the next question.

Library, Culture, and Arts Commission ▼

Please upload a letter of interest or cover letter*

CMH Letter of Interest.docx

Please upload a resume*

Aris Paz Resume!.docx

Have you ever served on any other citizen advisory commission or committee? If yes, please list and briefly explain the purpose of each one.*

No

What skills and/or experience do you possess that would be important to your role as a commissioner?*

Great people skills
Excellent communication skills with teammates

What do you understand the role of the commission to be and why would you like to serve on this commission?*

The commission review any ideas on the board they serve for. The ideas may come from citizens, or workers within the city. The ideas range for the commission board. I wish to serve on this commission because I have been living in the great city of Morgan Hill all of my life, and with the experience I have gained, I want to help in continuing to make the city great!

What would you like to accomplish as a commissioner?*

I wish to help push out ideas for the good of the citizens of Morgan Hill, while also keeping their best interests in those decisions.

Attachment: Aris Paz Application Packet_Redacted (2198 : Commission Interviews)

What are the greatest opportunities facing the community in regards to this commission?*

The greatest include having a greater sense of community. Already the city participates in parades, community events, and so much more! It would be great to include more mental health services, or planned parenthood if the resources allow.

If you are an incumbent seeking reappointment:**Are you next in line to serve as Chair or Vice-Chair?**

- ☐ Yes
☒ No

Are you currently serving on a committee

- ☐ Yes
☒ No

Are you assigned to a special project?

- ☐ Yes
☒ No

If you are assigned to a special project, please describe the project.

Please review the City Council Ethics Policy

[City Council Ethics Policy](#)

Please type name to sign. By my signature, I agree to comply with all government regulations, should I be appointed to serve on a City of Morgan Hill Commission or Committee and confirm that I have read the attached Ethics Policy and that I do subscribe to this Policy; that I will apply it to the specific responsibilities s which I may be assigned; and that I will practice the core values set forth in this Policy in my public service for the City of Morgan Hill. Additionally, I commit to attend and participate in all Commission and Committee meetings to which I am appointed, unless excused by the Chair.*

Aris George Manuel Paz

Date*

1/17/2019

10:00 PM

Attachment: Aris Paz Application Packet_Redacted (2198 : Commission Interviews)

To the City of Morgan Hill,

Hello, my name is Aris Paz, and I am a recent graduate at San Jose State University. I graduated with a B.A. in Public Health, and I absolutely fell in love with it. I learned how to properly help people with proper planning and resource management. Although this will not be my first experience in managing projects, as I have helped in planning projects for research, I am excited to learn about how to plan multiple ranges of projects. I am very eager to learn, and to work with others to solve public health problems. Thank you in advance for glancing over my application! I hope to be in contact soon!

-Aris Paz

Aris Paz

Morgan Hill, CA, 95037

Education

San Jose State University, San Jose, CA
Bachelors in Public Health

Work Experience

San Jose State University, San Jose, CA
Instructional Student Assistant, February 2018-Present

- Assist in research methods
- Provide help in grading coursework
- Perform teaching, grading, and/or tutoring under supervision

DSW Shoes, Morgan Hill, CA
Stockroom coordinator, November 2018-Present

- Keep the stockroom clean
- Help in replenishment of shoes
- Receive trucks and ensure its contents
- Making the space necessary to drop new styles into the store
- Keeping cleanliness in the store

San Jose State University, San Jose, CA
Research Assistant, May 2017-Present

- Analyze data to determine validity, quality, and scientific significance.
- Interpret data and correlations
- Provide expertise in the design, management, and evaluation of study protocols and health status questionnaires, sample selection, and analysis.
- Edit research papers
- Perform literature reviews.

Amazon, Sunnyvale, CA

Prime-Now Associate, Oct 2017-February 2018

- Take inventory or examine merchandise to identify items to be reordered or replenished
- Pack customer purchases in bags or cartons
- Stock shelves, racks, cases, bins, and tables with new or transferred merchandise.
- Receive, open, unpack and issue sales floor merchandise.

Fremont Aqua Adventure, Fremont, CA

Emt/Security, Jul 2016-Oct 2016

- Provide emergency medical services
- Provide basic security as necessary

Chipotle, Morgan Hill, CA

Entry-Level Preparer, Oct 2015-Oct 2016

- Maintain sanitation, health, and safety standards in work areas.
- Clean food preparation areas, cooking surfaces, and utensils.
- Verify that prepared food meets requirements for quality and quantity.
- Cook and package batches of food, such as chicken and steak
- Operate large-volume cooking equipment such as grills and fryers.
- Measure ingredients required for specific food items being prepared.
- Cook the exact number of items ordered by each customer, working on several different orders simultaneously.
- Wash, cut, and prepare foods designated for cooking

Additional Skills

- Adaptability
- Data Entry and Analysis
- Excellent ability to work with others
- Tagalog-Speaker
- Microsoft Excel and Word proficiency
- Excellent written and verbal communication skills

Print**Commission Application - Submission #14974****Date Submitted: 1/22/2019****First Name**

Chris

Last Name

Wood

Address1**Address2****City**

Morgan Hill

State

CA

Zip

95037

Home Phone Number**Cell Phone Number****email address****Occupation**

Just retired, was Electrical Engineer W/Oracle

Are you a registered voter?

yes ▼

Please list any properties you own in Morgan Hill

my house:

Do you have any relatives currently employed by the City of Morgan Hill?

No ▼

Attachment: Chris Wood Application Packet_Redacted (2198 : Commission Interviews)

If yes, please provide name

Visit the link below for information on the Planning Commission

[Planning Commission](#)

Visit the link below for information on the Parks and Recreation Commission

[Parks and Recreation Commission](#)

Visit the link below for information on the Library, Culture, and Arts Commission

[Library, Culture, and Arts Commission](#)

Please select the commission you are interested in serving on

Planning Commission ▼

Please select the commission that would be your second choice. If you do not have a second choice, please move on to the next question.

Please upload a letter of interest or cover letter*

Chris_Wood_Planning_Comission.pdf

Please upload a resume*

Chris_Wood_Resume_Current.pdf

Have you ever served on any other citizen advisory commission or committee? If yes, please list and briefly explain the purpose of each one.*

No, just Computer Industry ones.

What skills and/or experience do you possess that would be important to your role as a commissioner?*

President of Holiday Lakes HOA board during the DAWITO development issue. Negotiated an outcome to protect Holiday Lake residents and preserve most all at risk green space for HLE use forever.

What do you understand the role of the commission to be and why would you like to serve on this commission?*

Understand the master plan for Morgan hill, and pertinent state, county and local zoning regulations, and under their guidance suggest the best possible solutions to the Mayor and City Council.

What would you like to accomplish as a commissioner?*

Insure the City and its residents have the best information to allow them to make the optimal trade offs on Growth Control, Infill vs Outfill of the city, Locations and number of affordable housing units developed going forward, green space preservation and banking for future park, recreation or school use. Said another way, setting up Morgan Hill for growth and change that all its citizens benefit from.

What are the greatest opportunities facing the community in regards to this commission?*

Laying out the future road and transportation needs now and preserving necessary rights of way, Insuring our city's and citizens needs are taken into account by High Speed Rail (Assuming it gets built), moving now to protect our northern and southern borders from undesirable development, re-build our relationship with LAFCO, and the list goes on. Summary: Understanding what has to happen now to ensure our best possible future.

If you are an incumbent seeking reappointment:**Are you next in line to serve as Chair or Vice-Chair?**

- ☐ Yes
☐ No

Are you currently serving on a committee

- ☐ Yes
☐ No

Are you assigned to a special project?

- ☐ Yes
☐ No

If you are assigned to a special project, please describe the project.

Please review the City Council Ethics Policy

[City Council Ethics Policy](#)

Please type name to sign. By my signature, I agree to comply with all government regulations, should I be appointed to serve on a City of Morgan Hill Commission or Committee and confirm that I have read the attached Ethics Policy and that I do subscribe to this Policy; that I will apply it to the specific responsibilities s which I may be assigned; and that I will practice the core values set forth in this Policy in my public service for the City of Morgan Hill. Additionally, I commit to attend and participate in all Commission and Committee meetings to which I am appointed, unless excused by the Chair.*

Leighton C. Wood Jr.

Date*

1/22/2019

11:30 AM

Leighton C. Wood Jr.

Morgan Hill, CA 95037

To whom it may concern

The City of Morgan Hill
17575 Peak Ave.
Morgan Hill, CA 95037

Reference: Planning Commission Vacancies

Dear Sir or Madam:

Given that I have recently retired from a 40+ year career in various computer & storage disciplines, it's now time to give back to the community I have called home for 38 years since 1981; Morgan Hill. You can read my resumé to see what I did for whom, so I won't belabor it here.

What may be of more import is the fact that I am a disciplined electrical engineer who approaches problems in a methodical, apolitical manner with a simple goal of defining and implementing the best reasonable solution to whatever the problem is.

While this would be my first assignment in a municipal environment, I have served on and led multiple industry wide commissions and panels setting technical (And by definition political) specifications for various I/O and Networking protocols so am very familiar of working in a group with multiple points of view and often very divergent ideas of what constitutes success; while guiding the parties (or cajoling, if you will) to some group-wide convergence on a path forward that's good enough for everybody.

I would be very interested in applying these skills to the Planning Commission. Our future will be writ in large part by the decisions we make today, so we best do a good job of it.

Leighton C. (Chris) Wood Jr.

Attachment: Chris Wood Application Packet_Redacted (2198 : Commission Interviews)

Morgan Hill, CA 95037

Leighton C. (Chris) Wood Jr.

Director of Product Management, Flash Storage, Oracle USA.

(10/1/11/ – 12/31/2018)

Storage Technology Development / Adoption / Deployment
File Systems / Archiving / Data Protection & Recovery / Business Continuance
Customer Facing Evangelist & Architect: Implementers to C-Level Executives
30+ Years storage experience – “I know what works and what doesn’t”

Extremely experienced Storage executive with a strong focus on current data management software from both a management perspective as well as an operational one. Focused on actual solutions to customer problems vs. products and features. Excellent competitive skills as well as having a deep knowledge of the storage industry overall – Hardware and Software.

Represented SUN for 10 years, then Pillar Data Systems and now Oracle USA on a global basis as the key corporate Storage visionary and guru for the past 12 years; was the most requested speaker by name at Sun’s Executive Briefing Center and is well known in the storage industry overall.

My Interest Area: Obtaining a position with a high customer facing content where my unique skill of explaining very complex technologies and architectures that paint both the technological and the business value picture as they apply to any given customer problem or need. This includes building a team of individuals that know how to develop, manage, market and sell based on specific, quantifiable values to the end user.

Accomplishments

- **2X YoY growth in Pillar Axiom Sales W/W.** After Oracle acquired Pillar Data Systems on October 1, 2011, Mr. Wood integrated the Pillar Axiom 600 storage system into the Oracle “Red Stack” and launched it world-wide. Booked sales are up 200+% and committed sales pipe is up 3X+ in one year.
- **Conceived, and led a team of five people who developed and brought to market** the *Content Infrastructure System* (CIS), a complete integrated multi-tiered storage appliance that delivered a completely transparent policy-based 4 tier archiving platform with built in data protection and remote replication. The CIS became the first appliance ever sold by Sun, and was the model for all follow-on offerings including the Infinite Archive initiative and Oracle’s Engineered Systems.
- **Board Chairman** of the Sun Data Management Ambassadors (DMA’s); Sun’s elite global storage pre-sales architecture team. Responsible for up-leveling the field skill base and integrating the STK elite SE’s into the DMA program.
- **Conceived, and led a team of three people who developed and brought to Sun’s global sales force** the *Network Storage Solutions Rack* (NSSR), a complete storage data management “demo in a can” that could simulate almost any backup, archive, data replication and/or recovery scenario that a customer might want to see. The NSSR was credited with driving hundreds of millions in storage sales over two years.
- **Represented the field as a voting member** on the corporate *Product Approval Committee* (PAC); responsible for managing the complete lifecycle of all storage products from conception to EOL.
- **Earned the reputation** as the “Go to Guy” to assist in selling and closing large, complex competitive storage deals. Directly credited with over 70+ million dollar deals over the last few years.

What Others Say¹

- “When they made Chris, they broke the mold”
- “If Chris tells you it will work; you can take that to the bank”
- “Chris possesses what few can claim. Fully understanding the philosophy of data management.”
- “Chris’ industry knowledge and experience is 2nd to none.”

Professional Experience

Director of Product Management: Oracle USA (10/11-Present)

- Responsible for product management, pricing, go to market for the Oracle FS1-2 Flash Storage System; also responsible for field readiness for Oracle’s sales and SE force W/W.

Director of Marketing: Pillar Data Systems, San Jose, CA (3/10 – 10/11)

- Responsible for Pillar’s entire Enterprise Data Protection strategy and delivery, SSD integration and delivery strategy.
- Other responsibilities and deliverables are similar to prior Chief Technologist job at Sun Microsystems.

Principle: Storage and Data Management, LLC (6/09 – 10/11)

- Advised the Financial Services Sector on M&A and competitive activity in the storage vertical: Primarily hedge funds and/or large banks with internal hedge funds.
- Clients included: Bain Capital, Goldman Sachs, Blackrock, Barclays Global Investors, Oppenheimer Funds, DE Shaw and 20 others.
- **Director and Chief Technologist: Technical Sales and Marketing, Sun Microsystems, Network Storage Division (3/02 to 6/09)**
- Evangelize Sun’s technology World-Wide and deliver comprehensive data storage and data management solutions.
- Responsible for delivering to Sun’s sales force all technical sales and marketing support
 - Direct delivery: I/O architecture assistance, design reviews, level five escalation support and global technical support.
- All storage related collateral including: white papers, benchmarks (Sun and third party), including both software and hardware products.
- Developed and deployed sophisticated Proof of Concepts (POCs) as well as customer solution focused demos and benchmarks.

Director: SAN Strategy, and Chief Technologist, Storage Marketing, Sun Microsystems (1/99 to 3/02)

- Developed and drove Sun’s SAN strategy and development that took Sun from simple FC-AL direct and hub attached devices to the most robust and high function SAN offering in the industry.
- Delivered Sun’s “*Enterprise Continuity*” solution based on Sun-Cluster 3.1, DWDM equipment and enhancements to Sun’s device drivers to allow for geographically dispersed data centers to operate as a single logical data

VP Sales and Marketing, MaxStrat Corporation (3/94 to 1/99)

- Drove revenue from \$Zero to \$35 million annually at MaxStrat
- Hired and deployed a complete sales and service force developed a core sales/service and support channel strategy worldwide while establishing key reseller agreements within key vertical markets we served.
- Sold the company to Sun Microsystems in January of 1999, and joined Sun.

Director of Architecture, Open Systems DAS, IBM Corporation (6/90 to 3/94)

- Developed the “Extended Count Key Data” (ECKD) instruction set for all MVS (Z/OS) I/O devices
- Architected and delivered the 9570 disk array subsystem and conceived and architected the initial RAMAC II array

¹ All Comments and more were posted by their respective authors on LinkedIn.

Prior Jobs:

- Manager of Large Systems OEM Storage Products, IBM Corporation (4/84 to 6/90)
- Marketing Manager, IBM Corporation, Sacramento CA. (1/81 to 4/84)
- Regional Sales Manager, SNA & Networking, IBM Corporation, NY (3/77 to 1/81)
- Systems Engineer and Marketing Representative, IBM Corporation, Newark, NJ.

- **Publications and Dissertations**

- Over 25 peer-reviewed publications, hundreds of articles, interviews and citations, etc. List available on request. Google it with the following arguments:
 - “Chris Wood” +storage (Use the parens.)

- **Professional Societies and Patents**

- IEEE Mass Storage Technical Committee (MS/TC), SNIA Managed Storage: MSI/Blue Fin and DMF)
- Filed and received three patents relating to:
 - 01 Intelligent power optimized array data placement, (Follow-on MAID patent) (5,900,007)
 - 02 Large data store with power management (The “MAID” patent), (5,423,046)
 - 03 Non-degrading block interleaved data protection. (RAID –8) (5,301,297)

- **Education**

- Union College, Schenectady, NY.
 - BA: Economics; BS: Electrical Engineering

Print**Commission Application - Submission #14810****Date Submitted: 12/19/2018****First Name**

Ken

Last Name

Murray

Address1**Address2****City**

Morgan Hill

State

CA

Zip

95037

Home Phone Number**Cell Phone Number****email address****Occupation**

non-profit director

Are you a registered voter?

yes ▼

Please list any properties you own in Morgan Hill**Do you have any relatives currently employed by the City of Morgan Hill?**

No ▼

Attachment: Ken Murray Application Packet_Redacted (2198 : Commission Interviews)

If yes, please provide name

Visit the link below for information on the Planning Commission

[Planning Commission](#)

Visit the link below for information on the Parks and Recreation Commission

[Parks and Recreation Commission](#)

Visit the link below for information on the Library, Culture, and Arts Commission

[Library, Culture, and Arts Commission](#)

Please select the commission you are interested in serving on

Planning Commission ▼

Please select the commission that would be your second choice. If you do not have a second choice, please move on to the next question.

Please upload a letter of interest or cover letter*

Planning Commission.docx

Please upload a resume*

Ken Murray 2018 Resume.docx

Have you ever served on any other citizen advisory commission or committee? If yes, please list and briefly explain the purpose of each one.*

I have not served on a Citizens advisory Committee.

What skills and/or experience do you possess that would be important to your role as a commissioner?*

- 1) Understanding of the General Plan, Morgan Hill's Strategic direction and familiarity of the planning process
- 2) Active Listening - the ability to rapidly and thoroughly understand applicants, staff and legal perspectives
- 3) Strong analytical skills to facilitate collaborative solutions to difficult issues
- 4) Unbiased perspective
- 5) Willing to do the homework !

What do you understand the role of the commission to be and why would you like to serve on this commission?*

The planning commission is an advisory commission to the City Council, on matters involving zoning, residential and commercial projects and the impact that these projects have on traffic, commercial / residential boundaries and the residents of Morgan Hill. I would like to serve on this commission to be a part of the solution for the problems we facing regarding RHNA targets, new legislation and growing our commercial space for job growth.

What would you like to accomplish as a commissioner?*

An aspirational goal would be to meet our RHNA targets, General Plan / financial objections, and new legislation requirements while having Morgan Hill becoming known as the most business friendly city in Santa Clara County for commercial and residential developers.

What are the greatest opportunities facing the community in regards to this commission?*

Measure S is comprehensive and solid residential growth control system. The issue will be what will become State mandated for low income housing and residential growth. The reduces residential growth has a negative impact on the general fund. If we could ramp up commercial development in the 110 commercial properties of possible interest, to help offset the reduced residential financial impact and lead to job growth in the City

If you are an incumbent seeking reappointment:**Are you next in line to serve as Chair or Vice-Chair?**

- ☐ Yes
☐ No

Are you currently serving on a committee

- ☐ Yes
☐ No

Are you assigned to a special project?

- ☐ Yes
☐ No

If you are assigned to a special project, please describe the project.**Please review the City Council Ethics Policy**

[City Council Ethics Policy](#)

Please type name to sign. By my signature, I agree to comply with all government regulations, should I be appointed to serve on a City of Morgan Hill Commission or Committee and confirm that I have read the attached Ethics Policy and that I do subscribe to this Policy; that I will apply it to the specific responsibilities s which I may be assigned; and that I will practice the core values set forth in this Policy in my public service for the City of Morgan Hill. Additionally, I commit to attend and participate in all Commission and Committee meetings to which I am appointed, unless excused by the Chair.*

Morgan Hill

Date*

12/19/2018

5:45 PM

Honorable Mayor Constantine & City Council Members

I love Morgan Hill. And I feel an obligation to help and serve in our community. Based on this desire to serve, I respectfully submit my application and resume for consideration as a member the Morgan Hill Planning Commission.

Since moving to Morgan Hill, I have been actively involved in serving our community through non-profits, Rotary International and the Morgan Hill Chamber of Commerce.

I became a Chamber Member and Director, at the suggestion of former Mayor Tate, to assist in the process of bringing better and higher paying jobs to our community. Jobs are a critical element of a balanced and controlled growth strategy for Morgan Hill. As a Chamber Board Member, I have led the Chamber's Economic Development Committee and now currently lead the newly created Government Relations Committee.

During these Chamber efforts, I have thoroughly enjoyed working and getting to know many of the City staff, City leadership and Council Members. I see the opportunity to serve on the Planning Commission as an opportunity to expand on my Chamber experience and I would thoroughly enjoy having the opportunity to serve our City on the Commission.

After reviewing my resume, hopefully you will find that my background and experience would be beneficial to the Commission.

Sincerely

Ken Murray

Kenneth Gerard Murray

(408)

Mobile

www.linkedin.com/in/kengmurray

Executive Profile

An entrepreneurial and transformational technology executive who has successfully developed and led organizations within the computation, cloud, storage, and network markets.

Capabilities

- ✓ Experience Silicon Valley executive having served as CEO, COO and other senior management positions
- ✓ Proven strategic business & financial planning skills
- ✓ Expert customer success program leadership
- ✓ JKeen business acumen across multiple industries
- ✓ Successful technical support & service leadership
- ✓ Professional services growth & enhancement
- ✓ Corporate development and organization integration
- ✓ Collaborative cross-functional leadership

Core Accomplishments

- ✓ Responsible for over \$20B in sales revenue over my career resulting in the hiring of over 2500 employees
- ✓ Led/participated in the purchase, sale, and integration of 6 organizations
- ✓ Led the development and execution of corporate standard engineering processes for software, hardware and services
- ✓ Cultivated high performance teams by growing employee competencies which enabled our teams' results
- ✓ Developed global corporate standards for sales and account management processes within medium and large enterprises

Professional Experience

Non Profit Director and Community Volunteer

1/2013 – present

For the past 5 years I have been involved in Morgan Hill volunteer work including Rotary International, and the Morgan Hill Chamber of Commerce where I currently lead the Government Relations Committee. Previously I have led the Chamber's Economic Development Committee where we focused on bringing more and better jobs to Morgan Hill.

Founder and Owner of Kabana Grill

Wasabe Ventures LLC, Lahaina, HI

1/2012 – 12/2013

Wasabe Ventures LLC was formed to open and operate a large, 150 person capacity, fine dining restaurant on the island of Maui. As the lead investor, I become actively involved in the operations when the Operating Partner left the business. The business was a great culinary success, including winning "Maui's Best New Restaurant" and Open Table's Diners Choice award. For personal reasons the restaurant is now closed.

Senior Vice-President – Sales, Marketing & Customer Success

DecisionOne, Devon, PA

12/2009 – 1/2012

DecisionOne is one of the largest multivendor services providers in North America. I was responsible for growing global revenue through customer acquisition, international expansion, and the introduction of new, higher margin IT services to catalyze the sale of the company.

- ✓ Achieved revenue performance at 103% and 107% of quota
- ✓ Built and implemented a standard sales process increasing the company's win/lose ratio by 50%
- ✓ Established Strategic Account Program growing YoY revenues by 27%
- ✓ Established a scalable Customer Success organization to establish customer expectations and report on D1 performance relative to expectations resulting in delighted customers, winning 2 beta service trials and retaining a \$28 M annual contract
- ✓ Lead participant in the identification, negotiations, purchase and integration of Anacom and CXP
- ✓ Actively negotiated the sale of the company to Glodyne and then led 23 of the company's 32 integration initiatives

Vice-President - Global Services & Sales

Rackable Systems/SGI, Fremont, CA

1/2008 – 12/2009

Rackable was a public company focused on providing "ecological" data center computing products for the cloud, providing the lowest cost, highest density, X86 server architectures available in the market. I was responsible for the stabilization and growth of all global services. Rackable Systems purchased SGI and changed the name of the company to SGI in 2009.

- ✓ Restructured the services organization to profitably improve the customer experience resulting in the highest renewal rates (94%+) in the company's history
- ✓ Grew services revenue by 42% and bookings by 210%, while generating Rackable's first profitable year in services
- ✓ Led the development of 6 strategic accounts growing revenue over 43% YoY
- ✓ Significantly improved each key process indicator (KPI) within the services business including 357% improvement in service response time, 432% reduction in service parts inventory, and 126% improvement in installation satisfactions
- ✓ Established a service introduction process resulting in new support and installations services at Rackable, including cloud container based services for Microsoft datacenters.

- ✓ Actively participated in the due diligence and acquisition of SGI and led the integration of support and professional services

Americas Global Services Director

NetApp, Sunnyvale, CA

10/2004 – 1/2008

NetApp is a leading supplier of enterprise storage and data management solutions. During my tenor at NetApp the organization was focused on the development of strategic accounts to drive revenue growth.

- ✓ Led the growth of the strategic account customer success organization to 15 GSMs with a \$95M services quota (102%) in support of a \$532M overall sales goal for FY08
- ✓ Served as the services thought leader on the evolution of the Strategic Account (TEA) sales organization utilizing value based selling, executive relationship development, and account P&Ls
- ✓ Established global customer template for ITIL based enterprise data center support and operational process to dramatically improve TEA customer experiences resulting in above target revenue growth
- ✓ Led the development of the Supportability Index methodology which enabled NetApp's selection into Gartner's Leader quadrant for services

CEO, Co-founder & Investor

Cenergize, Los Gatos CA

1/2003 – 9/2004

Cenergize was a startup focused on the integration of unstructured data within structured environments such as email. The first release of the product enabled the tracking of work flow contained within email for Outlook

- ✓ Established initial technical and support team
- ✓ Developed and launched initial product and first customer
- ✓ Established and presented the Cenergize business plan to 11 venture capitalist funds

President & CEO

Mockingbird Networks, Cupertino, CA

6/2001 – 12/2002

Mockingbird Networks was a 175 person, TCV/Alcatel backed private company providing next generation VoIP infrastructure to enable voice enabled applications such as Siri. The product was also used as a VoIP gateway to connect to SS7 networks

- ✓ Drove initial company revenues by delivering VoIP solutions resulting in an increase in revenue from \$0 to \$11M
- ✓ Established processes and metrics for software & hardware and service development resulting in 2 major on time product releases

COO

Appiant Technologies, Pleasanton, CA

3/2000 – 6/2001

Appiant Technologies was a publicly traded company where I led the re-invention of the company from a voice mail system integrator into an ASP for unified communications/information services.

- ✓ Developed an Americas sale force and drove sales of new product from 0 to \$13M, while growing sales of the existing product lines by 12%
- ✓ Led the development and launch of the InUnision voice enabled unified communications service using a distributed software engineering team
- ✓ Established the company's IT operations capabilities to support a 200,000 user VoIP network in partnership with Cisco

Hewlett-Packard Company, Mountain View, CA

5/1978 – 2/2000

During my tenure at Hewlett-Packard I held a variety of sales, sales leadership, services and senior management positions including:

New Services Marketing Director

08/1999 – 02/2000

Western Area General Manager

11/1997 – 08/1999

North American Field Development Manager

01/1995 – 10/1997

Global Account General Manager

10/1992 – 12/1994

Area Sales Manager

11/1990 – 10/1992

District Sales Manager

11/1987 – 10/1990

Field Marketing Manager

06/1985 – 10/1987

Sales

05/1978 – 05/1985

Affiliations and Recognition

Member of Michigan Technological University's Industrial Advisory Board

Michigan Technological University Engineering Academy

Education

St. Thomas College, St Paul, MN

MBA, International Organizational Behavior (Honors)

Michigan Technological University, Houghton, MI

BS, Control Systems, Circuit Design, Computing, and IC Design (Honors)



February Developmental Asset #1 Family Support

Family life provides high level
of love and support.

How to apply this asset?



Bonding activities:

- Hikes/walks
- Sports/boardgames
- Working together
- Talking with each other



Benefits of positive family support

- Family trust and communication
- Youth feels loved and appreciated
- Youth have better social skills
- Youth feels as if they are part of the family





February Complementary Asset number #2 Positive Family Communications

Young person and his or her parents communicate positively, and young person is willing to seek advice and council from parents.

Relation and importance



Relation to Family Support:

- Better trust leads to open communication
- A supportive environment encourages youth to come to parents in a time of need

Importance of family communication:

- Parents and youth hold each other accountable for their goals
- Parents can guide youth with personal experiences



**What traditions or activities are
done in your families to create a
supportive environment?**



From: [John Lang](#)
To: [Michelle Bigelow](#)
Subject: FW: California governor puts the brakes on high-speed rail line
Date: Wednesday, February 13, 2019 9:43:58 PM

From: Joseph Patrick Thompson <translaw@pacbell.net>
Sent: Wednesday, February 13, 2019 2:12 PM
To: Barry Holtzclaw <bholtzclaw@newsmedia.com>; SBC Board of Supervisors <sbcsuper@supervisor.co.san-benito.ca.us>; Sbccog <info@sanbenitocog.org>; City Council Members City of Gilroy <allcouncilmembers@ci.gilroy.ca.us>; Steve Tate <steve.tate@morganhill.ca.gov>; Mike Wasserman <askmike@garlic.com>; Mary Dinkuhn <mary@sanbenitocog.org>; Gary Walton <gary@custom-1.com>; Eric Howard <ehoward1965@gmail.com>; Tammy Brownlow <president@gilroyedc.org>; Sbccrc Balers <onemorejones@yahoo.com>; Sally Bettencourt <sallybettencourt@gmail.com>; John Lang <John.Lang@morganhill.ca.gov>; Carl DeMaio <carl@reformcalifornia.org>; Jon Coupal <jon@hjta.org>
Subject: Fw: California governor puts the brakes on high-speed rail line

Warning: this message is from an external user and should be treated with caution.

PUBLIC COMMENT: NEXT MEETING: REGULAR, SPECIAL, PRIVATE RETREAT, PUBLIC WORKSHOP, AND/OR NON-BROWN ACT COMPLIANT MEETING OF THE SO-CALLED "MOBILITY PARTNERSHIP"

Dear Barry,

Your former columnist, our former City Councilman who voted against the Bullet-in-the-Brain Train, my former process server, U.S. Navy (ret.) vet, Bob Dillon, said, when City Council voted on the CAHSRA's Supermassive Black Hole, we already have high speed travel, it is called the airlines.

We could have purchased all of the outstanding common stock of PSA on the day before the election on Prop. 1A in 2008 for less than the \$10B bond issue, and owned a high-speed transport system, without having to condemn any house, farm, ranch, and made a profit with it, pricing fares above costs, which is required in California by the Unfair Business Practices Act (which the transit agencies constantly violate).

I said, during the joint Morgan Hill & Gilroy Chambers' Pre-Election Debate at Gilroy Chamber's Conference Room, in response to Hon. Rod Diridon saying "Don't worry about UPRR's Eminent Domain authority trumping CAHRA's inferior State Eminent Domain authority because we would use BNSF tracks instead, and make Gilroy the South Bay Bullet Train Hub," that to do so we'd need to move Gilroy to Stockton, which is the closest point of the BNSF tracks. Or, wanted to, but my debating time had ended. So, Gilroy Chamber was buffaloeed, just as Gilroy City Council was buffaloeed, just as the voters in California were skunked, and buffaloeed, by the BS-Baloney from Bullet Train Madness advocates.

We could make the remains of the abandoned Bullet Train California's version of Lenin's Tomb, and have the Governor's Mansion transferred there. Thus ever socialist "success" in transportation, as we see with Amtrack, Caltrain, BART, ACE Train, SMART Train, Lite Rail, Heavy Socialism, County Transit, Dial-A-Ride, etc. How much more transport we could have for less money if we privatized public sector transit? Caveat viator.

Joseph P. Thompson, Esq.

Past-Chair, Legislation Committee, Transportation Lawyers Assn.

Post-Doctoral Student, Transportation Law & Policy, Norman Y. Mineta International Institute for Surface Transportation

Policy Studies, SJSU; Transportation Research Board, Georgetown U; and Library of Congress

Communication: Email submitted for public comment (PUBLIC COMMENT)

(408) 848-5506
e-Mail: TransLaw@PacBell.Net

Barry, You can print this as a Guest Editorial. joe

----- Forwarded Message -----

From: Robert T. Dillon <RTDillon@garlic.com>
To: Joseph Patrick Thompson <translaw@pacbell.net>
Sent: Wednesday, February 13, 2019, 12:42:09 PM PST
Subject: Re: Fw: California governor puts the brakes on high-speed rail line

I suspect the Train to Nowhere in the CV will die soon, as well, when the furor on the current announcement dies down.

Then the abandoned stations, land acquisitions, etc. can be there for the ages as monuments to stupidity.

On 2/13/2019 9:49 AM, Joseph Patrick Thompson wrote:
PUBLIC COMMENT: NEXT MEETING, REGULAR, SPECIAL, STUDY SESSION, PRIVATE RETREAT, PUBLIC WORKSHOP, AND/OR NON-BROWN ACT COMPLIANT MEETING OF THE SO-CALLED "MOBILITY PARTNERSHIP" VTA-COG:

Dear Editor,

You can use this as a Guest Editorial. Or, Letter to Editor.

Joe Thompson
(408) 848-5506
Past-Chair, Legislation Committee, Transportation Lawyers Assn.
Past-President, 1999-2001, 2006, Gilroy Morgan Hill Bar Assn.
Charter Member, SBCCOG Citizens Rail Advisory Committee
Charter Member, SBCCOG Citizens Transit Task Force
e-Mail: TransLaw@PacBell.Net

----- Forwarded Message -----

From: Joseph Patrick Thompson <translaw@pacbell.net>
To: Thomas A. Rubin <tarubin@earthlink.net>
Sent: Wednesday, February 13, 2019, 9:44:43 AM PST
Subject: Fw: California governor puts the brakes on high-speed rail line

Dear Tom,

Did you see this? The Governor is wrong saying that there is no "path" for the travel between those cities; we have automobiles with highways; we have airplanes with airports.

We even have railroad tracks, locomotives and passenger cars.

Communication: Email submitted for public comment (PUBLIC COMMENT)

What we don't have is leadership to apply common sense to transport policy.

And how can we have accountability and transparency with transport agencies where unelected directors make decisions, and report their finances with non-GAAP accounting methods?

It's time to reverse course on public sector HSR, HR, Lite Rail, and County Transit, and return to our free enterprise American roots in transport policy. At present our leaders have us on the same route taken by the Soviet Union's Five Year Plans.

Joe Thompson

(408) 607--7351 cell phone

----- Forwarded Message -----

From: Progressive Railroading <dailynews@progressiverailroading.com>

To: translaw@pacbell.net <translaw@pacbell.net>

Sent: Wednesday, February 13, 2019, 9:03:20 AM PST

Subject: California governor puts the brakes on high-speed rail line

The latest news, events and updates rail professionals need to know.

News From 2/13/2019

GreX



High-Speed Rail



California

Gov. Newsom puts the brakes on LA-to-San Francisco

Communication: Email submitted for public comment (PUBLIC COMMENT)



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

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

APPROVE PURCHASE OF PROPERTY (BETPOLICE) APN 767-03-036 FOR THE HALE AVENUE EXTENSION PROJECT

RECOMMENDATION(S)

1. Adopt resolution approving the purchase of a portion of APN 767-03-036 for \$310,500 plus escrow and closing costs from Farideh Betpolice for the Hale Avenue Extension Project; and
2. Authorize the City Manager to execute all documents and make minor modifications as necessary in order to consummate the transaction.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Fiscal Responsibility

2019 Strategic Priorities

Economic Development
Financial Stewardship

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 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.

In February 2017, the City notified the Betpolice family that a portion of their property was required for the Hale Avenue Extension Project. In August 2017, the City made an initial offer to the Betpolice family for an appraised value of \$462,500, which consisted of 0.57 acres of property. The City negotiated with the Betpolice family for almost a year without reaching a settlement. Subsequently, the project design was revised which resulted in the need for less right of way from the Betpolice family. Thus, an updated offer of \$300,500 was made for 0.35 acres in the Fall of 2018. The City reached out to Betpolice family, but no responses were received after the updated offer was made. In an effort to keep the project on schedule, staff recommended to City Council in December 2018 to adopt a Resolution of Necessity to proceed with eminent domain.

In January 2019, the Betpolice family contacted the City and an administrative

settlement was reached in the amount of \$310,500. Subsequently, a Property Purchase Agreement was prepared and signed by the property owner (Attachment No. 2). Staff, therefore, recommends that City Council approve the property purchase as: 1) the property is required for the project, 2) the owner is a willing seller, 3) the settlement increase is relatively small, and 4) the cost to litigate would be substantially greater. The escrow, closing costs, and title insurance are estimated at \$2,117, bringing the total purchase price to \$312,617.

After the Betpolice acquisition, only one property remains to be acquired, owned by PG&E. On September 5, 2018, City Council authorized staff to begin the eminent domain process on the property owned by PG&E. However, with the recent bankruptcy filing by PG&E, the timing for acquiring the property is in question. Staff have engaged additional outside legal support and have begun the initial steps to continue the eminent domain process on the property while PG&E goes through the bankruptcy process.

COMMUNITY ENGAGEMENT: Involve

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 property purchase at this time and direct staff to acquire the property when the project becomes fully funded. However, delaying the right-of-way acquisition would increase costs, delay the project, and possibly 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.
- On October 3, 2018, City Council approved a Possession and Use Agreement with Garcia for 4.09 acres of property needed to construct the project.
- On December 5, 2018, City Council adopted a Resolution of Necessity to acquire property from Betpolice.

FISCAL AND RESOURCE IMPACT:

Sufficient funds for the \$310,500 property acquisition and \$2,117 in escrow and closing costs, totaling \$312,617, 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).

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. Resolution-Betpolice
2. Attachment A- Property Purchase Agreement
3. Appaisal Summary Statement-Betpolice
4. Grant Deed - Betpolice
5. Project Location Map-Betpolice

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A PROPERTY PURCHASE AGREEMENT FOR A PORTION OF PROPERTY (APN 767-03-036) FROM BETPOLICE, FOR THE HALE AVENUE EXTENSION PROJECT

WHEREAS, the Hale Avenue Extension Project is included in the Fiscal Years 2018-19 through 2023-24 Capital Improvement Program under CIP#546007 with funding budgeted for purchasing right of way, professional services, and construction. The subject property from Farideh Betpolice is required in order to construct the project, and therefore in the public's interest to acquire a portion of the real property for the public Project (Hale Avenue Extension Project); and

WHEREAS, on February 17, 2017, the City of Morgan Hill notified Farideh Betpolice, that the City was interested in purchasing a portion of her property for the Hale Avenue Extension Project from willing sellers; and

WHEREAS, on March 15, 2017, the City of Morgan Hill sent Farideh Betpolice a letter of Notice of Decision to Appraise the subject property; and

WHEREAS, on August 23, 2017, the City of Morgan Hill made an offer to purchase a portion of property (0.57 acres) from Farideh Betpolice for the appraised value of \$462,500 from a state certified MAI appraiser; and

WHEREAS, on September 26, 2018, the City of Morgan Hill made an updated offer to purchase a smaller portion of property (0.35 acres) from Farideh Betpolice for the appraised value of \$300,500 from a state certified MAI appraiser; and

WHEREAS, on December 5, 2018, City Council adopted a Resolution of Necessity for the acquisition of real property consisting of a portion (0.35 acres) of APN 767-03-036 from Farideh Betpolice; and

WHEREAS, on January 25, 2019, the property owner, Farideh Betpolice signed a Property Purchase Agreement for an administrative settlement amount of \$310,500; and

NOW, THEREFORE, City Council of the City of Morgan Hill, based upon the foregoing and all documents, statements and facts known to City Council, does hereby resolve:

SECTION 1. Approval of Property Purchase Agreement. City Council approves the Property Purchase Agreement to acquire a portion (.35 acres) of real property for a total amount of \$310,500 from Farideh Betpolice, see Attachment A. The Settlement amount of \$310,500 plus the estimated \$2,117 escrow and closing costs are hereby approved.

SECTION 2. Authority to City Manager. City Council authorizes the City Manager to execute the Agreement and all documents necessary to consummate the transactions contemplated therein, including without limitation, accepting the Grant Deed. City Council further authorizes the City Manager to make minor modifications to the foregoing described documents which may be necessary to consummate the transactions.

SECTION 3. CEQA. The 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.

The Final Environmental Impact Report concluded that implementation of the Project could result in a number of significant effects on the environment and identified mitigation measures that would mitigate all of those significant effects to a less than significant level.

The City Council finds and determines that the project that is the subject of this Resolution is within the scope of the FEIR, as further modified and approved pursuant to the Mitigation and Monitoring Report.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 20st day of February 2019 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Date: _____

Rich Constantine, MAYOR

☪ 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. _____, adopted by the City Council at a Regular Meeting held on February 20, 2019.

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

DATE: _____

IRMA TORREZ, Agency Secretary

Attachment: Resolution-Betpolice (2160 : Acquisition of Property (Betpolice))

GRANTOR: FARIDEH BETPOLICE
PROJECT NAME: HALE AVENUE EXTENSION PROJECT

APN: 767-03-036 (PORTION OF)

City of Morgan Hill PROPERTY PURCHASE AGREEMENT

In consideration of the terms and conditions set forth in this Property Purchase Agreement (the "Agreement") Farideh Betpolice, Trustee of the Farideh Betpolice Revocable Trust dated February, 9, 2005 ("GRANTOR") shall deposit in an escrow designated by the City of Morgan Hill ("City"), a Grant Deed suitable for recordation and conveying title from GRANTOR to CITY *fee simple interest indicated in Exhibits "A" & "B"* incorporated herein by this reference, covering the property particularly described therein (collectively "Subject Property").

CITY and GRANTOR acknowledge and agree that the property being acquired by CITY is for public use and is necessary for the construction, operation and maintenance of the Hale Avenue Extension Project, a public project.

In consideration of which, and the other considerations hereinafter set forth, it is mutually agreed as follows:

1. Entire Agreement

The parties have herein set forth the whole of their agreement. The performance of this Agreement constitutes the entire consideration for the Grant Deed and shall relieve CITY of all further obligations or claims on this account or on account of the location, grade, construction or operation of the proposed public improvement.

2. CITY shall

- A. Pay the sum of **THREE HUNDRED TEN THOUSAND AND FIVE HUNDRED DOLLARS (\$310,500.00)** for the Subject Property identified in Exhibits "A and B" attached hereto and made a part hereof, to the following title company: Old Republic Title Company "ORTC", for the account of the GRANTOR, Escrow No. 0625008287-BP conditioned upon the Subject Property vesting in CITY free and clear of all liens, leases, encumbrances, (*recorded or unrecorded*), assessments and taxes except any exceptions to title which are acceptable to CITY as said exceptions are identified in the title report relating to the Subject Property issued by the above Title Company bearing the escrow number shown in Clause 2A and dated August 15, 2018, and updates thereof. Clearing of any title exceptions not acceptable to CITY is the responsibility of GRANTOR.
- B. Pay all escrow, recording and title insurance charges, if any, incurred in this transaction.
- C. Prior to the close of escrow, have the authority to deduct and pay from the amount shown in Clause 2A herein any amount necessary to satisfy any liens, bond demands and delinquent taxes due, together with penalties and interest thereon, and/or delinquent and unpaid non delinquent taxes and assessments, which may have become a lien at the close of escrow. Taxes for the tax year in which this escrow closes shall be cleared and paid in the manner required by Section 5086 of the Revenue and Taxation Code if unpaid at the close of escrow. Close of escrow for this transaction shall be contingent upon the title

Attachment: Attachment A- Property Purchase Agreement (2160 : Acquisition of Property (Betpolice))

GRANTOR: FARIDEH BETPOLICE
PROJECT NAME: HALE AVENUE EXTENSION PROJECT

APN: 767-03-036 (PORTION OF)

company receiving deeds of reconveyance from any deed of trust or mortgage holder trustees and beneficiaries.

- D. The consideration set forth in Clause 2A herein shall include payment in full for the following improvements: All buildings, structures and other improvements affixed to the land which are owned by GRANTOR as owner or tenant of the real property proposed to be acquired will also be conveyed unless other disposition of these improvements has been made. The real property interest(s) proposed to be acquired are: a *fee simple*, respectively, as described as Exhibits "A" & "B."

3. CITY Performed Work

All work done under this Agreement shall conform to all applicable building, fire and sanitary laws, ordinances, and regulations relating to such work, and shall be done in a good and workmanlike manner. All structures, improvements or other facilities, when removed, and relocated, or reconstructed by CITY, shall be left in as good condition as found.

4. Payment of Deed of Trust

If this property is secured by a mortgage(s) or deed(s) of trust, GRANTOR is responsible for payment of any demand under authority of said mortgage or deed of trust out of GRANTOR'S proceeds. Such amounts may include, but not be limited to, payments of unpaid principal and interest.

5. Escrow Instructions

GRANTOR hereby authorizes CITY to prepare and file escrow instructions in accordance with this Agreement on behalf of both parties.

6. Hazardous Wastes

The acquisition price of the Subject Property being acquired in this transaction reflects the fair market value of the Subject Property without the presence of contamination. If the Subject Property being acquired is found to be contaminated by the presence of hazardous waste which requires mitigation under Federal or State law, the CITY may elect to recover its clean-up costs from those who caused or contributed to the contamination. GRANTOR shall further indemnify, defend, save and hold harmless the CITY from any and all claims, costs and liability, including reasonable attorney's fees, for any damage, injury or death to persons or property arising directly or indirectly from or connected with the existence of toxic or hazardous material on the Subject Property, save and except claims, costs or litigation arising through the sole willful misconduct of the CITY, its agents or employees.

7. Right of Possession and Use

It is agreed and confirmed by the parties hereto that, notwithstanding the other provisions in this Agreement, the right of possession and use of the Subject Property by CITY, and/or its designees or assignees including the right to remove and dispose of improvements, and install and connect utilities shall commence on the close of escrow and that the amount shown in Clause 2A herein includes, but is not limited to, full

payment for such possession and use, including interest and damages if any, from said date.

8. Binding on Successors and Assigns

This Agreement shall be binding on and inure to the benefit of the respective heirs, successors and assigns of the parties to this Agreement.

9. No Leases

GRANTOR warrants that there are no oral or written leases on all or any portion of the Subject Property exceeding a period of one month, and GRANTOR further agrees to hold CITY harmless and reimburse CITY for any and all of its losses and expenses occasioned by reason of any lease of said Subject Property held by any tenant of GRANTOR for a period exceeding one month.

10. Quitclaim Deeds

If any lessee interests are identified in Clause 9 herein, as a condition precedent to approval of this Agreement by the CITY Council, Quitclaim Deeds or similar releases sufficient to clear any possessory rights from the Subject Property will be required. GRANTOR agrees to assist CITY in securing said Quitclaim Deeds or releases.

11. Release of Claims

GRANTOR, for itself, its agents, assigns, successors in interest, and any related or affiliated entities, hereby fully releases and discharges CITY, its agents, employees, officers, directors, divisions, attorneys, accountants, insurers, successors, and other representatives, and any and all related or affiliated private or public agencies or entities, from any and all causes of action, actions, judgments, liens, indebtedness, obligations, losses, claims, damages, liabilities and demands, including without limitation any claim arising out of or pertaining, directly or indirectly, to the acquisition of the Subject Property described in this Agreement and the construction of any improvements thereon, including without limitation, inverse condemnation, nuisance, severance damages, relocation benefits, reestablishment benefits, the cost or value of any equipment or fixtures, attorneys' fees and costs, loss of goodwill, construction-related dust, noise, traffic and other related construction activity, and lost rentals or business associated with construction of any improvements, and any other types of related losses or damages.

GRANTOR acknowledges that it may hereafter discover facts or law different from, or in addition to that which it now believes to be true with respect to his/her release of claims as set forth in this Agreement, and understands that by executing this Agreement it is waiving any rights of claims for any other or future benefits or damages to which it might be entitled which are not specifically exempted herein. In giving this release, GRANTOR expressly waives the protection of Civil Code Section 1542, which statute provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

GRANTOR: FARIDEH BETPOLICE
PROJECT NAME: HALE AVENUE EXTENSION PROJECT

APN: 767-03-036 (PORTION OF)

12. Approval of CITY

GRANTOR understands that this Agreement is subject to the approval of CITY. Further, that this Agreement shall have no force or effect unless and until said CITY approval has been obtained.

13. Authority to Sign

GRANTOR and the signatories represent and warrant that the signatories to this Agreement are authorized to enter into this Agreement to convey real property and that no other authorizations are required to implement this Agreement on behalf of GRANTOR.

14. Integrity of Property

Except as otherwise provided herein or by express written permission granted by CITY, GRANTOR shall not, after the date of execution of this Agreement and the close of escrow, alienate, lien, encumber or other transfer of the Subject Property or any portion thereof or allow the same to occur, cause or allow any physical changes on the Subject Property, or enter into any lease or contract with respect to the Subject Property or any portion thereof which would survive the close of escrow and impair CITY's use of the Subject Property. GRANTOR shall maintain the Subject Property in its current condition and shall make, at GRANTOR's expense, all repairs necessary to maintain the Subject Property in such condition.

16. Counterparts Signature

This Agreement may be executed in counterparts, each of which shall be an original, but all counterparts shall constitute one agreement.

17. Specific Performance and Other Remedies

The parties understand that the interests and rights being conveyed by this Agreement are unique and for that reason, among others, the parties will be irreparably damaged in the event that this Agreement is not specifically enforced. Accordingly, in the event of any controversy concerning the obligations under this Agreement, such obligation shall be enforceable by a decree of specific performance or by injunction. Such remedies and all other rights and remedies set forth herein shall be cumulative and not exclusive, and shall be in addition to any and all other remedies which the parties may have hereunder at law or in equity.

(As used above, the term, "GRANTOR" shall include the plural as well as the singular number.)

Attachment: Attachment A- Property Purchase Agreement (2160 : Acquisition of Property (Betpolice))

GRANTOR: FARIDEH BETPOLICE
PROJECT NAME: HALE AVENUE EXTENSION PROJECT

APN: 767-03-036 (PORTION OF)

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first written herein below.

CITY:

City of Morgan Hill
A Municipal Corporation

GRANTOR:

Farideh Betpolice, Trustee of the Farideh
Betpolice Revocable Trust dated February,
9, 2005

BY: _____

Christine Turner
Title: City Manager

By: _____

Farideh Betpolice, Trustee

Date: _____

Date: 1, 25, 19

APPROVED AS TO FORM:

By: _____

Donald Larkin

Title: City Attorney

Date: _____

NO OBLIGATION OTHER THAN SET FORTH HEREIN WILL BE RECOGNIZED

Attachment: Attachment A- Property Purchase Agreement (2160 : Acquisition of Property (Betpolice))

EXHIBIT "A"
LEGAL DESCRIPTION

All that real property situate in Section 28, Township 9 South, Range 3 East, in the City of Morgan Hill, County of Santa Clara, State of California, being a portion of LOT 1, as shown on that certain PARCEL MAP, filed April 9, 1985 in Book 541 Page 29, Official Records of Santa Clara County, more particularly described as:

Beginning at the northwesterly corner of said LOT 1;
Thence along the northerly line of said LOT 1, North 55°06'29" East, a distance of 37.01 feet;
Thence leaving said northerly line, South 24°00'55" East, a distance of 33.65 feet;
Thence South 26°38'05" East, a distance of 56.28 feet;
Thence South 26°05'08" East, a distance of 58.55 feet;
Thence South 22°35'35" East, a distance of 60.89 feet;
Thence South 00°12'06" West, a distance of 59.04 feet;
Thence South 12°53'36" West, a distance of 55.98 feet;
Thence South 13°40'21" West, a distance of 14.14 feet to a point on the westerly line of said LOT 1, said point also being the beginning of a non-tangent curve to the left, concave to the west, with a radius of 828.86 feet and a chord bearing North 25°40'30" West, a distance of 25.41 feet;
Thence along the westerly line of said LOT 1 and said curve, through a central angle of 01°45'23", a distance of 25.41 feet to the beginning of a non-tangent curve to the right, concave to the east, with a radius of 2004.94 feet and a chord bearing North 24°08'50" West, a distance of 102.27 feet;
Thence continuing along said westerly line and said curve, through a central angle of 02°55'22", a distance of 102.28 feet;
Thence continuing along said westerly line, North 15°24'14" West, a distance of 186.50 feet to the **Point of Beginning**.

Attachment: Attachment A- Property Purchase Agreement (2160 : Acquisition of Property (Betpolice))

Subject to a 50' ELECTRIC TRANSMISSION POLE LINE RIGHT OF WAY easement granted to COAST COUNTIES GAS AND ELECTRIC COMPANY, recorded August 18, 1947 Book 1496 Page 180, Official Records of Santa Clara County.

Subject to a 50' ELECTRIC TRANSMISSION LINE RIGHT OF WAY easement granted to COAST COUNTIES GAS AND ELECTRIC COMPANY, recorded February 4, 1952 Book 2359 Page 542, Official Records of Santa Clara County.

Containing 15,314 square feet or 0.35 acres, more or less.

Assessor's Parcel Number: 767-03-036

This real property description has been prepared at Mark Thomas, by me, or under my direction, in conformance with the Professional Land Surveyors Act.




Travis Timothy Bohan, LS 8965

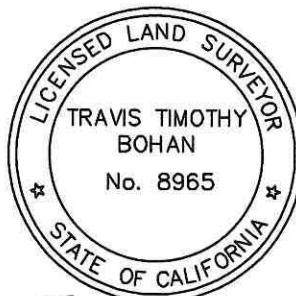
SEPT. 11, 2018
Date

Attachment: Attachment A- Property Purchase Agreement (2160 : Acquisition of Property (Betpolice))

LEGEND

POB POINT OF BEGINNING
 POC POINT OF COMMENCEMENT
 ROW RIGHT OF WAY
 CB CHORD BEARING
 CH CHORD DISTANCE
 ○ DIMENSION POINT
 AREA TO BE ACQUIRED
 AREA TO BE ACQUIRED
 ENCUMBERED BY EASEMENT

SECTION 28,
 T9S, R3E, M.D.B.&M.

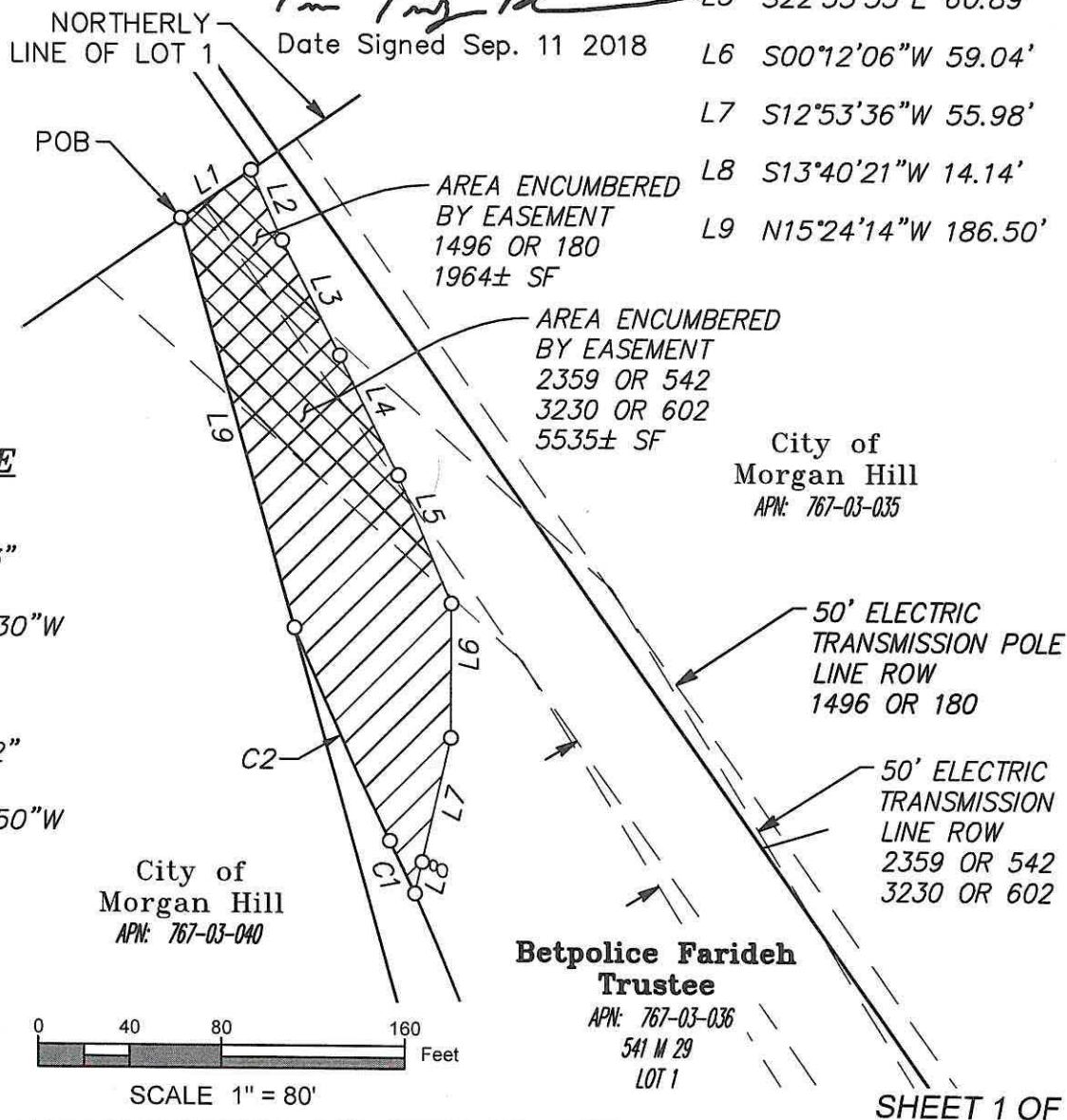
**LINE TABLE**

L1 N55°06'29"E 37.01'
 L2 S24°00'55"E 33.65'
 L3 S26°38'05"E 56.28'
 L4 S26°05'08"E 58.55'
 L5 S22°35'35"E 60.89'
 L6 S00°12'06"W 59.04'
 L7 S12°53'36"W 55.98'
 L8 S13°40'21"W 14.14'
 L9 N15°24'14"W 186.50'

CURVE TABLE

$R=828.86'$
 $\Delta=001^{\circ}45'23''$
 C1 $L=25.41'$
 $CB=N25^{\circ}40'30''W$
 $CH=25.41'$

 $R=2004.94'$
 $\Delta=002^{\circ}55'22''$
 C2 $L=102.28'$
 $CB=N24^{\circ}08'50''W$
 $CH=102.27'$



MARK THOMAS

Scale: 1" = 80'
 Date Sep. 2018
 Drawn By ADB
 Checked By TTB

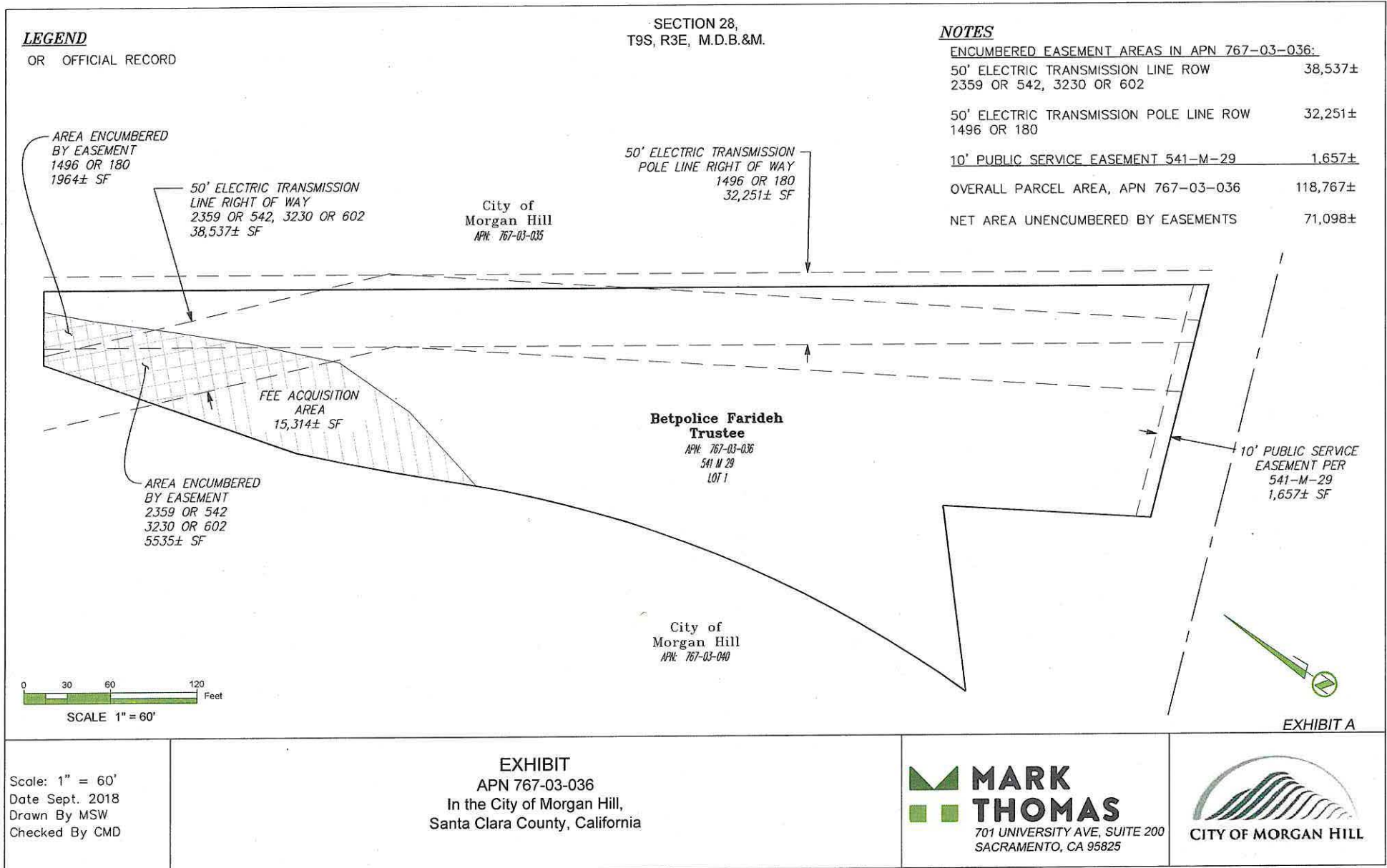
Exhibit B
FEE

APN 767-03-036

Plat to Accompany Legal Description
 In the City of Morgan Hill,
 Santa Clara County, California



CITY OF MORGAN HILL



CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

BASIC PROPERTY DATA

OWNER:	Farideh Betpolice, Trustee of the Farideh Betpolice Revocable Trust dated February 9, 2005
PROJECT:	Hale Avenue Extension
PROPERTY ADDRESS:	North Side of West Dunne, West of View Crest Lane, Morgan Hill, CA
DATE PROPERTY ACQUIRED BY OWNER:	More than five (5) years
ZONING:	RE-1, Residential Estate and R-2-3, 500 Medium Density Residential
GENERAL PLAN:	Residential Estate up to 1 DU/Acre and Residential attached Low 6-16 DU/acre
PRESENT USE:	Vacant Land
HIGHEST AND BEST USE®:	As Vacant: Residential subdivision development As improved: Not applicable – vacant land
TOTAL PROPERTY AREA:	2.73 acres or 118,767 square feet
PROPERTY RIGHTS PROPOSED TO BE ACQUIRED:	Fee Simple Interest Parcel: 15,314 square feet; 0.35 acre
DATE OF THIS VALUATION:	September 20, 2018

BASIS OF VALUATION

The just compensation being offered by the City of Morgan Hill (City) is not less than the City approved appraisal of the fair market value of the property. The fair market value of the property proposed for acquisition is based on a fair market value appraisal prepared according to accepted appraisal procedures. Where appropriate, sales of comparable properties and income data are utilized. Principal transactions of comparable properties, where evaluated, are included herein (Page 8). The appraiser has given full and careful consideration to the highest and best use for development of the property and to all features inherent in the property, including, but not limited to, zoning, development potential and the income the property is capable of producing.

California Code of Civil Procedure Section 1263.320 defines fair market value as follows:

- a.) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

Land Value of the Subject Parcel: Before Condition						
Whole Property - Before Condition	Estimated Value \$/Sq. Ft.	% Encumbered	Land Area Sq. Ft.		Estimated Value	
Total Land Area			115,767			
Unencumbered Fee Simple Value:	\$21.50	x	N/A	x	115,767	= \$2,553,491
Less: Areas Encumbered by Electric Easements & PSE	\$21.50	x	20%	x	47,659	= \$204,977
Concluded Fair Market Value of the Subject Property						\$2,348,514

Proposed Fee Simple Interest Parcel:							
Property Rights Required	Estimated Value				Land Area		
	\$/Sq. Ft.	% Encumbered			Sq. Ft.	Estimated Value	
Unencumbered Fee Simple Parcel:	\$21.50	x	N/A	x	15,314	=	\$329,251
Less: Areas Encumbered by Electric Easements	\$21.50	x	20%	x	6,699*	=	\$28,806
Total Estimated Fair Market Value: Fee Simple Parcel							\$300,445

The amount of any other compensation: \$ 0.00

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

Estimated Just Compensation

The estimated fair market value of the proposed acquisition parcels required from the subject property, damages as a result of a portion being an uneconomic remnant, and the recommended Just Compensation are summarized as follows:

Land:

Fee Simple Interest Parcel:	\$300,445.00
Damages:	
Benefits:	\$ 0.00

Total Value: Recommended Appraised Value:	\$300,445.00
--	---------------------

<i>Rounded To:</i>	<u>\$300,500.00</u>
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Construction Contract Work (CCW)

There is no known construction contract work required.

SUMMARY OF THE BASIS FOR JUST COMPENSATION

Narrative summary of the valuation process supporting compensation:

As Vacant

The subject property consists of a 2.73-acre site suitable for development of residential dwelling units ranging in density from 1 to 4.75 dwelling units per acre, based on the zoning and General Plan designations reported by the City of Morgan Hill Planning Department and potential development restrictions resulting from the topography of the site and the City's Hillside Ordinance. The Appraiser estimated that about 25% of the land is suitable for the higher density under the Residential Attached Low (RAL) zoning and the majority of the land allows for only up to 1 dwelling unit per acre. Access to the site is from West Dunne Avenue.

The size and shape of the property, along with existing encumbrances, do not appear to prohibit it from being developed for residential subdivision purposes in accordance with the zoning and General Plan designation; however, the subject's shape, topography and existing easements limits its site utility.

Based on current market conditions and the high demand for housing, residential development is concluded to be financially feasible and the maximally productive use of the subject land. With Measure S being recently passed by voters to extend the slow growth initiative of Measure C, the timing of any new development is unknown. However, based on the number of properties under construction and the number of land sales that sold without Measure S allotments, this factor does not appear to be a significant deterrent in investing in residential land in Morgan Hill and/or developing vacant land for a similarly allowed use. Therefore, the highest and best use of the subject property is concluded to be for a low-density residential subdivision development.

As Improved

The subject property is vacant land and there are no improvements.

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

Property to be Acquired

This assignment, requested by the City of Morgan Hill, is for the market valuation of one partial fee simple acquisition parcel.

The proposed fee simple interest parcel required is located along the east side of the proposed Hale Avenue extension road right-of-way at the northwest corner of the subject parcel. According to a plat map and legal description provided, the area required consists of approximately 15,314 square feet; 0.35 acre.

There are no known site improvements located in the proposed acquisition area.

A plat map, legal descriptions, area calculations and an exhibit showing the right-of-way needs for the project and existing encumbrances were provided to the Appraiser for use in determining the proposed acquisition area.

Value of the Area to be Acquired

Fee Simple Acquisition Parcel

The City of Morgan Hill requires one parcel from the subject property in fee simple interest for the Hale Avenue Extension Project. As previously described, the area required consists of approximately 15,314 square feet; 0.35 acre. A map exhibit provided also indicates that the fee simple acquisition is encumbered by the following:

- 5,535 square feet – Electric Transmission Pole Line Right of Way 1496 OR 180
- 1,964 square feet – Electric Transmission Line Right of Way 2359 OR 542, 3230 OR 602

Based on scaling the existing encumbered areas using Google Earth Pro, it is estimated that the electric line easements overlap by approximately 800 square feet within the proposed fee acquisition. This 800 square feet estimate will be deducted from the total electric line easement areas so that areas of overlap are not double counted.

Based on the previously concluded fee simple unit value of the subject larger parcel of \$21.50 per square foot, the proposed fee simple acquisition area is valued as illustrated below.

Proposed Fee Simple Interest Parcel:						
Property Rights Required	Estimated Value		% Encumbered		Land Area	Estimated Value
	\$/Sq. Ft.				Sq. Ft.	
Unencumbered Fee Simple Parcel:	\$21.50	x	N/A	x	15,314	= \$329,251
Less: Areas Encumbered by Electric Easements	\$21.50	x	20%	x	6,699*	= \$28,806
Total Estimated Fair Market Value: Fee Simple Parcel						\$300,445

*Calculated as 5,535 SF + 1,964 SF (- 800 SF overlap based on measurements using Google Earth Pro)

Site Improvements in Acquisition Areas

The subject property is vacant land and no site improvements were observed at the time of inspection.

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

Value of the Remainder in the Before Condition

The value of the remainder in the before condition is a calculation of the subject larger parcel in the before condition less the areas proposed for acquisition and prior to the consideration of damages. Therefore, the value of the remainder subject property, in the before condition, is reduced by the concluded values for the proposed partial acquisition parcels and calculated as follows:

Value of the Remainder Land as Part of the Whole - Before Condition - Updated	
Value of the Subject Property: Before Condition	\$2,348,514
Less: Value of the Fee Acquisition Parcel:	\$300,445
Value of the Remainder Parcel: Before Condition	\$2,048,069

Damages

Damages generally occur when the acquisition of a portion of a property results in the remaining property having less value after the acquisition and construction of the project in the manner proposed than it had as part of the original property prior to the taking. Stated another way, after the acquisition of a portion of the property and construction of the project in the manner proposed, the value of the remaining property is less than it was as part of the entire property before the taking.

In the before condition, the subject property consists of 2.73 acres or 118,767 square feet of vacant land comprised of one legal parcel. After the proposed acquisitions, the size of the property is reduced by the area of the proposed fee simple interest parcel for a remainder area of 103,453 square feet or 2.37 acres. Portions of the remainder property are encumbered by pre-existing easements. The unencumbered remainder property will have generally similar utility and access as in the before condition and the highest and best use will remain the same. Therefore, the Appraiser has concluded that there are no damages as a result of the proposed acquisition or from the construction of the project as proposed.

Benefits

The construction of the project is intended to improve circulation in the project area. However, since no permanent damages were found to accrue to the subject remainder as a result of the proposed project, any specific benefits that may or may not occur for the subject property remainder have not been quantified. On the other hand, there will be general benefits to the properties in the subject neighborhood and the Morgan Hill community as a result of the project.

Estimated Just Compensation

The estimated fair market value of the proposed acquisition parcel required from the subject property and the recommended Just Compensation are summarized as follows:

Land:	
Fee Simple Interest Parcel	\$300,445
Damages:	\$0
Benefits:	\$0
Total Value: Recommended Just Compensation:	\$300,445
Rounded To:	\$300,500

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

Highest and Best Use Analysis

The following definition of the term "Highest and Best Use" provides a reasonable basis for analyzing the subject property:

The reasonable, probable and legal use of vacant land or improved properties which is physically possible, appropriately supported, financially feasible, and results in the highest value. Inherent in this definition are the following four criteria:

Legally Permissible: What uses are permitted, given existing deed and lease restrictions, zoning, building codes, historic controls, and environmental regulations?

Physically Possible: What uses of the site are possible, given the physical characteristics as revealed in the site analysis?

Financially Feasible: Which possible and permissible uses will produce positive net income from the development of the site after paying operating expenses and other financial obligations?

Maximally Productive: Which financially feasible use will provide the highest value or rate of return on investment?

The primary purpose of the highest and best use analysis is to identify the most productive, competitive use to which the property can be put. This analysis is done in two parts. The first part considers the possible uses of the site as if vacant. The second part evaluates the improvements to determine if they represent the highest and best use or if they should be modified.

Another purpose of the highest and best use analysis is to assist in defining the scope of the appraisal. In investigating the highest and best use, items that affect value such as accrued depreciation and functional and external obsolescence are identified. Also, by defining the highest and best use the selection of the comparable sales is narrowed, as they typically have the same or similar highest and best use.

Based on the four tests of legally permissible, physically possible, financially feasible, and maximally productive, the Appraiser analyzed the highest and best use of the subject vacant land.

As Vacant

The subject property consists of a 2.73-acre site suitable for development of residential dwelling units ranging in density from 1 to 4.75 dwelling units per acre, based on the zoning and General Plan designations reported by the City of Morgan Hill Planning Department and potential development restrictions resulting from the topography of the site and the City's Hillside Ordinance. The Appraiser estimated that about 25% of the land is suitable for the higher density under the Residential Attached Low (RAL) zoning and the majority of the land allows for only up to 1 dwelling unit per acre. Access to the site is from West Dunne Avenue.

The size and shape of the property, along with existing encumbrances, do not appear to prohibit it from being developed for residential subdivision purposes in accordance with the zoning and General Plan designation; however, the subject's shape, topography and existing easements limits its site utility.

Based on current market conditions and the high demand for housing, residential development is concluded to be financially feasible and the maximally productive use of the subject land. With Measure S being recently passed by voters to extend the slow growth initiative of Measure C, the timing of any new development is unknown. However, based on the number of properties under construction and the number of

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

land sales that sold without Measure S allotments, this factor does not appear to be a significant deterrent in investing in residential land in Morgan Hill and/or developing vacant land for a similarly allowed use. Therefore, the highest and best use of the subject property is concluded to be for a low-density residential subdivision development.

As Improved

The subject property is vacant land and there are no improvements.

Valuation Methodology

There are three generally recognized approaches considered in the valuation of real property. These are the cost approach, sales comparison approach, and income approach. The type and age of the property and the quantity and quality of the available data affect the applicability of each approach in a specific appraisal situation.

The **Cost Approach** estimates, through support sources, the cost of constructing the subject improvements. Accrued depreciation from all causes is estimated and deducted from the estimates of cost new of the improvements. The market value of the land is added to this depreciated cost estimate to indicate the value of the subject property by the cost approach.

The **Land Value Estimate** in the valuation process is usually a separate step, which is generally accomplished through the application of the sales comparison approach. The land value conclusion is then incorporated into the cost approach.

The **Sales Comparison Approach** involves a search for recent sales of properties similar to the subject. The prices paid for these properties provide the basis for estimating the value of the subject by comparison. Adjustments are made for the differences in the properties as they compare to the subject. A correlation of the data provides a value estimate for the subject. This is the most used, and considered the most reliable, approach to estimating the value of land.

The **Income Approach** looks at the relationship between a property's income producing ability and the value buyers and sellers assign to the income. An estimate is made of the market rent to indicate an annual gross income. Estimated fixed and variable operating expenses are deducted from the annual gross income to provide an annual net operating income. An indicated value of the subject is derived through direct capitalization of the indicated net income by a market derived overall rate or through the use of the discounted cash flow technique.

Reconciliation involves consideration of the relevance and influence of each approach in relation to the actions of typical users and investors of properties and particularly the subject property. The three indications of value are discussed and reconciled into a final conclusion of market value.

The City of Morgan Hill has requested an appraisal of the current market value of the proposed partial acquisition parcels required from the subject larger parcel.

Since the proposed acquisition parcels will include only land, the value of the land has been estimated by applying the Sales Comparison Approach. The prices paid for land with similar development potential as the subject provide a basis for estimating the value of the subject by comparison. The concluded unit value has been used to value the proposed acquisition parcels. The income and cost approaches are not considered applicable to this assignment since these approaches do not typically apply to the valuation of land.

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

Sales Comparison Approach

Research was conducted to find comparable land sales in the subject's market area.

The following table on the next page displays a summary of the selected sales, which are judged to be most representative of current market conditions for the subject larger parcel. The most comparable land sales reflecting the actions of buyers and sellers in the marketplace are summarized below:

Sales Data Summary

Residential Land Sales Data

No.	Address City, State APN	Type of Transaction COE	Parcel Size (Acres) Parcel Size (Sq. Ft.)	Zoning General Plan	Density Entitlements	Sales Price \$/Sq. Ft. (Land)
RL-01	505 E Dunne Ave Morgan Hill, CA 726-02-014	Sale 07/19/18	5.05 218,978	Residential Attached Low Density, Residential Planned Development Overlay Residential Attached Low, 6-16 DU/Acre	6.34 DU / AC Tentative Map and Allotments for 32 units	\$5,500,000 \$25.00
RL-02	NEC E. Dunne Ave & Hill Rd Morgan Hill, CA 728-11-026	Sale 06/13/18	1.82 70,587	Residential Detached Medium Density, Residential Planned Development Overlay Residential Detached Medium, up to 7 DU/Acre	3.1 DU / AC Final Map and Allotments for 5- lot Residential Subdivision	\$1,950,000 \$27.93
RL-03	215 Tennant Ave Morgan Hill, CA 817-04-059	Sale 01/25/18	0.99 43,124	Residential Attached Low Density (RAL 3,500) Residential Attached Low, 6-16 DU/Acre	Up to 11.3 DU / AC None	\$1,000,000 \$23.19
RL-04	605 E. Main Avenue Morgan Hill, CA 726-20-081 thru 092	Sale 03/24/17	3.64 158,558	R1-7,000, RPD, Single-Family District, Residential Planned Development Overlay Residential Detached Medium, up to 7 DU/Acre	3.3 DU / AC Final Map and Allotments for 12-lot Residential Subdivision	\$4,640,899 \$29.27
RL-05	North Side Laurel Road Morgan Hill, CA 726-01-008	Sale 09/28/16	9.50 283,140	PUD, Planned Unit Development Residential Attached Low, 6-16 DU/Acre	10.0 DU / AC Tentative Map for 65 Residential Units	\$6,150,000 \$21.72
RL-06	NEC E. Dunne Ave & Hill Rd Morgan Hill, CA 728-11-026	Sale 02/05/18	1.82 70,587	R1-7,000, RPD, Single-Family District, Residential Planned Development Overlay Residential Detached Medium, up to 7 DU/Acre	3.7 DU/Acre Allotments for 6 units	\$1,350,000 \$19.13
Subject	North Side of W. Dunne Avenue, West Side of Viewcrest Lane Morgan Hill, CA 767-03-036	DOV 09/20/18	2.73 118,767	RE-1, Residential Estate & RAL-3,500, Medium Density Residential Residential Estate up to 1 DU/Acre & Residential Low 6-16 DU/Acre	Estimated at 1-4.75 DU/Acre None	N/A

Benefits

In the after condition, circulation in the area will be improved with the extension of Hale Avenue and the construction of a roundabout at the intersection of West Dunne Avenue and the new Hale Avenue extension to provide improved circulation at controlled speeds. Although there will be general benefits to the properties in the subject neighborhood and the Morgan Hill community as a result of the project, no benefits were found to accrue to the subject property.

CITY OF MORGAN HILL
APPRAISAL SUMMARY STATEMENT AND
SUMMARY OF THE BASIS FOR JUST COMPENSATION
(Pursuant to Government Code Section 7267.2)

APN: 767-03-036

DEFINITIONS*

① Highest and Best Use Analysis

Highest and best use is defined as the reasonably probable use of land which is legally permissible, physically possible, and financially feasible that results in the highest value. Highest and best use analysis is used in the appraisal process to identify comparable properties and, where applicable, to determine whether the existing improvements should be retained, renovated, or demolished.

② Improvements Pertaining to the Realty (if any)

Machinery, Fixtures and Equipment identified here were separately valued as improvements pertaining to the realty. Prior to escrow close, owner and lessee must agree (and confirm in writing) as to ownership of said improvements pertaining to the realty.

③ Severance Damages (Applies to Proposed Partial Acquisitions)

The appraisal also determines whether or not the City's proposed acquisition results in damages to the remaining property. The basis for this determination is whether or not the value of the remainder is diminished by reason of the anticipated acquisition of the property interest being acquired and the construction of the improvement in the manner proposed. (Cost to Cure) Severance Damages may be mitigated or entirely eliminated by estimating the cost to cure the damages.

④ Benefits (Applies to Proposed Partial Acquisitions)

Benefit to the remainder is the benefit, if any, caused by the construction and use of the project for which the property is acquired in the manner proposed.

* These definitions are general and provided to assist in the discussion related to the proposed acquisition. They are not intended to be legal definitions.

An owner-occupant of a residential property containing four (4) units or less has a right to review the appraisal on which the written offer to purchase is based.

Appraisal Summary and Offer of Just Compensation
Authorized and Approved for Presentation:

City of Morgan Hill

By: Daryl Hutton

Title: Associate Engineer

Date: 9-26-18

CITY OF MORGAN HILL, HALE AVENUE EXTENSION PROJECT
SUMMARY STATEMENT RELATING TO THE PURCHASE OF REAL PROPERTY OR AN INTEREST THEREIN

The City of Morgan Hill ("City") is proposing to purchase real property or interests therein, and related improvements and appurtenances in connection with the construction of the Hale Avenue Extension Project ("Project").

Your property located at North Side of West Dunne Avenue, West of View Crest Lane is within the project area and identified by the Santa Clara County Assessor as Parcel No.767-03-036.

Title III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the California Relocation Assistance and Real Property Acquisition Guidelines require that you, as an owner from whom a public agency proposes to purchase real property or an interest therein or as a tenant owning improvements on the property must be provided with a summary of the appraisal of the real property or interest therein, as well as the following information:

1. You are entitled to receive full payment prior to vacating the real property proposed to be purchased unless you have heretofore waived such entitlement. You are not required to pay recording fees, transfer taxes, or the pro rata portion of real property taxes allocable to any period following the passage of title or possession.
2. *The City* will offer to purchase any remnant(s) considered by the City to be an uneconomic unit(s) which is/are owned by you or, if applicable, occupied by you as a tenant and which is/are contiguous to the land being conveyed.
3. All buildings, structures and other improvements affixed to the land described in the referenced document(s) covering this transaction and owned by the grantor(s) herein or, if applicable, owned by you as a tenant, of the real property proposed to be acquired are being conveyed unless other disposition of these improvements has been made. The real property interests proposed to be acquired include: a fee simple interest consisting of 15,314 square feet (0.35 acre) and is described in the Property Purchase Agreement and in the Appraisal Summary Statement and Statement of the Basis of Just Compensation delivered contemporaneously with this document.
4. The market value of the property proposed to be acquired is based upon a market value appraisal which is summarized on the attached Appraisal Summary Statement and such amount:
 - A. Represents the full amount of the appraisal of just compensation for the property proposed to be purchased;
 - B. Is not less than the approved appraisal of the fair-market value of the property as improved;
 - C. Disregards any decrease or increase in the fair-market value of the real property proposed to be acquired prior to the date of valuation which might be caused by the Project itself or by the likelihood that the property would be acquired for or in connection with the Project, other than that due to physical deterioration within the reasonable control of the owner or occupant; and
 - D. Does not reflect any consideration of or allowance for any relocation assistance and payments or other benefits which the owner is entitled to receive under an agreement with the City.
5. Pursuant to California Code of Civil Procedure Section 1263.025, should you elect to obtain an independent appraisal, the City will pay for the actual reasonable costs up to five thousand dollars (\$5,000) subject to the following conditions:
 - A. You, not the City must order the appraisal. Should you enter into a contract with the selected appraiser, the City will not be a party to the contract.
 - B. The selected appraiser must be licensed with the California Bureau of Real Estate Appraisers (BREA).

CITY OF MORGAN HILL, HALE AVENUE EXTENSION PROJECT
SUMMARY STATEMENT RELATING TO THE PURCHASE OF REAL PROPERTY OR AN INTEREST THEREIN

Appraisal cost reimbursement requests must be made in writing, and submitted to the City at 17575 Peak Avenue, Morgan Hill, California 95037-4128 within ninety (90) days of the earliest of the following dates: (1) the date the selected appraiser requests payment from you for the appraisal; or (2) the date upon which you, or someone on your behalf, remitted full payment to the selected appraiser for the appraisal. Copies of the contract (if a contract was made), appraisal report, and invoice for completed work by the appraiser must be provided to City of Morgan Hill concurrent with submission of the appraisal cost reimbursement request. The costs must be reasonable and justifiable.

6. The owner of a business conducted on a property proposed to be acquired, or conducted on the remaining property which will be affected by the purchase of the required property, may be entitled to compensation for the loss of goodwill. Entitlement is contingent upon the business owner's ability to prove such loss in accordance with the provisions of Sections 1263.510 and 1263.520 of the California Code of Civil Procedure.
7. If you ultimately elect to reject the City's offer for your property, you are entitled to have the amount of compensation determined by a court of law in accordance with the laws of the State of California.
8. You are entitled to receive all benefits that are available through donation to the City of all or part of your interest in the real property sought to be acquired by the City as set out in Street and Highways Code Sections 104.2 and 104.12.
9. Use of the property for its stated public use is scheduled to begin within two (2) years of its acquisition.

Attachment: Appraisal Summary Statement-Betpolice (2160 : Acquisition of Property (Betpolice))

RECORDING REQUESTED BY:

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

WHEN RECORDED MAIL TO:

City Clerk's Office
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037-4128

Attn: City Clerk

SPACE ABOVE FOR RECORDER'S USE

APN: 767-03-036 (Portion, if applicable)

This document is exempt from the payment of a recording fee pursuant to Government Code § 27383 and §6103, and exempt from Documentary Transfer Tax pursuant to California Revenue and Taxation Code Section 11922 (Governmental Agency acquiring title).

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

FARIDEH BETPOLICE, TRUSTEE OF THE FARIDEH BETPOLICE REVOCABLE TRUST DATED FEBRUARY 9, 2005 (GRANTOR)

HEREBY GRANT(S) TO

CITY OF MORGAN HILL, A MUNICIPAL CORPORATION, (GRANTEE)

That certain property in the County of Santa Clara, State of California, more particularly described in Exhibits "A" and "B", attached hereto and by this reference incorporated herein.

**FARIDEH BETPOLICE, TRUSTEE OF THE
 FARIDEH BETPOLICE REVOCABLE
 TRUST DATED FEBRUARY 9, 2005
 (GRANTOR)**

By: 

Farideh Betpolice, Trustee

Date: 1, 25, 19

Attachment: Grant Deed - Betpolice (2160 : Acquisition of Property (Betpolice))

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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 this 25 day of January, 2019, before me, Rosalyn M. Zeigler, a Notary Public in and for the State of California, personally appeared Farideh Betpolice proved to me on the basis of satisfactory evidence to be the person(s) 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 the day and year first above written.

Rosalyn M. Zeigler
NOTARY PUBLIC



Attachment: Grant Deed - Betpolice (2160 : Acquisition of Property (Betpolice))

EXHIBIT "A"
LEGAL DESCRIPTION

All that real property situate in Section 28, Township 9 South, Range 3 East, in the City of Morgan Hill, County of Santa Clara, State of California, being a portion of LOT 1, as shown on that certain PARCEL MAP, filed April 9, 1985 in Book 541 Page 29, Official Records of Santa Clara County, more particularly described as:

Beginning at the northwesterly corner of said LOT 1;
Thence along the northerly line of said LOT 1, North 55°06'29" East, a distance of 37.01 feet;
Thence leaving said northerly line, South 24°00'55" East, a distance of 33.65 feet;
Thence South 26°38'05" East, a distance of 56.28 feet;
Thence South 26°05'08" East, a distance of 58.55 feet;
Thence South 22°35'35" East, a distance of 60.89 feet;
Thence South 00°12'06" West, a distance of 59.04 feet;
Thence South 12°53'36" West, a distance of 55.98 feet;
Thence South 13°40'21" West, a distance of 14.14 feet to a point on the westerly line of said LOT 1, said point also being the beginning of a non-tangent curve to the left, concave to the west, with a radius of 828.86 feet and a chord bearing North 25°40'30" West, a distance of 25.41 feet;
Thence along the westerly line of said LOT 1 and said curve, through a central angle of 01°45'23", a distance of 25.41 feet to the beginning of a non-tangent curve to the right, concave to the east, with a radius of 2004.94 feet and a chord bearing North 24°08'50" West, a distance of 102.27 feet;
Thence continuing along said westerly line and said curve, through a central angle of 02°55'22", a distance of 102.28 feet;
Thence continuing along said westerly line, North 15°24'14" West, a distance of 186.50 feet to the **Point of Beginning**.

Attachment: Grant Deed - Betpolice (2160 : Acquisition of Property (Betpolice))

Subject to a 50' ELECTRIC TRANSMISSION POLE LINE RIGHT OF WAY easement granted to COAST COUNTIES GAS AND ELECTRIC COMPANY, recorded August 18, 1947 Book 1496 Page 180, Official Records of Santa Clara County.

Subject to a 50' ELECTRIC TRANSMISSION LINE RIGHT OF WAY easement granted to COAST COUNTIES GAS AND ELECTRIC COMPANY, recorded February 4, 1952 Book 2359 Page 542, Official Records of Santa Clara County.

Containing 15,314 square feet or 0.35 acres, more or less.

Assessor's Parcel Number: 767-03-036

This real property description has been prepared at Mark Thomas, by me, or under my direction, in conformance with the Professional Land Surveyors Act.




Travis Timothy Bohan, LS 8965

SEPT. 11, 2018
Date

Attachment: Grant Deed - Betpolice (2160 : Acquisition of Property (Betpolice))

LEGEND

POB POINT OF BEGINNING
 POC POINT OF COMMENCEMENT
 ROW RIGHT OF WAY
 CB CHORD BEARING
 CH CHORD DISTANCE
 ○ DIMENSION POINT
 AREA TO BE ACQUIRED
 AREA TO BE ACQUIRED
 ENCUMBERED BY EASEMENT

SECTION 28,
 T9S, R3E, M.D.B.&M.

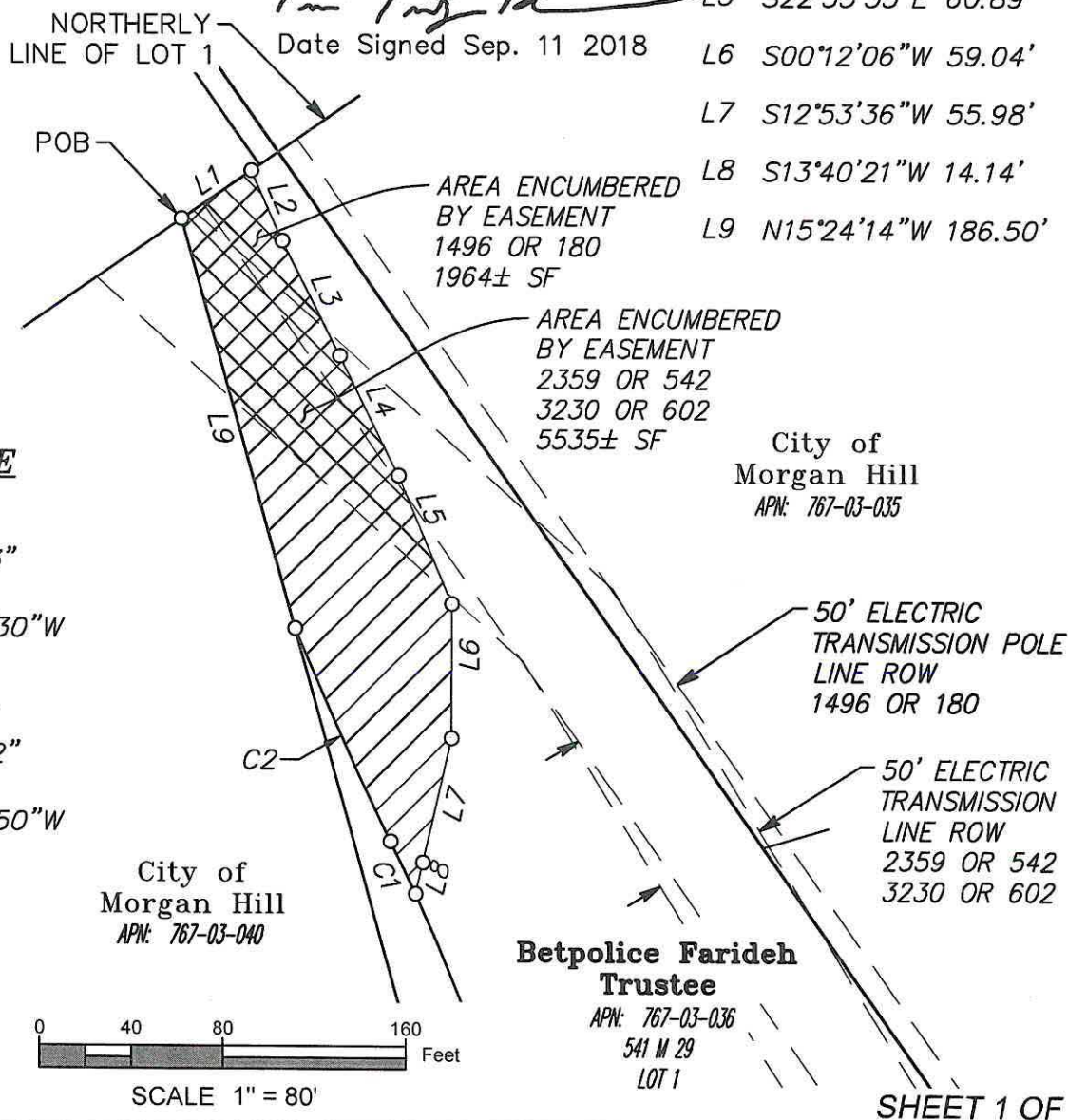
**LINE TABLE**

L1 N55°06'29"E 37.01'
 L2 S24°00'55"E 33.65'
 L3 S26°38'05"E 56.28'
 L4 S26°05'08"E 58.55'
 L5 S22°35'35"E 60.89'
 L6 S00°12'06"W 59.04'
 L7 S12°53'36"W 55.98'
 L8 S13°40'21"W 14.14'
 L9 N15°24'14"W 186.50'

CURVE TABLE

$R=828.86'$
 $\Delta=001^{\circ}45'23''$
 C1 $L=25.41'$
 $CB=N25^{\circ}40'30''W$
 $CH=25.41'$

 $R=2004.94'$
 $\Delta=002^{\circ}55'22''$
 C2 $L=102.28'$
 $CB=N24^{\circ}08'50''W$
 $CH=102.27'$



MARK THOMAS

Scale: 1" = 80'
 Date Sep. 2018
 Drawn By ADB
 Checked By TTB

**Exhibit B
 FEE**

APN 767-03-036

Plat to Accompany Legal Description
 In the City of Morgan Hill,
 Santa Clara County, California



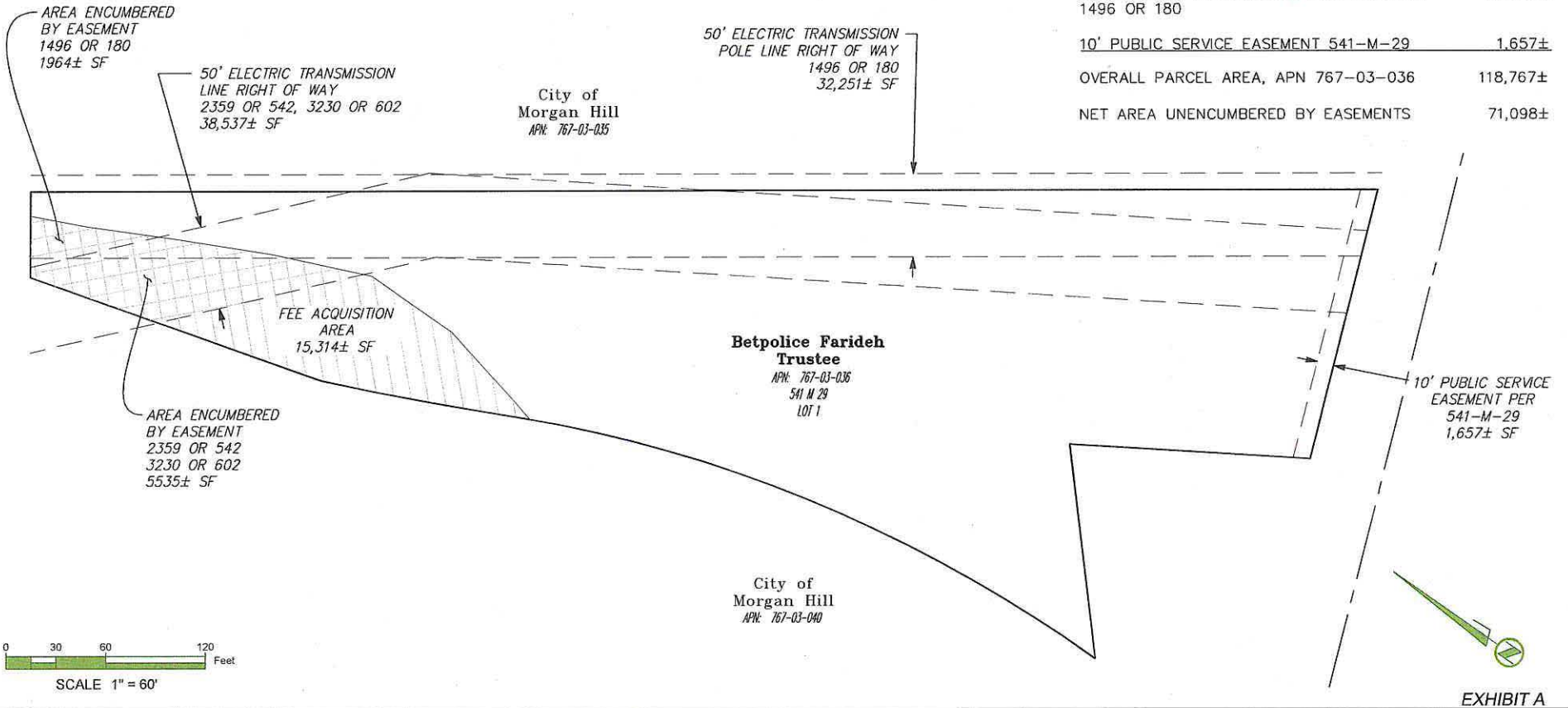
LEGEND

OR OFFICIAL RECORD

SECTION 28,
T9S, R3E, M.D.B.&M.

NOTES

<u>ENCUMBERED EASEMENT AREAS IN APN 767-03-036:</u>	
50' ELECTRIC TRANSMISSION LINE ROW	38,537±
2359 OR 542, 3230 OR 602	
50' ELECTRIC TRANSMISSION POLE LINE ROW	32,251±
1496 OR 180	
10' PUBLIC SERVICE EASEMENT 541-M-29	1,657±
OVERALL PARCEL AREA, APN 767-03-036	118,767±
NET AREA UNENCUMBERED BY EASEMENTS	71,098±



Scale: 1" = 60'
Date Sept. 2018
Drawn By MSW
Checked By CMD

EXHIBIT
APN 767-03-036
In the City of Morgan Hill,
Santa Clara County, California

**MARK
THOMAS**
701 UNIVERSITY AVE, SUITE 200
SACRAMENTO, CA 95825

CITY OF MORGAN HILL

Attachment: Grant Deed - Betpolice (2160 : Acquisition of Property (Betpolice))

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the **Grant Deed** dated January 25, 2019 from Farideh Betpolice, Trustee of the Farideh Betpolice revocable trust dated February 9, 2005 to the City of Morgan Hill, a governmental agency, is hereby accepted by order of the City Council by the undersigned officer or agent on behalf of the Council pursuant to authority conferred by Resolution No. 5059 of the Morgan Hill City Council adopted on February 2, 1997, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

CITY OF MORGAN HILL

Christina Turner, City Manager

Recommended for Approval:

Scott Creer, City Engineer

Attachment: Grant Deed - Betpolice (2160 : Acquisition of Property (Betpolice))



Attachment: Project Location Map-Betpolice (2160 : Acquisition of Property (Betpolice))



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

G:\R-14\Proj\GIS\John\Dave_767_03_036.mxd

SITE MAP

LANDS OF BETPOLICE
APN 767-03-036



0 87.5 175 350 525 700
 Feet



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

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

APPROVE SERVICE AGREEMENT FOR DESIGN PROFESSIONALS WITH LUHDORFF & SCALMANINI CONSULTING ENGINEERS FOR WELL REMEDIATION AND FIELD OVERSIGHT SERVICES

RECOMMENDATION(S)

1. Approve Service Agreement for Design Professionals with Luhdorff & Scalmanini Consulting Engineers for a total not to exceed contract amount of \$45,000; and
2. Authorize the City Manager to execute and administer the Service Agreement for Design Professionals with Luhdorff & Scalmanini Consulting Engineers.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Maintaining Fiscal Responsibility

2019 Strategic Priorities

Infrastructure

GUIDING DOCUMENTS

Water System Master Plan

REPORT NARRATIVE:

In May 2017, City Council awarded a construction contract to Conco West, Inc. for \$1,281,230 for the Boys Ranch Well #2A and Jackson Well #3 project. The scope of work included new well pumps/motors, connection piping, electrical, and all appurtenances to bring the two previously drilled wells online. The project was designed by Luhdorff & Scalmanini Consulting Engineers.

In July 2018, City Council authorized a 10% contingency increase with Conco West, Inc. to super chlorinate both well sites as previous disinfection methods have been unsuccessful. In addition to the super chlorination procedure, an acid treatment process was also implemented at each well site. Both of these procedures were developed and supervised by Luhdorff & Scalmanini. These procedures substantially reduced the bacteria counts to acceptable limits in both wells. Unfortunately, the bacteria count steadily increased, in both wells, to above the allowable limits set by the California State Water Board.

The Boys Ranch and Jackson wells are a vital component to the City's water distribution system. Therefore, staff recommends that Luhdorff & Scalmanini continue to provide remediation and field oversight services in order to bring both wells online as quickly as possible. However, the cost to develop and monitor the previous disinfection procedures has exhausted Luhdorff & Scalmanini's old contract. Therefore, staff recommends a

new contract with Luhdorff & Scalmanini to continue to provide well remediation and field oversight services until the wells meet the Water Board's requirements. If authorized, the total contract amount would not exceed \$45,000. While the \$45,000 contract amount is within the City Manager's purchasing authority, the total amount paid for services relating to the well projects to Luhdorff & Scalmanini exceeds the purchasing limit and therefore the new contract must be approved by the City Council.

COMMUNITY ENGAGEMENT: Inform

Staff met with the Jackson Oaks and Holiday Lake Estates neighborhood residents in August 2015 and in March 2016 to inform them of the multiple water improvement projects, including the well projects. Staff has also sent out construction notifications to nearby residents and provided weekly information through Nextdoor and the City's email subscriber list. Project updates are also provided on the City's website.

ALTERNATIVE ACTIONS:

No alternative actions are presented at this time.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

- On October 15, 2014, City Council awarded a design services agreement with Luhdorff and Scalmanini for \$94,700 to design the Boys Ranch #2 Water Well.
- On April 15, 2015, City Council awarded a construction contract to Maggiora Bros. Drilling for \$1,607,570 to drill four new municipal water wells, Main Avenue Well, Boys Ranch #2 Well, Jackson Well, and Walnut Grove Well.
- On May 6, 2015, City Council awarded a first amendment to Luhdorff and Scalmanini for \$131,300 to design the Jackson Well pump station.
- On December 7, 2016, City Council accepted the Drilling of Four Water Wells Project for \$1,598,487.
- On May 3, 2017, City Council awarded a construction contract for the Boys Ranch Well #2 and Jackson Well #3 project to Conco-West, Inc. for \$1,281,230.
- On July 18, 2018, City Council approved a construction contingency increase of 10% or \$128,123 with Conco West, Inc. for the Boys Ranch Well #2A and Jackson Well #3 project.

FISCAL AND RESOURCE IMPACT:

If approved, the Professional Service Agreement with Luhdorff & Scalmanini, to provide well remediation and field oversight services for Boys Ranch and Jackson wells, would not exceed \$45,000. There is sufficient funding for this action in the current Fiscal Year 2018-19 through 2023-24 Capital Improvement Budget, in project #601000 – Water Wells, from Water Impact Fund (651).

CEQA (California Environmental Quality Act):

Categorical Exemption

New construction or conversion of small structures (CEQA Guidelines Section 15303d).

LINKS/ATTACHMENTS:

1. Service Agreement-Luhdorff
2. Project Location Map

SERVICE AGREEMENT FOR DESIGN PROFESSIONALS

Luhdorff & Scalmanini Consulting Engineers, Inc.

THIS AGREEMENT is entered into and becomes effective on _____ (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and Luhdorff & Scalmanini Consulting Engineers, Inc. a California corporation ("CONSULTANT") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until 2/28/2020 at which time CONSULTANT'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum period of one year. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service.** The services to be performed by CONSULTANT shall be to provide on-going well remediation and field oversight services for Boys Ranch Well #2 and Jackson Well #3 as further described in **Exhibit A**.
4. **Compensation.** CONSULTANT shall be compensated as follows:
 - 4.1. **Amount.** \$45,000.00. Total compensation to CONSULTANT under this Agreement during its initial term set forth in Section 2 above shall not exceed Forty Five Thousand dollars and shall be billed based on the rate and basis set forth in **Exhibit B**. If the City Manager extends the term of this Agreement for up to one year pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to CONSULTANT during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for the extended term exceed the City Manager's authority pursuant to Chapter 3.04 of the Morgan Hill Municipal Code, unless otherwise authorized by City Council.
 - 4.2. **Billing.** CONSULTANT shall provide CITY with an invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by CONSULTANT on a monthly basis unless otherwise specified in Exhibit B. All invoices shall be sent to the CITY addressed to the department head or project manager identified below in Section 13 Notices. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.

5. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The CITY Manager of CITY is authorized to terminate this AGREEMENT, in whole or in part, on behalf of CITY.

6. **Performance of Work.** CONSULTANT represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws. CONSULTANT shall perform all work and services under this Agreement in conformance with the time schedule set forth on Exhibit C, "Schedule of Performance," attached hereto and incorporated herein by this reference. CITY's City Manager is authorized on behalf of CITY to modify the timeframes set forth on the Schedule of Performance within the term of this Agreement. If CONSULTANT desires to leave or store any of CONSULTANT's equipment at a CITY site while CONSULTANT is performing work or service pursuant to this Agreement, CONSULTANT will first obtain the consent of CITY's City Manager, or his/her delegate, to do so, and any such storage shall occur only in the manner and location allowed by such CITY official and entirely at CONSULTANT's sole risk.

7. **Insurance Requirements.** CONSULTANT shall 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 CONSULTANT, including its subcontractors, employees and agents, relating to or arising from the performance of any work or service under this Agreement, and must remain in full force and effect at all times during the period covered by this Agreement. 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. CONSULTANT further understands that the CITY reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to CONSULTANT, at any time as deemed necessary to protect the interests of the CITY.

7.1. **Insurance Types and Amounts.**

7.1.1. **Commercial General Liability (CGL).** CONSULTANT shall maintain CGL 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) for bodily injury or death to any one person for any one accident or occurrence and at least one million dollars (\$1,000,000.00) for property damage, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.2. **Automobile Liability.** CONSULTANT shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if CONSULTANT does not own automobiles, then CONSULTANT 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) for bodily injury or death to any one person for any one accident or occurrence and at least one million dollars (\$1,000,000.00) for property damage, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.3. Workers' Compensation Insurance and Employer's Liability. CONSULTANT shall maintain Workers Compensation coverage, as required by law, 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 CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. If CONSULTANT is self-insured, CONSULTANT shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.

7.1.4. Pollution (Environmental) Liability. If the performance of CONSULTANT'S work or service under this Agreement involves hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials, CONSULTANT shall procure and maintain Pollution Liability covering the contractor'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 CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.5. Professional Liability.

7.1.5.1. If the performance of CONSULTANT's work or service under this Agreement involves professional and/or technical services (examples include, but are not limited to, architects, engineers, land surveyors, and appraisers), CONSULTANT shall procure and maintain either a claims made or occurrence Errors and Omission liability insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. Further, if CONSULTANT maintains a claims-made policy, CONSULTANT shall provide written evidence of such insurance to the CITY for at least five (5) years after the completion of work performed under this Agreement.

7.1.5.2. If the performance of CONSULTANT's work or service under this Agreement relates to Information Technology or related services (examples include, but are not limited to computer programmers, software

designers, hardware engineers, or other systems consultants), CONSULTANT shall procure and maintain a claims made Errors and Omission liability insurance, including Cyber Liability and Data Breach, in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.5.3. If the performance of CONSULTANT's work or service under this Agreement involves contact with minors, CONSULTANT shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

- 7.2. **Endorsements.** CONSULTANT shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

7.2.1. **General Liability.**

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

7.2.1.2. the insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,

7.2.1.3. insurance shall be primary non-contributing.

7.2.2. **Workers Compensation.**

If the performance of CONSULTANT'S work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, CONSULTANT'S presence during site visits and meetings, then insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

- 7.3. **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.
- 7.4. **Certificates.** CONSULTANT shall furnish CITY of Morgan Hill with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to the CONSULTANT's agreement with the CITY shall

be canceled or materially changed except after thirty (30) days' notice by the insurer 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

8. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

9. **Compliance with Law.**

9.1. CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.

9.2. Compliance with Wage and Hour Laws: Consultant, and any subcontractor it employs to complete work under this Agreement, shall comply with all applicable federal, state and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act and the California Labor Code.

Final Judgments, Decisions, and Orders: For purposes of this Section, a "final judgment, decision, or order" refers to one for which all appeals have been exhausted or the time to appeal has expired. Relevant investigatory government agencies include: the federal Department of Labor, the California Division of Labor Standards Enforcement, or any other governmental entity or division tasked with the investigation and enforcement of wage and hour laws.

Prior Judgments against CONSULTANT and/or its Subcontractors: BY SIGNING THIS AGREEMENT, CONSULTANT AFFIRMS THAT IT HAS DISCLOSED ANY FINAL JUDGMENTS, DECISIONS OR ORDERS FROM A COURT OR INVESTIGATORY GOVERNMENT AGENCY FINDING – IN THE FIVE (5) YEARS PRIOR TO EXECUTING THIS AGREEMENT – THAT CONSULTANT OR ITS SUBCONTRACTOR(S) HAS VIOLATED ANY APPLICABLE WAGE AND HOUR LAWS. CONSULTANT FURTHER AFFIRMS THAT IT OR ITS SUBCONTRACTOR(S) HAS SATISFIED AND COMPLIED WITH – OR HAS REACHED AGREEMENT WITH THE CITY REGARDING THE MANNER IN WHICH IT WILL SATISFY – ANY SUCH JUDGMENTS, DECISIONS OR ORDERS.

Judgments or Decisions During Term of Contract: If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that CONSULTANT or an subcontractor it employs to perform work under this Agreement has violated any applicable wage and hour law, or CONSULTANT learns of such a judgment, decision, or order that was not previously disclosed, CONSULTANT shall inform the City Attorney, no more than fifteen (15) days after the judgment, decision or order becomes final or of learning of the final judgment, decision or order. CONSULTANT and its subcontractors shall promptly satisfy and comply with any such judgment, decision, or order, and shall provide the City Attorney with documentary evidence of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. The City reserves the right to require CONSULTANT to enter into an agreement with the City regarding the manner in which any such final judgment, decision, or order will be satisfied.

City's Right to Withhold Payment: Where CONSULTANT or any subcontractor it employs to perform work under this Agreement has been found in violation of any applicable wage and hour law by a final judgment, decision or order of a court or government agency, the City reserves the right to withhold payment to CONSULTANT until such judgment, decision or order has been satisfied in full.

Material Breach: Failure to comply with any part of this Section constitutes a material breach of this Agreement. Such breach may serve as a basis for immediate termination of this Agreement and/or any other remedies available under this Agreement and/or law.

Notice to City Related to Wage Theft Prevention: Notice provided to the City Attorney as required under this Section shall be addressed to: City Attorney, City of Morgan Hill, 17575 Peak Avenue, Morgan Hill, CA 95037. The Notice provisions of this Section are separate from any other notice provisions in this Agreement and, accordingly, only notice provided to the above address satisfies the notice requirements in this Section.

10. **Independent Contractor.** CONSULTANT is an independent contractor and not an agent or employee of CITY.
11. **Confidentiality.** All data, documents, or other information received by CONSULTANT from CITY or prepared in connection with CONSULTANT'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by CONSULTANT without prior written consent by CITY.
12. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
13. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. 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.

Address of CONSULTANT is as follows:

Luhdorff & Scalmanini Consulting Engineers, Inc.

500 First Street
Woodland, CA 95695-4026
530-661-0119

Address of CITY is as follows:

Development Services Center	with a copy to:
David Gittleson, P.E.	City Clerk
City of Morgan Hill	City of Morgan Hill
17575 Peak Avenue	17575 Peak Avenue
Morgan Hill, CA 95037	Morgan Hill, CA 95037

14. **Licenses, Permits and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

15. **CONSULTANT'S Proposal.** If applicable, this Agreement shall include CONSULTANT'S proposal or bid which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.

16. **Maintenance of Records.**

16.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then CONSULTANT shall retain said records until such action is resolved.

16.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

16.3. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

17. **Familiarity with Work.** By executing this Agreement, CONSULTANT represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from

those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

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

19. **No Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.

20. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

21. **Defense and Indemnification.**

21.1. **Defense and Indemnification for Design Professional Services.** Consistent with California Civil Code Section 2782.8, for design professional services to be performed under this agreement by a design professional, as that term is defined under said Section 2782.8, CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors in performance of work hereunder or its failure to comply with any of its obligations contained in this Agreement ("CLAIM") to the extent of CONSULTANT'S proportionate percentage of fault.

21.2. **Defense and Indemnification for Non-Design Professional Services.** For all services performed under this agreement not covered by Section 21.1 above, CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations contained in this Agreement by CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

21.3. **Exceptions.** CONSULTANT is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence, active negligence or willful misconduct of the CITY.

21.4. **Not limited by insurance.** The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMs alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a

limitation upon the amount of indemnification or defense to be provided by CONSULTANT.

- 21.5. **Right to Offset.** CITY shall have the right to offset against any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Section (21) and any amount due CITY from CONSULTANT arising from CONSULTANT's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.
- 21.6. **Interpretation.** This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of the CONSULTANT to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.
22. **Entire Agreement; Modification; Conflicting Provisions.** This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by a subsequent mutual written agreement executed by CITY and CONSULTANT. If the provisions contained in the main body of this Agreement conflict with any provision contained in an exhibit to this Agreement, the provisions of the main body of this Agreement shall govern and control over any provision contained in an exhibit to this Agreement.
23. **Governing Law and Venue.** This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.
24. **Interpretation.** This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.
25. **Preservation of Agreement.** If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.
26. **Binding Agreement.** Notwithstanding the provisions of Section 19 above, this Agreement shall bind any and all successors in interest, legal representatives and/or other permitted assignees or transferees of CONSULTANT in the same manner as if those successors in interest, legal representatives or other permitted assignees or transferees had entered into this Agreement originally.

[Signatures on Next Page]

27. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

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

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.

ATTEST:

CITY OF MORGAN HILL

City Clerk/Deputy City Clerk

City Manager

Michelle Bigelow
Print Name

Christina J. Turner
Print Name

Date: _____

Date: _____

APPROVED AS TO FORM:

Luhdorff & Scalmanini Consulting Engineers

City Attorney

By: *Vicki Kretsinger Grabert*
President

Donald A. Larkin
Print Name

Print Name and Title of Signer.
If Corporate: Chairman, President or
Vice President

Date: _____

Date: *February 5, 2019*

By: *William L. Halligan*
Chief Financial Officer
Print Name and Title of Signer.
If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: *2-5-19*

**EXHIBIT A
SCOPE OF SERVICES**

Attachment: Service Agreement-Luhdorff (2139 : Approve Contract with Luhdorff & Scalmanini)



February 5, 2019
File No. 19-2-019

Mr. David Gittleson
City of Morgan Hill
Development Services Center
17575 Peak Avenue
Morgan Hill, CA 95037

**SUBJECT: Jackson Well #3, Boy's Ranch Well #2A and East Main Well #3
Well Remediation and Field Oversight Services**

Dear Mr. Gittleson:

Luhdorff and Scalmanini, Consulting Engineers (LSCE) has prepared this scope of work and budget proposal to provide ongoing engineering support and field oversight services associated with the ongoing coliform contamination issues present at the City's Jackson #3 and Boy's Ranch #2A production wells. As you are aware, although E. Coli has not been detected since the wells were constructed, total coliform has been detected in both wells since March 2018. Significant efforts have been made over the last year to eradicate the coliform contamination present in the well discharge water including acid rehabilitation, chlorine treatment, and extensive well cycling. To date, all efforts have been unsuccessful. The overall goal of the proposed scope of work is to continue to provide engineering support and field oversight associated with the proposed chemical injection program, continue to develop new solutions and recommendations, and ultimately eliminate the presence of coliform from the discharge water.

1. SCOPE OF WORK

LSCE envisions the following scope of work going forward to meet the goal of determining the root cause of the coliform presence in the well discharge water, eliminating the source of contamination from both well sites, and obtaining permit approval of both well sources. Specific tasks include:

- Assist the City with permitting approval of the wells with the SWRCB.
- Provide engineering support services and field observation (site visits) at both sites as requested by the City.
- Project communication/correspondence via emails, phone calls. Participation in meetings and phone conferences.
- Development of technical memorandums, field reports, letters as needed to characterize work performed and summarize data collected.

MR. DAVID GITTLESON
FEBRUARY 5, 2019
2

- Develop site-specific disinfection recommendations for both sites.
- Review of ongoing water quality data, reports prepared by other consultants, other project applicable information obtained through the course of work.
- Assist City with review of Contractor change orders and questions pertaining to field work.
- Continue evaluation of available information of possible sources of contamination and use this information and other references to provide updated recommendations/conclusions to the City.
- Provide the City with technical assistance in regards to the recommended operation, maintenance, testing, and monitoring of both wells.
- Provide updated assessments to the City of conditions or factors that may arise which may affect the potential for coliform contamination.

2. COST ESTIMATE

LSCE understands the City would like the scope of work identified above to be performed on an as-needed basis for a sum (not to exceed) of \$45,000. LSCE will bill monthly for labor and materials, as incurred, in accordance with LSCE's 2019 Schedule of Fees (attached). In the event that LSCE is directed to deviate from the proposed scope by the City, LSCE will provide notification to the City of any potential changes in the estimated cost and time to complete the work. LSCE will not proceed with work that deviates from the approved scope and budget until approved by the City.

LSCE is prepared to begin the work described herein immediately pending notice to proceed. We appreciate the opportunity to provide you with this scope and budget and look forward to continuing to assist the City with this project.

Sincerely,

LUHDORFF & SCALMANINI
CONSULTING ENGINEERS



Jason Coleman, P.E.
Supervising Engineer

**EXHIBIT B
SCHEDULE OF COMPENSATION RATES**

Attachment: Service Agreement-Luhdorff (2139 : Approve Contract with Luhdorff & Scalmanini)



Luhdorff & Scalmanini Consulting Engineers

500 FIRST STREET WOODLAND, CALIFORNIA 95695

SCHEDULE OF FEES - ENGINEERING AND FIELD SERVICES 2019

Professional:*

Senior Principal	\$215/hr.
Principal Professional	\$210/hr.
Supervising Professional	\$200/hr.
Senior Professional	\$187/hr.
Project Professional	\$145 to 170/hr.
Staff Professional	\$130 to 140/hr.

Technical:

Engineering Inspector	\$130/hr.
ACAD Drafting/GIS	\$130/hr.
Engineering Assistant	\$100 to 120/hr.
Scientist	\$100 to 120/hr.
Technician	\$100 to 120/hr.

Clerical Support:

Word Processing, Clerical	\$75/hr.
Digital Communications Specialist	\$90/hr.
Project Admin/Accounting Assistant	\$90/hr.

Vehicle Use	\$0.58/mi.
Subsistence	Cost Plus 15%
Groundwater Sampling Equipment (Includes Operator)	\$170.00/hr.
Copies	.20 ea.

Professional or Technical Testimony	200% of Regular Rates
Technical Overtime (if required)	150% of Regular Rates
Outside Services/Rentals	Cost Plus 15%
Services by Associate Firms	Cost Plus 15%

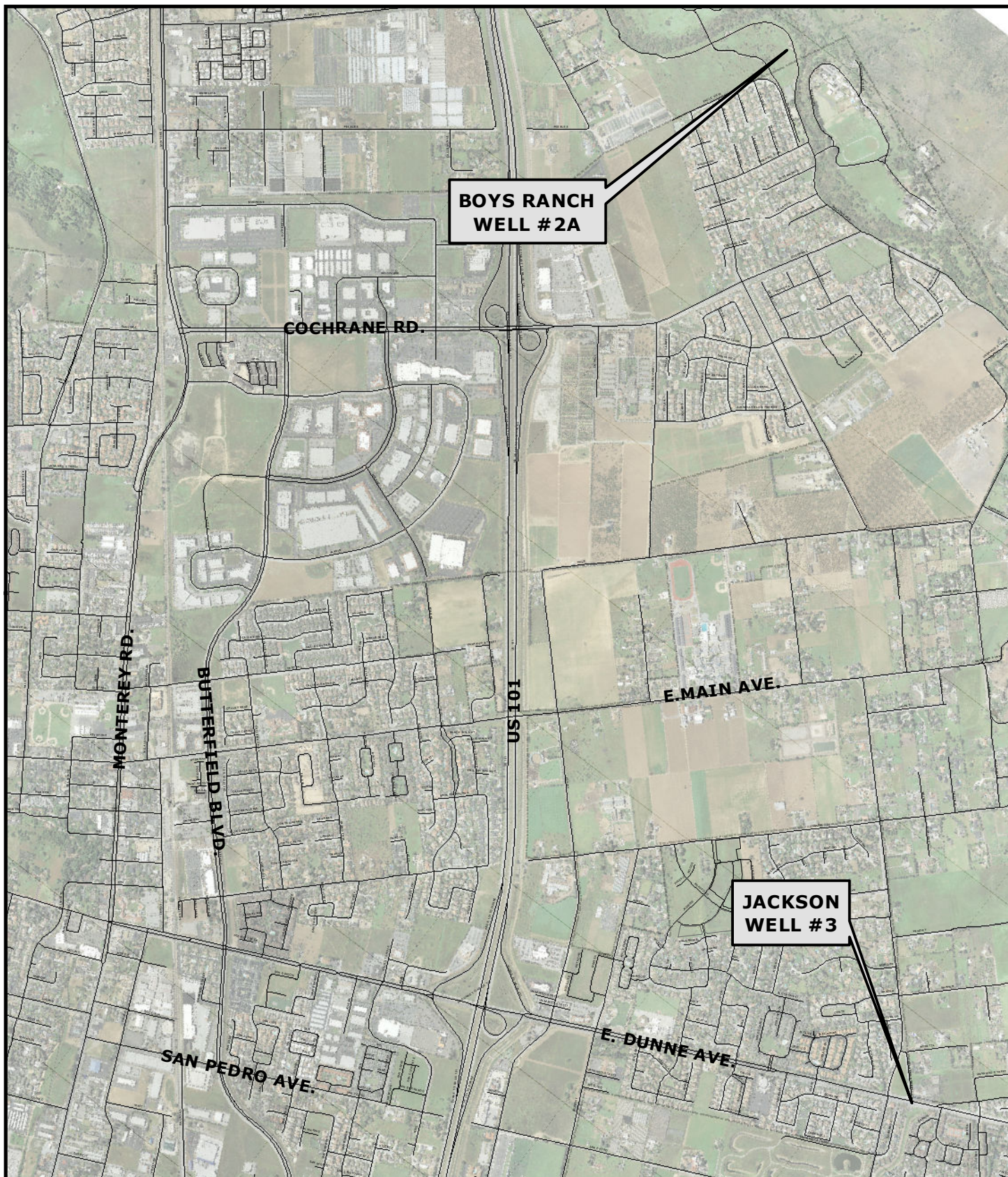
* Engineer, Geologist, Hydrogeologist, and Hydrologist

Attachment: Service Agreement-Luhdorff (2139 : Approve Contract with Luhdorff & Scalmanini)

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

Provide on-going services through February 28, 2020.

Attachment: Service Agreement-Luhdorff (2139 : Approve Contract with Luhdorff & Scalmanini)



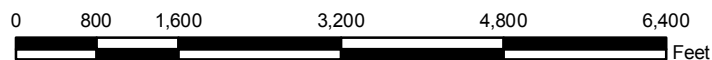
Attachment: Project Location Map (2139 : Approve Contract with Luhdorff & Scalmanini)



CITY OF MORGAN HILL
Engineering Division
Public Works Department

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**BOYS RANCH WELL
 AND JACKSON WELL
 PROJECT LOCATION MAP**





CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Inga Alonzo, Management Analyst
APPROVED BY: City Manager

APPROVE PURCHASE OF 150KW TRAILER-MOUNTED PORTABLE GENERATOR

RECOMMENDATION(S)

1. Approve the purchase of one 150kW trailer-mounted diesel generator from Leete Generators, in the amount of \$84,776.15;
2. Authorize City Manager to approve purchase order in the amount of \$84,776.15 with Leete Generators;
3. Declare generator W99014 to be surplus; and
4. Authorize the disposal of equipment in accordance with Section 3.04.400 of the City of Morgan Hill Municipal Code.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment

2019 Strategic Priorities

Infrastructure

GUIDING DOCUMENTS

Water System Master Plan

REPORT NARRATIVE:

The City water and wastewater utilities division has several portable generators that are used to provide back-up power to water pump stations, wells, and sewer lift stations as well as other City facilities in the event of a power outage. Portable generators have a service life of approximately 15 years and therefore need to be replaced periodically. Generators may also be replaced when they no longer meet air quality requirements. The proposed new generator will replace a 1999 generator used at the 470 East Main Well which is beyond its 15-year service life and no longer meets air quality requirements.

Staff issued an Invitation to Bid for the purchase of one 150kW Trailer-Mounted Diesel Portable Generator, with bids due by January 23, 2019. The bid was posted to the City website and Public Purchase and was published in the Morgan Hill Times and the San Jose Mercury News. Specifications for the generator were designed to comply with ARB "Tier 4 Final" standards. Tier 4 refers to a set of emissions requirements established by the EPA to reduce emissions of particulate matter and air toxics from new, non-road diesel engines. The Tier 4 Final rating ensures the longest possible air quality regulatory compliance window and therefore the longest service life of the generator.

The specifications required each bidder to indicate their capability to fulfill 71 different requirements and to identify any design deviations. The awarded vendor must also obtain all initial permitting and license requirements for use of the generator and the trailer, such as DMV, Bay Area Air Quality, DOORS, Air Resources Board (PERP) on behalf of the City. Three bids were received for the generator (see Table below). The Leete Generator bid offered the lowest price and met the general specifications.

Generator Bid Summary

<u>Company</u>	<u>Price</u>	<u>Kilowatts (kW)</u>	<u>Tier 4 Final</u>
Valley Power	\$89,320.05	150	Yes
Technology International	\$128,967.00	152	Yes
Leete Generator	\$84,776.15	150	Yes

Consistent with the purchase of this new generator, staff recommends declaring the existing generator W99014 to be surplus, to be disposed via auction, to obtain the highest possible revenue from the sale.

COMMUNITY ENGAGEMENT: Inform

This report serves to inform the public of the recommendation to purchase the equipment for the Utilities Division.

ALTERNATIVE ACTIONS:

The Council could choose to not approve the recommended purchase and direct staff to re-bid the equipment.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None.

FISCAL AND RESOURCE IMPACT:

This purchase was included in the Council adopted budget for Fiscal Year 2018-19 in Water Operations Fund (650). GL Account #: 650.5710.43825.

CEQA (California Environmental Quality Act):

Not a Project.

Continuing administrative or maintenance activities, including the replacement of equipment, is not a project subject to environmental review.

LINKS/ATTACHMENTS:

1. Leete

CITY OF MORGAN HILL
UTILITIES DIVISION - INVITATION TO BID

EQUIPMENT SPECIFICATIONS
150 kW TRAILER MOUNTED DIESEL GENERATOR

MFG. Blue STAR Power Systems
MODEL VD 150-02 FT4
kW 150 kW

PART 1. GENERAL

1.1 The intent and purpose of these specifications is to secure one trailer mounted 150 kW diesel generator set of the latest commercial type and design for use as emergency power for 150 hp pump motor code G with reduced voltage auto transformer starting at 65% tap. Any additions, deletions or deviations from the following specifications must be clearly noted in the "DEVIATION" column or the bid will be disqualified. One copy of the manufacturer's published specifications shall be included with the bid.

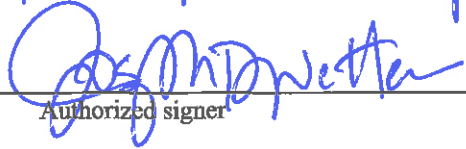
1.2 The diesel engine set shall be a product of a company regularly engaged in the production of generator sets for a minimum of ten years. The generator sets shall be new, unused, and suitable for the intended use.

1.3 Rating of the generator set shall be based on operation of the set when equipped with all necessary operating accessories at an altitude of less than 3,000 ft and an ambient temperature of less than 120 F degrees. The generator set for the well pump shall be rated 150 kW continuous standby, 277/480, 3 phase, 4 wire, 60 Hz, 0.8 power factor at 1,800 rpm.

1.4 Generator must be capable of regenerating exhaust automatically and be able to run continuous under all load conditions: no-load, intermittent load, and continuous load.

1.5 All initial permitting and license requirements for use of the generator and the trailer, such as DMV, Bay Area Air Quality, DOORS, Air Resources Board (PERP) shall be obtained by the vendor on behalf of the City of Morgan Hill provided to the City upon delivery.

1.6 Delivery of a completed generator shall be made within 6 months of the awarded bid.

COMPANY: Ramsay-Bliese Corp. dba Leete Generators
SIGNATURE:  DATE: 1/14/2019
Authorized signer

THIS FORM MUST BE USED WHEN SUBMITTING BID

Attachment: Leete (2187 : Approve Purchase of 150k w Trailer-Mounted Portable Generator)

CITY OF MORGAN HILL
UTILITIES DIVISION - INVITATION TO BID

PART 2.	PRODUCTS	YES/NO	DEVIATION
2.1	ENGINE		
A.	Diesel powered domestically manufactured	<u>yes</u>	
B.	8.1L, 6 cylinder, 4 cycle, turbocharged/aftercooled	<u>Deviation 7.7L</u>	6 cylinder 4 cycle
C.	CARB Certified Tier 4	<u>yes</u>	
D.	Max. hp at rated rpm: <u>252</u> hp	<u>252 yes</u>	
E.	Electronic isochronous governor with a 0.5% frequency regulation	<u>yes</u>	
F.	Dry Element replaceable air cleaner	<u>yes</u>	
G.	Solenoid activated starter motor	<u>yes</u>	
H.	State manufacturer of engine	<u>Volvo Porta</u>	
2.2	LUBRICATING SYSTEM		
A.	28 qt. oil pan capacity	<u>yes</u>	
B.	Full flow/by-pass type filter	<u>yes</u>	
C.	Oil cooler	<u>yes</u>	
D.	Oil drain extension	<u>yes</u>	
2.3	FUEL SYSTEM		
A.	Engine rated for #2 diesel fuel	<u>yes</u>	
B.	Fuel filter to 10 microns with replaceable element	<u>yes</u>	
C.	Tank to be UL listed with secondary containment and leak detector	<u>yes</u>	However when mount ON A TRAILER the UL RATING is N/A Double walled TA with leak dete
D.	Fuel tank size 150 gal. min. 200 gal. max. with leak detection, low fuel alarms	<u>yes</u>	
E.	Fuel lines shall be flexible construction	<u>yes</u>	
2.4	COOLING SYSTEMS		
A.	Pressurized closed recovery system with radiator and guarded fan	<u>yes</u>	
B.	Centrifugal-type water pump to be pre-lubed and self sealing	<u>yes</u>	
C.	9.6 gal. min. capacity and filled with 50/50 antifreeze/water mixture	<u>yes</u>	

Attachment: Leete (2187 : Approve Purchase of 150k w Trailer-Mounted Portable Generator)

THIS FORM MUST BE USED WHEN SUBMITTING BID

CITY OF MORGAN HILL
UTILITIES DIVISION - INVITATION TO BID

PART 2. PRODUCTS **YES/NO** **DEVIATION**

D.	External Block heater with thermostat-120V 2000W max with shutoff valves	yes	2500 W
E.	Radiator drain extension	yes	
2.5	EXHAUST SYSTEM		
A.	Critical exhaust silencer	yes	Combustion SCR (selective CATALytic Reduction)
B.	Tail pipe and rain cap	yes	Critical grade
2.6	ENGINE ELECTRICAL SYSTEM		
A.	Two batteries with sufficient capacity for cranking the engine for 40 sec. at firing speed	yes	
B.	Cyclic cranking with crank limiter	yes	
C.	Batteries shall be rack mounted and include all cables	yes	
D.	A suitable battery charging alternator	yes	
E.	An appropriate automatic trickle charger	yes	
F.	One 50 ft. 12 AWG extension cord with two duplex receptacle convenience outlets (120v) mounted inside generator enclosure to power both trickle charger and block heater	yes	
2.7	GENERATOR		
A.	Domestically manufactured	yes	
B.	The alternator shall be of the 4 pole revolving field, 12 lead, re-connectable, single bearing, brushless type	yes	
C.	Flexible disc coupling	yes	
D.	1% voltage regulation	yes	
E.	Solid state voltage regulator	yes	
F.	Frequency regulation 5% steady state no load to steady state rated load	yes	
G.	System shall accept 100% of rated load at rated power factor	yes	
H.	Voltage dip shall not exceed 15% of rated and recover within 2 1/2 sec at max load.	yes	
I.	Self ventilated, drip-proof construction	yes	

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THIS FORM MUST BE USED WHEN SUBMITTING BID

CITY OF MORGAN HILL
UTILITIES DIVISION - INVITATION TO BID

PART 2. PRODUCTS **YES/NO** **DEVIATION**

J.	Sustain short circuit current at 300% of rated current up to 10 sec.	yes	
K.	Molded-case line, 225 amp main line UL listed circuit breaker	yes	
2.8	CONTROLLER		
A.	NEMA 1 control panel with rubber isolator mounts	yes	
B.	Manual off-auto switch with indicator lamp	yes	
C.	Volts, amps and frequency meters	yes	
D.	Meter phase selector switch	yes	
E.	Elapsed time meter	yes	
F.	Lamp test switch	yes	
G.	Front mounted voltage adjusting rheostat	yes	
H.	Engine cool-down timer	yes	
I.	Indicator lamps for:		
1.	High engine temp safety shut down	yes	
2.	Not in auto	yes	
3.	Low oil pressure safety shut down	yes	
4.	Overspeed safety shut down	yes	
5.	Over-crank safety shut down	yes	
6.	Emergency stop	yes	
7.	Low fuel	yes	
8.	Low battery	yes	
2.9	TRAILER		
A.	14,000 lb. rated, dual axle flat bed, pintel hitch, steel welded trailer equipped with electric brakes seven round pin connector SAE J560B meeting DOT regulations-submit specs	yes	Trailer rated AT 10,000 lbs weight
B.	Trailer shall include a welded tongue jackstand, leaf springs, rear stabilizer jacks, IC lighting	yes	

Attachment: Leete (2187 : Approve Purchase of 150k w Trailer-Mounted Portable Generator)

THIS FORM MUST BE USED WHEN SUBMITTING BID

CITY OF MORGAN HILL
UTILITIES DIVISION - INVITATION TO BID

PART 2. PRODUCTS **YES/NO** **DEVIATION**

- | | | | |
|------|---|------------------|-----------------------|
| C. | Skid mounted generator set shall be secured attached to trailer frame | <u>yes</u> | |
| D. | Fuel tank shall be mounted within trailer frame | <u>yes</u> | |
| E. | 3 ft safety chains | <u>yes</u> | |
| 2.10 | CHASSIS | | |
| A. | Sound attenuated (maximum 68 dBA @ 23 ft. at full load) weather proof outdoor enclosure constructed by the manufacturer of the generator | <u>Deviation</u> | <u>69 dBA @ 23 ft</u> |
| B. | Protective housing shall have lockable doors and painted with rust proof primer and appropriate exterior coat | <u>yes</u> | |
| 2.11 | CABLE | | |
| A. | 50 ft. of 4-5 wire 4/0 power cable with strain relief connector hardwired to generator circuit breaker terminating into a 3ph 4w 600v 200a male Crouse-Hinds Cat. # AP204512 S22 or equal with dust cap and threaded retainer ring. | <u>yes</u> | |
| 2.12 | MANUALS | | |
| A. | Provide two complete operating and maintenance manuals for generator and chassis. | <u>yes</u> | |
| 2.13 | WARRANTY | | |
| | The diesel generator shall be covered by the manufacturer's standard warranty (state terms) for at least one year | <u>yes</u> | |
| | Please specify warranty for make/model bid: | | |
| | <u>Two years, 2,000 hours Limited.</u> | | |
| 2.14 | JOB SITE DELIVERY | | |
| | Field start up services, verify engine safety shut downs and building load transfer, without alarms from generator control panel. | <u>yes</u> | |
| | Generator shall be delivered with fuel tank filled to ½ capacity, including DEF tank filled to ½ capacity. | <u>yes</u> | |
| | Unloading provided by vendor. | <u>yes</u> | |

THIS FORM MUST BE USED WHEN SUBMITTING BID

Attachment: Leete (2187 : Approve Purchase of 150k w Trailer-Mounted Portable Generator)

CITY OF MORGAN HILL
UTILITIES DIVISION - INVITATION TO BID

PROPOSED BID:

This bid is binding upon the undersigned for twelve (12) weeks after the bid date.

GENERATOR

MAKE: Blue Star Power Systems MODEL: VD 150-02 FT 4

TRAILER

MAKE: Blue Star MODEL: T10000-2 Tandem Axle
DOT Approved with Electric Brakes

COMPANY: Ramsay - Bliese Corp. dba Leete Generators

ADDRESS: 3360 McMaude Place

CITY: Santa Rosa STATE: CA ZIP: 95407

TELEPHONE: 707 545-0484 CONTACT: 707 588-9610

EMAIL: J.netter@leetegenerators.com

SIGNATURE: Joseph D. Netter DATE: 1/16/2019
Authorized signer

Joseph D. Netter, General Manager

TOTAL (INCLUDING ALL FEES, TAXES, DELIVERY CHARGES, ETC.) \$ 84,776.¹⁵

Eighty Four Thousand Seven Hundred Seventy Six & ¹⁵/₁₀₀
US Dollars



THIS FORM MUST BE USED WHEN SUBMITTING BID

Attachment: Leete (2187 : Approve Purchase of 150k w Trailer-Mounted Portable Generator)

BLUE STAR

Power Systems Inc.

Diesel Product Line

208-600 V_o

VD150-02FT4

60 Hz / 1800 RPM

150 kW_e / 150 kW_e

Standby / Prime

Ratings

	240V	208V	240V	480V	600V
Phase	1	3	3	3	3
PF	1.0	0.8	0.8	0.8	0.8
Hz	60	60	60	60	60
Generator Model	431CSL6206	431CSL6204	431CSL6204	431CSL6204	431PSL6242
Connection	12 LEAD ZIG-ZAG	12 LEAD WYE	12 LEAD DELTA	12 LEAD WYE	4 LEAD WYE
Standby					
kWe	150	150	150	150	150
AMPS	625	521	452	226	181
Temp Rise	105°C / 40°C	105°C / 40°C	105°C / 40°C	105°C / 40°C	105°C / 40°C
Prime					
kWe	150	150	150	150	150
AMPS	625	521	452	226	181
Temp Rise	105°C / 40°C	105°C / 40°C	105°C / 40°C	105°C / 40°C	105°C / 40°C

Standard Equipment

Engine

- ▶ Radiator Cooled Unit Mounted (55°C)
- ▶ Blower Fan & Fan Drive
- ▶ Starter & Alternator
- ▶ Oil Pump & Filter
- ▶ Oil Drain Extension w/Valve
- ▶ Governor - Electronic Isochronous
- ▶ 24V Battery System & Cables
- ▶ Air Cleaner (Dry Single Stage)
- ▶ Flexible Fuel Connector
- ▶ EPA Certified Tier 4 Final

Listing Certifications

- ▶ UL 2200 Listed
- ▶ cUL Listed
- ▶ CSA Certified
- ▶ Seismic Certified to IBC 2018
- ▶ NFPA 110 Compliant

Generator

- ▶ Brushless Single Bearing
- ▶ Automatic Voltage Regulator
- ▶ ± 1% Voltage Regulation
- ▶ 4 Pole, Rotating Field
- ▶ 105°C Standby Temperature Rise
- ▶ 105°C Prime Temperature Rise
- ▶ 100% of Rated Load - One Step
- ▶ 5% Maximum Harmonic Content
- ▶ NEMA MG 1, IEEE and ANSI Standards Compliance for Temperature Rise

Additional

- ▶ Microprocessor Based Digital Control
- ▶ Interface Connection Box
- ▶ Control Panel Mounted in NEMA 12 Enclosure
- ▶ Base - Formed Steel
- ▶ Main Line Circuit Breaker Mounted & Wired
- ▶ SCR Catalyst / Silencer Mounted
- ▶ Battery Charger 24V 5 Amp
- ▶ Jacket Water Heater -20°F 2500W 240V w/Isolation Valves
- ▶ Vibration Isolation Mounts
- ▶ Radiator Duct Flange (OPU Only)
- ▶ Single Source Supplier
- ▶ 2YR / 2000HR Standby Warranty
- ▶ 1YR / 1500HR Prime Warranty
- ▶ Standard Colors - White / Tan / Gray

VD150-02FT4

Packet Pg. 117

Attachment: Leete (2187 : Approve Purchase of 150kW Trailer-Mounted Portable Generator)

Diesel Product Line

150 kWe / 150 kWe



Application Data

Engine

Manufacturer:	Volvo Penta	Displacement - Cu. In. (lit):	470 (7.70)
Model:	TAD871VE	Bore - in. (cm) x Stroke - in. (cm):	4.33(11.0) x 5.31 (13.5)
Type:	4-Cycle	Compression Ratio:	17.5:1
Aspiration:	Turbo Charged, CAC	Rated RPM:	1800
Cylinder Arrangement:	6 Cylinder Inline	Max HP Stby (kWm):	252 (185)

Exhaust System

	Standby	Prime
Gas Temp. (Stack): °F (°C)	709 (376)	709 (376)
Gas Volume at Stack Temp: CFM (m³/min)	886 (25.1)	886 (25.1)
Maximum Allowable Exhaust Restriction (Post SCR Cat.): in. H ₂ O (kPa)	32.0 (8.00)	32.0 (8.00)

Cooling System

Ambient Capacity of Radiator: °F (°C)	131 (55.0)	131 (55.0)
Maximum Allowable Static Pressure on Rad. Exhaust: in. H ₂ O (kPa)	0.50 (0.12)	0.50 (0.12)
Water Pump Flow Rate: GPM (lit/min)	123 (465)	123 (465)
Heat Rejection to Coolant: BTUM (kW)	7,285 (128)	7,285 (128)
Heat Rejection to CAC: BTUM (kW)	1,666 (29.3)	1,666 (29.3)
Heat Radiated to Ambient: BTUM (kW)	2,135 (37.4)	2,135 (37.4)

Air Requirements

Aspirating: CFM (m³/min)	445 (12.6)	445 (12.6)
Air Flow Required for Rad. Cooled Unit: CFM (m³/min)	16,961 (480)	16,961 (480)
Air Flow Required for Heat Exchanger/Rem. Rad. CFM (m³/min)	Consult Factory For Remote Cooled Applications	

Fuel Consumption

At 100% of Power Rating: gal/hr (lit/hr)	11.5 (43.5)	11.5 (43.5)
At 75% of Power Rating: gal/hr (lit/hr)	9.62 (36.4)	9.62 (36.4)
At 50% of Power Rating: gal/hr (lit/hr)	6.81 (25.8)	6.81 (25.8)
DEF Consumption (% of fuel consumption)	± 6.00%	± 6.00%

Fluids Capacity

Total Oil System: gal (lit)	7.13 (27.0)	7.13 (27.0)
Engine Jacket Water Capacity: gal (lit)	4.50 (17.0)	4.50 (17.0)
System Coolant Capacity: gal (lit)	11.6 (43.9)	11.6 (43.9)
DEF Tank Capacity: gal (lit)	18.5 (70.0)	18.5 (70.0)

Deration Factors

Rated Power is available up to 4,921 Ft (1500m) at ambient temperatures to 122°F (50°C) standby and prime. Consult factory for site conditions above these parameters.

VD150-02FT4

Diesel Product Line

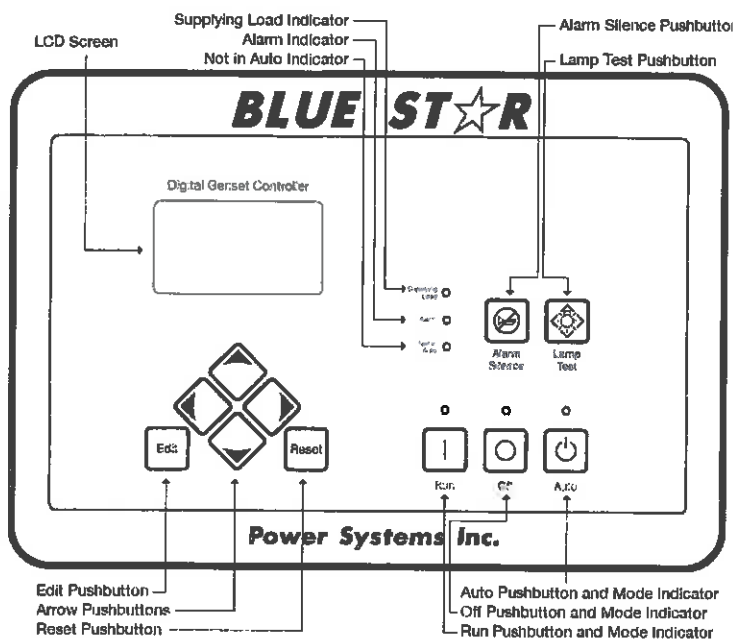
150 kWe / 150 kW

BLUE STAR
Power Systems Inc.

DGC-2020 Control Panel

Standard Features

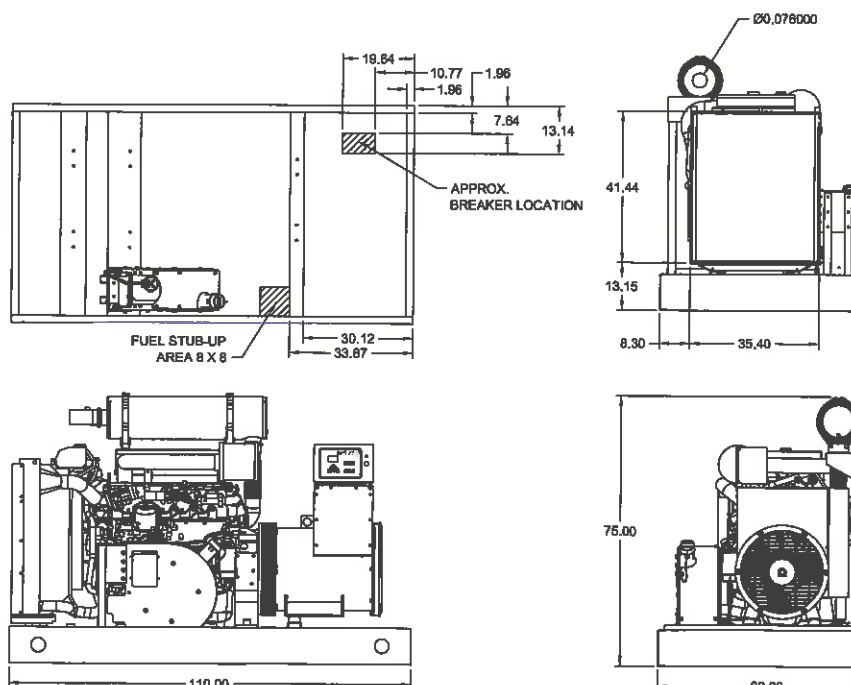
- ▶ Digital Metering
- ▶ Engine Parameters
- ▶ Generator Protection Functions
- ▶ Engine Protection
- ▶ CAN Bus ECU Communications
- ▶ Windows-Based Software
- ▶ Multilingual Capability
- ▶ Remote Communications to RDP-110 Remote Annunciator
- ▶ 16 Programmable Contact Inputs
- ▶ Up to 15 Contact Outputs (7 standard)
- ▶ UL Recognized, CSA Certified, CE Approved
- ▶ Event Recording
- ▶ IP 54 Front Panel Rating with Integrated Gasket
- ▶ NFPA 110 Level 1 Compatible



Weights / Dimensions / Sound Data

	L x W x H	Weight lbs
OPU	110 x 60 x 75 in	4,525
Level 1	134 x 60 x 82 in	5,450
Level 2	134 x 60 x 82 in	5,500
Level 3	174 x 60 x 82 in	5,775

Please allow 6-12 inches for height of exhaust stack.



	No Load	Full Load
OPU	79 dBA	82 dBA
Level 1	75 dBA	78 dBA
Level 2	71 dBA	74 dBA
Level 3	67 dBA	69 dBA

Drawings based on standard open power 480 volt standby generator. Lengths may vary with other voltages. Subject to change without notice.
Sound data as measured at 23 feet (7 meters) in accordance with ISO 8528-10 at standby rating.

VD150-02FT4

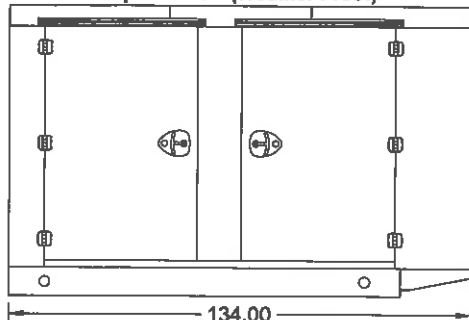
Diesel Product Line

150 kW / 150 kW

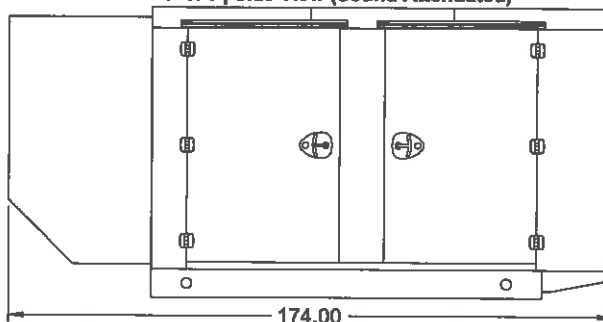
BLUE STAR
Power Systems Inc.

Enclosures

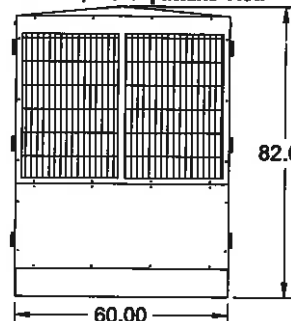
Level 1 & 2 | Side View (Weather Proof)



Level 3 | Side View (Sound Attenuated)



Level 1, 2 & 3 | Intake View



All enclosures are 150 MPH Wind Rated.

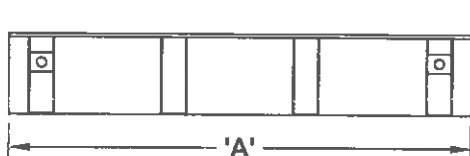
Level 2 & 3 enclosures include sound attenuation foam.

Level 3 enclosure includes frontal sound & exhaust hood.

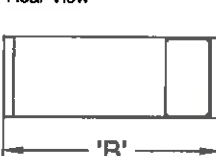
*Enclosure height does not include exhaust stack.

Double Wall UL 142 Listed Fuel Tanks

Side View



Rear View



	24 Hour 375 Gallon	48 Hour 750 Gallon	72 Hour 1125 Gallon
A	110.00	120.00	168.00
B	60.00	60.00	60.00
C	22.00	36.00	36.00

All specification sheet dimensions are represented in inches.

All enclosures and fuel tanks are based on the standard standby unit configuration. Any deviation can change dimensions.

Materials and specifications subject to change without notice.

American Owned



American Made

Distributed By:

Blue Star Power Systems, Inc

52146 Ember Roa

Lake Crystal, Minnesota 5605

Phone + 1 507 726 250

bluestarps.com

quote.bluestarps.com

sales@bluestarps.com



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
2018 MODEL YEAR
CERTIFICATE OF CONFORMITY
WITH THE CLEAN AIR ACT

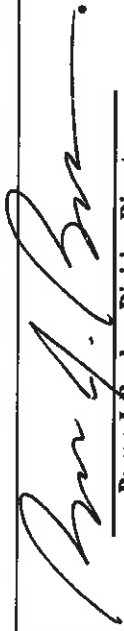
OFFICE OF TRANSPORTATION
AND AIR QUALITY
ANN ARBOR, MICHIGAN 48105

Certificate Issued To: AB Volvo Penta
(U.S. Manufacturer or Importer)

Certificate Number: JVPXL07.7CJA-004

Effective Date:
10/16/2017

Expiration Date:
12/31/2018


Byron J. Bunker, Division Director
Compliance Division

Issue Date:
10/16/2017

Revision Date:
N/A

Model Year: 2018

Manufacturer Type: Original Engine Manufacturer

Engine Family: JVPXL07.7CJA

Mobile/Stationary Indicator: Both

Emissions Power Category: 130<=kW<=560

Fuel Type: Diesel

After Treatment Devices: Ammonia Slip Catalyst, Selective Catalytic Reduction

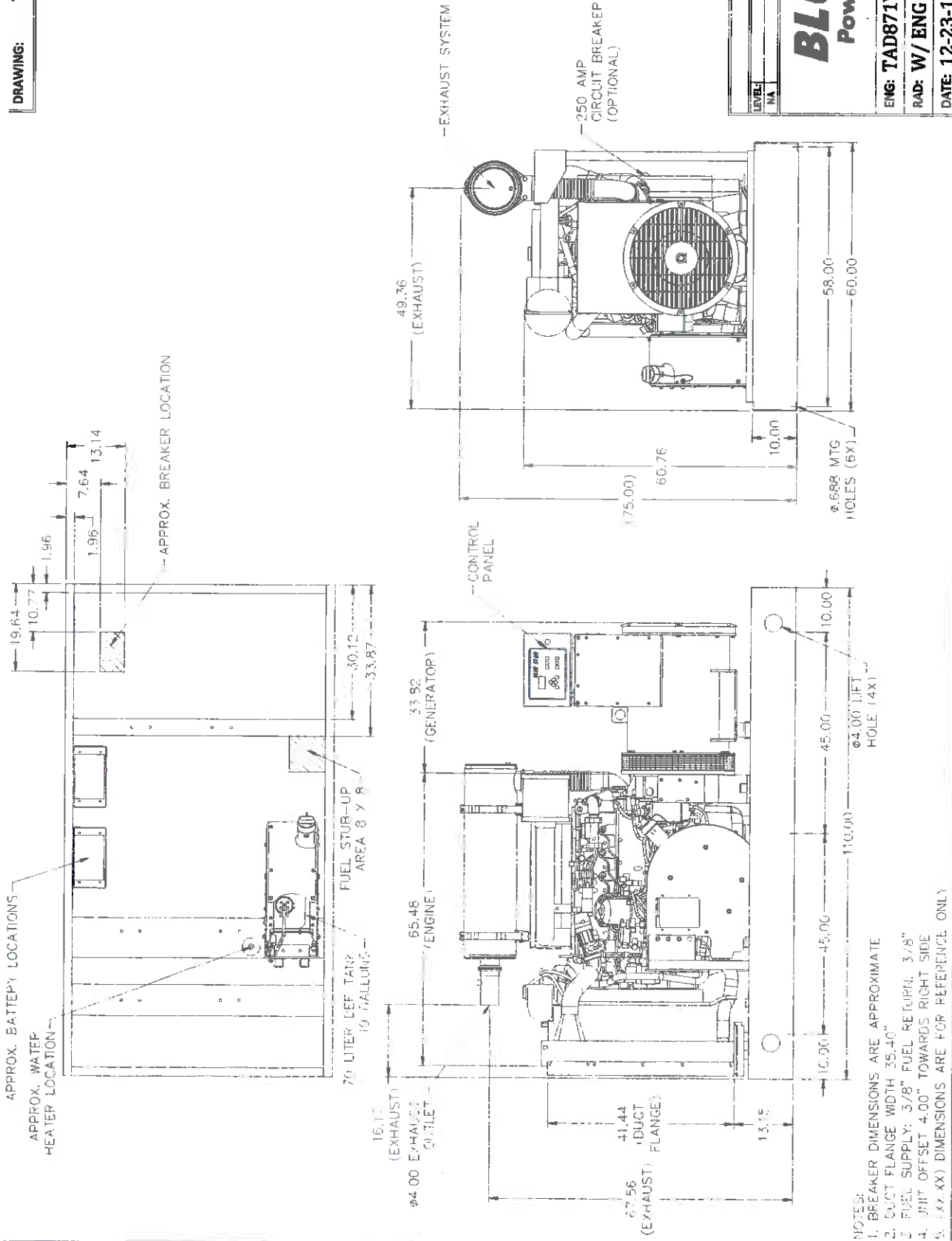
Non-after Treatment Devices: Electronic Control, Engine Design Modification, Electronic/Electric
EGR - Cooled

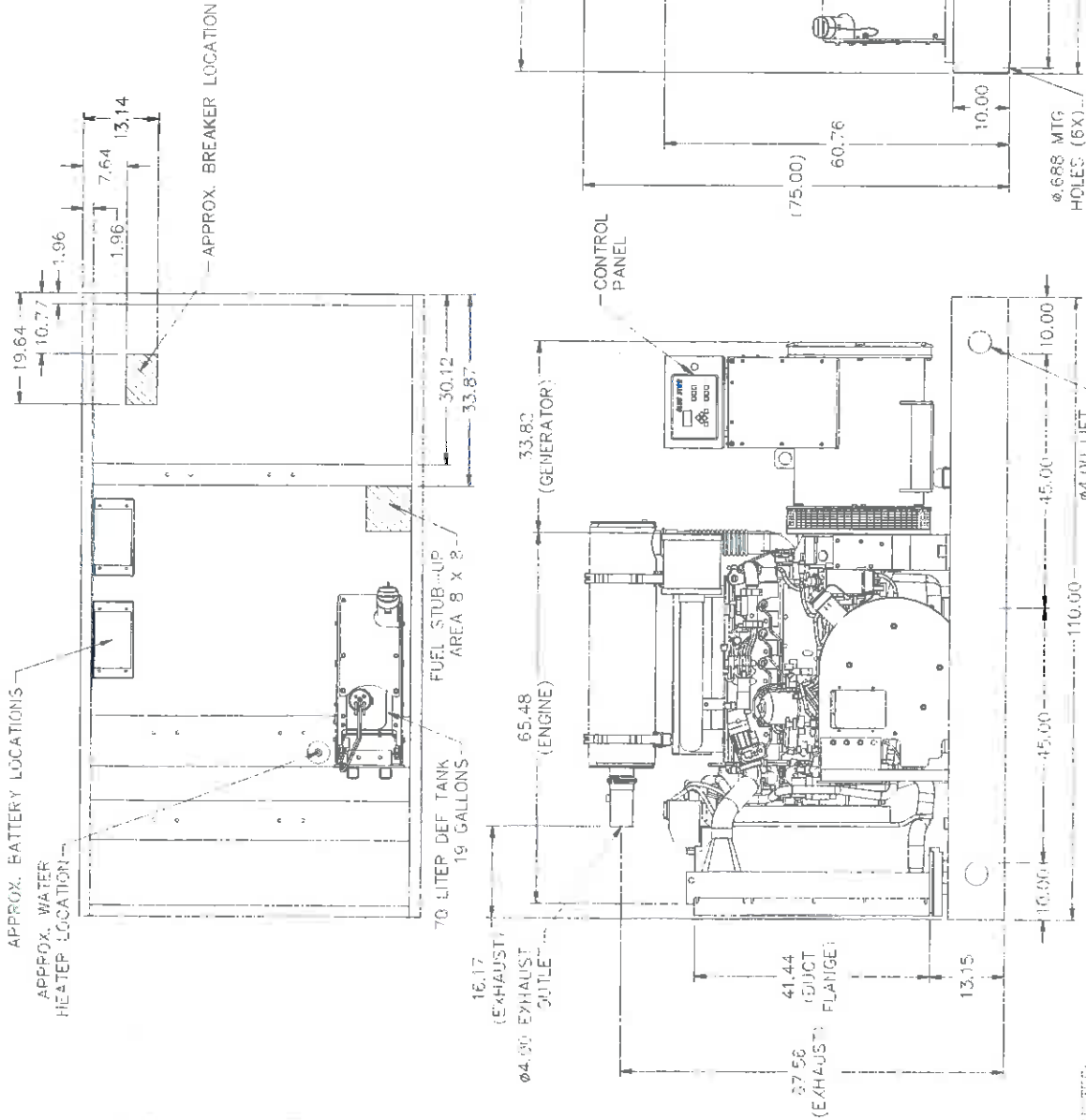
Pursuant to Section 111 and Section 213 of the Clean Air Act (42 U.S.C. sections 7411 and 7547) and 40 CFR Parts 60 and 1039, and subject to the terms and conditions prescribed in those provisions, this certificate of conformity is hereby issued with respect to the test engines which have been found to conform to applicable requirements and which represent the following engines, by engine family, more fully described in the documentation required by 40 CFR Parts 60 and 1039 and produced in the stated model year.

This certificate of conformity covers only those new compression-ignition engines which conform in all material respects to the design specifications that applied to those engines described in the documentation required by 40 CFR Parts 60 and 1039 and which are produced during the model year stated on this certificate of the said manufacturer, as defined in 40 CFR Parts 60 and 1039.

It is a term of this certificate that the manufacturer shall consent to all inspections described in 40 CFR 1068 and authorized in a warrant or court order. Failure to comply with the requirements of such a warrant or court order may lead to revocation or suspension of this certificate for reasons specified in 40 CFR Parts 60 and 1039. It is also a term of this certificate that this certificate may be revoked or suspended or rendered void *ab initio* for other reasons specified in 40 CFR Parts 60 and 1039.

This certificate does not cover engines sold, offered for sale, or introduced, or delivered for introduction, into commerce in the U.S. prior to the effective date of the certificate.





- NOTES:
1. BREAKER DIMENSIONS ARE APPROXIMATE
 2. DUCT FLANGE WIDTH 35.40"
 3. FUEL SUPPLY: 3/8" FUEL RETURN: 3/8"
 4. UNIT OFFSET 4.00" TOWARDS RIGHT SIDE
 5. (XXXX) DIMENSIONS ARE FOR REFERENCE ONLY

REVISIONS:		DATE	BY:
LEVEL	DESCRIPTION	NA	NA
NA	NA	NA	NA

BLUE STAR
Power Systems Inc.

ENG: TAD871VE	GEN: 431
RAD: W/ ENG	BASE: 2-0357
HSG: NA	
DATE: 12-23-15	BY: KAP
DRAWN TO SCALE	

Engine Generator Set Two (2) Year 2000 Hour Standby Limited Warranty



Your Blue Star Power Systems Inc. product has been designed and manufactured with care by people with many years of experience. Blue Star Power Systems Inc. warrants to its Buyer that the product is free from defects in materials and/or workmanship for the period of time outlined below. If the product should prove defective within the time period outlined below, it will be repaired, adjusted or replaced at the option of Blue Star Power Systems Inc., provided that the product, upon inspection by Blue Star Power Systems Inc., has been properly installed, maintained and operated in accordance with Blue Star Power Systems Inc.'s Installation and Operating Manuals. This limited warranty is not valid or enforceable unless: (1) all supporting maintenance records are kept on file with the end user and made available upon request from factory, and (2) the generator set is routinely exercised in accordance with operating instructions. This warranty does not apply to malfunctions caused by physical damage, misuse, improper installation, repair or service by unauthorized persons, or normal wear and tear. The warranty is not assignable.

Blue Star Power Systems Inc. product warranty period: Engine generator set: Parts and Labor for two (2) years from the date of factory invoice or 2000 hours (whichever occurs first). Accessories (installed on the engine generator set or shipped loose): Parts and Labor for one (1) year from the date of factory invoice or 2000 hours (whichever occurs first). Transfer Switches: If purchased with a generator set (same order number): Parts and Labor for two (2) years from the date of factory invoice or 2000 hours (whichever occurs first).

The start of the warranty period can be adjusted to the date of unit start-up (limited to 180 days from invoice date) provided that the following information is provided to Blue Star Power Systems Inc. at the time of start-up. The warranty will not be effective unless a copy of the Blue Star Power Systems Inc. start-up validation checklist is properly and completely filled out and returned to Blue Star Power Systems Inc. within 30 days of start-up. Additionally, the engine manufacturer's engine registration form must be completed and returned to the engine manufacturer as stated in the instructions with the registration form.

To obtain warranty service: Contact your nearest Blue Star Power Systems Inc. Service Representative. For assistance in locating your nearest authorized service representative, contact Blue Star Power Systems Inc., Attention: Service Department (see contact information below).

Warranty service may be performed by authorized Blue Star Power Systems Inc. service providers only. Service work performed by unauthorized persons will void all warranties.

Blue Star Power Systems Inc. shall not be liable for any claim in amount greater than the purchase price of the product. In no event shall Blue Star Power Systems Inc. be held liable for any special, indirect, consequential or liquidated damages.

Blue Star Power Systems Inc. shall not be liable for any claim that requires replacement of engine, part, or component of the gen-set that is no longer manufactured or available. Additionally, Blue Star Power Systems Inc. will not be liable for any engine replacement that may require emissions tier level change.

THERE ARE NO EXPRESS WARRANTIES OTHER THAN THOSE DESCRIBED HEREIN. THERE ARE NO OTHER WARRANTIES, EXPRESSED OR IMPLIED, OR OTHERWISE CREATED UNDER THE UNIFORM COMMERCIAL CODE, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, OR WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE.

The following items and/or circumstances are excluded from this limited warranty:

- ▶ Engine starting batteries: The battery manufacturers' warranty applies. Consult your local battery supplier for warranty service.
- ▶ Fuel system and/or governing system adjustments performed during or after start-up.
- ▶ Normal maintenance items: Consumable items such as belts, filters and hoses.
- ▶ Adjustments and tune-ups performed during start-up or thereafter.
- ▶ Loose connections (electrical and mechanical) not found during start-up.
- ▶ Equipment modifications made without the written consent of Blue Star Power Systems Inc. will void all warranties.
- ▶ Shipping damage of any type. All equipment is shipped F.O.B. factory and risk of loss transfers to the carrier once loaded for shipment. It is the responsibility of the receiving party to sign for the receipt of, and note any shipping damage to the equipment. Freight damage claim filing is the responsibility of the receiving party. In the rare event that damage occurs during shipment, Blue Star Power Systems Inc. will not warrant any damage to the unit resulting from shrink wrap.
- ▶ Any special access fees, requirements or after hours scheduling to gain access to the equipment for warranty service purposes.
- ▶ Buyer requested rental generators used while warranty work is being performed.
- ▶ Damages caused by acts of nature, such as lightning, wind, flood, or earthquake.
- ▶ Any damage due to situations beyond the control of the manufacturing and/or workmanship of the product.
- ▶ Use of non-protected steel enclosure within 10 miles of the coast.
- ▶ Improper installation or operation as outlined in the Installation and Operation Manuals.
- ▶ Misapplication of the equipment such as usage outside the original design parameters as stated on the nameplate of the equipment.
- ▶ Equipment purchased at the standby rating that is being used in a prime power application(s).
- ▶ Diesel engine "Wet Stacking" due to lightly loaded diesel engines.
- ▶ All travel labor and mileage on portable equipment must be approved before any work is performed.

Terms of warranty shall be deemed made and executed in Lake Crystal, Blue Earth County, Minnesota. Venue for all legal proceedings shall be in Blue Earth County, Minnesota.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Inga Alonzo, Management Analyst

APPROVED BY: City Manager

AWARD CORPORATION YARD SPACE NEEDS STUDY

RECOMMENDATION(S)

1. Approve and authorize the City Manager to execute an agreement with Griffin Structures in the amount of \$141,480 for a space needs analysis of the City's Corporation Yard and the Morgan Hill Unified School District's (MHUSD) transportation yard;
2. Approve and authorize the City Manager to execute a Cost Sharing Agreement with the MHUSD for the Space Needs Project; and
3. Adopt resolution amending the Capital Improvement Program Budget for Fiscal Year 2018-19, and appropriating an additional expenditure of \$61,480, and reimbursement revenue of \$70,740 in the Public Facilities Fund (347).

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Fiscal Responsibility

2019 Strategic Priorities

Infrastructure

GUIDING DOCUMENTS

Sewer System Master Plan

Water System Master Plan

REPORT NARRATIVE:

The City of Morgan Hill and the Morgan Hill Unified School District (MHUSD) share the use of the City's Corporation Yard (Corp. Yard) by lease agreement. The current lease expires June 30, 2021. The MHUSD operates its transportation facilities on this site including bus staging, maintenance, and fueling. The City conducts its street, parks, building, and utilities maintenance; and record storage activities on this site. The two organizations have been in dialogue on future use of the site for several years. Both organizations have needs for more space, for example, MHUSD is considering consolidating all District maintenance activities at one location, and the City has a need for additional record, equipment, and material storage space. Additionally, MHUSD has expressed desire to purchase the existing space utilized at the Corp. Yard or look for alternative sites within the City. One significant objective of the space study is to evaluate the space needs for both organizations and determine if they can be accommodated at the Corp. Yard site. The study will also explore some alternatives should the Corp. Yard site be too small. The project will assess space requirements for office space, material and equipment storage, common areas, workshop bays, general storage space, bus and fleet vehicle parking, fleet/bus vehicle maintenance, fueling, and customer/employee parking.

Consultant Selection:

Staff solicited Request for Qualifications (RFQ) from qualified consultants. The RFQ was advertised in both the Morgan Hill Times and the San Jose Mercury News. Additionally, the RFQ was posted to the City and Public Purchase websites in August 2018 for a period of four weeks. The City received four responsive submittals.

Staff requested submittals in two separate sealed envelopes; the first for consultant qualifications and the second for the consultant schedule of costs. An evaluation panel made up of staff from the City and MHUSD rated each qualification submittal based on experience and qualifications. Raters scored a maximum of 100 points in four categories including; clearly demonstrating an understanding of the City's objectives, technical experience, demonstrating the ability to effectively plan and execute the project, and references. The top two scoring consultants Kappe Architects and Griffin Structures were selected to move on to the interview phase.

EVALUATOR AVERAGE SHEET				
	Weston Miles Architects	Griffin Structures	WLC Arcitects	Kappe Architects
	Evaluator Average Score			
1. <u>Responsiveness</u> of the proposal in clearly demonstrating an understanding of the City's objectives and the ability to meet the City and School District's needs.	14.3	18.6	13.6	15.3
Possible Points 20				
	Evaluator Average Score			
2. <u>Technical expertise</u> of the Consultant/Contractor and those assigned to the project including staff experience, background, training, and professional licences.	23.6	29.3	28.6	28.6
Possible Points 30				
	Evaluator Average Score			
3. <u>Demonstrated ability</u> to plan and execute the project in a timely manner.	19.0	27.6	22.6	27.6
Possible Points 30				
	Evaluator Average Score			
4. <u>References</u> from at least 3 public agencies in Northern California where similar or related work has been performed.	15.0	20.0	20.0	20.0
Possible Points 20				
AVERAGE OVERALL SCORE	71.9	95.5	84.8	91.5

The evaluation panel determined through interviews that Griffin Structures demonstrated the best overall qualifications, project understanding, and fit for the project. Staff recommends award of this project to Griffin Structures.

The project is a cooperative venture with the MHUSD and cost sharing agreement between the parties has been developed. The City and the MHUSD have a long history of partnership at the Corp. Yard and this space study continues the joint planning for the site. The cost sharing agreement (Attachment No. 1) was approved by the MHUSD Board on February 5, 2019.

COMMUNITY ENGAGEMENT: Inform

This report serves to inform the public of the recommended agreement for space needs analysis professional services.

ALTERNATIVE ACTIONS:

Council could decide not to award to this consultant and forego the Space Needs analysis and provide staff with further direction on working with the MHUSD for future planning.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS: None.

FISCAL AND RESOURCE IMPACT:

The Space Needs Analysis is a CIP Project 252016 budgeted in the Public Facilities Impact Fund (347). The current budget has \$80,000 funded. Since Morgan Hill is the lead agency and will hold the contract with the consultant, the budget must be adjusted to reflect the additional expense and revenue related to the cost sharing agreement. The attached resolution will increase expenses by \$61,480 and revenue by \$70,740 (MHUSD 50% share), within the Project and the Public Facilities Impact Fund (347).

CEQA (California Environmental Quality Act):

Not a Project.

Continuing administrative or maintenance activities are not considered projects for environmental review under CEQA.

LINKS/ATTACHMENTS:

1. MHUSD MH Cost Sharing
2. Griffin Structures Agreement - Exhibit A to Cost Sharing Agreement
3. Exhibit B to Cost Sharing Agreement
4. Resolution for Budget Adjustment CY

**COST SHARING AGREEMENT BETWEEN THE CITY OF MORGAN HILL,
CALIFORNIA AND THE MORGAN HILL UNIFIED SCHOOL DISTRICT FOR THE
JOINT CORPORATION YARD SPACE ASSESSMENT STUDY**

This Agreement is made and entered into on _____, by and between the City of Morgan Hill, California, a general law municipal corporation of the State of California ("City"), and the Morgan Hill Unified School District ("District"), collectively referred to herein as the "Parties" or individually as "Party."

RECITALS

WHEREAS, the City owns the Corporation Yard at 100 Edes Court;

WHEREAS, the District currently leases 3.42 acres of space at the Corporation Yard from the City for the purpose of transportation services;

WHEREAS, the City has conducted a request for proposals process with support from the District and selected a service provider for the space assessment;

WHEREAS, the Parties have determined that the space assessment will provide great benefit to both the District and the City;

WHEREAS, the Parties have agreed that for the purpose of this project, the responsibility of the cost has been determined to be 50% City and 50% District and each of the Parties has indicated its willingness to fund these percentage shares of the costs for the assessment; and

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING RECITALS AND OF THE MUTUAL COVENANTS AND CONDITIONS CONTAINED HEREIN, THE PARTIES HEREBY AGREE AS FOLLOWS:

AGREEMENT

1. **Scope of Work.** The scope of the work consists of the space assessment of the entire Corporation Yard Facility identified in Exhibit B.
2. **Costs.** The City, as the lead agency on this Project, has prepared an agreement including scope of work, and itemized costs for the assessment and is attached hereto as Exhibit A.
3. **Cost Sharing of Project.** All consultant costs for the assessment are to be shared by the established cost share percentage of 50% by the City and 50% by the District. The cost shall include all consultant work authorized by the agreement, but exclude staff costs or overhead for either Party.
4. **Payment of Costs.** The City, as the lead agency, shall invoice the District for its portion of costs on a monthly basis based on payment of invoices to the consultant. The District shall pay all invoices within 30 days of receipt.

5. End Product. Both Parties shall have available to them all assessment information and consultant work product as outlined in the consultant agreement's Exhibit A. As the lead agency, the City, shall be responsible for ensuring all work product is delivered to the District.
6. Indemnification. Pursuant to Government Code Section 895.4, each of the Parties hereto shall fully indemnify, defend with counsel reasonably acceptable to the other Party and hold the other Party, its officers, employees and agents, harmless from any damage or liability imposed for injury (as defined in Government Code Section 810.8) occurring by reason of the negligent acts or omissions or willful misconduct of the indemnifying Party, its officers, employees, contractors, subcontractors, material suppliers or agents, under or in connection with any work, authority or jurisdiction delegated to such Party under this Agreement. Neither Party, nor any officer, employee or agent thereof shall be responsible for any damage or liability occurring by reason of the negligent acts or omissions or willful misconduct of the other Party hereto, its officers, employees, contractors, subcontractors, material suppliers or agents, under or in connection with any work, authority or jurisdiction delegated to such other Party under this Agreement.
7. Notices. Notice shall be effective five days after date of mailing, or upon date of hand delivery or facsimile transmission. Notices given under this Agreement may be hand delivered or delivered by facsimile, with an additional copy sent by first class mail, postage prepaid, and addressed to the appropriate party at the following addresses:

To District:	Morgan Hill Unified School District Attn: Assistant Superintendent, Business Services 15600 Concord Circle Morgan Hill, CA 95037
To City:	City of Morgan Hill Attn: Public Services Director 17555 Peak Avenue Morgan Hill, CA 95037
8. Term. The term of this Agreement shall run concurrently with the consultant agreement attached hereto as Exhibit A. This Agreement will be automatically extended if the agreement with the consultant is extended. Should the agreement with the consultant terminate, the Parties agree that this Agreement shall terminate as well. Any outstanding invoices shall be paid by the District within 30 days of termination.

9. Authority to Execute. Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

10. Additional Provisions. The Parties further agree as follows:

- a. One or both Parties' waiver of any term, condition or covenant of this Agreement shall not be construed as a waiver of any other term, condition or covenant of this Agreement.
- b. This Agreement contains the entire Agreement between the Parties relating to the corporation yard space assessment. Any prior agreements, promises, negotiations, or representations not expressly set forth in this Agreement are of no force or effect.
- c. This Agreement shall be governed and construed in accordance with the laws of the State of California.
- d. This Agreement may be executed in counterparts and will be binding as executed.
- e. This Agreement shall become effective when executed by both parties and shall continue in force and effect so until final work product is delivered unless otherwise terminated pursuant to paragraph 9.
- f. All amendments to this Agreement must be approved in writing by both Parties to be effective. The Parties agree that any amendment to the consultant agreement shall be negotiated and agreed to by the Parties, unless such amendment solely affects only one Party. Any amendments to the consultant agreement shall be incorporated herein.
- g. The Parties agree that they shall endeavor to resolve any dispute about this Agreement in good faith. The Parties further agree that should such dispute remain unresolved, they shall engage in mediation and/or non-binding arbitration to resolve such disputes, prior to resorting to court action. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.
- h. Severability. The partial or total invalidity of one or more parts of this Agreement will not affect the intent or validity of the remaining parts of this Agreement.

IN WITNESS WHEREOF, THE PARTIES HAVE ENTERED INTO THIS AGREEMENT
AS OF THE DATE FIRST ABOVE WRITTEN.

CITY OF MORGAN HILL

MORGAN HILL UNIFIED SCHOOL DISTRICT

City Manager

Date:

Superintendent

Date:

ATTEST:

City Clerk

Date:

Clerk of the Board

Date:

APPROVED AS TO FORM:

City Attorney

Date:

District Counsel

Date:

SERVICE AGREEMENT FOR DESIGN PROFESSIONALS GRIFFIN STRUCTURES, INC.

THIS AGREEMENT is entered into and becomes effective on _____ (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and Griffin Structures, Inc. a California corporation ("CONSULTANT") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.

2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until June 30, 2020 at which time CONSULTANT'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum period of one year. Any such extension shall be in writing and signed by both Parties to this Agreement.

3. **Scope of Service.** The services to be performed by CONSULTANT shall be a space needs analysis for the City's corporation yard and the MHUSD transportation facility as further described in **Exhibit A**.

4. **Compensation.** CONSULTANT shall be compensated as follows:

4.1. **Amount.** \$141,480.00. Total compensation to CONSULTANT under this Agreement during its initial term set forth in Section 2 above shall not exceed One Hundred Forty-One Thousand, Four Hundred eighty dollars and shall be billed based on the rate and basis set forth in **Exhibit B**. If the City Manager extends the term of this Agreement for up to one year pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to CONSULTANT during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for the extended term exceed the City Manager's authority pursuant to Chapter 3.04 of the Morgan Hill Municipal Code, unless otherwise authorized by City Council.

4.2. **Billing.** CONSULTANT shall provide CITY with an invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by CONSULTANT on a monthly basis unless otherwise specified in Exhibit B. All invoices shall be sent to the CITY addressed to the department head or project manager identified below in Section 13 Notices. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and

reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.

5. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The CITY Manager of CITY is authorized to terminate this AGREEMENT, in whole or in part, on behalf of CITY.

6. **Performance of Work.** CONSULTANT represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws. CONSULTANT shall perform all work and services under this Agreement in conformance with the time schedule set forth on Exhibit C, "Schedule of Performance," attached hereto and incorporated herein by this reference. CITY's City Manager is authorized on behalf of CITY to modify the timeframes set forth on the Schedule of Performance within the term of this Agreement. If CONSULTANT desires to leave or store any of CONSULTANT's equipment at a CITY site while CONSULTANT is performing work or service pursuant to this Agreement, CONSULTANT will first obtain the consent of CITY's City Manager, or his/her delegate, to do so, and any such storage shall occur only in the manner and location allowed by such CITY official and entirely at CONSULTANT's sole risk.

7. **Insurance Requirements.** CONSULTANT shall 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 CONSULTANT, including its subcontractors, employees and agents, relating to or arising from the performance of any work or service under this Agreement, and must remain in full force and effect at all times during the period covered by this Agreement. 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. CONSULTANT further understands that the CITY reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to CONSULTANT, at any time as deemed necessary to protect the interests of the CITY.

7.1. **Insurance Types and Amounts.**

7.1.1. **Commercial General Liability (CGL).** CONSULTANT shall maintain CGL 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) for bodily injury or death to any one person for any one accident or occurrence and at least one million dollars (\$1,000,000.00) for property damage, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

- 7.1.2. Automobile Liability. CONSULTANT shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if CONSULTANT does not own automobiles, then CONSULTANT 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) for bodily injury or death to any one person for any one accident or occurrence and at least one million dollars (\$1,000,000.00) for property damage, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.
- 7.1.3. Workers' Compensation Insurance and Employer's Liability. CONSULTANT shall maintain Workers Compensation coverage, as required by law, 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 CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. If CONSULTANT is self-insured, CONSULTANT shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.
- 7.1.4. Pollution (Environmental) Liability. If the performance of CONSULTANT'S work or service under this Agreement involves hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials, CONSULTANT shall procure and maintain Pollution Liability covering the contractor'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 CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.
- 7.1.5. Professional Liability.
- 7.1.5.1. If the performance of CONSULTANT's work or service under this Agreement involves professional and/or technical services (examples include, but are not limited to, architects, engineers, land surveyors, and appraisers), CONSULTANT shall procure and maintain either a claims made or occurrence Errors and Omission liability insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. Further, if CONSULTANT maintains a claims-made policy, CONSULTANT shall provide written evidence of such insurance to the CITY for at least five (5) years after the completion of work performed under this Agreement.

7.1.5.2. If the performance of CONSULTANT's work or service under this Agreement relates to Information Technology or related services (examples include, but are not limited to computer programmers, software designers, hardware engineers, or other systems consultants), CONSULTANT shall procure and maintain a claims made Errors and Omission liability insurance, including Cyber Liability and Data Breach, in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.5.3. If the performance of CONSULTANT's work or service under this Agreement involves contact with minors, CONSULTANT shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

- 7.2. **Endorsements.** CONSULTANT shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

7.2.1. **General Liability.**

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

7.2.1.2. the insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,

7.2.1.3. insurance shall be primary non-contributing.

7.2.2. **Workers Compensation.**

If the performance of CONSULTANT'S work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, CONSULTANT'S presence during site visits and meetings, then insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

- 7.3. **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.

- 7.4. **Certificates.** CONSULTANT shall furnish CITY of Morgan Hill with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to the CONSULTANT's agreement with the CITY shall be canceled or materially changed except after thirty (30) days' notice by the insurer 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

8. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

9. **Compliance with Law.**

- 9.1. CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.
- 9.2. Compliance with Wage and Hour Laws: Consultant, and any subcontractor it employs to complete work under this Agreement, shall comply with all applicable federal, state and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act and the California Labor Code.

Final Judgments, Decisions, and Orders: For purposes of this Section, a "final judgment, decision, or order" refers to one for which all appeals have been exhausted or the time to appeal has expired. Relevant investigatory government agencies include: the federal Department of Labor, the California Division of Labor Standards Enforcement, or any other governmental entity or division tasked with the investigation and enforcement of wage and hour laws.

Prior Judgments against CONSULTANT and/or its Subcontractors: BY SIGNING THIS AGREEMENT, CONSULTANT AFFIRMS THAT IT HAS DISCLOSED ANY FINAL JUDGMENTS, DECISIONS OR ORDERS FROM A COURT OR INVESTIGATORY GOVERNMENT AGENCY FINDING – IN THE FIVE (5) YEARS PRIOR TO EXECUTING THIS AGREEMENT – THAT CONSULTANT OR ITS SUBCONTRACTOR(S) HAS VIOLATED ANY APPLICABLE WAGE AND HOUR LAWS. CONSULTANT FURTHER AFFIRMS THAT IT OR ITS SUBCONTRACTOR(S) HAS SATISFIED AND COMPLIED WITH – OR HAS REACHED AGREEMENT WITH THE CITY REGARDING THE MANNER IN

WHICH IT WILL SATISFY – ANY SUCH JUDGMENTS, DECISIONS OR ORDERS.

Judgments or Decisions During Term of Contract: If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that CONSULTANT or an subcontractor it employs to perform work under this Agreement has violated any applicable wage and hour law, or CONSULTANT learns of such a judgment, decision, or order that was not previously disclosed, CONSULTANT shall inform the City Attorney, no more than fifteen (15) days after the judgment, decision or order becomes final or of learning of the final judgment, decision or order. CONSULTANT and its subcontractors shall promptly satisfy and comply with any such judgment, decision, or order, and shall provide the City Attorney with documentary evidence of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. The City reserves the right to require CONSULTANT to enter into an agreement with the City regarding the manner in which any such final judgment, decision, or order will be satisfied.

City's Right to Withhold Payment: Where CONSULTANT or any subcontractor it employs to perform work under this Agreement has been found in violation of any applicable wage and hour law by a final judgment, decision or order of a court or government agency, the City reserves the right to withhold payment to CONSULTANT until such judgment, decision or order has been satisfied in full.

Material Breach: Failure to comply with any part of this Section constitutes a material breach of this Agreement. Such breach may serve as a basis for immediate termination of this Agreement and/or any other remedies available under this Agreement and/or law.

Notice to City Related to Wage Theft Prevention: Notice provided to the City Attorney as required under this Section shall be addressed to: City Attorney, City of Morgan Hill, 17575 Peak Avenue, Morgan Hill, CA 95037. The Notice provisions of this Section are separate from any other notice provisions in this Agreement and, accordingly, only notice provided to the above address satisfies the notice requirements in this Section.

10. **Independent Contractor.** CONSULTANT is an independent contractor and not an agent or employee of CITY.
11. **Confidentiality.** All data, documents, or other information received by CONSULTANT from CITY or prepared in connection with CONSULTANT'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by CONSULTANT without prior written consent by CITY.
12. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
13. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. 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.

Address of CONSULTANT is as follows:

Griffin Structures
1850 Warburton Avenue Suite 120
Santa Clara, CA 95050

Address of CITY is as follows:

Engineering & Utilities Dept.	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	City of Morgan Hill
Morgan Hill, CA 95037	17575 Peak Avenue
	Morgan Hill, CA 95037

14. **Licenses, Permits and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

15. **CONSULTANT'S Proposal.** If applicable, this Agreement shall include CONSULTANT'S proposal or bid which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.

16. **Maintenance of Records.**

16.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then CONSULTANT shall retain said records until such action is resolved.

16.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

16.3. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

17. **Familiarity with Work.** By executing this Agreement, CONSULTANT represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from

those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

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

19. **No Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.

20. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

21. **Defense and Indemnification.**

21.1. **Defense and Indemnification for Design Professional Services.** Consistent with California Civil Code Section 2782.8, for design professional services to be performed under this agreement by a design professional, as that term is defined under said Section 2782.8, CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors in performance of work hereunder or its failure to comply with any of its obligations contained in this Agreement ("CLAIM") to the extent of CONSULTANT'S proportionate percentage of fault.

21.2. **Defense and Indemnification for Non-Design Professional Services.** For all services performed under this agreement not covered by Section 21.1 above, CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations contained in this Agreement by CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

21.3. **Exceptions.** CONSULTANT is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence, active negligence or willful misconduct of the CITY.

21.4. **Not limited by insurance.** The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMs alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a

limitation upon the amount of indemnification or defense to be provided by CONSULTANT.

- 21.5. **Right to Offset.** CITY shall have the right to offset against any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Section (21) and any amount due CITY from CONSULTANT arising from CONSULTANT's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.
- 21.6. **Interpretation.** This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of the CONSULTANT to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.
22. **Entire Agreement; Modification; Conflicting Provisions.** This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by a subsequent mutual written agreement executed by CITY and CONSULTANT. If the provisions contained in the main body of this Agreement conflict with any provision contained in an exhibit to this Agreement, the provisions of the main body of this Agreement shall govern and control over any provision contained in an exhibit to this Agreement.
23. **Governing Law and Venue.** This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.
24. **Interpretation.** This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.
25. **Preservation of Agreement.** If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.
26. **Binding Agreement.** Notwithstanding the provisions of Section 19 above, this Agreement shall bind any and all successors in interest, legal representatives and/or other permitted assignees or transferees of CONSULTANT in the same manner as if those successors in interest, legal representatives or other permitted assignees or transferees had entered into this Agreement originally.

[Signatures on Next Page]

27. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

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

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.

ATTEST:

CITY OF MORGAN HILL

 City Clerk/Deputy City Clerk

 City Manager

 Michelle Bigelow
 Print Name

 Christina J. Turner
 Print Name

Date: _____

Date: _____

APPROVED AS TO FORM:

Griffin Structures, Inc.

 City Attorney

By: _____

 Donald A. Larkin
 Print Name

 By: Dustin Alamo, VICE PRES
 Print Name and Title of Signer.
 If Corporate: Chairman, President or Vice President

Date: _____

Date: 1/25/19

By: _____

 By: Kelly Boyle, Secretary
 Print Name and Title of Signer.
 If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date: 1/25/19

EXHIBIT A SCOPE OF SERVICES

This project is to provide a space study analysis for City of Morgan Hill (City) and the Morgan Hill Unified School District (School District) maintenance facilities. The consultant and both agencies will be working cooperatively on this project. The project consists of eight tasks and will evaluate four programmatic and space planning cases below:

- 1. Standalone City maintenance functions on the existing site**
- 2. Standalone School District maintenance functions on the existing site**
- 3. City and the School District maintenance functions operating jointly (i.e. shared facilities) on the existing site**
- 4. City and the School District maintenance functions operating jointly (i.e. shared facilities) on a new site.**

Scope of Services by Task:

Task 1 – Project Administration

Objective: Project management and administration activities which will include administration of meetings, reviewing project objectives, updating the project schedule, billings, etc.

Approach: The project shall begin with a Project Orientation meeting with key staff, to discuss the consultants's approach, the expectations of the City and the MHUSD, the project timetable, and the initial data collection effort.

The Orientation Meeting shall be initiated by the consultant in and functions to obtain relevant background information that did not accompany the RFP, such as earlier base plans, as-built documentation, budget background, organization charts for the City and MHUSD, any established space planning guides (or prototypes), and so on.

The orientation will initiate a close working relationship between the City, MHUSD and the consultant, carefully and clearly define project goals and objectives, specify project participants and points of resource, refine data collection methodology and tools, establish commitments to project schedules and timeline review points, and set communications mechanisms to be used throughout the project.

Based on information obtained during the final meeting of the project, the consultant shall develop a project schedule illustrating primary project milestones and other key project activities. The consultant shall assist in establishing an Organization Plan and a Core Management Team to identify key roles in the process.

Dustin Alamo, Project Manager, will serve as the primary point of contact throughout the process and will be present at the kick-off / Orientation meeting, progress meetings, and will manage the schedule for the team.

Deliverables: Consultant shall deliver a work schedule (updated periodically), updated work scope (as necessary), and invoicing

Task 2 – Existing Conditions Assessments and Site Investigations

Objective: Assess the conditions of the existing sites and structures for both the City and the MHUSD and make recommendations on the useful remaining life of the facilities.

Approach: Consultant shall review all background information relative to building and site plans, maintenance records, proposed site changes, equipment inventory etc., and deploy a team of construction managers, architects and engineers to walk through the buildings and review the buildings condition. Consultant shall review site, exterior envelope, structural systems, HVAC systems, electrical systems, plumbing systems, ADA compliance, and any special structures and/or equipment requiring our attention. No deconstructive testing will take place at this time, nor will the consultant include Hazardous Materials Assessments as part of the scope. This can however be performed for an additional fee, if requested. A detailed report with observations regarding each of the aforementioned systems shall be prepared by the consultant with photographs to visualize any potential issue or concern. Consultant recommendations shall be developed as to establish a baseline understanding of the remaining useful life of the facilities, potential reuse abilities, and remaining useful life projections. As part of the executive summary, consultant shall prepare a color coded site plan based on good, fair, and poor condition of the facilities to accompany the report.

This exercise will be performed in conjunction with Task 3 and 4.

Deliverable: Consultant shall deliver a Facility Condition Assessment Report

Task 3 – Review City and MHUSD Policy, Standards & Building Codes

Objective: Consultant shall assemble and review existing City building policies, building code requirements, State Architect requirements (as applicable), and ADA requirements to ensure Project compatibility.

Approach: in concert with Task 2, consultant shall identify any areas of the existing facilities that are not compatible with existing City building policies, building code requirements, State Architect requirements, and ADA requirements. An investigative memo shall be prepared by the consultant architect to identify items such as building setbacks, zoning implications, site area density constraints, and any City and State requirements that may affect the size / shape of the future site. Consultant suggests this step be integrated into the concept planning stage as it shall be the foundation of how the solutions are developed for any option.

Deliverable: Consultant Shall deliver an Investigative memo

Task 4 – Consultant shall Develop Existing Facility Inventory

Objective: Develop a comprehensive inventory list of all City and MHUSD maintenance facilities.

Approach: To develop an existing facility inventory of all City and MHUSD maintenance facilities, consultant shall conduct a detailed physical survey (inventory of space use). The survey shall be used to obtain a baseline view of space in use today, the numbers

and dimensions of work areas in use, operational practices, and other critical information. The inventory shall include user groups and times of usage for the facilities and cover the following, but not be limited to the following:

1. Site & Boundary Total Size
2. Administrative Office Space; Multi-use Offices
3. Common Facilities break room, restrooms, showers, lockers, training rooms, reception area, waiting area, supply / storage closets, etc.
4. Multiple Maintenance Workshop and Storage Bays
5. Parking for staff, fleet vehicles, trailers, tractor, equipment, etc.
6. Bulk Material Storage Bays
7. MHUSD Vehicle Maintenance Bays / Office space; training rooms, restrooms, break room, lockers, waiting room / storage areas, staffing parking etc.
8. MHUSD bus parking and equipment storage space
9. Bus / Car washing facility
10. Gas pump station area
11. Off-site areas that may provide relocation opportunity for storage and other needs.

Consultant shall perform a physical survey on every project in order to (a) establish a baseline understanding of existing operations and SF usage, (b) better equip consultant for staff interviews relative to existing vs projected space use, and (c) intimately understand the opportunities and challenges of the existing site. Consultants will require a meeting with representatives from the City and MHUSD sites who can communicate the use and functions of all spaces in their respective facilities. Consultants shall examine everything from workstation standardization topics in administration areas to vertical storage technologies in the shop and warehouse areas.

Deliverable: Consultant shall deliver an Existing Facility Inventory Report

Task 5 – Programming and Space Requirements

Objective: Identify existing and future space requirements for both agencies & evaluate programming and space planning cases for the four scenarios.

Approach: To accomplish this objective, consultant shall perform a detailed space needs analysis. A more in- depth breakdown of this process is provided below.

Data Collection

As described in Task 1, Consultant shall be requesting information to develop a baseline understanding of the current operations. This shall include existing building and site plans, staffing lists and organizational charts, fleet lists, and other pertinent information. This, included with the consultant's physical assessment in Task 4, shall serve as the basis for initiating the programming and space requirement scope.

Staff Projections

Consultant shall interview key personnel, including directors, managers and supervisors to discuss staffing projections on an interval basis. The first discussion shall be based on existing operations and any changes that may be occurring on a short-term basis. Consultant shall then extend the dialogue into a wider future outlook to 30 years to

understand how the operations shall evolve. Consultant generally will meet with lower management first and move up towards upper management to increase their knowledge base as they progress through the department, however consultant can tailor according to what works best for the City and the MHUSD.

Consultant shall verify existing staffing levels and explore ideas of how each area may grow or contract in the future as the operation evolves. Conversations including City development and operational adjustments shall be explored by the consultant as well as optional considerations for contracting various services based on the consultants experience with other clients. Consultant will in no way advocate for one or the other, however the consultant plans to bring options for the core management team to consider. This shall result in a future staffing projection that shall serve as the basis for space projections. Once the consultant receives approval from the City and the MHUSD relative to staff counts, the consultant shall begin the space assessment portion of the work.

Space Projections

As part of the consultant interview process, we shall also discuss current and future space use. From the office and administrative standpoint, consultant shall discuss workstation standards as well as ancillary support space for any special work areas, public contact areas, conference rooms, emergency/department operation centers, storage rooms, file banks, and all other elements which are to be provided floor space in the future plan. This can be programmed in concert with industry (government) standards or expand into modern cutting edge private sector space planning approaches, which shall be left for the City's and the MHUSD's discretion.

Maintenance and shop spaces shall be reviewed and analyzed by the consultant for storage space (i.e. just-in time concepts), racking and vertical storage options, service frequency, work-shift considerations, and other critical elements to assist in shaping space around the City's and the MHUSD's operation. Consultant will want to discuss the quantity of bays with maintenance staff, type of bays (heavy duty, light duty, tire service, etc.), work frequency and number of mechanics, special tool areas, safety areas, and other pertinent information that shall help inform how maintenance facilities are shaped.

Each area is also noted as to special requirements if any, such as non-standard lighting or acoustics, power requirements, floor loading, and so on. The result will be a comprehensive facilities program of spaces needed, at the individual level and accumulated based on future locational clustering (typically based on organization, but not always).

Additionally, the consultant shall determine yard sizes based on the facility needs above in conjunction with the fleet and site requirements. Consultant understanding the fleet and related dimensions for each vehicle, site circulation, and the hours of operations (by shift) shall be essential to projecting parking requirements. Consultant shall also review employee parking needs and visitor parking needs. Consultant shall review the need for site requirements such as fueling islands (diesel, gasoline, slow/fast fill CNG, etc.), bus/car wash bays, electric charging needs, and so on.

The result of the consultant's space needs analysis shall provide a comprehensive program for current and future requirements broken into building components (administration, maintenance shops, storage / warehouse, fleet parking, and employee

parking), which allows us to use as the foundation for concept planning and cost estimating. The consultant analysis shall also provide a clear breakdown of needs which shall reflect standalone City maintenance functions, standalone School District maintenance functions, and combined City and the School District maintenance functions operating jointly (i.e. shared facilities).

Deliverable: Consultant will deliver a Space Needs Analysis Report

Task 6 – Conceptual Designs

Objective: Develop conceptual designs and assign costs to each of the four planning cases.

Approach: Based on the space program and building condition assessments, consultant shall develop conceptual solutions for the following scenarios:

1. Standalone City maintenance functions on existing site
2. Standalone School District maintenance functions on existing site
3. City and the School District maintenance functions operating jointly (i.e. shared facilities) on the existing site
4. City and the School District maintenance functions operating jointly (i.e. shared facilities) on a new site.

The consultant concept plans shall provide design assumptions for elements such as renovating / reusing facilities, new construction elements, building locations, ingress / egress, circulation and access, fleet parking, employee parking, wash areas, and other critical operational factors.

Once the initial concept plans have been drafted, consultant shall conduct a workshop to obtain feedback on the scenarios developed as well as explore alternative site and building configuration concepts. This workshop shall also discuss the constraints and opportunities associated with the site, explore a range of other possible solutions, and facilitate the selection of a preferred alternative for site development.

With the quantitative and functional space requirements determined in Task 5, building condition assessment developed in Task 2, and the concept plans developed in this task, a high-level conceptual statement of probable cost shall be prepared by the consultant for each option based on this stage of analysis. The costs shall be based on unit and major component cost factors, and on high-level design information and assumptions. Consultant shall reflect local construction conditions and the local bid market. The conceptual statement of probable cost shall be presented by the consultant in such a manner so that, once approval to proceed is given and design is taken further, the estimate can be refined.

The cost model shall include “total project costs” to the degree possible. Site costs shall be prepared by the consultant based on information requested of, and provided by, the City and the MHUSD. Consultant shall include allowances for pre-development costs, building construction costs, architectural and engineering costs, program and construction management, other fees and permits, consulting costs, insurance costs, FF&E allowance, landscaping, relocation and staging allowances, reasonable contingencies, and other appropriate components of total project costs, based on input

from the City and the MHUSD. Costs shall exclude costs for off-site improvements and shall be based on site condition information as available. The costs shall be prepared by the consultant for each scenario to accurately reflect the design nuances included in the plans.

Deliverable: Consultant will deliver four (4) conceptual site plan options based on the four (4) scenarios identified in the approach above, and four (4) associated cost estimates. Sub options may be developed where and as appropriate with up to two (2) iterations of revisions by Client.

Task 7 – Prepare Final Facilities Plan

Objective: Prepare and organize all project documentation into a Facilities Plan.

Approach: From the analyses performed in Task 2 through Task 7, and an evaluation of the various options, consultant shall provide clear and reasoned recommendations to the City and the MHUSD related to the conditions of the existing facilities, space needs analysis, concept plan, and cost estimate / schedule. A final report and presentation by the consultant shall consolidate documentatio from Task 2 - 7 and include an executive summary for use in communicating the basic findings of the analysis and next steps. The documentation shall provide a clear logical path from the issues initially identified to the analysis of solutions, evaluation, and recommendations.

Deliverable: Consultant shall deliver a Facilities Plan Report and a final presentation to (a) the City and (b) MHUSD Board of Trustees.

Task 8 – Community Outreach

Objective: Assist the City and the MHUSD in developing an overall project Community Outreach Plan that is consistent with City and MHUSD goals for community involvement and communication.

Approach: The consultant has assisted and facilitated Community Outreach services for several of their clients and shall apply this experience in assisting the City and the MHUSD in developing an overall project Community Outreach Plan that aligns with the City and MHUSD goals for community involvement and communication. This Community Outreach Plan would also include a schedule of community outreach activities and a list of outreach tasks.

Deliverable: N/A

EXHIBIT B

Schedule of Compensation Rates

[illegible]

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

Tasks 1-8 and all deliverables shall be performed and presented to the City by the end of the agreement term, June 30, 2020.

Exhibit B
Corporation Yard Facility



Attachment: Exhibit B to Cost Sharing Agreement (2188 : Award of Corporation Yard Space Needs Study)

RESOLUTION NO.

A RESOLUTION APPROVING AN AMENDMENT TO THE CITY'S ADOPTED FISCAL YEAR 2018-19 BUDGET TO APPROPRIATE \$61,480 AS EXPENDITURE AND \$70,740 AS REVENUE IN THE PUBLIC FACILITIES IMPACT FUND (347) FOR THE PURPOSE OF A SPACE STUDY FOR THE CORPORATION YARD

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 the City of Morgan Hill at its meeting held on this 20th day of February 2019 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

COUNCIL MEMBERS:
COUNCIL MEMBERS:
COUNCIL MEMBERS:
COUNCIL MEMBERS:

DATE: _____

RICH CONSTANTINE, MAYOR

∞ 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.XXXX , adopted by the City Council at the meeting held on February 20, 2019.

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

DATE: _____

Irma Torrez, CITY CLERK

EXHIBIT A

AGENDA BUDGET SCORECARD

FISCAL YEAR 2018-19

ADJUSTMENT #

035

FUND:

DEPARTMENT:

OBJECT:

347	Public Facilities Impact Fund
8056	Public Facilities
86360	CONSTRUCTION

AGENDA DATE:

AGENDA ITEM TITLE:

02/20/19
Corporation Yard Space Needs Study (CIP 252016)

	07/01/18 PROJECTED BEGINNING FUND BALANCE	ESTIMATED REVENUES	AMENDED APPROPRI- ATIONS	06/30/19 PROJECTED ENDING FUND BALANCE
ORIGINAL BUDGET	626,980	198,932	84,479	741,432
CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION	-	-	-	-
RECOMMENDED ACTION	-	70,740	61,480	9,260
RESULT OF RECOMMENDED ACTION	<u>626,980</u>	<u>269,672</u>	<u>145,959</u>	<u>750,692</u>

Attachment: Resolution for Budget Adjustment CY (2188 : Award of Corporation Yard Space Needs Study)



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Michelle Bigelow, Deputy City Clerk
APPROVED BY: City Manager

ADOPT ORDINANCE 2297 APPROVING A ZONING AMENDMENT FOR APPROXIMATELY 8.55 ACRES OF PROPERTY LOCATED ON THE NORTHEAST CORNER OF MONTEREY ROAD AND BURNETT AVENUE (APN NO. 725-01-018, -032, AND -033) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK ONE

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2297, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

GUIDING DOCUMENTS

General Plan/Housing Element

REPORT NARRATIVE:

On February 6, 2019, the City Council introduced Ordinance No. 2297 New Series, by the following roll call vote: AYES: Carr, Spring, Martinez Beltran, McKay, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

This is a City initiated Zoning Amendment for approximately 8.55 acres of property located on the northeast corner of Monterey Road and Burnett Avenue from the Planned Unit Development (PUD) and Service Commercial (CS) Zoning Districts to the Mixed Use Flex/Planned Development (PD) Combining District to establish a Block-Level Master Plan (BLMP) for Monterey Road Corridor Block One.

COMMUNITY ENGAGEMENT: Inform and Consult

The proposed project was publicly noticed (mailing to property owners within 300 feet of the project and newspaper legal noticing) for the minimum 10-day period.

On September 25, 2018, a publicly noticed visioning and goal setting workshop was held at the beginning of the Monterey Corridor Block-Level Master Plan project.

Community stakeholders provided feedback that facilitated the crafting of guiding principles for development of a Block-Level Master Plan.

ALTERNATIVE ACTIONS:

Not applicable

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

July 25, 2018 – City Council approved consultant agreement with Lisa Wise Consulting for preparation of a Monterey Corridor Block-Level Master Plan.

September 25, 2018 – Visioning and Goal Setting Workshop for community stakeholders.

October 17 and 24, 2018 – Joint City Council/Planning Commission presentation and discussion on draft frontage standards and block-level commercial analysis.

November 28, December 5, and 19, 2018 – City Council meetings to discuss next steps in master planning for the Mixed Use Flex designated portions of the Monterey Corridor.

January 22, 2019 – Planning Commission Study Session and Public Hearings on ZA2019-0001 Monterey Corridor Block One and ZA2019-0002 Monterey Corridor Block Four.

February 6, 2019 – City Council held a public hearing and introduced the ordinances for Monterey Corridor Block One and Monterey Corridor Block Four.

FISCAL AND RESOURCE IMPACT:

The work for this City initiated amendment was accommodated in the existing budget and workplan.

CEQA (California Environmental Quality Act):

On April 4, 2018, an Addendum to the Environmental Impact Report (EIR) for the Morgan Hill 2035 Project certified on July 27, 2016 (State Clearinghouse No. 2015022074) was prepared for the City of Morgan Hill Zoning Code Update project pursuant to the provisions of the State of California Environmental Quality Act (CEQA) Guidelines Section 15164.

The City has determined, pursuant to CEQA Guidelines Section 15183, that the proposed zoning amendment (BLMP PD), which provides additional guidance and standards for a future Zoning Amendment to establish a specific Planned Development (PD) Master Plan for Monterey Corridor Block One, shall not require additional environmental review in that the project will not result in any new impacts that were not already identified in the Morgan Hill 2035 EIR and subsequent Addendum, or any impacts of greater severity than were already addressed.

A subsequent project specific PD Master Plan would require an additional assessment to determine the appropriate environmental clearance.

LINKS/ATTACHMENTS:

1. 2297 BLMP Block 1

ORDINANCE NO. 2297, NEW SERIES

AN ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING AMENDMENT FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX (MU-F)/ PLANNED DEVELOPMENT (PD) COMBINING DISTRICT ESTABLISHING A BLOCK-LEVEL MASTER PLAN FOR MONTEREY ROAD CORRIDOR BLOCK ONE, AN APPROXIMATELY 8.55-ACRE SITE LOCATED ON THE NORTH EAST CORNER OF MONTEREY ROAD AND BURNETT AVENUE (APN 725-01-018, 725-01-032, AND 725-01-033)

WHEREAS, on July 27, 2016 the City Council adopted the Morgan Hill 2035 General Plan, a comprehensive update of the City's 2001 General Plan; and

WHEREAS, the Morgan Hill 2035 General Plan Land Use Map designates certain properties, including the subject property, Mixed Use Flex; and

WHEREAS, the Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of Downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). The Mixed Use Flex designation allows 7 to 24 units per acre (residential) and a maximum FAR of 0.5 (commercial) and density should transition from higher near Downtown to lower at the ends of the Monterey Road corridor; and

WHEREAS, the Morgan Hill 2035 General Plan requires that, prior to development of residential or mixed-use projects within the Mixed Use Flex designation a Block-Level Master Plan is required to: A) identify how commercial uses will be incorporated within the development of the block, and B) how individual development projects will connect with each other; and

WHEREAS, the Block-Level Master Plan requirement applies to those segments of the Monterey Road Corridor north and south of Downtown that include properties that have a Mixed Use Flex General Plan Land Use designation. Blocks may include properties with a variety of General Plan designations (e.g., Commercial, Residential Attached Low, Public Facilities, Mixed Use Flex, etc.) and Zoning Districts (e.g., CG General Commercial, RAL 3,500, PF Public Facilities, MU-F Mixed Use Flex, etc.);

WHEREAS, Section 18.22.010 B3 of the Zoning Code states that the purpose of the Mixed Use Flex (MU-F) zoning district is to accommodate a mixture of residential and commercial uses typically along the Monterey Road corridor north and south of Downtown. New mixed use development may be vertical (residences above ground floor commercial) or horizontal (separate buildings with different uses on a single site). Development in the MU-F zoning district creates attractive gateways into Morgan Hill, provides a range of housing options, and creates new centers

of activity to serve surrounding neighborhoods;

WHEREAS, Section 18.30.050 of the Zoning Code states that the purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in Morgan Hill. The PD combining district is intended to promote creativity in building design, flexibility in permitted land uses, and innovation in development concepts. The PD combining district provides land owners with enhanced flexibility to take advantage of unique site characteristics and develop projects that will provide public benefits for residents, employees, and visitors; and

WHEREAS, Section 18.114.020 of the Zoning Code states that the City Council, Planning Commission, or Community Development Director may initiate Zoning Map and Text amendments; and

WHEREAS, on December 19, 2018 the City Council directed staff to draft Zoning amendments to establish a Block-Level Master Plan (BLMP) Planned Development (PD) for Monterey Road Corridor Block One and Block Four; and

WHEREAS, in addition to the underlying base zoning district requirements, specific requirements are shown/listed in **Exhibit A: Block-Level Master Plan Map – Block One** and **Exhibit B: Block-Level Master Plan Land Use Regulations - Block One**; and

WHEREAS, an Addendum to the Environmental Impact Report (EIR) for the City of Morgan Hill's Morgan Hill 2035 Project certified on July 27, 2016 (State Clearinghouse No. 2015022074) was prepared April 4, 2018 for the City of Morgan Hill Zoning Code Update project pursuant to the provisions of the State of California Environmental Quality Act (CEQA) Guidelines Section 15164, and the City of Morgan Hill determined, pursuant to CEQA Guidelines Section 15183, that the proposed zoning amendment shall not require additional environmental review in that the project will not result in any new impacts that were not already identified in the Morgan Hill 2035 EIR and subsequent Addendum or any impacts of greater severity than were already addressed; and

WHEREAS, a visioning and goal setting workshop was held on September 25, 2018 where members of the public and various stakeholders provided feedback that facilitated the crafting of preliminary guiding principles for the development of the Monterey Corridor; 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; and

WHEREAS, the Block-Level Master Plan Planned Development (BLMP PD) ordinance for Monterey Corridor Block One, was considered by the Planning Commission at their study session and regular meeting of January 22, 2019, at which time the Planning Commission recommended City Council consider the Addendum to the Morgan Hill 2035 EIR in accordance with the California Environmental Quality Act (CEQA) and approval of the Zoning Amendment to establish a BLMP PD for Monterey Corridor Block One; and

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

- SECTION 1.** As provided in Section 18.114.060 of the Municipal Code the proposed Monterey Road Corridor Block-Level Master Plan Planned Development (BLMP PD) with an underlying base zoning district of Mixed Use Flex:
- A.** Is consistent with the Morgan Hill 2035 General Plan; and
 - B.** Is required in order to serve the public convenience, necessity, and general welfare; and
 - C.** 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.
- SECTION 2.** The City Council has considered the Addendum to the Morgan Hill 2035 Environmental Impact Report (EIR) in accordance with the California Environmental Quality Act (CEQA).
- SECTION 3.** There hereby is attached hereto as **Exhibit A: Block-Level Master Plan Map – Block One** and made a part of this ordinance.
- SECTION 4.** There hereby is attached hereto as **Exhibit B: Block-Level Master Plan Land Use Regulations - Block One** and made a part of this ordinance.
- SECTION 5.** The underlying base zoning district is designated Mixed Use Flex (MU-F).
- 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 adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A MEETING OF THE CITY COUNCIL HELD ON THE 6th DAY OF FEBRUARY 2019, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 20th DAY OF FEBRUARY 2019, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH THE LAW BY THE FOLLOWING VOTE:

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

APPROVED:

RICH CONSTANTINE, Mayor

ATTEST:

IRMA TORREZ, City Clerk

DATE: _____

Effective March 21, 2019

⌘ 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 Ordinance No. 2297, New Series, adopted by the City Council of the City of Morgan Hill, California at its regular meeting held on the 20th day of February 2019.

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

DATE: _____

IRMA TORREZ, City Clerk

Attachment: 2297 BLMP Block 1 (2201 : Adopt Ord 2297 - BLMP Block 1)

Exhibit A: Block-Level Master Plan Map – Block One

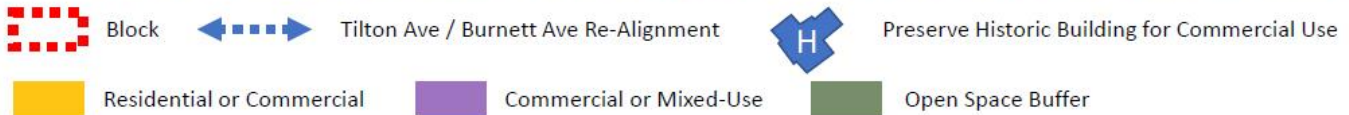


Exhibit B: Block-Level Master Plan Land Use Regulations - Block One

I. Land Use Regulations

- A. **Permitted Uses.** Zoning Code Table 18.22-1 identifies permitted uses in the MU-F Mixed Use Flex Zoning District. Specific uses allowed for Block One are further described on Exhibit A and below.
- B. **Development Standards.** Zoning Code Tables 18.22-2 and 18.22-3 identify development standards for the MU-F Mixed Use Flex Zoning District.
 1. Residential Density. 7 to 24 du/ac. Consistent with General Plan Policy CNF-9.2 and CNF-13.2, residential uses shall be feathered toward the northern Sphere of Influence (SOI) boundary with San Jose. Feathering can be achieved through a combination of measures including lowering the density and stories/height of the residences and including substantial open space setbacks closest to the SOI boundary.
 2. Floor Area Ratio. For non-residential and vertical mixed-use projects, the maximum floor area ratio (FAR) is 0.5.
 3. Setbacks. The setbacks identified in Zoning Code Table 18.22-3 are required setbacks around the project perimeter.
 4. Residential Development Standards. A medium density residential development project may use the development standards specified in Zoning Code Section 18.40.050 and through the subsequent PD Master Plan process establish deviations from those standards.
- C. **Commercial Requirements**
 1. Corner Lot Commercial/Non-Residential. Commercial uses (retail, services, office) and/or other non-residential (public/quasi-public) uses are required at the northeast corner of Burnett Avenue and Monterey Road. These commercial or non-residential uses may be accommodated within a standalone building(s) or in vertical mixed-use building(s).
 2. Historic Preservation. The existing building located on the northeast corner of Burnett Avenue and Monterey Road (19500 Monterey Road) constructed c. 1929 shall be preserved/retained for commercial or non-residential use.
 3. Connections. Ensure a strong connection between the commercial/non-residential, residential, and public gathering places within the block.
- D. **General Specifications**
 1. Primary entrances for new buildings should be oriented toward the street.
 2. Parking for new uses should be located behind buildings with limited or no visibility from streets.
 3. Primary access to/from rear parking areas shall be provided via driveways (including shared driveways) located at side streets (i.e., not from Monterey Road) to the greatest extent possible.
 4. First floor floor-to-ceiling clear height for non-residential uses: 14-feet minimum.

5. Building depth for non-residential uses: 35-feet minimum.
 6. Urban Form Characteristics:
 - a. Signature design qualities and attractive architectural features, including articulated facades, projections, and recessed entryways
 - b. Adaptive reuse where existing buildings may have desirable characteristics
 - c. Higher intensity development designed with sensitivity to adjacent lower intensity residential development
 - d. Street design balancing pedestrian and bicycle use with vehicular circulation
 - e. Consistent planting of street trees to provide shade and enhance character and identity
 - f. Well-designed, publicly-accessible open space
 7. Reasonable accommodations shall be provided, as appropriate, to provide relief from any physical standards that make meeting accessibility requirements challenging for a particular project.
 8. Future development must accommodate the extension/realignment of Tilton Avenue with Burnett Avenue.
 9. Future development must address potential shifting east of Monterey Road to accommodate future High-Speed Rail.
 10. Future development must provide adequate buffer to Coyote Greenbelt and Monterey Road.
 11. Incorporate design feature(s) that reflect project's location at a northern entrance to the City.
- E. **Public Gathering Places.** Residential or mixed-use project sites over 1.5 acres must provide one or more public gathering places such as plazas, courtyards, and parks.
1. Location. The public gathering space must be located close to pedestrian activity, along streets, or where pathways intersect.
 2. Activity. For public gathering places incorporated into mixed use development with ground floor commercial uses, active ground-floor uses (e.g., retail or restaurants) must be located along the edge of a courtyard and plazas.
 3. Visibility and Access. Plazas, courtyards, and other similar spaces must open to public sidewalks and building entrances to provide visibility and access opportunities along project frontages.
 4. Seating. Usable open spaces must include well-designed seating, such as seat walls, free-standing elements, fixed and moveable seating, and other seating options.
 5. Year-round Use. Open space must be usable year-round with features such as

awnings, wind breaks, sun shades, and umbrellas, or other similar features that provide shelter from the elements.

- F. **Temporary Uses.** In addition to the temporary uses allowed and requirements established in Section 18.92.150, the temporary use of private parcels for community events, food vending, and pop-up parks may be allowed with the issuance of a Temporary Use Permit.

II. Subsequent Approvals

- A. **Zoning Amendment/PD Master Plan.** Pursuant to the requirements of Zoning Code Section 18.30.050 – Planned Development Combining District, a Zoning Amendment to establish a PD Master Plan is required. The PD Master Plan shall be consistent with the approved BLMP PD and must plan for the future development and integration of all parts of the block.
- B. **Design Review.** A proposed development must receive a Design Permit as required by Zoning Code Section 18.108.040. All development and land uses within the BLMP PD shall be consistent with the approved PD Master Plan.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Michelle Bigelow, Deputy City Clerk
APPROVED BY: City Manager

ADOPT ORDINANCE 2298 APPROVING A ZONING AMENDMENT FOR APPROXIMATELY 7.58 ACRES OF PROPERTY LOCATED ON THE EAST SIDE OF MONTEREY ROAD OPPOSITE OLD MONTEREY ROAD (APN NOS. 726-25-006 AND -005) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK FOUR

RECOMMENDATION(S)

Waive the reading, adopt Ordinance No. 2298, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

COUNCIL PRIORITIES, GOALS & STRATEGIES

GUIDING DOCUMENTS

General Plan/Housing Element

REPORT NARRATIVE:

On February 6, 2019, the City Council introduced Ordinance No. 2298 New Series, by the following roll call vote: AYES: Carr, Spring, Martinez Beltran, McKay, Constantine; NOES: None; ABSTAIN: None; ABSENT: None.

This is a City initiated Zoning Amendment for approximately 7.58 acres of property located on the east side of Monterey Road opposite Old Monterey Road from the Mixed Use Flex (MU-F) Zoning District to the Mixed Use Flex/Planned Development (PD) Combining District to establish a Block-Level Master Plan (BLMP) for Monterey Road Corridor Block Four.

COMMUNITY ENGAGEMENT: Inform and Consult

The proposed project was publicly noticed (mailing to property owners within 300 feet of the project and newspaper legal noticing) for the minimum 10-day period.

On September 25, 2018, a publicly noticed visioning and goal setting workshop was held at the beginning of the Monterey Corridor Block-Level Master Plan project.

Community stakeholders provided feedback that facilitated the crafting of guiding principles for development of a Block-Level Master Plan.

ALTERNATIVE ACTIONS:

Not Applicable

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

July 25, 2018 – City Council approved consultant agreement with Lisa Wise Consulting for preparation of a Monterey Corridor Block-Level Master Plan.

September 25, 2018 – Visioning and Goal Setting Workshop for community stakeholders.

October 17 and 24, 2018 – Joint City Council/Planning Commission presentation and discussion on draft frontage standards and block-level commercial analysis.

November 28, December 5, and 19, 2018 – City Council meetings to discuss next steps in master planning for the Mixed Use Flex designated portions of the Monterey Corridor.

January 22, 2019 – Planning Commission Study Session and Public Hearings on ZA2019-0001 Monterey Corridor Block One and ZA2019-0002 Monterey Corridor Block Four.

February 6, 2019 - City Council held a public hearing and introduced the ordinances for Monterey Corridor Block One and Monterey Corridor Block Four.

FISCAL AND RESOURCE IMPACT:

The work for this City initiated amendment was accommodated in the existing budget and workplan

CEQA (California Environmental Quality Act):

On April 4, 2018, an Addendum to the Environmental Impact Report (EIR) for the Morgan Hill 2035 Project certified on July 27, 2016 (State Clearinghouse No. 2015022074) was prepared for the City of Morgan Hill Zoning Code Update project pursuant to the provisions of the State of California Environmental Quality Act (CEQA) Guidelines Section 15164.

The City has determined, pursuant to CEQA Guidelines Section 15183, that the proposed zoning amendment (BLMP PD), which provides additional guidance and standards for a future Zoning Amendment to establish a specific Planned Development (PD) Master Plan for Monterey Corridor Block Four, shall not require additional environmental review in that the project will not result in any new impacts that were not already identified in the Morgan Hill 2035 EIR and subsequent Addendum, or any impacts of greater severity than were already addressed.

A subsequent project specific PD Master Plan would require an additional assessment to determine the appropriate environmental clearance.

LINKS/ATTACHMENTS:

1. 2298 BLMP Block 4

ORDINANCE NO. 2298, NEW SERIES

AN ORDINANCE OF THE CITY OF MORGAN HILL APPROVING A ZONING AMENDMENT TO ADD A PLANNED DEVELOPMENT (PD) COMBINING DISTRICT ESTABLISHING A BLOCK-LEVEL MASTER PLAN FOR MONTEREY ROAD CORRIDOR BLOCK FOUR, AN APPROXIMATELY 7.58-ACRE SITE LOCATED ON THE EAST SIDE OF MONTEREY ROAD OPPOSITE OLD MONTEREY ROAD (APN 726-25-006 AND 726-25-005)

WHEREAS, on July 27, 2016 the City Council adopted the Morgan Hill 2035 General Plan, a comprehensive update of the City's 2001 General Plan; and

WHEREAS, the Morgan Hill 2035 General Plan Land Use Map designates certain properties Mixed Use Flex; and

WHEREAS, the Mixed Use Flex designation, which is primarily applied to properties along the Monterey Road corridor north and south of Downtown, allows for a mix of residential, commercial, and office uses applied either vertically (i.e., one structure with multiple uses) or horizontally (i.e., structures with different land uses located adjacent to one another). The Mixed Use Flex designation allows 7 to 24 units per acre (residential) and a maximum FAR of 0.5 (commercial) and density should transition from higher near Downtown to lower at the ends of the Monterey Road corridor; and

WHEREAS, the Morgan Hill 2035 General Plan requires that, prior to development of residential or mixed-use projects within the Mixed Use Flex designation a Block-Level Master Plan is required to: A) identify how commercial uses will be incorporated within the development of the block, and B) how individual development projects will connect with each other; and

WHEREAS, the Block-Level Master Plan requirement applies to those segments of the Monterey Road Corridor north and south of Downtown that include properties that have a Mixed Use Flex General Plan Land Use designation. Blocks may include properties with a variety of General Plan designations (e.g., Commercial, Residential Attached Low, Public Facilities, Mixed Use Flex, etc.) and Zoning Districts (e.g., CG General Commercial, RAL 3,500, PF Public Facilities, MU-F Mixed Use Flex, etc.);

WHEREAS, Section 18.30.050 of the Zoning Code states that the purpose of the Planned Development (PD) combining district is to allow for high quality development that deviates from standards and regulations applicable to base zoning districts in Morgan Hill. The PD combining district is intended to promote creativity in building design, flexibility in permitted land uses, and innovation in development concepts. The PD combining district provides land owners with enhanced flexibility to take advantage of unique site characteristics and develop projects that will provide public benefits for residents, employees, and visitors; and

WHEREAS, Section 18.114.020 of the Zoning Code states that the City Council, Planning Commission, or Community Development Director may initiate Zoning Map and Text amendments; and

WHEREAS, on December 19, 2018 the City Council directed staff to draft a Zoning amendment to establish a Block-Level Master Plan (BLMP) Planned Development (PD) for Monterey Road Corridor Block One and Block Four; and

WHEREAS, in addition to the underlying base zoning district requirements, specific requirements are shown/listed in **Exhibit A: Block-Level Master Plan Map – Block Four** and **Exhibit B: Block-Level Master Plan Land Use Regulations - Block Four**; and

WHEREAS, Exhibit A includes, by reference, the existing 58-unit residential development on an approximately 4.37-acre site zoned R3(PD) Planned Development (Ordinance No. 2169, New Series adopted October 7, 2015) and that existing development will remain subject to that Ordinance unless subsequently amended; and

WHEREAS, an Addendum to the Environmental Impact Report (EIR) for the City of Morgan Hill's Morgan Hill 2035 Project certified on July 27, 2016 (State Clearinghouse No. 2015022074) was prepared for the Zoning Code Update project pursuant to the provisions of the State of California Environmental Quality Act (CEQA) Guidelines Section 15164, and the Addendum concludes that the proposed project will not result in any new impacts that were not already identified in the Morgan Hill 2035 EIR or any impacts of greater severity than were already addressed; and

WHEREAS, a visioning and goal setting workshop was held on September 25, 2018 where members of the public and various stakeholders provided feedback that facilitated the crafting of preliminary guiding principles for the development of the Monterey Corridor; 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; and

WHEREAS, the Block-Level Master Plan Planned Development (BLMP PD) ordinance for Monterey Corridor Block Four, was considered by the Planning Commission at their study session and regular meeting of January 22, 2019, at which time the Planning Commission recommended City Council consider the Addendum to the Morgan Hill 2035 EIR in accordance with the California Environmental Quality Act (CEQA) and approval of the Zoning Amendment to establish a BLMP PD for Monterey Corridor Block Four; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

SECTION 1. The proposed Monterey Road Corridor Block-Level Master Plan Planned Development (BLMP PD) is consistent with the Morgan Hill 2035 General Plan.

SECTION 2. The Amendment to establish this BLMP PD is required in order to serve the public convenience, necessity, and general welfare as provided in Section 18.114.060 of the Municipal Code.

SECTION 3. The City Council has considered the Addendum to the Morgan Hill 2035 Environmental Impact Report (EIR) in accordance with the California Environmental Quality Act (CEQA).

SECTION 4. There hereby is attached hereto as **Exhibit A: Block-Level Master Plan Map – Block Four** and made a part of this ordinance.

SECTION 5. There hereby is attached hereto as **Exhibit B: Block-Level Master Plan Land Use Regulations - Block Four** and made a part of this ordinance.

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 adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A MEETING OF THE CITY COUNCIL HELD ON THE 6th DAY OF FEBRUARY 2019, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE 20th DAY OF FEBRUARY 2019, AND SAID ORDINANCE WAS DULY PASSED AND ADOPTED IN ACCORDANCE WITH THE LAW BY THE FOLLOWING VOTE:

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

APPROVED:

RICH CONSTANTINE, Mayor

ATTEST:

IRMA TORREZ, City Clerk

DATE: _____

Effective March 21, 2019

⌘ 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 Ordinance No. 2298, New Series, adopted by the City Council of the City of Morgan Hill, California at its regular meeting held on the 20th day of February 2019.

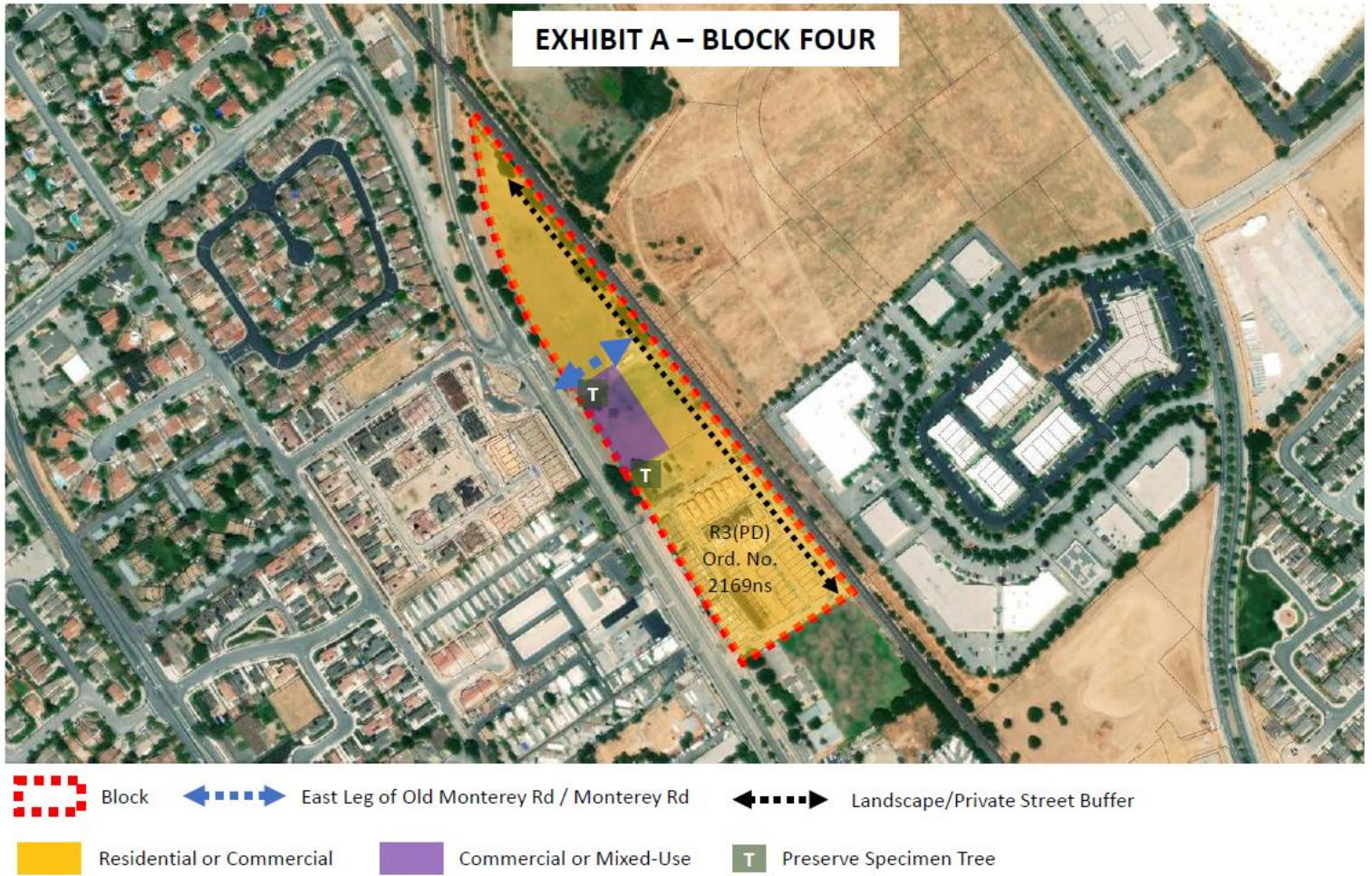
WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Attachment: 2298 BLMP Block 4 (2202 : Adopt Ord 2298 - BLMP Block 4)

Exhibit A: Block-Level Master Plan Map – Block Four



Attachment: 2298 BLMP Block 4 (2202 : Adopt Ord 2298 - BLMP Block 4)

Exhibit B: Block-Level Master Plan Land Use Regulations - Block Four

I. Land Use Regulations

- A. **Permitted Uses.** Zoning Code Table 18.22-1 identifies permitted uses in the MU-F Mixed Use Flex Zoning District. Specific uses allowed for Block Four are further described on Exhibit A and below.
- B. **Development Standards.** Zoning Code Tables 18.22-2 and 18.22-3 identify development standards for the MU-F Mixed Use Flex Zoning District.
 1. Residential Density. 7 to 24 du/ac.
 2. Floor Area Ratio. For non-residential and vertical mixed-use projects, the maximum floor area ratio (FAR) is 0.5.
 3. Setbacks. The setbacks identified in Zoning Code Table 18.22-3 are required setbacks around the project perimeter.
 4. Residential Development Standards. A medium density residential development project may use the development standards specified in Zoning Code Section 18.40.050 and through the subsequent PD Master Plan process establish deviations from those standards.
- C. **Commercial Requirements**
 1. Corner Lot Commercial/Non-Residential. Commercial use(s) (retail, services, office) and/or other non-residential (public/quasi-public) use(s) are required at the southeast corner of Monterey Road and the new intersection opposite Old Monterey Road. Commercial or non-residential use(s) may be accommodated within a standalone building(s) or in vertical mixed-use building(s).
 2. Tree Preservation. The existing specimen trees located in/adjacent to the commercial/mixed-use area shall be preserved in place as a key/public feature of any future project. Preserve all other significant trees to the greatest extent practicable, as defined in Municipal Code Chapter 12.32 – Restrictions on Removal of Significant Trees.
 3. Connections. Ensure a strong connection between the commercial/non-residential, residential, and public gathering places within the block.
- D. **General Specifications**
 1. Primary entrances for new buildings should be oriented toward the street.
 2. Parking for new uses should be located behind buildings with limited or no visibility from streets.
 3. Primary access to/from rear parking areas shall be provided via driveways (including shared driveways) located at side streets (i.e., not from Monterey Road) to the greatest extent possible.
 4. First floor floor-to-ceiling clear height for non-residential uses: 14-feet minimum.

5. Building depth for non-residential uses: 35-feet minimum.
6. Urban Form Characteristics:
 - a. Signature design qualities and attractive architectural features, including articulated facades, projections, and recessed entryways
 - b. Adaptive reuse where existing buildings may have desirable characteristics
 - c. Higher intensity development designed with sensitivity to adjacent lower intensity residential development
 - d. Street design balancing pedestrian and bicycle use with vehicular circulation
 - e. Consistent planting of street trees to provide shade and enhance character and identity
 - f. Well-designed, publicly-accessible open space
7. Reasonable accommodations shall be provided, as appropriate, to provide relief from any physical standards that make meeting accessibility requirements challenging for a particular project.
8. Future development must accommodate and complete the fourth leg of the intersection with Monterey Road / Old Monterey Road.
9. Future development must provide a buffer to the adjacent railroad right-of-way and internal connection between developments within the block.
10. Future development must provide commercial/non-residential component at new intersection to support new and existing residential.
- E. **Public Gathering Places.** Residential or mixed-use project sites over 1.5 acres must provide one or more public gathering places such as plazas, courtyards, and parks.
 1. Location. The public gathering space must be located close to pedestrian activity, along streets, or where pathways intersect.
 2. Activity. For public gathering places incorporated into mixed use development with ground floor commercial uses, active ground-floor uses (e.g., retail or restaurants) must be located along the edge of a courtyard and plazas.
 3. Visibility and Access. Plazas, courtyards, and other similar spaces must open to public sidewalks and building entrances to provide visibility and access opportunities along project frontages.
 4. Seating. Usable open spaces must include well-designed seating, such as seat walls, free-standing elements, fixed and moveable seating, and other seating options.
 5. Year-round Use. Open space must be usable year-round with features such as awnings, wind breaks, sun shades, and umbrellas, or other similar features that provide shelter from the elements.
 6. Specimen Trees. Incorporate existing specimen trees into design of public gathering space(s).

- F. **Temporary Uses.** In addition to the temporary uses allowed and requirements established in Section 18.92.150, the temporary use of private parcels for community events, food vending, and pop-up parks may be allowed with the issuance of a Temporary Use Permit.

II. Subsequent Approvals

- A. **Zoning Amendment/PD Master Plan.** Pursuant to the requirements of Zoning Code Section 18.30.050 – Planned Development Combining District, a Zoning Amendment to establish a PD Master Plan is required. The PD Master Plan shall be consistent with the approved BLMP PD and must plan for the future development and integration of all parts of the block.
- B. **Design Review.** A proposed development must receive a Design Permit as required by Zoning Code Section 18.108.040. All development and land uses within the BLMP PD shall be consistent with the approved PD Master Plan.

DRAFT



Meeting Minutes City Council

Rich Constantine - Mayor
Rene Spring - Mayor Pro Tem
Yvonne Martinez Beltran - Council Member
Larry Carr - Council Member
John McKay - Council Member

Wednesday, February 6, 2019 7:00 pm

Council Chamber
17555 Peak Avenue, Morgan Hill, CA 95037

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.

CALL TO ORDER

Mayor Constantine called the meeting to order at 7:00 p.m.

ROLL CALL ATTENDANCE

Deputy City Clerk Michelle Bigelow called the roll.

Attendee Name	Title	Status	Arrived
Rich Constantine	Mayor	Present	
Rene Spring	Mayor Pro Tem	Present	
Yvonne Martinez Beltran	Council Member	Present	
Larry Carr	Council Member	Present	
John McKay	Council Member	Present	

DECLARATION OF POSTING AGENDA

Deputy City Clerk Michelle Bigelow declared the posting of the agenda.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

CITY COUNCIL REPORTS

Council Member Spring shared that he, along with his colleagues John McKay and Larry Carr, attended an alumni meeting of Leadership Morgan Hill last Thursday evening where they learned that former Mayor Steve Tate will be the recipient of this year's Leadership Excellence Award. This morning he attended the South County Regional Wastewater Authority (SCRWA) meeting, which is the authority that manages the sewer treatment systems for Morgan Hill and Gilroy. He shared that the treatment plant will need to be expanded in the near future to add capacity which will require a significant amount of money from both cities. There are also discussions about increased partnerships with the Santa Clara Valley Water District (SCVWD) and how that would be accomplished. Lastly, he shared that the City of Morgan Hill is working on a Sustainable Water Plan which would require recycling of water.

CITY MANAGER'S REPORT

City Manager Christina Turner spoke to the evening's supplements and presentations. She recognized and congratulated Deputy City Clerk Michelle Bigelow for earning the California Professional Municipal Clerk Certification. This is in addition to her certification of Master Municipal Clerk. She shared that following up on Council's request for a report back on the negotiations contract with Meyers Nave, the total spent on the contract was \$78,711. The contract had a not to exceed amount of \$100,000, which we are below that amount and the \$78,711 is the final amount.

She notified the community that the Santa Clara Valley Water District (SCVWD) has a new name and logo. Their new name is Valley Water. She shared that Leadership Morgan Hill's Local Government Day is coming up on Friday, February 15th. The City team is actively working to prepare for this day that we get excited about every year.

She mentioned that at the last Council meeting, Council Member Carr talked about the Valley Transportation Authority's (VTA) New Transit Service Plan and about how the service might change in our community and that overall the changes would be positive for Morgan Hill in that the most frequently used line, Bus 68, will see expanded service. As the VTA goes through the process of updating its Transit Service Plan, they will hold a variety of community meetings. On February 12th, they will hold an on-line virtual meeting that you can sign up for on their website. They will also be attending the February 20th Morgan Hill City Council meeting to present the new transit service plan and open the floor to public comment and questions from the community.

She announced that the High Speed Rail Authority (HSR) will hold its next community working group meeting on March 5th from 6:00 p.m. to 8:00 p.m. at the Community and Cultural Center. She shared that the City of Morgan Hill State of the City Address will take place on Wednesday, March 13th at 7:00 p.m. here in the Council Chamber Building.

She concluded by sharing that the County of Santa Clara Board of Supervisors (Board) just adopted an agricultural plan and mentioned a couple of the plan's key points. The Board pledged to spend at least \$20 million from the beginning and into future years, however, it could be as much as \$1 billion. They have talked about a parcel tax or dedicated sales tax measure to fund this program. The goal is to preserve agricultural land for farmers and workers and to strengthen the regional food supply and protect open space. The County is actively discussing new land use restrictions that might further limit the conversion of agricultural properties and this also adds to the momentum of making it difficult to expand beyond our boundaries. There will be more information to come in the near future.

CITY ATTORNEY'S REPORT

None.

OTHER REPORTS

City Council Member Martinez Beltran shared that she and Council Member McKay attended the League of California Cities Peninsula Division meeting last Wednesday. They had a presentation by the Committee to House the Bay Area (CASA) which included their draft of the legislative and regulatory recommendations that they are coming up with. Eventually, a regional housing implementation strategy will be developed and taken to Sacramento. She shared that many small cities like and including Morgan Hill, would like to ensure that their perspective is included in the regional housing implementation strategy. She commented that this past Saturday, she attended the Women's Leadership Summit which was hosted by Santa Clara County Supervisor Cindy Chavez. The event included a host of workshops on housing, transportation, policy, wage and equity, and leadership. She met many other women leaders within the community. She concluded by sharing that there was also a presentation on the first-time home buyer program that will be using 2016 Measure A funds to provide down-payment assistance. The program is administered by Housing Trust Silicon Valley. If you are interested, you can email them at empowerhomebuyersscc@housingtrustsv.org.

PROCLAMATIONS

Proclaiming the week of February 3rd through 9th as Future Business Leaders of America Week
Karrine Leong and Gillian McCaw

RECOGNITIONS

Recognition for Downtown Flower Box Coordinators
Irene Mort and Susan Houghton

Recognition for Supreme Donations for the Downtown Flower Boxes
Dave Vincent, Cal Color Growers

PRESENTATIONS

Morgan Hill Aquatic Foundation \$3K scholarship donation
Tim Thornton

PUBLIC COMMENT

The public comment was opened at 7:22 p.m.

There being no requests to speak, the public comment was closed.

ADOPTION OF AGENDA

MOTION:

Adopting the agenda as posted.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	John McKay, Council Member
SECONDER:	Larry Carr, Council Member
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

CONSENT CALENDAR

MOTION:

Approving consent calendar items 1 through 9.

RESULT: APPROVED [UNANIMOUS]
MOVER: Rene Spring, Mayor Pro Tem
SECONDER: Yvonne Martinez Beltran, Council Member
AYES: Constantine, Spring, Martinez Beltran, Carr, McKay

1. ACCEPT NOVEMBER 2018 FINANCIAL AND INVESTMENT REPORT

Recommendation:

Accept and file report.

2. ACCEPT FOURTH STREET & MONTEREY ROAD SIGNALIZATION PROJECT

Recommendation:

1. Accept the Fourth Street & Monterey Road Signalization Project, in the final amount of \$293,582;
2. Authorize the City Engineer to sign the attached Notice of Completion; and
3. Direct the City Clerk to file the Notice of Completion with the County Recorder's Office.

3. ADOPT ORDINANCE 2295 AMENDING THE MADRONE VILLAGE SHOPPING CENTER PRECISE DEVELOPMENT MASTER PLAN TO ALLOW HOTEL DEVELOPMENT

Recommendation:

Waive the reading, adopt Ordinance No. 2295, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

4. ADOPT ORDINANCE 2296 ESTABLISHING PROCESS FOR CONTINUITY OF GOVERNMENT IN THE EVENT OF A DISASTER

Recommendation:

Waive the reading, adopt Ordinance No. 2296, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

5. ADOPT RESOLUTION OF INTENT TO HOLD SPECIAL BALLOT PROCEEDING FOR PARSONS CORNER SUBAREA OF MORGAN HILL LANDSCAPE ASSESSMENT DISTRICT NUMBER 1

Recommendation:

1. Adopt resolution of intent authorizing a special ballot proceeding to detach the Parsons Corner Subarea from the Morgan Hill Landscape Assessment District Number 1 (District); and
2. Approve and authorize the City Manager to execute a Maintenance Agreement with the Parson's Corner Homeowners Association, subject to successful detachment of the Parsons Corner Subarea from the Morgan Hill Landscape Assessment District Number 1 (District).

6. CITY COUNCIL APPOINTMENTS TO OUTSIDE AGENCIES

Recommendation:

1. Review and approve the City Council Appointments to Outside Agencies as necessary; and
2. Direct the City Clerk to notify the appropriate agencies of the updated assignments and update the Form 806 as necessary.

7. APPROVE THE JANUARY 23, 2019 MEETING MINUTES

Recommendation:

Approve Minutes.

8. APPROVE THE JANUARY 25, 2019 MEETING MINUTES

Recommendation:

Approve Minutes.

9. APPROVE THE JANUARY 26, 2019 MEETING MINUTES

Recommendation:

Approve Minutes.

PUBLIC HEARING

10. ADOPT GENERAL PLAN AMENDMENT TO CHANGE THE GENERAL PLAN LAND USE DESIGNATION ON AN 8.34 ACRE SITE LOCATED NORTH OF EAST DUNNE AVENUE AND SADDLEBACK DRIVE (APN NO. 728-02-002) FROM RESIDENTIAL ESTATE TO RESIDENTIAL DETACHED LOW AND ADOPT ZONING AMENDMENT ORDINANCE TO CHANGE THE ZONING CLASSIFICATION FOR THE PARCEL FROM RESIDENTIAL ESTATE ONE-ACRE TO RESIDENTIAL DETACHED LOW DENSITY (RDL-20,000)

Recommendation:

1. Open and close public hearing;
2. Adopt resolution approving the General Plan Amendment and approving a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program prepared for the project;
3. Waive first and second reading of Zoning Amendment Ordinance; and
4. Introduce Zoning Amendment Ordinance.

Associate Planner Tiffany Brown and Community Development Director Jennifer Carman presented the report.

The public hearing was opened at 7:36 p.m. The following people were called to speak:

Vince Burgos
 Anthony Colaprete
 Kelly Funk
 Allen Hines
 John Telfer
 David Puliafico

There being no further requests to speak, the public hearing was closed.

The meeting was recessed at 8:04 p.m.

The meeting was reconvened at 8:13 p.m.

The public hearing was re-opened at 8:15 p.m. The following people were called to speak:

David Puliafico
 Vince Burgos

There being no further requests to speak, the public hearing was closed.

MOTION:

Denying the General Plan Amendment and Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program prepared for the project.

RESULT:	DENIED [UNANIMOUS]
MOVER:	Yvonne Martinez Beltran, Council Member
SECONDER:	Rene Spring, Mayor Pro Tem
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

11. ADOPT ZONING AMENDMENT FOR APPROXIMATELY 8.55 ACRES OF PROPERTY LOCATED ON THE NORTHEAST CORNER OF MONTEREY ROAD AND BURNETT AVENUE (APN NO. 725-01-018, -032, AND -033) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK ONE.

Recommendation:

1. Open/close public hearing;
2. Waive first and second reading of Zoning Amendment ZA2019-0001: Monterey Corridor Block One; and
3. Introduce Zoning Amendment ZA2019-0001: Monterey Corridor Block One

Principal Planner John Baty and Community Development Director Jennifer Carman presented the report.

The public hearing was opened at 9:21 p.m. The following people were called to speak:

Dick Oliver

John Telfer

There being no further requests to speak, the public hearing was closed.

MOTION:

Waiving the first and second reading of the ordinance.

RESULT:	WAIVED [UNANIMOUS]
MOVER:	Yvonne Martinez Beltran, Council Member
SECONDER:	Larry Carr, Council Member
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

MOTION:

Introducing the ordinance.

RESULT:	INTRODUCED [UNANIMOUS]
MOVER:	Rich Constantine, Mayor
SECONDER:	Larry Carr, Council Member
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

12. ADOPT ZONING AMENDMENT FOR APPROXIMATELY 7.58 ACRES OF PROPERTY LOCATED ON THE EAST SIDE OF MONTEREY ROAD OPPOSITE OLD MONTEREY ROAD (APN NOS. 726-25-006 AND -005) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK FOUR

Recommendation:

1. Open/close public hearing;
2. Waive first and second reading of Zoning Amendment ZA2019-0002: Monterey Corridor Block Four; and
3. Introduce Zoning Amendment ZA2019-0002: Monterey Corridor Block Four

Principal Planner John Baty and Community Development Director Jennifer Carman presented the report.

The public hearing was opened at 9:58 p.m.

Jason Bernstein was called to speak.

There being no further requests to speak, the public hearing was closed.

MOTION:

Waiving the first and second reading of the ordinance.

RESULT:	WAIVED [UNANIMOUS]
MOVER:	Larry Carr, Council Member
SECONDER:	Rene Spring, Mayor Pro Tem
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

MOTION:

Introducing the ordinance.

RESULT:	INTRODUCED [UNANIMOUS]
MOVER:	Larry Carr, Council Member
SECONDER:	Yvonne Martinez Beltran, Council Member
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

13. ADOPT RESOLUTION AUTHORIZING THE COUNTY TO COMMENCE 2019 HAZARDOUS VEGETATION ABATEMENT PROGRAM

Recommendation:

1. Open/Close public hearing;
2. Adopt Resolution A authorizing Santa Clara County to commence hazardous vegetation abatement activities on the attached list; and
3. Adopt Resolution B authorizing Santa Clara County to commence hazardous vegetation abatement activities for the remaining parcel.

Program Administrator Anthony Eulo presented the report.

Council Member McKay excused himself from the dais.

The public hearing was opened at 10:18 p.m.

There being no requests to speak, the public hearing was closed.

MOTION:

Adopting resolution B authorizing Santa Clara County to commence hazardous vegetation abatement activities for the remaining parcel.

RESULT: **ADOPTED [4 TO 0]**
MOVER: Rich Constantine, Mayor
SECONDER: Larry Carr, Council Member
AYES: Constantine, Spring, Martinez Beltran, Carr
RECUSED: McKay

The public hearing was opened at 10:20 p.m.
 There being no requests to speak, the public hearing was closed.

MOTION:

Adopting resolution A authorizing Santa Clara County to commence hazardous vegetation abatement activities on the attached list.

RESULT: **ADOPTED [4 TO 0]**
MOVER: Rich Constantine, Mayor
SECONDER: Larry Carr, Council Member
AYES: Constantine, Spring, Martinez Beltran, Carr
RECUSED: McKay

Council Member McKay resumed his seat at dais.

The meeting was recessed at 10:21 p.m.
 The meeting was reconvened at 10:25 p.m.

OTHER BUSINESS

14. RECEIVE CAPITAL IMPROVEMENT PROJECT UPDATE

Recommendation:

Receive an update on City Capital Improvement Projects.

Public Services Director Chris Ghione presented the report.

The public comment was opened at 10:35 p.m.
 There being no requests to speak, the public comment was closed.

RESULT: **ACCEPT REPORT**

15. PROVIDE DIRECTION REGARDING THE ADOPTION OF A LOBBYIST REGISTRATION ORDINANCE

Recommendation:

Direct the City Attorney to prepare an ordinance requiring registration of paid lobbyists.

City Attorney Donald Larkin presented the report.

The public comment was opened at 10:46 p.m.
 Doug Muirhead was called to speak.
 There being no further requests to speak, the public comment was closed.

Council provided direction to the City Attorney.

RESULT: NO ACTION TAKEN

16. UPDATES TO SUSTAINABLE MORGAN HILL AND ONGOING PRIORITIES AND ESTABLISHMENT OF 2019-2020 STRATEGIC PRIORITIES

Recommendation:

Adopt updates to Sustainable Morgan Hill and ongoing priorities and establish the City Council's 2019-2020 Strategic Priorities.

City Manager Christina Turner presented the report.

The public comment was opened at 10:58 p.m.

There being no requests to speak, the public comment was closed.

Council provided feedback and direction to the City Manager.

RESULT: NO ACTION TAKEN

MOTION:

Extending the meeting to 12:00 a.m.

RESULT: EXTENDED [UNANIMOUS]
MOVER: Rene Spring, Mayor Pro Tem
SECONDER: Rich Constantine, Mayor
AYES: Constantine, Spring, Martinez Beltran, Carr, McKay

17. ACCEPT REPORT REGARDING WASTEWATER SYSTEM NEEDS AND RATE STUDY SCHEDULE

Recommendation:

Receive an update on wastewater system needs and schedule for the upcoming rate study.

Public Services Director Chris Ghione and Deputy Director for Utilities Dan Repp presented the report.

The public comment was opened at 11:21 p.m.

There being no requests to speak, the public comment was closed.

RESULT: ACCEPT REPORT

18. PROVIDE DIRECTION ON SPORTS FACILITY DEVELOPMENT PROCESS

Recommendation:

Provide staff direction on development of sports facilities on City owned properties.

Public Services Director Chris Ghione and Program Administrator Anthony Eulo presented the report.

The public comment was opened at 11:42 p.m.

Doug Muirhead was called to speak.

There being no further requests to speak, the public comment was closed.

Council provided feedback and direction to staff.

RESULT: NO ACTION TAKEN

MOTION:

Extending the meeting to 12:30 a.m.

RESULT:	EXTENDED [UNANIMOUS]
MOVER:	Rene Spring, Mayor Pro Tem
SECONDER:	Rich Constantine, Mayor
AYES:	Constantine, Spring, Martinez Beltran, Carr, McKay

FUTURE COUNCIL INITIATED AGENDA ITEMS

None.

CLOSED SESSION

City Attorney Donald Larkin announced the closed session items.

OPPORTUNITY FOR PUBLIC COMMENT

The public comment was opened at 12:04 a.m.

There being no requests to speak, the public comment was closed.

ADJOURN TO CLOSED SESSION

The meeting adjourned to closed session at 12:04 a.m.

Conference with Legal Counsel - Existing Litigation

Authority:	Pursuant to CA Govt. Code Section 54656.9(a).
Case Name:	Neumayer v. City of Morgan Hill and Innovative Claim Solutions, Inc.
Case Numbers:	Workers' Compensation Claim No: MHL1400004, WCAB No: ADJ10003677; ADJ10804856

Conference with Legal Counsel - Existing Litigation

Authority:	Pursuant to CA Govt. Code Section 54656.9(a).
Case Name:	Munoz v. City of Morgan Hill
Case Numbers:	Workers' Compensation Claim No: MHL1800013, WCAB No: n/a

RECONVENE

The meeting reconvened at 12:12 a.m.

CLOSED SESSION ANNOUNCEMENT

City Attorney Donald Larkin announced that there was no reportable action.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:12 a.m.

MINUTES PREPARED BY:

Michelle Bigelow, Deputy City Clerk

Minutes Acceptance: Minutes of Feb 6, 2019 7:00 PM (CONSENT CALENDAR)



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Gina Paolini, Interim Principal Planner
APPROVED BY: City Manager

ORDINANCE APPROVING DEPOT-LATALA- DEVELOPMENT AGREEMENT TO CONFIRM RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS) PUBLIC BENEFIT COMMITMENTS FOR 49 DOWNTOWN RDCS BUILDING ALLOTMENTS. THE PROPERTY, IDENTIFIED BY ASSESSOR PARCEL NUMBER 726-13-049, IS LOCATED ON THE EAST SIDE OF DEPOT STREET, NORTH OF EAST DUNNE AVENUE

RECOMMENDATION(S)

1. Open and close public hearing;
2. Waive first and second reading of Development Agreement Ordinance; and
3. Introduce Development Agreement Ordinance.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Protecting the Environment
Maintaining Fiscal Responsibility

2019 Strategic Priorities

Community Engagement and Messaging
Infrastructure

GUIDING DOCUMENTS

Downtown Specific Plan
General Plan/Housing Element

POLICY CONSIDERATION:

Is the Development Agreement consistent with the required findings?

REPORT NARRATIVE:

The Latala Group, LLC is requesting a Development Agreement to memorialize public benefit commitments made within a Downtown Residential Development Control System (RDCS) application. The Development Agreement specifies the duration and permitted uses of the subject property; the general location and density or intensity of the uses. It also contains provisions concerning its transferability to any successor owners of the property. The Development Agreement (Agreement) clearly outlines the benefits provided to the City by entering into the Agreement. The findings required to be made by City Council pursuant to Section 18.116.040 of the Morgan Hill Municipal Code are described in the attached ordinance.

The project site 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, surface parking 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 applicant proposes a mixed-use development project that would include 49 attached residential units with an approximate 3,000 square foot office space.

Planning Commission Summary

The Planning Commission held a public hearing for the award of Downtown RDSCS building allotments and the Development Agreement at its January 22, 2019 meeting. The Planning Commission found that the project was eligible to receive allotments after receiving a qualifying score and adopted Resolution No. 19-01 awarding the project 49 residential building allotments (Attachment 2). This is the first project to receive allotments from the Downtown set-aside. There would be 51 remaining Downtown set-aside allotments in 2019 for future projects. The Planning Commission adopted Resolution No. 19-02 (Attachment 3) recommending that the City Council adopt a Development Agreement for the project, incorporating the RDSCS public benefit commitments.

COMMUNITY ENGAGEMENT: Inform

The Morgan Hill Community was informed about the project through public notification (mailing to property owners within 300 feet of the project and newspaper legal noticing) for the minimum 10-day period.

ALTERNATIVE ACTIONS:

The City Council could direct staff to negotiate changes to the Development Agreement.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

City Council reviewed and approved an Exclusive Right to Negotiate Agreement ("Agreement") with the Latala Group, LLC ("Developer"), at its April 18, 2018 meeting which included realigning Depot Street in conjunction with a development proposal for the Hale Lumber Site.

At its October 3, 2018 meeting, the City Council approved a Disposition Development Agreement (DDA) with the Developer to memorialize an agreement for redeveloping the site.

The City Council adopted Ordinance No. 2282 N.S on October 17, 2018, approving General Plan and Zoning Amendments for the Depot Street right-of-way as the first step towards realigning Depot Street.

The Planning Commission considered the project applications on January 22, 2019. The Planning Commission staff report has been attached (Attachment 4). The Planning Commission recommended that the City Council approve the Development Agreement. The motion passed (5-0).

FISCAL AND RESOURCE IMPACT:

City development review functions are cost-recovery, with fees collected from applicants to cover cost of services. These fees have been collected.

California Environmental Quality Act (CEQA):

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 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 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.

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 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.

LINKS/ATTACHMENTS:

1. Ordinance
2. Development Agreement
3. Planning Commission Reso. 19-01
4. Planning Commission Reso. 19-02
5. January 22, 2019-Planning Commission Staff Report (web link)

ORDINANCE NO. , NEW SERIES**AN ORDINANCE OF THE CITY OF MORGAN HILL
APPROVING A DEVELOPMENT AGREEMENT DA2018-
0007: DEPOT-LATALA FOR A 49-UNIT MIXED USE
DEVELOPMENT LOCATED ON THE EASTERLY SIDE OF
DEPOT STREET NORTH OF EAST DUNNE AVENUE (APN
726-13-049)****THE CITY COUNCIL OF THE CITY MORGAN HILL DOES
ORDAIN AS FOLLOWS:**

SECTION 1. The Planning Commission, pursuant to Chapter 18.156 of the Morgan Hill Municipal Code (MHMC), awarded 49 Downtown RDCS set-aside building allotments to application RDCS2018-0002 Depot-Latala. Additionally, pursuant to MHMC Chapter 18.116.040, the Planning Commission recommended approval of the Development Agreement.

SECTION 2. The City Council of the City of Morgan Hill adopted Ordinance Number 1594, as revised by Ordinance Number 2277, establishing a procedure for processing Development Agreements in Chapter 18.116 for projects receiving allotments through the Residential Development Control System, Chapter 18.156, of Title 18 of the MHMC.

SECTION 3. Sections 65864 through 65869.5 of the California Government Code authorize the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.

SECTION 4. References are hereby made to certain Agreements on file in the office of the City Clerk of the City of Morgan Hill. These documents to be signed by the City of Morgan Hill and the property owner(s) set forth in detail the development schedule, the types of homes, and the specific restrictions on the development of the subject property. Said Agreement herein above referred to shall be binding on all future owners and developers as well as the present owners of the lands, and any substantial change can be made only after further public hearings before the Planning Commission and the City Council of this City.

SECTION 5. The City Council hereby accepts the recommendation of the Planning Commission and further finds that the development proposal and Development Agreement approved by this Ordinance are consistent with the goals, objectives, policies, general land uses, and programs specified in the General Plan and the Downtown Specific Plan. The project would provide 49, residential units in a mixed use development, as well as the realignment of Depot Street. There have been no General Plan policy conflicts identified with the proposed project.

SECTION 6. The City Council hereby finds that the Development Agreement is compatible with the uses authorized in the zoning district in which the real property is located because the proposed mixed-use development is permitted within the Mixed Use-Downtown Specific Plan area and would be compatible with the surrounding residential and small business uses.

SECTION 7. The City Council has duly considered city mitigation programs in effect at the time of execution of the agreement and hereby finds that the project is subject to the payment of applicable impact fees and community benefit commitments as part of the RDCS process.

SECTION 8. The City Council hereby finds that the project will be non-detrimental to the public health, safety and general welfare of persons residing or working in the neighborhood and to property and improvements in the neighborhood because project construction would adhere to state, local and federal laws. The project is a mixed-use residential development that would include the same normal daily operations of other surrounding uses.

SECTION 9. The City Council of the City of Morgan Hill finds that the Development Agreement was analyzed pursuant to the provisions of the California Environmental Quality Act and city's procedures adopted pursuant thereto. The City Council further 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/Addendum previously prepared for purposes of the Development Agreement 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 10. The Development Agreement will not adversely affect the orderly development of property or the preservation of property values because the project will provide high quality architecture consistent with the City's Architectural Design Guidelines. The project will also be consistent with state and local laws.

SECTION 11. Testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

SECTION 12. 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 13. Effective Date; Publication. This ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance or a summary thereof pursuant to 36933 of the Government Code.

THE FOREGOING ORDINANCE WAS INTRODUCED AT A MEETING OF THE CITY COUNCIL HELD ON THE 20th DAY OF FEBRUARY 2019, AND WAS FINALLY ADOPTED AT A MEETING OF THE CITY COUNCIL HELD ON THE ____ DAY OF MARCH 2019, 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:

Rich Constantine, Mayor

ATTEST:

DATE:

IRMA TORREZ, City Clerk

∞ 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. ____, New
Series adopted by the City Council of the City of Morgan Hill, California at their regular meeting
held on the ____ day of March 2019.

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

DATE: _____

Clerk

IRMA TORREZ, City

Attachment: Ordinance (2171 : Development Agreement- Depot-Latala)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Morgan Hill
Development Services Department
17575 Peak Avenue
Morgan Hill, CA 95037

RECORDING FEES EXEMPT
PURSUANT TO GOVERNMENT
CODE SECTION 27383

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
THE DEPOT-LATALA MIXED USE RESIDENTIAL DEVELOPMENT PROJECT

Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

RESIDENTIAL DEVELOPMENT AGREEMENT
 BY AND BETWEEN
 THE CITY OF MORGAN HILL
 AND
 THE LATALA GROUP, LLC
 REGARDING THE
 THE DEPOT-LATALA MIXED USE RESIDENTIAL DEVELOPMENT PROJECT

This Development Agreement ("**Agreement**") is entered into on the below-stated "**Effective Date**" by and between the City of Morgan Hill, a California municipal corporation, (hereinafter "**City**"), and The Latala Group, LLC, a California limited liability company, and its successor and assigns (hereinafter, collectively, "**Developer**"), pursuant to Section 65864 *et seq.* of the Government Code of the State of California and City's police powers. City and Developer are, from time to time, also hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and other considerations, the value and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

RECITALS

A. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the Legislature of the State of California adopted Government Code Sections 65864 *et seq.* ("**Development Agreement Statute**"), which regulates development agreements with any person having a legal or equitable interest in real property providing for the development of that property and establishes certain development rights in the property. In accordance with the Development Agreement Statute, and by virtue of its police powers, City has the authority to enter into development agreements, and has reflected that authority in its Morgan Hill Municipal Code (Chapter 18.116 *et seq.*) ("**Enabling Ordinance**"). This Agreement has been drafted and processed pursuant to the Development Agreement Statute and the Enabling Ordinance.

B. Developer currently has a legal and/or equitable interest in the Property.

C. Developer proposes to plan, develop, construct, operate and maintain the Project on the Property (as such terms are defined herein).

D. As of the Effective Date, various land use regulations, allotments, entitlements, grants, permits and other approvals have been adopted, issued, and/or granted by City relating to the Project (collectively "**Existing Approvals**"), including without limitation, all of the following:

1. Downtown Exempt allotments awarded pursuant to an RDCS application (RDCS2018-0002: Depot-Latala) and associated public benefit commitments;
2. Environmental Assessment EA2018-0013; and,
3. Disposition and Development Agreement DA2018-0005.

The Existing Approvals are more particularly described in the Addendum to the 2035 General Plan Final EIR and 2009 Morgan Hill Downtown Specific Plan Final EIR for the Morgan Hill Hale Lumber Land Exchange Project and the resolutions adopting the Existing Approvals.

E. For the reasons recited herein, Developer and City have determined that the Project is the type of development for which this Agreement is appropriate. This Agreement will help to eliminate uncertainty in planning, provide for the orderly development of the Project consistent with the planning goals, policies, and other provisions of the City's General Plan and City's Municipal Code, and otherwise achieve the goals and purposes for which the Development Agreement Statute was enacted.

F. On January 22, 2019, the Morgan Hill Planning Commission awarded allotments for the Project as set forth in the Developer's application for residential allotments pursuant to Chapter 18.156 ("**Residential Development Control System**", or "**RDCS**") of the Morgan Hill Municipal Code ("**Code**"). This Agreement serves to secure in a permanent and enforceable manner the public benefits and commitments included in the Developer's application as required under Section 18.156.120.J of the Code.

G. On January 22, 2019, following a duly noticed and conducted public hearing, the Planning Commission of the City ("**Planning Commission**") considered the Development Agreement for recommendation to the City Council, and determined that the Development Agreement is consistent with the goals, objectives, policies, general land uses and programs specified in the General Plan and any applicable specific plan; is compatible with the uses authorized in the zoning district in which the real property is located; duly considers City mitigation programs in effect at the time of execution of the agreement; will be non-detrimental to the public health, safety and general welfare of persons residing or working in the neighborhood and to property and improvements in the neighborhood; complies with the provisions of the California Environmental Quality Act and City's procedures adopted pursuant thereto; and will not adversely affect the orderly development of property or the preservation of property values.

ARTICLE 1

ADMINISTRATION

1.01 Effective Date. Following a duly noticed and conducted public hearing, the Morgan Hill City Council ("City Council") introduced an ordinance ("**Ordinance**"), accepting the recommendation of the Planning Commission, finding that this Agreement's provisions are consistent with the General Plan and any applicable specific plan, approving this Agreement, and directing this Agreement's execution by City. The City adopted the Ordinance, and the Ordinance became effective thirty (30) days later. The "Effective Date" in this Agreement shall be the date that the Ordinance became effective.

1.02 Definitions.

(a) The following terms, phrases and words shall have the meanings and be interpreted as set forth in this Section:

- (1) "**Allotments**" shall mean those residential allotments awarded Developer through the Residential Development Control System
- (2) "**Applicable Law**" shall have that meaning set forth in Section 2.01(a) of this Agreement.

- (3) **“Commitments”** shall have that meaning set forth in Section 2.04(a) of this Agreement.
- (4) **“Director”** shall mean the Director of Community Development, and his or her designee.
- (5) **"Existing Approvals"** shall have that meaning set forth in paragraph D of the Recitals of this Agreement.
- (6) **"Existing City Laws"** shall mean all City ordinances, resolutions, rules, regulations, guidelines, motions, practices and official policies governing land use, zoning and development, RDCS, permitted uses, density and intensity of use, maximum height, bulk and size of proposed buildings, and other City land use regulations in force and effect on the Effective Date of this Agreement.
- (7) **“Impact Fees”** shall mean those fees imposed so that developments bear a proportionate share of the cost of public facilities and service improvements that are reasonably related to the impacts and burdens of the Project, adopted pursuant to Morgan Hill Municipal Code Chapter 3.56 and California Government Code Section 66001 *et seq.*
- (8) **"Legal Effect"** shall mean the ordinance, resolution, permit, license or other grant of approval that has been adopted by City and has not been overturned or otherwise rendered without legal and/or equitable force and effect by a court of competent jurisdiction, and all applicable administrative appeal periods and statutes of limitations have expired.
- (9) **"New City Laws"** shall mean any and all City ordinances, resolutions, orders, rules, official policies, standards, specifications and other regulations, whether adopted or enacted by City, its staff or its electorate (through their powers of initiative, referendum, recall or otherwise) that is not a Subsequent Approval, that takes **"Legal Effect"** after the Effective Date of this Agreement, and that applies City wide.
- (10) **"Project"** means the development containing 49 units in a mixed-use residential development, as more particularly described in the RDCS Application RDCS2018-0002:Depot-Latala as described in Exhibit B. Any reference in this Agreement to the "Project" shall mean and include the "Property".
- (11) **"Project Approvals"** mean, collectively, the Project's Existing Approvals and the Subsequent Approvals.
- (12) **"Property"** shall mean that certain real property consisting of approximately 2.28 acres located within the City, as more particularly described and shown on Exhibit A to this Agreement.
- (13) **"RDCS"** means the Residential Development Control System set forth in Chapter 18.156 of the Morgan Hill Municipal Code.
- (14) **"Second Notice"** shall have that meaning set forth in Section 4.07(c) of this Agreement.
- (15) **"Subdivision Document"** means, pursuant to Government Code Section 66452.6(a) and this Agreement, any tentative map, vesting tentative map, parcel map, or final map, or any such new map or any amendment to any such map, or any resubdivision.

- (16) **"Subsequent Approvals" and "Subsequent Approval"** mean those City permits, entitlements, approvals or other grants of authority (and all text, terms and conditions of approval related thereto), that may be necessary or desirable for the development of the Project, that are sought by Developer, and that are granted by City after the City Council adopts the Ordinance, including without limitation, subdivision maps and building permits.

(b) To the extent that any defined terms contained in this Agreement are not defined above, then such terms shall have the meaning otherwise ascribed to them elsewhere in this Agreement, or if not in this Agreement, by controlling law, including the Morgan Hill Municipal Code.

1.03 **Term.**

(a) The term ("**Term**") of this Agreement shall commence on the Effective Date, and then shall continue (unless this Agreement is otherwise terminated or modified as provided in this Agreement) until the earliest of (1) the loss of all residential allotments for the Project pursuant to the RDCS, if applicable, (2) the issuance of a certificate of occupancy for all units in the Project or (3) ten (10) years plus one day after the Effective Date; provided however that Developer's obligations pursuant to Sections 2.03 and 2.04 shall survive the termination of this Agreement until such obligations are fully performed and completed in accordance with this Agreement.

(b) If any "**Third-Party Challenge**" (as that term is defined in Section 4.06(a) of this Agreement) is filed, then the Term of this Agreement shall be tolled for the period or periods of time from the date of the filing of such litigation until the conclusion of such litigation by dismissal or entry of a final judgment ("**Litigation Tolling**"). Notwithstanding the foregoing, regardless of the number of Third-Party Challenges that may be filed during the Term of this Agreement, the sum total of such Litigation Tolling shall not exceed five (5) years. The filing of any Third-Party Challenge shall not delay or stop the development, processing or construction of the Project, or the approval or issuance of any Project Approvals, unless enjoined or otherwise controlled by a court of competent jurisdiction. The Parties shall not stipulate to the issuance of any such order unless mutually agreed to.

ARTICLE 2

APPLICABLE LAW

2.01 **Applicable Law—Generally.**

(a) As used in this Agreement, "**Applicable Law**" shall mean the rules, regulations, official policies, standards, and specifications applicable to the development of the Property listed below in this Section 2.01. The order of their importance is the order in which they are listed (with highest importance listed first, second most important listed second, etc.); in the event of a conflict between them, their order shall determine which one controls (the one listed higher controlling over the one listed lower):

- (1) All the provisions, terms and conditions of this Agreement.
- (2) Existing Approvals.
- (3) The Subsequent Approvals, provided such Subsequent Approvals are:
 - (i) In compliance with all controlling California law;

- (ii) Mutually agreed to by the Parties;
- (iii) In compliance with this Agreement; and
- (iv) Duly enacted by City.
- (4) The "Existing City Laws" that are not in conflict with this Agreement and the Project Approvals.
- (5) Any "New City Laws" Developer is subject to as provided in Section 2.09 of this Agreement.

(b) The Parties shall cooperatively assemble all of the necessary documents to memorialize, to the best of their abilities, the Project Approvals, Existing City Laws, and the terms and conditions contained in this Agreement to assist Developer to maintain the documents assembled and to provide a continuing reference source for the approvals granted and the ordinances, policies and regulations in effect on the Effective Date of this Agreement.

2.02 Vested Right to Applicable Law.

(a) During the Term of this Agreement, Developer shall have the vested right to develop the Project subject only to, and in accordance with, the Applicable Law, and during the Term of this Agreement, City shall have the right to regulate the development and use of the Project subject only to, and in accordance with, the Applicable Law.

(b) Nothing contained herein will give Developer a vested right to obtain a sewer connection for said Project in the absence of sewer capacity available to the Project.

(c) Pursuant to this Agreement, the Applicable Law will be an expanding body of law, such as, for example, when Subsequent Approvals are granted by City, and/or when Developer becomes subject to a New City Law pursuant to this Agreement.

(d) The vested rights to develop the Project in accordance with Applicable Law and this Agreement shall be vested only to those residential units having an RDCS residential allotment. Nothing contained herein shall give Developer a vested right to develop the described Project absent valid RDCS residential allotments.

(e) Developer agrees that the terms and conditions of this Agreement and conditions of approval issued pursuant to this Agreement shall govern and dictate the vesting of the Developer's right to develop in lieu of any other instrument of vesting, including any vesting tentative map or any other agreement, instrument or document purporting to vest any right of development. Developer agrees to waive any vesting rights by operation of any otherwise applicable City, state or federal law.

2.03 Project Impacts and Costs.

(a) Agreement Subject to Project Mitigation Requirements. Notwithstanding any other express or implied term or condition of this Agreement (or the Approvals) to the contrary, throughout the Term of this Agreement, the full and complete mitigation of all environmental (including any mitigation measure adopted pursuant to CEQA), physical, fiscal and other impacts of the Project and the Property on the community and on

the City of Morgan Hill and its services, facilities, operations and maintenance (collectively, "**Project Mitigation**") shall be borne by and shall be the sole and exclusive responsibility of the Developer. Such Project Mitigation may be conditions of any Applicable Law or Project Approval and may include a mix of different approaches, including without limitation, Developer construction of and/or financing of such services, facilities, operations and maintenance through the payment of impact fees or other fees, taxes, levies, assessments, or other financing mechanisms including without limitation, reimbursement agreements, Landscaping and Lighting Districts, Mello-Roos Districts, Community Facilities Districts, Assessment Districts, Tax-Exempt and Taxable Financing Mechanisms, Maintenance Districts, Homeowners Associations, and participation in the Statewide Communities Infrastructure Program (collectively, "**Financing Mechanisms**"). The necessary scope and extent of such Project Mitigation, and which combination of Financing Mechanisms should be employed relating to such Project Mitigation to assure success of the Project Mitigation, shall be determined by City, in its sole and exclusive discretion, pursuant to appropriate City ordinance, resolution, regulations or procedures, taking into account and guided by the pre-existing rights of others in the existing and future public services and facilities (including their operations and maintenance) that Developer may seek to use. If no Financing Mechanism is available to fund the Project Mitigation, then the Project shall not progress forward.

(b) Impact Fees. In addition to any agreed-upon Project-specific requirements as set forth in Section 2.04 and as part of the Developer's sole and exclusive obligation to cover Project Mitigation, Developer shall pay all Impact Fees and in the amounts in legal effect at the time any such Impact Fees become due and payable as provided for in the City's Municipal Code.

(c) Processing Fees. In addition to any agreed-upon Project-specific requirements as set forth in Section 2.04, the Project (including Developer as owner of same) shall be responsible for the costs to City of processing any and all Developer-requested land use approvals, including without limitation, building permits, plan checks, and environmental studies required pursuant to CEQA and other similar requests for City permits and entitlements, when such costs are incurred by City. City shall impose those funding requirements needed to ensure that the processing costs to the City are fully covered by the Developer. Further, if additional, accelerated, or more frequent inspections are requested by Developer of City than would otherwise take place in City's ordinary course of business, then City may either hire additional contract inspectors, plan checkers, engineers or planners, or City may hire a full or part time employee. If City hires additional contractors, then Developer shall reimburse City, on a monthly basis in arrears, the cost to City of hiring such additional contract inspectors, plus Developer shall pay to City an additional ten percent (10%) of such cost to City on the same payment schedule. City shall use such additional 10% to defray administrative costs. If City hires a full or part time employee, then Developer shall reimburse City, on a monthly basis, in arrears, for a pro rata share of the total cost to the City of such employee, plus ten percent (10%) for administrative costs, for the period from hire to the end of the Term of this Agreement.

(d) 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. These sewer credits shall be secured thought building permit issuance.

2.04 RDSCS and Other Specific Project-Specific Requirements.

(a) The Specific Restrictions and Requirements set forth in Exhibit C are public benefit commitments ("**Commitments**") voluntarily assumed by Developer in return for benefits derived from the City's RDSCS allotment approval program. These requirements are not Project Mitigation within the meaning of Section 2.03 of this Agreement. Developer hereby agrees that these requirements are not subject to credit, refund or

reimbursement or prohibition pursuant to otherwise applicable City, state or federal law and hereby waives any such right to credit, refund, reimbursement or prohibition. These Commitments are voluntarily assumed by Developer in return for benefits derived from the RDCS. Pursuant to the RDCS, awarding of residential allotments to new development is a competitive process based on a point system. Additional points can be awarded to a development proposal that voluntarily commits towards providing a public benefit contribution in addition to those already required to mitigate its impacts. The Commitments result in additional points, thereby allowing the development proposal to secure a higher score pursuant to the RDCS, which in turn may provide a high enough score for the development proposal to secure residential allotments. The Commitments set forth in Exhibit C, derived from that RDCS process, are enforced through this Agreement.

(b) Substitution of Commitments within the same Objective may be allowed in limited circumstances, as provided in Section IV. F of the RDCS Competition Manual, with approval of the Community Development Director documented through an Administrative Amendment as provided in Section 3.05 of this Agreement. Substitution may be allowed only if the proposed changes result in the project receiving the same or higher score within each Objective, maintain or improve the quality of the project, and would result in the same or greater value to the City or its future residents. No changes which would subject the Project to further environmental review under CEQA shall be approved. In circumstances in which Substitution within the same Objective is not possible, Substitution may be allowed only by resolution of the Planning Commission.

(c) The Developer's RDCS application – RDCS2018-0002:Depot -Latala and approval actions (as reflected in the official records, including agendas and minutes of the City Planning Commission on January 22, 2019 and City Council on February 20, 2019) shall be incorporated into this Agreement by this reference.

(d) Compliance with Inclusionary Housing Ordinance. Developer is required to comply with the Inclusionary Housing Ordinance Number 2278 which enacted Chapter 14.04 of the Morgan Hill Municipal Code by constructing ten percent inclusionary units on-site as described in Exhibit C. Should the City Council adopt an ordinance allowing payment of an in-lieu fee instead of on-site construction, Developer reserves the right to pay an in-lieu fee pursuant to the fee schedule in place at that time instead of constructing the units.

2.05 Construction Codes.

With respect to the development of any or all of the Project or the Property, Developer shall be subject to the California Building Code and all those other State-adopted construction, fire and other codes applicable to improvements, structures, and development, and the applicable version or revision of said codes by local City action (collectively referred to as "**Construction Codes**") in place at that time that a plan check application for a building, grading or other permit subject to such Construction Codes is submitted to City for approval, provided that such Construction Codes have been adopted by City and are in effect on a City-wide basis.

2.06 Timing of Development.

(a) Securing Building Permits and Beginning Construction. Developer is required to obtain any approvals or permits for the development of the Project in accordance with this Agreement, the Applicable Law, and the Project Approvals. However, any Subsequent Approval initiated by Property Owner which substantially changes the permitted uses or substantially increases the height, and density or floor area allowed under the Project Approvals, shall be subject to the rules, regulations, ordinances and official policies of the City then in effect. Developer agrees to secure building permits and to begin construction of the Project in accordance with the time requirements set forth in the Construction Codes and the RDCS, if applicable. In the event Developer fails to comply with the above permit issuance and beginning construction dates, and satisfactory

progress towards completion of the project in accordance with the Construction Codes, Project Approvals, and RDCS, Developer shall be in default of this Agreement, and must cure said default as provided in section 4.01 of this Agreement.

(b) Progress Reports Until Construction of Project is Complete. Developer shall make reports regarding the progress of construction in such detail and at such time as the Community Development Director of the City of Morgan Hill reasonably requests.

(c) City of Morgan Hill to Receive Construction Contract Documents. If the City reasonably requests copies of construction, off-site and landscaping contracts or documents, Developer agrees to furnish such documents to the City.

(d) Certificate of Completion. Within thirty (30) days after completion to the City's satisfaction of 100% of the total number of units in the Project, the City shall provide Developers with an instrument in recordable form certifying completion of the entire project.

2.07 Improvements.

In any instance where Developer is required to install improvements (including those set forth in Exhibit C), Developer shall obtain City approval of the plans and specifications and the timing and manner of the installation of improvements, and provided Developer has supplied all information required by City, City shall review and act on the application for such approval with good faith and in a reasonable manner. Where the actual cost of any improvement exceeds Developer's estimated cost or commitment, Developer shall be solely responsible for all improvement costs in excess of those approved by City unless otherwise provided for in a reimbursement agreement.

2.08 Overcapacity, Oversizing.

(a) City may require Developer to construct on-site and off-site improvements in a manner that provides for oversizing or overcapacity so that the constructed improvement will serve other development or residents or facilities and services outside of the Project ("**Oversizing**"). Such Oversizing shall be reasonable in scope. The Parties recognize that the City shall not require any Oversizing from Developer except in connection with the Project Approvals and in accordance with provisions of the Subdivision Map Act and Applicable Law.

(b) Unless no credit or reimbursement is owed to Developer pursuant to Section 2.04 of this Agreement, Developer's right to receive credits and reimbursements for Oversizing or excessive payment or performance shall be determined and processed pursuant to the City's Municipal Code and controlling practices (relative to credits and reimbursements) on the Effective Date.

2.09 New City Laws.

(a) City may apply any New City Law to the Project that is not in conflict with this Agreement and the Applicable Law it describes. City shall not apply any New City Law to the Project that is in conflict with this Agreement and the Applicable Law it describes, nor otherwise reduces the development rights or assurances provided by this Agreement. City shall not apply to the Project nor Property any no-growth or slow-growth ordinance, measure, policy, regulation or development moratorium either adopted by City or by a vote of the electorate and whether or not by urgency ordinance, interim ordinance, initiative, referendum or any other change

in the laws of the City by any method or name which would alter the Applicable Law that may stop, delay, or effect the rate, timing or sequence of development.

(b) Without limiting the generality of the foregoing, and except as otherwise provided in this Agreement, a New City Law shall be deemed to be in conflict with this Agreement or the Applicable Law or to reduce the development rights provided hereby if the application to the Project would accomplish any of the following results, either by specific reference to the Project or as part of a general enactment which affects or applies to the Project:

(1) Change any land use designation or permitted use of the Property allowed by the Applicable Law or limit or reduce the density or intensity of the Project, or any part thereof, or otherwise require any reduction in the total number of residential dwelling units, square footage, floor area ratio, height of buildings, or number of proposed non-residential buildings, or other improvements;

(2) Limit or control the availability of public utilities, services, or facilities otherwise allowed by the Applicable Law;

(3) Limit or control the rate, timing, phasing or sequencing of the approval, development, or construction of all or any part of the Project in any manner, or take any action or refrain from taking any action that results in Developer having to substantially delay construction of the Project or require the acquisition of additional permits or approvals by the City other than those required by the Applicable Law;

(4) Limit or control the location of buildings, structures, grading, or other improvements of the Project in a manner that is inconsistent with or more restrictive than the limitations in the Existing Approvals.

(c) If City determines that it has the right pursuant to this Agreement to impose and apply a New City Law on the Property and Project, it shall send written notice to Developer of that City determination ("**Notice of New City Law**"). Upon receipt of the Notice of New City Law, if Developer believes that such New City Law is in conflict with this Agreement, Developer may send written notice to the City of the alleged conflict within thirty (30) days of receipt of City's Notice of New Law ("**Objection to New City Law**"). Developer's Objection to New City Law shall set forth the factual and legal reasons why Developer believes City cannot apply the New City Law to the Property/Project. City shall respond to Developer's Objection to New City Law ("**City Response**") within thirty (30) days of receipt of said Developer Objection to New City Law. The City Response shall set forth the factual and legal reasons why City believes it can apply the New City Law to the Project. Thereafter, the Parties shall meet and confer within thirty (30) days of the date of Developer's receipt of the City Response (the "**Meet and Confer Period**") with the objective of attempting to arrive at a mutually acceptable solution to this disagreement. Within fifteen (15) days of the conclusion of the Meet and Confer Period, City shall make its determination, and shall send written notice to Developer of that City determination. If City determines to "impose/apply" the New City Law to the Project, then Developer shall have a period of ninety (90) days from the date of receipt of such City determination within which to file legal action challenging such City action. In other words, a 90-day statute of limitations regarding Developer's right to judicial review of the New City Law shall commence upon Developer's receipt of City's determination following the conclusion of the Meet and Confer Period. If upon conclusion of judicial review of the New City Law (at the highest judicial level sought and granted), the reviewing court determines that Developer is not subject to the New City Law, such New City Law shall cease to be a part of the Applicable Law, and City shall return Developer to the position Developer was in prior to City's application of such New City Law (*e.g.*, City return fees, return dedications, etc.). The above-

described procedure shall not be construed to interfere with City's right to adopt or apply the New City Law with regard to all other areas of City (excluding the Project).

(d) Developer in its sole and absolute discretion may elect to have applied to the Project a New City Law that is not otherwise a part of the Applicable Law, subject to the limitations set forth in this subdivision (d). In the event Developer so elects to be subject to a New City Law that is not otherwise a part of the Applicable Law, Developer shall provide notice to City of that election and thereafter such New City Law shall be part of the Applicable Law. In no event shall any New City Law become part of the Applicable Law if it would relieve Developer from, or impede Developer's compliance with, Developer's obligations pursuant to this Agreement, including without limitation Developer's obligations of full "Project Mitigation" pursuant to Section 2.03 or the "RDCS and Other Project Specific Requirement" pursuant to Section 2.04. Further, for the purposes of this Agreement, the "New City Laws" Developer may elect to be subject to pursuant to this Section shall not mean nor include any or all individual development agreements with other developers (including without limitation such development agreements' term and conditions, exhibits, etc.) executed before or after the Effective Date of this Agreement.

(e) City shall not be precluded from adopting and applying New City Laws to the Project to the extent that such New City Laws are specifically required to be applied by State or Federal laws or regulations, and implemented through the Federal, State, regional and/or local level ("**Mandated New City Laws**"), including without limitation those provisions in the Development Agreement Statute, or that such New City Laws are necessitated by or arise from a declaration of City, local, state or federal declaration of a state of emergency.

(f) In the event that an administrative challenge and/or legal challenge (as appropriate) to a Mandated New City Laws preventing compliance with this Agreement is brought and is successful in having the Mandated New City Law determined to not apply to this Agreement, this Agreement shall remain unmodified and in full force and effect.

ARTICLE 3

PROCESSING

3.01 Processing.

(a) This Agreement does not provide Developer with any right to the approval of Subsequent Approvals nor to develop or construct the Project beyond that which is authorized in the Existing Approvals. This Agreement simply provides a process by which such Subsequent Approvals may be processed by Developer, and later added to this Agreement, if and only if such Subsequent Approvals are compliant with all controlling California law (including Planning and Zoning Law and CEQA), and are adopted/approved by City, which shall retain all lawful discretion in this regard. The public review process is ongoing, and following the City's adoption of this Agreement, that public review process shall continue. Nothing in this Agreement shall be construed to limit the authority or obligation of City to hold necessary public hearings, or to limit the discretion of City or any of its officers or officials with regard to the Project Approvals that legally require the exercise of discretion by City. City's discretion as to the granting of Subsequent Approvals shall be the discretion afforded by the Applicable Law. The Parties agree that this Agreement does not modify, alter or change the City's obligations pursuant to CEQA and acknowledge that Subsequent Approvals may require additional environmental review pursuant to CEQA.

(b) Upon submission by Developer of any and all necessary and required applications for Subsequent Approvals and payment of any and all appropriate processing and other fees as provided in this Agreement, City shall use its best efforts to promptly commence and diligently complete all steps necessary to acting on the requested Subsequent Approvals, including, but not limited to, (i) the holding of any and all required public hearings and notice for such public hearings, and (ii) the granting of the requested approval to the extent that it is consistent with Applicable Law.

3.02 Significant Actions by Third Parties Necessary to Implement the Existing Approvals.

(a) At Developer's sole discretion, Developer shall apply for such other permits, grants of authority, agreements, and other approvals from other private and/or public and quasi-public agencies, organizations, associations or other entities ("**Other Entity**") as may be necessary to the development of, or the provision of services and facilities to, the Project ("**Other Permits**").

(b) City shall cooperate with Developer in its endeavors to obtain any Other Permits and shall, from time to time, at the request of Developer, join with Developer in the execution of such permit applications and agreements as may be required to be entered into with any such other agency.

(c) In the event that any such Other Permit is not obtained from an Other Entity within the time permitted by law for such other entity to act and such circumstance materially deprives Developer of the ability to proceed with development of the Project or any portion thereof, or materially deprives City of a bargained-for public benefit of this Agreement, then, in such case, and at the election of either party, Developer and City shall meet and confer with the objective of attempting to mutually agree on solutions that may include alternatives, Subsequent Approvals, or an amendment(s) to this Agreement to allow the development of the Project to proceed with each Party substantially realizing its bargained-for benefit therefrom.

3.03 Establishment and Extension of Residential Development Control System Building Allotments.

Allotments shall be exercised pursuant to Section 18.156.160 of the Morgan Hill Municipal Code and Section IV.J of the RDCS Competition Manual. The City may approve an extension to the date by which an allotment must be exercised only as allowed by Section 18.156.170 of the City of Morgan Hill Municipal Code and Section IV.L of the RDCS Competition Manual. Extensions and allotment adjustments for ongoing projects shall be processed by Planning Commission resolution as provided in Section IV.H of the RDCS Competition Manual.

3.04 Amendments.

This Agreement may be amended from time to time by mutual consent in writing of the Parties to this Agreement in accordance with Government Code Section 65868. Any request by Developer for an amendment or modification to this Agreement or a Project Approval shall be subject to the applicable substantive and procedural provisions of the City's General Plan, zoning, subdivision, and other applicable land use ordinances and regulations (i.e., City review and approval) in effect when such an amendment or modification request is approved.

3.05 Administrative Amendment

Upon the written request of, and payment of the established fee by, Developer, Substitution of Commitments within the same criteria category may be processed administratively by the Community Development Director. Any Administrative Amendment must be made in writing approved by the Director and approved by the City Attorney, and signed by the Developer.

ARTICLE 4

DEFAULT, VALIDITY PROVISIONS, ASSIGNMENT

4.01 Defaults.

(a) Any failure by City or Developer to perform any material term or provision of this Agreement, which failure continues uncured for a period of sixty (60) days (or 150 days for a Mortgagee (as that term is defined in Section 4.10(a)) following written notice of such failure from the other Party (unless such period is extended by written mutual consent) ("**Notice of Default**"), shall constitute a default pursuant to this Agreement ("**Default**"). Any Notice of Default shall specify the nature of the alleged failure and, where appropriate, the manner in which such alleged failure satisfactorily may be cured. If the nature of the alleged failure is such that it cannot reasonably be cured within such 60-day period (or 150 days for a Mortgagee), then the commencement of the cure within such time period, and the diligent prosecution to completion of the cure thereafter, shall be deemed to be a cure within such 60-day period (or 150 days for a Mortgagee). If the alleged failure is cured, then no Default shall exist and the noticing Party shall take no further action. If the alleged failure is not cured, then a Default shall exist pursuant to this Agreement and the non-defaulting Party may exercise any of the remedies available pursuant to this Article.

(b) No failure or delay in giving notice of default shall constitute a waiver of default; provided, however, that the provision of written notice and opportunity to cure shall nevertheless be a prerequisite to the enforcement or correction of any default. Waiver of a breach or default pursuant to this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.

4.02 Actions During Cure Period.

(a) During any cure period and during any period prior to any delivery of notice of failure or default, the Party charged shall not be considered in default for purposes of this Agreement. If there is a dispute regarding the existence of a default, the Parties shall otherwise continue to perform their obligations hereunder to the maximum extent practicable in light of the disputed matter and pending its resolution, or formal termination of the Agreement, as provided herein.

(b) City will continue to process in good faith development applications during any cure period, but need not approve any such application if it relates to an alleged default of Developer hereunder.

4.03 Resolution of Disputes.

(a) In the event either Party is in default pursuant to the terms of this Agreement, the other Party may elect, in its sole and absolute discretion, to pursue any of the following courses of action: (i) waive

such default; (ii) pursue administrative remedies as provided herein; (iii) pursue judicial remedies as provided for herein; and/or (iv) terminate this Agreement.

(b) Except as otherwise specifically stated in this Agreement, either Party may, in addition to any other rights or remedies, institute legal action to cure, correct, or remedy any default by another Party to this Agreement, to enforce any covenant or agreement herein, to enjoin any threatened or attempted violation hereunder, or to seek specific performance. It is expressly understood and agreed that the sole legal remedy available to Developer for a breach or violation of this Agreement by City shall be a legal action in mandamus, specific performance, and/or other injunctive or declaratory relief to enforce the provisions of this Agreement, and that Developer shall not be entitled to bring an action for damages including, but not limited to, lost profits, consequential damages or other economic damages. For purposes of instituting a legal action pursuant to this Agreement, any City Council determination pursuant to this Agreement shall be deemed a final agency action.

(c) If any dispute arises between or among the Parties as to interpretation or application of any of the terms of this Agreement, the Parties shall attempt to resolve the dispute in accordance with this Agreement prior to third party mediation, arbitration, or formal court action. As to any such dispute, the Parties shall first meet and confer in good faith to resolve the matter between themselves. Each Party shall make all reasonable efforts to provide to the other Party or Parties all information relevant to the dispute, to the end that all Parties will have appropriate and adequate information to resolve the dispute. Should the Parties not resolve the dispute informally, the Parties agree to meet and confer in an effort to agree on utilizing Judicial Arbitration Mediation Services ("JAMS") for Alternative Dispute Resolution ("ADR"). However, no party shall be required to use JAMS or ADR.

4.04 Periodic Review.

(a) The City shall review this Agreement at least once annually to assure compliance with the RDCS, at which time the Developer is required to demonstrate good faith compliance with the terms of this Agreement.

(b) If, as a result of such annual review, the City finds and determines, on the basis of substantial evidence, that Developer has not complied in good faith with the terms or conditions of this Agreement, the City may rescind all or part of the allotments awarded pursuant to the RDCS, in addition to all other legally available remedies.

4.05 Force Majeure Delay, Extension of Times of Performance.

(a) Performance by any Party hereunder shall be excused, waived or deemed not to be in default where delays or defaults are due to acts beyond a Party's control such as war, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, unexpected acts of governmental entities other than City, including revisions to capacity ratings of the wastewater plant by the Regional Water Quality Control Board, the State Water Resources Board, enactment of conflicting State or Federal laws or regulations, or litigation (including without limitation litigation contesting the validity, or seeking the enforcement or clarification of this Agreement whether instituted by the Developer, City, or any other person or entity) (each a "Force Majeure Event").

(b) Any Party claiming a delay as a result of a Force Majeure Event shall provide the other Party with written notice of such delay and an estimated length of delay. Upon the other Party's receipt of such notice, an extension of time shall be granted in writing for the period of the Force Majeure Event, or longer as

may be mutually agreed upon by the Parties, unless the other Party objects in writing within ten (10) days after receiving the notice. In the event of such objection, the Parties shall meet and confer within thirty (30) days after the date of objection to arrive at a mutually acceptable solution to the disagreement regarding the delay. If no mutually acceptable solution is reached, any Party may take action as permitted in this Agreement.

4.06 Third Party Legal Actions.

(a) In the event of any administrative, legal or equitable action or other proceeding instituted by any person, entity or organization (that is not a Party to this Agreement) challenging the validity of this Agreement, any Project Approvals, or the sufficiency of any environmental review pursuant to CEQA ("**Third-Party Challenge**"), the Parties shall cooperate with each other in good faith in the defense of any such challenge.

(b) City shall have the option to defend such Third-Party Challenge or to tender the complete defense of such Third-Party Challenge to the Developer ("**Tender**"). If City chooses to defend the Third-Party Challenge or Developer refuses City's Tender, City shall control all aspects of the defense and Developer shall pay City's attorneys' fees and costs (including related court costs).

(c) If Developer accepts City's Tender, Developer shall control all aspects of the defense and shall pay its own attorneys' fees and costs (including related court costs), and shall indemnify and hold harmless City against any and all third-party fees and costs arising out of such Third-Party Challenge. If City wishes to assist Developer when Developer has accepted the Tender, Developer shall accept that assistance and City shall pay City's own attorneys' fees and costs (including related court costs) ("**City Costs**"), and Developer shall pay its own attorneys' fees and costs (including related court costs), and shall indemnify and hold harmless City against any and all third-party fees and costs arising out of such Third Party Challenge (such third party fees and costs shall not include City Costs).

(d) If any part of this Agreement or any Project Approval is held by a court of competent jurisdiction to be invalid, the City shall: (1) use its best efforts to sustain and/or re-enact that part of this Agreement and/or Project Approval; and (2) take all steps possible to cure any inadequacies or deficiencies identified by the court in a manner consistent with the express and implied intent of this Agreement, and then adopting or re-enacting such part of this Agreement and/or Project Approval as necessary or desirable to permit execution of this Agreement and/or Project Approval.

4.07 Estoppel Certificate.

(a) Any Party may, at any time, and from time to time, deliver written notice to any other Party, and/or to the Developer's lender, requesting such Party to certify in writing that, to the knowledge of the certifying Party:

(1) This Agreement has not been amended or modified either orally or in writing or if so amended, identifying the amendments.

(2) The Agreement is in effect and the requesting Party is not known to be in default of the performance of its obligations pursuant to this Agreement, or if in default, to describe therein the nature and amount of any such defaults.

(b) This written certification shall be known as an "**Estoppel Certificate.**" A Party receiving a request hereunder shall execute and return such Estoppel Certificate within ten (10) days following the receipt

of the request, unless the Party, in order to determine the appropriateness of the Estoppel Certificate, promptly commences and proceeds to conclude an Annual Review. The Parties acknowledge that an Estoppel Certificate may be relied upon by Assignees and other persons having an interest in the Project, including holders of mortgages and deeds of trust. The City Manager shall be authorized to execute an Estoppel Certificate for City.

(c) If a Party fails to deliver an Estoppel Certificate within the ten (10) day period, as provided for in Section 4.07(b) above, the Party requesting the Estoppel Certificate may deliver a second notice (the "**Second Notice**") to the other Party stating that the failure to deliver the Estoppel Certificate within ten (10) working days following the receipt of the Second Notice shall constitute conclusive evidence that this Agreement is without modification and there are no unexcused defaults in the performance of the requesting Party. Failure to deliver the requested Estoppel Certificate within the ten (10) working day period shall then constitute conclusive evidence that this Agreement is in full force and effect without modification and there are no unexcused defaults in the performance of the requesting Party.

4.08 Assignment/Covenants Run with the Land.

(a) Right to Assign. Developer shall have the right to sell, assign, or transfer this Agreement with all its rights, title and interests therein to any person, firm or corporation acquiring an interest in the Project or Property (or portion thereof associated with the Project) at any time during the term of this Agreement ("**Assignee**"). Developer shall provide City with written notice of any assignment or transfer of all or a portion of the Property no later than thirty (30) days prior to such action, which notice shall include specific portions of the Project or Property to be assigned and the proposed form of assignment. Any proposed assignment shall be subject to the express written consent of City, which consent shall not be unreasonably withheld, delayed or conditioned. City's approval of a proposed assignment or transfer shall be based upon the proposed assignee's reputation, experience, financial resources and access to credit and capability to successfully carry out the development of the Property to completion. The written assignment, assumption or release of rights or obligations with respect to a portion of the Project or of the Property shall specify the portion of the Project or Property and the rights assigned and obligations assumed, and shall be approved by the City Attorney. The express written assumption by an Assignee of the obligations and other terms and conditions of this Agreement with respect to the Property or such portion thereof sold, assigned or transferred shall relieve Developer of such obligations so assumed. Any such assumption of Developer's obligations pursuant to this Agreement shall be deemed to be to the satisfaction of the City Attorney if executed in the form as may be approved by the City Attorney.

(b) Release Upon Assignment. Upon assignment, in whole or in part, and the express written assumption by the Assignee of such assignment, of Developer's rights and interests pursuant to this Agreement, Developer shall be released from its obligations with respect to the Property/Project (or any portion thereof), and any lot, parcel, or portion thereof so assigned to the extent arising subsequent to the effective date of such assignment. A default by any Assignee shall only affect that portion of the Property/Project owned by such Assignee and shall not cancel or diminish in any way Developer's rights or obligations hereunder with respect to the assigned portion of the Property/Project not owned by such Assignee. The Assignee shall be responsible for the reporting and annual review requirements relating to the portion of the Property/Project owned by such Assignee, and any amendment to this Agreement between City and Assignee shall only affect the portion of the Property/Project owned by such Assignee.

(c) Covenants Run with the Land. This Agreement and all of its provisions, agreements, rights, powers, standards, terms, covenants and obligations shall be binding upon the Parties and their respective heirs, successors (by merger, consolidation, or otherwise) and assigns, devisees, administrators, representatives, lessees, and all other persons or entities acquiring the Project and/or Property, any lot, parcel or any portion

thereof, or any interest therein, whether by sale, operation of law or in any manner whatsoever, and shall inure to the benefit of the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns. All of the provisions of this Agreement shall be enforceable during the Term as equitable servitudes and constitute covenants running with the land pursuant to applicable law, including, but not limited to Civil Code Section 1468. This Agreement shall not be binding upon any consumer, purchaser, transferee, devisee, assignee, or any other successor of Developer acquiring a completed residential unit comprising all or part of the Project ("**Consumer**") unless such Consumer is specifically bound by a provision of this Agreement or by a separate instrument or Agreement.

4.09 Encumbrances on the Property.

The parties hereto agree that this Agreement shall not prevent or limit Developer, in any manner, at Developer's sole and absolute discretion, from encumbering the Property, or any portion thereof or any improvements thereon with any Mortgage securing financing with respect to the construction, development, use or operation of the Project. Mortgagee may require certain modifications to this Agreement, and City shall negotiate in good faith any such request for modification or subordination.

4.10 Obligations and Rights of Mortgage Lenders.

(a) The holder of any mortgage, deed of trust or other security arrangement with respect to the Property, or any portion thereof ("**Mortgagee**"), shall not be obligated pursuant to this Agreement to construct or complete improvements or to guarantee such construction or completion, but shall otherwise be bound by all of the terms and conditions of this Agreement that pertain to the Property or such portion thereof in which it holds an interest.

(b) Each Mortgagee shall be entitled to receive written notice from City of results of the annual review to be done pursuant to Section 4.04 and any default by Developer pursuant to this Agreement, provided such Mortgagee has informed City of its address for notices. Each Mortgagee shall have a further right, but not an obligation, to cure such default in accordance with the default and default cure provisions in Sections 4.01, 4.02, and 4.03 of this Agreement. In the event Developer (or any permitted Assignee) becomes subject to an order for relief pursuant to any chapter of Title 11 of the United States Code (the "**Bankruptcy Code**"), the cure periods provided for a Mortgagee in Section 4.01(a) of this Agreement shall be tolled for so long as the automatic stay of Section 362 of the Bankruptcy Code remains in effect as to Developer (or any permitted Assignee); provided, however, if City obtains relief from the automatic stay pursuant to Bankruptcy Code Section 362 to declare any default by or exercise any remedies against Developer (or any permitted Assignee), the tolling of any Mortgagee's cure period shall automatically terminate on the earlier of: (i) the date that is sixty days after entry of the order granting City relief from the automatic stay, or (ii) the date of the entry of an order granting Mortgagee relief from the automatic stay. Each Mortgagee shall be entitled to receive written notice from City of the filing of any motion by City in which City seeks relief from the automatic stay of Section 362 of the Bankruptcy Code to declare any default by or exercise any remedies against Developer (or any permitted Assignee).

(c) Any Mortgagee who comes into possession of the Property, or any portion thereof, pursuant to a foreclosure of a mortgage or a deed of trust, or deed in lieu of such foreclosure, shall take the Property, or such portion thereof, subject to any pro rata claims for payments or charges against the Property, or such portion thereof, that have accrued prior to the time such holder comes into possession. In addition, any Mortgagee who comes into possession of the Property or any portion thereof, pursuant to a foreclosure of mortgage or deed of trust, or deed in lieu of such foreclosure, shall, subject to Section 4.10(a) above, be a permitted

Assignee and, as such, shall succeed to all the rights, benefits and obligations of Developer pursuant to this Agreement.

(d) Nothing in this Agreement shall be deemed to be construed to permit or authorize any such holder to devote the Property, or any portion thereof, to any uses, or to construct any improvements thereof, other than those uses and improvements provided for or authorized by this Agreement, subject to all of the terms and conditions of this Agreement.

4.11 Termination.

This Agreement shall terminate upon the expiration of the Term, as set forth in Section 1.03(a), or at such other time as this Agreement is terminated in accordance with the terms hereof, whichever occurs first. Upon termination of this Agreement, the City shall record a notice of such termination, in a form satisfactory to the City Attorney that the Agreement has been terminated.

ARTICLE 5

GENERAL PROVISIONS

5.01 Miscellaneous.

(a) Preamble, Recitals, Exhibits. References herein to "this Agreement" shall include the Preamble, Recitals and all of the exhibits of this Agreement.

(b) Requirements of Development Agreement Statute. The permitted uses of the Property; density and/or intensity of use of the Property; the maximum height and size of proposed buildings and other structures; provisions for reservation or dedication of land for public purposes; location of public improvements; and other terms and conditions applicable to the Project shall be those set forth in the Applicable Law.

(c) Governing Law and Attorneys' Fees. This Agreement shall be construed and enforced in accordance with the laws of the State of California and legal actions commenced pursuant to or pursuant to this Agreement shall be brought in Santa Clara Superior Court. Should any legal action be brought by a Party for breach of this Agreement or to enforce any provision herein, the prevailing party of such action shall be entitled to reasonable attorneys' fees, court costs, and such other costs as may be fixed by the court.

(d) Project as a Private Undertaking. No partnership, joint venture, or other association of any kind between Developer, on the one hand, and City on the other hand, is formed by this Agreement. The development of the Property is a separately undertaken private development. The only relationship between City and Developer is that of a governmental entity regulating the development of private Property and the owners of such private Property.

(e) Indemnification. Developer shall hold City, its elective and appointive boards, commissions, officers, agents, and employees, harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for property damage which may arise from Developer's contractors, subcontractors', agents' or employees' operations on the Project, whether such operations be by Developer or by any Developer's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Developer or any of Developer's contractors or subcontractors. Developer shall indemnify and defend City and its elective and appointive boards, commissions, officers, agents and

employees from any suits or actions at law or in equity for damages caused, or alleged to have been caused, by reason of any of the aforesaid operations and Developer shall pay all reasonable attorney's fees and costs that the City may incur. City does not, and shall not, waive any rights against Developer which it may have by reason of the aforesaid hold-harmless requirement of Developer because of the acceptance of improvements by City, or the deposit of security with City by Developer. The aforesaid hold-harmless requirement of Developer shall apply to all damages and claims for damages of every kind suffered, or alleged to have been suffered, by reason of any of the aforesaid operations referred to in this subsection, regardless of whether or not City has prepared, supplied or approved of, plans and/or specifications for the subdivision. Notwithstanding anything herein to the contrary, Developer's indemnification of City shall not apply to the extent that such action, proceedings, demands, claims, damages, injuries or liability is based upon the active negligence of the City.

(f) Insurance. Developer shall, during the life of this Agreement take out and maintain insurance coverage with an insurance carrier authorized to transact business in the State of California as will protect the Developer or any Contractor or any Subcontractor or anyone directly or indirectly employed by any of them or by anyone for whose acts any of them may be liable, from claims for damages because of bodily injury, sickness, disease, or death of their employees or any person other than their employees, or for damages because of injury to or destruction of tangible property, including loss of use resulting therefrom. The minimum limits of liability for such insurance coverage which shall include comprehensive general and automobile liability, including contractual liability assumed pursuant to this Agreement, shall be as follows:

Limit of Liability for Injury or Accidental Death:

Per Occurrence \$1,000,000

Limit of Liability for Property Damage:

Aggregate Liability for Loss \$1,000,000

Such liability insurance policies shall name the City as an additional insured, by separate endorsement, and shall agree to defend and indemnify the City against loss arising from operations performed pursuant to this agreement and before permitting any Contractor or Subcontractors to perform work pursuant to this agreement, the Developer shall require Contractor or Subcontractors to furnish satisfactory proof that insurance has been taken out and is maintained similar to that provided by the Developer as it may be applied to the Contractor's or Subcontractor's work.

(g) Interpretation/Construction. This Agreement has been reviewed and revised by legal counsel for both Developer and City, and any rule or presumption that ambiguities shall be construed against the drafting Party shall not apply to the interpretation or enforcement of this Agreement. The standard of review of the validity and meaning of this Agreement shall be that accorded legislative acts of City. As used in this Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and neuter and vice versa.

(h) Notices.

(1) All notices, demands, or other communications that this Agreement contemplates or authorizes shall be in writing and shall be personally delivered or mailed, via first class mail, to the respective Party at the below listed address. Notice shall be deemed effective and received five days after the date of mailing or upon personal delivery.

If to City: City Clerk
17575 Peak Avenue
Morgan Hill, CA 95037
Tel: (408) 779-7259
Fax: (408) 779-3117

With a Copy To: City Attorney
17575 Peak Avenue
Morgan Hill, CA 95037
Tel: (408) 779-7271
Fax: (408) 779-1592

If to Developer: The Latala Group, LLC
1999 South Bascom Avenue, Suite 700
Campbell, CA 95008
Tel: (408)848-0300
Email: Paul@latalahomes.com

(2) Any Party may change the address stated herein by giving notice in writing to the other Parties, and thereafter notices shall be addressed and transmitted to the new address. Any notice given to the Developer as required by this Agreement shall also be given to any lender which requests that such notice be provided. Any lender requesting receipt of such notice shall furnish in writing its address to the Parties to this Agreement.

(i) Recordation. The Clerk of the City shall record, within ten (10) days after the Effective Date, a copy of this Agreement in the Official Records of the Recorder's Office of Santa Clara County. Developer shall be responsible for all recordation fees, if any.

(j) Severability. If any term or provision of this Agreement, or the application of any term or provision of this Agreement to a specific situation, is found to be invalid, void, or unenforceable, the remaining terms and provisions of this Agreement, or the application of this Agreement to other situations, shall continue in full force and effect.

(k) Jurisdiction. The interpretation, validity, and enforcement of the Agreement shall be governed by and construed pursuant to the laws of the State of California.

(l) Entire Agreement. This Agreement, including these pages and all the exhibits (set forth below) inclusive, and all documents incorporated by reference herein, constitute the entire understanding and agreement of the Parties.

(m) Signatures. The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of the respective legal entities of Developer and City. This Agreement may be executed in multiple originals, each of which is deemed to be an original.

(n) 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.

(o) Exhibits. The following exhibits are attached to this Agreement and are hereby incorporated herein by this reference for all purposes as if set forth herein in full:

Exhibit A Legal Description of Lot on Which Project is to be Located.

Exhibit B Description of Project.

Exhibit C RDCS Specific Restrictions and Requirements.

Signatures of all parties are on the following page.

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IN WITNESS WHEREOF, City and Developer have executed this Agreement as of the date first hereinabove written.

CITY OF MORGAN HILL:

s/ _____

Christina J. Turner
City Manager

Date: _____

Attest:

s/ _____

Deputy City Clerk

Approved as to Form:

s/ _____

Donald A. Larkin
City Attorney

Date: _____

DEVELOPER:

s/ _____

Name/Title [print]

Date: _____

*Corporate entities must provide a
second signature:*

s/ _____

Name/Title [print]

Date: _____

Adopted by Ordinance No. _____
by action of City Council on _____

**(ALL SIGNATURES, EXCEPT CITY CLERK AND CITY ATTORNEY,
MUST BE ACKNOWLEDGED BY A NOTARY)**

EXHIBIT A

**LEGAL DESCRIPTION OF THE PROPERTY ON WHICH
PROJECT IS BE LOCATED**

The land referred to herein is situated in the State of California, County of Santa Clara, City of Morgan Hill and described as follows:

Parcel Number 1, as shown on that certain Parcel Map recorded July 5, 1994, in Book 657, Page 7 of Maps, 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 1, 1999 As Instrument No. 14836987, of Official Records of said County.

APN: 726-13-049

Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

EXHIBIT B**DESCRIPTION OF PROJECT**

RDCS APPLICATION NO. RDCS2018-0002: DEPOT-LATALA FOR A DEVELOPMENT THAT INCLUDES 40 TOWNHOME STYLE CONDOMINIUMS AND NINE RESIDENTIAL FLATS IN A MIXED-USE DEVELOPMENT WITHIN THE MORGAN HILL DOWNTOWN SPECIFIC PLAN AREA.

Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

EXHIBIT C

SPECIFIC RESTRICTIONS AND REQUIREMENTS

(INCLUDING RDCS REQUIREMENTS)

The following restriction and requirements apply to the Development proposed in the RDCS application dated November 7, 2018 (or Application No. RDCS2018-0002: Depot-Latala). The following chart describes the applicable reference in the Morgan Hill Municipal Code to the requirement, a description of the commitments specific to the Project, the requirement timing of the implementation and the total estimated costs of improvement or applicable fee commitment. These commitments are IN ADDITION to any mitigation requirements pursuant to CEQA, impact fees, in-lieu fees or other requirements pursuant to federal or state laws, or the Morgan Hill Municipal Code (See Section 2.03 of the Agreement)

*Contribution estimates may require augmentation for the completion of improvements. Impact fees are subject to the provisions of Section 2.03 (b) of this Agreement.

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
	SCHOOLS			
4.	Student Transportation Improvements	Applicant will contribute \$1,000 per unit to contribute to the City's Safe Access to Schools Fund to be used to construct physical improvements to enhance safe student access to MHUSD schools.	Prior to issuance of building permit	\$1,000 per unit
	LOCATION			
6.a	Water distribution lines	The project does not require replacing existing local water distribution lines with larger diameter pipes. New water mains to serve the site do not need to be installed.	Prior to Improvement Plan approval	N/A
6.b	Wastewater collection	The project does not require extending or replacing existing sewer pipes or lift stations	Prior to Improvement Plan approval	N/A

EXHIBIT C

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Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
		outside of the project site. However, the project may be required to extend the sanitary sewer line along the entire length of project frontage.		
6.c	Off-site drainage facilities	Existing off-site storm drainage facilities are sufficient to serve the project.	Prior to Improvement Plan approval	N/A
	AFFORDABLE HOUSING			
2.	Voluntary Contribution to Housing Fund	Project commits to contributing to the City's Affordable Housing Fund at a rate of 30% of baseline contribution. Total Livable Area: 34,300.00 square feet Per square foot fee: 13.2 Baseline fee: \$452,760.00 (total) Baseline fee per unit: \$9,240.00 (per unit) % of Baseline fee: 30% Voluntary fee per unit: \$2,772.00 (per unit)	Inclusionary Housing Agreement required	\$2,772.00 per unit
3.	Development of Affordable Units	The project incorporates below market rate (BMR) units within the project for a mixed income community with 10 percent of the project designated as deed restricted for sale affordable units. The designated affordability limits shall be 81% AMI for six percent of the units (3 units) and 110% AMI for four percent of the units (2 units).	Inclusionary Housing Agreement required.	N/A

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
		The project shall comply with the requirements of Title 14 “Housing” and the Below Market Rate (BMR) Program Development Standards.		
	HOUSING DIVERSITY			
2.	Diversity of Housing Types	The project shall provide three housing types within the development consisting of at least 10 percent of the total number of units: Triplex or Quadplex (16%), Single Family attached (65%) and Mixed Use Residential (18%)	Prior to Design Review Permit approval	N/A
3.	Variation in Housing Size	There shall be three different housing size categories within the development consisting of at least 10 percent of the total number of units in the project. There shall be a minimum of 35 percent variation between the smallest and largest floor plan for project.	Prior to Design Review Permit approval	N/A
4.	Small Units	Ten percent of the units within the project shall be small units.	Prior to Design Review Permit approval	N/A
	PARKS AND OPEN SPACE			
6.	On-Site Recreational Amenities	The project shall provide on-site recreational amenities to serve the residents, which shall include three separate shade trellis areas and two barbecue areas.	Prior to Design Review Permit approval	N/A
7.	Amenities for Age Group	The project shall provide on-site social and recreational amenities for various age groups, which shall include shaded areas for	Prior to Design Review Permit approval	N/A

EXHIBIT C

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Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
		teens to socialize and barbecue areas for adults.		
10.	Open Space Design	The project shall provide common open space and outdoor amenities, which shall include courtyards that are visible from living areas and private open space for attached units (at least 25% above zoning district requirement).	Prior to Design Review Permit approval	N/A
	ENVIRONMENTAL PROTECTION			
1.	Energy Efficiency	The project shall exceed the minimum building energy efficiency requirement by the California Energy Code by 10 percent.	Prior to issuance of building permit.	N/A
2.	On-site Solar Energy Generation	The project shall incorporate an on-site solar energy generation system that will offset at least 60 percent of the projects annual electrical energy costs.	Prior to issuance of building permit.	N/A
3.	Indoor Water Use	The project exceeds the minimum indoor water efficiency and conservation requirements of the California Green Building Standards Code by 5 percent.	Prior to issuance of building permit.	N/A
4.a	Natural Turf	Less than 50 percent of the landscaped area shall contain natural turf.	Prior to issuance of building permit.	N/A
4.b	No Natural Turf Outside Common Areas	The project shall contain no natural turf outside common areas used for active play.	Prior to issuance of building permit.	N/A
4.e	Exceeds Outdoor Water Efficiency 30%	The project shall exceed outdoor water efficiency standards by 30 percent.	Prior to issuance of building permit.	N/A

EXHIBIT C

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
	TRANSPORTATION			
3.	Off-Site Street and Parking Improvements or Fund Contribution	The project shall construct and/or fund off-site street roadway improvements as described in the Disposition and Development Agreement by and between the City of Morgan Hill and the Latala Group dated November 20, 2018.	Prior to Improvement Plan approval	N/A
5.a	Aligns and connects streets	The project shall align and connect streets intersecting the project boundary with all adjoining streets. The northerly entrance would align with Fifth Street; the southerly entrance aligns with the new Depot Street knuckle (leg one and two).	Prior to Improvement Plan approval	N/A
5.b	Extends Streets	The project shall extend streets to adjoining undeveloped land to provide access to undeveloped land in the event of its future development. The northerly terminus of the private drive aisle stubs to the common property line between the project and CMH parking lot.	Prior to Improvement Plan approval	N/A
5.c	Off-street bicycle and pedestrian connections	The project shall provide off-street bicycle and pedestrian connections, including private or public parks, open space, transit facilities, and commercial areas. Connections must be established and maintained through an easement, dedication or other similar method to guarantee it remains accessible to the general public. As part of the re-alignment of	Prior to Improvement Plan approval	N/A

EXHIBIT C

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Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
		Depot Street and re-striping of the Community and Cultural Center parking lot, a publicly-accessible pedestrian path shall be constructed to connect the Depot knuckle to Dunne Avenue.		
6.c	Direct pedestrian connections	The project shall provide direct pedestrian connections with minimal physical barriers from all units to common open space, recreational facilities, and other project amenities.	Prior to Improvement Plan approval	N/A
6.d	Neighborhood traffic management techniques	The project shall incorporate neighborhood traffic management techniques, such as traffic circles, narrow lanes, and bulbouts, to control vehicle speeds and increase the safety of bicycle and pedestrian travel.	Prior to Improvement Plan approval	N/A
7.	Electric Vehicle Charging Stations	The project shall install all connections and equipment necessary for electrical vehicle charging stations to be ready for use by residents and visitors upon project completion.	Prior to Improvement Plan approval	N/A
	MUNICIPAL INFRASTRUCTURE			
1.	Water Infrastructure	The project shall construct off-site water infrastructure improvements as described in the Disposition and Development Agreement by and between the City of Morgan Hill and the Latala Group dated November 20, 2018.	Prior to Improvement Plan approval	N/A

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
2.	Wastewater Infrastructure	The project shall construct off-site wastewater infrastructure improvements as described in the Disposition and Development Agreement by and between the City of Morgan Hill and the Latala Group dated November 20, 2018.	Prior to Improvement Plan approval	N/A
5.a	Installs broadband conduit in public right-of-way	Broadband conduit shall be included within the re-aligned Depot Street public right-of-way.	Prior to Improvement Plan approval	N/A
5.b	Installs broadband conduit to home/buildings	Broadband conduit laterals shall be installed to each building.	Prior to issuance of building permit.	N/A
5.c	Pre-installs indoor conduit	The project shall install indoor conduit, wiring and other necessary infrastructure to accommodate broadband service to each unit.	Prior to issuance of building permit.	N/A
	PROJECT QUALITY			
1.a	Front Porches	A minimum of 50 percent of homes facing a street or common interior courtyard shall include a front porch. Porches must be part of the home's primary entrance, connected to the front yard or common interior courtyard, a minimum of 6 feet by 5 feet, and in full view of the street or common interior courtyard.	Prior to Design Review Permit approval	N/A
1.b	Balconies Facing Street or Courtyard	A minimum of 25 percent of homes facing a street or common interior courtyard shall include a balcony overlooking a public	Prior to Design Review Permit approval	N/A

EXHIBIT C

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Attachment: Development Agreement [Revision 1] (2171 : Development Agreement- Depot-Latala)

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
		space. Balconies must provide usable private outdoor space for residents, be in full view of a street or common interior courtyard, and face away from neighbors' yards to maintain privacy.		
1.c	Balconies Facing Alleys	A minimum of 25 percent of homes abutting a shared alley shall include a balcony overlooking the alley, parking area, or drive aisle.	Prior to Design Review Permit approval	N/A
1.d	Façade Articulation and Finishes	Front building facades shall include feature finishes to break up blank, flat walls, including but not limited to windows, shutters, awnings, balconies, bay windows, and stone enhancements.	Prior to Design Review Permit approval	N/A
1.e	360-degree Architecture	The project shall include full and consistent articulation and design detail on all building facades.	Prior to Design Review Permit approval	N/A
1.f	Corner Treatments	For projects where the side or rear of a home faces a street or common courtyard street, the project shall incorporate facade feature finishes, including but not limited to window, shutters, awning, balconies, bay windows, and some enhancements.	Prior to Design Review Permit approval	N/A
1.h	Individual Residences-Attached Projects	Large buildings have been architecturally subdivided so that they appear as individual residences or small groups of units. Buildings shall incorporate features such as window bays, balconies, porches and	Prior to Design Review Permit approval	N/A

EXHIBIT C

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Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
		entrance vestibules, varied color schemes, and individual roof volumes to define individual units.		
1.i	Residential-Scale Design Elements- Attached Projects	Buildings shall incorporate design details, including but not limited to porches, projections, eaves, bay windows, and other similar architectural elements, that provide residential scale and help to break up the building mass.	Prior to Design Review Permit approval	N/A
2.a	Entrance Orientation-Collector and Residential Streets	The primary entrance of homes shall face streets along the project perimeter for projects: • Fronting an existing residential or collector street; or • Located Downtown	Prior to Design Review Permit approval	N/A
2.e	Roof Line Variation	The project shall provide variation in roof lines through changes in roof height to provide breaks in building massing.	Prior to Design Review Permit approval	N/A
2.j	Adjacent Building Types-Attached Projects	The project shall match building types along project edge with adjacent land that is developed to its ultimate potential use according to the General Plan or applicable zoning.	Prior to Design Review Permit approval	N/A
3.b	Landscaping-Visual Relief	Landscaping shall be placed and designed to minimize the appearance of building bulk and mass.	Prior to Design Review Permit approval	N/A

Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
3.c	Exterior Lighting	Exterior lighting fixtures shall be architecturally integrated with the primary building's design, style, material, and colors.	Prior to Design Review Permit approval	N/A
3.e	Public/Private Transitions	The project shall include transition zones between private and public spaces along the street frontage through the use of landscaping, fences, trellises, walls, or a change in floor elevation.	Prior to Design Review Permit approval	N/A
3.f	Mechanical Equipment	All mechanical equipment shall be screened from the public right-of-way and common areas enclosed within an architecturally compatible structure. Equipment closures are screened through landscaping.	Prior to Design Review Permit approval	N/A
4.a	Garage Door Orientation	Garage doors shall not face the front street. All garages are configured on the site such that garage doors face either the side or rear of the property, or screened by buildings or landscaping is provided to avoid a direct line of sight to garage doors from public spaces.	Prior to Design Review Permit approval	N/A
4.c	Garage Door Design-Detailing	Garage doors shall feature windows or architectural detailing consistent with the main dwelling.	Prior to Design Review Permit approval	N/A
4.e	Parking-Attached Projects	The project shall locate parking lots serving attached residential units at the rear or side of the site to allow a majority of dwelling units to front on the street or an internal courtyard. Parking shall not be located between a building and any public sidewalk or street.	Prior to Design Review Permit approval	N/A

EXHIBIT C

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Section No.	Category/Criteria	Public Benefit/Commitment	Implementation	Estimated Contribution*
4.f	Screening	Parking visible from a public street shall be screened with fences, walls, and/or landscaping.	Prior to Design Review Permit approval	N/A
4.i	Pavement Design	Areas for vehicle parking and circulation shall feature paving finishes such as stone, brick, and colored and textured concrete that complement the architectural style of buildings.	Prior to Design Review Permit approval	N/A
6.a	Home Automation	Project shall install home automation devices within the unit for \$1,000 in device value per unit.	Prior to Building Permit Approval	\$1,000 per unit

RESOLUTION NO. 19-01

**A RESOLUTION OF THE PLANNING COMMISSION OF
THE CITY OF MORGAN HILL APPROVING THE
BUILDING ALLOTMENT AWARD FOR RDCS2018-
0002:DEPOT-LATALA, A QUALIFYING RESIDENTIAL
DEVELOPMENT CONTROL SYSTEM (RDCS)
DOWNTOWN SET- ASIDE PROJCT**

WHEREAS, the Planning Commission has received a request from the Latala Group, LLC for application RDCS2018-0012 Depot-Latala for 49 Downtown set-aside RDCS building allotments pursuant to Chapter 18.156 (Residential Development Control System) of the Morgan Hill Municipal Code; and

WHEREAS, five hundred allotments are set aside for housing within the Downtown Specific Plan boundaries set forth in the City's General Plan as of July 27, 2016. No more than one hundred set-aside allotments are available for downtown projects within a single year; and,

WHEREAS, the Planning Commission may award Downtown set-aside RDCS building allotments to Downtown projects on a first-come, first-served basis up to the total number of available set-aside allotments each year to eligible projects. There are 100 available allotments in 2019; and,

WHEREAS, based on the scoring criteria, to be eligible to receive Downtown set-aside RDCS building allotments, a project must receive at least eighty percent of the total maximum score in the RDCS competition criteria; and

WHEREAS, RDCS2018-0012 Depot-Latala did receive a qualifying RDCS score to be eligible to receive 49 Downtown set-aside RDCS building allotments; and

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

WHEREAS, on January 22, 2019, the Planning Commission did duly adopt a Resolution approving the distribution for Downtown set-aside RDCS building allotments; and

NOW, THEREFORE, BE IT RESOLVED BY THE MORGAN HILL PLANNING COMMISSION OF THE CITY OF MORGAN HILL THAT:

SECTION 1: Pursuant to the Residential Development Control System, the award and distribution of Downtown set-aside RDCS building allotments shall be as follows:

2019 Downtown Set-Asides

2019 Downtown Set-Asides	100 Available Allotments
RDCS2018-0002: Depot-Latala	49
Downtown Set-Asides Remaining	51

City of Morgan Hill
Resolution No. 19-01
Page 2 of 2

PASSED AND ADOPTED THIS 22nd DAY OF JANUARY 2019, AT A REGULAR MEETING OF THE MORGAN HILL PLANNING COMMISSION BY THE FOLLOWING VOTE:

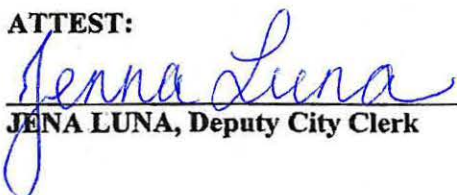
**AYES: COMMISSIONERS: DOWNEY, MUELLER, HABIB,
MUNOZ-MORRIS, TANDA**

NOES: COMMISSIONERS: NONE

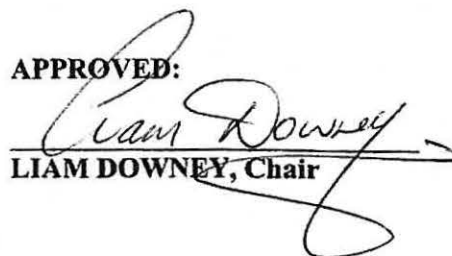
ABSTAIN: COMMISSIONERS: NONE

ABSENT: COMMISSIONERS: NONE

ATTEST:


JENA LUNA, Deputy City Clerk

APPROVED:


LIAM DOWNEY, Chair

Attachment: Planning Commission Reso. 19-01 (2171 : Development Agreement- Depot-Latala)

RESOLUTION NO. 19-02

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING APPROVAL OF A DEVELOPMENT AGREEMENT DA2018-0007: DEPOT-LATALA FOR A 49-UNIT MIXED USE DEVELOPMENT LOCATED ON THE EASTERLY SIDE OF DEPOT STREET NORTH OF EAST DUNNE AVENUE (APN 726-13-049)

WHEREAS, the Planning Commission, pursuant to Chapter 18.156 of the Morgan Hill Municipal Code, awarded 49 Downtown RDCS set-aside building allotments to application RDCS2018-0002 Depot-Latala; and

WHEREAS, the City Council of the City of Morgan Hill adopted Ordinance Number 1594, as revised by Ordinance Number 2277, establishing a procedure for processing Development Agreements in Chapter 18.116 for projects receiving allotments through the Residential Development Control System, Chapter 18.156, of Title 18 of the Morgan Hill Municipal Code; and

WHEREAS, sections 65864 through 65869.5 of the California Government Code authorize the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property; and

WHEREAS, said Development Agreement request was considered by the Planning Commission at its regular meeting of January 22, 2019 at which time the Planning Commission recommended City Council approval of Development Agreement application DA2018-0007: Depot-Latala; 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 PLANNING COMMISSION OF THE CITY OF MORGAN HILL THAT:

SECTION 1. The Planning Commission recommends that the City Council approve the Development Agreement based on the determination and supporting reasoning described below as required by Morgan Hill Municipal Code Section 18.116.050(C).

SECTION 2. The Development Agreement is consistent with the goals, objectives, policies, general land uses and programs specified in the General Plan and any applicable specific plan.

The project would provide 49 residential units which is consistent with the General Plan. There have been no General Plan policy conflicts identified with the proposed project.

SECTION 3. The Development Agreement is compatible with the uses authorized in the zoning district in which the real property is located.

The proposed mixed-use development is permitted within the Mixed Use-Downtown Specific Plan area and would be compatible with the surrounding residential and small business uses.

SECTION 4. The Development Agreement duly considers city mitigation programs in effect at the time of execution of the agreement.

The project would be subject to the payment of applicable impact fees and community benefit commitments as part of the RDCE process.

SECTION 5. The Development Agreement will be non-detrimental to the public health, safety and general welfare of persons residing or working in the neighborhood and to property and improvements in the neighborhood.

The project's construction would adhere to state, local and federal laws. The project is a mixed-use residential development that would include the same normal daily operations of other surrounding uses.

SECTION 6. The Development Agreement complies with the provisions of the California Environmental Quality Act.

The project is subject to CEQA and an Initial Study/Addendum previously prepared analyzes program level impacts for purposes of the Development Agreement.

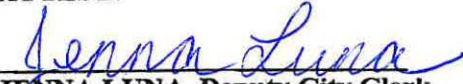
SECTION 7. The Development Agreement will not adversely affect the orderly development of property or the preservation of property values.

The project will provide high quality architecture consistent with the City's Architectural Design Guidelines. The project will also be consistent with state and local laws.

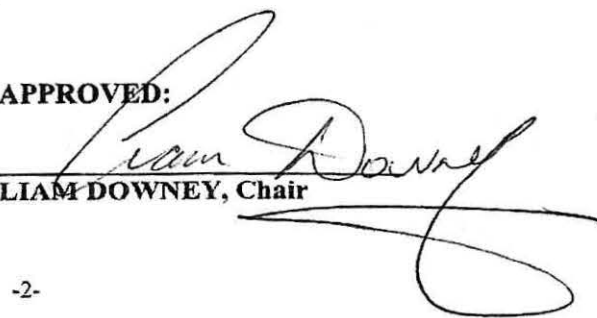
PASSED AND ADOPTED THIS 22TH DAY OF JANUARY 2019, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES:	COMMISSIONERS:	DOWNEY, MUELLER, HABIB, MUNOZ-MORRIS, TANDA
NOES:	COMMISSIONERS:	NONE
ABSTAIN:	COMMISSIONERS:	NONE
ABSENT:	COMMISSIONERS:	NONE

ATTEST:


JENNA LUNA, Deputy City Clerk

APPROVED:


LIAM DOWNEY, Chair



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Jim Crawford, Division Chief of Operations for Morgan Hill Fire
APPROVED BY: City Manager

FIRE DISASTER PREPAREDNESS

RECOMMENDATION(S)

Receive report.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment

2019 Strategic Priorities

Community Engagement and Messaging
Regional Initiatives

GUIDING DOCUMENTS

Public Safety Master Plan

REPORT NARRATIVE:

At the December 5, 2018 City Council meeting, the Council requested that the Fire team present the City's Fire Disaster Plan. The Fire Department continually reviews the plan and works to engage and inform the community on preparedness and prevention.

Background

There are many factors that have led up to the devastating conflagration fires in California over the last few years. We are living in a post drought fire environment where the fuels are drought stricken and extremely receptive to fire with over 129 million dead trees in the central and southern Sierra. This is the equivalent to 3.25 dead trees for every person in California. Extreme fire conditions have become a year-round concern. We have watched our surface temperatures increase over the last decade with record level recordings during the last 2 years. Communities are still experiencing continuous burning inside the Wildland Urban Interface (WUI) regardless of slope, aspect, topography, or adequate vegetation clearance for today's conditions. Over 90% of all fires are human caused. Most large-loss fires over the last decade have been catastrophic wind driven events that immediately overwhelm our public safety resources and the public.

California Fire Service

The California fire service has been working collaboratively with all agencies, disciplines, and jurisdictions to ensure our state and regional mutual aid systems are working well. The state has also allocated funds to the Office of Emergency Services (OES) to assist local agencies prepare for and respond to climate-driven wildfires, floods, mudslides, and other natural disasters. These funds are being used to offset the costs to up-staff local government fire agencies during periods of potentially high fire

danger. This is known as “pre-positioning”, which enables firefighting resources (equipment and first responders) to be on standby where and when weather conditions pose the greatest fire risk.

CAL FIRE Resource Management

CAL FIRE has been working proactively over the last decade to identify and fund fuel mitigation efforts. There is over \$800 Million in grants available via the Fire Prevention Grants and the Forest Health Grants, among others.

The CAL FIRE’s Fire Prevention Grants Program will provide funding for local projects that address the risk of wildfire and reduce wildfire potential to communities in, and adjacent to, forested areas. Qualified activities include hazardous fuel reduction, fire planning and fire prevention education with an emphasis on improving public health and safety.

CAL FIRE’s Forest Health Grants Program will provide funding for collaborative projects that include a mix of treatment activities at the landscape scale. Conservation easements and land acquisitions are also eligible under the Forest Legacy Program. In addition to the \$155 Million, up to \$3 Million will be made available specifically for applied research studies that examine forest management and health to support forest landowners, resource agencies, and fire management organizations in California.

These grant programs are part of California Climate Investments, a statewide program that puts billions of cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment particularly in disadvantaged communities.

These programs are also part of a broader effort outlined in the forest management executive order issued by Governor Edmund G. Brown Jr. in 2018 and the State Forest Carbon Plan, which seek to increase the ability of our forests to capture carbon and improve forest management, including reducing dangerous tree mortality and reduce the devastating impact of wildfires.

Additional Staffing

Each CAL FIRE Unit has been allocated 2 state funded engines and personnel for year-round firefighting operations. These resources are ready for a regional response at a moment’s notice.

CAL FIRE has also created a new Fuels Reduction Crew Program. This program will staff resources and personnel to work on projects throughout California that improve communities in their defense against wildfires and make a difference in the future of California’s Forests and natural resources.

Mandated Fuel Reduction

Each CAL FIRE Unit was also mandated to implement a fuels reduction and defensible space inspection program. This mandate includes:

- 1,250 acres of broadcast prescribed burning
- 1,000 acres of fuel treatment
- Perform defensible space inspections on 30% of the Units habitable structures located in the State Responsibility Area.

Jurisdiction and Responsibility in Fire Response

Fire Departments receive their authority from different law sources. Cities receive authority through their Charter (Local Responsibility Area-LRA). CAL FIRE receives its authority through Public Resource Code to provide wildland fire prevention and fire suppression in the unincorporated foothills and mountains of California (State Responsibility Areas-SRA). Local Fire Districts provide life and structural protection through the Health and Safety Code (Districts can have both SRA and LRA). With the authority, comes the fiduciary responsibility to mitigate fires and other types of emergencies as outlined in codes and charters. For instance, the Health and Safety Code (Fire District Act) specifically states that if the land is designated SRA, that fire district cannot be made or assume to be responsible for the costs to suppress wildland fires. CAL FIRE retains that responsibility even when a local fire district is formed and operates over the same area. Local districts respond to support the mitigation of life and property risk.

Since wildland fires do not recognize jurisdiction and responsibility, it is important that each department work cooperatively and collaboratively to provide effective prevention and incident response. Working together, each department brings the might of their forces to bear on the mitigation of the emergency and protecting lives and property. One collaboration tool used is the designation of Mutual Treat Zones (MTZ). MTZ is an area, mutually defined by CAL FIRE and a City or District, that is LRA adjoining SRA. In MTZs, CAL FIRE responds to assist in LRA where the SRA is at risk if a fire is not contained rapidly.

Since Morgan Hill fire services have aid agreements, resources from both Morgan Hill and other local automatic/mutual aid partners respond based on a “closest resource concept.” Our sub-regional boundary drop agreement is an example that supports this action; regardless of jurisdiction, fire dispatch can send resources without delay.

Examples:

State Responsibility Area-Foothills surrounding the City Limits of Morgan Hill

Local Responsibility Area-City of Morgan Hill

Mutual Threat Zone-Jackson Oaks/Holiday Lakes

Event Scenario 1: LRA

A wildland fire starts in the City: A wildland fire starts off Hill Road that quickly moves upslope towards the community of Holiday Lakes. While all the City is LRA, the City of Morgan Hill has several populated areas of grass, oak woodland, and brushy forested foothills to the east and west. If these areas were not within the City limits, they would likely be designated SRA. The City foothills are pre-designated MTZs and upon notification (9-1-1) of a fire in these areas, a coordinated fire response of City and CAL FIRE resources is initiated. The existing sub-regional boundary drop is also used to

immediately dispatch the South Santa Clara County Fire District resources. In the case of this scenario, local in-county mutual aid is also requested and filled by San Jose Fire, Santa Clara County Fire, and Gilroy Fire.

CAL FIRE responds its resources, both ground and air, automatically to aid the City in containing the fire. Fire services goal is to contain the fire as soon as possible to prevent the uncontrolled fire from endangering lives and damaging property. In addition to the MTZ response, if specialized or more resources and personnel are needed to contain a fire in an area not designated as MTZ, CAL FIRE will be requested and dispatched as mutual aid resources to aid the City in the mitigation of an incident, regardless of protection area. Another important note is that since an MTZ is designated or mutual aid is requested to support a rapidly expanding uncontrolled incident that has exhausted the local resource availability, the costs that CAL FIRE and other mutual aid resources incur to mitigate the threat to SRA, reimbursement is not requested.

The City provides teammates to support the public and first responders. City leadership is notified of the event. If it is anything more than a small easy-to-control incident, the Leadership Team will initiate communications to support the incident. PD teammates go above and beyond to assist; officers frequently help with access and traffic control and will join in unified command if there is a situation that requires road closures or evacuation orders. Public works teammates work proactively to assist with traffic control and help support providing adequate water flow using the City water system.

Event Scenario 2: SRA

A wildland fire starts outside the City: In 2016, a fire started along Oak Glen Avenue near Chesbro Reservoir prior to the 2016 Loma Fire. The fire progressed up the steep terrain towards the Woodland Acres Subdivision momentarily threatening homes on Rolling Hills Drive, Glenwood Avenue and Rocky Ridge Road. A wildland fire that starts outside, but near the City Limits is a threat to the City. Since the same foothills exist along the east and west sides adjoining City, there is the same potential of a fire starting outside the City to threaten the lives and property of City residents.

Jurisdictionally this fire is in CAL FIRE SRA, unincorporated Santa Clara County in the South Santa Clara County Fire District. The initial response included CAL FIRE, Morgan Hill Fire, South Santa Clara County Fire. Fire teammates quickly requested the assistance of Santa Clara County Sheriff, California Highway Patrol and Morgan Hill PD. Due to the fire activity, terrain and potential threat to Woodland Acres, fire mutual aid was requested and received from San Jose Fire, Gilroy Fire and Santa Clara County Fire.

The incident command structure included unified command with the Morgan Hill PD as they were executing evacuations (about 10 homes) along the roads listed above. Additional resources were requested and placed into the community to protect homes from the fire front as it progressed up the terrain and to ensure that any embers from the fire could be quickly doused in the community. Additional air and ground resources were requested from CAL FIRE and the fire was contained without any injuries or damage to structures or other property.

In the event listed above, City leadership was kept apprised of the situation, the event was of short duration and although a consideration, public works, other City resources including the Emergency Operations Center (EOC) were not activated. The duration of the fire was short, and the fire was contained with no damage to city resources. Had the fire progressed into the community, all the items listed above would have been considered as part of the incident management and support to the City.

Longer Duration Events or Events That Impact City Government Operations or Residents

In the event of a rapidly expanding incident that would influence normal city governmental operations, the EOC team, of which fire is a member, activates to the scale necessary to provide support to the affected public, the city and fire teammates as necessary to continue to be an effective government. The Emergency Management System (SEMS) was developed post 1991 Oakland Tunnel Fire and since that management system is used throughout California it ensures that when we have multi-jurisdictional events we are organizing together and using the same management language and systems. All levels of government and even Non-Governmental organizations (CERT and Red Cross) are required to train employees and volunteers on this system. The State and Federal reimbursements requests require SEMS use. Morgan Hill trains and exercises its SEMS skills with every EOC training and exercise conducted by City OES Coordinator and the rest of the EOC team and volunteers. The City CERT training program is supported by Police and Fire teammates.

Cooperative Fire Protection

The scenarios above occur in many cities in the Bay Area and California; however, Morgan Hill is a somewhat unique situation because of the Cooperative Agreement with CAL FIRE. While MTZs exist in other cities, The Cooperative Agreement with CAL FIRE brings the bench strength of CAL FIRE for any situations the City may encounter. City and CAL FIRE resources are working for the same team, dispatched, and managed by personnel with a statewide depth of experience. The training, expectations and procedures are the same. This is an additional increase in efficiency.

Unified Command

Each jurisdiction that has fiduciary responsibility to mitigate incidents and when multiple jurisdictions are involved, Unified Command is generally established. This ensures that common objectives and communications are set, and resources are allocated most efficiently. Everyone is then using the same playbook. It is more common than not that an incident is in Unified Command.

To illustrate the Unified Command concept in Scenario 1, Morgan Hill Fire and Morgan Hill PD would be in Unified Command and South Santa Clara County Fire District and CAL FIRE would be assisting. If the fire was to leave the City limits, then South County Fire and CAL FIRE would enter Unified Command with the others.

In Scenario 2, CAL FIRE, South Santa Clara County Fire were in Unified Command. The point at which the structure threat was determined in the City, Morgan Hill Fire and

Morgan Hill PD entered Unified Command with the others. The direct threat to the City and residential structures meant that objectives needed to be set into motion of the operational plan to mitigate the incident.

The Morgan Hill FD and South County Fire District are administered by CAL FIRE as such the Fire Incident Commander was one person representing all three departments. This creates added efficiency. That Incident Commander ensures objectives of all three departments are addressed in the action plan.

Planning and Outreach

One of the most important ways that the Public and the City can be resilient in times of an emergency is to commit to advanced planning. While this concept is easy to state, it requires an abundance of initiative by us and the public. Emergency response is the least efficient way to mitigate an emergency and prevention of the emergency the most efficient. It is incumbent upon the City and its public to become educated and to work to prevent and to plan for an emergency event or disaster.

City Engagement, Fire and Police programs, provide outreach through several means to connect with the public about their important role in prevention of disasters by providing for their own safety and using safe practices in and around their homes and while in the community. Providing defensible space and fuels reduction on their property is an example where the public can make a positive impact in prevention. Programs that have been implemented that relate to fire preparedness include “AlertSCC” outreach, smoke detector campaigns, the “Ready, Set, Go!” program, the “Ember Aware” Program and others. These programs communicate to the public the importance of being registered to receive actionable alerts from the City, reducing flammable materials on property and near homes, having the necessary supplies for a disaster, have an evacuation plan and ensure the entire family knows the plan and the importance to evacuate early if there is a potential danger. The City has a brush and weed abatement program as well to address actual threat to property owners and the entire community. While there has been success in this area, there is still more work to do to ensure we have contact with the public and that they are getting the message. We want them all to be engaged, prepared, and diligent about emergency planning.

The City is engaged in many ways to be prepared, but there is always more that can be done. City Teammates have met to discuss ways to reduce risk and to be better prepared for an emergency. EOC training and exercises are an example in which teammates from all parts of the City’s operation come together to work as a team to be prepared. Public Services and Fire Services are looking for ways to increase the City Property resilience to Fire in those areas at risk. Teammates are considering if there are ways to improve the existing ordinances on weed and brush abatement, to better protect the entire community from the potential of devastating fires. Changing the focus as Council has done, by adding Safety to its Core Values, illustrates the importance of bringing these issues to the City.

In February 2018, the Little Hoover Commission released a report on “Fire on the Mountain: Rethinking Forest Management in the Sierra Nevada.” While the report

focused on the largest tree mortality area in California, it conveys what all of California should be doing to change the current paradigm. Of the nine recommendations made, four were potential actions at the local level to increase community resilience:

- Engagement in local landscape level forest management for long term resilience
- A policy shift to using fire as a tool to change the resilience of the landscape
- Treating land as recommended in the Forest Carbon Plan; our part as the City to treat 500,000 acres annually in California
- Work with California Natural Resources Agency and other stakeholders to access opportunities in communities and develop infrastructure to utilize biomass in the creation of energy as a renewable resource.

Taking Action

As part of the City's strategy to communicate with the public, several resources are used. It is critical for the public to be connected to the same resources to ensure that during emergency situations or a disaster that they are able to receive messages and understand the actions they should take. City programs must maintain continued support and coordination of these communications tools.

Development of a strategic plan to improve the resilience to wildland fire in Morgan Hill and adjacent communities is underway. In 2015, a grant from CAL FIRE to the Santa Clara County Fire Department was awarded that was used to develop a countywide Community Wildfire Protection Plan (CWPP). A consultant group that specializes in CWPP development created the draft CWPP. In that plan each agency and community had input at public meetings. An annex that outlines programs and projects in the City was developed. A CWPP is a recognized document that will aid communities in Santa Clara County to obtain grant funding to complete identified projects. Input from the City was given to the consultant for inclusion in the plan. The document (Attachment No. 2) is being finalized for approval by the County Board of Supervisors and the CAL FIRE Unit Chief. The document is a living document and the annex can be amended to include future projects and programs that come to light.

Improving our systems

During rapidly expanding incidents, notifying and evacuating civilians is an Achilles Heel of emergency services. The public has often reported problems with the notification system during our after-action presentations. To address this issue properly, we need to work collaboratively with all fire, law, and emergency service agencies in the county to create pre-designated evacuation zones. These zones will be pre-drawn polygons in the reverse 911 system. The zones will be used to properly titrate our messaging to civilians. For example, the messaging would be focused not only to those immediately at risk but also to the adjacent community that is potentially threatened. These messages via 911 could have specific information to the civilians living in those zones. For example, evacuation order versus an evacuation advisory. This system also allows for City and County EOC to have access to the zone information which greatly reduces the reflex time for standing up evacuation shelters and other civilian support services.

COMMUNITY ENGAGEMENT: Inform

Fire Department will continue to work to inform and empower the public:

- Community will be engaged through multiple sources
 - Social Media
 - Presentations
 - Public Outreach at community events

ALTERNATIVE ACTIONS:

None.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None.

FISCAL AND RESOURCE IMPACT:

None, as this is an informational report only and is an activity in the Fire Services budget and workplan.

CEQA (California Environmental Quality Act):

Not a Project.

This organizational and administrative activity by fire services will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. Santa Clara County Community Wildfire Protection Plan (CWPP)-Morgan Hill Annex (DRAFT) (web link)
2. Fire Disaster Plan Presentation



Fire Disaster Preparedness



California's Catastrophic Fires



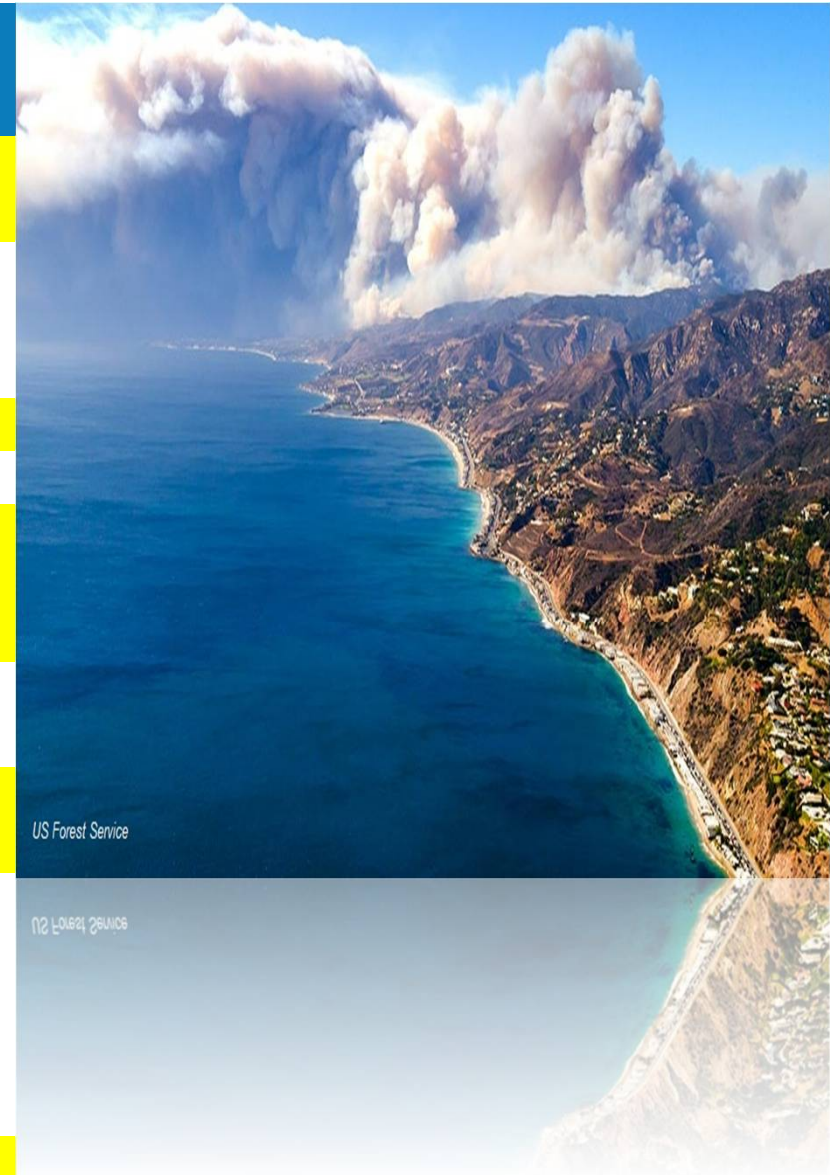
How did we get here?

- Drought stricken fuels
- Significant wind driven events
- 100 years of fire suppression
- Climate change



20 Most Destructive Fires in CA History

Fire Name	Year	Structures Burned
Camp Fire	2018	18,804
Tubbs	2017	5,636
Tunnel - Oakland Hills	1991	2,900
Cedar	2003	2,820
Valley	2015	1,955
Witch	2007	1,650
Carr	2018	1,604
Nuns	2017	1,355
Thomas	2017	1,063
Old	2003	1,003
Jones	1999	954
Butte	2015	921
Atlas	2017	783
Paint	1990	641
Fountain	1992	636
Sayre	2008	604
City of Berkeley	1923	584
Harris	2007	548
Redwood Valley	2017	546
Bel Air	1961	484



The New Normal



- Climatic change is accelerating the pace and scale of large and damaging fires in California.
- A significant operational need has developed requiring a strategic, coordinated and collaborative approach to managing significant wildfires.
- New approach incorporates prevention, fuel reduction, prescribed fire, emergency planning, and robust suppression capability.

Jurisdictional Responsibility



Local Responsibility Area (LRA)

State Responsibility Area (SRA)

- Local Municipalities and Districts are responsible for fires originating in the LRA
- The state (CAL FIRE) is responsible for fires originating in the SRA



Working Cooperatively



Fires do not recognize jurisdictional boundaries

Essential Collaboration Tools

- Mutual Threat Zones (MTZ)

Allows CAL FIRE to aid on LRA fires without reimbursement

- Boundary drop agreements

Ensures “closest resource” concept

- Morgan Hill Teammates

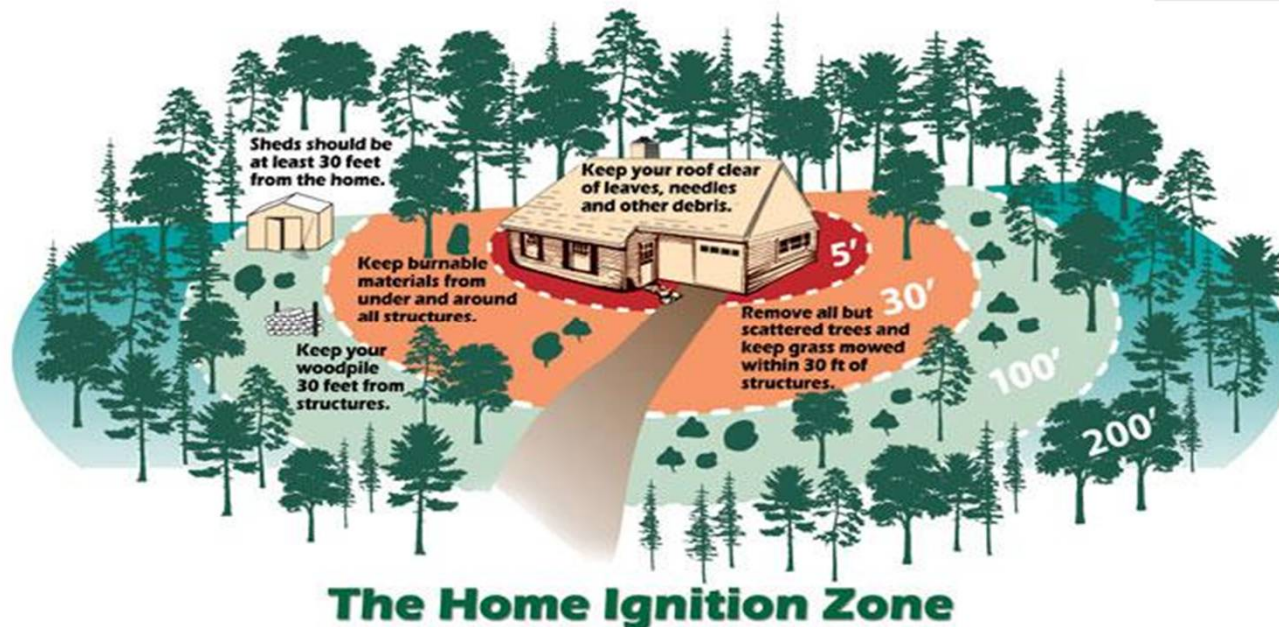
Unified Command with Police Department and Public Works



Planning & Outreach

Fire participates in multiple outreach programs

- AlertSCC: (reverse 911 registration)
- Ready Set Go: (prepared for any disaster)
- Ember Aware: (reducing flammable material)
- Brush & weed abatement program
- MH CERT Training





Lessons Learned From 2018 Fire Siege

- Conduct community evacuation drills
- Utilize federal Amber Alert system if need be
- Enforce no parking on narrow “choke point” roads
- Encourage “go-kits” for civilians
- Improving technology for decision support systems



Keeping Morgan Hill Safe



Adjusting to Contemporary Fires Locally

- Early notification
- Early evacuation
- Fuel reduction within the city
- Fuel reduction adjacent to the city
- Identifying and creating Temporary Refuge Areas (TRA)
- Identifying our vulnerable population



Community Wildfire Protection Plan (CWPP)



Taking action and planning for the future

- Santa Clara County CWPP has an Annex specifically for Morgan Hill and South County Rural.
- Ongoing road map for fuel reduction projects
- CWPP is a crucial grant allocation tool for the city
- 800 million dollars in fuel reduction grants available

Improving Our Systems



- Streamlining our reverse 911 system with pre-designated evacuation zones within the county.
- The zones will help Fire and PD identify geographical areas during an evacuation order.
- Morgan Hill Emergency Operations Center (EOC) would access zone information and shorten reflex time for support services.
- The reverse 911 messaging will be titrated to deliver the appropriate information to each zone.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Leslie Little, Assistant City Manager for Community Development
APPROVED BY: City Manager

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) UPDATE

RECOMMENDATION(S)

Receive Report.

COUNCIL PRIORITIES, GOALS & STRATEGIES

2019 Strategic Priorities
Regional Initiatives

GUIDING DOCUMENTS

General Plan/Housing Element

REPORT NARRATIVE:

The purpose of this report is to provide a Regional Housing Needs Assessment (RHNA) update, to highlight new State Housing and Community Development Department (HCD) reporting requirements due to recent changes in State Law. In addition, attached to the report are reports from other agencies and articles intended to briefly inform the Council and community of new legislation and initiatives proposed which may impact the City's future housing activities. Finally, the schedule for the review and filing of the annual report to HCD on the City's Housing Element and housing production is included in this report below.

BACKGROUND:

The City's housing portfolio consists of 14,415 housing units, of which 1,682 or nearly 12% (1 of every 8) are affordable and deed restricted. In addition, the City has over 800 mobile home units, which are affordable by design, and protected with limited rental increases by the City's 1988 Mobile Home Ordinance.

Although the City of Morgan Hill has proudly produced a significant amount of affordability per capita, over the past year the City has been tasked with responding to changing legislation which requires that deeper levels of affordability be produced in accordance with RHNA goals. This translated to the state setting goals for the number of units which represent the City's fair share of production, and a requirement to produce those housing units with affordability to specific extremely low, very low, low, and moderate-income families within a set time-frame.

State law requires each local government in California to adopt a Housing Element as part of its General Plan demonstrating how the community plans to meet the existing and projected housing needs of people at all income levels. The current Housing

Element cycle established by the HCD is 2015-2022. HCD in collaboration with the Bay Area's council of government (COG), the Association of Bay Area Governments (ABAG), determines each community's housing fair share and which numbers are distributed to individual cities based on State population projections and local conditions. These designations establish Regional Housing Needs Allocation (RHNA) goal numbers. Cities are required to report annually to HCD on the progress made towards those goals. These reports are due April 1 of each year.

The City of Morgan Hill has historically met its "overall" housing production numbers but has been unable to meet production as a function of affordability level. With the dissolution of redevelopment in 2011, these affordable housing efforts became out of reach for Morgan Hill and many other communities who lacked local funds to invest in affordable housing projects. For the current eight-year cycle (2015-2022), Morgan Hill's RHNA allocation is a total of 928 units. 612 or 66% of those units are required to be at Moderate Income levels or below. The City has to-date permitted 1,965 units and has an additional 575 units pledged in the pipeline. Including units pledged but not built, the City has exceeded every income level target, except the very low-income level. In this current cycle, if all the units currently pledged are constructed, the remaining housing goal need is 115 very low-income units, with building permits required to be issued by December 31, 2022. The City has produced more than double the number of market rate units required.

Beginning in 2017, Measure "S" allows a maximum of 215 units annually or 1,720 total to be permitted citywide during the 8-year cycle. Morgan Hill is unique because the RDCS guidelines require builders to compete two years prior to building and then "pace" the timing of construction. As such, the City is aware of the housing units that are in the "pipeline", *including affordable units*. The following summarizes the City's RHNA production to date and includes pledged units that have been awarded housing allocations through RDCS or are entitled to build by the State Housing Accountability Act but have not yet started construction. This table contains deed restricted and non-restricted units.

Current RHNA #'s (2014-2018) - HCD								RDCS Projection		
Income Level	RHNA # Allocated to MH	Permits Issued 2015	Permits Issued 2016	Permits Issued 2017	Permits Issued 2018	Total	HCD % Met	HCD Remaining Allocation	RDCS Pipeline	Units Still Needed
Very Low Income up to 50% AMI (includes ELI)	273	12	29	0	31	72	26%	201	86*	115*
Low Income 51% to 80% AMI	154	113	16	15	24	168	109%	0	14	-28
Moderate Income 81% to 120% AMI	185	58	12	28	174	72	147%	0	475**	-562**

Above Moderate Income/Market Rate more than 120% AMI	316	544	198	339	372	1453	460%	-1137	TBD	-1137
Total	928	727	255	382	601	1965	212%	201	575	115
* Mwest included (78 VLI)										
** Non - Deed Restricted Moderate Units Included (311 Mwest, 167 Evergreen, 83 Sunsweet, 19 Borello (ADU's), and 61 Diamond Creek)										

Where are we today?

Historically low State housing supplies, as well as recent changes to State housing laws, now require the City to strengthen its affordable housing efforts. The latest economic boom has created what many have called a “housing crisis” statewide. On May 2, 2018, the City Council was presented with an informational packet providing an overview of new Housing Accountability Act requirements, and Morgan Hill’s Regional Housing Needs Allocation (RHNA) housing goals. Additionally, the Council received a Keyser Marston and Associates (KMA) report, “Strategy for Increasing the Supply of Affordable Housing” and discussed a menu of options and policy considerations to increase affordable housing production at specific income levels, and the implications of modifications to the RDCS Program. The Council directed staff to take steps to prepare policy documents related to affordable housing accountability and production as well as an Inclusionary Housing Policy. Subsequently, the City Council adopted an inclusionary housing policy of 15% for all market rate rental and ownership housing outside of the Downtown and 10% within the Downtown. Beyond the Inclusionary Housing Ordinance, the City Council has asked the staff and the Planning Commission to seek out ways to use the RDCS and planning incentives to focus efforts on increasing local housing supply to meet the regional fair share goals established.

In the meantime, because Morgan Hill utilizes the RDCS, and annual reporting will not “count” units in the pipeline, only units with construction permits through 2018 will appear in the Morgan Hill annual progress report (APR) in 2019; thus, it will indicate production deficiencies of 201 very low-income units. Fortunately, because of the upcoming commitments that the City is aware of (MWest’s 78 very low allocations and Evergreen’s 8 very low allocations), the City may be able to count 86 additional very low-income units if construction permits are obtained before the end of this cycle, or by December 31, 2022. If all pledged units are built, the total still needed in the very low-income category is 115. Although the City has already met its total housing production numbers of 928 units for the entire RHNA cycle, to date it has not met its very low-income production obligation.

To date, the RHNA reporting process has captured only construction permits issued by affordability category. Due to increasing performance scrutiny, HCD now requires cities to report:

1. Data on housing units and development for which an application was filed and deemed complete
2. Identification of sites required by no net loss

3. Annual Building Activity
4. Progress in meeting Housing Element programs and policies (BMR, Down payment Assistance, Homebuyer Education)
5. Total Number of Units requested, number of units approved, affordability category of units approved and denied
6. Number of units entitled, permitted and certificate of occupancy
7. Units rehabilitated; units lost to demolition for another purpose

The schedule for review and submittal of the annual report is:

Planning Commission RHNA Update - February 12, 2019

City Council RHNA Update – February 20, 2019

Planning Commission Review of HCD Annual Progress Report (APR) – March 12, 2019

City Council Review and Authority to submit HCD APR – March 20, 2019

Report filed electronically, no later than March 31, 2019

Additional Discussion:

Included in the City Council packet for this meeting is the Committee to House the Bay Area (CASA) Legislative update, CASA compact, and the Governor's Housing Budget proposal for 2019.

Finally, a Housing Workshop has been scheduled before the City Council Regular meeting of March 6, 2019.

COMMUNITY ENGAGEMENT:

This report is intended to inform the City Council and community.

ALTERNATIVE ACTIONS:

None.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On May 2, 2018 – City Council was presented an informational report with an overview of the requirements of the Housing Accountability Act.

FISCAL AND RESOURCE MPACT:

Preparation of this report is an activity within the Development Services Department's annual workplan.

CEQA (California Environmental Quality Act):

Not a project, as this is an administrative activity (reporting) of government that will not result in direct or indirect physical change in environment.

LINKS/ATTACHMENTS:

1. CASA Legislative Update
2. CASA Compact (web link)
3. Governor's Housing Budget Proposal



Agenda Item 7d

ASSOCIATION OF BAY AREA GOVERNMENTS

BayAreaMetro.gov

Memorandum

TO: Joint MTC Legislation Committee and
ABAG Legislation Committee

DATE: February 1, 2019

FR: Executive Director

RE: CASA Local Outreach & Legislative Engagement / Update

Local Government Outreach

Following direction from the MTC and the ABAG Executive Committee, staff has been very busy over the last month and a half presenting the CASA Compact to local elected officials and staff in various forums, including sub-regional division meetings of the League of California Cities, joint meetings of city councils, county conferences of cities, and county transportation agencies, economic development organizations, and others (see Attachment A). Key messages that have been heard to date include:

- Concern about the potential redirection of local funds (e.g. sales tax, local parcel tax) and associated impacts to local services
- Concern over loss of local control over zoning decisions
- Concern about a “one-size-fits-all” approach to upzoning (CASA Compact Item 5)
- Concern that creating a new regional agency to help address the housing crisis is duplicative and a waste of resources (CASA Compact Item 10)
- Concern about loss of local control over fee rates due to the various local infrastructure and services that are paid for by fees (schools, parks, etc.) and potential legal implications associated with nexus studies (CASA Compact Item 7)
- Concern the CASA Compact only addresses the “supply side” of the jobs/housing balance equation; we need to also think about limiting the “demand side,” i.e. job growth.
- With respect to the 75 percent of funds that the CASA Compact states will be returned to the *county* where funds are generated, how will funds be distributed *within* the county?
- Need to do a better job bringing transportation to where the affordable housing is already located, (Central Valley), not just building housing where the jobs are.
- Need to address concentration of new jobs in S.F./West Bay and more affordable housing in East Bay by creating new policies and incentives to encourage job growth in East Bay to decrease commuting and greenhouse gas emissions.

Engagement with Local Elected Officials on CASA Legislation

The ABAG motion authorizing President Rabbitt to sign the CASA Compact requested that staff develop a task force of elected officials throughout the Bay Area to provide feedback on specific legislation related to CASA. Staff recommends we convene an ad hoc committee of local elected

Attachment: CASA Legislative Update (2197 : Regional Housing Needs Assessment (RHNA) update)

officials representing the region's geographic diversity and including representatives of small, medium and large cities who are not currently serving on MTC or the ABAG Executive Board to meet monthly or as needed, by phone or in person, to be briefed on and provide input regarding CASA-related legislation. We seek your suggestions on the general composition of such a group.

Ongoing Outreach and Public Information

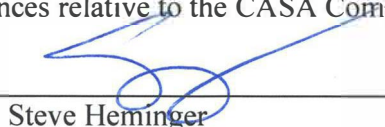
Understanding that there will continue to be requests for further outreach to local government and other organizations over the coming months, but there is also a basic institutional limit on what is actually feasible, we recommend the following steps:

- ABAG and MTC continue to have Joint Legislative Committee meetings for the foreseeable future and that CASA related items updates be featured each month.
- Provide an opportunity for CASA to be discussed by the full boards at MTC and the ABAG Executive Board.
- Staff will create a monthly CASA related newsletter, summarizing these updates and use our list serves to inform members of the Commission and the Executive Board.
- Staff will share newsletter with other interested stakeholders, such as city and county staff, county congestion management agencies and transit agencies.
- Continue to participate in events convened by the League of California Cities during the legislative session.

Legislative Update

Few new bills have been introduced or amended related to housing since our January update but we anticipate a flurry of additional activity towards the end of the month due to the February 22nd bill introduction deadline. At the time this memo was finalized, the Bay Area caucus had just held a retreat during which the CASA Compact was presented and discussed. MTC Chairman Mackenzie and ABAG President Rabbitt were invited to speak, along with the three CASA Co-Chairs.

A key theme of the discussion was the goal of recognizing that CASA is a Compact of divergent interests and the importance of seeking to move the entire package forward in Sacramento. Bay Area members at the retreat seemed to share this goal while also recognizing the enormity of the housing challenge that has built up over decades, and the similar scale of the political challenge before them. Attachment B is an update of the table of CASA-related bills from last month, this time including more detail and noting some differences relative to the CASA Compact.


 Steve Heminger

Attachments:

- Attachment A: CASA Local Government Outreach Schedule – Last Updated: 1/28/19
- Attachment B: CASA-Related Bill Summary, February 1, 2019

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CASA Local Government Outreach Schedule – Last Updated: 1/28/19

Meeting Date	Organization
December 12, 2018	Alameda County Mayors' Conference
January 9, 5 pm	League of Cities/North Bay Division (includes 4 North Bay Counties) meeting Homeward Bound
January 10, 7 pm	Contra Costa Conference of Mayors
January 10, 7 pm	Santa Clara County Cities Association Meeting, Sunnyvale City Hall, 456 W Olive Ave.
January 17, 8 am	Home for All Steering Committee (San Mateo)
January 24, 7 pm	East Bay League of Cities Meeting, Walnut Creek
January 29, 10 am	East Contra Costa (EC ² : a collaborative of cities, the county, chambers and special districts), Oakley City Hall
January 30, 11:30 am	Peninsula League of Cities Division
January 30, 5:30-7:30 pm	Cities of Fremont/Hayward City/Newark/San Leandro/Union City
January 31, 2 pm	Alameda County Transportation Commission
February 20, 1:30 pm	Napa Valley Transportation Authority
February 21, 12-1:30 pm	City Managers Group of Contra Costa, City of Walnut Creek, City Hall on the 3rd floor
February 22, 6 pm (tentative timing)	San Mateo County Council of Cities
February 25, 5:30 pm	Solano City & County Coordinating Council
February 26 –12:30 pm	East Bay Leadership Council, Housing Committee, Walnut Creek
February 27, 7:00 pm (tentative timing)	Marin County, Council of Mayors and Councilmembers, Sausalito
March 1, 11:30 am – 1:00 pm	East Bay Economic Development Alliance,
March 7	Contra Costa Mayors' Conference Meeting in San Ramon

**Attachment B
Agenda Item 7d**

CASA-Related Bill Summary, February 1, 2019

CASA Compact Item	Related Bill(s)	Summary
1. Just Cause Eviction		
2. Rent Cap	AB 36 (Bloom)	Spot bill*
3. Rent Assistance & Legal Counsel	SB 18 (Skinner)	The “ <i>Keep Californians Housed Act</i> ” authorizes an unspecified appropriation from the budget for the Department of Housing and Community Development (HCD) provide grants to local agencies to provide rental and legal assistance.
4. Accessory Dwelling Units (ADUs)	AB 68 (Ting) Coauthors: Gloria/Skinner/Wiener	Prohibits local ADU standards from (1) including requirements on minimum lot size, floor area ratio or lot coverage; (2) mandating off-street parking spaces be replaced when a garage or carport is demolished in construction of an ADU; and (3) clarifies definition of an “owner occupant” for purposes of local requirements for owner-occupancy; (4) requires an ADU (attached or detached) of at least 800 square feet and 16 feet in height to be allowed. Reduces the allowable time to issue a permit from 120 days to 60 days. Provides that if a local agency has not adopted an ordinance consistent with its provisions, the local agency shall approve permits for a “junior ADU”** ministerially
	AB 69 (Ting)	Spot bill
	SB 13 (Wieckowski)	Spot bill indicating intent to reduce impact fees on ADUs
5. Minimum Zoning	SB 4 (McGuire)	Spot bill
	SB 50 (Wiener)	- Allows upzoning within ½-mile of transit and in high-opportunity areas. Provides for a five-year deferral of bill’s provisions in “sensitive communities” that would be defined by HCD in conjunction with community groups. - Establishes a new “equitable communities incentive” (ECI) option that a local jurisdiction would be required to offer a developer proposing a project that is either a “transit-rich housing project” or a “job-rich housing project.” In all cases of a qualifying ECI, a developer would receive waivers from maximum controls on density and parking requirements above 0.5/unit, up to three additional concessions or incentives from Density Bonus Law (pursuant to Government Code 65915 (d))

Attachment: CASA Legislative Update (2197 : Regional Housing Needs Assessment (RHNA) update)

		- Establishes an option, for an undetermined amount of time, for a local government to opt for a community-led planning process aimed toward increasing residential density and multifamily housing near transit stops in lieu of requirements of bill. - Defers applicability of bill in “sensitive communities” –to be defined by HCD in conjunction with local community-based organizations—until January 1, 2025. - ECI-qualifying developments with an unspecified percent of affordable units within ½-mile but outside ¼-mile of a major transit stop, would also be exempt from 1) height caps below 45 ft; 2) maximum floor-area-ratio (FAR) less than 2.5; any parking requirement. - ECI-qualifying developments with an unspecified percent of affordable units within ¼-mile of a major transit stop would also be exempt from 1) height caps below 55 ft.; 2) maximum FAR less than 3.25; any parking requirement. - Excludes sites that contain housing occupied by tenants or that was previously occupied by tenants within the preceding seven years or the owner has withdrawn the property from rent or lease within 15 years prior to the date of application.
6. Good Government		
7. Streamlining	SB 6 (Beall/McGuire)	Spot bill
8. Public Lands		
9. Funding	SB 5 (Beall)	- SB 5 authorizes local agencies to apply to the state to reinvest their share of ERAF (Educational Revenue Augmentation Fund) funds in affordable housing or other community improvement purposes. Sets an initial limit of \$200 million per year for the first five years, growing to \$250 million in 2029. - Establishes the Local-State Sustainable Investment Incentive Program which would be administered by a new Sustainable Investment Incentive Committee comprised of state agency representatives and legislative and gubernatorial appointees.

		• Authorizes a local government, joint-powers authority, enhanced infrastructure financing district, affordable housing authority, community revitalization and investment authority, or a transit village development district to apply to the committee for funding for a variety of projects, including construction of workforce and affordable housing, transit-oriented development, restoring neighborhoods, repairing infrastructure and parks, and protecting against sea level rise. • Requires at least 50 percent of funds to be allocated for affordable housing and workforce housing and for 50 percent of the units to be affordable.
	AB 10 (Chiu)	Expands the state's Low Income Tax Credit program by \$500 million per year, up from \$94 million.
	AB 11 (Chiu)	AB 11, the "Community Redevelopment Law of 2019" would authorize a city or county or two or more cities acting jointly to form an affordable housing and infrastructure agency that could use tax increment financing to fund affordable housing and infrastructure projects. Requires establishment of new agencies be approved by the Strategic Growth Council and that expenditure plans for such agencies be aligned with the state's greenhouse gas reduction goals. A minimum of 30 percent of funds would be required to be invested in affordable housing.
	ACA 1 (Aguiar-Curry)	Reduces vote threshold for local bonds or special taxes for affordable housing or public infrastructure.
10. Regional Housing Enterprise		

* "Spot bill" denotes a bill that is a placeholder and includes only general intent language regarding the subject with no substantive statutory changes.

** Junior ADU means a unit that is no more than 500 square feet and is contained entirely within an existing single-family structure. It may include its own bathroom or share a bathroom with the existing structure.

HOUSING AND LOCAL GOVERNMENT

California is in the midst of a housing crisis due to decades of historical underproduction of supply when compared to demand. Of the estimated 200,000 units of housing that are needed annually merely to keep up with population growth, only 113,000 units were permitted in 2017. Since 2007, fewer than 750,000 units were permitted, accounting for only 40 percent of the projected need.

Affordability is no longer a problem unique to the state's major urban centers. Throughout the state, renters struggle to pay for housing, often doing so at the expense of other basic needs such as food, health care, and transportation. While California's median income has just recently surpassed pre-recession levels, median rent has continued to rise. Statewide, half of all renters are rent-burdened, meaning more than 30 percent of their income goes to housing, and nearly a third of all renters are severely rent-burdened, with more than half of their income going to housing. Over 80 percent of low-income renters in the state are rent-burdened.

The amount of income paid toward housing, and the uncertainty of future housing costs, has broad impacts on the overall quality of life for California families. Additionally, a lack of affordable housing directly contributes to the increased homelessness seen across the state. More must be done to increase housing production across the state to ease this crisis and give more Californians the opportunity to become economically secure through reduced housing costs, and achieve the dream of homeownership.

BARRIERS TO BUILDING

Local governments have a key role in ensuring the building of adequate numbers of housing units to meet local needs. They have primary control over land use and housing-related decisions and enact policies that either encourage or discourage housing construction.

The high cost of development and local decisions are barriers to building more housing. The average total development cost of affordable housing was \$332,000 per unit for new construction projects that received housing tax credits from 2011 through 2015. Local jurisdictions add to development costs through lengthy review processes. For example, the state's 2014 Affordable Housing Cost Study found that project changes due to local design and review increased costs by seven percent. Local opposition also increased project costs. Additionally, fees such as planning service fees and impact fees charged by local governments contribute substantially to the cost of development. These fees can vary widely by jurisdiction ranging up to \$150,000 for a single-family home and \$75,000 for each multi-family housing unit.

RECENT INVESTMENTS

The state's role in housing development has generally focused on encouraging homeownership through tax policy and helping to subsidize the development of affordable units. The state has provided local jurisdictions with a variety of tools to help fulfill their housing responsibilities, including providing incentives to streamline development, promoting local accountability to adequately plan for needed housing, shortening the housing development approval process, and investing in affordable housing production through dedicated real estate transaction fee revenues (estimated at \$289 million annually) and a \$4 billion voter-approved housing bond (Chapter 365, Statutes of 2017, SB 3). (See Figure HLG-01.) Additionally, the state invests 20 percent of Cap-and-Trade auction proceeds in the Affordable Housing and Sustainable Communities program to fund land-use, housing, transportation, and land preservation projects to support infill and compact development that reduce greenhouse gas emissions.

Figure HLG-01
SB 3 Housing Bond Allocations
 (in Millions)

Program		Allocation
Rental Shortage	Multifamily Housing Program	\$1,500
Farmworker	Joe Serna, Jr. Farmworker Housing Grant Program	300
Infrastructure and Incentives	Local Housing Trust Fund	300
	Transit-Oriented Development	150
	Infill Infrastructure Grant	300
Homeownership	CalHFA Down Payment Assistance	150
	CalHome	300
Veterans	CalVet Farm and Home Loan	1,000
		\$4,000

INCREASING HOUSING PRODUCTION

While some local jurisdictions have used these tools and contributed to their housing supply, more production across the state is necessary to address the larger housing crisis. The Budget includes significant investments (totaling \$1.3 billion General Fund plus expanded tax credits) to remove barriers and increase long-term housing production, particularly for low- and moderate-income housing.

SHORT-TERM PLANNING AND PRODUCTION GRANTS

The Budget includes \$750 million General Fund one-time to partner with and incentivize local governments to jump-start housing production through technical assistance and general purpose funding. The Department of Housing and Community Development (HCD) will establish higher short-term statewide goals for new housing production across all income levels and will allocate these goals to local jurisdictions. Local governments will receive grants (\$250 million of the \$750 million) to support technical assistance and staffing to develop plans to reach these higher goals. This includes, but is not limited to: rezoning for greater density, completing environmental clearance, permitting units, and revamping local processes to speed up production. The state will review these efforts and certify that certain milestones have been reached. As jurisdictions reach these milestones, funding (\$500 million of the \$750 million) will be available to cities and counties for general purposes.

LONG-TERM STATEWIDE HOUSING PRODUCTION STRATEGY

The Administration will develop a strategy to revamp the current Regional Housing Needs Assessment (RHNA) process, which determines the amount and type of housing regions and local jurisdictions must produce to meet their need. Under Chapter 370, Statutes of 2017 (AB 72) and Chapter 958, Statutes of 2018 (AB 686), HCD will be taking a more active role in housing element reviews. Moving from an advisory role, HCD will now oversee and enforce regional housing goals and production. HCD will determine a methodology for allocating housing needs to regions and local jurisdictions, with local input.

These long-term housing production targets will be more ambitious than the short-term housing goals mentioned above. As HCD develops these targets, local jurisdictions will have lead time to begin reformulating their housing plans, using the grants above to leverage other sources of funding, such as their general funds and private dollars, to meet their targets.

Going forward, the state will strongly encourage jurisdictions to contribute to their fair share of the state's housing supply by linking housing production to certain transportation funds and other applicable sources, if any. The Administration will convene discussions with stakeholders, including local governments, to assess the most equitable path forward in linking transportation funding and other potential local government economic development tools to make progress toward required production goals.

MODERATE-INCOME HOUSING PRODUCTION

The Budget makes a sizable investment of \$500 million General Fund one-time in the development of housing for moderate-income households. The California Housing Finance Agency (CalHFA) will expand its Mixed-Income Loan Program, which provides loans to developers for mixed-income developments that include housing for moderate-income households at a lower subsidy level than traditional state programs. This additional investment will jump-start the estimated \$43 million in annual Chapter 364, Statutes of 2017 (SB 2) revenues dedicated for this purpose, and pair with the proposed tax credit program targeting households with incomes between 60 to 80 percent of Area Median Income (see below).

EXPANDED STATE HOUSING TAX CREDIT PROGRAM

Tax credits garner private investment in affordable housing by offering a dollar-for-dollar credit against an investor's state or federal taxes owed. Two federal credits are

provided for the state to allocate, the 9 percent credit and the 4 percent credit, which are provided annually over 10 years. The 9 percent program is competitive and provides approximately 70 percent of a project's total costs. In its two funding rounds per year, the program has been historically oversubscribed with twice as many applicants as awards. The 4 percent program, which is currently underutilized, is non-competitive and provides approximately 30 percent of a project's total costs.

The state credit program supplements these two federal credits and can be allocated over four years. The state credits pair with federal credits to reduce a given housing development project's remaining funding gap. From 2011-2018, the state program allocated \$819 million to support approximately 18,000 affordable units, for an average of \$45,500 per unit.

The Budget proposes to expand the state tax credit program in 2019-20 up to \$500 million, and up to \$500 million annually thereafter upon an appropriation. The additional authority includes \$300 million for the existing state tax credit program, targeted at new construction projects that pair with the underutilized 4 percent federal tax credit program. The remaining \$200 million will be allocated through a new program that targets housing development for households with incomes between 60 to 80 percent of Area Median Income, a population not typically served by the state's housing programs. This investment will serve as a down payment toward producing more mixed-income housing, in combination with CalHFA's Mixed-Income Loan Program expansion detailed above.

These tax credit investments are coupled with a redesign of the existing tax credit programs to promote cost containment and increase the construction of new units.

INNOVATION CHALLENGE—EXCESS STATE PROPERTY

The state has identified many excess state properties that are suitable for housing development. Additional excess state properties will be identified in an expedited manner. The Budget proposes soliciting affordable housing developers to build demonstration projects that use creative and streamlined approaches to building affordable and mixed-income housing (for example, using modular construction). Affordable housing developers selected through a competitive process will receive low-cost, long-term ground leases of excess state property. The state will confer with local governments in certain cases to discuss a land exchange when such an exchange could lead to more housing being built within the jurisdiction.

As they will not need upfront capital to purchase the land and will not need to wait for local review processes, affordable housing developers will have greater flexibility to find innovative techniques to produce units more quickly and cost-efficiently than a traditional project. Should these demonstrations prove successful, this initiative can be expanded at the state level and serve as a model to localities for more efficient building.

ECONOMIC DEVELOPMENT TOOLS MADE MORE ATTRACTIVE

Various economic development tools have been introduced following the dissolution of Redevelopment Agencies (RDAs), including Enhanced Infrastructure Financing Districts (EIFDs). However, only three EIFDs have been formed since statute created them in 2014. EIFDs can be created by cities or counties without voter approval and expend tax increment revenues without voter approval. However, an EIFD must receive 55-percent voter approval to issue debt.

The Budget encourages the formation of additional EIFDs through removal of the 55-percent voter approval requirement to issue debt. This change will allow EIFDs to support longer-term infrastructure commitments, similar to former RDAs.

The state will also make EIFDs a more attractive economic tool by pairing them with the federal Opportunity Zones program. To make Opportunity Zones more effective, the state will conform to federal law allowing for deferred and reduced taxes on capital gains in Opportunity Zones for investments in green technology or in affordable housing, and for exclusion of gains on such investments in Opportunity Zones held for 10 years or more. Additionally, the Governor's Office of Business and Economic Development will help foster relationships between local EIFDs and investors to facilitate investments for disadvantaged communities or other targeted areas. The state will explore layering additional programs on Opportunity Zones and EIFDs to increase the production of affordable and moderate-income housing.

TOTAL HOUSING AND HOMELESSNESS INVESTMENT

Housing is a statewide issue and a lack of affordable housing directly contributes to the increased homelessness seen across the state. To address these crises, the Administration proposes to make significant investments through a multi-pronged approach that includes incentives to increase housing production and additional resources to provide access to shelter and services to individuals and families with immediate needs. In total, the Budget includes \$7.7 billion across multiple departments and programs to address housing and homelessness throughout the state (see Figure HLG-02).

Figure HLG-02
2019-20 Affordable Housing and Homelessness Funding
 (Dollars in Millions)

Department	Program	Amount
Department of Housing and Community Development	Housing Planning and Production Grants	\$750
	Veterans and Affordable Housing Bond Act Programs (SB 3)	\$526
	No Place Like Home Program	\$400
	Building Homes and Jobs Fund Programs (SB 2)	\$277
	Federal Funds	\$228
	Housing for Veterans Funds	\$75
	Office of Migrant Services	\$6
	Various	\$15
California Housing Finance Agency ^{1/}	Single Family First Mortgage Lending	\$2,000
	Mixed-Income Loan Program	\$500
	Multifamily Conduit Lending	\$300
	Multifamily Lending	\$120
	Single Family Down Payment Assistance	\$113
	Special Needs Housing Program	\$20 ^{2/}
Homeless Coordinating and Financing Council	Planning and Progress Grants to Address Homelessness	\$500
Strategic Growth Council ^{3/}	Affordable Housing and Sustainable Communities	\$395
Tax Credit Allocation Committee	Low Income Housing Tax Credits (State)	\$600
	Low Income Housing Tax Credits (Federal)	\$299 ^{4/}
	Farmworker Housing Assistance Tax Credits	\$1
Department of Veterans Affairs	CalVet Farm and Home Loan Program	\$220
Department of Social Services	CalWORKS Housing Support Program	\$95
	Housing and Disability Advocacy Program	\$25
	CalWORKS Homeless Assistance Program	\$16
	CalWORKS Family Stabilization, Housing Component	\$4 ^{5/}
Department of Health Care Services	Whole Person Care Pilots - Housing Investment	\$100
	Project for Assistance in the Transition from Homelessness	\$9
	Whole Person Care Pilots Program, Health Homes Program, Mental Health Services Act Community Services and Supports, California Community Transitions Program	N/A ^{6/}
Office of Emergency Services	Domestic Violence Shelters and Services	\$54
	Domestic Violence Housing First Program	\$19
	Transitional Housing Program	\$19
	Specialized Emergency Housing	\$10
	Homeless Youth and Exploitation Program	\$1
	Youth Emergency Telephone Network	\$1
California State University	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15 ^{7/}
University of California	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15 ^{7/}
Department of Public Health	HIV Care Program	\$6
	Housing Opportunities for Persons with AIDS (HOPWA)	\$4
	Housing Plus Program	\$1
California Department of Corrections and Rehabilitation	Integrated Services for Mentally-Ill Parolees	\$4
	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	N/A ^{6/}
Total		\$7,743

^{1/} Amounts are based on lending activities from 2018-19 trends.

^{2/} This amount represents a voluntary allocation of Proposition 63 funds from 16 participating counties.

^{3/} The Affordable Housing and Sustainable Communities program amount reflects 20 percent of projected Cap and Trade revenues. The Transformative Climate Communities program (\$40 million for 2019-20) funds various activities, including housing as an eligible capital component; however, the investment in housing will not be determined until awards are made.

^{4/} This amount represents the 9 percent tax credits allocated in 2019 and an estimated figure for 4 percent credits to be awarded in 2019 based on 2016-2018 averages. This figure does not include the approximately \$4 billion of tax-exempt bond debt allocation that is available for award from the California Debt Limit Allocation Committee.

^{5/} This amount represents an estimate of the portion of the program associated with housing and homelessness activities.

^{6/} The state provides a number of wrap-around supportive services through these programs, including housing support and application assistance, which cannot be separated from the Department of Health Care Services' and Department of Corrections and Rehabilitation's general budgets.

^{7/} This program supports basic needs partnerships for low-income students facing housing or food insecurity.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Rebecca Garcia, Housing Manager
APPROVED BY: City Manager

ORDINANCE AMENDING SECTION 14.04.070 ALTERNATIVES OF CHAPTER 14.04, INCLUSIONARY HOUSING

RECOMMENDATION(S)

1. Waive the first and second reading of the ordinance; and
2. Introduce ordinance.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Fiscal Responsibility
Supporting Our Youth
Seniors
and Entire Community
Preserving and Cultivating Public Trust
Enhancing Diversity and Inclusiveness

2019 Strategic Priorities

Regional Initiatives

GUIDING DOCUMENTS

General Plan/Housing Element

POLICY CONSIDERATIONS:

Would allowing additional alternative means of compliance with the Inclusionary Housing Ordinance, which may include payment of a housing in-lieu fee upon City Council approval, allow the City to maintain overall compliance with the City's housing goals?

REPORT NARRATIVE:

On July 25, 2018, the City Council adopted Ordinance No. 2278, the City's Inclusionary Housing Ordinance, effective August 25, 2018. Morgan Hill Municipal Code (MHMC) Chapter 14.04 (Inclusionary Housing) requires developers to set-aside a certain percentage of housing units in newly constructed or rehabilitated projects for low-and moderate-income buyers and renters. These units are made available at affordable rents or sales prices and are deed restricted.

All for-sale and rental projects outside of Downtown consisting of two (2) or more dwelling units are required to provide Below Market Rate (BMR) units at a rate of fifteen (15) percent. For-sale and rental projects within the Downtown consisting of two (2) or more dwelling units are required to provide BMR units at a rate of ten (10) percent.

Recognizing that not all developments are the same, the City team has been exploring alternative compliance options. As described in section 14.04.070 of the MHMC, the Inclusionary Housing Ordinance (IHO) includes alternative means of compliance, e.g. construct rental units in for-sale projects, off-site construction, land dedication, and payment of an in-lieu housing fee in specified circumstances. However, in discussions with the development community, and reviewing the City's housing goals, other alternative means may be desired. The development community would like some additional flexibility with the payment of an in-lieu fee, and staff agrees that there will be circumstances where accepting a fee is more advantageous to achieving the City's housing goals.

The IHO currently allows for the payment of an in-lieu fee only for the following types of projects:

1. The project has a Residential Detached Low General Plan Land Use Designation
2. The project is 4 dwelling units or less
3. There is a fractional number of inclusionary units (0.49 or less)

To allow flexibility, it seems appropriate to amend the ordinance to permit *all Residential projects* to have a "housing in-lieu fee" option as an alternative means of compliance, pending City Council approval for each case.

As the City continues to champion efforts to meet its remaining Regional Housing Needs (RHNA) allocation goals for the current and future cycle, respond to recent and pending housing legislation, and gel together the recently adopted IHO and the Residential Development Control System (RDCS) Program, it is anticipated that staff will be returning to Council as needed in the upcoming year, as the City navigates today's housing climate.

Section 18.156.100 (Competition Manual) of the MHMC requires that the City Council adopt and maintain an RDCS competition manual. To promote long term consistency and reduce uncertainty for applicants, the City Council can only amend the manual once a year. The RDCS manual will need to be adjusted to address the City's housing goals and align with the IHO accordingly for next year's competition.

At this time, it is recommended that Section 14.04.070 (Alternatives) of the MHMC be amended to allow a Housing In-lieu fee for all Residential Projects ***pending City Council approval***. The guiding principles that would be considered when the City is determining if an in-lieu housing fee may be paid in addition to building or in-lieu of building are as follows:

- a. As provided in Section 14.04.040A, whenever application of the requirements of this Chapter results in a fractional number of .49 or less of required Inclusionary Units.
- b. For all other residential projects, upon determination by City Council that payment of an in-lieu fee is preferred to building Inclusionary Units onsite, or one of the other alternatives described in 14.04.070, considering the following:

- i. Whether the production of Inclusionary Units will fill a need in an affordable housing category.
- ii. Whether there is a specific identifiable project that the City can support with the fees.
- iii. Whether affordable units are appropriate in the specific project.

If the Council is amenable to this IHO amendment, the RDCS manual would be updated to reflect the change next year. At this time the RDCS point system limits the ability to accept some alternative options or a varied combination of alternative options that the development community would like to propose. Currently the RDCS manual does proactively anticipate and provide points for building the units, paying the fee, dedicating land, encouraging ADUs, etc., however, it does not allow every possible project scenario or a combination of alternatives to score well in the Affordable Housing criteria. In addition, each project must receive a minimum of 18 points within the Affordable Housing criteria.

In previous discussions, the Council has stated that the preference is to develop BMR (inclusionary) units within projects. Staff acknowledges that building the units within the developments promotes “mixed income” planning efforts and would cautiously propose accepting a fee as needed based on the circumstances at that time. By creating mixed-income developments, people from different socio-economic backgrounds are given the opportunity to access the same services and amenities, addressing federal fair housing obligations, and facilitating inclusivity and diversity.

The State is mandating Housing Production at all income levels and cities are challenged to meet the task with limited resources. Fortunately, the City of Morgan Hill has been striving to reach these goals for quite some time. Morgan Hill has a strong foundation of existing housing policies that the City can build upon, hence the State’s new narrative and policy direction is not in opposition to the affordable housing policies that the City has embraced for many years. New polices are holding all cities accountable for their fair share of production.

The City has arrived in a new era where accepting a fee versus requiring the BMR inclusionary unit to be built may need to be evaluated project-by-project, year-by-year, RHNA cycle-by- RHNA cycle, if the City is going to explore every opportunity and strategy to meet all income categories for families of all different incomes.

When the Council adopted the IHO Ordinance and the New Housing Fees, the “value” was set for contributing to the Housing Program. Moving forward, as the City receives and evaluates varied proposals from Developers, the “value” of the proposal will need to be considered as this is usually considered equal in value to what the cost would be if they were building the units on-site. There are instances where producing a greater number of affordable units than the City would have received if the units were built, or deeper affordability is desired if it facilitates the City’s ability to meet its designated

housing goals. This topic will be discussed with the Planning Commission and the Development Community.

COMMUNITY ENGAGEMENT: Inform

This report serves to inform the community of the proposed amendment to the Inclusionary Housing Ordinance.

ALTERNATIVE ACTIONS:

The City Council may choose to not adopt the amendment to the Inclusionary Housing Ordinance, and or direct staff to return with alternatives.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

1. Beginning in May 2016, several Housing Workshops were held to discuss several elements of the City of Morgan Hill's Housing Program.
2. May 2, 2016, City Council BMR Workshop.
3. June 15, 2016, City Council adopted a BMR Ordinance regulating administration of the Ownership Program.
4. June 15, 2016, KMA Housing In-lieu fee workshop with the development community.
5. June 22, 2016, KMA Housing In-lieu fee discussion with City Council.
6. November 1, 2016, Second KMA Housing In-lieu fee workshop with the development community.
7. April 19, 2017, Housing Program workshop with City Council to discuss the 8% annual percentage of affordable units in projects and the RDCS competition.
8. May 17, 2017, City institutes a \$12.92 housing in-lieu fee (based on 8% affordability provision), per square foot of livable space of the entire project, effective with the Fiscal Year (FY) 2019-20 Residential Development Control System (RDCS).
9. February 7, 2018, City Council meeting, the Housing Team provided an update to the City's Housing Program and discussed new 2017 housing legislation impacts
10. May 2, 2018, City Council meeting to discuss meeting the Housing Accountability Act requirements, Morgan Hill's Regional Housing Needs Allocation (RHNA) housing goals. Additionally, the Council received a KMA report, "Strategy for Increasing the Supply of Affordable Housing."
11. July 18, 2018, City Council Meeting, introduced the Inclusionary Housing Ordinance and provided the Santa Clara County-wide report from the Civil Grand Jury. The Ordinance was subsequently adopted July 25, 2018 and effective August 25, 2018.
12. September 25, 2018, Planning Commission presented BMR Development Standards.
13. September 26, 2018, City Council Meeting, introduced New Housing Fees, BMR Guides, and BMR Development Standards, subsequently approved on October 17, 2018.

FISCAL AND RESOURCE IMPACT:

The resource impact of proposing this ordinance amendment is accommodated in the Department's workplan.

CEQA (California Environmental Quality Act):

Not a Project. Adoption of this Amendment to the Ordinance has been assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and the environmental regulations of the City. Specifically, adoption of the Ordinance is consistent with and implements several policies and programs reviewed in the Morgan Hill 2035 Environmental Impact Report (EIR) for the General Plan Update, which was certified and adopted on July 27, 2016 by Council Resolution No 16-128. No additional environmental analysis is warranted at this time. All future discretionary development that may be impacted by the proposed Ordinance will be subject to a project-specific CEQA analysis as part of the required planning entitlement review (e.g. Rezoning, Site and Architectural Review, Subdivision, etc.) to determine if there are any environmental impacts.

LINKS/ATTACHMENTS:

1. Inclusionary Housing Ordinance_Amend 14.04.070
2. do not accept redlines in ordinance

ORDINANCE NO. , NEW SERIES

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
MORGAN HILL AMENDING SECTION 14.04.070
ALTERNATIVES OF CHAPTER 14.04 INCLUSIONARY
HOUSING OF TITLE HOUSING OF THE MUNICIPAL
CODE OF THE CITY OF MORGAN HILL TO ALLOW
PAYMENT OF IN-LIEU FEES FOR ALL RESIDENTIAL
PROJECTS AS DETERMINED BY CITY COUNCIL**

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES ORDAIN AS FOLLOWS:

Section 1. Section 14.04.070 (Alternatives) of Chapter 14.04 (Inclusionary Housing) of Title 14 (Housing) is hereby amended to read as follows (additions in underline, deletions in strikeout):

14.04.070 Alternatives.

In lieu of building Inclusionary Units within a Residential Project, an Applicant may propose to satisfy the requirements of this Chapter by one of the following alternative modes of compliance, provided that the Applicant includes such proposal in its application for the First Approval of the Residential Project, and further provided that the criteria stated in the relevant subsection below are satisfied.

- A. Rental units in for-sale projects. Where owner-occupied Inclusionary Units are required by Section 14.04.040 of this Chapter, an Applicant may instead elect to construct as part of the Residential Project the same or a greater number of rental units, affordable to extremely low-, very low-, low- and moderate-income households in the proportions and at the rents as prescribed in Section 14.04.030 of this Chapter. Substitution of rental units shall be allowed under this subsection only if either: (1) the rental units are at least equal in number of bedrooms to the owner-occupancy units that would have been allowed, or (2) any comparative deficiency in the number of bedrooms is compensated for by additional units and/or affordability to households with lower incomes.
- B. Off-site construction. An Applicant may propose to construct, or make possible construction by another developer, units that will not be physically contiguous to the market-rate units (or units that are physically contiguous to the market-rate units if the City determines this will provide greater public benefit). Off-site construction pursuant to this subsection shall be approved only if:
 - 1. An Inclusionary Affordable Housing Agreement acceptable to the City Manager or his or her designee that requires an equal or greater number of Inclusionary Units as required under Section 14.04.040 of this Chapter is recorded;
 - 2. Approval has been secured for the off-site units not later than the time the

Residential Project is approved, and completion of the off-site units is secured by a requirement that Certificates of Occupancy for the related market-rate units will be issued after Certificates of Occupancy have been issued for the Inclusionary Units, provided that the time requirements set forth in this subsection for final inspections for occupancy for market-rate units may be modified to accommodate phasing schedules, model variations, financing requirements, or other factors, if the City determines this will provide greater public benefit;

3. The off-site units will be greater in number, larger, or will be affordable to households with lower incomes than would otherwise be required by Section 14.04.040 of this Chapter;

4. Financing or a viable financing plan is in place for the off-site units;

5. If the off-site units receive any public assistance, the developer of the market-rate project will contribute economic value to the off-site units equivalent to the cost that would have been incurred to provide the required number of Inclusionary Units on-site in the Residential Project; and

6. The City may require that completion of off-site units shall be further secured by the developer's agreement to pay an In-Lieu Fee in the amount approved by City Council in the event the off-site units are not timely completed.

- C. Land dedication. An Applicant may propose to dedicate without cost to the City, a lot or lots within or contiguous to the Residential Project, sufficient to accommodate at least the required Inclusionary Units for the Residential Project. An election to dedicate land in lieu of compliance with other provisions of this Chapter shall be allowed only if:

1. The value of the lot or lots to be dedicated is sufficient to make development of the otherwise required Inclusionary Units economically feasible, and financing or a viable financing plan is in place for at least the required number of Inclusionary Units; and

2. The lot or lots are zoned for and suitable for construction of affordable housing at a feasible cost, served by utilities, streets and other infra-structure; there are no hazardous materials present or other material constraints on development of affordable housing on the lot or lots; and land use approvals have been obtained as necessary for the development of the Inclusionary Units on the lot or lots.

- D. In-lieu housing fee.

1. An in-lieu housing fee may be paid in addition to building or in-lieu of building as follows:

a. For All Residential Projects, pending City Council approval for which a Residential Detached Low General Plan Land Use Designation (allowing up to four dwelling units per acre) (ten thousand eight hundred ninety square foot lots) applies; , for Residential Projects of four dwelling units or less; and

as provided in Section 14.04.040A, whenever application of the requirements of this Chapter results in a fractional number of .49 or less of required Inclusionary

Units, where the fraction is 0.49 or less; the Applicant may elect to pay an In-Lieu Fee, instead of developing the Inclusionary Units required in Section 14.04.040 of this Chapter, pursuant to the requirements set forth below in this subsection.

b. For all other residential projects, upon determination by City Council that payment of an in-lieu fee is preferred to building Inclusionary Units onsite, or one of the other alternatives described in 14.04.070 A through C above, considering the following:

i. Whether the production of Inclusionary Units will fill a need in an affordable housing category.

ii. Whether there is a specific identifiable project that the City can support with the fees.

iii. Whether affordable units are appropriate in the specific project.

24. The initial In-Lieu Fee schedule shall be set by City Council resolution or other action of the City Council so that the fee amounts are not greater than the difference between: (a) the amount of a conventional permanent loan that an inclusionary unit would support based on the Affordable Rent or Affordable Sales Price for the Inclusionary Unit; and (b) the estimated total development cost of a prototypical Inclusionary Unit.

32. The City Council may annually review the fees authorized by this subsection by resolution, and may, based on that review, adjust the fee amount. For any annual period during which the City Council does not review the fee authorized by this subsection, fee amounts shall be adjusted once by the City Manager or his or her designee based on the construction cost index.

43. In-Lieu Fees shall be calculated based on the fee schedule in effect at the time the fee is paid. In-Lieu Fees shall be paid prior to issuance of building permits for Market-Rate units in a Residential Project. If building permits are issued for only part of a Residential Project, the fee amount shall be based only on the number of units then permitted. Where payment is delayed, in the event of default or for any other reason, the amount of the In-Lieu Fee payable under this subsection shall be based upon the fee schedule in effect at the time the fee is paid.

Section 2. **Severability.** Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 3. **Effective Date; Posting.** This Ordinance shall take effect on ____ ____, 2019. The City Clerk is hereby directed to publish this Ordinance or a summary thereof pursuant to Government Code Section 36933.

This ordinance was introduced at a meeting of the City Council held on the ____ day of ____, 20__, and adopted at a meeting held on the ____ day of ____, 20__, 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:**

ATTEST:

APPROVED:

IRMA TORREZ, City Clerk

RICH CONSTANTINE, Mayor

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. , New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the ____ day of _____, 2019.

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

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Dat Nguyen, Finance Director
APPROVED BY: City Manager

ACCEPT DECEMBER 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

2019 Strategic Priorities

Community Engagement and Messaging
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 Financial and Investment Reports for the six months ended December 31, 2018. Overall, the City received 37% of the budgeted revenues for all funds as there is typically a delay in remittances. However, the amount received year to date for all funds is approximately \$3.0 million or 6% higher than prior year at this time.

The increase was partially led by an overall increase in Enterprise Funds revenues of \$3.3 million compared to prior year at this time, partially offset by a decrease in General Fund revenues of \$1.9 million. General Fund revenues totaled \$15.1 million, \$1.9 million or 11% lower than a year ago at this time mainly due to a decrease in sales tax collection of approximately \$830,000 due to timing differences of October receipts, as well as other cash flow timing differences. Expenditures, including encumbrances amounted to \$22.0 million or 51% of the budget. The encumbrances represent commitments or contractual obligations that the City entered into with vendors or suppliers, such as Cal-West Lighting and Signal Maintenance for the City's streetlights and traffic signals, and the partnership agreement with the YMCA of Silicon Valley for the management and operation of the Community Recreation Center. The services from these vendors are expected to be utilized by the City and paid throughout the fiscal year.

Development Services Fund revenues totaled \$2.3 million or 48% of the budget, an increase of 7% from prior fiscal year at this time of \$2.2 million due to the fee increases that went into effect January 1st of this year. Expenditures, including encumbrances totaled \$3.8 million or 61% of the budget. The fund is budgeted to end the fiscal year with an operating deficit of approximately \$1.4 million. This is primarily due to the timing of fee increases, services or new projects unsupported by fees, such as front counter

services, responding to public inquiries, tree removal permits, use permits for non-profits or special projects, and continued implementation of Measure S. In addition, fees are based on average time for processing, the more complicated the case, the more time is spent assisting the applicant in the application process. This extra time is not incorporated into the cost recovery model. There is available fund reserve to support the fund's operating deficits in the two-year window, however, a General Fund support may be required in future years due to the aforementioned reasons.

Enterprise Funds revenues which comprised of Water and Sewer totaled \$20.1 million or 56% of the budget, an increase of \$3.3 million or 20% from a year ago at this time primarily due to higher development impact fees collected and water sales. Revenues from water sales are expected to come in slightly better than budget due to higher water consumption than estimated. Revenues from sewer operations are projected to come in as budgeted. Expenditures, including encumbrances amounted to \$20.5 million or just 44% of the budget mainly due to timing of capital improvement program.

At the October 3, 2018 meeting, City Council recommended staff periodically report to the Council any contracts or agreements between \$25,000 to \$60,000 or the limit of the California Uniform Public Construction Cost Accounting Act (CUPCCAA) that were entered into by the City Manager. Staff drafted and presented a City Council Policy for consideration on November 7, 2018. The policy was approved and signed with the effective date of November 24, 2018. Staff has since developed a reporting mechanism that would report the requested information to the Council quarterly along with the financial and investment report. Page 17 of the attachment shows the contracts and or agreements between \$25,000 to \$60,000 or the limit of the CUPCCAA entered into by the City Manager since November 24, 2018 to February 7, 2019.

COMMUNITY ENGAGEMENT: Inform

Finance staff prepares these financial reports to inform City officials, the Council, the community, and various lenders and stakeholders about 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. December 2018 Financial Statement Analysis
2. December 2018 Financial and Investment Report
3. Presentation - 2nd Quarter FY18-19 Financial Report

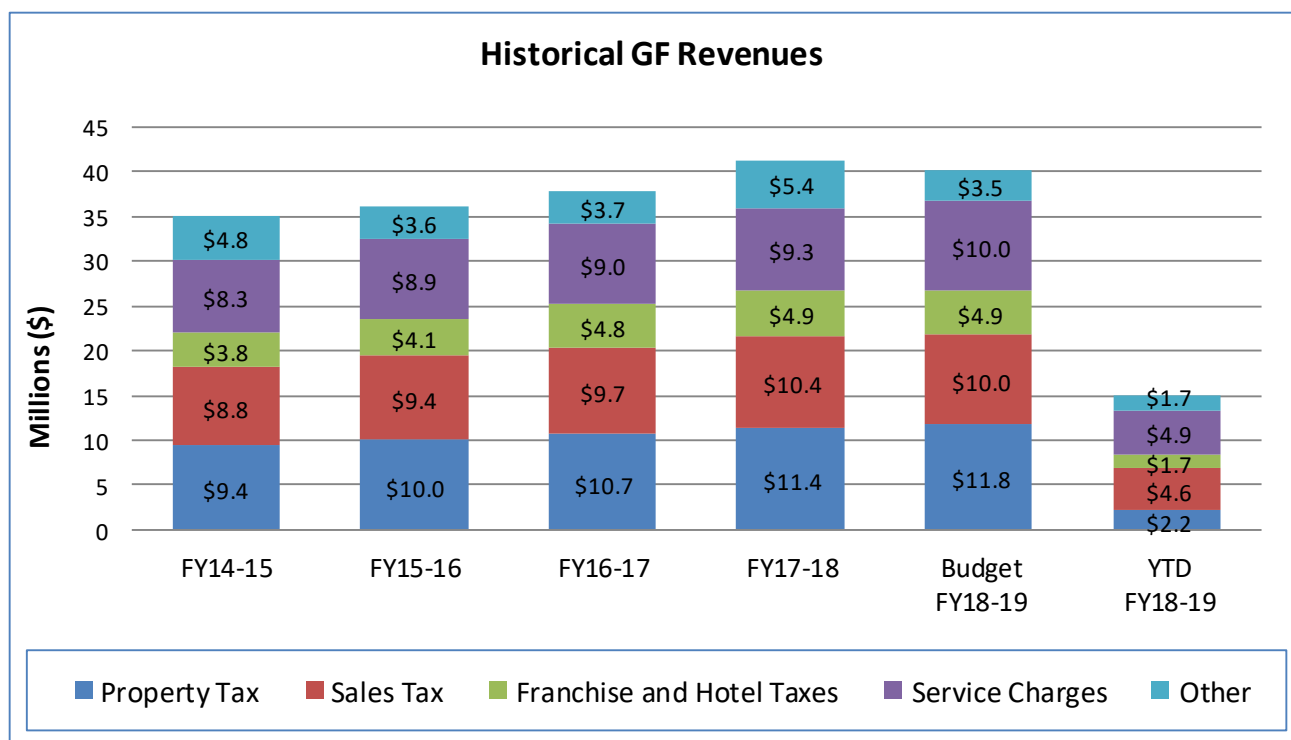


CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2018-19
FOR THE MONTH ENDED DECEMBER 2018 – 50% OF YEAR COMPLETE

- General Fund** – Revenues through the month of December totaled \$15.1 million, or 38% of the budgeted revenues. The amount received is 11% or \$1.9 million lower than a year ago at this time mainly due to a decrease in sales tax collection of approximately \$830,000 due to timing differences of October receipts, as well as other cash flow timing differences. ~~mainly due to the absence of the former City Manager's home loan repayment of approximately \$929,000 and decrease in sales tax collection of approximately \$830,000 due to timing differences of October receipts.~~ As for the property tax, the first three advances for the December 10, 2018 secured and unsecured property tax installment have been received, and is 6% or approximately \$112,000 higher than a year ago at this time. Property tax revenue, excluding the property transfer tax, is forecasted to end the year at \$12.5 million, which is approximately \$700,000 more than the adopted budget partially attributable to the higher excess Educational Revenue Augmentation Fund (ERAF) distribution of \$821,000 versus \$495,000 budgeted. Excess ERAF is the money that is returned to the cities, counties, and special districts after schools reach their state-mandated thresholds. Property tax is the largest source of Morgan Hill's General Fund revenue. However, it accounts for only 29% of the approximately \$40.2 million General Fund revenue. Although property tax tends to be a more predictable revenue source, other major revenue categories such as sales tax and transient occupancy tax, which account for a large portion of the City's General Fund revenue, are more volatile and tend to fluctuate more with swings in the economy.

The small category of business licenses was already at 97% of the budgeted amount as annual business license renewal payments are usually received in the first few months of the fiscal year.

The chart below shows historical General Fund revenues by major revenue category from FY14-15 through FY17-18 Actual, FY18-19 Budget, and YTD as of December 31, 2018.

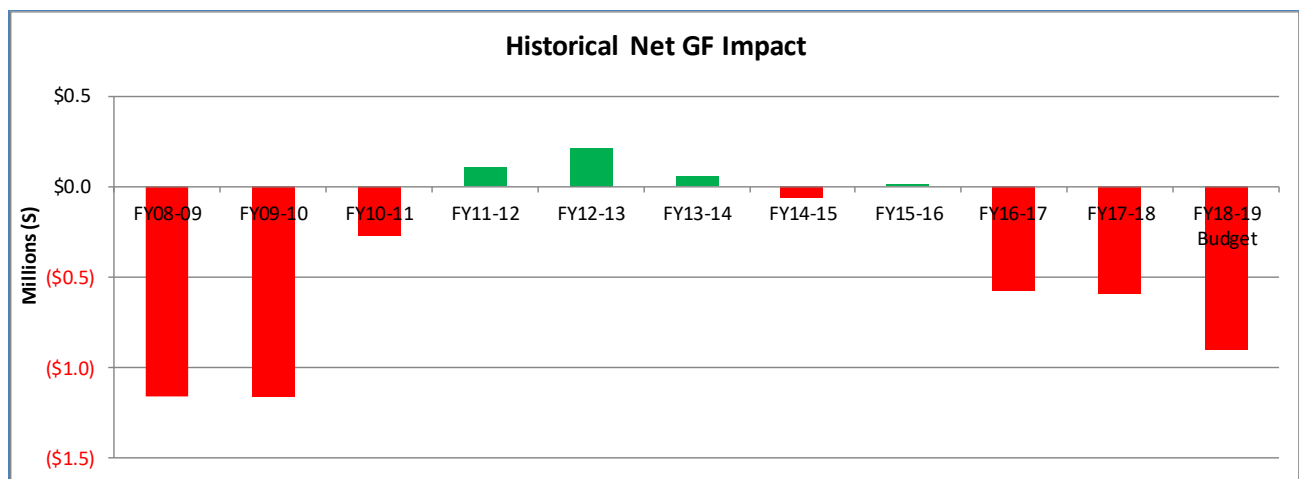




CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2018-19
FOR THE MONTH ENDED DECEMBER 2018 – 50% OF YEAR COMPLETE

General Fund expenditures and encumbrances as of December 31, 2018 totaled \$22.0 million, of which approximately \$2.8 million is attributable to outstanding encumbrances.

- **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 \$1.2 million through the month of December. Without the carry-over encumbrances, the year to date operations through the month of December resulted in a much smaller net impact to the general fund of approximately \$160,000. Any net impact from the recreation operations increases (decreases) reserves in 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** – Revenues through December totaled \$2.3 million, an increase of 7% or approximately \$154,000 more than a year ago at this time partially due to the fee increases that went into effect January 1st of this year. Expenditures, including encumbrances, totaled \$3.8 million. Without the outstanding encumbrances, however, expenditures through the month of December amounted to \$2.6 million. The fund is budgeted to end the fiscal year with an operating deficit of approximately \$1.4 million. This is primarily due to the timing of fee increases, services or new projects unsupported by fees, such as front counter services, responding to public inquiries, tree removal permits, use permits for non-profits or special projects, and continued implementation of Measure S. In addition, fees are based on average time for processing, the more complicated the case, the more time is spent assisting the applicant in the application process. This extra time is not incorporated into the cost recovery model. There is available fund reserve to support the fund's operating deficits in the two-year window, however, a General Fund support may be required in future years due to the aforementioned reasons.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2018-19
FOR THE MONTH ENDED DECEMBER 2018 – 50% OF YEAR COMPLETE

- **Debt Service Funds** – Expenditures through the month of December totaled \$516,000. The debt service for the first half of the year includes both interest and principal, while the second half of the year 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.
- **Wastewater Operations** – Revenues from Wastewater or Sewer Operations through the month of December totaled \$5.4 million. Expenditures and outstanding encumbrances totaled \$5.1 million or 45% of the budget. The table below shows historical Sewer Operations revenues and expenditures from FY14-15 through FY17-18 Actual, FY18-19 Budget, and YTD as of December 31, 2018.

(amount in millions)	FY14-15	FY15-16	FY16-17	FY17-18	Budget FY18-19	YTD FY18-19
Revenues	10.3	10.2	9.7	10.3	10.7	5.4
Expenditures	8.8	12.0	9.8	10.8	11.3	5.1
Operating Margin	1.5	(1.8)	(0.1)	(0.5)	(0.6)	0.3
Operating Margin without Encumbrances	1.5	(1.8)	(0.0)	(0.3)	(0.6)	0.5

- **Water Operations** – Water Operations includes Utility Billing, Water Conservation, and Water Operations. Revenues from Water Operations through the month of December totaled \$8.0 million, approximately ~~16~~13% more than a year ago partially due to rate adjustment. Water Operations expenditures, including outstanding encumbrances, totaled \$6.8 million for the year. Without the encumbrances, however, the expenditures amounted to \$5.6 million. The table below shows Water Operations revenues and expenditures from FY14-15 through FY17-18 Actual, FY18-19 Budget, and YTD as of December 31, 2018.

(amount in millions)	FY14-15	FY15-16	FY16-17	FY17-18	Budget FY18-19	YTD FY18-19
Revenues	8.8	8.5	10.9	13.0	13.8	8.0
Expenditures	9.3	9.7	11.2	12.1	13.5	6.8
Operating Margin	(0.5)	(1.2)	(0.3)	0.9	0.3	1.2
Operating Margin without Encumbrances	(0.5)	(1.2)	(0.1)	1.4	0.3	2.4

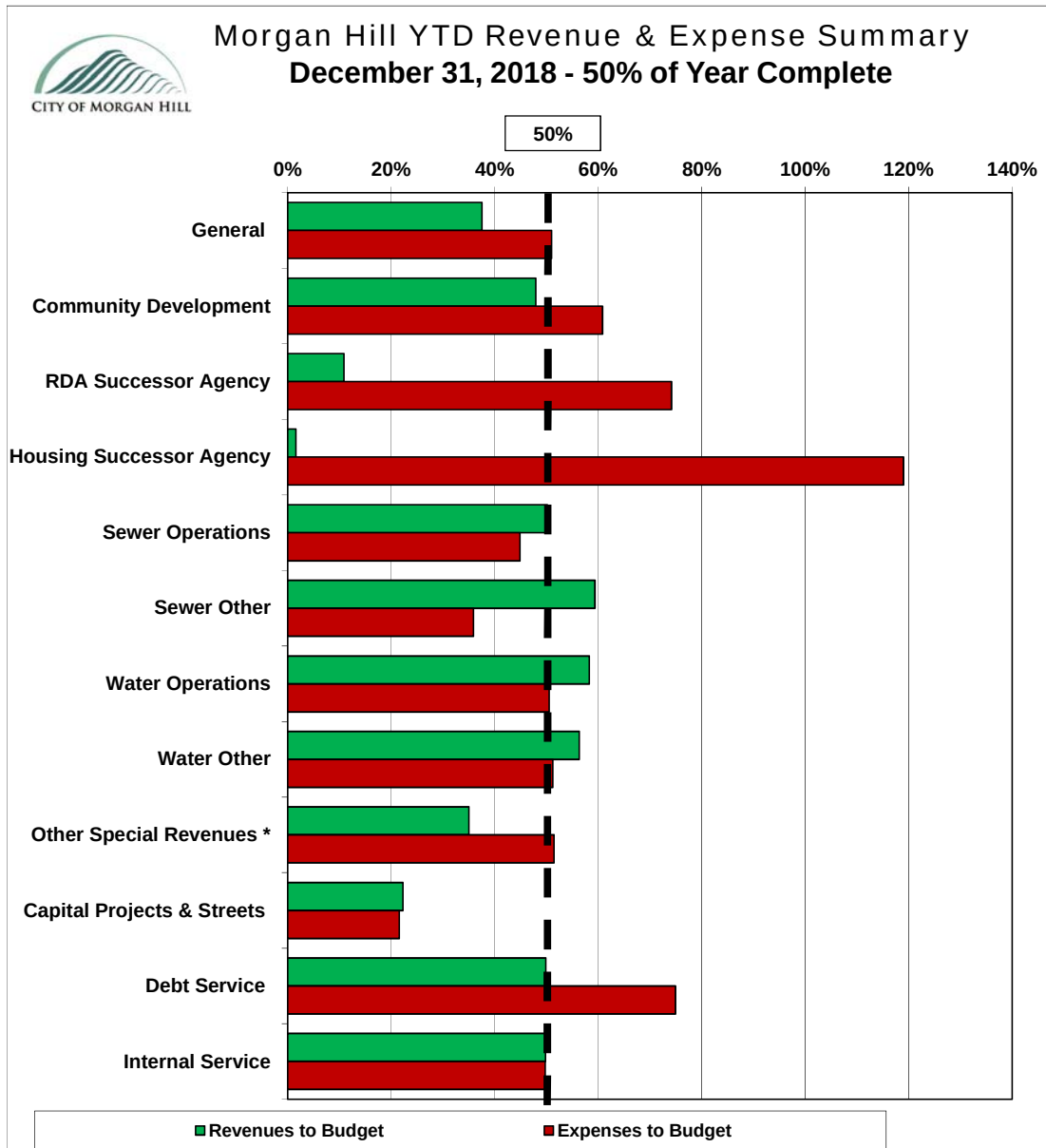
- **Investments** – No purchases were made during the month of December 2018. Total interest earnings received on investments were \$52,000 during the month.

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
December 31, 2018 - 50% of Year Complete



CITY OF MORGAN HILL

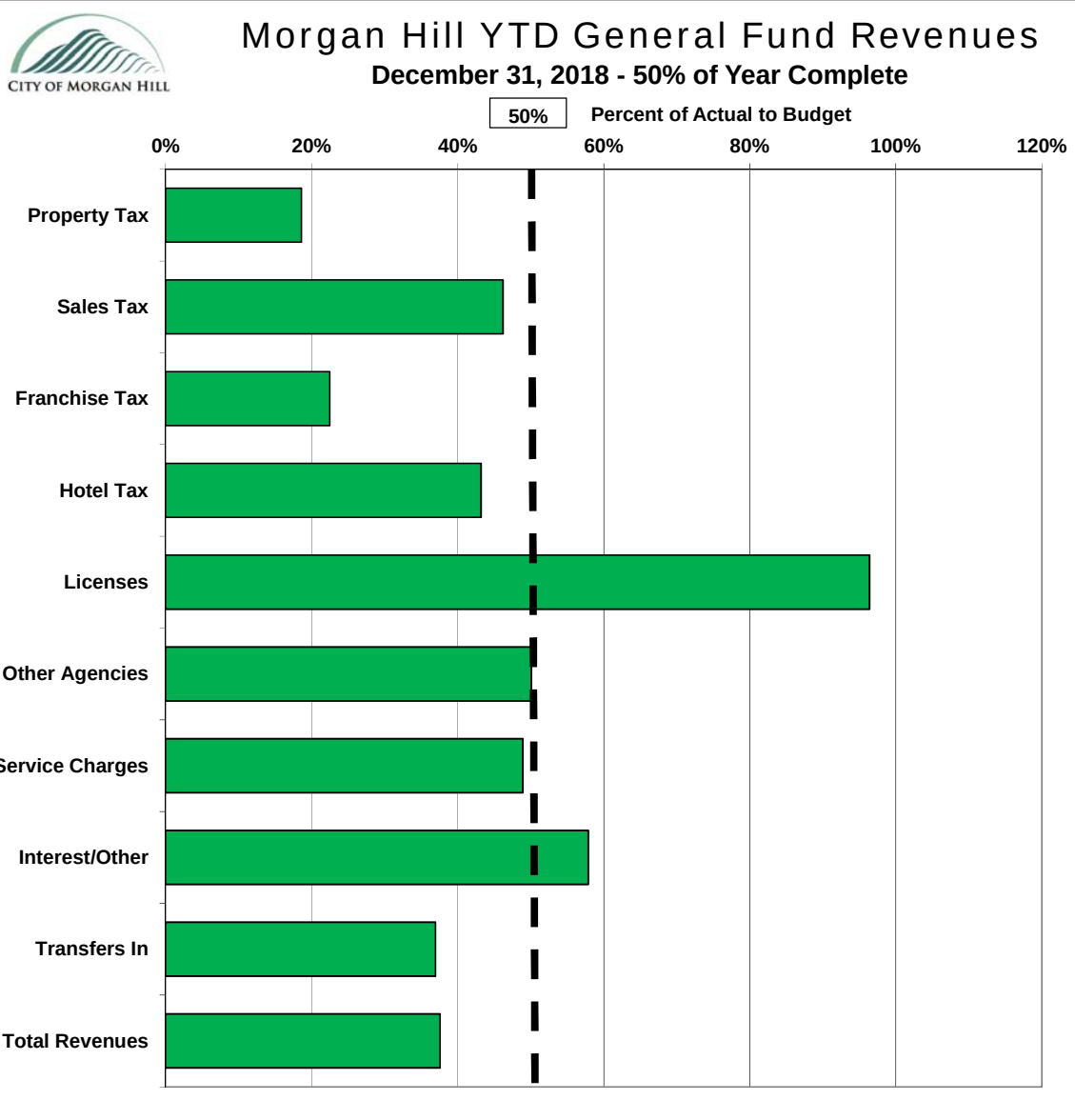
Prepared by:
FINANCE DEPARTMENT



FUND NAME	REVENUES		EXPENSES	
	ACTUAL	% OF BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET
General	\$ 15,101,331	38%	\$ 22,048,164	51%
Community Development	2,340,564	48%	3,795,920	61%
RDA Successor Agency	865,533	11%	5,920,875	74%
Housing Successor Agency	37,783	2%	4,378,576	119%
Sewer Operations	5,391,720	50%	5,081,365	45%
Sewer Other	4,611,931	59%	5,548,348	36%
Water Operations	8,014,991	58%	6,805,876	51%
Water Other	2,124,533	56%	3,027,892	51%
Other Special Revenues *	1,443,372	35%	2,832,717	51%
Capital Projects & Streets	8,820,573	22%	11,916,540	22%
Debt Service	336,705	50%	516,368	75%
Internal Service	5,884,723	50%	5,705,182	50%
TOTAL FOR ALL FUNDS	\$ 54,973,759	37%	\$ 77,577,823	43%

* Includes all Special Revenue Funds except Community Development, Street Funds, and RDA and Housing Successor Agencies.

Attachment: December 2018 Financial and Investment Report (2193 : Accept December 2018 Financial and Investment Report)

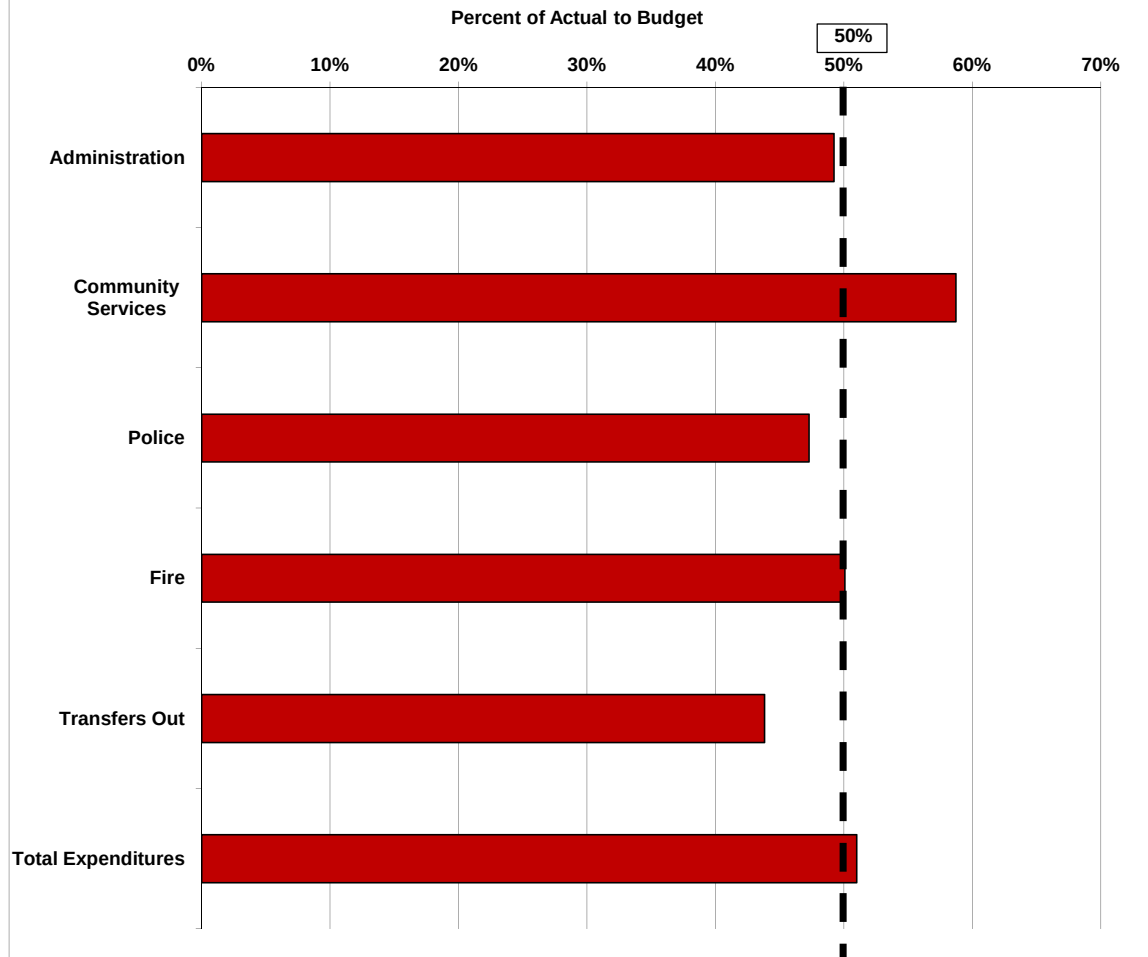


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
Property Tax	\$11,813,532	\$ 2,197,074	19%	\$ 2,010,937	9%
Sales Tax	9,981,124	4,610,821	46%	5,431,348	-15%
Franchise Tax	2,164,190	487,140	23%	445,125	9%
Hotel Tax	2,754,000	1,189,140	43%	1,106,885	7%
Licenses	200,800	193,551	96%	181,071	7%
Other Agencies	314,398	157,464	50%	231,968	-32%
Service Charges	9,993,089	4,888,443	49%	4,529,178	8%
Interest/Other	1,330,787	771,051	58%	2,307,783	-67%
Transfers In	1,637,720	606,648	37%	801,026	-24%
TOTAL REVENUES	\$40,189,640	\$15,101,331	38%	\$ 17,045,322	-11%



Morgan Hill YTD General Fund Expenditures

December 31, 2018 - 50% of Year Complete



EXPENDITURE CATEGORY	BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET	PRIOR YTD PLUS ENCUMBRANCES	% CHANGE FROM PRIOR YEAR
Administration	\$ 4,993,269	\$ 2,457,535	49%	\$ 4,678,846	-47%
Community Services	12,195,638	7,161,243	59%	6,955,577	3%
Police	17,301,708	8,181,143	47%	7,682,116	6%
Fire	6,666,707	3,337,725	50%	2,953,365	13%
Transfers Out	2,077,498	910,518	44%	1,039,248	-12%
TOTAL EXPENDITURES	\$ 43,234,819	\$ 22,048,164	51%	\$ 23,309,151	-5%

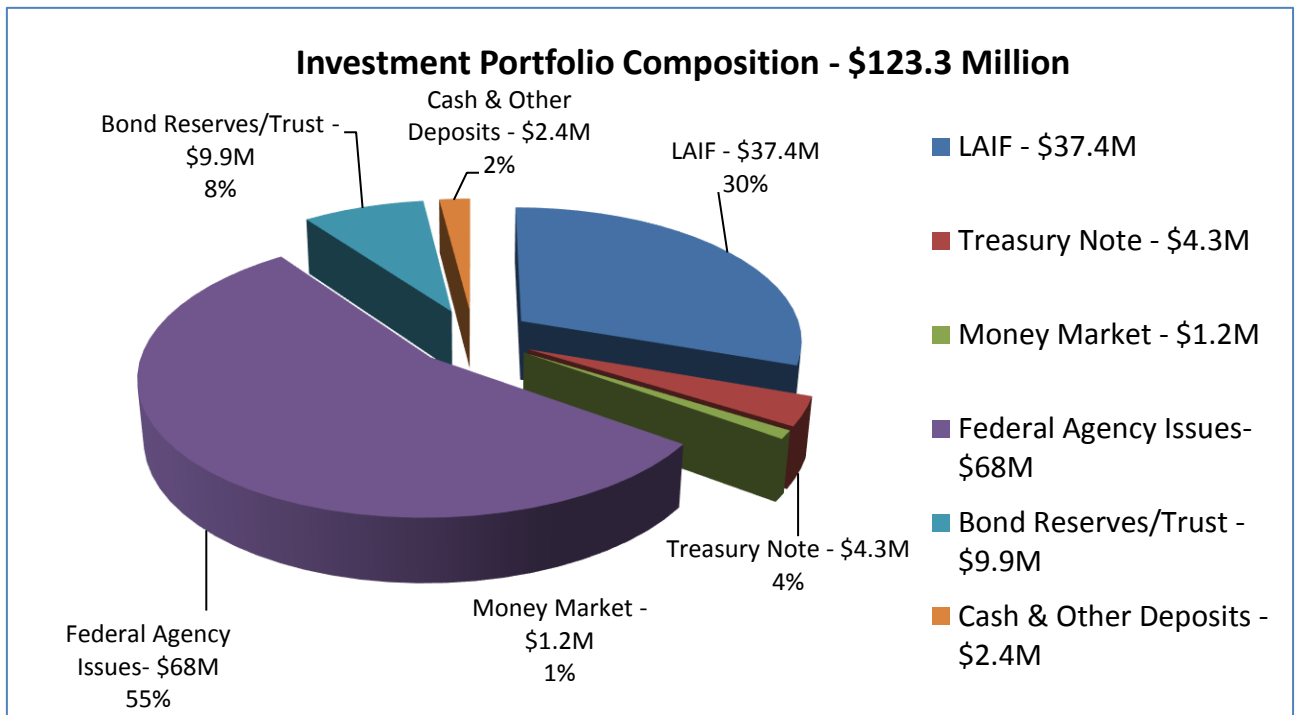


**City of Morgan Hill
Recreation Report - Fiscal Year 2018-19
For the Month and Six Months Ended December 31, 2018
50% of Year Complete**

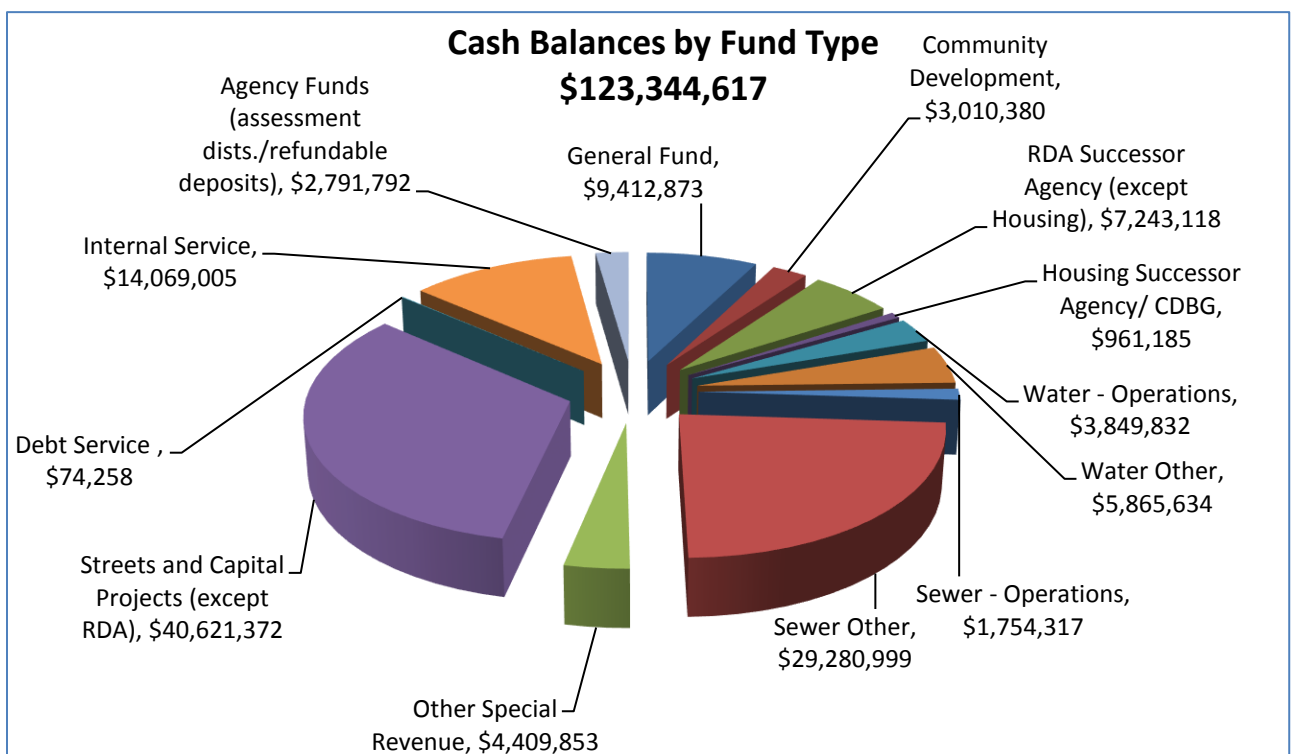
	<u>Budget</u>	<u>December 2018</u>	<u>YTD</u>	<u>% of Budget</u>
Revenues				
Membership Services & Rec Programs	\$ 6,241,196	\$ 439,183	\$ 3,228,994	
Facility Rentals	898,700	73,484	492,041	
Community Services	147,840	7,497	34,838	
Transfers in	75,000	6,250	37,500	
Total Revenues	<u>\$ 7,362,736</u>	<u>\$ 526,414</u>	<u>\$ 3,793,372</u>	52%
Less: Expenditures				
Membership & Program Services	\$ 6,255,009	\$ 721,042	\$ 3,033,431	
Facility Rentals	1,355,732	104,618	648,919	
Community Services	653,307	59,439	270,658	
Total Expenditures	<u>\$ 8,264,049</u>	<u>\$ 885,097</u>	<u>\$ 3,953,008</u>	48%
Net Impact without encumbrances	<u>\$ (901,313)</u>	<u>\$ (358,683)</u>	<u>\$ (159,636)</u>	
Encumbrances	-	-	1,027,029	
Net Impact with encumbrances	<u>\$ (901,313)</u>	<u>\$ (358,683)</u>	<u>\$ (1,186,665)</u>	

City of Morgan Hill Monthly Investment Report - December 31, 2018

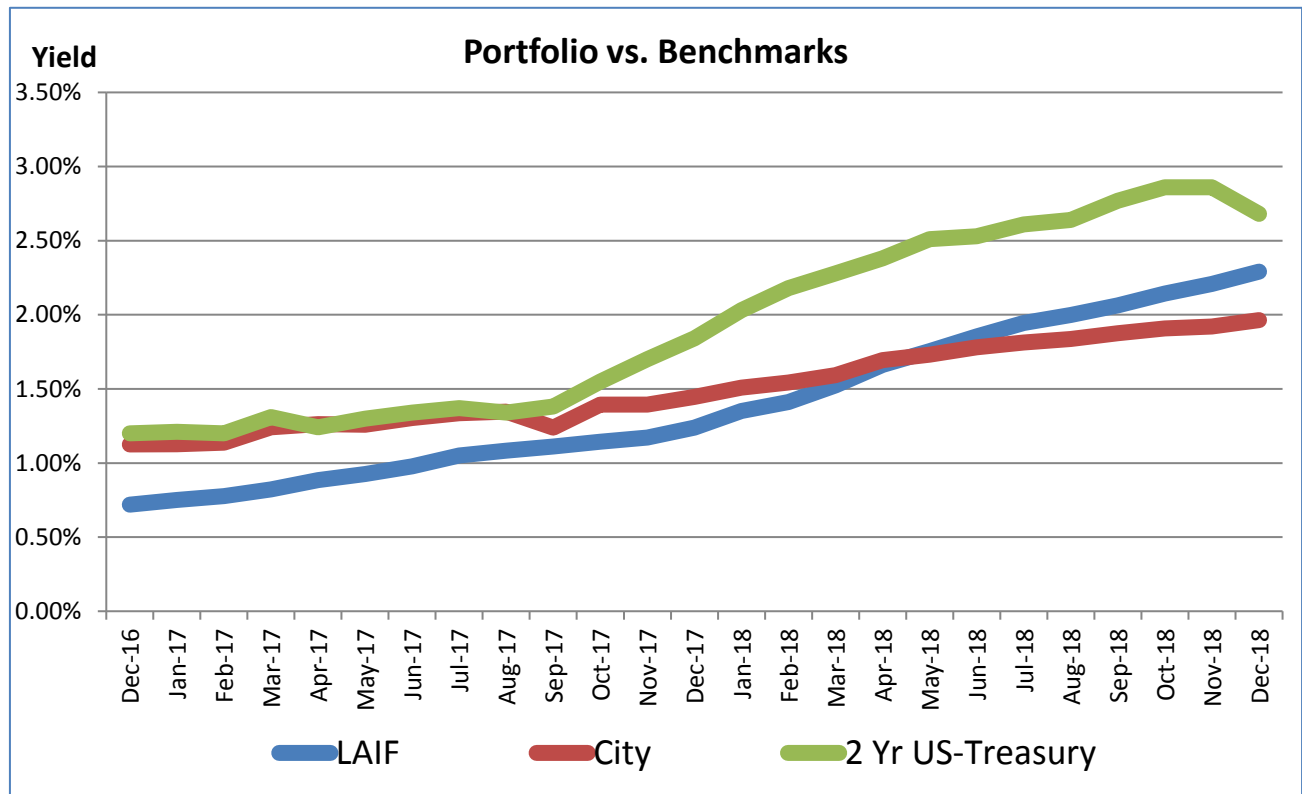
The following are the snapshots of City's investment portfolio as of December 31, 2018. The first chart shows the portfolio composition by investment type:



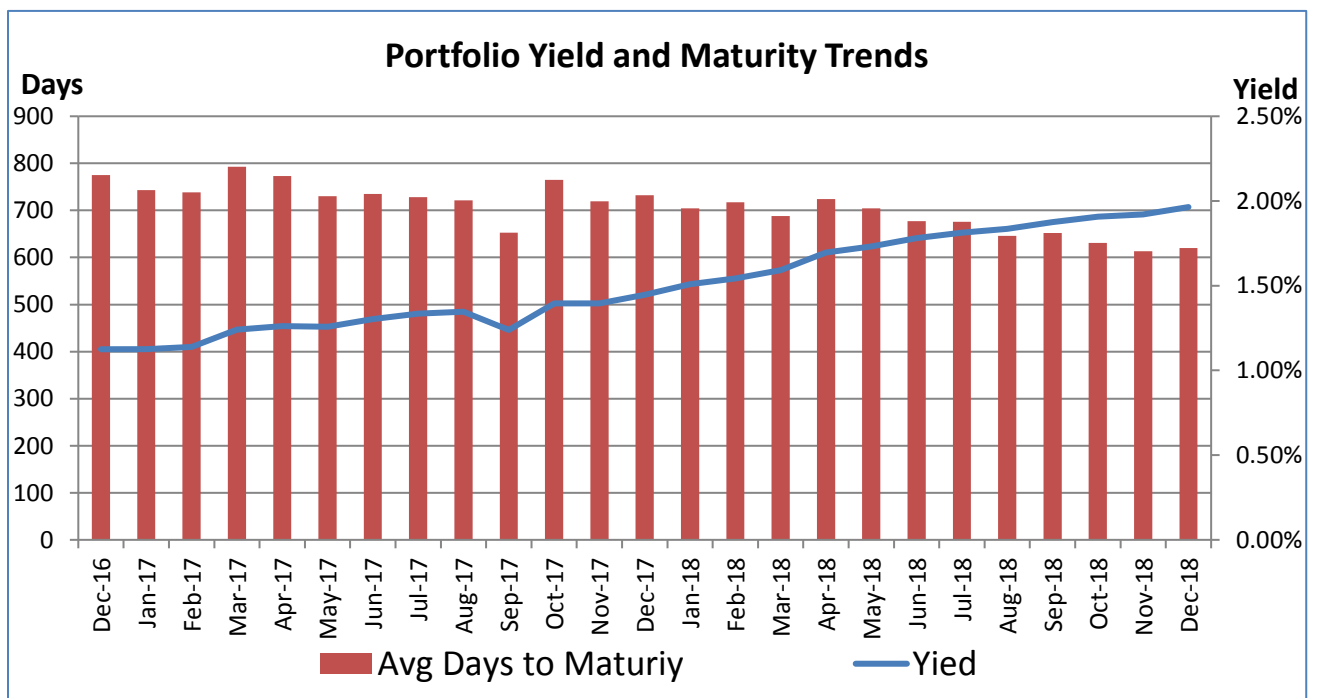
The chart below shows cash balances by fund type reconciled to City's financial system:



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 CASH AND INVESTMENT REPORT
FOR THE MONTH OF DECEMBER 31, 2018
FOR THE FISCAL YEAR OF 2018-19

	Invested in Fund	Yield	Book Value End of Month	% of Total	Market Value
Investments					
State Treasurer LAIF - City	All Funds Pooled	2.29%	\$ 33,455,392	27.12%	\$ 33,423,647
2015 Wastewater Rev Bonds - CIP	Wastewater Fund	2.29%	3,974,382	3.22%	3,970,611
Federal Issues	All Funds Pooled	1.50%	68,032,162	55.16%	66,683,550
US Treasury Notes	All Funds Pooled	2.73%	4,281,405	3.47%	4,319,640
Dreyfus Treas Cash Management Acct	All Funds Pooled	2.53%	1,223,024	0.99%	1,223,024
	SUBTOTAL		\$ 110,966,365	89.96%	\$ 109,620,472
Bond Reserve Accounts - held by trustees					
Zions Bank - Civic Center/Library Facility					
Blackrock Liq Fund	Debt Service	1.84%	244	0.00%	244
Zions Bank - MH Police Facility Lease Revenue Bonds					
Blackrock Liq Fund	Debt Service	1.84%	310	0.00%	310
BNY - RDA Bonds					
Dreyfus Cash Mgmt 521	Successor Fund	2.53%	315,813	0.26%	315,813
US Treasury Notes - Reserve Acct.	Successor Fund	1.32%	6,862,871	5.56%	6,881,123
Zions Bank - MH Ranch 2015					
Blackrock Liq Funds Fed Fund -DI -2015	Agency Fund	2.02%	257,968	0.21%	257,968
Zions Bank - Madrone Bus Park Taxable/ Tax Exempt 2015					
Blackrock Liquidity Temp Fund-2015	Agency Fund	2.02%	265,261	0.22%	265,261
	SUBTOTAL		7,702,466	6.24%	7,720,719
Other Cash/Deposits					
General Checking	All Funds		2,451,269	1.99%	2,451,269
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			1,387,404	1.12%	1,468,759
PARS - PENSION Trust			800,000	0.65%	842,154
	SUBTOTAL		4,675,785	3.79%	4,799,294
Total Cash and Investments			\$ 123,344,617	100.00%	\$ 122,140,485

CASH ACTIVITY SUMMARY
FY 2018-19

Fund Type	07/01/18 Balance	Change in Cash Balance	12/31/2018 Balance
General Fund	\$ 14,905,287	\$ (4,844,556)	\$ 10,060,731
Community Development	3,444,772	(434,392)	3,010,380
RDA Successor Agency (except Housing)	12,278,895	(5,035,777)	7,243,118
Housing Successor Agency/ CDBG	4,152,743	(3,191,558)	961,185
Water - Operations	2,341,115	1,508,717	3,849,832
Water Other	4,954,819	262,956	5,217,776
Sewer - Operations	1,519,052	235,265	1,754,317
Sewer Other	29,212,177	68,822	29,280,999
Other Special Revenue	5,093,029	(683,176)	4,409,853
Streets and Capital Projects (except RDA)	42,155,177	(1,533,805)	40,621,372
Debt Service	253,645	(179,387)	74,258
Internal Service	13,022,186	1,046,819	14,069,005
Agency Funds (assessment dists./refundable deposits)	4,116,381	(1,324,589)	2,791,792
Total	\$ 137,449,278	\$ (14,104,661)	\$ 123,344,617

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
Investment Portfolio Detail
As of December 31, 2018

Investment Type	Settlement Date	Book Value	% of Portfolio	Market Value	YTM at Cost	Next Call Date	Date of Maturity
L A I F		\$ 37,429,774	30.35%	\$ 37,394,258	2.29%		
City Managed							
Fed Home Loan Bank	10/19/2015	4,000,000	3.24%	3,938,640	1.70%	1/19/2019	10/19/2020
Fed Home Loan Bank	6/30/2016	4,000,000	3.24%	3,900,720	1.50%	6/30/2021	6/30/2021
Fed Natn'l Mortgage Assn	8/25/2016	4,000,000	3.24%	3,877,040	1.40%	8/25/2021	8/25/2021
Fed Home Loan Mortgage	9/29/2016	2,000,000	1.62%	1,952,140	1.65%	3/29/2019	9/29/2021
Fed Natn'l Mortgage Assn	9/29/2016	4,000,000	3.24%	3,881,640	1.60%	3/29/2019	9/29/2021
Fed Home Loan Mortgage	10/27/2016	4,000,000	3.24%	3,897,440	1.60%	1/27/2019	10/27/2021
Fed Natn'l Mortgage Assn	10/28/2016	4,000,000	3.24%	3,858,160	1.55%	1/28/2019	10/28/2021
Fed Home Loan Mortgage	10/28/2016	2,000,000	1.62%	1,951,180	1.65%	1/28/2019	10/28/2021
Fed Home Loan Bank	11/15/2016	4,000,000	3.24%	3,889,360	1.55%	11/15/2021	11/15/2021
Fed Home Loan Bank	11/23/2016	3,000,000	2.43%	2,923,980	1.65%	1/23/2019	11/23/2021
Fed Home Loan Bank	11/23/2016	4,000,000	3.24%	3,896,240	1.63%	1/23/2019	11/23/2021
Fed Home Loan Mortgage	11/30/2016	4,000,000	3.24%	3,923,760	1.88%	1/26/2019	11/26/2021
Fed Home Loan Mortgage	6/29/2017	1,300,000	1.05%	1,278,966	2.15%	3/29/2019	6/29/2022
Fed Home Loan Bank	10/19/2017	3,850,000	3.12%	3,783,049	2.15%	10/19/2022	10/19/2022
Fed Natn'l Mortgage Assn	10/26/2017	4,150,000	3.36%	4,075,051	2.20%	1/26/2019	10/26/2022
Fed Home Loan Mortgage	1/30/2018	3,000,000	2.43%	2,971,620	2.50%	1/30/2019	1/30/2023
Treasury Note	4/30/2018	4,281,405	3.47%	4,319,640	2.73%	3/31/2023	3/31/2023
Sub Total/Average		\$ 59,581,405	48.30%	\$ 58,318,626	1.82%		
Money Market		\$ 1,144,760	0.93%	\$ 1,144,760	2.53%		
Total City Managed/Average		\$ 98,155,939	79.58%	\$ 96,857,643	2.21%		
City Managed - HighMark							
Fed Natn'l Mortgage Assn	8/18/2016	\$ 749,970	0.61%	\$ 749,318	1.06%	1/25/2019	1/25/2019
Fed Natn'l Mortgage Assn	8/18/2016	749,881	0.61%	743,903	1.18%	7/26/2019	7/26/2019
Fed Natn'l Mortgage Assn	8/23/2016	749,984	0.61%	743,265	1.25%	2/23/2019	8/23/2019
Fed Home Loan Mortgage	8/31/2016	750,000	0.61%	743,355	1.25%	8/15/2019	8/15/2019
Fed Home Loan Mortgage	10/7/2016	749,920	0.61%	742,635	1.29%	3/12/2019	9/12/2019
Fed Natn'l Mortgage Assn	10/11/2016	749,955	0.61%	746,055	1.22%	2/23/2019	5/23/2019
Fed Home Loan Mortgage	10/24/2016	739,952	0.60%	739,208	1.03%	1/30/2019	1/30/2019
Fed Natn'l Mortgage Assn	10/24/2016	749,981	0.61%	742,253	1.25%	3/30/2019	9/30/2019
Fed Home Loan Mortgage	12/13/2016	1,001,635	0.81%	996,830	1.35%	5/30/2019	5/30/2019
Fed Home Loan Bank	12/13/2016	999,992	0.81%	999,500	1.27%	1/16/2019	1/16/2019
Fed Home Loan Mortgage	12/29/2016	749,483	0.61%	747,203	1.37%	4/15/2019	4/15/2019
Fed Natn'l Mortgage Assn	12/29/2016	741,227	0.60%	737,299	1.39%	6/20/2019	6/20/2019
Fed Home Loan Bank	6/19/2018	946,177	0.77%	945,364	2.38%	5/28/2019	5/28/2019
Fed Home Loan Mortgage	9/14/2018	818,803	0.66%	818,136	2.56%	8/1/2019	8/1/2019
Fed Home Loan Bank	9/26/2018	746,150	0.60%	748,365	2.80%	3/30/2020	3/30/2020
Fed Home Loan Bank	11/6/2018	739,054	0.60%	741,878	2.87%	11/15/2019	11/15/2019
Money Market		78,264	0.06%	78,264	2.53%		
Sub Total/Average		\$ 12,810,426	10.39%	\$ 12,762,828	1.60%		
Bond Reserve Accounts - Held By Trustees		\$ 7,702,466	6.24%	\$ 7,720,719			
Cash/Deposits		\$ 2,488,381	2.02%	\$ 2,488,381			
PARS Trust		\$ 2,187,404	1.77%	\$ 2,310,913			
GRAND TOTAL/AVERAGE		\$ 123,344,617	100.00%	\$ 122,140,485			

Attachment: December 2018 Financial and Investment Report (2193 : Accept December 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2018-19
For the Six Months Ended December 31, 2018
50% 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							
<u>TAXES</u>							
Property Tax - Secured/Unsecured	\$ 10,131,882	\$ 10,131,882	\$ 2,075,218	20%	\$ 1,963,484	\$ 111,734	6%
Property Tax - RPTTF Residual Distribution	1,405,500	1,405,500	73,755	5%	-	73,755	n/a
Property Tax - Supplemental Roll	276,150	276,150	48,101	17%	47,453	648	1%
Sales Tax	9,601,124	9,601,124	4,451,945	46%	5,281,616	(829,671)	-16%
Public Safety Sales Tax	380,000	380,000	158,877	42%	149,732	9,144	6%
Transient Occupancy Taxes	2,754,000	2,754,000	1,189,140	43%	1,106,885	82,255	7%
Franchise (Refuse, Cable, PG&E)	2,164,190	2,164,190	487,140	23%	445,125	42,014	9%
Property Transfer Tax	505,000	505,000	233,738	46%	228,924	4,815	2%
TOTAL TAXES	27,217,846	27,217,846	8,717,913	32%	9,223,219	(505,306)	-5%
<u>LICENSES/PERMITS</u>							
Business License	196,000	196,000	189,805	97%	178,034	11,771	7%
Other Permits	4,800	4,800	3,746	78%	3,037	709	23%
TOTAL LICENSES/PERMITS	200,800	200,800	193,551	96%	181,071	12,480	7%
<u>FINES AND PENALTIES</u>							
Parking Enforcement	8,250	8,250	4,641	56%	3,539	1,102	31%
Bails & Fines	71,500	71,500	42,364	59%	22,776	19,588	86%
Administrative Citations	9,500	9,500	729	8%	7,150	(6,421)	-90%
TOTAL FINES AND PENALTIES	89,250	89,250	47,733	53%	33,465	14,268	43%
<u>OTHER AGENCIES</u>							
Motor Vehicle in-Lieu	23,934	23,934	-	0%	-	-	n/a
Other Revenue - Other Agencies	271,398	314,398	157,464	50%	231,968	(74,504)	-32%
TOTAL OTHER AGENCIES	295,332	338,332	157,464	47%	231,968	(74,504)	-32%
<u>CHARGES CURRENT SERVICES</u>							
Police False Alarm Charge	33,000	33,000	23,978	73%	13,949	10,029	72%
Business License Application Review	36,000	36,000	23,792	66%	18,836	4,956	26%
Membership Services & Rec Programs	6,241,196	6,241,196	3,228,994	52%	2,974,591	254,403	9%
Facility Rentals	898,700	898,700	492,041	55%	481,812	10,229	2%
Community Services	147,840	147,840	34,838	24%	48,058	(13,221)	-28%
General Administration Overhead	1,709,712	1,709,712	853,056	50%	660,144	192,912	29%
Other Charges Current Services	926,641	926,641	231,745	25%	331,788	(100,044)	-30%
TOTAL CURRENT SERVICES	9,993,089	9,993,089	4,888,443	49%	4,529,178	359,265	8%
<u>OTHER REVENUE</u>							
Use of money/property	458,589	458,589	207,458	45%	167,664	39,795	24%
Other Revenues	254,014	254,014	282,121	111%	1,877,731	(1,595,610)	-85%
TOTAL OTHER REVENUE	712,603	712,603	489,579	69%	2,045,394	(1,555,815)	-76%
<u>TRANSFERS IN</u>							
One Time Transfer	-	-	-	0%	-	-	0%
Public Safety	100,000	100,000	48,809	49%	81,000	(32,191)	-40%
Streets	738,968	738,968	158,460	21%	323,000	(164,540)	-51%
Police Impact	25,000	25,000	12,498	50%	12,498	-	n/a
Sewer Operations	349,376	349,376	174,690	50%	173,514	1,176	1%
Water Operations	349,376	349,376	174,690	50%	173,514	1,176	1%
Park Development	75,000	75,000	37,500	50%	37,500	-	n/a
TOTAL TRANSFERS IN	1,637,720	1,637,720	606,648	37%	801,026	(194,378)	-24%
TOTAL GENERAL FUND	40,146,640	40,189,640	15,101,331	38%	17,045,322	(1,943,990)	-11%
SPECIAL REVENUE FUNDS							
<u>202 STREET MAINTENANCE</u>							
Gas Tax 2105 - 2107.5	751,089	751,089	297,070	40%	324,099	(27,029)	-8%
Interest / Other Revenue/Other Charges	-	-	1,124	n/a	462	662	143%
202 STREET MAINTENANCE	751,089	751,089	298,193	40%	324,561	(26,367)	-8%

Attachment: December 2018 Financial and Investment Report (2193 : Accept December 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2018-19
For the Six Months Ended December 31, 2018
50% 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	202	202	465	230%	141	324	230%
Police Grant/SLEF/JAG	100,000	100,000	73,747	74%	64,416	9,330	14%
205 PUBLIC SAFETY TRUST	100,202	100,202	74,211	74%	64,557	9,654	15%
206 COMMUNITY DEVELOPMENT							
Building Fees	2,996,450	2,996,450	1,554,031	52%	1,154,711	399,321	35%
Planning Fees	1,396,529	1,396,529	502,709	36%	395,070	107,638	27%
Engineering Fees	462,524	462,524	258,067	56%	613,946	(355,879)	-58%
Other Revenue/Current Charges	24,265	24,265	25,757	106%	22,539	3,219	14%
206 COMMUNITY DEVELOPMENT	4,879,768	4,879,768	2,340,564	48%	2,186,265	154,299	7%
207 LONG RANGE PLANNING	741,894	741,894	368,038	50%	339,954	28,084	8%
215 and 216 HCD BLOCK GRANT							
Interest Income/Other Revenue	2,821	2,821	457	16%	1,617	(1,161)	-72%
215 and 216 HCD BLOCK GRANT	2,821	2,821	457	16%	1,617	(1,161)	-72%
225 ASSET SEIZURE	1,670	1,670	32,335	1936%	771	31,564	4093%
229 LIGHTING AND LANDSCAPE	188,591	188,591	1,052	1%	834	218	26%
230 COMMUNITY FACILITIES DISTRICT	44,198	44,198	10,571	24%	297	10,274	3457%
232 ENVIRONMENTAL PROGRAMS	394,158	394,158	223,083	57%	265,607	(42,524)	-16%
234 MOBILE HOME PARK RENT STAB.	661	661	8,865	1341%	2,211	6,654	301%
235 SENIOR HOUSING	3,347	3,347	1,562	47%	1,248	313	25%
236 HOUSING MITIGATION	1,613,912	2,613,912	711,090	27%	1,838,939	(1,127,849)	-61%
240 EMPLOYEE ASSISTANCE	28,949	28,949	11,160	39%	14,546	(3,386)	-23%
247 ENVIRONMENT REMEDIATION	2,118	2,118	949	45%	794	154	19%
250 COMH-SUCCESSOR AGENCY-MHRDA	7,946,430	7,946,430	865,533	11%	31,846	833,688	2618%
255 HOUSING SUCCESSOR AGENCY	2,386,006	2,386,006	37,783	2%	207,451	(169,668)	-82%
TOTAL SPECIAL REVENUE FUNDS	19,085,815	20,085,815	4,985,445	25%	5,281,498	(296,053)	-6%
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	7,959,013	7,959,013	1,155,838	15%	1,497,478	(341,640)	-23%
302 PARK MAINTENANCE	1,320,332	1,320,332	372,771	28%	1,067,034	(694,264)	-65%
303 LOCAL DRAINAGE	1,394,482	1,394,482	344,007	25%	1,678,093	(1,334,085)	-80%
304 LOCAL DRAINAGE/NON AB1600	80,981	80,981	93,653	116%	142,692	(49,039)	-34%
306 AGRICULTURE & OPEN SPACE PRESERVATION	2,652,538	2,652,538	1,751,770	66%	485,193	1,266,577	261%
308 STREET CIP	3,861,662	3,861,662	1,645,087	43%	934,970	710,117	76%
309 TRAFFIC IMPACT	17,251,157	17,251,157	1,430,940	8%	187,847	1,243,093	662%
311 POLICE IMPACT	277,713	277,713	171,193	62%	152,094	19,099	13%
313 FIRE IMPACT	349,306	349,306	179,773	51%	44,262	135,510	306%
346 PUBLIC FACILITIES NON-AB1600	590,499	590,499	134,409	23%	76,636	57,773	75%
347 PUBLIC FACILITIES IMPACT	198,932	198,932	117,831	59%	103,384	14,447	14%
348 LIBRARY	909,565	909,565	447,664	49%	336,847	110,817	33%
350 UNDERGROUNDING	45,800	45,800	138,975	303%	199,614	(60,639)	-30%
355 SCHOOL PEDESTRIAN/TRAFFIC SAFETY	684,678	684,678	25,446	4%	65,391	(39,946)	-61%
360 COMMUNITY/REC IMPACT FUND	1,275,010	1,275,010	513,023	40%	547,601	(34,578)	-6%
TOTAL CAPITAL PROJECTS FUNDS	38,851,668	38,851,668	8,522,380	22%	7,519,137	1,003,243	13%
DEBT SERVICE FUNDS							
420 CIVIC CENTER DEBT	298,856	298,856	149,341	50%	147,766	1,575	1%
441 POLICE FACILITY BOND	375,764	375,764	187,364	50%	229,207	(41,844)	-18%
TOTAL DEBT SERVICE FUNDS	674,620	674,620	336,705	50%	376,973	(40,268)	-11%

Attachment: December 2018 Financial and Investment Report (2193 : Accept December 2018 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2018-19
For the Six Months Ended December 31, 2018
50% 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	10,391,000	10,391,000	5,202,428	50%	4,862,017	340,411	7%
Interest Income/Transfers	37,151	37,151	13,729	37%	12,339	1,390	11%
Other Revenue/Current Charges	318,700	318,700	175,563	55%	173,835	1,728	1%
640 SEWER OPERATION	10,746,851	10,746,851	5,391,720	50%	5,048,192	343,528	7%
641 SEWER EXPANSION							
Interest Income	215,856	215,856	121,752	56%	82,153	39,599	48%
Development Impact Fee	4,717,263	4,717,263	3,044,045	65%	1,894,357	1,149,688	61%
Transfers/Other	-	-	-	0%	0	(0)	-100%
641 SEWER EXPANSION	4,933,119	4,933,119	3,165,797	64%	1,976,510	1,189,287	60%
642 SEWER RATE STABILIZATION	38,641	38,641	17,942	46%	14,350	3,592	25%
643 SEWER-CAPITAL PROJECT	2,797,976	2,797,976	1,428,191	51%	1,230,895	197,296	16%
TOTAL SEWER FUNDS	18,516,587	18,516,587	10,003,651	54%	8,269,946	1,733,704	21%
650 WATER OPERATION							
Water Sales	12,435,000	12,435,000	7,160,721	58%	6,173,466	987,255	16%
Meter Install & Service	123,000	123,000	80,633	66%	214,177	(133,544)	-62%
Transfers-In / Interest Income	440,840	440,840	222,346	50%	217,855	4,492	2%
Other Revenue/Current Charges	752,660	752,660	551,291	73%	478,733	72,557	15%
650 WATER OPERATION	13,751,500	13,751,500	8,014,991	58%	7,084,230	930,760	13%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	47,561	47,561	20,758	44%	19,371	1,388	7%
Development Impact Fee	1,311,698	1,311,698	795,420	61%	497,651	297,769	60%
651 WATER EXPANSION	1,359,259	1,359,259	816,178	60%	517,022	299,157	58%
652 Water Rate Stabilization	8,223	8,223	3,839	47%	253,625	(249,787)	-98%
653 Water Capital Project	2,400,895	2,400,895	1,304,517	54%	680,435	624,082	92%
TOTAL WATER FUNDS	17,519,877	17,519,877	10,139,524	58%	8,535,312	1,604,212	19%
TOTAL ENTERPRISE FUNDS	36,036,464	36,036,464	20,143,175	56%	16,805,258	3,337,917	20%
INTERNAL SERVICE FUNDS							
730 INFORMATION SYSTEMS	1,870,983	1,870,983	944,552	50%	803,824	140,728	18%
740 BUILDING MAINTENANCE	3,326,619	3,326,619	1,706,725	51%	1,565,263	141,462	9%
741 BUILDING REPLACEMENT	789,958	789,958	382,060	48%	247,894	134,166	54%
745 CIP ADMINISTRATION	1,780,750	1,780,750	639,794	36%	684,291	(44,498)	-7%
760 UNEMPLOYMENT INSURANCE	2,324	2,324	1,116	48%	930	186	20%
770 WORKERS COMPENSATION	775,343	775,343	413,480	53%	373,028	40,452	11%
790 EQUIPMENT REPLACEMENT	1,064,433	1,064,433	607,114	57%	498,763	108,351	22%
791 EMPLOYEE BENEFITS	1,171,099	1,171,099	678,990	58%	307,175	371,815	121%
793 CORPORATION YARD COMMISSION	-	-	1,517	0%	341	1,177	346%
795 GENERAL LIABILITY INSURANCE	1,020,581	1,020,581	509,375	50%	474,845	34,530	7%
TOTAL INTERNAL SERVICE FUNDS	11,802,090	11,802,090	5,884,723	50%	4,956,354	928,369	19%
TOTAL FOR ALL FUNDS	\$ 146,597,297	\$ 147,640,297	\$ 54,973,759	37%	\$ 51,984,542	\$ 2,989,217	6%

Attachment: December 2018 Financial and Investment Report (2193 : Accept December 2018 Financial and Investment Report)



City of Morgan Hill
 Year to Date Expenses - Fiscal Year 2018-19
 For the Month and Six Months Ended December 31, 2018
 50% 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		\$ 23,318	\$ 337,607	\$ 116,460	\$ 79,633	\$ 196,092	58%	\$ 133,459
CITY ATTORNEY		56,118	768,318	310,221	127,483	437,704	57%	350,221
CITY MANAGER		(34,238)	433,799	219,819	70,253	290,073	67%	1,860,000
HUMAN RESOURCES		50,106	796,813	355,415	25,531	380,946	48%	370,415
COUNCIL SVCS & RECORDS MGMT								
Council Svcs & Records Mgmt		36,947	614,068	282,500	4,800	287,300	47%	290,500
Elections		1,617	322,533	12,755	-	12,755	4%	32,755
COUNCIL SVCS & RECORDS MGMT		38,565	936,601	295,254	4,800	300,054	32%	323,254
FINANCE		117,089	1,720,130	805,523	47,143	852,666	50%	805,523
TOTAL ADMINISTRATION		250,957	4,993,269	2,102,693	354,842	2,457,535	49%	3,860,251
II. COMMUNITY SERVICES								
Membership Services & Rec. Programs		721,042	6,255,009	3,033,431	944,840	3,978,272	64%	2,903,431
Recreation Facility Rentals		104,618	1,355,732	648,919	35,369	684,288	50%	652,919
Community Services		59,439	653,307	270,658	46,820	317,478	49%	354,658
Environmental Services		16,478	303,894	102,245	-	102,245	34%	99,245
Street Maintenance		145,331	2,362,851	1,069,710	158,869	1,228,578	52%	950,710
Downtown Maintenance		13,217	316,644	162,466	42,812	205,278	65%	122,466
Cable Television		1,681	21,581	10,150	-	10,150	47%	9,150
COMMUNITY SERVICES		1,061,805	11,269,018	5,297,579	1,228,710	6,526,289	58%	5,100,710
CODE COMPLIANCE		11,664	150,464	71,388	-	71,388	47%	59,388
CONGESTION MANAGEMENT		1,243	55,861	35,690	-	35,690	64%	55,690
ECONOMIC DEVELOPMENT PROGRAMS		104,075	720,295	347,170	180,706	527,876		
TOTAL COMMUNITY SERVICES		1,178,788	12,195,638	5,751,827	1,409,416	7,161,243	59%	5,210,710
III. PUBLIC SAFETY								
POLICE								
PD Administration		93,527	1,222,942	634,356	44,000	678,356	55%	570,356
Field Operations		601,311	9,196,103	3,659,598	945,449	4,605,047	50%	3,760,598
Support Services		173,612	2,272,707	1,081,591	11,071	1,092,663	48%	980,591
Emergency Services/Haz Mat		12,768	187,057	80,160	-	80,160	43%	80,160
Special Operations		161,101	2,748,496	949,235	-	949,235	35%	1,330,235
Dispatch Services		126,639	1,674,402	770,653	5,029	775,682	46%	780,653
POLICE		1,168,959	17,301,708	7,175,593	1,005,550	8,181,143	47%	7,540,593
FIRE		480,433	6,666,707	3,278,837	58,888	3,337,725	50%	2,950,837
TOTAL PUBLIC SAFETY		1,649,392	23,968,415	10,454,430	1,064,438	11,518,867	48%	10,491,430
IV. TRANSFERS								
Other		151,753	2,077,498	910,518	-	910,518	44%	1,030,518
TOTAL TRANSFERS		151,753	2,077,498	910,518	-	910,518	44%	1,030,518
TOTAL GENERAL FUND		3,230,890	43,234,819	19,219,468	2,828,696	22,048,164	51%	20,602,710

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City of Morgan Hill
 Year to Date Expenses - Fiscal Year 2018-19
 For the Month and Six Months Ended December 31, 2018
 50% 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	(760)	742,877	160,416	-	160,416	22%	32%
205	PUBLIC SAFETY/SUPP.LAW	545	106,536	52,079	-	52,079	49%	8%
206	COMMUNITY DEVELOPMENT FUND							
	Planning	150,272	2,597,350	1,084,240	330,881	1,415,121	54%	91%
	Building	137,951	1,976,108	819,572	295,176	1,114,748	56%	87%
	Engineering	120,168	1,668,062	669,118	596,933	1,266,051	76%	64%
206	COMMUNITY DEVELOPMENT FUND	408,392	6,241,520	2,572,930	1,222,990	3,795,920	61%	2,42%
207	LONG RANGE PLANNING	39,886	1,383,881	293,803	574,724	868,527	63%	29%
215/216	CDBG	413	4,961	2,814	-	2,814	57%	1%
225	ASSET SEIZURE	-	-	-	-	-	0%	-
229	LIGHTING AND LANDSCAPE	7,752	195,274	92,287	20,808	113,094	58%	9%
230	COMMUNITY FACILITIES DISTRICT	1,192	46,262	11,871	-	11,871	26%	1%
232	ENVIRONMENT PROGRAMS	27,287	406,727	185,025	16,310	201,335	50%	16%
234	MOBILE HOME PARK	34	405	204	-	204	50%	-
236	HOUSING MITIGATION	72,923	3,323,394	1,353,465	222,031	1,575,496	47%	27%
240	EMPLOYEE ASSISTANCE	78	28,430	4,468	-	4,468	16%	1%
247	ENVIRONMENTAL REMEDIATION	-	-	2,022	807	2,829	0%	-
250	COMH-SUCCESSOR AGENCY-MHRDA	10,587	7,983,635	5,896,985	23,890	5,920,875	74%	5,11%
255	HOUSING SUCCESSOR AGENCY	2,642,218	3,679,973	3,444,096	934,480	4,378,576	119%	1,24%
TOTAL SPECIAL REVENUE FUNDS		3,210,545	24,143,875	14,072,465	3,016,039	17,088,504	71%	10,06%
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	19,609	8,802,955	175,829	549,692	725,521	8%	3,42%
302	PARK MAINTENANCE	64,251	1,248,941	535,555	183,185	718,740	58%	49%
303	LOCAL DRAINAGE	1,194	523,416	50,372	14,838	65,210	12%	1%
304	LOCAL DRAIN. NON-AB1600	4,770	338,627	5,976	-	5,976	2%	5%
306	AGRICULTURE & OPEN SPACE PRESERVATION	174,489	8,483,054	2,346,928	61,279	2,408,208	28%	2%
308	STREET CIP	1,340,939	5,392,576	1,626,599	486,657	2,113,256	39%	2,08%
309	TRAFFIC IMPACT	25,929	20,493,433	4,619,269	181,983	4,801,252	23%	28%
311	POLICE IMPACT	2,445	228,096	114,861	463	115,323	51%	13%
313	FIRE IMPACT	273	172,227	23,193	463	23,656	14%	-
346	PUBLIC FAC.NON AB1600	5,969	821,119	113,153	32,748	145,901	18%	51%
347	PUBLIC FACILITIES IMPACT	257	84,479	2,990	463	3,453	4%	-
348	LIBRARY IMPACT	44,844	3,849,962	277,613	109,992	387,605	10%	17%
350	UNDERGROUNDING	85	56,024	510	-	510	1%	-
355	SCHOOL PEDESTRIAN & TRAFFIC SAFETY	5,751	1,830,740	23,747	29,578	53,326	3%	24%
360	COMM/REC CENTER IMPACT	7,804	2,184,177	54,596	133,591	188,188	0%	-
TOTAL CAPITAL PROJECTS FUNDS		1,698,609	54,509,827	9,971,193	1,784,931	11,756,124	22%	7,44%
DEBT SERVICE FUNDS								
420	CIVIC CENTER DEBT	799	308,656	222,733	-	222,733	72%	20%
441	POLICE FACILITY BOND DEBT	305	380,313	293,635	-	293,635	77%	29%
TOTAL DEBT SERVICE FUNDS		1,104	688,969	516,368	-	516,368	75%	50%

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City of Morgan Hill
 Year to Date Expenses - Fiscal Year 2018-19
 For the Month and Six Months Ended December 31, 2018
 50% 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	780,741	11,311,787	4,870,030	211,335	5,081,365	45%	4,941
641	SEWER CAPITAL EXPANSION	26,846	4,406,573	715,051	429,146	1,144,197	26%	671
642	SEWER RATE STABILIZATION	86	1,027	516	-	516	50%	-
643	SEWER-CAPITAL PROJECTS	385,780	11,033,664	3,404,433	999,203	4,403,635	40%	2,371
TOTAL SEWER FUND(S)		1,193,453	26,753,051	8,990,029	1,639,683	10,629,712	40%	7,991
WATER								
	Water Operations	635,061	12,440,123	5,204,497	1,096,015	6,300,513	51%	4,791
	Utility Billing	64,686	809,160	378,071	32,325	410,396	51%	361
	Water Conservation	6,228	210,082	44,968	50,000	94,968	45%	41
650	WATER OPERATIONS	705,974	13,459,365	5,627,536	1,178,340	6,805,876	51%	5,191
651	WATER CAPITAL EXPANSION	133,709	3,374,572	1,140,316	1,076,362	2,216,678	66%	301
652	WATER RATE STABILIZATION	28	335	168	-	168	50%	-
653	WATER-CAPITAL PROJECTS	96,925	2,535,148	661,750	149,296	811,046	32%	801
TOTAL WATER FUND(S)		936,637	19,369,421	7,429,770	2,403,998	9,833,768	51%	6,301
TOTAL ENTERPRISE FUNDS		2,130,090	46,122,472	16,419,800	4,043,681	20,463,481	44%	14,301
INTERNAL SERVICE FUNDS								
730	INFORMATION SYSTEMS	114,037	2,013,703	727,520	17,761	745,281	37%	951
740	BUILDING MAINTENANCE	161,415	3,376,986	1,369,809	230,713	1,600,522	47%	1,411
741	BUILDING REPLACEMENT	-	429,806	225,663	27,788	253,451	59%	201
745	CIP ADMINISTRATION	103,786	1,813,012	639,754	10,916	650,670	36%	681
760	UNEMPLOYMENT	-	10,000	930	-	930	9%	-
770	WORKERS COMPENSATION	38,992	947,795	441,522	-	441,522	47%	861
790	EQUIPMENT REPLACEMENT	21	1,261,025	21	601,107	601,128	48%	281
791	EMPLOYEE BENEFITS FUND	262,361	600,000	636,274	-	636,274	106%	431
793	CORP YARD COMMISSION	-	1,903	1,220	-	1,220	0%	-
795	GEN. LIABILITY INSURANCE	21,045	1,010,346	774,184	-	774,184	77%	571
TOTAL INTERNAL SERVICE FUNDS		701,656	11,464,575	4,816,896	888,285	5,705,182	50%	5,441
REPORT TOTAL		\$ 10,972,894	\$ 180,164,536	\$ 65,016,190	\$ 12,561,633	\$ 77,577,823	43%	\$ 58,371

Attachment: December 2018 Financial and Investment Report (2193 : Accept December 2018 Financial and Investment Report)

 City of Morgan Hill Fund Activity Summary - Fiscal Year 2018-19 For the Six Months Ended December 31, 2018 50% of Year Complete										
Fund No.	Fund	Fund Balance 06-30-18		Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance	
		YTD Actual	% of Budget	YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved
010	GENERAL FUND	\$ 17,604,727	38%	\$ 15,101,331	38%	\$ 19,219,468	44%	\$ (4,118,137)	\$ 2,828,696	\$ 10,657,894
	TOTAL GENERAL FUND	\$ 17,604,727	38%	\$ 15,101,331	38%	\$ 19,219,468	44%	\$ (4,118,137)	\$ 2,828,696	\$ 10,657,894
202	STREET MAINTENANCE	58,830	40%	298,193	40%	160,416	41%	137,777	-	196,607
205	PUBLIC SAFETY/SUPPL. LAW	50,422	74%	74,211	74%	52,079	40%	22,132	-	72,554
206	COMMUNITY DEVELOPMENT	2,001,953	48%	2,340,554	48%	2,572,930	41%	(232,366)	1,222,990	546,597
207	LONG RANGE PLANNING	1,160,548	50%	368,038	50%	293,803	21%	74,235	574,724	660,059
215 / 216	CDBG	59,981	16%	457	16%	2,814	0%	(2,357)	-	57,624
225	ASSET SEIZURE	111,921	1936%	32,335	1936%	-	0%	32,335	-	144,256
229	LIGHTING AND LANDSCAPE	157,826	1%	1,052	1%	92,287	47%	(91,235)	20,808	45,784
230	COMMUNITY FACILITIES DISTRICT	82,203	24%	10,571	24%	11,871	0%	(1,300)	-	80,903
232	ENVIRONMENTAL PROGRAMS	243,732	57%	223,083	57%	185,025	45%	38,058	16,310	265,480
234	MOBILE HOME PK RENT STAB.	43,345	1341%	8,865	1341%	204	50%	8,661	-	52,006
235	SENIOR HOUSING	224,078	1562%	1,562	1562%	-	0%	1,562	-	225,640
236	HOUSING MITIGATION	2,714,194	27%	711,090	27%	1,353,465	41%	(642,375)	222,031	1,849,788
240	EMPLOYEE ASSISTANCE	38,932	39%	11,160	39%	4,468	16%	6,692	-	45,624
247	ENVIRONMENT REMEDIATION	135,819	45%	949	45%	2,022	0%	(1,073)	807	133,939
250	COMH-SUCCESSOR AGENCY-MHRDA	(877,559)	11%	865,533	11%	5,896,985	74%	(5,031,452)	7,202,573	(13,111,584)
255	HOUSING SUCCESSOR AGENCY	4,072,877	2%	37,783	2%	3,444,096	94%	(3,406,314)	934,480	(267,917)
260	PUBLIC ART	111	n/a	-	n/a	-	-	-	-	111
	TOTAL SPECIAL REVENUE FUNDS	\$ 10,279,213	25%	\$ 4,985,445	25%	\$ 14,072,465	58%	\$ (9,087,020)	\$ 10,194,722	\$ (9,002,529)
301	PARK DEV. IMPACT FUND	2,787,306	15%	1,155,838	15%	175,829	2%	980,009	549,692	3,217,623
302	PARK MAINTENANCE	4,265,806	28%	372,771	28%	535,555	43%	(162,785)	183,185	3,919,837
303	LOCAL DRAINAGE	10,405,902	25%	344,007	25%	50,372	10%	293,636	14,838	10,684,700
304	LOCAL DRAINAGE/NON-AB1600	1,409,474	116%	93,653	116%	5,976	2%	87,677	-	1,497,151
306	AGRICULTURE AND OPEN SPACE PRESERV	7,017,877	66%	1,751,770	66%	2,346,928	28%	(595,159)	61,279	6,361,439
308	STREET CIP	2,333,919	43%	1,645,087	43%	1,626,599	30%	18,489	486,657	1,865,751
309	TRAFFIC IMPACT FUND	3,437,980	8%	1,430,940	8%	4,619,269	23%	(3,188,329)	181,983	67,668
311	POLICE IMPACT FUND	(736,934)	62%	171,193	62%	114,861	50%	56,332	463	(681,065)
313	FIRE IMPACT FUND	3,906,952	51%	179,773	51%	23,193	13%	156,580	463	4,063,069
346	PUBLIC FACILITIES NON-AB1600	166,110	23%	134,409	23%	113,153	14%	21,256	463	186,904
347	PUBLIC FACILITIES IMPACT FUND	520,300	59%	117,831	59%	2,990	4%	114,841	109,992	525,149
348	LIBRARY IMPACT FUND	2,371,544	49%	447,664	49%	277,613	7%	170,051	-	2,541,595
350	UNDERGROUNDING	707,205	303%	138,975	303%	510	1%	138,465	29,578	816,092
355	SCHOOL PEDESTRIAN/TRAFFIC SFY	1,502,442	4%	25,446	4%	23,747	1%	1,698	133,591	1,370,549
360	COMM/REC CTR IMPACT FUND	1,113,663	40%	513,023	40%	54,596	0%	458,427	-	1,572,090
	TOTAL CAPITAL PROJECT FUNDS	\$ 41,209,546	22%	\$ 8,522,380	22%	\$ 9,971,193	18%	\$ (1,448,813)	\$ 1,752,183	\$ 38,008,550
420	CIVIC CENTER DEBT	171,658	50%	149,341	50%	222,733	72%	(73,392)	244	98,022
441	POLICE FACILITY BOND DEBT	82,263	50%	187,364	50%	293,635	77%	(106,271)	310	(24,319)
	TOTAL DEBT SERVICE FUNDS	\$ 253,921	50%	\$ 336,705	50%	\$ 516,368	75%	\$ (179,663)	\$ 554	\$ 73,704

 CITY OF MORGAN HILL City of Morgan Hill Fund Activity Summary - Fiscal Year 2018-19 For the Six Months Ended December 31, 2018 50% of Year Complete											
Fund No.	Fund	Fund Balance 06-30-18	Revenues		Expenses				Year to-Date Deficit or Carryover	Ending Fund Balance	
			YTD Actual	% of Budget	YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved

640	SEWER OPERATIONS	\$ 2,901,439	50%	\$ 5,391,720	50%	\$ 4,870,030	43%	\$ 521,690	211,335	\$ 3,211,794		
641	SEWER IMPACT FUND*	15,556,702	64%	3,165,797	64%	715,051	16%	2,450,746	429,146	17,578,303		
642	SEWER RATE STABILIZATION	2,574,831	46%	17,942	46%	516	50%	17,426	-	2,592,257		
643	SEWER-CAPITAL PROJECTS	9,316,726	51%	1,428,191	51%	3,404,433	31%	(1,976,242)	999,203	6,341,282		
650	WATER OPERATIONS	3,409,384	58%	8,014,991	58%	5,627,536	42%	2,387,455	1,178,340	4,618,498		
651	WATER IMPACT FUND*	2,680,718	60%	816,178	60%	1,140,316	34%	(324,138)	1,076,362	1,280,218		
652	WATER RATE STABILIZATION	514,170	47%	3,839	47%	168	50%	3,671	-	517,841		
653	WATER -CAPITAL PROJECT	564,089	54%	1,304,517	54%	661,750	26%	642,767	149,296	1,057,560		
TOTAL ENTERPRISE FUNDS		\$ 37,518,059	56%	\$ 20,143,175	56%	\$ 16,419,800	36%	\$ 3,723,375	\$ 4,043,681	\$ 37,197,753		

730	INFORMATION SERVICES	\$ 591,635	50%	\$ 944,552	50%	\$ 727,520	36%	\$ 217,031	17,761	\$ 790,905		
740	BUILDING MAINTENANCE	(4,788)	51%	1,706,725	51%	1,369,809	41%	336,916	230,713	101,415		
741	BUILDING REPLACEMENT	2,081,486	48%	382,060	48%	225,663	53%	156,397	27,788	2,210,095		
745	CIP ENGINEERING	62,962	36%	639,794	36%	639,754	35%	40	10,916	52,086		
760	UNEMPLOYMENT	152,405	48%	1,116	48%	930	9%	186	-	152,591		
770	WORKERS COMPENSATION	1,763,179	53%	413,480	53%	441,522	47%	(28,041)	30,000	1,705,138		
790	EQUIPMENT REPLACEMENT	4,432,003	57%	607,114	57%	21	0%	607,093	601,107	4,437,989		
791	EMPLOYEE BENEFITS FUNDS	(364,078)	58%	678,990	58%	636,274	106%	42,716	-	(321,362)		
793	CORP YARD COMMISSION	-	0%	1,517	0%	1,220	0%	298	-	298		
795	GEN. LIABILITY INSURANCE	1,341,056	50%	509,375	50%	774,184	77%	(264,809)	-	1,076,247		
TOTAL INTERNAL SERVICE FUNDS		\$ 10,055,860	50%	\$ 5,884,723	50%	\$ 4,816,896	42%	\$ 1,067,827	\$ 918,285	\$ 10,205,401		

SUMMARY BY FUND TYPE

GENERAL FUND GROUP	\$ 17,604,727	\$ 15,101,331	38%	\$ 19,219,468	44%	\$ (4,118,137)	\$ 2,828,696	\$ 10,657,894
SPECIAL REVENUE GROUP	10,279,213	4,985,445	25%	14,072,465	58%	(9,087,020)	10,194,722	(9,002,529)
DEBT SERVICE GROUP	253,921	336,705	50%	516,368	75%	(179,663)	554	73,704
CAPITAL PROJECTS GROUP	41,209,546	8,522,380	22%	9,971,193	18%	(1,448,813)	1,752,183	38,008,550
ENTERPRISE GROUP	37,518,059	20,143,175	56%	16,419,800	36%	3,723,375	4,043,681	37,197,753
INTERNAL SERVICE GROUP	10,055,860	5,884,723	50%	4,816,896	42%	1,067,827	918,285	10,205,401
TOTAL ALL GROUPS	\$ 116,921,326	\$ 54,973,759	37%	\$ 65,016,190	36%	\$ (10,042,431)	\$ 19,738,122	\$ 87,140,773

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.

Contracts and Agreements Between \$25,000 to \$60,000 Entered From 11/24/18 to 2/7/19

Vendor Name	Description of Service	Begin Date	End Date	Department	Amount
Mike Davis Landscape Services	Butterfield Area Drip Irrigation and Tree Planting Project	11/29/2018	1/30/2019	CS	\$39,128
Hexagon Transportation Consultants, Inc	Development of Cut-through traffic study	12/20/2018	6/30/2019	CSD	\$26,000
Phoenix Group Information Systems, Inc	False Alarm Management, Billing, & Processing	1/1/2019	12/31/2022	PD/Fire	\$45,000
Monterey Bay Analytical Services	Testing Services for City-owned water wells or City projects	1/29/2019	12/2/2019	CSD	\$25,000

2nd Quarter FY2018-19 Financial Report





General Fund

- Revenues are tracking to slightly exceed budget
- Key GF revenues:

Category	Budget	YTD Actual	Prior YTD
Property Tax	\$11,813,532	\$ 2,197,074	\$2,010,937
Sales Tax	9,981,124	4,610,821	5,431,348
Svc Charges	9,993,089	4,888,443	4,529,178
Hotel Tax	2,754,000	1,189,140	1,106,885

- Expenditures including encumbrances:

Total Exp	\$43,234,819	\$22,048,164	\$23,309,151
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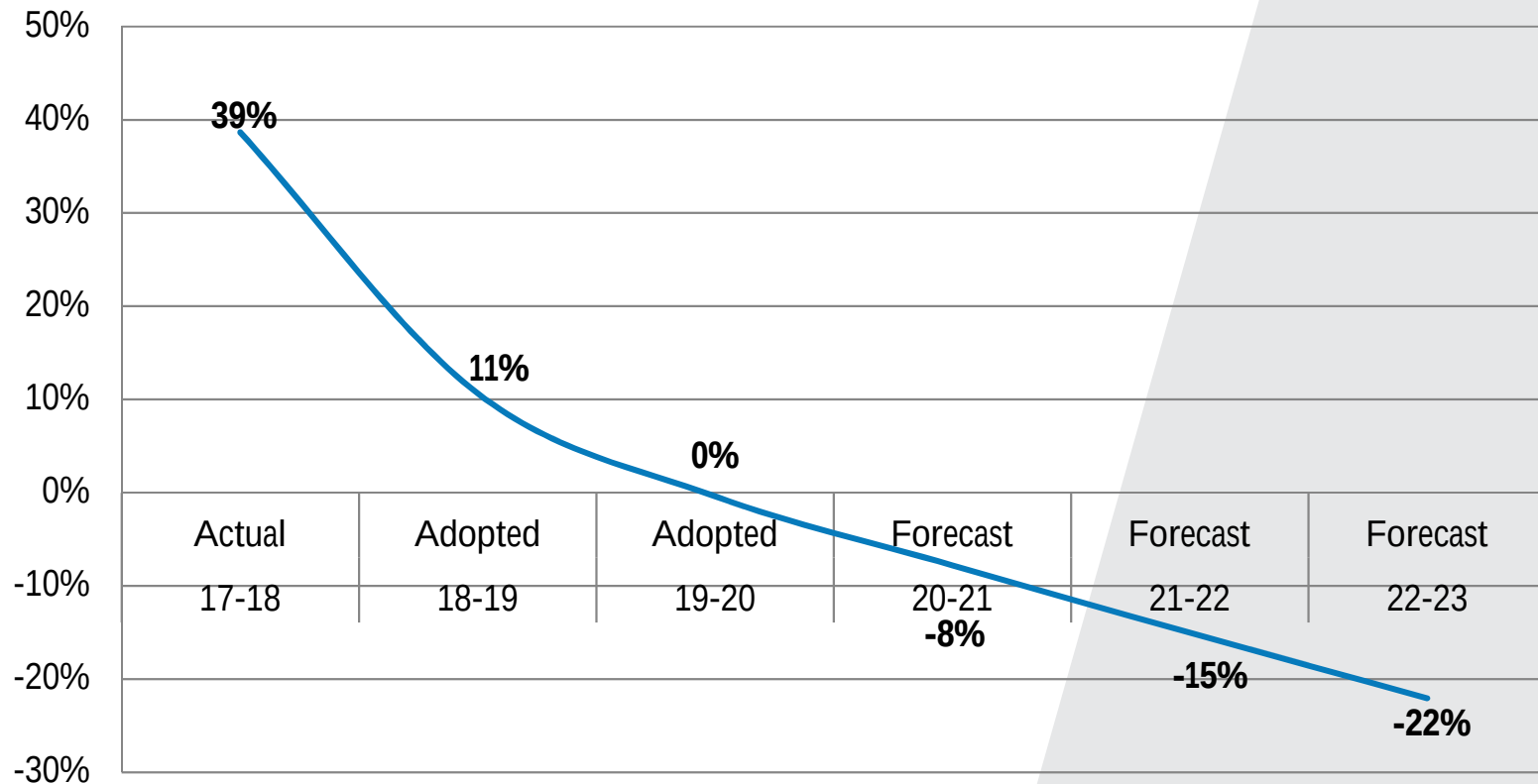


Development Services Fund

- Both revenues and expenditures are tracking within budget

Category	Budget	YTD Actual	Prior YTD
Revenues	\$4,879,768	\$2,340,564	\$2,186,265
Expenditures	6,241,520	3,795,920	3,017,936
Net	(\$1,361,752)	(\$1,455,356)	(\$831,671)

Development Services Fund (cont'd)





Enterprise Funds

- Wastewater Operations

Category	Budget	YTD Actual	Prior YTD
Revenues	\$10,746,851	\$5,391,720	\$5,048,192
Expenditures	11,311,787	5,081,365	5,033,353
Net	(\$564,936)	\$310,355	\$14,839

Enterprise Funds (cont'd)

- Wastewater operations and CIP
 - CIP needs \$34.7M over next 5 years
 - \$20M needed for Inflow & Infiltration (I&I)
 - Funds Available: \$8.0M
 - Unfunded Need: \$26.7M



Enterprise Funds (cont'd)

- Water operations

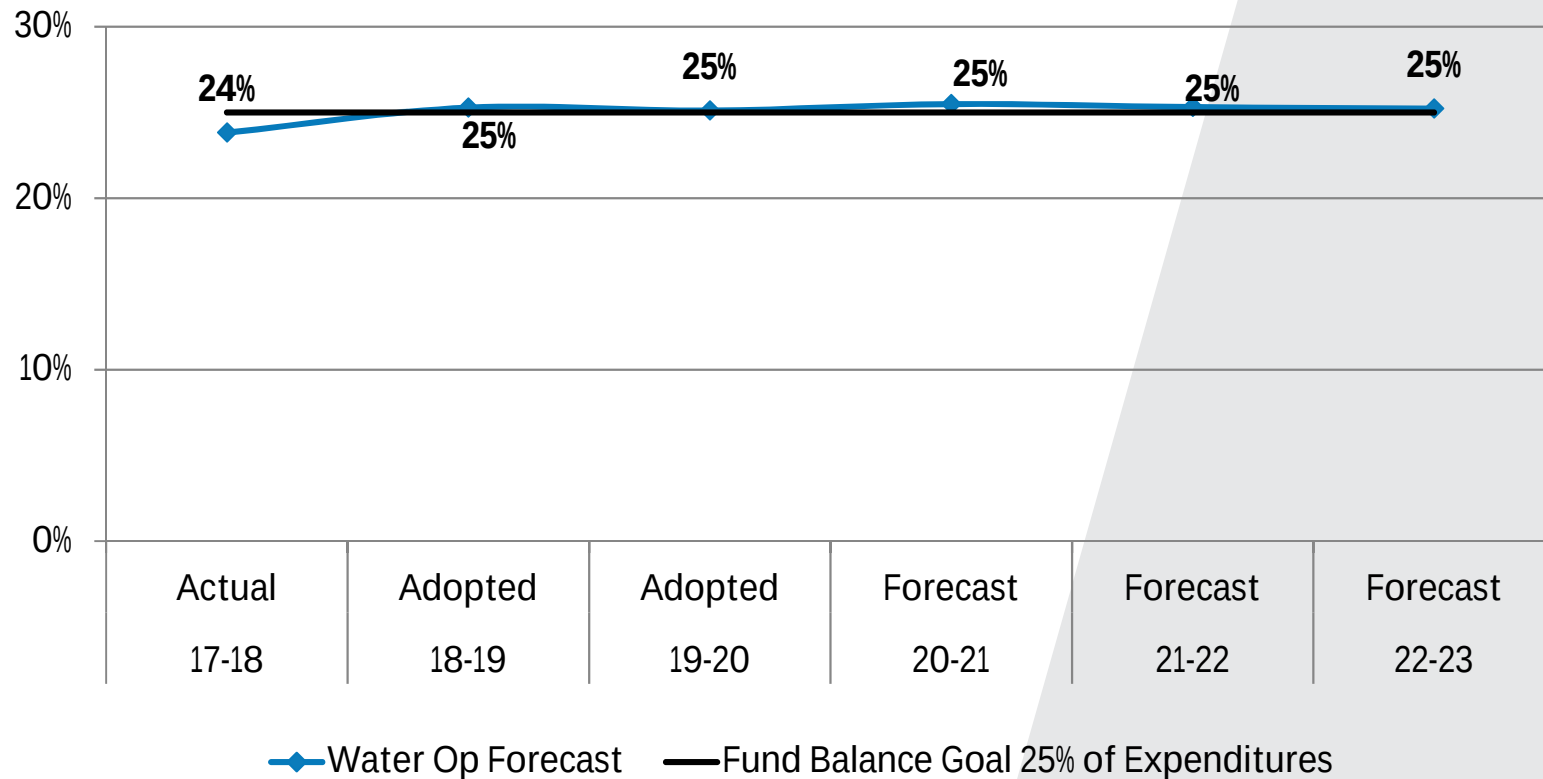
Category	Budget	YTD Actual	Prior YTD
Revenues	\$13,751,500	\$8,014,991	\$7,084,230
Expenditures	13,459,365	6,805,876	5,872,170
Net	\$292,135	\$1,209,115	\$1,212,060





Enterprise Funds (cont'd)

- Water operations fund balance forecast





CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Harjot Sangha, Accounting Manager

APPROVED BY: City Manager

INTRODUCE WASTEWATER RATE STUDY, RECEIVE POLICY DIRECTION, AND SET PUBLIC HEARING TO ADOPT RATE INCREASES

RECOMMENDATION(S)

1. Introduce the 2019 Wastewater Rate Study; and
2. Discuss and provide policy direction to staff on wastewater rate implementation.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment
Maintaining Fiscal Responsibility

2019 Strategic Priorities

Financial Stewardship
Infrastructure

GUIDING DOCUMENTS

Sewer System Master Plan

POLICY CONSIDERATION:

Should the City Council consider adjusting the wastewater (sewer) rates assessed to residential, commercial, industrial, and public institution customers?

REPORT NARRATIVE:

Background

The City owns and operates the Wastewater Collection System within the Engineering and Utilities Department. The system collects wastewater from residences and businesses throughout the City and delivers the wastewater for treatment to the South County Regional Wastewater Facility.

Day to day operations of the system is managed by City staff, while relying on consultants and contractors to provide expertise in the areas of planning, detailed engineering, and capital projects. Additionally, the City of Morgan Hill jointly owns and operates the Treatment Plant with the City of Gilroy through a joint power's authority. Funding for the Wastewater System and Treatment Plant comes from two primary sources: rates charged to users of the system and developer impact fees. Rates are used to fund the ongoing operations of the Wastewater System and the Treatment Plant. Rates also fund capital projects which repair or replace existing components of the system. Impact fees are used for capital projects that increase capacity, expand the system, and/or construct new system components. Impact fees are charged to

developers to ensure that ratepayers are not paying for costs associated with new development.

Residential customers pay a monthly sewer service charge consisting of a base fee associated with the meter sizes and a usage fee. The residential sewer usage fee is based on the average measured volume of water usage for the three consecutive low water usage months between the months of November and April. The sewer charge for commercial and other nonresidential customers consists of a base rate plus a usage fee based on the measure volume of water usage.

In 2017, the City Council approved a Sewer System Master Plan for future repairs and improvements to the City's wastewater system. The Master Plan identified \$57 million in expansion and capacity related improvement projects (impact fee funded) and \$52 million in improvements necessary to repair the City's existing system (ratepayer funded). City staff have determined the impact fee funded projects can likely be funded through the projected impact fees and/or financed through bonding against future impact fees. However, staff have identified a significant shortage in funding to make the legally required repairs and improvements to the existing system, which was the primary factor in moving forward with a rate study.

Unlike private utility companies that benefit financially from increased rates associated with increased costs, the City strives to maintain low rates to support its residents and businesses. However, significant improvements to the City's aging wastewater infrastructure are necessary in the near future. The City's system includes some pipe sections that are over 90 years old. As the system ages or is damaged by natural changes in the environment (such as tree roots) the sewer pipes begin allowing rainwater and groundwater to enter the wastewater system. During extremely wet conditions this infiltration can cause the wastewater system to be overwhelmed and spill. To ensure safety of residents and to meet the requirements of the State of California, the City must repair these issues. The capital projects associated with the repair of the aging system require additional funding and review of wastewater rates. This funding shortage was discussed with the City Council during the Fiscal Year (FY) 2018-19 and 2019-20 Budget development process, the 2019 goal setting workshop, and additional background information was provided at the last City Council meeting on February 6, 2019.

Last Rate Study

In July 2015, the City retained NBS to complete a comprehensive five-year water and wastewater rate study. While a significant consideration of the 2015 study was on water rate structure, Council had made the determination, in the context of considering water and wastewater rate adjustments, that the previously adopted 3.5% rate adjustment for January 1, 2016 for wastewater would not be implemented, and a nominal increase of just 2% annually was adopted to keep pace with expenditures, with the last of the 2% increase scheduled to go into effect on January 1, 2020.

In addition, a wastewater zonal elevation surcharge, Lift Station Charge, was also adopted for about 2,100 benefiting customers, to recover the annual power and

replacement of the lift station facility costs.

2019 Rate Study

In late 2018, Staff engaged a consultant, NBS Government Finance Group, to conduct a limited wastewater (sewer) rate study to develop a sustainable wastewater utility financial plan and make recommendations on rate changes necessary to meet ongoing operational, maintenance, and improvement needs of the City's aging sewer infrastructure. The funds reviewed under this study were Wastewater Operations (640), Wastewater Impact Fund (641), Wastewater Rate Stabilization Fund (642), and Wastewater Capital Projects Fund (643). NBS reviewed the City's existing sewer customer base, existing sewer rates, incorporated 2017 Sewer System Master Plan recommendations, and developed a refined wastewater utility financial plan. The plan includes updated projections on operating revenues, operational and maintenance expenditures, principal and interest expenses on existing and potential new debt, and the required capital improvements. The plan includes a new bond offering in the second half of FY 2019-20, \$29 Million for the Sewer Plant Expansion (impact fee funded), and \$26.2 Million for existing infrastructure improvements (rate payer funded).

In the enclosed rate study, and illustrated below, NBS has presented four (4) policy choices for funding the existing infrastructure improvements (\$26.2 Million), and what the rate increases would need to be for the next five-years for those corresponding funding levels, depending on how much of the improvements are financed. Should the Council consider issuing bonds to fund the complete \$26.2 Million of the improvement projects, the less rate increases would need to be implemented. Should the Council elect to only finance 75, 50, or 40 percent of the \$26.2 Million improvements, the rate increases would need to be significantly higher in the first few years.

Funding Option for Existing Infrastructure Improvements:

Policy Choice : Funding from new bond proceeds for Fund 643 projects.		2019	2020	2021	2022	2023
1	Full Funding of Capital Improvement Program	\$ -	\$ 8,072,490	\$ 4,749,379	\$ 7,146,865	\$ 6,262,777
2	\$19M Funding of Capital Improvement Program (about 75%)	\$ -	\$ 4,750,000	\$ 4,750,000	\$ 4,750,000	\$ 4,750,000
3	\$14M Funding of Capital Improvement Program (about 50%)	\$ -	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000
4	\$10M Funding of Capital Improvement Program (about 40%)	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000

Corresponding Rate increases:

Policy Choice : Funding from new bond proceeds for Fund 643 projects.		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Full Funding of Capital Improvement Program	1	9.00%	9.00%	5.00%	5.00%	5.00%
\$19M Funding of Capital Improvement Program (about 75%)	2	13.00%	13.00%	8.00%	8.00%	8.00%
\$14M Funding of Capital Improvement Program (about 50%)	3	20.00%	20.00%	3.00%	3.00%	3.00%
\$10M Funding of Capital Improvement Program (about 40%)	4	22.00%	22.00%	3.00%	3.00%	3.00%

Staff is recommending option 1, which would fully fund the legally required improvements with debt financing, and the lower rate increases would be implemented. The rate increases would be implemented on July 1, 2019 and each July 1, thereafter through 2023.

In addition, Staff is proposing an adjustment to the annual sewer rate adjustment calculation for the residential customers. As mentioned earlier, the residential customers pay a monthly sewer service charge consisting of a base fee associated with a meter size and a usage fee. The usage portion is based on the average measured volume of water used for the three consecutive low water usage months, which generally occurs in the winter, between the months of November and April. The usage fee is currently capped at 13 units of volume. The customers, who's winter water average is above 13 units during those consecutive months, are theoretically being subsidized by other rate payers. Staff recommends Council approve the removal of the cap completely and allow customers to pay true winter water consumption (which presumes none to minimal landscape usage). Alternatively, Council could consider increasing the cap from 13 units to at least 20 units. If the alternative option is suitable, Staff will direct NBS to adjust the revenue projection down, to base it on the 20 units.

Lift Station Charge - Staff recommends continuing assessing the Lift Station Charge to benefiting customers, as established during the 2015 rate study and continue the established annual adjustment rate of 3.6%, through the next five-year period.

For Impact fee funded projects, staff anticipates financing these projects, and believe the current projected impact fee revenues will be sufficient to cover the debt service over the financing term.

Low-Income Subsidy Recommendation

To help alleviate the financial impacts from the proposed rate increase, and to assist Morgan Hill low-income and low-income senior residents, Council approved the below wastewater subsidy during the 2015 rate study, with the last of the scheduled increases to the subsidy effective January 1, 2020. Staff is recommending extending the subsidy throughout the financial plan with an annual increase of 5% for July 1, 2021, through July 1, 2023.

	Approved Current	Approved 1/1/2020	Recommended 7/1/2021	Recommended 7/1/2022	Recommended 7/1/2023
Wastewater Subsidy	\$ 11.13	\$ 12.24	\$ 12.85	\$ 13.49	\$ 14.17
%	10%	10%	5%	5%	5%

Next Steps

A community meeting is scheduled for February 25, 2019, at 6pm, to provide an update to the community on the wastewater rate study, answer any questions, and receive feedback.

On March 6, 2019, Staff will return to City Council with any proposed changes from today's meeting and will present any feedback received from the February 25th community meeting. It is expected the City Council will finalize the proposed rates at this meeting. If finalized, Staff will initiate Proposition 218 noticing the week of March 11th.

Proposition 218

In order to implement the fee adjustments, the City is required to follow Proposition 218 majority protest proceedings. Proposition 218 requires specific procedures be followed with regard to property-related fee increases. The California Constitution requires local governments to give mailed notice of any property-related proposed fee changes at least 45 days before holding a public hearing where the City Council may adopt or reject the changes. Those opposed to the proposed rate adjustments can submit written protests to the City. If a majority (50% plus 1) of customers oppose the proposed rate adjustments, City Council cannot implement the proposed increases. Staff has setup a dedicated email address for customers to submit any Proposition 218 comments electronically.

Staff anticipates May 1, 2019 as a tentative date for City Council to hold a public hearing to review Proposition 218 comments, and adopt the rate increases, to go into effect on July 1, 2019.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the wastewater rate study. On February 8, 2019, an email blast was sent to community members on the City's electronic distribution list of the wastewater rate study report and today's meeting. In addition, a scheduled community meeting will be held on February 25, 2019, from 6pm to 8pm, to present the rate study, and to receive feedback from the community. The feedback gathered at this meeting will be presented to the City Council at the March 6, 2019 City Council meeting.

ALTERNATIVE ACTIONS:

City Council could reject the draft 2019 wastewater rate study, and direct Staff to revise the study, and return at a later date.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The required wastewater infrastructure improvements and the wastewater rate study were discussed with City Council during the FY 2018-19 and 2019-20 budget development process and at the 2019 annual goal setting workshop last month.

On February 6, 2019, Staff presented a report on the wastewater system needs and discussed the rate study schedule.

FISCAL AND RESOURCE IMPACT:

The fiscal impact of preparing this report is included in the staff's annual workplan. The cost for the wastewater rate study, was budgeted in the Wastewater Operations Fund (640) in the current fiscal year.

If the Proposition 218 majority protest process is concluded without majority protest, and the wastewater fee adjustments are adopted as presented, the new rate increases could generate an average of \$2.6 Million annually, for the next five years, to assist in recovery of costs to provide and maintain infrastructure and services.

In addition, the cost of Proposition 218 mailing will be borne by the Wastewater Operations Fund (640). Those costs are projected to be \$10,000.

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. 2019 Wastewater Rate Study Link (web link)



CITY COUNCIL STAFF REPORT

MEETING DATE: February 20, 2019

PREPARED BY: Dat Nguyen, Finance Director

APPROVED BY: City Manager

INTRODUCE DEVELOPMENT IMPACT FEE UPDATE STUDY AND RECEIVE POLICY DIRECTION

RECOMMENDATION(S)

1. Introduce 2019 Development Impact Fee Update Study;
2. Discuss and provide policy direction to staff on Development Impact Fee Update implementation.

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

2019 Strategic Priorities

Economic Development
 Financial Stewardship
 Infrastructure

GUIDING DOCUMENTS

Bikeways
 Trails
 Parks and Recreation Masterplan
 General Plan/Housing Element
 Public Safety Master Plan
 Sewer System Master Plan
 Vision Zero
 Water System Master Plan

POLICY CONSIDERATIONS:

Should the City Council consider updating the development impact fees assessed to development within the City?

Should the City Council consider assessing the Park and Traffic development impact fees amounts lower than the maximum justified development impact fees schedule?

REPORT NARRATIVE:

Background

In 2016, the City of Morgan Hill adopted its updated General Plan, outlining a plan for the growth of the City through the year 2035. In 2017, the City adopted its:

- 1) Public Safety Master Plan, serving as a foundational document for service delivery decision well into the future;
- 2) Utilities Master Plan Documents to help the Council and the public understand the future build out of the City's water and wastewater systems; and
- 3) Bikeways, Trails, Parks, and Recreation Master Plan to guide the improvement and future development of the City's bikeways, trail, parks, and recreation system in Morgan Hill.

More recently, in 2018, the City adopted its Storm Drainage Master Plan to evaluate the capacity adequacy of the existing stormwater drainage system, recommending improvements to mitigate existing deficiencies and for servicing future growth. Growth brings the need for both new and expanded infrastructure. A key element of planning for growth is identifying the funding mechanism to pay for such infrastructures.

The City relies on various resources to fund new infrastructure, a portion of funding may come from outside sources, such as federal or state grants, but much of the funding, must be raised at the local level. Therefore, the City works to ensure that new development pays for the infrastructure need it creates. The City has in place a development impact fee program, assessing various impact fees to new developments to fund infrastructure improvements. Such fee assessments are allowed under the Mitigation Fee Act (California Government Code Section 66000 et seq., also known as Assembly Bill 1600).

The General Plan requires the City to update periodically the schedule of development impact fees authorized by AB 1600 to address the impacts of growth on City infrastructure. To ensure the growth continues to pay for itself in a fair and equitable manner, the City engaged an independent financial consultant, Willdan Financial Services, to examine the City's development impact fees.

Last Update

The Traffic and Recreation impact fees were last updated in 2015. However, only the traffic impact fee is being updated in this study as there have been no changes in the factors relating to the recreation center impact fee that would result in this fee being recalculated at this time.

Fire impact fee was last updated in 2013. The cost estimate for the planned 3rd fire station has increased significantly requiring the City to have the fee recalculated.

The City last updated its General Facilities, Police, Library, and Storm Drainage Impact Fees in 2010. These fees are being updated in this study. Finally, Water and Wastewater impact fees were last updated in 2007. However, after further analysis, staff believes the existing rate structure and fee amount for wastewater are sufficient to fund the impact fee funded expansion and capacity related improvement projects, as such it is not being updated in this study.

2019 Update Study

Impact fees provide the financial means for the City to build future infrastructure that would be required to service future growth. As mentioned earlier, developers are the primary payers of impact fees as it would be inherently unfair to ask current residents and businesses to pay for infrastructure needed to service future residents and businesses. This study provides the necessary analysis to match the impact fees paid to the fair share of infrastructure to be built.

The maximum justified total impact fees shown in this study would increase total impact fees by about 23% to 38% for residential development, depending on dwelling unit type of residential construction, and by about 9% to 45% for non-residential development, depending on type of construction. The increases are significant in both dollar and percentage terms. However, they are necessary as fees collected would enable the City to expand its inventory of public facilities as new development creates increases in service demands.

State law requires City to expend the collected impact fee revenues on new facilities or expansion of current facilities to serve new development. The City is required to make statutory findings with respect to any portion of the fee collected remaining unexpended, whether committed or uncommitted after five years. The City is not allowed to hold the funds indefinitely or not build or expand facilities to serve new development that justified the fees. Staff has identified traffic and park impact fees that require further consideration.

Traffic Impact Fee: Included in the traffic impact fee calculations are the Priority Bikeways projects. Approximately \$3.1 million of the \$12.1 million total Priority Bikeways projects identified in the Bikeways, Trails, Parks, and Recreation Master Plan is allocated to new development. City staff believe that there are alternative funding options to fund the existing user portion of the Priority Projects, such as grants and developer contributions through the Residential Development Control System (RDCS). However, these sources are not guaranteed to cover the non-impact fee funded share of approximately \$9.0 million.

Park Impact Fee: This impact fee is based on the parkland standards found in the Bikeways, Trails, Parks, and Recreation Master Plan. These standards are typically expressed as a ratio of park acres per 1,000 residents. Based on the projected growth of the City through the year 2035, additional 40.4 acres of developed parkland would be required. The allowed fees have increased significantly in this area due to the increases in land values and the cost of construction of public facilities. In the past, the City has been very successful in raising funds from outside sources such as grants to help fund the development of City parks. The City received over \$2 million of State and local grants out of the total construction cost of approximately \$5.5 million for the recently completed 3 Downtown parks. For the planned Inclusive Playground project, the City has secured over \$2 million in local grant and donation out of the total estimated project cost of approximately \$5.5 million.

Another consideration relating to park impact fees is the ongoing maintenance costs associated with parks. New parks require funding sources other than impact fees to

fund on-going operation and maintenance (O&M). The most likely funding source is the General Fund, but no funding for increases in service levels for park maintenance are included in future budget projects. While the City may be able to utilize creative means to manage maintenance (partnerships, contractual maintenance services), it is not likely the City will be able to maintain new park spaces without additional funding. The City's limited General Fund and diminishing RDCS revenues currently are not sufficient to fund the maintenance and operation of existing parks, requiring the use of Park Maintenance Fund (Fund 302) reserves.

Due to aforementioned reasons, staff is recommending that the Council consider reducing Traffic and Park Impact Fees to levels below the maximum amount:

- 1) Traffic Impact Fee: City staff are recommending that the total Priority Bikeways projects be reduced to one-third or approximately \$4 million as the City realistically would only be able to raise \$3 million from outside sources for the projects. Reducing the Priority Bikeways projects would result in a lower maximum justified traffic impact fee schedule. The following table outlines the maximum fee that can be charged per the study and the fee should bike facilities be reduced to one-third with approximately \$1 million to be funded by impact fees:

<u>Residential</u>	<u>Per Study</u>	<u>Change</u>	<u>Fee reduced Bike Facilities</u>
Single Family	\$3,313	(\$206)	\$3,107
Multi-Family	2,054	(128)	1,926
Senior/Downtown/ADU	828	(52)	776
<u>Nonresidential</u>			
Commercial	12,291	(765)	11,526
Office	4,937	(307)	4,630
Industrial	3,214	(200)	3,014
Auto Dealership	8,680	(540)	8,140
Hotel	1,988	(124)	1,864

- 2) Park Impact Fee: City Council could consider the likelihood that the City would be able to successfully build, maintain, and operate the net new developed parkland of approximately 40.4 acres to service the expected population growth through 2035. Staff estimates that lack of outside sources to fund the O&M would reduce the new parks to be built by half, resulting in a reduced fee schedule as follows:

<u>Residential</u>	<u>Per Study</u>	<u>Change</u>	<u>Fee at 50%</u>
--------------------	------------------	---------------	-------------------

Single Family	\$14,402	(\$7,201)	\$7,201
Multi-Family	12,632	(6,316)	6,316
Senior/Downtown/ADU	9,570	(4,785)	4,785

Table below shows the total impact fee amount and percent increases from the Study and proposed reduced fees for Traffic and Park compared to the current City's total impact fee.

	Per Study		Reduced Traffic & Park	
Land Use	\$	%	\$	%
<u>Residential (per dwelling unit)</u>				
Single Family	\$14,724	38%	\$7,317	19%
Multi-Family	9,174	28%	2,730	8%
Senior / Downtown / ADU	6,641	23%	1,804	6%
<u>Nonresidential (per KSF or per hotel room)</u>				
Commercial	\$6,067	45%	\$5,302	39%
Office	3,310	37%	3,003	33%
Industrial	2,390	39%	2,190	36%
Auto Dealership	3,698	32%	3,158	27%
Hotel	334	9%	210	5%

Next Steps

Community Meeting – Staff have scheduled two community meeting sessions on March 21, 2019, to be held in the Development Services Center – Grand Conference Room at 3pm and at 6pm.

April 3, 2019 – City Council to hold public hearing and adopt revisions to impact fees, to be effective July 1, 2019.

COMMUNITY ENGAGEMENT: Inform

This staff report serves to inform the community of the development impact fee update study. On February 8, 2019, an email blast was sent to community members, including development community members, to inform them of the development impact fee update study report and today's meeting. In addition, two community meetings will be held on March 21, 2019, to present the study, and to receive feedback from the community. The feedback gathered at this meeting will be presented to the City Council at the April 3, 2019 City Council meeting.

ALTERNATIVE ACTIONS:

The study provides for the maximum fees that may be charged in the various areas. In addition to the options outlined for parks and traffic, other fees may be assessed below the maximum. Reducing impact fees that relate to infrastructure (water/traffic) will result in inadequate funding for future infrastructure and are not advisable. The City Council could also consider phasing increases to impact fees or delaying increases in impact fees.

Alternatively, City Council could consider directing staff to revise the park impact fee schedule taking into account approximately 25% of construction costs to be funded from outside sources other than impact fees based on the City's recent success in raising funds from outside sources to help fund the development of City parks.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On September 27, 2017, the City Council approved a consultant agreement with Willdan Financial Services to update the City's development impact fees.

FISCAL AND RESOURCE IMPACT:

The fiscal impact of preparing this report is included in the staff's annual workplan. The proposed impact fees would provide sufficient funding from new development for capital improvements related to that development.

CEQA (California Environmental Quality Act):

Project, Description of CEQA requirements

These actions are exempt from CEQA under Section 15273 of Guidelines for CEQA, because they establish, modify, and approve rates and charges for the purposes of obtaining funds for capital projects.

LINKS/ATTACHMENTS:

1. Morgan Hill Development Impact Fee Update Study - Final Draft 1-31-19
2. Morgan Hill Development Impact Fee Update - Comparison
3. Development Impact Fee Presentation

CITY OF MORGAN HILL

DEVELOPMENT IMPACT FEE UPDATE STUDY

FINAL DRAFT

JANUARY 31, 2019



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Executive Summary

This report summarizes an analysis of the maximum justified development impact fees allowable to support future development in Morgan Hill through 2035. It is the City's intent that the costs representing future development's share of public facilities and capital improvements be imposed on that development in the form of a development impact fee, also known as a public facilities fee. The public facilities and improvements included in this analysis are divided into the fee categories listed below:

- General Public Facilities;
- Traffic Facilities;
- Library Facilities;
- Park Facilities;
- Water Facilities; and,
- Storm Drain Facilities.

Background and Study Objectives

The primary policy objective of a development impact fee program is to ensure that new development pays the capital costs associated with growth. Although growth also imposes operating costs, there is no similar system to generate revenue from new development for services. The primary purpose of this report is to calculate and present fees that will enable the City to expand its inventory of public facilities as new development creates increases in service demands.

The City imposes public facilities fees under authority granted by the *Mitigation Fee Act* (the *Act*), contained in *California Government Code* Sections 66000 *et seq.* This report provides the necessary findings required by the *Act* for adoption of the fees presented in the fee schedules contained herein.

All development impact fee-funded capital projects should be programmed through the City's six-year Capital Improvement Plan (CIP). Using a CIP can help the City identify and direct its fee revenue to public facilities projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City can help ensure a reasonable relationship between new development and the use of fee revenues as required by the *Mitigation Fee Act*.

Facility Standards and Costs

There are three approaches typically used to calculate facilities standards and allocate the costs of planned facilities to accommodate growth in compliance with the *Mitigation Fee Act* requirements.

The **planned facilities** approach allocates costs based on the ratio of planned facilities that serve new development to the increase in demand associated with new development. This approach is appropriate when specific planned facilities that only benefit new development can be identified, or when the specific share of facilities benefiting new development can be identified. Examples include street improvements to avoid deficient levels of service or a water main extension to a previously undeveloped area. This approach is used for the traffic facilities, park facilities, water facilities and the storm drain facilities fees in this report.

The **existing inventory** approach is based on a facility standard derived from the City's existing level of facilities and existing demand for services. This approach results in no facility deficiencies attributable to existing development. This approach is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee

study. Future facilities to serve growth will be identified through the City's annual capital improvement plan and budget process and/or completion of a new facility master plan. This approach is used for the library facilities fees and general public facilities fees in this study.

The **system plan** approach is based on a master facilities plan in situations where the needed facilities serve both existing and new development. This approach allocates existing and planned facilities across existing and new development to determine new development's fair share of facility needs. This approach is used when it is not possible to differentiate the benefits of new facilities between new and existing development. Often the system plan is based on increasing facility standards, so the City must find non-impact fee revenue sources to fund existing development's fair share of planned facilities. This approach is not used in this report.

Use of Fee Revenues

Impact fee revenue must be spent on new facilities or expansion of current facilities to serve new development. Facilities can be generally defined as capital acquisition items with a useful life greater than five years. Impact fee revenue can be spent on capital facilities to serve new development, including but not limited to: land acquisition, construction of buildings and infrastructure, the acquisition of vehicles or equipment, information technology, software licenses and equipment.

Development Impact Fee Schedule Summary

Table E.1 summarizes the maximum justified development impact fees that meet the City's identified needs and comply with the requirements of the *Mitigation Fee Act*.

E.1: Maximum Justified Development Impact Fees

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Water	Storm Drainage	Total
<i><u>Residential (DU)</u></i>							
Single Family	\$ 3,638	\$ 3,313	\$ 2,413	\$ 14,402	\$ 8,914	\$ 1,513	\$ 34,193
Multi-Family	3,191	2,054	2,117	12,632	4,100	1,074	25,168
Senior / Downtown / Accessory Unit	2,417	828	1,603	9,570	4,635	726	19,779
<i><u>Nonresidential (per KSF or hotel room)</u></i>							
Commercial	\$ 936	\$ 12,291	-	-	\$ 2,139	\$ 937	\$ 16,303
Office	1,123	4,937	-	-	2,139	937	9,136
Industrial	936	3,214	-	-	1,516	575	6,241
Auto Dealership	374	8,680	-	-	2,139	937	12,130
Hotel	112	1,988	-	-	713	303	3,116

Sources: Tabs 3.6, 4.6, 5.6, 6.9, 7.5 and 8.5.

Other Funding Needed

Impact fees may only fund the share of public facilities related to new development in Morgan Hill. They may not be used to fund the share of facility needs generated by existing development or by development outside of the City. As shown in **Table E.2**, approximately \$73.7 million in additional funding will be needed to complete the projects the City currently plans to develop. Non-fee funding is needed because these facilities are needed partially to remedy existing deficiencies and partly to accommodate new development.

The City will need to develop alternative funding sources to fund existing development's share of the planned facilities. Potential sources of revenue include but are not limited to: existing or new general fund revenues, revenues to Residential Development Control System (RDCS) in-lieu accounts, existing or new taxes, special assessments, and grants.

Table E.2: Non-Impact Fee Funding Required

Fee Category	Total Project Cost	Development Fee Revenue	Additional Funding Required
General Public Facilities	\$ 34,631,883	\$ 18,111,540	\$ 16,520,343
Traffic Facilities	55,613,839	33,680,899	21,932,940
Library Facilities	5,580,000	10,755,600	-
Parks	64,236,000	64,236,000	-
Sewer	80,969,521	58,954,990	22,014,530
Water	46,296,126	33,110,593	13,185,533
Storm Drainage ¹	12,042,945	8,080,922	-
	<u>\$ 299,370,313</u>	<u>\$ 226,930,543</u>	<u>\$ 73,653,346</u>

¹ Existing fund balances fund the difference between total project cost and projected impact fee revenue.

Sources: City of Morgan Hill; Tables 3.3, 3.5, 4.3, 4.4, 4.5, 5.3, 5.5, 6.7, 7.3, 7.4, and 8.3.

1. Introduction

This report presents an analysis of the need for public facilities to accommodate new development in Morgan Hill. This chapter provides background for the study and explains the study approach under the following sections:

- Public Facilities Financing in California;
- Study Objectives;
- Morgan Hill Impact Fee Program;
- Fee Program Maintenance;
- Study Methodology; and
- Organization of the Report.

Public Facilities Financing in California

The changing fiscal landscape in California during the past 40 years has steadily undercut the financial capacity of local governments to fund infrastructure. Three dominant trends stand out:

- The passage of a string of tax limitation measures, starting with Proposition 13 in 1978 and continuing through the passage of Proposition 218 in 1996;
- Declining popular support for bond measures to finance infrastructure for the next generation of residents and businesses; and
- Steep reductions in federal and state assistance.

Faced with these trends, many cities and counties have had to adopt a policy of “growth pays its own way.” This policy shifts the burden of funding infrastructure expansion from existing ratepayers and taxpayers onto new development. This funding shift has been accomplished primarily through the imposition of assessments, special taxes, and development impact fees also known as public facilities fees. Assessments and special taxes require the approval of property owners and are appropriate when the funded facilities are directly related to the developing property. Development impact fees, on the other hand, are an appropriate funding source for facilities that benefit all development jurisdiction-wide. Development impact fees need only a majority vote of the legislative body for adoption.

Study Objectives

The primary policy objective of a public facilities fee program is to ensure that new development pays the capital costs associated with growth. Policy 16.4(c) of the Morgan Hill General Plan states that the City will “Fully utilize existing strategies to achieve an urban level of public services throughout the city, including require [ing] developers to dedicate land and/or pay to offset the costs relating to the provision and expansion of public services and facilities.” The primary purpose of this report is to update the City’s impact fees based on the most current available facility plans and growth projections. The proposed fees will enable the City to expand its inventory of public facilities as new development leads to increases in service demands.

The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. This report provides the necessary findings required by the Act for adoption of the fees presented in the fee schedules presented in this report.

Morgan Hill is forecast to experience moderate growth through this study’s planning horizon of 2035. This growth will create an increase in demand for public services and the City facilities

required to deliver them. Given the revenue challenges described above, Morgan Hill has decided to use a development impact fee program to ensure that new development funds the share of facility costs associated with growth. This report makes use of the most current available growth forecasts and facility plans to update the City's existing fee program to ensure that the City's fee program is representative of the facility needs resulting from new development.

Morgan Hill Impact Fee Program

Morgan Hill currently charges impact fees to fund the expansion of general public facilities, water facilities, storm drain facilities, park facilities, recreation and community center facilities, library facilities, fire facilities, police facilities, traffic facilities, and sewer facilities to serve new development. Most of the fees were established in 2002 or 2003 and have since been comprehensively updated, in addition to periodic updates for inflation.

This study provides the documentation needed for a comprehensive update of the City's impact fee program, with the exception of the City's recreation facilities fee and the sewer facilities fee. Two former fee categories, fire and police facilities fees, will be incorporated into the general public facilities fee, and the individual categories discontinued. All existing revenue within these two restricted fee funds must be spent on the purpose for which it was collected.

Fee Program Maintenance

Once a fee program has been adopted it must be properly maintained to ensure that the revenue collected adequately funds the facilities needed by new development. To avoid collecting inadequate revenue, the inventories of existing facilities and costs for planned facilities must be updated periodically for inflation, and the fees recalculated to reflect the higher costs. The use of established indices for each facility included in the inventories (land, buildings, and equipment), such as the *Engineering News-Record*, is necessary to accurately adjust the impact fees. For a list of recommended indices, see Chapter 9.

While fee updates using inflation indices are appropriate for annual or periodic updates to ensure that fee revenues keep up with increases in the costs of public facilities, it is recommended to conduct more extensive updates of the fee documentation and calculation (such as this study) when significant new data on growth forecasts and/or facility plans become available. For further detail on fee program implementation, see Chapter 9.

Morgan Hill last completed comprehensive review of the general public facilities, library, park, storm drain, fire and police impact fees in 2010. The city last comprehensively updated the community recreation centers and traffic facilities fees in 2015. Impact fees must be adjusted for inflation to fund new development's fair share of planned facilities. If impact fees are not adjusted for inflation, then deficiencies will grow, since the impact fees will no longer fully fund new development's fair share of planned facilities.

Study Methodology

Development impact fees are calculated to fund the cost of facilities required to accommodate growth. The six steps followed in this development impact fee study include:

1. **Estimate existing development and future growth:** Identify a base year for existing development and a growth forecast that reflects increased demand for public facilities;
2. **Identify facility standards:** Determine the facility standards used to plan for new and expanded facilities;
3. **Determine facilities required to serve new development:** Estimate the total amount of planned facilities, and identify the share required to accommodate new development;

4. **Determine the cost of facilities required to serve new development:** Estimate the total amount and the share of the cost of planned facilities required to accommodate new development;
5. **Calculate fee schedule:** Allocate facilities costs per unit of new development to calculate the development impact fee schedule; and
6. **Identify alternative funding requirements:** Determine if any non-fee funding is required to complete projects.

The key public policy issue in development impact fee studies is the identification of facility standards (step #2, above). Facility standards document a reasonable relationship between new development and the need for new facilities. Standards ensure that new development does not fund deficiencies associated with existing development.

Types of Facility Standards

There are three separate components of facility standards:

- ♦ *Demand standards* determine the amount of facilities required to accommodate growth, for example, park acres per thousand residents, square feet of library space per capita, or gallons of water per day. Demand standards may also reflect a level of service such as the vehicle volume-to-capacity (V/C) ratio used in traffic planning.
- ♦ *Design standards* determine how a facility should be designed to meet expected demand, for example, park improvement requirements and technology infrastructure for city office space. Design standards are typically not explicitly evaluated as part of an impact fee analysis but can have a significant impact on the cost of facilities. Our approach incorporates the cost of planned facilities built to satisfy the City's facility design standards.
- ♦ *Cost standards* are an alternate method for determining the amount of facilities required to accommodate growth based on facility costs per unit of demand. *Cost standards* are useful when demand standards were not explicitly developed for the facility planning process. *Cost standards* also enable different types of facilities to be analyzed based on a single measure (cost or value) and are useful when different facilities are funded by a single fee program. Examples include facility costs per capita, cost per vehicle trip, or cost per gallon of water per day.

New Development Facility Needs and Costs

A number of approaches are used to identify facility needs and costs to serve new development. This is often a two-step process: (1) identify total facility needs, and (2) allocate to new development its fair share of those needs.

There are three common methods for determining new development's fair share of planned facilities costs: the **planned facilities method**, the **existing inventory method** and the **system plan method**. Often the method selected depends on the degree to which the community has engaged in comprehensive facility master planning to identify facility needs.

The formula used by each approach and the advantages and disadvantages of each method is summarized below:

Planned Facilities Method

The planned facilities method allocates costs based on the ratio of planned facility costs to demand from new development as follows:

$$\frac{\text{Cost of Planned Facilities}}{\text{New Development Demand}} = \$/\text{unit of demand}$$

This method is appropriate when planned facilities will entirely serve new development, or when a fair share allocation of planned facilities to new development can be estimated. An example of the former is a water main extension to a previously undeveloped area. An example of the latter is expansion of an existing library building and book collection, which will be needed only if new development occurs, but which, if built, will in part benefit existing development, as well. Under this method new development funds the expansion of facilities at the standards used in the applicable planning documents. This method is used to calculate the traffic facilities, park facilities, water facilities and the storm drain facilities fees in this study.

Existing Inventory Method

The existing inventory method allocates costs based on the ratio of existing facilities to demand from existing development as follows:

$$\frac{\text{Current Value of Existing Facilities}}{\text{Existing Development Demand}} = \$/\text{unit of demand}$$

Under this method new development funds the expansion of facilities at the same standard currently serving existing development. By definition the existing inventory method results in no facility deficiencies attributable to existing development. This method is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth are identified through an annual capital improvement plan and budget process, possibly after completion of a new facility master plan. This method is used to calculate the library facilities fees and general public facilities fees in this study.

System Plan Method

This method calculates the fee based on: the value of existing facilities plus the cost of planned facilities, divided by demand from existing plus new development:

$$\frac{\text{Value of Existing Facilities} + \text{Cost of Planned Facilities}}{\text{Existing} + \text{New Development Demand}} = \$/\text{unit of demand}$$

This method is useful when planned facilities need to be analyzed as part of a system that benefits both existing and new development. It is difficult, for example, to allocate a new fire station solely to new development when that station will operate as part of an integrated system of fire stations that together achieve the desired level of service.

The system plan method ensures that new development does not pay for existing deficiencies. Often facility standards based on policies such as those found in General Plans are higher than existing facility standards. This method enables the calculation of the existing deficiency required to bring existing development up to the policy-based standard. The local agency must secure non-fee funding for that portion of planned facilities required to correct the deficiency to ensure that new development receives the level of service funded by the impact fee. This method is not used in this report.

Organization of the Report

The determination of a public facilities fee begins with the selection of a planning horizon and development of growth projections for population and employment. These projections are used throughout the analysis of different facility categories, and are summarized in Chapter 2.

Chapters 3 through 8 identify facility standards and planned facilities, allocate the cost of planned facilities between new development and existing development, and identify the maximum justified development impact fee for each of the following facility categories:

- General Public Facilities;
- Traffic Facilities;

- Library Facilities;
- Park Facilities;
- Water Facilities; and,
- Storm Drain Facilities.

Chapter 9 details the procedures that the City must follow when implementing a development impact fee program. Impact fee program adoption procedures are found in *California Government Code* Sections 66016 through 66018.

The five statutory findings required for adoption of the proposed public facilities fees in accordance with the Mitigation Fee Act are documented in Chapter 10.

2. Growth Forecasts

Growth projections are used as indicators of demand to determine facility needs and allocate those needs between existing and new development. This chapter explains the source for the growth projections used in this study based on a 2018 base year and a planning horizon of 2035.

Estimates of existing development and projections of future growth are critical assumptions used throughout this report. These estimates are used as follows:

- The estimate of existing development in 2018 is used as an indicator of existing facility demand and to determine existing facility standards.
- The estimate of total development at the 2035 planning horizon is used as an indicator of future demand to determine total facilities needed to accommodate growth and remedy existing facility deficiencies, if any.
- Estimates of growth from 2018 through 2035 are used to (1) allocate facility costs between new development and existing development, and (2) estimate total fee revenues.

The demand for public facilities is based on the service population, dwelling units or nonresidential development creating the need for the facilities. The service population for general public facilities includes residents and workers. The service population for parks and libraries includes only residents. Demand for water facilities is based on flow generation factors that vary by land use. The demand for storm drain facilities is based on the ratio of impervious surface to non-impervious surface that a development will create. Water and storm drain demand factors are provided per dwelling unit, per thousand building square feet of nonresidential space and per hotel room.

Land Use Types

To ensure a reasonable relationship between each fee and the type of development paying the fee, growth projections distinguish between different land use types. The land use types that impact fees have been calculated for are defined below.

- **Single family:** Detached and attached one-unit dwellings. Per *Municipal Code Section 18.04.155*, a single family detached dwelling unit is defined as, “a dwelling designed to contain a single dwelling unit situated on a single lot.” Per *Municipal Code Section 18.04.154*, a single family attached dwelling unit is defined as, “a dwelling attached to another dwelling on at least fifty percent of the length of the attached side of the building, sometimes called a townhouse, duet, or row house.”
- **Multi-family:** All attached multi-family dwellings including duplexes and condominiums. Per *Municipal Code Section 18.04.150*, a multi-family unit is defined as, “a building designed and used as a residence for three or more families living independently of each other and containing three or more dwelling units. Per *Municipal Code Section 18.04.157*, a duplex is defined as, “a structure which is designed and used as a residence for two families living independently of each other and containing two dwelling units.”
- **Senior / Downtown / Accessory Units:** All senior housing units, any multi-unit residential development occurring in the downtown area (as defined by the Downtown Specific Plan) and any secondary dwelling units less than 900 square feet in size per unit.
- **Commercial:** All commercial, retail and educational development.
- **Office:** All general, professional, and medical office development.

- **Industrial:** All manufacturing and warehouse development.
- **Automobile Dealerships:** All land uses selling new or used automobile or other motor vehicles.
- **Hotel/Motel:** All lodging development, including hotels and motels.

Some developments may include more than one land use type, such as a mixed-use development with both multi-family and commercial uses. In those cases, the facilities fee would be calculated separately for each land use type.

The City has the discretion to determine which land use type best reflects a development project's characteristics for purposes of imposing an impact fee and may adjust fees for special or unique uses to reflect the impact characteristics of the use.

Existing and Future Development

Table 2.1 shows the estimated number of residents, dwelling units, employees, and building square feet in Morgan Hill, both in 2018 and in 2035. Existing residents and dwelling units are based on California Department of Finance (DOF) data. These estimates exclude "group quarters" resident populations, since they do not contribute to demand for facilities. Estimates of residents in 2035 also exclude group quarters residents and is based on Municipal Code Section 18.78.040 - Population Limit of the voter-approved Residential Development Control System (RDCS), which established a maximum population of 58,200.¹

Base year dwelling units for single family units are based on DOF data. Senior/downtown/accessory dwelling unit estimates are consistent with data from the City's 2015 Traffic Impact Fee study. Multifamily base year units estimated as the difference between total units, single family units from DOF and senior/downtown/ADU units from 2015 Traffic Impact Fee study. Total dwelling units in 2035 are calculated by dividing 2035 residents by the current density of 3.145 residents per household and assuming a 4.687% vacancy rate, consistent with current DOF estimates.

Base year employees are estimated based on data provided by the US Census' American Community Survey and exclude local government employees. Future employees are estimated based on data from the Association of Bay Area Governments (ABAG) used in the Morgan Hill General Plan. Estimates of base year and planning horizon building square feet come from the Morgan Hill 2035 Final EIR.

¹ 58,200 less existing Group Quarters Population of 386 = 57,814.

Table 2.1: Existing and New Development

	2018	2035	Increase
<u>Residents</u> ¹	44,130	57,814	13,684
<u>Dwelling Units</u> ²			
Single Family	11,320	13,000	1,680
Multi-family	2,302	4,687	2,385
Senior / Downtown /			
Accessory Dwelling Units	<u>1,100</u>	<u>1,600</u>	<u>500</u>
Total	14,722	19,287	4,565
<u>Employment</u> ³	16,446	21,520	5,074
<u>Building Square Feet (000s)</u> ⁴			
Commercial	2,610	3,727	1,117
Office	522	1,151	629
Industrial	5,935	7,715	1,780
Auto Dealership	<u>120</u>	<u>176</u>	<u>56</u>
Total	9,187	12,769	3,582
<u>Hotel Rooms</u>	919	1,134	215

¹ Excludes "group quarters" resident populations. Existing residents from DOF data. Estimates of residents in 2035 based on Section 18.78.040 - Population Limit of the voter-approved Residential Development Control System (RDSCS), which established a maximum population of 58,200. 58,200 less existing Group Quarters Population 386 = 57,814.

² Base year dwelling units for single family based on DOF data. senior/downtown/ADU units consistent with data from 2015 Traffic Impact Fee study. Multifamily base year units estimated as the difference between total units, single family units from DOF and senior/downtown/ADU units from 2015 study. Total dwelling units in 2035 calculated by dividing 2035 residents by current density of 3.145 residents per household and assuming a 4.687% vacancy rate, consistent with current DOF estimates.

³ Estimate of 16,894 total workers from American Community Survey Table B08604. 448 local government workers are further excluded from that figure based on data from OnTheMap.ces.census.gov.

⁴ Building square feet data from 2035 horizon year projection summarized on page 5-2 of the responses to comments in the Morgan Hill 2035 Final EIR.

Sources: California Department of Finance (DOF) Table E-5, 2018; U.S. Census Bureau, LEHD Origin-Destination Employment Statistics (2002-2015) accessed at <https://onthemap.ces.census.gov>; City of Morgan Hill General Plan 2035 EIR; Willdan Financial Services.

Occupant Densities

The general public facilities, library facilities, and park facilities fees are based on allocating a cost per resident or employee to new development. Occupant density assumptions ensure a

reasonable relationship between the size of a development project, the increase in service population associated with the project, and the amount of the fee.

Occupant densities (residents per dwelling unit or workers per building square foot or hotel room) are the most appropriate characteristics to use for these impact fees. The fee imposed should be based on the land use type that most closely represents the probable occupant density or impervious surface (for storm drain fees) of the development.

The average occupant density factors used in this report are shown in **Table 2.2**. The residential density factors are based on data for Morgan Hill from the U.S. Census' American Community Survey. The nonresidential factors are based on data from the City of Morgan Hill General Plan 2035 EIR.

Table 2.2: Occupant Density

<u>Residential</u>		
Single Family	3.01	Residents per dwelling unit
Multi-family	2.64	Residents per dwelling unit
Senior / Downtown / Accessory Dwelling Units	2.00	Residents per dwelling unit
<u>Nonresidential</u>		
Commercial	2.50	Employees per 1,000 square feet
Office	3.00	Employees per 1,000 square feet
Industrial	2.50	Employees per 1,000 square feet
Auto Dealership	1.00	Employees per 1,000 square feet
Hotel/Motel	0.30	Employees per room

Sources: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates, Tables B25024 and B25033; City of Morgan Hill General Plan 2035 EIR; Willdan Financial Services.

3. General Public Facilities

This chapter documents the impact fee for general public facilities. The general public facilities in this fee category include a variety of facilities including City Hall, the Development Services Center, a corporation yard, police and fire facilities.

Service Population

General public facilities are used to provide services to both residents and businesses. The service population used to determine the demand for general public facilities includes both residents and workers.

Table 3.1 shows the existing and future projected service population for general public facilities. While specific data is not available to estimate the actual ratio of demand per resident to demand by businesses (per worker) for these services, it is reasonable to assume that demand for these services is less for one employee compared to one resident, because nonresidential buildings are typically occupied less intensively than dwelling units. The 0.31-weighting factor for workers is based on a 40-hour workweek divided by the total number of non-work hours in a week (128) and reflects the degree to which nonresidential development yields a lesser demand for general public facilities.

Table 3.1: General Public Facilities Service Population

	A Persons	B Weighting Factor	A x B = C Service Population
<u>Residents</u>			
Existing (2018)	44,130	1.00	44,130
New Development (2018-2035)	13,684	1.00	13,684
Total (2035)	57,814		57,814
<u>Workers</u>			
Existing (2018)	16,446	0.31	5,100
New Development (2018-2035)	5,074	0.31	1,600
Total (2035)	21,520		6,700
<u>Combined Residents and Weighted Workers</u>			
Existing (2018)			49,230
New Development (2018-2035)			15,284
Total (2035)			64,514

¹ Workers are weighted at 0.31 of residents based on a 40 hour work week out of a possible 128 non-work hours in a week (40/128 = 0.31)

Sources: Table 2.1; Willdan Financial Services.

Facility Inventories and Standards

This section describes the City's general public facility inventory, the cost of planned facilities and facility standards.

Existing Inventory

Table 3.2 shows the existing inventory of general public facilities, along with the facilities' estimated replacement value. The estimated land value was developed based on data from four recent appraisals of City owned property and is used consistently throughout this report to value City-owned land. Building values are based on the estimated replacement cost of each facility. Building values were informed by the City's recent construction cost experience. The present value of debt service payment made to date on the police headquarters building is also listed as an owned asset. Likewise, the present value of remaining payments is subsequently listed as a planned facility in the next table. Table 3.2 also lists the replacement cost of the City's owned fleet of general public facilities vehicles, including police vehicles, fire apparatus, public works vehicles and other fleet vehicles.

Table 3.2: Existing General Public Facilities Inventory

	Inventory	Unit	Unit Cost	Replacement Cost
<u>Land (acres)</u>				
City Hall, with Villas	4.81	acres	\$ 790,000	\$ 3,800,000
Development Services Center	1.65	acres	790,000	1,304,000
Dunne Hill Fire Station	0.29	acres	790,000	229,000
El Toro Fire Station ¹	0.50	acres	790,000	395,000
Third Fire Station Land	1.78	acres	790,000	1,406,000
Police Station	3.71	acres	790,000	2,931,000
Public Works Corporation Yard	<u>2.07</u>	acres	790,000	<u>1,635,000</u>
Subtotal - Land	14.81			\$ 11,700,000
<u>Buildings (square feet)</u>				
City Hall, with Villas ²	16,800	sq. ft.	\$ 580	\$ 9,744,000
City Hall Improvements				2,051,000
Development Services Center ²	12,600	sq. ft.	580	3,603,000
Dunne Hill Fire Station	3,316	sq. ft.	1,000	3,316,000
El Toro Fire Station	5,180	sq. ft.	1,000	5,180,000
Police Headquarters Building - Present Value of Debt Payments			NA	7,640,000
Public Works Corporation Yard	<u>5,228</u>	sq. ft.	300	<u>1,568,000</u>
Subtotal - Buildings	43,124			\$ 33,102,000
<u>Vehicles</u> ³				<u>\$ 13,010,700</u>
<u>Existing Fund Balance</u> ⁴				<u>\$ 520,300</u>
Total Value - Existing Facilities				\$ 58,333,000

¹ Total site is 1.89 acres. Only 0.5 acres is utilized for fire department activities.

² City Hall and Development Services Center building unit costs are based on the actual construction cost of the Development Services Center.

³ The City owns 137 vehicles and pieces of public works equipment listed within the general public facilities category

⁴ Existing fund balance as of 6/30/2018.

Sources: City of Morgan Hill; Willdan Financial Services.

Planned Facilities

Table 3.3 shows the additional general public facilities the City plans to develop through the 2035 planning horizon. The City plans to replace and expand its City Hall annex with a larger permanent facility to accommodate future demand caused by new development. No land costs are included because the project will take place on property that the City currently owns.

In addition to the improvements to City Hall, the City plans on moving the existing corporation yard from its current site, to a larger facility. The City plans to expand an existing fire station, and to build a new fire station, in addition to buying new fire apparatus'. These facilities are required as a direct result of new fire service demands brought on by new development. Additionally, a

third fire station has been recommended per the City's Public Safety Master Plan. During the dissolution of the Redevelopment Agency, the settlement agreement provided for the City to retain property on Butterfield Boulevard for this third fire station. However, the agreement requires the property be constructed by 2024. In addition to the cost of the construction of the building, there would be approximately \$1.5 million in new equipment costs associated with outfitting the station. The project budget accounts for a facility approximately 5,000 feet in size. Design and construction would be timed for the building to be completed by the deadline established in the settlement agreement.

The City also plans to expand the police department and its inventory of police equipment that is required as a direct result of new police service demands brought on by new development. Also included in the list of planned facilities is the present value of outstanding debt payments for the Police Headquarters.

Table 3.3: Planned General Public Facilities

	Value
Corporation Yard Improvements and Expansion	\$ 15,000,000
Replace and Expand City Hall Annex With Permanent Structure	3,000,000
Total Debt Outstanding - Police Headquarters ¹	5,769,583
Police Department Expansion and Equipment ²	2,270,000
Existing Fire Station Expansion	2,000,000
New Fire Station ³	5,000,000
Quint 105' Aerial (Equipped) ⁴	1,032,600
Type 3 Engine (Equipped) ⁴	396,700
Pickup - F250 ³	65,200
Personal Protective Equipment (9 FTEs) ⁴	97,800
Total Cost of Planned Facilities	\$ 34,631,883

¹ Discounted to 2018\$. Discount rate assumed to be 3.5% per year.

² Includes equipment costs for 11 additional police officers.

³ New fire station consisting of 5,000 square foot building.

⁴ Adjusted from 2012 to current using the Consumer Price Index - All Urban Consumers – (CPI-U) 1913-2018.

Sources: City of Morgan Hill; Willdan Financial Services.

Cost Allocation

Table 3.4 calculates the existing cost per capita facility standard by dividing the value of the existing facilities inventory by the existing service population. The resulting cost per capita is the basis of the impact fee. Funding facilities at this level will ensure that as development occurs, new development will contribute to public use center facilities at the same standard that existing development has contributed thus far. By definition, using the existing standard methodology does not result in existing deficiencies.

Table 3.4: General Public Facilities Existing Standard

Value of Existing Facilities	\$ 58,333,000
Existing Service Population	<u>49,230</u>
Cost per Capita	\$ 1,185
Facility Standard per Resident	\$ 1,185
Facility Standard per Worker ²	367

¹ Based on a weighing factor of 0.31.

Sources: Tables 3.1, 3.2 and 3.3.

Revenue Projection

The City plans to use general public facilities fee revenue to construct improvements to add to the system of general public facilities to serve new development. **Table 3.5** details a projection of fee revenue, based on the service population growth increment identified in Table 3.1. To fully fund the planned facilities, the City will have to identify \$16.5 million of alternative through the planning horizon. However, because the existing standard was used to calculate the fees, the City will meet the requirements of the Mitigation Fee Act so long as the projected \$18.1 million of fee revenue is used to fund new or expanded facilities to serve new development.

The City can use any other funding source other than impact fees to fund the balance of the planned facilities. Potential sources of revenue include, but are not limited to, existing or new general fund revenues, existing or new taxes, special assessments, grants and donations.

Table 3.5: Revenue Projection - Existing Standard

Cost per Capita	\$ 1,185
Growth in Service Population (2018- 2035)	<u>15,284</u>
Fee Revenue	\$ 18,111,540
Net Cost of Planned Facilities	<u>34,631,883</u>
Non-Fee Revenue to Be Identified	\$ (16,520,343)

Sources: Tables 3.1, 3.3 and 3.4.

Use of Fee Revenue

The City can use general public facilities fee revenues for the construction or purchase of buildings, equipment and land that are part of the system of general public facilities serving new development. The City plans to use the fee revenues to fund the facilities shown in Table 3.3.

Fee Schedule

Table 3.6 shows the maximum justified general public facilities fee schedule. The cost per capita is converted to a fee per unit of new development based on dwelling unit and employment densities (persons per dwelling unit or employees per 1,000 square feet of nonresidential building space). The total fee includes a two percent (2%) percent administrative charge to fund costs that include: a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 3.6: General Public Facilities Fee - Existing Standard

	A		B	C = A x B		D = C x 0.02		E = C + D		F	G = E x F
	Cost Per			Admin				Nonres. KSF			Fee per
Land Use	Capita	Density	Base Fee ¹	Charge ^{1, 2}	Total Fee ¹	per Acre ³	per Acre				
<u>Residential</u>											
Single Family	\$	1,185	3.01	\$	3,567	\$	71	\$	3,638		
Multi-family		1,185	2.64		3,128		63		3,191		
Senior / Downtown / Accessory Dwelling Units		1,185	2.00		2,370		47		2,417		
<u>Nonresidential</u>											
Commercial	\$	367	2.50	\$	918	\$	18	\$	936	21.78	\$20,386
Office		367	3.00		1,101		22		1,123	21.78	24,459
Industrial		367	2.50		918		18		936	26.14	24,467
Auto Dealership		367	1.00		367		7		374	26.14	9,776
Hotel		367	0.30		110		2		112	21.78	2,439

¹ Fee per dwelling unit, per 1,000 square feet of nonresidential, or per room for hotel.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

³ Based on assumed floor-area-ratio from the General Plan. FAR for commercial and office assumed to be 0.5 based on the "General Office" land use. FAR for industrial and auto dealership assumed to be 0.6 based on the "Industrial" land use.

Sources: Tables 2.2 and 3.4.

4. Traffic Facilities

This chapter summarizes an analysis of the need for transportation facilities, including roadway segments, bike improvements and multimodal intersection improvements, to accommodate new development. The chapter documents a reasonable relationship between new development and the impact fee for funding of these facilities.

Trip Generation by Land Use

The share of roadway improvement costs allocated to each unit of new development is based on the relative amount of new trip demand generated by that development. Trip demand during the afternoon peak hour of traffic is used because this is generally the busiest time of day for traffic, and road improvements are needed to provide capacity to accommodate peak levels of traffic. The traffic study used for this analysis identified improvements needed to mitigate future deficiencies during the peak hour.

Table 4.1 shows trip generation rate assumptions used in this analysis (dwelling unit, 1,000 square feet of nonresidential development or hotel room). As new development generates increased vehicle trips for the City's transportation network, additional capacity in the system will be needed in the form of the improvements described in this report. Trip generation by major land use category allow the analysis to incorporate different estimates of demand for transportation facilities. Trip generation rates are applied to development projections to allocate improvement costs by land use type. The trip generation rates used for this analysis are based on years of study of major land use categories by the Institute of Transportation Engineers (9th Edition).

Table 4.1: PM Peak Hour Trip Rates

ITE Category		PM Peak Hour Trip Rate ¹
<u><i>Residential</i></u>		
Single Family	Single Family Housing (210)	1.00
Multi-family	Apartment (220)	0.62
Senior / Downton / ADU	Senior Adult Housing (252)	0.25
<u><i>Nonresidential</i></u>		
Commercial	Shopping Center (820)	3.71
Office	General Office Building (710)	1.49
Industrial	General Light Industrial (110)	0.97
Auto Dealership	New Car Sales (841)	2.62
Hotel Room (per room)	Hotel (310)	0.60

¹ Trips per dwelling unit or per 1,000 square feet of nonresidential building space, or per hotel room.

Source: Institute of Traffic Engineers, Trip Generation, 9th Edition.

Growth in Trip Demand Through 2035

Peak hour trip demand generated by new development is a reasonable measure of new development's demand for traffic facilities. The need for new or expanded roads and other facilities is typically determined based on peak-hour trip volumes because capacity needs are based on the busiest periods of the day. The trip generation rates from Table 4.1, multiplied by dwelling units for residential land use categories or by thousands of square feet of building space or hotel rooms for nonresidential categories from Table 2.1, equals the total peak hour trip demand generated by that land use type. **Table 4.2** shows the trip demand generated by existing development and anticipated new development in Morgan Hill through the 2035 planning horizon.

Table 4.2: Land Use Scenario and Total Trips

Land Use	PM Peak Hour Trip Rate	2018 Units / 1,000 SF	2018 Trips	Growth 2018 to 2035		Total - 2035	
				Units / 1,000 SF	Trips	Units / 1,000 SF	Trips
<i><u>Residential</u></i>							
Single Family	1.00	11,320	11,320	1,680	1,680	13,000	13,000
Multi-family	0.62	2,302	1,427	2,385	1,479	4,687	2,906
Senior / Downtown / Accessory Dwelling Units	0.25	<u>1,100</u>	<u>275</u>	<u>500</u>	<u>125</u>	<u>1,600</u>	<u>400</u>
Total		14,722	13,022	4,565	3,284	19,287	16,306
<i><u>Nonresidential</u></i>							
Commercial	3.71	2,610	9,682	1,117	4,145	3,727	13,827
Office	1.49	522	777	629	938	1,151	1,715
Industrial	0.97	5,935	5,757	1,780	1,727	7,715	7,484
Auto Dealership	2.62	120	314	56	147	176	461
Hotel Rooms	0.60	<u>919</u>	<u>551</u>	<u>215</u>	<u>129</u>	<u>1,134</u>	<u>680</u>
Subtotal		10,106	17,081	3,797	7,086	13,903	24,167
Total			30,103		10,370		40,473
			74.4%		25.6%		100%

Sources: Tables 2.1 and 4.1.

Traffic Impact Fee Project Costs

Table 4.3 shows the improvements needed to accommodate projected 2035 traffic volumes. Project costs were estimated by City Staff. Each project included in the fee program, was either included in the original fee program, or is needed as a direct result of trip demand from new development. Consequently, the entire cost of planned facilities, with no existing deficiencies is allocated to new development in this impact fee.

Consistent with the current fee program, this update assumes that developers will dedicate 36' of right-of-way, including (site work and landscaping) on each side. Developers will dedicate 26' of road improvements, including (curb, gutter & pavement) on each side. The impact fee will fund the remainder of the improvements.

Table 4.3: Project Cost Summary

No	Road	Location	Total Project Cost ¹	Cost Allocation to New Development	Allocation To Existing Deficiencies	Total Cost Allocated To New Development
1	Cochrane Road	Monterey Road to Hwy 101	\$ 408,972	100%	0%	\$ 408,972
2	Cochrane Road	Hwy 101 to Mission View Drive	546,336	100%	0%	546,336
3	Cochrane Road	Mission View Drive to Peet Road	816,223	100%	0%	816,223
4	Dunne Avenue	Hill Road to Gallop Drive	748,792	100%	0%	748,792
5	Dunne Avenue	Del Monte Avenue to Monterey Road	159,471	100%	0%	159,471
6	Hill Road/Peet Road	Half Road to Cochrane Road	-	100%	0%	-
7	Hill Road	Main Avenue to Barrett Avenue	1,160,963	100%	0%	1,160,963
8	Madrone Parkway	Hale Avenue to Monterey Road	2,000,000	100%	0%	2,000,000
9	Madrone Parkway	Monterey Road to Butterfield Blvd.	534,851	100%	0%	534,851
10	Main Avenue	Depot Street to Butterfield Blvd.	39,376	100%	0%	39,376
11	Main Avenue	Laurel Street to Condit Road	706,873	100%	0%	706,873
12	Main Avenue	Condit Road To Hill Road	-	100%	0%	-
13	Murphy/Mission View Dr.	Cochrane Road to Half Road	826,197	100%	0%	826,197
14	Murphy/Mission View Dr.	Half Road to Main Avenue	1,282,097	100%	0%	1,282,097
15	Murphy Avenue	Main Avenue to Diana Avenue	1,282,097	100%	0%	1,282,097
16	Murphy Avenue	Diana Avenue to Barrett Avenue	1,649,987	100%	0%	1,649,987
17	Hale Avenue ²	Various	22,000,000	56.8%	43.2%	12,500,000
25	Butterfield Blvd.	Madrone Parkway to Cochrane Road	553,719	100%	0%	553,719
26	Tennant Avenue	E HWY 101 to Murphy Avenue	1,394,388	100%	0%	1,394,388
27	Tennant Avenue	Juan Hernandez Drive to HWY 101	856,992	100%	0%	856,992
28	Watsonville Road	Monterey Road to La Alameda Drive	492,032	100%	0%	492,032
29	Monterey Road	Tilton Avenue to Cochrane Road	2,483,103	100%	0%	2,483,103
30	Monterey Road	Cochrane Road to Main Avenue	2,142,850	100%	0%	2,142,850
31	Monterey Road	Dunne Avenue to Middle Avenue	1,438,520	100%	0%	1,438,520
Total			\$ 43,523,839			\$ 34,023,839

¹ Total project costs increased 8.35% based on changes in ENR's Construction Cost Index from 2015 to December, 2017.

² This project includes former projects numbered 17 to 24 from existing fee program. Total project cost is \$22,000,000. VTA Measure B will contribute \$9,500,000 towards this project, so the net impact fee contribution is \$12,500,000.

Source: City of Morgan Hill.

Table 4.4 lists the priority bikeway projects and multimodal intersection improvement projects identified in Table 5-1 of the City's Bikeways, Trails, Parks and Recreation Master Plan (2017). A share of these projects is allocated to new development, based on new development's share of total trip demand in 2035, as identified in Table 4.2.

Table 4.4: Priority Bikeway Projects

Project Description	Location	Total Project Cost
Buffered Bike Lanes	Cochrane Rd and Malaguerra Ave from Monterey Rd to Coyote Creek Trailhead	\$ 1,200,000
Buffered Bike Lanes	Monterey Rd from Tilton Ave to Butterfield Blvd/Watsonville Rd	2,400,000
Buffered Bike Lanes	Burnett Rd from Monterey Rd to Coyote Creek (Sobrato School Access)	750,000
Buffered Bike Lanes	Santa Teresa Corridor, Hale Ave from Tilton Ave to W Main Ave	750,000
Buffered Bike Lanes	West Main Ave from Monterey Rd to Dewitt Ave	450,000
Protected Bike Lanes	E Main Ave from Monterey Rd to Hill Rd (Live Oak High School Access and Coyote Creek Connection) (Interim step Buffered Bike Lanes)	3,800,000
Bicycle Boulevard	Morning Star Dr/Peet Rd from Eagle View Dr to Cochrane Rd to Coyote Creek Trailhead	480,000
Bicycle Boulevard	Depot Street from E Main Ave to E Dunne Ave	380,000
Multi-Modal Intersection Improvements	Monterey Rd Downtown between E Main Ave and E Dunne Ave	790,000
Multi-Modal Intersection Improvements	E Main Ave and Butterfield Blvd	350,000
Multi-Modal Intersection Improvements	W Main Ave and Hale Ave	10,000
Multi-Modal Intersection Improvements	Cochrane Rd and Highway 101 (North & South ramps, Madrone Pkwy and Depaul Dr)	130,000
Multi-Modal Intersection Improvements	Monterey Rd and Cochrane Rd	350,000
Multi-Modal Intersection Improvements	Butterfield Blvd and Cochrane Rd	130,000
Multi-Modal Intersection Improvements	Monterey Rd and Tilton Ave/Burnett Ave	120,000
Total		\$12,090,000
Allocation to New Development		25.6%
Cost Allocated to New Development		\$ 3,095,040

Sources: Table 5-1, Bikeways, Trails, Parks and Recreation Master Plan, 2017; Table 4.2, Willdan Financial Services.

Cost Allocation

Based on the total improvement costs allocated to new development shown in Tables 4.3 and 4.4, and the anticipated new trip demand shown in Table 4.2, **Table 4.5** calculates new development's cost per trip demand unit. Existing fund balances are subtracted from the total project costs to ensure that the impact fee only funds new development's share of the improvements.

Table 4.5: Cost per Trip to Accommodate Growth

Fee Program Share of Planned Facilities Costs	\$ 34,023,839
New Development Allocation of Bike Project Costs	3,095,040
Less Existing Fund Balance	<u>(3,437,980)</u>
Net Costs	\$ 33,680,899
 Growth in Trip Demand	 <u>10,370</u>
 Cost per Trip	 \$ 3,248

Sources: Tables 4.2, 4.3 and 4.4; Willdan Financial Services.

Fee Schedule

Table 4.6 shows the maximum justified traffic facilities fee schedule. The cost per trip is multiplied by the PM peak hour trip rate for each land use to determine the fee per dwelling unit, on 1,000 square feet of nonresidential building space. The total fee includes a two-percent (2%) administrative charge to fund costs that include: a standard overhead charge applied to City programs for legal, accounting, and other departmental and administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two-percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 4.6: Maximum Justified Traffic Impact Fee Schedule

Land Use	A	B	C = A x B		D = C x 0.02	E = C + D	E / 1,000
	Cost Per Trip	PM Peak Hour Trip Rate	Base Fee ¹	Admin Charge ^{1, 2}		Total Fee ¹	Fee per Sq. Ft.
<u><i>Residential</i></u>							
Single Family	\$ 3,248	1.00	\$ 3,248	\$ 65		\$ 3,313	
Multi-family	3,248	0.62	2,014	40		2,054	
Senior / Downtown / Accessory Dwelling Units	3,248	0.25	812	16		828	
<u><i>Nonresidential</i></u> ³							
Commercial	\$ 3,248	3.71	\$ 12,050	\$ 241		\$ 12,291	\$ 12.29
Office	3,248	1.49	4,840	97		4,937	4.94
Industrial	3,248	0.97	3,151	63		3,214	3.21
Auto Dealership	3,248	2.62	8,510	170		8,680	8.68
Hotel Room (per room)	3,248	0.60	1,949	39		1,988	1.99

¹ Fee per dwelling unit, per 1,000 square feet of nonresidential or per hotel room.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

³ Fee per trip of \$3,248 plus 2% administration cost totaling \$3,313 per trip can be used to calculate fee for any land use using the land use's PM peak hour trip rate.

Sources: Tables 4.1 and 4.5; Willdan Financial Services.

5. Library Facilities

The purpose of the library impact fee is to fund the library facilities needed to serve new development. A maximum justified fee is presented based on maintaining the existing standard of library facilities.

Service Population

Library facilities primarily provide services to residents. The service population used to determine the demand for library facilities only includes residents and excludes workers. The service area of the Morgan Hill Library is greater than just within the City limits. **Table 5.1** shows the current library facilities service population and the estimated service population at the planning horizon of 2035. Estimates of residents outside of the City are based on ABAG data.

Table 5.1: Library Facilities Service Population

	Residents
<i>Existing Service Population (2018)</i>	
City of Morgan Hill	44,130
Surrounding Unincorporated Area	9,400
Total	53,530
<i>New Development (2018-2035)</i>	
City of Morgan Hill	13,684
Surrounding Unincorporated Area ¹	11,200
Total	24,884
Total (2035)	78,414

¹ Based on annual growth rate of 1.03% estimated based on countywide Santa Clara County growth projections from 2010 to 2035 from ABAG (2013).

Sources: Table 2.1; Willdan Financial Services.

Facility Inventories and Standards

This section describes the City's library facility inventory, facility standards, and cost of planned facilities.

Table 5.2 summarizes the City's current inventory of library facilities, including land, building and collections.

Table 5.2: Existing Library Facilities

	Inventory	Units	Unit Cost ¹	Value
<u>Existing Library</u>				
Land (acres)	4.57	acres	\$ 790,000	\$ 3,610,300
Building	27,909	square feet	900	25,118,100
Collection	166,000	items	36	<u>5,976,000</u>
Total Value - Existing and Planned Library Facilities				\$ 34,704,400

¹ Building cost costs based on recent bid for library expansion project. Cost per item based on data from similar jurisdictions.

² Planned increases in collection based on maintaining ratio of building space to items.

Source: City of Morgan Hill.

Table 5.3 lists the planned library facilities: an expansion to the building and collections.

Table 5.3: Planned Library Facilities

	Inventory	Units	Unit Cost ¹	Value
<u>Planned Expansion</u>				
Building	5,000	square feet	\$ 900	\$ 4,500,000
Collection ²	30,000	items	36	<u>1,080,000</u>
Total Cost - Planned Facilities				\$ 5,580,000

¹ Unit costs based on recent bid for library expansion project. Cost per item based on data from similar jurisdictions.

² Planned increases in collection based on maintaining ratio of building space to items.

Sources: City of Morgan Hill; Willdan Financial Services.

Cost Allocation

Table 5.4 calculates the existing cost per capita facility standard by dividing the value of the existing facilities inventory by the existing service population. The resulting cost per capita is the basis of the impact fee. Funding facilities at this level will ensure that as development occurs, new development will contribute to public use center facilities at the same standard that existing development has contributed thus far. By definition, using the existing standard methodology does not result in existing deficiencies.

Table 5.4: Library Facilities Existing Standard

Value of Existing Facilities	\$	34,704,400
Existing Service Population		<u>44,130</u>
Facility Standard per Resident	\$	786

Sources: Tables 5.1 and 5.2.

Use of Fee Revenue

The City can use library facilities fee revenues to purchase land, buildings, collections and equipment that are part of the system of library facilities serving new development. The City plans to use the fee revenues to fund the facilities shown in Table 5.3.

Revenue Projection

The library facilities fee revenue exceeds the cost of the planned facilities. The City will have to identify additional library facilities through 2035 to maintain its existing facility standard. **Table 5.5** projects library fee revenue through 2035 based on the cost per capita from Table 5.4, and the service population growth projections in Table 5.1.

Table 5.5: Revenue Projection - Existing Standard

Cost per Capita	\$	786
Growth in Service Population (2018- 2035)		<u>13,684</u>
Fee Revenue	\$	10,755,600
Net Cost of Planned Facilities		<u>5,580,000</u>
Future Facilities to Be Identified	\$	5,175,600

Sources: Tables 5.1, 5.3 and 5.4.

Fee Schedule

Table 5.5 shows the maximum justified library facilities fee schedule. The cost per capita is converted to a fee per unit of new development based on dwelling unit densities (persons per dwelling unit). The total fee includes a two percent (2%) administrative charge to fund costs that include: a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 5.6: Library Facilities Fee - Existing Standard

	A	B	C = A x B	D = C x 0.02	E = C + D
Land Use	Cost Per Capita	Density	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee
<i>Residential</i>					
Single Family	\$ 786	3.01	\$ 2,366	\$ 47	\$ 2,413
Multi-family	786	2.64	2,075	42	2,117
Senior / Downtown / Accessory Dwelling Units	786	2.00	1,572	31	1,603

¹ Fee per dwelling unit.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification

Sources: Tables 2.2 and 5.4.

6. Park Facilities

The purpose of this fee is to generate revenue to fund the park facilities needed to serve new development. The impact fee is based on the parkland standards found in the Morgan Hill Bikeways, Trails, Parks and Recreation Master Plan (2017).

Service Population

Facility standards for parks are typically expressed as a ratio of park acres per 1,000 residents. As residents are the primary users of parks in the City of Morgan Hill, demand for parks and associated facilities is based on the City's residential population, rather than a combined resident-worker service population. **Table 6.1** provides estimates of the City's current resident population and a projection for the year 2035.

Table 6.1: Parks Service Population

	Residents
Existing (2018)	44,130
New Development (2018 - 2035)	13,684
Total (2035)	57,814

Sources: Table 2.1; Willdan Financial Services.

Facility Inventories and Standards

This section describes the City's park facility inventory, facility standards, and park facility costs.

Existing Inventory

Table 6.2 summarizes the City's existing park and open space inventory. In addition to public parkland, there is also a significant amount of parkland and open space in the City that is privately owned and maintained. **Table 6.3** displays the privately-owned park and open space land in the City.

Table 6.2: Existing Parkland Inventory

	Developed Park Acres	Undeveloped Acres	Total Park/Open Space Acres
<u><i>Community Parks</i></u>			
Community Park	26.00	-	26.00
Galvan Park	7.50	-	7.50
Subtotal	33.50	-	33.50
<u><i>Neighborhood Parks</i></u>			
Diana Park	3.08	-	3.08
Jackson Park	1.30	-	1.30
Oak Creek Park	2.93	-	2.93
Nob Hill Trail Park	3.40	-	3.40
Nordstrom Park	4.57	-	4.57
Paradise Park	5.47	-	5.47
Railroad Park	1.10	-	1.10
Third Street Creek Park	1.10	-	1.10
Subtotal	22.95	-	22.95
<u><i>Mini Parks</i></u>			
21 Mile	0.65	-	0.65
Belle Estates Park	0.46	-	0.46
Civic Center	2.00	-	2.00
Conte Gardens Park	0.50	-	0.50
Diana Estates Park	0.50	-	0.50
Fox Hollow Park	0.20	-	0.20
Hamilton Square Park	0.57	-	0.57
Howard Weichert Park	0.90	-	0.90
Mill Creek Park	0.93	-	0.93
Murphy Springs Park	0.49	-	0.49
Sanchez Park	0.16	-	0.16
Stone Creek Park	0.95	-	0.95
Subtotal	8.31	-	8.31
<u><i>Community Recreation Facilities</i></u>			
Centennial Recreation Center	5.90	-	5.90
Community and Cultural Center	6.00	-	6.00
El Toro Youth Center	0.30	-	0.30
Aquatics Center	8.00	-	8.00
Outdoor Sports Center	38.00	-	38.00
Subtotal	58.20	-	58.20

Sources: City of Morgan Hill; City of Morgan Hill *Bikeways, Trails, Parks and Recreation Master Plan*, 2017.

Table 6.2: Existing Parkland Inventory Continued

	Developed Park Acres	Undeveloped Acres	Total Park/Open Space Acres
<u>Trails</u> ¹			
Butterfield Linear Park	2.09	-	2.09
San Pedro Percolation Ponds Trail	1.21	-	1.21
Madrone Channel Trail	6.00	-	6.00
West Llagas Creek Trail	1.10	-	1.10
Subtotal	10.40	-	10.40
<u>Open Space</u> ²			
El Toro	-	86.00	21.50
Jackson Oaks	-	170.00	42.50
Subtotal	-	256.00	64.00
<u>Joint Use Facilities</u> ³			
Villa Mira Monte	2.40	-	2.40
Subtotal	2.40	-	2.40
Total	135.76	256.00	199.76

¹ Area totals includes trail and landscaping adjacent to trail.

² According to the *Bikeways, Trails, Parks and Recreation Master Plan, 2017* only 25% of open space acreage counts towards the City's parkland standard.

³ The City has joint use agreements for these facilities.

Sources: City of Morgan Hill; City of Morgan Hill *City of Morgan Hill, Bikeways, Trails, Parks and Recreation Master Plan, 2017*.

Table 6.3: Private Parkland Inventory

HOA	Location	Park Acres	Open Space
			Acres
Alicante	Ventura Ct. & Ventura Dr.	2.00	-
Alicante	Espana Wy. & Katherine Dr.	0.60	-
Barrett Place	Barrett Ave. & Saint John Ct.	0.60	-
Brighton Oaks Community Association	Butterfield Blvd. & Main Avenue	-	0.21
Capriano	Curry Ave. & Hale Ave.	1.50	-
Carriage Square	East Main Ave. & Carriage Lamp Way	1.70	-
Central Park	East Central Ave & Calle Central	2.20	-
Central Park	Cil Hermosa & Calle Buena Vista	0.85	-
Cerro Verde HOA	Calle Mazatan & Main Ave.	-	0.40
Cerro Verde HOA	Central & Butterfield	-	0.20
Cerro Verde HOA	Calle Mazatan & Calle Cerro	0.30	-
Cerro Verde HOA	Calle Verde & CalleCerro	0.30	-
Cottage Green	San Pedro Ave. & San Ramon Dr.	0.70	-
Country Side Villas	Venetian Way and Shasta lane	0.25	-
Coyote Estates	Peet Rd. & Eagle View Dr.	0.70	-
Coyote Estates	Savanah Ct. & Morningstar Dr.	1.60	-
Creekside Village	E.Dunne Ave. & Creekside Cr.	2.10	-
Crescent Park	Belleto Dr. & Bentley Dr.	0.80	-
Del Monte Condominiums	Del mone Ave. & Del Monte Lane	0.85	-
Del Monte Village	Hale Ave & Del Monte Ave. (Private Road)	-	0.40
Diamond Creek	Rome Ave. and Monterey Road	-	0.25
Diamond Creek HOA	Valencia Avenue	-	-
East Dunne Park Owner's Association	Grapevine Ct. & Seville Drive	-	0.49
El Dorado	East Dunne Ave. & Tassajara Cir.	0.20	-
El Toro Oaks	Oak Park Drive and Dewitt Ave.	0.50	-
Esperanza Community Association	Diana Avenue & Cayman Street	0.74	0.07
Excalibur	Excaliber Court	-	0.60
Grand Prix / Calle Siena	Grande Prix Way \$ Calle Siena	0.95	-
Heatherwood HOA	Katybeth & Heatherwood	-	0.10
Heritage Greens	East Dunne Ave & Saddleback Dr.	0.60	-
Hidden Meadow Condos	Viewcrest Lane & Dunne Ave	-	0.50
Hillwood Lane	Hillwood Lane and Hale (behind houses)	-	3.25
Holiday Lake Estates	Btwn Holiday Dr & Copper Hill Dr	-	11.85
Jackson Oaks Clubhouse	390 Oak Hill Ct.	0.90	5.50
Jasper Park	Cory Dr. & San Benancio Way	0.80	-
Kelly Park Circle	Kelly Park Cr. & Murphey Ave	0.25	-
Kendall Hill	Denali Drive and Olympic Drive	0.45	-
Las Casas de San Pedro Condominiums	San Pedro Ln. & San Pedro Ave.	0.80	-
Laurel Oaks	San Marcos Ct. & San Ramon Dr.	0.40	-
Loan Oaks Farms	San Gabriel Ave. & San Vincent Dr.	0.85	-
Loden Place Community Corporation	Stoney Creek Way and Hale Avenue	0.29	0.47
Lone Oak Farm HOA	San Domingo Drive & San Meguel Drive	0.24	0.11
Madrone Parkway Retention Area	Madrone Pkwy. & Buttefield Blvd.	-	10.00
Madrone Plaza	Opal Ln. & Jarvis Dr	0.90	-
Milano	Murpphy Ave. & Mimosa Drive	1.10	-
Mission Ranch	Capastrano Wy. & San Antonio Wy.	2.80	-
Mission Ranch	Cochrane Rd. & Mission View Ave.	2.20	-
Mission Ranch (Phase 13)	Mission View Drive & Avenida Del Los Padres	8.92	0.50
Monte Villa	Llagas Rd. & Carriage Dr.	-	0.35
Montoya Circle	East Main Ave. & Mariposa Dr.	0.80	-
Morgan Hill Ranch Apartments	Cochrane Rd. & Butterfield Blvd.	0.50	-
Morgan Lane Phase 1	Central Ave. & Aston Ct.	4.20	-
Morgan Meadows	East Dunne Ave. & Hill Rd.	-	0.60
Morgan Meadows	Domaine Dr. & Cabernet Cr.	2.30	-

Source: City of Morgan Hill, Bikeways, Trails, Parks and Recreation Master Plan, 2017.

Table 6.3: Private Parkland Inventory - Continued

HOA	Location	Park Acres	Open Space Acres
Morgan Meadows	Malbek Dr. & Merlot Dr.	0.75	-
Morgan Ranch	East Dunne Ave. & Bayo Claros	2.25	-
Morgan Village	East Dunne Ave & Brega Lane	1.85	-
Park Place Condominiums	LaCrosse Drive and Village Way	0.40	-
Parkside at Capriano	Corriander Ave & Basil Ave.	1.40	-
Pear Tree Estates	Pear Dr. & Jean Ct.	0.75	-
Pine Tree Park	Olympia Drive and Bryce Drive	0.50	-
Pine Tree Park	Sugarpine Dr. & Pinecone Ct.	0.25	-
Quail Creek	Via Vivaldi and Santa Teresa Blvd	1.00	-
Quail Meadows	Secretariat Way	-	0.50
Rio Sereno	Calle Sueno and Via Narretto	0.20	-
Rooyal Court Apartments	Del Monte Ave. & Wright Ave.	0.30	-
Royal Court	Wright Ave. & Del Monte Ave.	-	0.20
San Benito and San Pablo	San Benito Pl. and San Pablo Ct.	0.45	-
San Gabriel Court	San Gabriel Court	0.60	-
San Pedro Gardens	Cory Dr. & San Pedro Ave.	0.45	-
San Pedro Gardens	Cory Dr. & San Pedro Ave.	0.25	-
San Pedro Villas	San Jose Dr & San Juan Dr	1.90	-
San Savigno	Bel Air Way	-	0.50
San Savigno	S side Main btw Calle Mazatan & Grand Prix	-	0.15
San Savigno	Calle Asta & Bell Air Way	0.60	-
Shadow Brooks Estates	Shadowbrook Wy & Llagas Creek Dr.	2.00	-
Sherial Park	Jarvis Dr. & Sutter Blvd.	0.48	-
Sherimar Ranch	Jasmine Way & Bradford Way	2.40	-
Siera Ct	Llagas Rd. & Siera Ct.	0.50	-
Sonora Ranch	Peppertree & East Dunne Ave	0.25	-
Sorrento	Via Sorrento and Watsonville Road	0.25	-
St James Place	St. Timothy Pl. and St. Lawrence Dr.	1.75	-
Stonebridge Neighborhood Association	Hale Ave & Clove Avenue	3.06	4.69
Tilton Park Owner's Associatioin	Tilton Avenue & Monterey Road	2.56	0.15
Tuscany Meadows	Shafer Ave. & Katybeth Way	1.00	-
Twin Oaks	Llagas Creek Dr. & ril Marianna Dr.	-	0.60
Ventura of Morgan Hill Home Owners	Cochrane Road & St. Mark's Avenue	-	0.84
Viento	Calle Viento & Calle Viento Ct.	1.30	-
Village Avante Apartments	Cosmo Dr. & Del Monte Ave.	0.50	-
Walnut Grove	San Pedro Ave. & Walnut Grove	-	1.00
Westmoreland Park	Piazza Way	0.25	-
Total		78.93	44.47

Source: City of Morgan Hill, Bikeways, Trails, Parks and Recreation Master Plan, 2017.

Parkland Unit Costs

Table 6.4 shows the estimated cost per acre for parkland. Land acquisition costs are consistent with those used throughout this study. Improvement costs are based on cost estimates provided in the City of Morgan Hill Bikeways, Trails, Parks and Recreation Master Plan (2017). The cost per acre is based on assumed community park improvement costs from Master Plan of \$8,000,000 for the improvement of 10 acres.

Table 6.4: Parkland Unit Costs

	Cost per Acre	Share of Parkland Costs
Standard Park Improvements ¹	\$ 800,000	50%
Land Acquisition	790,000	50%
Total Cost per Acre	\$1,590,000	100%

Note: Figures have been rounded.

¹ Based on assumed community park improvement costs from Master Plan @ \$8,000,000 for the improvement of 10 acres.

Sources: City of Morgan Hill Bikeways, Trails, Parks and Recreation Master Plan, 2017, Table 5-3; Willdan Financial Services.

Park Facility Standards

The Master Plan sets forth park facility standards for the City. The Master Plan specifies a Citywide park standard of 5.0 acres per thousand residents. Per the Master Plan, private parkland counts towards the standard, but only at 50% of total acreage. Open space acreage is counted towards the standard, but only at 25% of total acreage. Private open space is not included in the calculation of the standard. The City's existing parkland facilities standard exceeds the standard recommended by the Master Plan.

Table 6.5 shows the existing parkland standards based on including discounted private parks and open space as described above. As shown, the City currently provides park facilities above the Master Plan standard, with no deficiencies. Impact fees cannot fund private parks, and the City does not intend to use impact fee revenue to purchase future open space. As such park standards are shown three ways:

- Existing Master Plan Standard: Calculated including discounted private parks and open space.
- Existing Parks Standard (Impact Fee): Calculated only including public parkland
- Existing Other Parks Standard: Calculated only including discounted open space, and discounted private parks.

Table 6.5: Parkland Standards

Type of Acreage	Total Developed Acreage	Total Undeveloped Acreage	Existing Master Plan Standard ¹	Existing Parks Standard (Impact Fees) ²	Existing Other Parks Standard
Community Parks	33.50	-	33.50	33.50	-
Neighborhood Parks	22.95	-	22.95	22.95	-
Mini Parks	8.31	-	8.31	8.31	-
Community Recreation Facilities	58.20	-	58.20	58.20	-
Trails	10.40	-	10.40	10.40	-
Schools	2.40	-	2.40	2.40	-
Open Space	-	256.00	64.00	-	64.00
Private Parkland	78.93	-	39.47	-	39.47
Private Open Space	44.47	-	-	-	-
Total	259.16	256.00	239.23	135.76	103.47
Current Population			44,130	44,130	44,130
Standard			5.42	3.08	2.34

¹ The Master Plan recommends a citywide (including public and private) parks standard of 5.0 acres per 1,000 population. Per the Master Plan, private parkland counts towards the standard, but only at 50% of total acreage. Open space acreage is counted towards the standard, but only at 25% of total acreage. Private open space is not included in the calculation of the standard. The City's existing parkland facilities standard exceeds the standard recommended by the Master Plan.

² For the purposes of calculating a parks standard to base impact fees on, only publicly owned parkland is included. Open space, and privately owned parkland are excluded from the standard. It is assumed that the existing ratio of public to private parkland will be maintained through the planning horizon as additional private parkland is added.

Sources: City of Morgan Hill; Tables 6.1 - 6.4, Willdan Financial Services.

Facilities Needed to Accommodate New Development

Table 6.6 shows the park facilities needed to accommodate new development at the “impact fee” standard. To achieve the General Plan standard by the planning horizon, new development must fund the improvement of existing undeveloped parkland, and fund the purchase and development of 42.15 additional parkland acres. The existing park impact fee fund balance is \$2,787,306. This fund balance is converted into equivalent developed acres and credited against the total parkland needs. As such, the City only needs to develop 40.40 acres of parkland to achieve the desired standard at the planning horizon. This translates to the need for new development to contribute at a standard of 2.95 acres per 1,000 residents through this impact fee.

Table 6.6: Parkland Facility Needs

	Calculation	Amount	Unit
Existing City Owned Park Standard	A	3.08	Acres per 1,000 Capita
Growth in Service Population	B	13,684	Residents
Acres needed at Buildout to Maintain Standard	$C = A \times (B / 1,000)$	42.15	Acres
Existing Fund Balance	D	\$ 2,787,306	
Cost per Acre (Land and Improvements)	E	1,590,000	
Fund Balance Developed Park Acreage Equivalent ¹	$F = D / E$	1.75	Acres
Net Developed Parkland Needs	$G = C - F$	40.40	Acres
Growth in Service Population	H	13,684	Residents
Acres per 1,000 new residents needed to achieve standard	$I = G / (H / 1,000)$	2.95	Acres per 1,000 Capita

¹ Existing fund balance converted to equivalent developed park acreage by dividing fund balance by the cost per developed park acre developed in Table 6.4 (\$1,590,000).

Sources: Tables 6.1, 6.4 and 6.5; Willdan Financial Services.

Table 6.7 shows the calculation of the cost of purchasing and improving 40.40 acres. This cost is approximately \$64.2 million through 2035.

Table 6.7: Cost of Planned Parkland Facilities Needs

	Calculation	Total
Acres needed to meet Standard	A	40.40
Cost per acre - Land	B	\$ 790,000
Cost per acre - Improvements	C	800,000
Total Parkland and Improvement cost Per Acre	$D = B + C$	\$ 1,590,000
Land Needs	$E = A \times B$	\$ 31,916,000
Improvements Needs	$F = A \times C$	32,320,000
Net Cost of Planned Park Facilities to Serve New Development	$G = E + F$	\$ 64,236,000

Sources: Tables 6.6 and 6.4; Willdan Financial Services.

Parks Cost per Capita

Table 6.8 shows the cost per capita of providing new parkland and park facilities at a 2.95 acre per 1,000 capita facility standard. The per acre unit costs are multiplied by the acreage standards to determine the total amount of costs needed to serve 1,000 residents for each type of parkland, respectively. Then, those costs are divided by 1,000 to determine the cost needed to serve one resident.

Table 6.8: Park Improvements Cost per Capita

Parkland Investment Cost (per acre)	\$ 1,590,000
Facility Standard (acres per 1,000 residents)	2.95
Total Investment Per 1,000 capita	\$ 4,691,000
Investment Per Resident	\$ 4,691

Sources: Tables 6.6, and 6.8; Willdan Financial Services.

Use of Fee Revenue

The City plans to use park facilities fee revenue to acquire parkland and construct improvements to add to the system of park and recreation facilities that serves new development. The City may only use impact fee revenue to provide facilities needed to serve new development. The City may not use impact fee revenue for the portion of park facilities needed to meet the Master Plan standards for private parkland.

Fee Schedule

Table 6.9 shows the maximum justified park facilities fee schedule. The maximum justified fees are based on the costs per capita shown in Table 6.8. The cost per capita is converted to a fee per unit of new development based on the average number of residents per dwelling unit, as shown in Table 2.2. The total fee includes a two percent (2%) administrative charge to fund costs that include: a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 6.9: Park Facilities Fee Schedule

	A	B	C = A x B	D = C x 0.02	E = C + D
Land Use	Cost per Capita	Density	Base Fee	Admin Charge ¹	Total Fee
Single Family	\$ 4,691	3.01	\$ 14,120	\$ 282	\$ 14,402
Multifamily	4,691	2.64	12,384	248	12,632
Senior / Downtown / Accessory Dwelling Units	4,691	2.00	9,382	188	9,570

¹ Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

Sources: Tables 2.2 and 6.8; Willdan Financial Services.

7. Water Facilities

This chapter summarizes an analysis of the need for water facilities to accommodate growth within the City of Morgan Hill. It documents a reasonable relationship between new development and an impact fee to fund water facilities that serve new development.

Water Demand

Estimates of new development and its consequent increased water demand provide the basis for calculating the water facilities fee. The need for water facilities improvements is based on the water demand placed on the system by development. A reasonable measure of demand is a flow generation rate, expressed as the number of gallons per day generated by a specific type of land use. Flow generation rates are a reasonable measure of demand on the City's system of water improvements because they represent the average rate of demand that will be placed on the system per land use designation.

Table 7.1 shows the calculation of water demand flow generation factors by land use category. The data is based the *City of Morgan Hill Water System Plan (2017)*. Water demand for a given land use is related to the demand for a single-family unit to calculate equivalent dwelling units (EDU).

Table 7.1: Water Demand by Land Use

Land Use Type	Flow Generation (GDP/NA) ¹	Density ²	Average Flow Generation/ DU, KSF, Room	Equivalent Dwelling Unit (EDU)
<u><i>Residential</i></u>				
Single Family	1,266	5.00	253.20	1.00
Multi-family	1,856	16.00	116.00	0.46
Senior / Downtown / Accessory Dwelling Units	3,130	24.00	130.42	0.52
<u><i>Nonresidential</i></u>				
Commercial	1,350	21.78	61.98	0.24
Office	1,350	21.78	61.98	0.24
Industrial	1,120	26.14	42.85	0.17
Auto Dealership	1,350	21.78	61.98	0.24
Hotel	1,350	67.02	20.14	0.08

¹ Gallons per day per net acre.

² Dwelling units per acre for residential, thousand square feet per acre for nonresidential or hotel rooms per acre. Nonresidential based upon the maximum floor area ratio (FAR) assumption of 0.5 for commercial, 0.5 for office, 0.6 for industrial, 0.5 for auto dealership, and 0.5 for hotel.

Sources: City of Morgan Hill General Plan 2035, Table CNF-2; City of Morgan Hill Water System Master Plan, 2017, Table 3.4; Willdan Financial Services.

Equivalent Dwelling Unit Growth

Table 7.2 calculates the existing and projected equivalent dwelling units (EDU) based on each land use's water demand factors displayed in Table 7.1. An equivalent dwelling unit represents the demand of all other land uses equivalent to one single family unit. Also displayed is the total existing and future EDUs for water facilities by land use.

Table 7.2: Water Facilities Equivalent Dwelling Units

	EDU Factor ¹	Existing (DU/KSF)	Projected Growth (DU/KSF)	Existing EDUs	Growth in EDUs	Total
<i><u>Residential</u></i>						
Single Family	1.00	11,320	1,680	11,320	1,680	13,000
Multi-family	0.46	2,302	2,385	1,059	1,097	2,156
Senior / Downtown / Accessory Dwelling Units	0.52	1,100	500	572	260	832
Subtotal		14,722	4,565	12,951	3,037	15,988
<i><u>Nonresidential</u></i>						
Commercial ²	0.24	2,610	1,117	626	268	894
Office	0.24	522	629	125	151	276
Industrial	0.17	5,935	1,780	1,009	303	1,312
Auto Dealership	0.24	120	56	29	13	42
Hotel	0.08	919	215	74	17	91
Subtotal		10,106	3,797	1,863	752	2,615
Total				14,814	3,789	18,603
Percent of Total				79.6%	20.4%	100.0%

¹ Per dwelling unit (residential) or thousand building square feet (nonresidential), or hotel room.

Sources: Tables 2.1 and 7.1, Willdan Financial Services.

Facility Needs and Costs

The City recently completed a water system master plan that identified necessary improvements to its water system. The Morgan Hill Water System Master Plan (2017) also identified the share of improvements needed to serve existing development, and the share needed to serve new development. **Table 7.3** lists the water projects, costs and allocation to existing and new development, based on Table ES.3 of the Master Plan.

Table 7.3: Costs to Serve New Development

Improv. No.	Alignment	----- Allocation -----						
		Baseline Constr. ¹ Costs	Estimated Const. Costs ²	Capacity Improv. Cost ³	Existing Users (%)	Future Users (%)	Existing Users (\$)	Future Users (\$)
<u>Pipeline Improvements</u>								
BR-P1	ROW	\$ 351,714	\$ 457,229	\$ 594,397	0%	100%	\$ -	\$ 594,397
BR-P2	Cochrane Rd	373,697	485,806	631,548	0%	100%	-	631,548
BR-P3	Half Rd	763,719	992,835	1,290,685	0%	100%	-	1,290,685
BR-P4	Mission View Dr	98,920	128,596	167,174	100%	0%	167,174	-
BR-P5	Mission View Dr	509,145	661,889	860,455	0%	100%	-	860,455
BR-P6	Half Rd	400,043	520,055	676,072	0%	100%	-	676,072
NH-P1	Hale Ave Extension	1,103,149	1,434,094	1,864,322	100%	0%	1,864,322	-
NH-P2	Spring Ave	181,191	235,549	306,213	100%	0%	306,213	-
NH-P3	San Pedro Ave	160,906	209,178	271,932	100%	0%	271,932	-
NH-P4	Railroad Ave	102,395	133,114	173,048	0%	100%	-	173,048
NH-P5	Railroad Ave	175,534	228,194	296,653	0%	100%	-	296,653
NH-P6	San Pedro Ave	703,429	914,457	1,188,795	0%	100%	-	1,188,795
NH-P7	Hill Rd	725,411	943,035	1,225,945	0%	100%	-	1,225,945
NH-P8	Tennant Ave	1,066,134	1,385,975	1,801,767	0%	100%	-	1,801,767
NH-P9	Monterey Rd	516,580	671,555	873,021	0%	100%	-	873,021
NH-P10	ROW	593,519	771,575	1,003,047	0%	100%	-	1,003,047
RP-7	First St	101,721	132,238	171,909	100%	0%	171,909	-
HL-P1	Dunne Ave	160,906	209,178	271,932	40%	60%	108,773	163,159
HL-P2	Dunne Ave	133,347	173,351	225,357	40%	60%	90,143	135,214
HL-P3	Dunne Ave	594,003	772,204	1,003,865	0%	100%	-	1,003,865
HL-P4	Oak Leaf Dr	557,636	724,926	942,404	0%	100%	-	942,404
HL-P5	Lake View Dr	690,984	898,279	1,167,763	0%	100%	-	1,167,763
RP-1	Shady Ln	432,316	562,011	730,614	100%	0%	730,614	-
RP-4	Holiday Tank Site	152,582	198,357	257,864	100%	0%	257,864	-
RP-5	Manzanita Dr	279,734	363,654	472,750	100%	0%	472,750	-
RP-6	Raccoon Ct	288,211	374,674	487,076	100%	0%	487,076	-
RP-2	Hill Top Ct	104,900	136,370	177,281	100%	0%	177,281	-
RP-3	Oak View Ct	133,509	173,562	225,631	100%	0%	225,631	-
RP-8	Oak Canyon Dr	114,437	148,768	193,398	100%	0%	193,398	-
Subtotal		\$ 11,569,774	\$ 15,040,706	\$ 19,552,918			\$ 5,525,080	\$ 14,027,838

¹ Cost estimates are adjusted to September 2018 costs based on the Engineering News Record (ENR) construction cost index (CCI).

² Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

³ Estimated construction costs plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

Source: Morgan Hill Water System Master Plan, 2017, Table ES.3; Engineering News Record, Construction Cost Index; Willdan Financial Services.

Table 7.3: Costs to Serve New Development Continued

Improv. No.	Alignment	Baseline Constr. ¹ Costs	Estimated Const. Costs ²	Capacity Improv. Cost ³	Allocation -----			
					Existing Users (%)	Future Users (%)	Existing Users (\$)	Future Users (\$)
<u>Storage Reservoir Improvements</u>								
BR-T1	Demolish existing 0.55 MG Boys Ranch tank and replace with 1.20 MG tank	\$ 2,186,387	\$ 2,842,303	\$ 3,694,994	30%	70%	\$ 1,108,498	\$ 2,586,496
GA-T1	Demolish existing 0.10 MG Glen Ayre tank and replace with 0.25 MG tank	569,372	740,183	962,238	80%	20%	769,791	192,448
ED-T1	Existing Edmundson tank site	2,049,738	2,664,659	3,464,057	0%	100%	-	3,464,057
WD-T1	Demolish existing 0.03 MG Woodland tank and replace with 0.25 MG tank	569,372	740,183	962,238	70%	30%	673,567	288,671
HL-T1	Dunne Ave approx 500' ne/o Flaming Oak Ln	<u>1,935,864</u>	<u>2,516,623</u>	<u>3,271,610</u>	40%	60%	<u>1,308,644</u>	<u>1,962,966</u>
Subtotal		\$ 7,310,732	\$ 9,503,952	\$ 12,355,137			\$ 3,860,499	\$ 8,494,638
<u>Groundwater Well Improvements</u>								
BR-W1	Burnett Ave	\$ 2,479,459	\$ 3,223,297	\$ 4,190,285	0%	100%	\$ -	\$ 4,190,285
NH-W2	Butterfield Blvd	<u>2,479,459</u>	<u>3,223,297</u>	<u>4,190,285</u>	0%	100%	<u>-</u>	<u>4,190,285</u>
Subtotal		\$ 4,958,918	\$ 6,446,593	\$ 8,380,571			\$ -	\$ 8,380,571
<u>Pump Station Improvements</u>								
NH-PS1	Dunne Ave and Magnolia Wy	\$ 1,378,042	\$ 1,791,454	\$ 2,328,891	40%	60%	\$ 931,556	\$ 1,397,334
HL-PS1	Dunne Ave approx 500' ne/o Flaming Oak Ln	<u>1,179,827</u>	<u>1,533,775</u>	<u>1,993,908</u>	90%	10%	<u>1,794,517</u>	<u>199,391</u>
Subtotal		\$ 2,557,869	\$ 3,325,230	\$ 4,322,799			\$ 2,726,073	\$ 1,596,725
<u>Pressure Reducing Valve Improvements</u>								
HL-PRV1	Thomas Gr approx 1,100' w/o Gnarled Oak Ln	\$ 50,119	\$ 65,155	\$ 84,701	40%	60%	\$ <u>33,880</u>	\$ <u>50,821</u>
Subtotal								
<u>Comprehensive Plan Updates</u>								
	Water System Master Plan Updates (Years 2021, 2026, 2031, 2036)	\$ -	\$ -	\$ 800,000	65%	35%	\$ 520,000	\$ 280,000
	Urban Water Management Plan Updates (Years 2021, 2026, 2031, 2036)	-	-	400,000	65%	35%	260,000	140,000
	Water Rate Study Updates (Years 2021, 2026, 2031, 2036)	<u>-</u>	<u>-</u>	<u>400,000</u>	65%	35%	<u>260,000</u>	<u>140,000</u>
Subtotal		\$ -	\$ -	\$ 1,600,000			\$ 1,040,000	\$ 560,000
Total		\$ 26,447,412	\$ 34,381,635	\$ 46,296,126			\$ 13,185,533	\$ 33,110,593

¹ Cost estimates are adjusted to September 2018 costs based on the Engineering News Record (ENR) construction cost index (CCI).

² Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

³ Estimated construction costs plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

Source: Morgan Hill Water System Master Plan, 2017, Table ES.3; Engineering News Record, Construction Cost Index; Willdan Financial Services.

Table 7.4 calculates a cost per EDU associated by dividing the total cost of projects allocated to new development identified in Table 7.3, by the growth in EDUs identified in Table 7.2

Table 7.4: Cost per EDU

Cost Allocated to New Development	\$33,110,593
Growth in EDUs	3,789
Cost per EDU	\$ 8,739

Sources: Tables 7.2 and 7.3.

Fee Schedule

The maximum justified fee for water facilities is shown in **Table 7.5**. The cost per EDU is converted to a fee per unit of new development based on the EDU factors shown in Table 7.1. The total fee includes an administrative charge to fund costs that include: (1) a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, (2) capital planning, programming, project management costs associated with the share of projects funded by the facilities fee, and (3) fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

Table 7.5: Water Facilities Impact Fee

	A	B	C = A x B D = C x 0.02		E = C + D	E / 1,000	F	G = E x F
	Cost Per EDU	EDU Factor	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee ¹	Fee per Sq. Ft.	Nonres. KSF per Acre ³	Fee per Acre
<u>Residential</u>								
Single Family	\$ 8,739	1.00	\$ 8,739	\$ 175	\$ 8,914			
Multi-family	8,739	0.46	4,020	80	4,100			
Senior / Downtown / Accessory Dwelling Units	8,739	0.52	4,544	91	4,635			
<u>Nonresidential</u>								
Commercial	\$ 8,739	0.24	\$ 2,097	\$ 42	\$ 2,139	\$ 2.14	21.78	\$46,587
Office	8,739	0.24	2,097	42	2,139	2.14	21.78	46,587
Industrial	8,739	0.17	1,486	30	1,516	1.52	26.14	39,628
Auto Dealership	8,739	0.24	2,097	42	2,139	2.14	21.78	46,587
Hotel	8,739	0.08	699	14	713	0.71	n/a	n/a

¹ Fee per dwelling unit or per 1,000 square feet of nonresidential or hotel room.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

³ Based on assumed floor-area-ratio (FAR) from the General Plan. FAR for commercial, office and auto dealerships assumed to be 0.5 based on the "General Commercial" land use. FAR for Industrial assumed to be 0.6 based on the "Industrial" land use.

Sources: Tables 7.1 and 7.4; Willdan Financial Services.

8. Storm Drain Facilities Fee

This chapter summarizes an analysis of the need for storm drain facilities to accommodate growth within the City of Morgan Hill. It documents a reasonable relationship between new development and a storm drain fee to fund storm drain facilities that serve new development.

Storm Drain Demand

Most new development generates storm water runoff. This runoff must be controlled through storm drain facilities. Storm drain demand is measured by impervious surface. The more impervious surface a land use creates, the more demand for storm drain facilities it creates. **Table 8.1** shows the calculation of equivalent dwelling unit (EDU) demand factors for storm drain facilities based on impervious surface area by land use category. Dwelling unit and thousand square feet per acre assumptions are from the City's General Plan. The area percent impervious factors are derived from the September 2018 *Storm Drainage System Master Plan*, by Akel Engineering Group, Inc.

Table 8.1: Equivalent Dwelling Units

	A	B	$C = (43,560 / A) \times B$	$D = C / \text{Single Family}$
	DU, KSF or Rooms per acre ¹	Average Percent Impervious per Acre	Impervious Square feet per DU, KSF or Room	Equivalent Dwelling Unit (EDU) ²
<u>Residential</u>				
Single Family ³	5.00	35%	3,049	1.00
Multi-Family ³	16.00	80%	2,178	0.71
Senior / Downtown / Accessory Dwelling Unit ³	24.00	80%	1,452	0.48
<u>Nonresidential</u>				
Commercial	21.78	95%	1,900	0.62
Office	21.78	95%	1,900	0.62
Industrial	26.14	70%	1,167	0.38
Auto Dealership ⁴	21.78	95%	1,900	0.62
Hotel ⁴	67.02	95%	618	0.20

Note: Figures have been rounded.

¹ Dwelling units for residential and thousand building square feet for non-residential. Density based on estimated development and acreage for each land use type in the City of Morgan Hill *General Plan*. Nonresidential densities are based on floor-area-ratios of 0.5 for commercial, office, hotel and auto dealerships, 0.6 for industrial.

² EDUs per dwelling unit for residential development and per thousand square feet for nonresidential development.

³ Percent impervious for single family based on the "Single Family Medium" land use category from the *Storm Drainage System Master Plan*. Multi-Family based on "Multi-Family Medium." Senior / Downtown / Second Unit also based on

⁴ Percent impervious for auto dealership and hotel based on the "Commercial" land use category from *Storm Drainage System Master Plan*.

Sources: *Storm Drainage System Master Plan*, Akel Engineering Group, Inc., September 2018; Morgan Hill General Plan; Willdan Financial Services.

Equivalent Dwelling Unit Growth

Table 8.2 calculates the existing and projected equivalent dwelling units (EDU) based on each land use's demand factors displayed in Table 8.1. An equivalent dwelling unit represents the demand of all other land uses equivalent to one single family unit. Also displayed is the total existing and future EDUs for storm drain facilities by land use.

Table 8.2: Storm Drain Facilities Equivalent Dwelling Units

EDU Factor ¹	----- DU or KSF-----		----- EDU -----		
	Existing	Projected Growth	Existing	Growth	Total
<i><u>Residential</u></i>					
Single Family	1.00	11,320	1,680	11,320	13,000
Multi-Family	0.71	2,302	2,385	1,634	3,327
Senior / Downtown / ADU	0.48	<u>1,100</u>	<u>500</u>	<u>528</u>	<u>768</u>
Subtotal		14,722	4,565	13,482	17,095
<i><u>Nonresidential</u></i>					
Commercial	0.62	2,610	1,117	1,618	2,311
Office	0.62	522	629	324	714
Industrial	0.38	5,935	1,780	2,255	2,931
Auto Dealership	0.62	<u>120</u>	<u>56</u>	<u>74</u>	<u>109</u>
Subtotal		9,187	3,582	4,271	6,065
Hotel Rooms	0.20	919	215	184	227
Total				17,937	5,450
Percent of Total				77%	23%
					100%

¹ Per dwelling unit (residential), thousand building square feet (nonresidential), or hotel room.

Sources: Tables 2.2 and 8.1, Willdan Financial Services.

Planned Facilities

The City of Morgan Hill had the September 2018 *Storm Drainage System Master Plan*, completed by Akel Engineering Group, Inc. The plan identified storm drain projects, and allocated shares of each project to existing and new development. **Table 8.3** shows the storm drain capital improvement plan and cost allocation for storm drain facilities from the *Storm Drainage System Master Plan*.

Table 8.3: Storm Drain Master Plan Improvements

				Allocation						
				Baseline	Estimated	Capital	Existing	Future	Existing	
No.	Type of Improvement	Description/Street	Description/Limits	Constr. Costs	Const. Costs ¹	Improv. Cost ²	Users (%)	Users (%)	Users (\$)	Future Users (\$)
Butterfield Drainage Basin										
BTR-P1	Pipeline	Juan Hernandez Dr	From 150' s/o Saint James Dr to Tennant Ave	\$ 214,401	\$ 278,722	\$ 362,338	0%	100%	\$ -	\$ 362,338
Subtotal				\$ 214,401	\$ 278,722	\$ 362,338			\$ -	\$ 362,338
Coyote Drainage Basin										
COY-P1	Pipeline	Eagle View Dr	From 310' s/o Peet Rd to Peet Rd	\$ 99,302	\$ 129,092	\$ 167,820	0%	100%	\$ -	\$ 167,820
COY-P2	Pipeline	Eagle View Dr	From 1,400 ft s/o Peet Rd to 310' s/o Peet Rd	300,162	390,211	507,274	0%	100%	-	507,274
COY-P3	Pipeline	Peet Rd	From Eagle View Dr to Morningstar Dr	364,106	473,338	615,340	100%	0%	615,340	-
Subtotal				\$ 763,570	\$ 992,641	\$ 1,290,434			\$ 615,340	\$ 675,094
Madrone Drainage Basin										
MAD-P1	Pipeline	Half Rd	From Condit Rd to NB US 101	\$ 174,530	\$ 226,889	\$ 294,956	0%	100%	\$ -	\$ 294,956
MAD-P2	Pipeline	Half Rd	From Peet Rd to Condit Rd	958,412	1,245,936	1,619,716	0%	100%	-	1,619,716
MAD-P3	Pipeline	Dunne Ave	From Condit Rd to NB US 101	180,549	234,713	305,127	100%	0%	305,127	-
MAD-P4	Pipeline	Aspen Wy	From Bluebonnet Wy to Pine Wy	128,641	167,233	217,403	100%	0%	217,403	-
MAD-P5	Pipeline	Bluebonnet Ct	From Almond Wy to Percheron Ct	39,119	50,855	66,111	100%	0%	66,111	-
MAD-P6	Pipeline	Percheron Ct	From Bluebonnet Ct to 170' s/o Bayo Claros Cir	252,768	328,598	427,178	100%	0%	427,178	-
MAD-P7	Pipeline	San Pedro Ave	From Condit Rd to NB US 101	195,594	254,273	330,554	60%	40%	198,332	132,222
Subtotal				\$ 1,929,613	\$ 2,508,497	\$ 3,261,045			\$ 1,214,151	\$ 2,046,894
Little Llagas Drainage Basin										
LLL-P1	Pipeline	Wright Ave	From Monterey Rd to Hale Ave	\$ 414,509	\$ 538,862	\$ 700,521	50%	50%	\$ 350,261	\$ 350,261
LLL-P2	Pipeline	Wright Ave	From 450' sw/o Crest Ave to Hale Ave	276,841	359,893	467,862	50%	50%	233,931	233,931
LLL-P3	Pipeline	Main Ave	From Crest Ave to Hale Ave	234,713	305,127	396,665	50%	50%	198,333	198,333
LLL-P4	Pipeline	Main Ave	From Peak Ave to Crest Ave	248,254	322,731	419,550	50%	50%	209,775	209,775
LLL-P5	Pipeline	Del Monte Ave	From Main Ave to 2nd St	214,401	278,722	362,338	50%	50%	181,169	181,169
LLL-P6	Pipeline	Main Ave	From Del Monte Ave to Monterey Rd	200,108	260,140	338,183	50%	50%	169,092	169,092
LLL-P7	Pipeline	Lone Hill Dr	From Spring Ave to Chargin Wy	168,512	219,066	284,785	20%	80%	56,957	227,828
LLL-P8	Pipeline	La Crosse Dr	From La Barea Dr to 200' se/o intersection of the Vineyard Blvd and La Crosse Dr	546,159	710,007	923,009	100%	0%	923,009	-
LLL-P9	Pipeline	Alamo Dr	From La Rocca Dr to 80' n/o Unnamed St	385,923	501,699	652,209	100%	0%	652,209	-
Subtotal				\$ 2,689,420	\$ 3,496,247	\$ 4,545,122			\$ 2,974,735	\$ 1,570,388

¹ Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.² Estimated construction cost plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

Source: Morgan Hill Storm Drainage Master Plan, 2018, Table ES.3; Engineering News Record; Willdan Financial Services.

Table 8.3: Storm Drain Master Plan Improvements - Continued

				Allocation						
	Type of			Baseline	Estimated	Capital	Existing	Future	Existing	
No.	Improvement	Description/Street	Description/Limits	Constr.	Const.	Improv.	Users	Users	Users	Future Users
				Costs ¹	Costs ²	Cost ³	(%)	(%)	(\$)	(\$)
Llagas Drainage Basin										
LLA-P1	Pipeline	Middle Ave	From Olive Ave to Gallant Fox Wy	\$ 204,622	\$ 266,008	\$ 345,811	0%	100%	\$ -	\$ 345,811
LLA-P2	Pipeline	Gallant Fox Wy	From Middle Ave to 1,200' e/o Middle Ave	<u>397,207</u>	<u>516,369</u>	<u>671,280</u>	<u>20%</u>	80%	<u>134,256</u>	<u>537,024</u>
Subtotal				\$ 601,829	\$ 782,377	\$ 1,017,091			\$ 134,256	\$ 882,835
Butterfield Drainage Basin										
BTR-D1	Basin		Approx. 900' nw/o Pollard Ave and Seymour Ave	\$ 1,171,894	1,523,462	1,980,500	50%	50%	\$ 990,250	\$ 990,250
Fisher Drainage Basin										
FIS-D1	Basin		Approx 1,000' sw/o Sutter Blvd and Butterfield Blvd	\$ 609,641	792,534	1,030,294	50%	50%	\$ 515,147	\$ 515,147
Other Storm Drainage Improvements										
Hale	Misc	Hale Ave	From Hillwood Lane to Spring Avenue and Dewitt Avenue	\$ 5,000,000	5,000,000	5,000,000	0%	100%	\$ -	\$ 5,000,000
Total									\$ 6,443,879	\$ 12,042,945
Less Existing Fund Balance ³										<u>3,962,023</u>
Net Cost of Planned Facilities										\$ 8,080,922

¹ Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

² Estimated construction cost plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

³ Existing fund balance of \$10,405,902 as of June 30, 2018. \$3,962,023 remaining after funding existing user costs.

Source: Morgan Hill Storm Drainage Master Plan, 2018, Table ES.3; Engineering News Record; Willdan Financial Services.

Allocation of Facilities to New Development

Table 8.4 allocates new development's share of storm drain facilities to new development. New development's share of the costs is equal to the total cost of the projects net of the existing fund balances. The facility standard, in this case a planned facilities standard, is calculated by dividing new development's share of planned facilities by the growth in EDUs.

Table 8.4: Cost per Equivalent Dwelling Unit

Cost Allocated to New Development	\$ 8,080,922
Growth in EDUs (2018-2035)	<u>5,450</u>
Cost per EDU	\$ 1,483

Sources: Tables 8.2 and 8.3; Willdan Financial Services.

Non-Fee Funding Required

No non-fee funding will be required to fund the facilities, as existing storm drain fund balances are sufficient to fully fund existing development's share of those facilities. Impact fee revenue will fully fund new development's share of the facilities.

Fee Schedule

The impact fee for storm drain facilities is shown in **Table 8.5**. The cost per EDU is converted to a fee per unit of new development based on the EDU factors shown in Table 8.1. The total fee includes a two percent (2%) administrative charge to fund costs that include: (1) a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, (2) fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 8.5: Storm Drain Facilities Fee

	A	B	C = A x B D = C x 0.02		E = C + D		F	G = E x F
	Cost Per EDU	EDU	Base Fee ¹	Admin Fee ^{1,2}	Total Fee ¹	Fee per Sq. Ft.	Nonres. KSF per Acre ³	Fee per Acre
<u>Residential</u>								
Single Family	\$ 1,483	1.00	\$ 1,483	\$ 30	\$ 1,513			
Multifamily	1,483	0.71	1,053	21	1,074			
Senior / Downtown / Accessory Dwelling Unit	1,483	0.48	712	14	726			
<u>Nonresidential</u>								
Commercial	\$ 1,483	0.62	\$ 919	\$ 18	\$ 937	\$ 0.94	21.78	\$ 20,408
Office	1,483	0.62	919	18	937	0.94	21.78	20,408
Industrial	1,483	0.38	564	11	575	0.58	26.14	15,031
Auto Dealership	1,483	0.62	919	18	937	0.94	21.78	20,408
Hotel	1,483	0.20	297	6	303	NA	n/a	n/a

Note: KSF = 1,000 Square Feet

¹ Fee per dwelling unit, per 1,000 square feet of nonresidential, or per room for hotel.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analysis.

³ Based on assumed floor-area-ratio (FAR) from the General Plan. FAR for commercial, office and auto dealerships assumed to be 0.5 based on the "General Commercial" land use. FAR for Industrial assumed to be 0.6 based on the "Industrial" land use.

Sources: Tables 8.1 and 8.4; Willdan Financial Services.

9. Implementation

Impact Fee Program Adoption Process

Impact fee program adoption procedures are found in the *California Government Code* section 66016. Adoption of an impact fee program requires the City Council to follow certain procedures including holding a public hearing. Data, such as an impact fee report, must be made available at least 10 days prior to the public hearing. The City's legal counsel should be consulted for any other procedural requirements as well as advice regarding adoption of an enabling ordinance and/or a resolution. After adoption there is a mandatory 60-day waiting period before the fees go into effect.

Inflation Adjustment

The City has kept its impact fee program up to date by periodically adjusting the fees for inflation. Such adjustments should be completed regularly to ensure that new development will fully fund its share of needed facilities. We recommend that the following indices be used for adjusting fees for inflation:

- ♦ Buildings – Engineering News-Record's Construction Cost Index (CCI)
- ♦ Equipment – Consumer Price Index, All Items, 1982-84=100 for All Urban Consumers (CPI-U)

The indices recommended can be found for local jurisdictions (state, region), and for the nation. With the exception of land, we recommend that the national indices be used to adjust for inflation, as the national indices are not subject to frequent dramatic fluctuations that the localized indices are subject to.

Due to the highly variable nature of land costs, there is no particular index that captures fluctuations in land values. We recommend that the City adjust land values based on recent land purchases, sales or appraisals at the time of the update.

While fee updates using inflation indices are appropriate for periodic updates to ensure that fee revenues keep up with increases in the costs of public facilities, the City will also need to conduct more extensive updates of the fee documentation and calculation (such as this study) when significant new data on growth forecasts and/or facility plans become available.

Reporting Requirements

The City complies with the annual and five-year reporting requirements of the *Mitigation Fee Act*. For facilities to be funded by a combination of public fees and other revenues, identification of the source and amount of these non-fee revenues is essential. Identification of the timing of receipt of other revenues to fund the facilities is also important.

Programming Revenues and Projects with the CIP

The City maintains a five-year Capital Improvement Program (CIP) to plan for future infrastructure needs. The CIP identifies costs and phasing for specific capital projects. The use of the CIP in this manner documents a reasonable relationship between new development and the use of those revenues.

The City may decide to alter the scope of the planned projects or to substitute new projects if those new projects continue to represent an expansion of the City's facilities. If the total cost of facilities varies from the total cost used as a basis for the fees, the City should consider revising the fees accordingly.

10. Mitigation Fee Act Findings

Public facilities fees are one-time fees typically paid when a building permit is issued and imposed on development projects by local agencies responsible for regulating land use (cities and counties). To guide the widespread imposition of public facilities fees the State Legislature adopted the *Mitigation Fee Act* (the *Act*) with Assembly Bill 1600 in 1987 and subsequent amendments. The *Act*, contained in *California Government Code* Sections 66000 through 66025, establishes requirements on local agencies for the imposition and administration of fee programs. The *Act* requires local agencies to document five findings when adopting a fee.

The five statutory findings required for adoption of the public facilities fees documented in this report are presented in this chapter and supported in detail by the preceding chapters. All statutory references are to the *Act*.

Purpose of Fee

- ♦ *Identify the purpose of the fee (§66001(a)(1) of the Act).*

Development impact fees are designed to ensure that new development will not burden the existing service population with the cost of facilities required to accommodate growth. The purpose of the fees proposed by this report is to provide a funding source from new development for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide municipal services to new development.

Use of Fee Revenues

- ♦ *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

Fees proposed in this report, if enacted by the City, would be used to fund expanded facilities to serve new development. Facilities funded by these fees are designated to be located within the City's sphere of influence. Fees addressed in this report have been identified by the City to be restricted to funding the following facility categories: general public facilities, traffic facilities, library facilities, parks, water facilities and storm drain facilities.

Benefit Relationship

- ♦ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and buildings, and purchase of related equipment, furnishings, vehicles, and services used to serve new development. Facilities funded by the fees are expected to provide a citywide network of facilities accessible to the additional residents and workers associated with new development. Under the *Act*, fees are not intended to fund planned facilities needed to correct existing deficiencies. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

Burden Relationship

- ♦ *Determine the reasonable relationship between the need for the public facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For each facility category, demand is measured by a single facility standard that can be applied across land use types to ensure a reasonable relationship to the type of development. For most facility categories service population standards are calculated based upon the number of residents associated with residential development and the number of workers associated with non-residential development. To calculate a single, per capita standard, one worker is weighted less than one resident based on an analysis of the relative use demand between residential and non-residential development.

The standards used to identify growth needs are also used to determine if planned facilities will partially serve the existing service population by correcting existing deficiencies. This approach ensures that new development will only be responsible for its fair share of planned facilities, and that the fees will not unfairly burden new development with the cost of facilities associated with serving the existing service population.

Chapter 2, Growth Forecasts provides a description of how service population and growth forecasts are calculated. Facility standards are described in the *Facility Standards* sections of each facility category chapter.

Proportionality

- ♦ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated new development growth the project will accommodate. Fees for a specific project are based on the project's size. Larger new development projects can result in a higher service population resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project.

See *Chapter 2, Growth Forecasts*, or the *Service Population*, or *Equivalent Dwelling Units* sections in each facility category chapter for a description of how service populations or other factors are determined for different types of land uses. See the *Fee Schedule* section of each facility category chapter for a presentation of the maximum justified facilities fees.

Appendix

Table A.1: Police: Lease Payments for Police Building

Date	Payment (nom. dollars)	Discount Factor ¹	Payment (real dollars)
<i>Past Payments</i>			
Jan-05	\$ 122,132	1.564	\$ 191,009
Jul-05	328,156	1.564	513,222
Jan-06	155,606	1.511	235,132
Jul-06	295,606	1.511	446,681
Jan-07	153,506	1.460	224,114
Jul-07	298,506	1.460	435,810
Jan-08	151,331	1.411	213,468
Jul-08	301,331	1.411	425,057
Jan-09	148,706	1.363	202,671
Jul-09	303,706	1.363	413,920
Jan-10	145,994	1.317	192,246
Jul-10	305,994	1.317	402,935
Jan-11	143,194	1.272	182,182
Jul-11	308,194	1.272	392,109
Jan-12	140,306	1.229	172,472
Jul-12	310,306	1.229	381,446
Jan-13	136,906	1.188	162,602
Jul-13	311,906	1.188	370,447
Jan-14	133,844	1.148	153,589
Jul-14	313,844	1.148	360,143
Jan-15	130,694	1.109	144,902
Jul-15	320,694	1.109	355,559
Jan-16	127,131	1.071	136,186
Jul-16	322,131	1.071	345,075
Jan-17	123,475	1.035	127,797
Jul-17	328,475	1.035	339,972
Jan-18	119,375	1.000	119,375
Subtotal	\$ 5,981,051		\$ 7,640,121

¹Discount rate assumed to be 3.5% per year.

Source: City of Morgan Hill.

Table A.1: Police: Lease Payments for Police Building - Continued

Date	Payment (nom. dollars)	Discount Factor¹	Payment (real dollars)
<i>Future Payments</i>			
Jul-18	329,375	1.000	329,375
Jan-19	115,175	0.966	111,280
Jul-19	335,175	0.966	323,841
Jan-20	110,638	0.934	103,281
Jul-20	340,638	0.934	317,989
Jan-21	105,750	0.902	95,380
Jul-21	345,750	0.902	311,847
Jan-22	100,500	0.871	87,580
Jul-22	350,500	0.871	305,441
Jan-23	94,875	0.842	79,882
Jul-23	354,875	0.842	298,795
Jan-24	89,025	0.814	72,422
Jul-24	359,025	0.814	292,067
Jan-25	82,950	0.786	65,198
Jul-25	367,950	0.786	289,205
Jan-26	76,395	0.759	58,015
Jul-26	371,395	0.759	282,042
Jan-27	69,463	0.734	50,967
Jul-27	379,463	0.734	278,423
Jan-28	62,178	0.709	44,079
Jul-28	387,178	0.709	274,477
Jan-29	54,540	0.685	37,357
Jul-29	394,540	0.685	270,238
Jan-30	46,550	0.662	30,806
Jul-30	401,550	0.662	265,739
Jan-31	38,119	0.639	24,373
Jul-31	413,119	0.639	264,150
Jan-32	29,213	0.618	18,047
Jul-32	419,213	0.618	258,982
Jan-33	19,950	0.597	11,908
Jul-33	429,950	0.597	256,633
Jan-34	10,213	0.577	5,890
Jul-34	440,213	0.577	253,873
Subtotal	\$ 7,525,438		\$ 5,769,583

¹Discount rate assumed to be 3.5% per year.

Sources: City of Morgan Hill; Willdan Financial Services.

Maximum Justified Development Impac Fees per Study Schedule versus Current Fees Comparison

Table 1: Maximum Justified Development Impact Fees

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Sewer	Water	Storm Drainage	Recreation Centers	Total
<u>Residential (DU)</u>									
Single Family	\$ 3,638	\$ 3,313	\$ 2,413	\$ 14,402	\$ 15,269	\$ 8,914	\$ 1,513	\$ 3,943	\$ 53,40
Multi-Family	3,191	2,054	2,117	12,632	12,923	4,100	1,074	3,460	41,55
Senior / Downtown / Accessory Unit	2,417	828	1,603	9,570	12,923	4,635	726	2,611	35,31
<u>Nonresidential (per KSF or per hotel room)</u>									
Commercial	\$ 936	\$ 12,291	-	-	\$ 3,241	\$ 2,139	\$ 937	-	\$ 19,54
Office	1,123	4,937	-	-	3,241	2,139	937	-	12,37
Industrial	936	3,214	-	-	2,240	1,516	575	-	8,48
Auto Dealership	374	8,680	-	-	3,241	2,139	937	-	15,37
Hotel	112	1,988	-	-	1,054	713	303	-	4,17

Table 2: Existing Development Impact Fees

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Sewer	Water	Storm Drainage	Recreation Centers	Total
<u>Residential (per dwelling unit)</u>									
Single Family	\$ 1,496	\$ 2,006	\$ 2,126	\$ 5,790	\$ 15,269	\$ 3,902	\$ 4,142	\$ 3,943	\$ 38,67
Multi-Family	1,449	1,244	2,048	5,579	12,923	3,520	2,154	3,460	32,37
Senior / Downtown / Accessory Unit	998	1,244	1,402	3,820	12,923	3,520	2,154	2,611	28,67
<u>Nonresidential (per KSF or per hotel room)</u>									
Commercial	\$ 215	\$ 7,442	-	-	\$ 3,241	\$ 508	\$ 2,071	-	\$ 13,47
Office	258	2,989	-	-	3,241	508	2,071	-	9,06
Industrial	225	1,946	-	-	2,240	423	1,256	-	6,09
Auto Dealership	80	5,256	-	-	3,241	508	2,589	-	11,67
Hotel	40	1,204	-	-	1,054	166	1,372	-	3,83

Table 3: Change in Development Impact Fee Amounts

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Sewer	Water	Storm Drainage	Recreation Centers	Total Change
<i>Residential (per dwelling unit)</i>									
Single Family	\$ 2,142	\$ 1,307	\$ 287	\$ 8,612	\$ -	\$ 5,012	\$ (2,629)	\$ -	\$ 14,73
Multi-Family	1,742	810	69	7,053	-	580	(1,080)	-	9,17
Senior / Downtown / Accessory Unit	1,419	(416)	201	5,750	-	1,115	(1,428)	-	6,64
<i>Nonresidential (per KSF or per hotel room)</i>									
Commercial	\$ 721	\$ 4,849	-	-	\$ -	\$ 1,631	\$ (1,134)	-	\$ 6,06
Office	865	1,948	-	-	-	1,631	(1,134)	-	3,31
Industrial	711	1,268	-	-	-	1,093	(681)	-	2,39
Auto Dealership	294	3,424	-	-	-	1,631	(1,652)	-	3,69
Hotel	72	784	-	-	-	547	(1,069)	-	33

Table 4: Percentage Change in Development Impact Fee

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Sewer	Water	Storm Drainage	Recreation Centers	Total Change
<i>Residential (per dwelling unit)</i>									
Single Family	143%	65%	14%	149%	0%	128%	-63%	0%	38%
Multi-Family	120%	65%	3%	126%	0%	16%	-50%	0%	28%
Senior / Downtown / Accessory Unit	142%	-33%	14%	151%	0%	32%	-66%	0%	23%
<i>Nonresidential (per KSF or per hotel room)</i>									
Commercial	335%	65%	-	-	0%	321%	-55%	0%	45%
Office	335%	65%	-	-	0%	321%	-55%	0%	37%
Industrial	316%	65%	-	-	0%	258%	-54%	0%	39%
Auto Dealership	368%	65%	-	-	0%	321%	-64%	0%	32%
Hotel	180%	65%	-	-	0%	331%	-78%	0%	9%



Development Impact Fee Update





Background

1. GP 2035 adopted 2016

2. Master Plans

- Public Safety adopted 2017
- Utilities adopted 2017
- Bikeways, Trails, Parks, and Recreation adopted 2017
- Storm Drainage adopted 2018



Last Update

1. Traffic and Recreation in 2015

- Recreation not being updated at this time

2. Fire in 2013

3. General Facilities, Park, Police, Library, and Storm Drainage in 2010

4. Utilities 2007

- Wastewater not being updated at this time

What are impact fees?

- One-time fees charged to new development, usually at building permit
 - Not an ongoing fee charged to residents or business owners
- May be used to fund facilities needed to serve new development
 - Not for operations and maintenance costs
 - Not for the share of facilities serving existing development



Conducting an Impact Fee Nexus Study

Mitigation Fee Act Findings (Govt. Code §66001)

- Key findings
 - Need: Development $\approx$ Need for facilities
 - Benefit: Development $\approx$ Use of revenue
 - Rough proportionality: Fee amount $\approx$ development's share of facility costs
- Other findings
 - Purpose of fee
 - Use of fee revenue

Impact Fees – Basic Methodology

1. Estimate existing development and future growth
2. Identify facility standards
3. Determine new facility needs and costs
4. Allocate share to accommodate growth
5. Identify alternative funding needs
6. Calculate fee by allocating costs per unit of new development

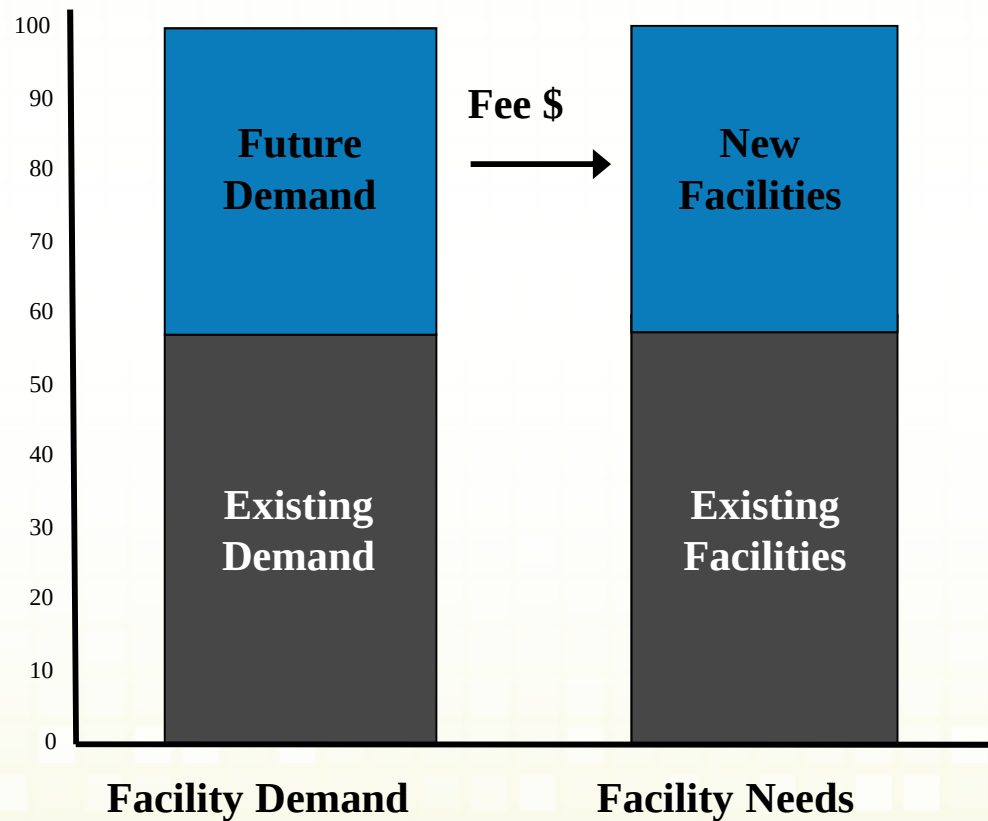
City of Morgan Hill Growth Projections

City of Morgan Hill Growth Projections

	2018	2035	Increase
Residents	44,130	57,814	13,684
Dwelling Units	14,722	19,287	4,565
Employment	16,446	21,520	5,074
Hotel Rooms	919	1,134	215

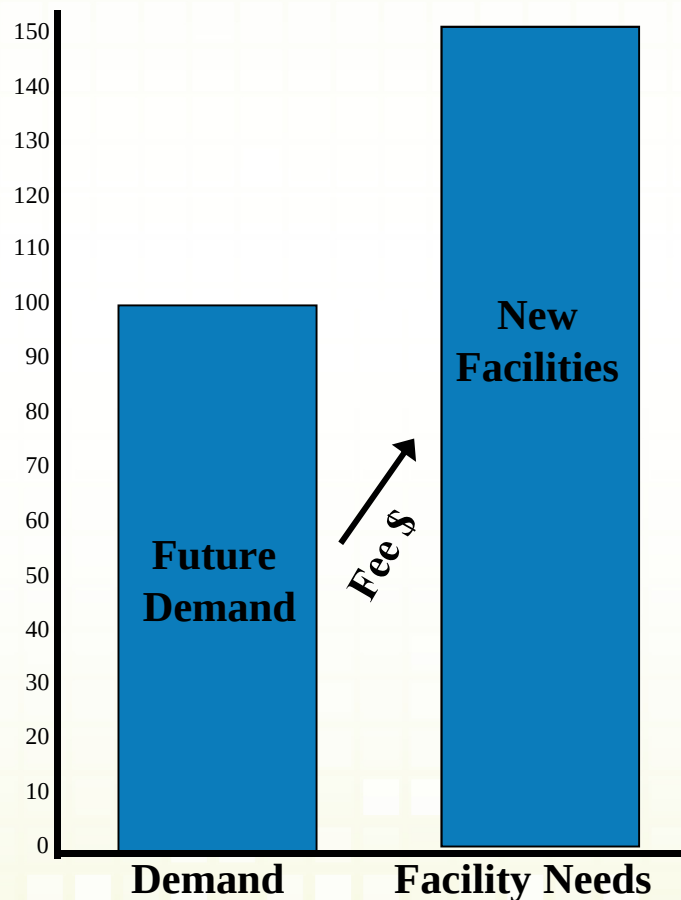
Sources: California Department of Finance (DOF) Table E-5, 2018; U.S. Census Bureau, LEHD Origin-Destination Employment Statistics (2002-2015) accessed at <https://onthemap.ces.census.gov>; City of Morgan Hill General Plan 2035 EIR; Willdan Financial Services.

Allocating Cost of New Facilities: *Existing Inventory*



Allocating Cost of New Facilities: *Planned Facilities Method*

Planned Facilities Method



- Use engineering models to demonstrate need for facilities to serve growth
- Usually applicable for traffic & utility fees
- May also have deficiencies that must be funded by alternative revenues

City of Morgan Hill Impact Fee Categories

Existing Standard:

- General Public Facilities
- Library Facilities
- Parks

Planned Facilities Standard:

- Traffic Facilities
- Water
- Storm Drainage

Not Being Updated:

- Sewer Facilities
- Community Recreation Centers

Major Planned Facilities

General Public Facilities

- Corporation yard expansion
- City Hall annex expansion
- Share of police station debt
- New fire station and apparatus

Library Facilities

- Building expansion
- New collections

Parks and Recreation Facilities

- Over 40 acres of new parkland to maintain City's 5.0 acre per 1,000 resident parkland standard

Traffic Facilities

- Capacity increasing road expansion projects

Water Facilities

- New pipelines
- Storage reservoir improvements
- Groundwater well improvements
- Pump station improvements

Storm Drain Facilities

- Storm drain pipelines
- Storm drain basin improvements

Impact Fee Revenue Projection

Impact Fee Revenue Projection

Fee Category	Total Project Cost	Development Fee Revenue	Additional Funding Required
General Public Facilities	\$ 34,631,883	\$ 18,111,540	\$ 16,520,343
Traffic Facilities	55,613,839	33,680,899	21,932,940
Library Facilities	5,580,000	10,755,600	-
Parks	64,236,000	64,236,000	-
Sewer	80,969,521	58,954,990	22,014,530
Water	46,296,126	33,110,593	13,185,533
Storm Drainage ¹	12,042,945	8,080,922	-
	<u>\$ 299,370,313</u>	<u>\$ 226,930,543</u>	<u>\$ 73,653,346</u>

¹ Existing fund balances fund the difference between total project cost and projected impact fee revenue.

Maximum Justified Impact Fee Schedule

Maximum Justified Development Impact Fees

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Water	Storm Drainage	Total
<u>Residential (DU)</u>							
Single Family	\$ 3,638	\$ 3,313	\$ 2,413	\$ 14,402	\$ 8,914	\$ 1,513	\$ 34,193
Multi-Family	3,191	2,054	2,117	12,632	4,100	1,074	25,168
Senior / Downtown / Accessory Unit	2,417	828	1,603	9,570	4,635	726	19,779
<u>Nonresidential (per KSF or hotel room)</u>							
Commercial	\$ 936	\$ 12,291	-	-	\$ 2,139	\$ 937	\$ 16,303
Office	1,123	4,937	-	-	2,139	937	9,136
Industrial	936	3,214	-	-	1,516	575	6,241
Auto Dealership	374	8,680	-	-	2,139	937	12,130
Hotel	112	1,988	-	-	713	303	3,116

Impact Fee Comparison

Single Family Dwelling Unit - Impact Fee Comparison

Fee Category	Morgan Hill		Gilroy	San Jose	
	Existing	Draft		Low	High
Public Facilities	\$ 552	\$ 3,638	\$ 20,498	\$ -	\$ -
Sewer	15,269	15,269	12,501	1,227	1,227
Storm Drainage ¹	4,142	1,513	71	270	270
Street Tree ²	-	-	174	-	-
Traffic	2,006	3,313	11,561	-	-
Water	3,902	8,914	4,294	-	-
Police	817	-	-	-	-
Fire Protection	127	-	-	-	-
Library	2,126	2,413	-	-	-
Parks	5,790	14,402	-	11,200	58,800
Community Recreation Centers	3,943	3,943	-	-	-
Total	\$ 38,674	\$ 53,406	\$ 49,098	\$ 12,697	\$ 60,297

¹ Storm drainage fee in Gilroy assumes eight dwelling units per acre

² Street tree fee in Gilroy assumes 50 feet of frontage

2019 Update Study Consideration



Traffic Impact Fee

- Includes \$12M in total Priority Bikeways projects
 - \$9M in outside sources not realistic
 - Consider reduce to \$4M in total project with \$3M from outside sources and \$1M from impact fees

2019 Update Study Consideration (cont'd)



Park Impact Fee

- Additional 40 acres of new parkland for GP 2035
 - Up to \$50K per acre for O&M
 - Consider reduce by half due to lack of outside sources to fund O&M



2019 Update Study Consideration (cont'd)

	Per Study		Reduced Traffic & Park	
<u>Land Use</u>	\$	%	\$	%
<u>Residential (per DU)</u>				
<u>Single Family</u>	\$14,724	38%	\$7,317	19%
<u>Multi-Family</u>	9,174	28%	2,730	8%
<u>Senior/Downtown/ ADU</u>	6,641	23%	1,804	6%
<u>Nonresidential (per KSF or per hotel room)</u>				
<u>Commercial</u>	\$6,067	45%	\$5,302	39%
<u>Office</u>	3,310	37%	3,003	33%
<u>Industrial</u>	2,390	39%	2,190	36%
<u>Auto Dealership</u>	3,698	32%	3,158	27%
<u>Hotel</u>	334	9%	210	5%



Council Direction

1. Should the City update the development impact fees
2. Should the City assess lower than maximum justified fees, specifically Park and Traffic development impact fees
3. Should the City phase in increases

Questions



CITY OF MORGAN HILL

From: [D. Muirhead](#)
To: [Michelle Bigelow](#)
Subject: comment Council February 20, 2019 Planning Commission appointments
Date: Saturday, February 16, 2019 10:22:35 AM

Warning: this message is from an external user and should be treated with caution.

Dear Morgan Hill City Council,

Comment for Council meeting on February 20, 2019
6PM: Planning Commission appointments

Just as you considered a reset in your approach to agricultural preservation at your Goals workshop and sports fields development at a recent Council meeting, here you have the opportunity to reset the City's relationship with LAFCO with the appointment and orientation of new members on the Planning Commission.

I would love to see Us (the City) and Them (LAFCO) become We.

To get you to consider my proposal seriously, consider your recent record on annexation requests. By my count, you have lost all three:

- 2013 Monterey South of Watsonville
- 2016 South East Quadrant
- 2018 Private High School

I attended the recent Planning Commission meeting where Principal Planner John Baty presented the City's Vacant Land Inventory.

Certain Staff, Commissioners, and Land Brokers continue to portray LAFCO as the unreasonable party in the process of determining vacant land and reasonable use. Mr. Baty said he gives facts to LAFCO and then they do whatever they want with the numbers in an unspecified process. I have two counters to that one-sided view.

For the LAFCO application for Monterey South of Watsonville, the City claimed that the LAFCO methodology "agruably overstated" the City's supply of vacant residential land.

The City argued against conversion before annexation, saying that although the vacant land inventory showed an ample supply, the City needed to maintain an ample inventory of non-residential lands to ensure a stable jobs/housing balance as well as a solid supply of employment-generating lands.

For the LAFCO application for the South East Quadrant, LAFCO staff used the City's information to prepare a vacant lands inventory. Here the disagreement was with the City's claim that not all such vacant lands were available for development. One reason given by the City was that some lands are constrained by natural features or

the landowner is unwilling to sell/develop the land.

LAFCO staff used the City's existing residential zoning designations to demonstrate the range of potential units

- 1) 4,626 units on 799 vacant acres (LAFCO)
- 2) 2,223 units on 250 vacant acres (City)
- 3) 1,500 units (using middle of density range) on 250 vacant acres
(the City stated that most residential projects build between the low-end to middle of the allowed density range).

A possible alternative to continuing to spread this anti-LAFCO animosity to new Commissioners would be to have City leadership sit down with LAFCO staff, preferably in public, and see where you are in agreement and where differences in interpretation leads to disagreement. If we cannot eliminate all differences, you could at least reduce the size of the battlefield.

You might even find a new way of thinking about a future of probabilities, such as a way to accommodate the "never sell or develop" position when in the real world economic conditions change and people die. Never say Never.

Immediately following my public comment to the Planning Commission, the next speaker said it was unfortunate that I did not understand the complexities of the many moving parts. That speaker, in an earlier letter to LAFCO, talked about "underqualified and/or disingenuous individuals attempting to mislead with inaccurate statements". Perhaps you should want to find a less complex way and less divisive way to discuss the issue.

Thank you for your consideration,
Doug Muirhead, Morgan Hill



February 20, 2019

DA2018-0007: Depot-Latale

Item 9



Request

- Development Agreement for the Depot-Latale project to memorialize RDCS Public Benefit Commitments



Downtown Projects



- 500 allotments set-aside for Downtown projects
- 100 allotments may be awarded each year
- Competition not required
- 49 Allotments awarded by Planning Commission January 22, 2019
- 51 Downtown Allotments remaining for 2019

Development Agreement

- Development Agreement consistent with RDCS Public Benefit Commitments and required Findings

- A. **Is consistent with the goals, objectives, policies, general land uses, and programs specified in the general plan and any applicable specific plan.**

The project would provide 49 residential units which is consistent with the General Plan. There have been no General Plan policy conflicts identified with the proposed project.

- B. **Is compatible with the uses authorized in the zoning district in which the real property is located.**

The proposed mixed-use development is permitted within the Mixed Use-Downtown Specific Plan area and would be compatible with the surrounding residential and small business uses.

Development Agreement

- C. **Duly considers city mitigation programs in effect at the time of execution of the agreement.**

The project would be subject to the payment of applicable impact fees and community benefit commitments as part of the RDCS process.

- D. **Will be non-detrimental to the public health, safety and general welfare of persons residing or working in the neighborhood and to property and improvements in the neighborhood.**

The project's construction would adhere to state, local and federal laws. The project is a mixed-use residential development that would include the same normal daily operations of other surrounding uses.

Development Agreement

- E. **Complies with the provisions of the California Environmental Quality Act and City's procedures adopted pursuant thereto.**

The project is subject to CEQA and an Initial Study/Addendum has been prepared for the project.

- F. **Will not adversely affect the orderly development of property or the preservation of property values.**

The project will provide high quality architecture consistent with the City's Architectural Design Guidelines. The project will also be consistent with state and local laws.

Recommendations



1. Open and close public hearing,
2. Waive first and second reading of DA Ordinance; and
3. Introduce DA Ordinance.

Questions?



Entitlement Processing



1. Completion of Project Specific CEQA
2. Planning Commission to approve Tentative Map and review Design Review Permit
3. City Council to review/approve Design Review Permit

From: [Michelle Bigelow](#)
To: [Michelle Bigelow](#)
Subject: FW: Hale development - city council meeting this Wednesday, Item # 9 Depot Latala development
Date: Wednesday, February 20, 2019 1:11:43 PM
Attachments: [hale_lumber_site_plan.pdf](#)
[ATT00001.htm](#)
[04112018124516-0001.pdf](#)
[ATT00002.htm](#)

From: Charles Weston <charles@wmarchitects.com>

Date: February 19, 2019 at 6:45:53 PM PST

To: Charles Weston <charles@wmarchitects.com>

Subject: Hale development - city council meeting this Wednesday, Item # 9 Depot Latala development

Hello,

This will be my third opportunity to address this development. Once with the makeup of the old council and once as a request on public comment. I have previously talked about the downtown circulation if this plan is approved as proposed, the removal of some of the most interesting and beautiful oaks in the downtown area, and yet I have not mentioned the architecture publicly which I think can be subjective and despite my almost 40 years in the business I still get negative feedback on what I feel are well-done developments, including Barley Place.

What I believe for me, is you do a good job correctly the first time and you then will not have to find a way in another project to make up for it. I know city planners want to make a deal, finish off the downtown development and call it a day, But will have left several items that will now need to be resolved as time goes on and possibly cannot find a way to keep kicking the can down the road. I think the sunsweet project, booksmart projects are fine, the decision to have on 29 parking spaces for the required over 200 for the Hotel is beyond me, other than it allowed for a hotel in downtown. Nice, but not really needed except for the developer. Oh, I forgot he saved the theater. Once all this has been completed we should then know what our next steps should be, thinking that we should wait on the Hale property in improvements until this projects are completed, which would give us a better understanding of the needs for the Hale site. I know that is asking for something that not possible, but it is possible to address at this time some of the flaws of this development. They are....

The trees:

Morgan Hill City ordinance, the Downtown Plan, and the current Urban Forest Community group both rank native mature oak trees as a priority to maintain. ***This plan removes 5 of the very large mature trees. It leaves 2 small oaks only.*** With proper pruning maintenance and protection during construction, these trees would be an asset to the design. The opportunity to modify the design of the site and the units to properly address the existing trees should be required and should be

included. Too often site design is based on housing blocks that could be constructed anywhere. Instead, we should be able to see site-specific plans that address the trees.

I have attached a site plan with numbers corresponding to the trees. Yes I have read the arborist report and have used him on my trees, very good at cutting down trees and trimming them to keep them healthy, but consider this, those trees on the hale site have not been watered, pruned/shaped, large trucks have run over their roots since 1946 and are still alive and would only require care and trimming and maintenance to continue their existence. They have been there longer than Hale Lumber and In my opinion, grace our downtown and add beauty.

Note: none of the plans that I found show the removal of these oak trees. That is not actually describing the nature of the development.

Tree #1 - a beautiful oak that stands proud and strong. Tree # 5 just across the tree is similar.

Tree # 6 - a small oak that is kept, gee thanks for the gesture, but its significance is pale compared to # 1

Tree # 2 - very similar to tree # 1, the plan can adjust since the building steps back and squeeze the back roadway.

Trees# 4- there are 6 or 7 oak trees here, similar to # 6 but larger, why are they getting removed?

Trees# 3- there are 12/ 13 mature trees here that are being removed and replaced with parking. The developer should replace with 40-gallon oaks or similar closer to the parking.

So there are 20 trees that are getting removed to accommodate this development.

Circulation:

I see this plan as a disaster for the downtown as its citizens try to leave/come and head home from downtown. The question of parking, but mostly circulation will define our downtown maybe much more than the restrauants that define us now.

I believe this is now the most important intersection in all of Morgan Hill to get the right design, not the best deal for the developer or even for the city planners and as designed will be the most upsetting and talked about aspect of downtown, a reason citizens will not go downtown.

This intersection will have within a couple of years more than 150 more families, a hotel and who knows how many more restaurants plus whatever is here already. Look at the plan and let's say you're coming off the freeway and you want to go to Odeuam or to one of the 83 apartments that are now being constructed or the 29 on the old book smart site. So you cross the railroad tracks but you realize there is only stacking to turn into the downtown of 5 cars and there are filled, cause they can't move cause cars are coming in and out of the parking lots, or of these 49 units or there are pedestrians

in the crosswalk, or there are cars on depot street that are parking and blocking the flow. Do you back up? or proceed to Monterey and try another route? That is only a typical day and in no way reflects Friday or the weekends.

Depot Street needs more direct access to the Dunne and Church street intersection with as few driveway approaches and pedestrian crossings as possible due to the significant amount of existing traffic and traffic for projects already in the pipeline. The multiple numbers of access points on the proposed plans will be both dangerous and confusing with both one way and two-way traffic conditions. In an effort to start the conversation, I've included a quick sketch of an overall site plan that could work better. See attached site plan.

One option is to take the traffic from the development off of Depot exiting directly on to Dunne, very similar to the current conditions. This would just be internal traffic for the development so would be minimal.

Additionally, with Depot turning to parallel Dunne, stacking can occur and a direct lineup and connection to Church. The parking lot for the CCC remains intact allowing for a safer route for events and ensuring that ADA is met as well site safety with no cars backing into the road and confusing the intersection.

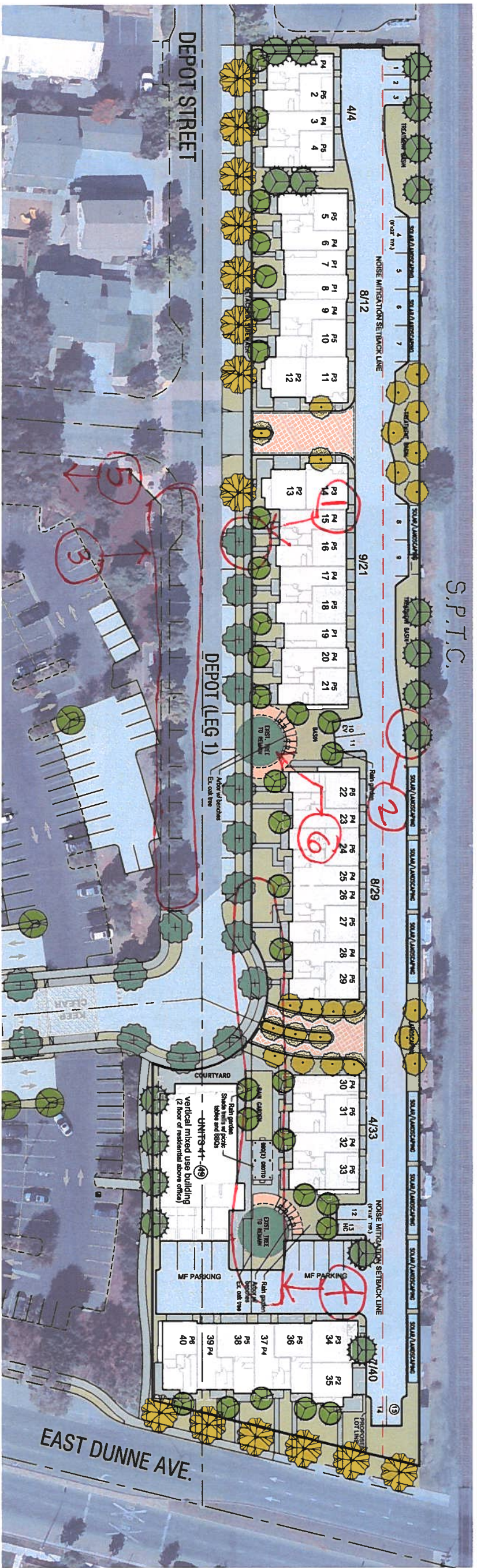
Now try to get out of downtown to the freeway, are you going to turn right on Main? That's all you can really do unless this developer put in a signal there to help coordinate the traffic flow at this intersection, right now its close to impossible to get out or in from this junction. Why isn't the developer being asked to do that, or why isn't the 83 units being asked to do that or the 29 or the hotel? Do we not want there to be upset and we as the citizens need to pay for it?

This is the only intersection that can get you directly to 101 or to the east side of town. The others 5th thru 1st get you on Monterey and the last Depot and Main is already dangerous and will become an intersection soon.

Please see my plan as an alternate.

Thank you for your time in reading and I hope you consider this when making your decision.

Charles Weston



PLANTING LEGEND:

SYMBOL	CALLOUT BOTANICAL NAME	COMMON NAME	SIZE	SPACING	COMMENTS	WATER USE
TREES						
QC	Quercus agrifolia	Coast Live Oak	24" Box	As Shown	Street tree to match existing	L
LP	Palmanus x acerifolia	London Plane Tree	24" Box	As Shown	Street tree to match existing	M
BB	Lophostemon confertus	Brisbane Box	15 Gal.	As Shown	Columnar tree	L
PI	Prunus ilicifolia	Catalina Cherry	15 Gal.	As Shown	Columnar tree	L
CI	Quercus ilex	Holly Oak	15 Gal.	As Shown	-	L
AM	Abutilon 'Marina'	Strawberry Tree	15 Gal.	As Shown	-	L
GP	Ginkgo biloba 'Princeton Sentry'	Princeton Sentry	15 Gal.	As Shown	-	M
MC	Metastachya quinqueflora	Paperbark tree	15 Gal.	As Shown	-	L
PK	Pyrus kawakamii	Evergreen Pear	24" Box	As Shown	-	M
SHRUBS & GROUNDCOVER						
CV	Callistemon viminalis 'Little John'	Dwarf Bottlebrush	5 Gal.	36" O.C.	Full sun shrub	L
RC	Rhamnus californica 'Little Sur'	Little Sur Coffeeberry	5 Gal.	36" O.C.	Full and partial sun shrub	L
PS	Phytolium spp.	New Zealand Flax Species	Varies	Varies	Sheep leaf plant	L
ND	Nandina domestica 'Harbor Dwarf'	Dwarf Heavenly Bamboo	1 Gal.	24" O.C.	Low accent shrub	L
RI	Rhipsalis indica 'Ballerina'	Indian hawthorn	5 Gal.	36" O.C.	Full and partial sun shrub	L
MC	Muhlenbergia capillaris	Pink Hair Grass	1 Gal.	36" O.C.	Accent grass	L
AB	Anulobasis 'Bush Gold'	Yellow Kangaroo Paw	1 Gal.	24" O.C.	Sheep leaf accent plant	L
BA	Berberis aquifolium var. repens	Creeping Barberry	1 Gal.	36" O.C.	Shade shrub	L
PS	Pittosporum spp.	Pittosporum Species	Varies	Varies	Accent shrub	L
LJ	Ligustrum japonicum 'Texanum'	Waxleaf Privet	5 Gal.	36" O.C.	Large shrub	L
DB	Dialia bicolor	Fortnight Lily	5 Gal.	36" O.C.	Sheep leaf plant	L
RA	Rose spp.	Rose Species	Varies	Varies	Flowering accent shrub	L
STORM WATER BASIN / RAIN GARDEN						
JP	Juncus peltata	California Gray Rush	1 Gal.	24" O.C.	Dark blue/green foliage	L
CD	Carex divisa	Berkeley Sedge	1 Gal.	24" O.C.	Bright green foliage	L
CF	Calamagrostis foliosa	Mendocino Reed Grass	1 Gal.	24" O.C.	Blue/green foliage	L
FG	Festuca glauca 'Elijah Blue'	Elijah Blue Fescue	1 Gal.	18" O.C.	Blue foliage	L

GENERAL NOTES:

1. Tree and shrub layout is conceptual in nature. Final plant locations and species are subject to City review and final design refinement.
2. Additional plant species not listed on the above Plant Palette may be used.
3. Not all plant species listed on the above Plant Palette may be used.
4. All landscape areas will be grouped by hydrozone and receive an automatic underground irrigation system(s) that meets local and UBC code.

PLANTING DESIGN INTENT STATEMENT:

The planting design shall adhere with applicable City of Morgan Hill code and guidelines. The planting design utilizes a variety of plants in a layered composition, creating layers of color and texture to complement the architecture and outdoor spaces. Front yard landscapes shall be designed with a contemporary aesthetic consistent with the architectural style of the homes. Storm water basins/rain gardens shall have a more organic design to contrast with the other landscape areas.



RAIN GARDEN CONCEPT



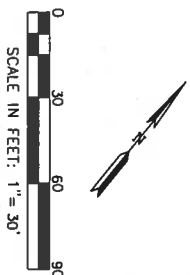
LANDSCAPE CONCEPT

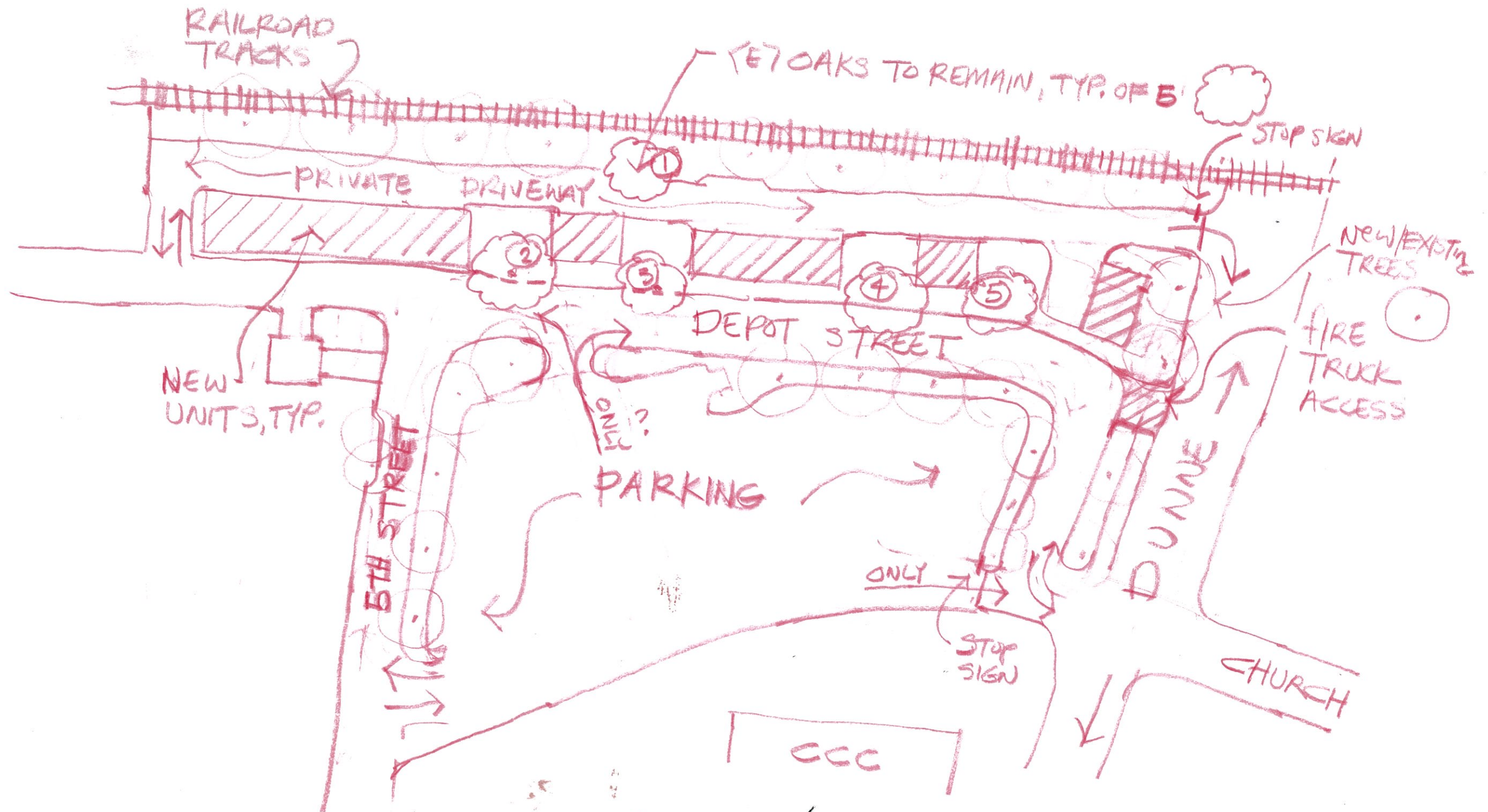


SITE FURNISHINGS CONCEPT



PERGOLA CONCEPT





ALTERNATE DEPOT-CHURCH
ALIGNMENT DESIGN 4/11/18



BUILDING AMERICA®

February 20, 2019

Irma Torrez, City Clerk
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037
Email: General@ch.organ-hill.ca.gov

Re: Comments regarding application for a Development Agreement regarding
DA2018-0007: Depot-Latala, at the property located by Parcel Number 726-13-
049 (the "Application")

Dear Ms. Torrez:

Thank you for allowing Union Pacific Railroad Company ("UP") the opportunity to submit the following comments in response to the notice on the above-referenced Application. UP is a Delaware corporation that owns and operates a common carrier railroad network in the western half of the United States, including the State of California. UP's rail network is vital to the economic health of California and the nation as a whole and its rail service to customers in the Santa Clara County area is crucial to the future success and growth of those customers.

The proposed location that is the subject of the Application, namely Parcel Number 726-13-049 ("Location"), is adjacent to UP's operating property. Any land planning decisions should consider that train volumes near the Location may increase in the future. UP also asks that the City and the applicant keep in mind that this is a vital rail corridor and nearby land uses should be compatible with this continuing rail use.

Increased Traffic Impact and Safety Concerns

The safety of UP's employees, customers, adjoining land owners, and the communities we operate through is our top priority. Any increase in traffic from the proposed change may render inadequate the current safety devices in place on any nearby at-grade crossings. Additionally, an increase of pedestrian and vehicular traffic may conflict with train operations causing trains to proceed more slowly through the area, and/or make more frequent emergency stops, which would make rail service less effective and efficient. Should this Application be approved, UP requests that the applicant, developer and the City examine any increase in vehicular and pedestrian traffic and the impacts on any nearby at-grade road crossings to see if any additional mitigation measures should be included.

Use of UP Right-of-Way

UP is concerned that any construction equipment used in this project at this Location will impede its right-of-way. UP objects to any use of its right-of-way that is not separately approved by the UP real estate department. UP must maintain sufficient right-of-way for future railroad expansion or connection track. UP also requires its land be retained for maintenance purposes.

Trespassing

Any increase in pedestrian traffic may increase the likelihood of trespassing onto the railroad right-of-way. UP requests that the developer and the City examine the impacts associated with the increased likelihood of trespassing in this Location and consider appropriate mitigation measures. For example, vandal resistant fencing at least 8 feet or taller (without impairing visibility), pavement markings and “no trespassing” signs designed to prevent individuals from trespassing onto the railroad tracks should be considered. Buffers and setbacks should also be required adjacent to the right-of-way.

Noise and Vibration Impact

UP’s 24-hour rail operations generate the noise and vibration one would expect from an active railway. Any increase in pedestrian and vehicular traffic may result in additional horn use by railroad employees. As a mitigation measure, the City should consider and make the public aware of the daytime and nighttime noise levels naturally occurring with rail service, including sounding horns at vehicle crossings where required, as well as the pre-existing and predictably-occurring vibration. These disclosures should note that train volume may increase in the future. The Application’s development plans should also include appropriate mitigation measures, such as construction of sound barrier walls or landscape buffers, and/or use of sound-proofing materials and techniques.

Drainage and Project Construction

UP requests the City ensure that the drainage plan relating to the Project does not shift storm water drainage toward UP property and infrastructure. Any runoff onto UP’s property may cause damage to its facilities resulting in a potential public safety issue. If the Project is approved, we ask that the City require the developer to mitigate all safety risks and the impacts of the railroad’s 24-hour operations during the construction of the Project, including contacting UP to arrange for flaggers for work performed within twenty-five feet (25’) of the nearest track.

UP appreciates the applicant and the City giving due consideration to the above concerns, as this proposed Application may result in impacts to land use and public safety. Please give notice to UP of all future hearings and other matters with respect to the Application as follows:

Peter Kenney – Real Estate Property Management
Union Pacific Railroad Company
1400 Douglas Street - STOP 1690
Omaha, NE 68179
(402) 544-8581
pkenney@up.com

Please do not hesitate to contact Peter Kenney if you have any questions or concerns.

Sincerely,



Madeline E. Roebke
Senior General Attorney
Union Pacific Railroad Company

cc: Peter Kenney
Francisco Castillo



Item 11

Regional Housing Needs Assessment Update



2015-2022 RHNA Update



Current RHNA #'s (2014-2018) - HCD									RDACS Projection		
Income Level	RHNA # Allocated to MH	Permits Issued 2015	Permits Issued 2016	Permits Issued 2017	HCD % MET	Permits Issued 2018	Total	HCD % MET	Remaining	RDACS Pipeline	Units Still needed
Very Low Income up to 50% AMI (includes ELI)	273	12	29	0	15%	31	72	26%	201	86*	115*
Low Income 51% to 80% AMI	154	113	16	15	94%	24	168	109%	0	14	-28
Moderate Income 81% to 120% AMI	185	58	12	28	53%	174	272	147%	0	475**	-562**
Above Moderate Income/Market Rate more than 120% AMI	316	544	198	339	342%	372	1453	460%	-1137	TBD	-1137
Total	928	727	255	382	147%	601	1965	212%	201	575	115
* Mwest included (78 VLI)											
** Non - Deed Restricted Moderate Units Included (311 Mwest, 167 Evergreen, 83 Sunsweet, 19 Borello (ADU's), and 61 Diamond Creek)											

New HCD RHNA Report Guidelines



1. Data on housing units and development for which an application was filed and deemed complete
2. Identification of sites required by no net loss
3. Annual Building Activity
4. Progress in meeting Housing Element programs and policies (BMR, Down payment Assistance, Homebuyer Education)
5. Total Number of Units requested, number of units approved, affordability category of units approved and denied
6. Number of units entitled, permitted and certificate of occupancy's
7. Units rehabilitated; units lost to demolition for another purpose

Table I: 2018 HCD Income Table



# of Persons	1	2	3	4	5	6	7	8
Extremely Low 0-30%	27,950	31,950	35,950	39,900	43,100	46,300	49,500	52,700
Very Low 31-50%	46,550	53,200	59,850	66,500	71,850	77,150	82,500	87,800
Lower 51-80%	66,150	75,600	85,050	94,450	102,050	109,600	117,150	124,700
Median 100%	87,650	100,150	112,700	125,200	135,200	145,250	155,250	165,250
Moderate 81-120%	105,200	120,200	135,250	150,250	162,250	174,300	186,300	198,350

Table II: Rent Table



	BELOW MARKET RATE (BMR) RENTAL RATES				
No. of Bedrooms	Extremely Low	Very Low	Lower	Median	Moderate
0 Bedroom (Efficiency)	\$699	\$1,164	\$1,654	\$2,191	\$2,630
1 Bedroom	\$799	\$1,330	\$1,890	\$2,504	\$3,005
2 Bedrooms	\$899	\$1,496	\$2,126	\$2,818	\$3,381
3 Bedrooms	\$998	\$1,663	\$2,361	\$3,130	\$3,756
4 Bedrooms	\$1,078	\$1,796	\$2,551	\$3,380	\$4,056



Inclusionary Housing Ordinance Amendment Item 12



Inclusionary Housing



Adopted July 25, 2018, effective August 25, 2018

For-sale and rental projects outside of Downtown consisting of 2 or more units, required to provide BMR units at a rate of 15%

For-sale and rental projects within the Downtown consisting of 2 or more units, required to provide BMR units at a rate of 10%

Current Alternative Compliance Options



Construct rental units in for-sale projects

Off-site construction

Land dedication

Payment of an in-lieu housing fee in specified circumstances

Recommendation

It is recommended that the IHO be amended to allow a Housing In-lieu fee for *all* Residential Projects pending City Council approval for each case

Guiding Principles



Whether the production of Inclusionary Units will fill a need in an affordable housing category

Whether there is a specific identifiable project that the City can support with the fees

Whether affordable units are appropriate in the specific project

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Staff

Leslye Corsiglia
Executive Director

TRANSMITTED VIA EMAIL**February 19, 2019**

Honorable Mayor Constantine and Members of the City Council
Morgan Hill City Hall 17575 Peak Ave.
Morgan Hill, CA 95037

Dear Mayor Constantine, Mayor Pro Tempore Spring, and Councilmembers
Martinez Beltran, Carr, and McKay:

RE: Item 12: Amendments to Inclusionary Housing Alternatives Chapter 14.04

SV@Home works to increase housing opportunities in Santa Clara County for people who live on our streets to those who work for our leading employers. Our membership represents a broad range of interests, from leading employers who drive the Bay Area economy, to labor and service organizations, to local government agencies, to nonprofit and for-profit developers who provide housing and services to those most in need.

We support City staff's proposal to amend Morgan Hills Inclusionary Housing Ordinance to expand which residential projects are allowed to pay in-lieu fees as an alternative means of fulfilling their inclusionary affordable housing obligations.

To guide cities in the development of IHO ordinances, we have prepared the attached set of best practices that ensure that inclusionary housing requirements are feasible for developers, while also supporting established affordable housing goals. These best practices recognize that not all developments are the same, and that by offering alternative compliance measures opportunities may be created to provide deeper levels of affordability to households with lower incomes.

It is important that alternative compliance measures result in the same value to the City as building the units on site. As the City is considering expanding which projects are eligible for the in-lieu fee program, it is important that the in-lieu mechanism follow this standard to support the affordable housing goals that the City has established.

The recommended amendments create space for Council to insure that this value is met for projects utilizing the in-lieu fee mechanism, and provide guidelines to inform this decision and **we remain supportive of the existing fee levels.**

Sincerely,

Leslye Corsiglia
Executive Director



Inclusionary Housing in Santa Clara County:

Aligning Local Policies toward a Countywide Affordable Housing Strategy (July 2018)

Inclusionary Housing: An Introduction

Inclusionary housing policies require or encourage developers to set aside a certain percentage of housing units in newly constructed or rehabilitated projects for low- and moderate-income residents. By creating mixed-income developments, people from different socio-economic backgrounds are given the opportunity to access the same services and amenities, furthering equity and inclusion, and addressing federal fair housing obligations.

For a number of years, inclusionary housing was only legal for for-sale housing in California due to the [Palmer Sixth Street Properties v Los Angeles](#) court case. This changed effective January 1, 2018 when new law created by AB 1505 went into effect. AB 1505 expressly supersedes the *Palmer* decision by authorizing the legislative body of any city or county to adopt ordinances requiring that, as a condition of developing rental housing units, the development include a certain percentage of rental units affordable to moderate- income, lower-income, very low-income, or extremely low-income households.

In February 2016, the US Supreme Court declined to review a challenge brought by the California Building Industry Association, which questioned the validity of local inclusionary ordinances for for-sale housing. This decision removed any questions over the ability for local government to adopt and implement inclusionary ordinances for for-sale housing.

Legal and Legislative Requirements

AB 1505 authorizes communities to adopt rental inclusionary requirements by *ordinance*. An ordinance should be adopted to implement inclusionary requirements contained in general plans, housing elements, or other policy documents.

Existing rental inclusionary ordinances that were not amended after *Palmer* can be implemented after January 1, 2018 as long as they include provisions for alternative means of compliance.

No nexus study is required to justify a rental inclusionary requirement. In the 2015 California Supreme Court decision *California Building Industry Ass'n v. City of San Jose (CBIA)*, it determined that inclusionary requirements were "land use provisions similar to rent and price controls and met constitutional requirements so long as not 'confiscatory' and designed to further the public health, safety, and welfare."¹

If a rental inclusionary ordinance was adopted prior to September 15, 2017, no economic feasibility study is required to justify a rental inclusionary requirement, regardless of the required set-aside percentage. If the ordinance was adopted or amended after September 15, 2017 to require affordable rental housing, a feasibility study would not be required if the set-aside percentage required is 15 percent or less. However, if the ordinance requires a higher inclusionary requirement, or if affordability

¹ Goldfarb and Lipman

restrictions are deeper (targeting extremely low- income or very low-income households), a jurisdiction may choose to prepare a feasibility study.

The State Department of Housing and Community Development has the authority to require that an economic feasibility study be provided for any inclusionary ordinance that was adopted after September 15, 2017 if the ordinance requires that more than 15% of the homes be affordable, but only in two circumstances: (1) if the jurisdiction has failed to meet at least 75% of its RHNA need in the above moderate income category for five or more years, or (2) if the jurisdiction has not submitted its annual housing element report for two consecutive years. If HCD should find that the study is insufficient, the jurisdiction would only be able to require 15% affordability until it could prove through an economic feasibility study that additional affordability was feasible.

CASA-- the Committee to House the Bay Area-- is currently considering potential inclusionary housing requirements for the 9-County Bay Area. Recommendations from CASA are not expected until late 2018 or early 2019.

SV@Home's Recommendations:

Local jurisdictions must make many choices when designing an inclusionary housing ordinance. As these choices are made, it is important to ensure that the inclusionary requirements are both feasible for developers and support achievement of affordable housing goals. To the extent that all 16 Santa Clara County jurisdictions adopt similar requirements, it will provide more certainty to the development community working in the South Bay.

SV@Home encourages all Santa Clara County jurisdictions to consider SV@Home's recommendations as a way to align local policy goals with a broader countywide inclusionary housing strategy.

Criterion	Recommendation	Rationale
Set-Aside Percentage	Adopt a minimum 15% onsite inclusionary housing onsite requirement for both for-sale and rental housing. If an Alternative Compliance Option is selected (see below) then this percentage should be increased to a minimum of 20%	Creating a consistent 15% requirement across the county provides predictability for developers as well as a level playing field for cities. The cities of Campbell, Cupertino, Palo Alto, Santa Clara, and San Jose have set 15% affordability as their inclusionary requirement. The recommended set-aside percentage is increased to 20% to incentivize the development of integrated on-site affordable units.
Project Size Threshold	Apply the inclusionary requirements to projects of ten or more units. Do not apply to ADUs. For projects that are smaller than ten units, require that developers pay a fee if the units exceed 1,200 square feet. The fee can increase for larger units.	It is important to offer "missing middle" opportunities, and requiring inclusionary percentages for smaller developments can discourage developers from pursuing small infill development like row houses, stacked flats, duplexes and fourplexes which tend to be more naturally affordable, and therefore affordable to teachers, nurses, construction workers, and others. At the same time, it is recognized that some developments that are small are offered at luxury prices and not naturally affordable. Santa Cruz and San Mateo Counties have

Criterion	Recommendation	Rationale
		adopted inclusionary ordinances that tier fees according to unit size. No fees should apply to ADUs, a building type that should be encouraged with fewer fees, not new and additional fees.
Income Restrictions—Rental	Average 60% of Area Median Income (AMI)	This allows a developer to provide units for a variety of income levels.
Income Restrictions—Owner	Average 100% of Area Median Income (AMI)	This allows a developer to provide units for a variety of income levels.
Term of Affordability -- Rental	Place affordability restrictions on rental homes for a minimum of 55 years	This ensures that the homes are available for an extended period, and is consistent with other State and federal affordable housing programs.
Term of Affordability -- Owner	Place affordability restrictions on for sale homes for a minimum of 45 years	This ensures that the homes are available for an extended period, and is consistent with other State and federal affordable housing programs. (Note: these restrictions can be removed upon an equity share sale)
Resale Restrictions—Owner	Implement an equity share provision that allows the original buyer of an affordable unit to sell the unit at market rate and share in the equity appreciation	This allows homeowners to acquire equity, making it possible for them to purchase a new home when they need to move. It also allows the local agency to re-invest its share in a new first-time homebuyer family who can purchase a new home anywhere in the jurisdiction.
Home Amenities	Affordable homes are indistinguishable from market rate homes and are integrated into the development	This is a best practice that ensures that lower- and moderate-income households have access to the same amenities as market-rate households.
Alternative Compliance Options	Provide a variety of alternative options for compliance: - Build Onsite - Offsite construction - Credit trading/transfer - Housing Preservation credits - In lieu fee - Land dedication - Acquisition/Rehabilitation - Combination	Recognizes that not all developments are the same, and provides both the developer and the City with flexibility to respond, particularly when a different option would result in more affordability. Additionally, in some circumstances, payment of an in-lieu fee or another compliance option may be preferable, as in the case of a multi-million dollar home subdivision. According to AB 1505, all rental inclusionary ordinances must include alternative means of compliance, however jurisdictions have broad discretion over the alternative means provided.

Criterion	Recommendation	Rationale
Incentives	Provide a robust suite of incentives to developers that should include: - Density bonus - Reduction in parking spaces - Changes to setbacks, height requirements, and other zoning variances - Expedited review - Fee or tax exemptions - Financial support	Provides developers the opportunity to achieve cost savings that can offset the cost of providing the affordable units.
Timeframe and Grandfathering	While an ordinance should go into effect in 30 days, provide an adequate timeframe for the market to adjust when adopting new inclusionary requirements. Our recommendation is to grandfather those projects that Establish requirements that ensure that any project that is grandfathered continues to move forward through the development process.	This is a best practice that recognizes that the development process is long, and that many developers have invested time and resources into projects that are already in the development pipeline. Requiring that the developments that receive grandfather status meet key requirements for progress ensures that those requesting an exemption are verifiably in the development process.
Incentives	Adopt incentives that offset the cost to the developer of providing the affordable units. This can include reduced parking, reduction in fees, reduced setbacks, increased height, and fast track permitting.	Recognizes that there is a cost to providing the inclusionary units.



City of Morgan Hill

Sewer Rate Study

February 20, 2019

Presented by
Kim Boehler, Director

Item 14



Presentation Overview

- **Background and Policy Consideration**
- **Review Financial Plan**
- **Proposed Sewer Rates**
- **Monthly Bill Impacts**
- **Overview of Proposition 218 Process**
- **Requested Council Action and Next Steps**

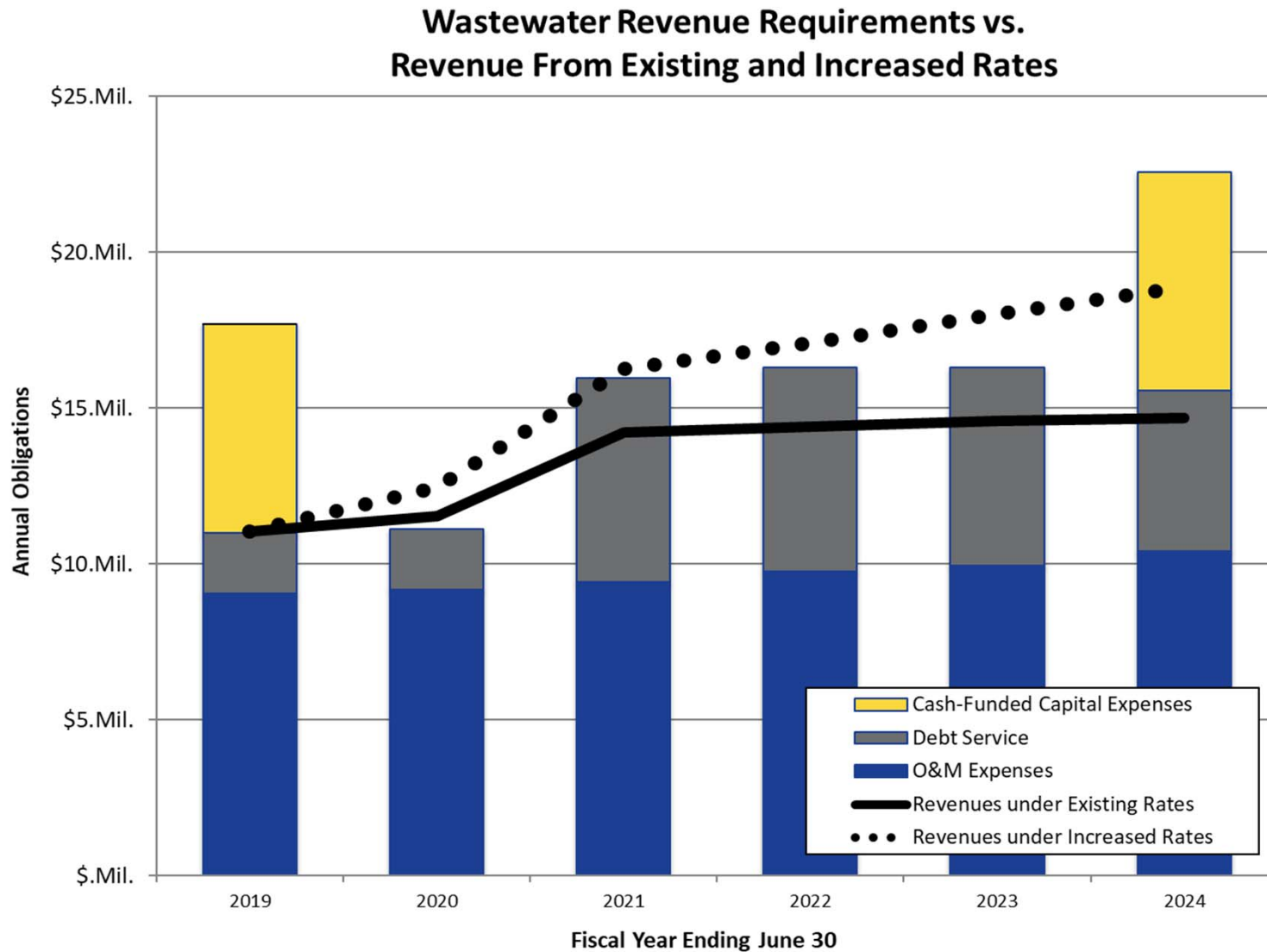
Background

- **2015 Rate Study**
- **2017 Sewer System Master Plan**
- **Legal Requirement for Improvements**
- **2019 Wastewater Rate Study**

City Council Policy Consideration

- **Should the City raise wastewater (sewer) rates assessed to its residential, commercial, industrial and public institution customers?**
- **Should the City finance all of improvements needed to fund the existing infrastructure improvements, therefore resulting in lower rate increases?**

Financial Plan



Financial Plan, cont.

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
<i>Sources of Wastewater Funds</i>						
Rate Revenue Under Prevailing Rates ¹	\$ 10,391,000	\$ 10,796,865	\$ 10,958,818	\$ 11,123,200	\$ 11,290,048	\$ 11,459,399
Other Operating Revenue	318,700	331,665	345,580	360,109	375,284	391,130
Interest Earnings	96,002	164,115	192,114	198,555	216,301	251,988
Use of Impact Fees for Debt Service	232,695	232,635	2,732,740	2,732,980	2,714,020	2,566,255
Total Sources of Funds	\$ 11,038,397	\$ 11,525,280	\$ 14,229,252	\$ 14,414,844	\$ 14,595,654	\$ 14,668,773
<i>Uses of Wastewater Funds</i>						
Operating Expenses	\$ 9,051,382	\$ 9,177,519	\$ 9,423,428	\$ 9,760,289	\$ 9,931,201	\$ 10,401,015
Existing Debt Service	1,939,125	1,938,625	1,939,500	1,941,500	1,783,500	552,125
Planned Debt Service ²	-	-	4,600,279	4,600,279	4,600,279	4,600,279
Total Use of Funds	\$ 10,990,507	\$ 11,116,144	\$ 15,963,207	\$ 16,302,068	\$ 16,314,980	\$ 15,553,419
Surplus (Deficiency) before Rate Increase	\$ 47,890	\$ 409,136	\$ (1,733,956)	\$ (1,887,224)	\$ (1,719,326)	\$ (884,647)
Additional Revenue from Rate Increases	-	949,218	2,013,623	2,689,301	3,417,554	4,201,961
Surplus (Deficiency) after Rate Increase	\$ 47,890	\$ 1,358,354	\$ 279,668	\$ 802,077	\$ 1,698,228	\$ 3,317,315
Projected Annual Increase to Rate Revenue ³	0.00%	9.00%	9.00%	5.00%	5.00%	5.00%
Net Revenue Requirement ⁴	\$ 10,575,805	\$ 10,620,364	\$ 15,425,514	\$ 15,743,404	\$ 15,723,395	\$ 14,910,301
Projected Debt Coverage After Rate Increase	1.65	2.22	1.76	1.91	2.13	3.16
Debt Coverage Requirement	1.25	1.25	1.25	1.25	1.25	1.25

1. Includes additional rate revenue from removal of consumption cap.

2. The City plans to secure two debt issues to fund the wastewater treatment plant expansion and other capital improvement projects; this is the approximate annual payment.

3. Rate adjustments will be effective on July 1st of each year.

4. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from sewer rates.

Financial Plan, cont.

Five-Year Capital Improvement Program:

Project Description	2019	2020	2021	2022	2023	2024
302018 Sewer System Repair and Replacements	\$ 40,000	\$ 6,045,965	\$ 3,939,405	\$ 4,804,487	\$ 2,694,130	\$ 2,774,954
302m15 Vault Lining Project	25,000	-	-	-	-	-
302n15 Trouble Spot Evaluation and Repair	996,154	51,500	-	-	-	-
302t17 East Dunne Ave & Tennant Ave Sewer Mains	2,285,000	1,648,000	-	-	-	-
304k15 Lift Station Improvements	1,523,000	-	-	-	-	-
308A08 New Trunk Line - CIP Funded	137,500	167,375	265,225	2,260,424	2,609,614	2,687,902
315006 Sewer Capacity - CIP Funded	525,297	-	465,181	-	508,829	-
317a18 Wastewater Planning	735,000	159,650	79,568	81,955	450,204	-
303093 Sewer Plant Expansion (SCRWA)	420,000	489,250	10,609,000	9,157,052	6,617,992	3,681,854
303a11 Sewer Plant Improvements	351,394	379,242	379,506	45,785	9,432	-
308a08 New Trunk Line - Impact Funded	412,500	502,125	795,675	6,781,273	7,828,842	8,063,708
315006 Sewer Capacity - Impact Funded	45,678	-	180,905	-	279,351	-
Total: Capital Improvement Program Costs	\$ 7,496,523	\$ 9,443,107	\$ 16,714,465	\$ 23,130,975	\$ 20,998,394	\$ 17,208,419

Note: costs are adjusted to reflect estimated cost inflation.

Financial Plan, cont.

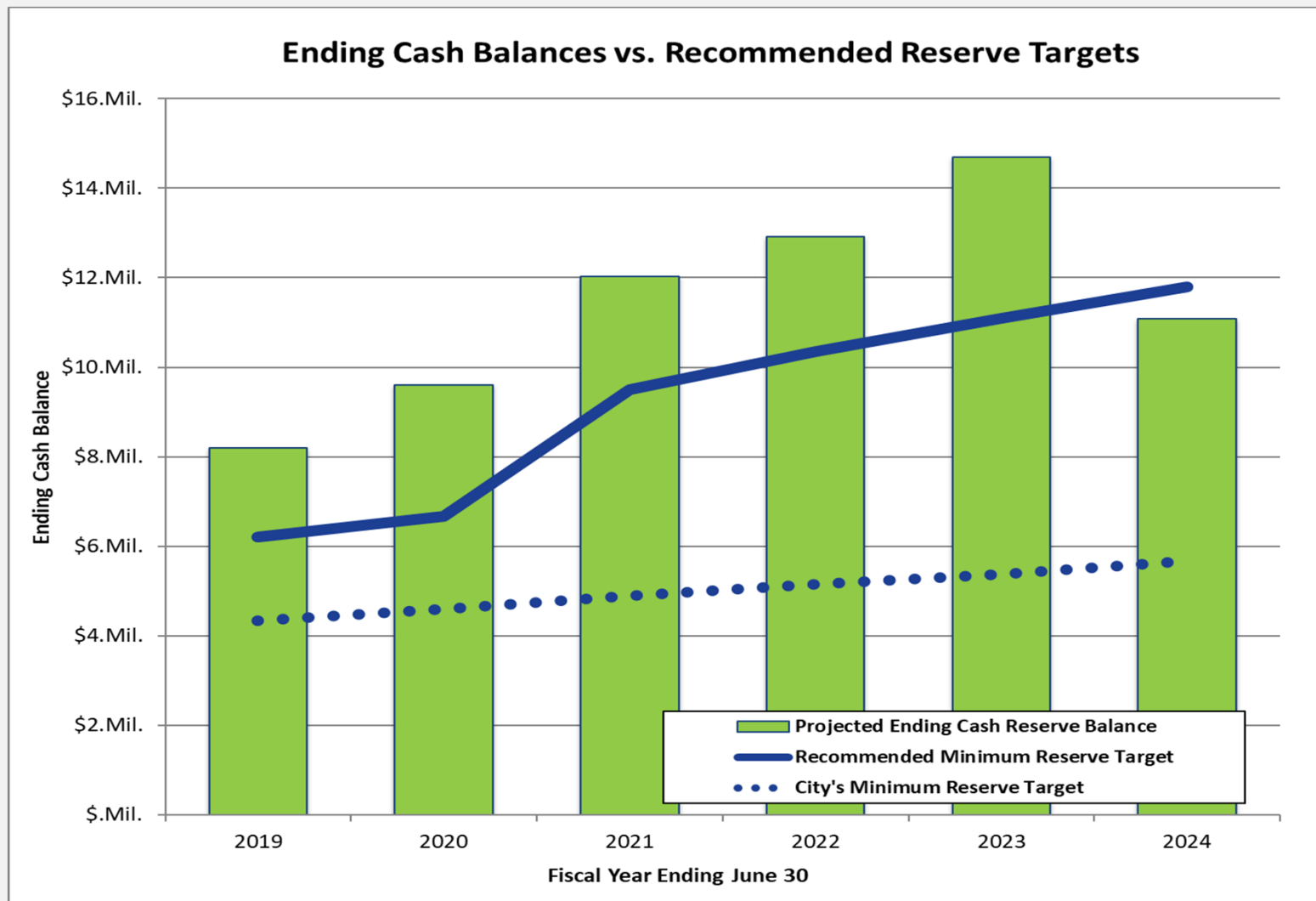
Proposed Debt Financing for Capital Projects:

Terms	Issue #1	Issue #2
Issue Amount	\$29,000,000	\$26,231,511
Issue Year	FY 2019/20	FY 2019/20
Repayment Period	20 years	30 years
Interest Rate	6%	6%
1st Year of Repayment	FY 2020/21	FY 2020/21
Annual Debt Service Payment	\$2,500,000	\$2,100,279

Financial Plan, cont.

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Sewer Operations Fund (640)	\$ 2,081,319	\$ 2,294,000	\$ 2,356,000	\$ 2,440,000	\$ 2,483,000	\$ 2,600,000
<i>Recommended Minimum Target</i>	<i>2,263,000</i>	<i>2,294,000</i>	<i>2,356,000</i>	<i>2,440,000</i>	<i>2,483,000</i>	<i>2,600,000</i>
Sewer System Replacement Fund (643)	\$ 4,046,243	\$ 5,191,916	\$ 5,409,584	\$ 6,169,667	\$ 7,866,900	\$ 4,091,216
<i>Recommended Minimum Target</i>	<i>1,857,900</i>	<i>2,077,900</i>	<i>2,503,000</i>	<i>3,102,100</i>	<i>3,621,100</i>	<i>4,014,300</i>
Rate Stabilization Fund (642)	\$ 2,078,200	\$ 2,119,764	\$ 2,162,159	\$ 2,205,402	\$ 2,249,511	\$ 2,294,501
<i>Recommended Minimum Target</i>	<i>2,078,200</i>	<i>2,299,217</i>	<i>2,543,738</i>	<i>2,710,989</i>	<i>2,889,237</i>	<i>3,079,204</i>
New Debt Reserve Fund	\$ -	\$ -	\$ 2,100,279	\$ 2,100,279	\$ 2,100,279	\$ 2,100,279
<i>Recommended Minimum Target</i>	<i>-</i>	<i>-</i>	<i>2,100,279</i>	<i>2,100,279</i>	<i>2,100,279</i>	<i>2,100,279</i>
Total Ending Balance	\$ 8,205,762	\$ 9,605,680	\$ 12,028,023	\$ 12,915,349	\$ 14,699,690	\$ 11,085,996
Total Recommended Minimum Target	\$ 6,199,100	\$ 6,671,117	\$ 9,503,018	\$ 10,353,368	\$ 11,093,616	\$ 11,793,783

Financial Plan, cont.



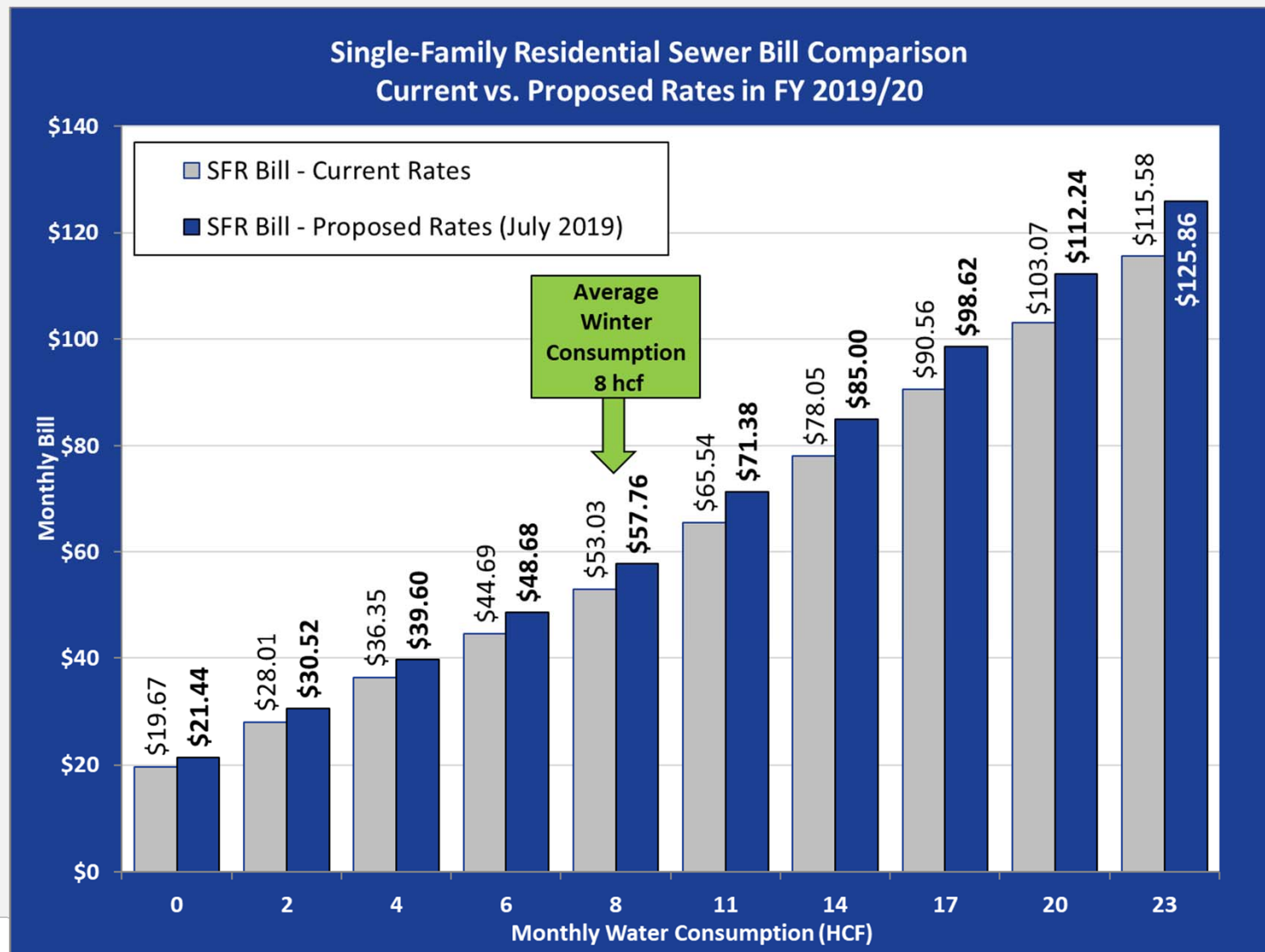
Proposed Sewer Rates – Fixed Charges

Sewer Rate Schedule	Current Rates Effective 1/1/19	Proposed Rates				
		7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023
		9.00%	9.00%	5.00%	5.00%	5.00%
Monthly Fixed Charges:						
Residential (5/8-1 inch meters)	\$19.67	\$21.44	\$23.36	\$24.52	\$25.74	\$27.02
All Other Customers:						
5/8 inch	\$19.67	\$21.44	\$23.36	\$24.52	\$25.74	\$27.02
3/4 inch	\$19.67	\$21.44	\$23.36	\$24.52	\$25.74	\$27.02
1 inch	\$19.67	\$21.44	\$23.36	\$24.52	\$25.74	\$27.02
1.5 inch	\$73.63	\$80.25	\$87.47	\$91.84	\$96.43	\$101.25
2 inch	\$117.23	\$127.78	\$139.28	\$146.24	\$153.55	\$161.22
3 inch	\$255.39	\$278.37	\$303.42	\$318.59	\$334.51	\$351.23
4 inch	\$458.73	\$500.01	\$545.01	\$572.26	\$600.87	\$630.91
6 inch	\$1,018.18	\$1,109.81	\$1,209.69	\$1,270.17	\$1,333.67	\$1,400.35
8 inch	\$1,572.90	\$1,714.46	\$1,868.76	\$1,962.19	\$2,060.29	\$2,163.30
10 inch	\$1,966.13	\$2,143.08	\$2,335.95	\$2,452.74	\$2,575.37	\$2,704.13

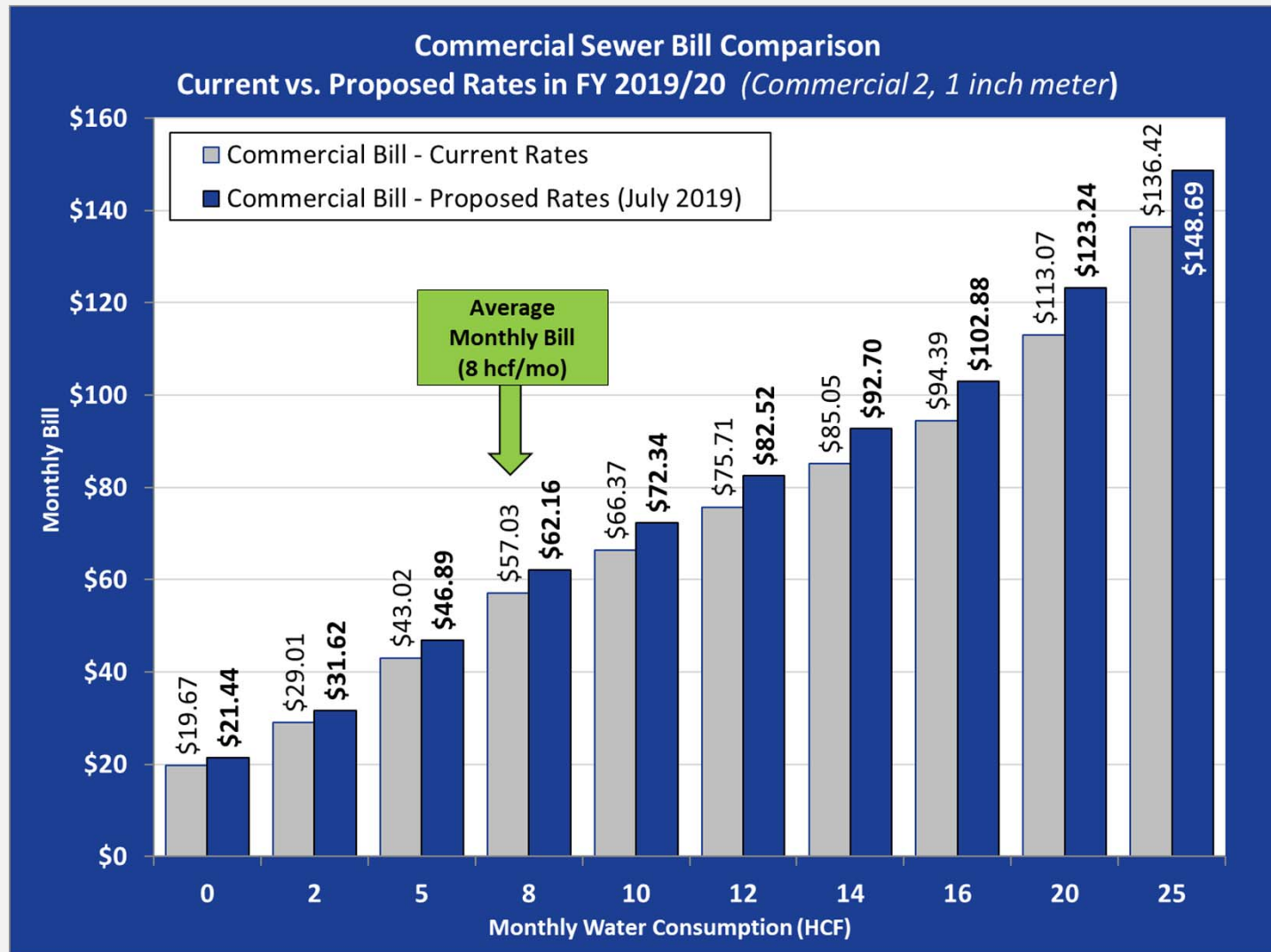
Proposed Sewer Rates – Volumetric Charges

Sewer Rate Schedule	Current Rates Effective 1/1/19	Proposed Rates				
		7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023
		9.00%	9.00%	5.00%	5.00%	5.00%
Monthly Volumetric Charges:						
Single-Family	\$4.17	\$4.54	\$4.94	\$5.18	\$5.43	\$5.70
Multi-Family	\$4.17	\$4.54	\$4.94	\$5.18	\$5.43	\$5.70
Commercial Charge						
Commercial 1	\$3.99	\$4.34	\$4.73	\$4.96	\$5.20	\$5.46
Commercial 2	\$4.67	\$5.09	\$5.54	\$5.81	\$6.10	\$6.40
Commercial 3	\$5.68	\$6.19	\$6.74	\$7.07	\$7.42	\$7.79
Commercial 4	\$6.44	\$7.01	\$7.64	\$8.02	\$8.42	\$8.84
Commercial 5	\$7.65	\$8.33	\$9.07	\$9.52	\$9.99	\$10.48
Commercial 6	\$12.77	\$13.91	\$15.16	\$15.91	\$16.70	\$17.53

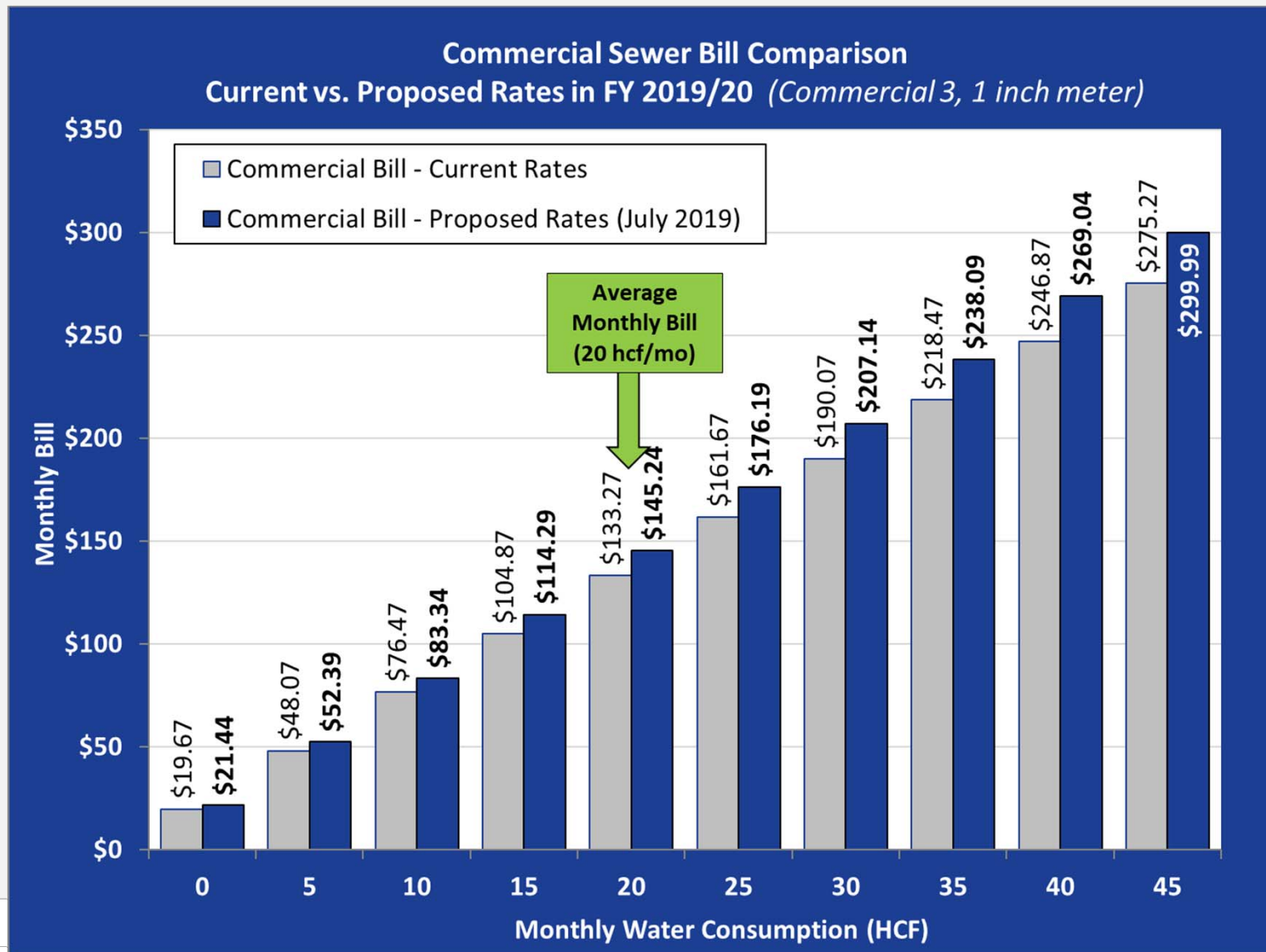
Bill Impact – Single Family Residential



Bill Impact – Commercial Class 2



Bill Impact – Commercial Class 3



Overview of Proposition 218 Process

Procedural Requirements for the Prop. 218 Protest Procedure:

- 1. Send Notice of Public Hearing to all customers/property owners**
- 2. Collect and count all written protests**
- 3. Hold Public Hearing 45-days after mailing notices**
- 3. If no majority protest (50% + 1), new rates can be adopted**

Requested Council Action and Next Steps

Requested Council Actions *(Tonight)*

- ✓ Accept the Draft Rate Study
- ✓ Or, Provide Direction on Modifications

Next Steps *(After Tonight)*

- ✓ February 25th – Public Meeting at 6pm
- ✓ March 6th – Council Meeting - Approve rates and direct commencement of Proposition 218
- ✓ Complete Proposition 218 Process
- ✓ May 1st – Council Meeting - Rate Approval Will be Requested *at Public Hearing, if No Majority Protest, and rates to go into effect July 1, 2019.*

Questions and Answers





93897 A

DATE: December 4, 2018
TO: Board of Supervisors
FROM: Jeffrey V. Smith, County Executive
Harry Freitas, Director, Roads and Airports
SUBJECT: Airports Business Plan Update

RECOMMENDED ACTION

Under advisement from the December 12, 2017 Board meeting (Item No.21): Receive report from the Roads and Airports Department relating to the Airports Business Plan Update.

REASONS FOR RECOMMENDATION

The purpose of this report is to provide information to the Board of Supervisors for consideration related to the County Airports Business Plan Update. Administrative staff is expecting further direction from the Board of Supervisors as they see fit.

At its December 12, 2017 meeting, the Board of Supervisors directed staff to proceed with the update to the Business Plan for Reid-Hillview Airport and San Martin Airport.

CRITICAL CONDITION PRECEDENT TO POSSIBLE CHANGED USAGE OF THE AIRPORT PROPERTIES

As the Board considers this Business Plan Update and the possibility of a change in usage of the airport properties, it is important to understand that evaluation of the sites for other uses will require some level of hazardous materials assessment.

PLAN UPDATE

Staff has prepared a draft Business Plan Update for HLUET and the Board's consideration. As indicated in the attached Business Plan Update, key components and goals of the Business Plan Update's analysis include:

- Analyzing the Airport Enterprise Fund's (AEF) and each airport's sources of revenue and types of expenses;
- Identifying trends in the piston-propeller segment of General Aviation and their effect on the type of operations occurring at the County airports as well as their effect on the AEF's longstanding Business Model;

- Developing Long Range Facility Plans (LRFPs) that identify the airports' maintenance and capital improvement needs and their associated costs;
- Developing a new Business Model for the County airports necessitated by the changing nature of the airports' operations;
- Outlining the actions needed to execute the new Business Model and the estimated potential revenue to be realized; and
- Examining the historical role of grant funding from the Federal Airport Improvement Program (AIP) with respect to development of the airports and the appropriate role of AIP grants going forward.

The analysis described above produced the following key conclusions:

- The AEF's longstanding Business Model has relied on revenue from aircraft storage spaces (hangars, tie-downs and shelters) for over 75% of total revenue. This Business Model has enabled the AEF to remain financially self-sustaining for many years. Operating revenue has been sufficient to fund operating expenses, although the condition of both airports could be characterized as run-down, as well as the local match required for grant-funded capital projects, which have been implemented on a pay-as-you-go basis.
- However, the piston-propeller segment of General Aviation is in decline, which has negative repercussions on the financial health related to the ongoing operational and maintenance expenses of the airport system and its ability to remain financially self-sustaining with revenue primarily from aircraft storage. Notwithstanding the decline in based aircraft, the number of operations at the County airports in the last several years has been growing due to the demand for professional pilots (both domestic and foreign) and the associated flight schools required to train them. These trends dictate that the County change its longstanding business model to one with a more diversified and higher-yielding revenue stream.
- The key to generating a more diversified and higher-yielding ongoing revenue stream is to put the airports' real property assets to work by leasing certain parcels for non-aviation commercial development and by restructuring the Fixed Based Operator leaseholds.
- The airports' infrastructure requires approximately \$20 million in investment over the next 10 years, approximately half of which is on the airfield and therefore eligible for Federal funding. The Board approved a \$3 million loan from the General Fund this fiscal year for airfield paving pending the outcome of this Plan Update and the future direction of the airports system. If the County chooses to apply for Federal grants in the future, a portion of the cost of the paving project could be eligible for retroactive grant reimbursement.
- Over the long term, the AEF may be able to generate sufficient revenue to fund anticipated operating and capital costs, including the necessary infrastructure

investment, if the County is able to more effectively utilize the airports' real property assets. In other words, the AEF cannot remain financially self-sustaining unless the airports' real property assets are employed to generate additional revenue. The process for leasing real property is lengthy. It will be several years before the parcels identified in the Business Plan could begin to produce revenue. However, this assumption must be tested and verified through a solicitation process involving the real property assets and execution of leases to confirm the cash flow anticipated by the report.

If the County resumes accepting Airport Improvement Program (AIP) grants, that funding can be used to reduce the backlog of deferred airfield infrastructure improvements. It is important to note that AIP funding cannot be used to fund ongoing facility maintenance and operations, which is the challenge to the longer-term financial viability of the airports system.

Should the County continue to forego AIP grants, it is likely that additional loans to the AEF would be required to fund future needed airfield projects until such time Reid-Hillview's real property assets generate revenue to help pay for these capital projects. This assumes the FAA would provide property releases. However, foregoing the Federal grant funds for Reid-Hillview would allow the County greater flexibility with respect to future use of the airport beginning in 2031 when the existing Federal grant obligations expire. It should also be noted that the County could apply for AIP grants for the San Martin Airport, but not for Reid-Hillview Airport.

COMMITTEE RECOMMENDATION

At the **September 17, 2018 special meeting** of the Housing, Land Use, Environment, and Transportation (HLUET) Committee, the Roads and Airports Department provided the Committee with a supplemental report relating to the County Airports Business Plan Update of the Reid-Hillview and San Martin Airports and sought input from the Committee. At this meeting, staff presented two options regarding the Airports Business Plan Update:

- Staff's recommendation: Maintain Reid-Hillview as an airport while making improvements and paying down debt by accepting Federal grants, applying for property releases from the FAA, and conducting an RFP for leasing properties (Option 1).
- Alternative: Preserve the opportunity for reuse of the Reid-Hillview property for purposes other than an airport in 2031 when grant assurances expire by adopting a policy that the County would accept Airport Improvement Program (AIP) grants, applying for property releases from the FAA, and negotiating leaseholds to make acreage available for non-aviation development (Option 2).

Following the presentation by staff and public comment, Supervisor Cortese requested that the Administration complete additional analysis related to an alternative described as "Option 3" for the possible future consolidation and expansion of general aviation operations at the San Martin Airport and re-use of Reid-Hillview, and directed that the following analysis be completed and returned to the Committee before the Airports Business Plan Update was considered by the Board of Supervisors:

- Business analysis of the capital improvements necessary to consolidate County general aviation operations at San Martin (e.g., additional asset development of Reid-Hillview property for non-aviation uses, investment requirements to improve and expand airport operations at San Martin so that existing assets at Reid-Hillview would be replaced with improved facilities at San Martin so that existing users of Reid-Hillview would not be displaced with such a consolidation and expansion of San Martin).
- Identification of possible legal constraints on the full consolidation by the County of airport operations at San Martin following 2031 when grant assurances at Reid-Hillview expire.

At the close of the **October 18, 2018 HLUET meeting**, Supervisor Wasserman recommended that Supervisor Cortese's request for additional analysis regarding the Airports Business Plan Update be brought to the full Board for consideration, and the Committee clarified that the request for staff to develop an Option 3 would be placed on a future Board meeting for consideration and to receive possible additional direction.

FISCAL IMPLICATIONS

The Business Plan update sets out a series of policy options with a recommended course of action. The airport system operates through a self-funded Enterprise Fund. Adoption of the Staff Recommendation does not impact the General Fund. If the Board were to choose alternative actions, there are cost implications, some of which are estimated in this report pursuant to requests for information by HLUET.

The Business Plan Update describes a series of interrelated issues involving revenues, expenditures, grant funding and the general aviation market as they relate to the health of the Airport Enterprise Fund. It also discusses the overarching issue of grant funding and grant assurances as they relate to the County's ability to exert local control over the airports.

Discussion of the Issues around Acceptance of Grants

The Federal government provides grant funding for eligible airport development projects through the Airport Improvement Program (AIP). The AIP program was established by the Airport and Airway Improvement Act of 1982 to provide funding for airport planning and development. The Airport and Airway Trust Fund, which was established by the Airport and Airway Revenue Act of 1970, provides the revenues used to fund AIP eligible projects through taxes or user fees that are collected from the various segments of the aviation community. No general taxpayer funds go into the Airport and Airway Trust Fund.

A portion of current AIP grant funds are assigned to eligible airports on an annual basis. For Reid-Hillview and San Martin, the FAA provides up to \$150,000 per airport per year in "entitlement" funding that can be used for any eligible project. The FAA will allow sponsors to bank their entitlement for up to three years so that in the fourth year, a sponsor will have up to \$600,000 for each individual airport that can be used on an eligible project. After three years, the oldest unused funds are released to the FAA for distribution to another airport through the AIP program. The County has not received FAA AIP grants since 2011.

During part of this period, the County was denied grants due to a dispute involving skydiving at San Martin Airport, and, as a result, \$1.5 million in Federal entitlement funding has been redirected to other airports. Each year that the County does not apply for AIP funding for both airports, an additional \$300,000 in entitlement funding will be redirected to other airports. Or, if the County chooses to receive AIP grants for San Martin, but not Reid-Hillview (RHV), then \$150,000 in entitlement funding would be re-directed. It is possible that those RHV funds could be re-directed to San Martin with FAA approval.

In addition to entitlement funding, AIP grant requests may also be considered for discretionary funding, which are made available to airports on a competitive basis subject to funding availability. Regardless of funding source, (entitlement or discretionary) the AIP program provides up to 90% of the eligible project value in Federal grants funds with up to 4.5% of the project value available through State grant funding. It is important to note again that AIP funding cannot be used to fund facility ongoing maintenance and operations, which is the central long-term challenge facing the system.

The Board of Supervisors recently approved a loan of \$3 million to the Airport Enterprise Fund from the General Fund to repave the runways and taxiways at the airports. This recently completed project was structured to be federally compliant and therefore grant eligible. Should the County resume accepting grants, staff will submit a grant application for this project.

Entitlement funds may be used to retroactively fund projects. Therefore, the County could apply the \$1.2 million in entitlement money accumulated for each of the two airports towards the General Fund loan, and then apply the annual \$300,000 in FAA entitlement funds over the next six years to complete payment on the remaining balance of \$1.8 million. After six years, the County could then accumulate future AIP entitlement grants for other needed projects. During that six-year period, however, the County could still apply for discretionary funding for grant-eligible projects.

Airports require constant maintenance. The runway and taxiway pavement, along with the parking ramp and lighting, signage, and surface markings all have a finite life and must be periodically renewed and replaced, regardless of the demand for aircraft parking. AIP grants can pay up to 90% of those costs with another 4.5% provided by the State. Without grant funding, the County must pay 100% of those costs.

When receiving AIP funding for projects, the grant recipients must agree to a series of thirty-nine grant assurances (assurances). These are binding agreements between the Federal government and the local agency regarding the operation of the airports. The assurances include specific requirements for how the grant funding will be utilized, how the project will be executed, and a variety of requirements on how the airports will be operated. Grant assurance agreements generally last 20 years.

Grant assurances fall into two categories¹; assurances specific to project, of which there are nineteen, and assurances that dictate specific requirements for long-term operations of an airport, of which there are twenty. The attachment provides a brief overview of the different grant assurances and groups them into project specific assurances and airport operation assurances.

The intent of the group of twenty grant assurances relating to operating the airport is to ensure the grant recipient maintains and operates the airport safely and efficiently. Most of the assurances align with the County's desire for safe and efficient airports and make good business sense.

However, several of the assurances may restrict the ability of the County to regulate the airports in ways that may be desirable and to reduce conflict with surrounding land uses without first obtaining FAA approval. For instance, the assurances restrict the County from imposing a time-of-day curfew, and from regulating the size and type of aircraft using the airports, or the types of uses, such as pilot training or skydiving. In addition to the assurances, the Airport Noise and Capacity Act of 1990 also regulates the operation of airports in the United States, including generally prohibiting the enactment of curfews and use restrictions.

Since the County most recently accepted grants in 2011, the most recent AIP grant agreement states that the County is currently obligated to comply with the assurances until 2031.

Grant Acceptance Risks

Another issue regarding grant acceptance relates to risk the County may be exposed to should it elect to accept FAA AIP grant funding going forward. If the airports general aviation business diminishes to the point that the AEF is no longer self-sustaining, the County would be required to keep the airports operating for the duration of the grant assurance period. The AEF budget for FY 2018-19 is approximately \$2.7 million dollars. This is the theoretical annual maximum exposure to the General Fund in today's dollars should airport revenue go to zero for the remainder of the grant assurance period. Of course, if the airport business declines that severely, staff would employ cost saving measures to reduce to the greatest extent possible the General Fund exposure and operate the airports at the minimum viable safety level.

Constraints Related to the Airport Noise and Capacity Act

The Airport Noise and Capacity Act of 1990 (ANCA) regulates local operators of public airports in important ways. Through ANCA, the FAA retains authority over the creation and implementation of access restrictions at all publicly owned airports, regardless of whether jurisdictions accept AIP grants. This means that any restrictions the County might wish to enact regarding the types of uses and time of use restrictions once the existing AIP grant assurances have expired would need to be reviewed and authorized by the FAA. Practically,

¹ There are three grant assurances that are specific to commercial air-carrier airports and consequently do not apply to the County airports. 10. Metropolitan Planning Organization, 12. Terminal Development Prerequisites, and 39. Competitive Access
Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Susan Ellenberg, S. Joseph Simitian
County Executive: Jeffrey V. Smith
Agenda Date: December 4, 2018

this means that the FAA could likely prevent the County from imposing curfews, even after the grant assurances expire.

Because the Airport Noise and Capacity Act would still require the County to operate the airports similarly to airports receiving AIP grants, staff recommends that the Board of Supervisors approve retroactive use of existing available Federal entitlement moneys to begin paying down the principal of the loan. In addition, Staff recommends that the Board of Supervisors direct the Administration to apply for reimbursement for the remainder of the principal to the maximum amount possible. Acceptance of these monies will require the acceptance of new grant assurances for a new 20-year term.

Property Releases

A key premise of the Business Plan Update is the non-aviation use of airport property. Since Reid-Hillview property was purchased in part with FAA grant funding, the FAA must authorize use of the airport property for non-aviation use, a process referred to as a property release. The FAA frequently allows such development at other airports, but to date, when the County has applied for a property release at the Reid-Hillview parcel at the corner of Capitol and Tully shown in the attachment, the FAA would not release the parcel.

The most recent land release request is attached. Land releases are a critical approval necessary for the success of the business plan and the clearest path to providing funding for ongoing maintenance and operations. Board approval of this business plan is a crucial step in the land release application process. Should the Board agree to move forward with non-aviation development, a property release request would be once again submitted for the airport parcels in question, and the County believes that the FAA would likely be legally required to approve it; however, it is unknown how the FAA will respond.

Strategy for Non-Aviation use of Property

Pending direction from the Board of Supervisors and concurrent with the request for property releases, staff would draft the Request for Proposals for the real property identified in the Business Plan Update. The Board will be asked to approve the RFPs and subsequent leases should the County come to terms with interested land developers. The process including any City of San Jose land development approvals would require a minimum of three years. At this point, the revenue projections for the airport can be adjusted to reflect the new leases and the County would have certainty around the fiscal health of the airports.

Fixed Base Operators (FBO) Strategy

The purpose of the FBO strategy as recommended in the Business Plan Update is to improve competitiveness for aircraft and pilot services, use the airports land more efficiently, and improve quality of the buildings and grounds through the development of “Minimum Standards”. While this strategy is unlikely to result in significant revenue changes for the AEF as FBO lease proceeds are a small fraction of revenue, the consolidation of FBOs would free up land that could then be available for non-aviation ground leases.

The original leases for the FBOs at Reid-Hillview were executed between 1965 and 1973. It can be surmised that nine individual leases provided the best mix of aviation service providers for the airports needs at that time. The nine FBO leases at Reid-Hillview have all

been adjusted to expire concurrently in December 31, 2021. The concurrent expiration is a strategy staff employed to ease implementing the new full service FBO strategy as described in the Business Plan Update.

Of the nine existing FBO leaseholds at Reid-Hillview, only two provide a full range of services. The remainder of the FBOs act more as what the FAA defines as a Specialized Aviation Service Operator. These operators usually provide a single service.

The Plan recognizes the change in the aviation business climate since the mid-1970s and recommends reducing the number of leaseholds from nine small operations to two larger operations. Under the two FBO scenario each of the proposed FBOs will be required to provide a full range of services. As part of the RFP, a minimum standards document will be prepared to ensure that the two FBOs provide a full range of aviation services including fueling, maintenance, parking, rentals, ground support and terminal services. This will provide appropriate market competitiveness for services and eliminate the case where only one service provider sets pricing.

Although the Business Plan Update recommends two full service FBO's for Reid-Hillview, it is possible that the best mix of size and service that the market can support is more than two but fewer than nine. As the staff implements the Board's direction, an RFP can be developed with industry and stakeholder outreach in such a manner to allow flexibility in the number of future FBOs while adhering to the goals of a competitive market, full service and efficient use of land. Any RFPs will be presented to the Board for approval once they are developed and prior to advertising. Significant outreach with new potential vendors as well as existing tenants will be provided during the RFP development period.

In addition, by reducing the number of leases, the FBO layout can be made more efficient by providing a more coherent land side and air side interface. As a result, the lease area can be reduced from 18 acres to approximately 14 acres. The plan proposes the excess land be made available for non-aviation use subject to FAA property release.

Below are two diagrams showing the existing lease layout and the recommended lease layout. The recommended plan provides for an orderly airside and landside interface between the leaseholds and eliminates three "cul-de-sacs" necessary to provide landside and airside frontages for the exiting nine parcels. In addition, the new Plan may eliminate the need for John Montgomery Drive on the land side and free up an additional land that may be used for future non-aviation uses.

Existing Layout of Leases at Reid-Hillview



Proposed layout of leases at Reid-Hillview



The FBO lease at San Martin Airport expires on December 10, 2020. The single FBO at San Martin provides services commensurate with the demand for a smaller airport. The current leaseholder has sublet the various services out to different organizations (SASO) to provide aircraft maintenance and repair, fueling, and flight training. Staff recommendation for San Martin airport is for the County to take over management of the FBO property and lease out the appropriate space to individual SASOs to provide the services necessary for an airport of San Martin's size and activity level. In addition, the County will take over the self-fueling island. With the FBO hangar income, fuel sales and SASO leases, the budget for San Martin airport will be positively affected.

Nonprofit Use of Airport Property

The Business Plan Update identified two properties that occupy airport property that are not paying the AEF market-based rent. This arrangement is not appropriate for an enterprise fund. Both the Eastridge Little League and the San Martin Lions Club provide valuable service to the community. Recognizing the challenge these two organizations would face in acquiring properties, the Plan recommends the County identify funding to appropriately compensate the AEF the value of the real estate asset. This plan does not recommend removing either use.

Discussion of Airport Consolidation and Expansion (Option 3)

The HLUET Committee referred to staff direction to describe the resources needed to evaluate consolidation of Reid-Hillview to San Martin and its expansion as a regional training center, Option 3. In order to evaluate such a scenario, staff would need to prepare a new Master Plan (MP) for San Martin Airport assuming that Reid-Hillview is closed and some portion of the Reid-Hillview operation is relocated to San Martin. In order for the Board of Supervisors to approve a new Master Plan, an environmental assessment of approval of the Master Plan would need to be prepared, and, based upon that assessment, an Environmental Impact Report/Statement (EIR/EIS) would also need to be prepared.

An airport master plan is a technical document generally prepared in accordance with FAA *Advisory Circular 150/5070-6B – Airport Master Plans*. It is a comprehensive study of the airport which typically describes short, medium and long-term plans for airport development.² The advisory circular provides guidelines on the content of a Master Plan and the process by which it is developed, including public outreach recommendations to adequately address stakeholder input, needs and desires.

In most cases, a typical Master Plan would include the following elements which are described in greater detail in the attachment:

- Pre-planning
- Public Involvement
- Environmental Consideration
- Existing Conditions
- Aviation Forecast
- Facility Requirements
- Alternative Development and Evaluation
- Airport Layout Plan
- Facilities Implementation Plan
- Financial Feasibility Analysis

² FAA AC 150/5070-6B Airport Master Plan, pg. 5

The comprehensiveness for each of the elements varies based on the specific circumstances of the airport being studied. Typically, the level of detail necessary for the study are developed during the pre-planning effort.

The FAA recognizes that a Master Plan represents the views, policies and development plans of the airport sponsor, not necessarily those of the FAA. As such, the FAA does not approve a Master Plan but will formally accept it once it is completed. In order to meet Federal requirements however, the FAA must approve the Forecast of Demand and the Airport Layout Plan (ALP) portions of the Master Plan if the airport sponsor desires the airport be eligible for future Federal grant funding.

Master Plans can take some time to develop and have several cost drivers. As an example, the process for the 2006 Master Plan was begun in September 1999 when the Board of Supervisors initially authorized staff to apply for FAA grant funding to complete new Master Plans for Reid-Hillview, San Martin and Palo Alto Airports. The final Master Plans were published in July 2006. At the time, staff was preparing three airport master plans concurrently, so it can be expected that developing a single airport Master Plan should not take as much time. With that in mind, staff expects the best-case scenario for completion of a new San Martin Airport master plan to be three to four years.

The cost of developing a Master Plan varies based on the specific aviation, community and stakeholder needs for the airport being studied. However, for a reference point, in 2001 the San Martin Master Plan budget was approximately \$300,000. The estimate for the EIR/EIS in 2006 was approximately \$1 million. In order for the Board of Supervisors to adopt a new Master Plan, it is likely that an EIR/EIS will be necessary. The Federal EIS is required to conform to NEPA and allow the airport to be eligible for AIP funding in the future. Today, rough estimates for the cost of preparing a Master Plan is \$500,000 and the environmental work is \$2 million. This estimate is very preliminary and does not reflect a comprehensive and updated analysis of the costs.

Master plans and NEPA-required studies are FAA AIP grant eligible. However, they must be included in the five-year Airport Capital Improvement Plan (ACIP) submitted annually to the FAA. Should the Board elect to apply for grant funding for a San Martin Master Plan study, the ACIP will first need to be updated. Practically, this means that the first opportunity to obtain grant funding for these activities would occur in 2020. Also applying grant funding to the master plan-related activities could impact the ability of the AEF to use entitlement grant funding to repay the \$3 million General Fund loan.

Previous Master Planning Effort and Outcome

In 1999 preparation of Master Plans for Reid-Hillview, San Martin, and Palo Alto were authorized to proceed by the Board of Supervisors. The effort was concluded in 2006 and the environmental process was commenced. The cost of the three Master Plans was approximately \$722,000. In 2014, The Palo Alto Airport was relinquished to the City of Palo Alto.

In order to lessen the costs to the AEF, the County applied for grants to fund the environmental study for San Martin Airport. The environmental work for RHV was self-

funded and the work for Palo Alto was not done. In 2008, the County was awarded a \$400,000 AIP grant to complete the Federal EIS to comply with the National Environmental Policy Act for the San Martin Airport Master Plan. Unfortunately, the CEQA EIR costs were not eligible for grant reimbursement and the Airport Enterprise Fund did not have the resources to fund the additional costs. As a result, the EIR/EIS was not prepared and the grant funding was returned.

The 2006 Master Plans studied various growth options for County airports. The Board of Supervisors directed that the maximum number of based aircraft allowed at Reid Hillview be capped, and that the majority of new aviation growth be accommodated at the San Martin Airport. Consequently, the Master Plans for Reid-Hillview and San Martin Airport were developed to accommodate up to 750 and 418 based aircraft respectively. In 2006, Reid-Hillview had 687 based aircraft and San Martin had 115. The number of based aircraft at Reid-Hillview is currently 478 and San Martin has 150.

The 2006 Master Plans for Reid-Hillview and San Martin were developed with the expectation that Reid-Hillview would continue as a general aviation reliever airport. If the County were to consolidate Reid-Hillview through development at San Martin Airport, a new San Martin MP will be required. A basic overview of the types of improvements that would be required at San Martin Airport are described in the 2006 Master Plan. It is probable that the improvements described in the 2006 Master Plan for San Martin would represent a similar scale of development necessary to accommodate a portion of the Reid-Hillview aircraft and operations.

The current MP for San Martin contemplates:

- A new air traffic control tower
- An extended runway
- One new taxiway
- A new terminal building
- A new maintenance building
- Multiple new corporate hangers
- A new tiedown parking ramp
- New water and sewage infrastructure
- One new FBO
- Property acquisitions to protect the airport from incompatible development

Attached is the 2006 South County Airport Master plan, which contains a diagram showing the described improvements.

This Airports Business Plan Update was prepared in response to direction from the Board of Supervisors and represents staff analysis of the options for an updated airports business plan. Contemplation of airport consolidation has been discussed in the report in response to a referral from the HLUET Committee. It is understood that the land use, neighborhood

compatibility, environmental footprint, and environmental justice issues around Reid-Hillview Airport have been longstanding community concerns.

During community hearings and at HLUET, nearby residents and representatives of East San Jose institutions including People Acting in Community Together (PACT) and Somos Mayfair consistently voiced opposition to RHV as a general aviation airport. Some of the representatives spoke to the serious health hazards posed by leaded fuel used by general aviation airplanes, others spoke to the safety concerns of having incompatible land uses (residential neighborhoods adjacent to RHV), while others expressed the urgent need for additional affordable housing that could be placed at RHV through a re-use plan.

The urgent need for substantially more affordable housing in Santa Clara County has been thoroughly analyzed and documented in County Office of Supportive Housing reports as well as in presentations on Nexus Studies for affordable housing impact fees in unincorporated Santa Clara County. However, County staff have not to-date provided analysis addressing consistent community concerns around lead contamination and poisoning in the vicinity of Reid-Hillview Airport.

In light of the County's core mission to promote the health and well-being of the residents of Santa Clara County, and in order to better inform the Board of Supervisors' decision-making process, information about lead contamination and poisoning, the use of leaded fuel in small, piston-engine airplanes, and blood lead levels in Santa Clara County children is provided.

Lead Contamination and Poisoning

Lead was introduced in the 1920s as a fuel additive for use in engines to help boost fuel octane and prevent valve seat recession but is now widely recognized as a significant public health concern. With newer engine and fuel technology, leaded fuels were transitioned out of use over several decades due to the health risk associated with lead exposure. As discussed below, leaded aviation fuel ("avgas") continues to be used in the piston-engine aircraft that are typically used for recreational aviation.

Lead contamination and poisoning presents serious public health risks. Lead is a confirmed neurotoxin, and even low levels of lead in blood can result in stunted physical and cognitive development in children, leading to lower IQ scores, poor academic performance, poor attention and impulse control, and numerous physical health complications.³ In adults, elevated blood lead levels are associated with kidney and brain damage, increased blood pressure, miscarriages, stillbirths, and infertility. Importantly, the most common way to address lead exposure is to remove the sources of lead.

Environmental Standards for Airborne Lead

In 2008, the Environmental Protection Agency (EPA) considered adjusting the national ambient air quality standards (NAAQS) for airborne lead, taking into account the air-related effects on neurocognitive function loss associated with exposure to varying levels of lead.

³ US Dept. of Health and Human Services, National Toxicology Program, NTP Monograph, "Health Effects of Low-level Lead Evaluation" (June 2012)

The EPA concluded that there are “causal associations between air-related (lead) exposures and population IQ loss.”⁴ At that time, the EPA revised the NAAQS for lead to 0.15 µg/m³ in total suspended particles as a 3-month average and has retained that standard following additional review in 2016. This standard has been maintained despite scientific consensus that there is no safe level of exposure to lead.

Blood Lead Levels

Currently, children with blood lead levels (BLL) equal to or greater than 5 µg/dL of blood are identified as having a BLL of concern by the Center for Disease Control (CDC).⁵ However, the Environmental Protection Agency, the CDC, and California Department of Public Health have concluded that there is no safe blood lead exposure, and no BLL over zero is free of all risk.⁶ Even low levels of lead in blood in children have been shown to result in cognitive decline and reduced IQ⁷ and, although the effects may be small, they are enduring and usually permanent.⁸ Studies find that adults exposed to lead as children show significant neural differences to adults without childhood lead exposure. Persons exposed to lead in early life experience “an unfolding series of adverse behavioral outcomes: behavior problems as a child, pregnancy and aggression as a teen, and criminal behavior as a young adult.”⁹ Because lead exposure often occurs with no obvious symptoms, it frequently goes unrecognized.

Sources of Airborne Lead

Since the removal of lead from gasoline used in automobiles, point sources for concentrated lead emissions, such as smelters, metal foundries, power plants, and airports are now considered the main routes of exposure to lead in outdoor air. However, without a current source of lead emissions, “legacy” contamination from leaded gasoline use in past decades, leached lead from water pipes, and old house paint also contributes significantly to BLLs, as lead particles from these sources are ingested, or inhaled when climatic conditions cause lead particles to become re-suspended in air.¹⁰

Lead Emissions at Reid-Hillview Airport

Although leaded fuel was phased out of use in automobiles beginning in the 1970s and has been banned in California since 1992 for road use, leaded gasoline continues to be used in

⁴ Murphy, D., and Pekar, Z., United States Environmental Protection Agency, “Air-related IQ Loss Evidence-based Framework and Estimates from Quantitative Risk Assessment” (April 2008)

⁵ Centers for Disease Control Fact Sheet, “Blood Lead Levels in Children”

⁶ Vorvolakos, T., Arseniou, S., & Samakouri, M. (2016). There is no safe threshold for lead exposure: A literature review. *Psychiatriki*, 27(3), 204-214. doi:10.22365/jpsych.2016.273.204

⁷ Lanphear, B. P. (2000). Cognitive Deficits Associated with Blood Lead Concentrations. *Public Health Reports*, 115(6), 521-529. doi:10.1093/phr/115.6.521

⁸ Canfield, R. L., Jusko, T. A., & Kordas, K. (2005). Environmental lead exposure and children's cognitive function. *Rivista italiana di pediatria = The Italian Journal of Pediatrics*, 31(6), 293-300.

⁹ Reyes, J. (2015) Lead exposure and behavior: Effects on antisocial and risky behavior among children and adolescents. *Economic Inquiry* 53(3): 1580-1605.

¹⁰ Schmidt, C. (2010) Lead in Air, Adjusting to a New Standard. *Environmental Health Perspectives* 118(2): A76-A79; doi:10.1289/ehp.118-a76

small, piston-engine planes. These planes are typically used for flight instruction, personal recreational or business use, and charter use, operating out of small general aviation airports like Reid-Hillview. Lead is not added to jet fuel that is used in commercial aircraft, military aircraft, or other turbine-engine powered aircraft. Avgas is currently the largest source of lead emissions in the United States,¹¹ estimated by the EPA to account for half of the lead pollution in American skies.

Locally, Reid-Hillview (RHV) is a significant source of airborne lead pollution in the Santa Clara Valley. A 2008 study by the EPA ranked the airport 25th out of 3,414 airport facilities across the country with an estimated 580 kilograms of lead emitted annually.¹² This estimate is based upon data obtained from the Federal Aviation Authority relating to airport activity including statistics relating to the types of aircraft in use and the number of takeoffs and landings. Since 2008, RHV's number of annual flight operations has grown from 141,006 to 162,648 in 2017, which suggests that neighborhood children and the surrounding communities are exposed to more airborne lead pollution than at the time of the study.

RHV was one of 15 airports chosen by the EPA for required monitoring due to expected lead emissions from piston-engine aircraft utilizing the airport. Results through December 2016 indicate that lead concentrations have exceeded 50% of the National Ambient Air Quality Standards – which are standards for harmful pollutants established by the EPA under authority of the Clean Air Act – for airborne lead ($0.15 \mu\text{g}/\text{m}^3$), requiring continued monitoring. Three month rolling averages from 2014 through 2016 at RHV ranged from 0.049 to $0.103 \mu\text{g}/\text{m}^3$.¹³

Blood Lead Levels of Children in Santa Clara County

In 2012, the California Department of Public Health published data on children under 6 years old with blood lead levels (BLL) at or above $4.5 \mu\text{g}/\text{dL}$ of blood. Five out of a total of 58 zip codes in Santa Clara County were in the top 200 out of 2,589 zip codes across the state for elevated BLLs in young children, where there were at least 500 children tested. These included the two zip codes adjacent to Reid-Hillview Airport (95122, 95127), and one zip code with a border within one mile of the airport (95116). Each of these three zip codes showed a higher than average percentage of children with elevated BLLs.

¹¹ Health Impact Project, Pew Charitable Trusts, “10 Policies to Prevent and Respond to Childhood Lead Exposure” (August 2017)

¹² United States Environmental Protection Agency, Lead Emissions from the Use of Leaded Aviation Gasoline in the United States, Technical Support Document, EPA420-R08-020 (October 2008)

¹³ Bay Area Air Quality Management District, 2016 Air Monitoring Network Plan (July 2017)

Table 1. Children >6 Years with Elevated Blood Lead Levels (BLL) by Top Zip Codes in Santa Clara County, 2012¹⁴

Zip Code	Region	Percentage of Children with $\geq 4.5\mu\text{g/dl}$ BLL
95127	San Jose – East (RHV)	3.02%
95122	San Jose – East (RHV)	2.48%
95116	San Jose – East	1.93%
95111	San Jose – South	1.81%
95020	Gilroy	1.68%

Although this data does not demonstrate that the use of leaded fuel at Reid-Hillview Airport (RHV) is the cause of elevated BLLs in adjacent areas, it may be a significant contributing factor. A study at Santa Monica Airport¹⁵ found that the highest lead concentrations occur close to airport runways and decrease exponentially with distance from an airport, dropping down to background levels at about 1 km.¹⁶ Additionally, a 2011 study¹⁷ concluded that there is a significant association between potential exposure to lead emissions from avgas and elevated BLLs in children. The results of the analysis in that study suggest that children living within 500 meters of an airport at which planes use avgas have higher blood lead levels than other children, and that the apparent effect of avgas was evident also among children living within one kilometer of those airports.

For the millions of people nationwide living within a kilometer of airport facilities that service piston-engine aircraft, the continuing flow of lead into the environment remains a potentially serious source of exposure risk, with a recent study of BLLs in children living near airports using avgas in Michigan providing evidence that “elevated BLLs in children proximate to airports is at least partly attributable to avgas deposition from piston-engine aircraft.”¹⁸ This study found that children residing within one kilometer of an airport are 25% and 45% more likely to exceed present and past thresholds of concern than children living at least 4 kilometers away.

¹⁴ Top 200 California Zip Codes for Percentage of Children Age <6 years with Blood Lead Levels of ≥ 4.5 mcg/dl (California, 2012); <https://www.cdph.ca.gov/Programs/CCDC/DEOD/CLPPB/Pages/data.aspx>

¹⁵ United States Environmental Protection Agency, Development and Evaluation of an Air Quality Modeling Approach for Lead Emissions from Piston-Engine Aircraft Operating on Leaded Aviation Gasoline, Technical Report, EPA-420-R-10-007 (February, 2010)

¹⁶ See also Piazza, B. (1999). Los Angeles Unified School District, Health and Safety Branch Santa Monica Municipal Airport: A Report on the Generation and Downwind Extent of Emissions Generated from Aircraft and Ground Support Operations

¹⁷ Miranda, M. L., Anthopolos, R., & Hastings, D. (2011). A Geospatial Analysis of the Effects of Aviation Gasoline on Childhood Blood Lead Levels. *Environmental Health Perspectives*, 119(10), 1513-1516. doi:10.1289/ehp.1003231

¹⁸ Zahran, S., Iverson, T., McElmurry, S. P., & Weiler, S. (2017). The Effect of Leaded Aviation Gasoline on Blood Lead in Children. *Journal of the Association of Environmental and Resource Economists*, 4(2), 575-610. doi:10.1086/691686

Areas with higher than average percentages of children with elevated BLLs are more likely to be populated by people of color and those in lower income groups, with one study finding “extraordinarily high rates of lead toxicity” in black and Hispanic neighborhoods in Chicago, concluding that “lead toxicity is a source of ecological inequity by race and a pathway through which racial inequality literally gets into the body.”¹⁹ Census data indicate a predominantly minority population in the five zip codes in question (Table 2), with a poverty rate exceeding the county average of 9.3% (Table 3).

Table 2: Percentage of Individuals with Hispanic/Latino or Asian Origin in Zip Codes with Higher Rates of Elevated BLLs²⁰

Zip Code	Hispanic or Latino	Asian
95127 (SJ – East RHV)	58.9%	23.2%
95122 (SJ – East RHV)	58.6%	23.4%
95116 (SJ – East)	59.9%	34.7%
95111 (SJ – South)	51.6%	34.4%
95020 (Gilroy)	58.2%	6.1%

Table 3: Percentage Individuals Below Poverty Level in Zip Codes with Higher Rates of Elevated BLLs, with Median Income²¹

Zip Code	Individuals Below Federal Poverty Level	Median Annual Household Income
95127 (SJ – East RHV)	11.8%	\$78,362
95122 (SJ – East RHV)	17.6%	\$62,595
95116 (SJ – East)	19.2%	\$51,399
95111 (SJ – South)	16.7%	\$61,630
95020 (Gilroy)	12.6%	\$86,261
<i>Countywide</i>	9.3%	\$101,173

Recommendations

It is recommended that the Board of Supervisors adopt the following recommendations:

1. Receive the Business Plan Update.
2. Consider options discussed, or others that are appropriate, and provide direction to staff.
3. Direct the County Executive to report back to the Board with a recommended plan to analyze and address any concerns regarding airborne lead and associated concerns.

¹⁹ Sampson, R. J., & Winter, A. S. (2016). The Racial Ecology of Lead Poisoning. *Du Bois Review: Social Science Research on Race*, 13(02), 261-283. doi:10.1017/s1742058x16000151

²⁰ United States Census Bureau, 2012-2016 American Community Survey 5-Year Estimates

²¹ United States Census Bureau, 2012-2016 American Community Survey 5-Year Estimates

4. Direct the County Executive or designee to accept \$1.2 million in FAA entitlement funding to help pay down the \$3 million loan the AEF received from the General Fund in fiscal year 2017. Execute the necessary Grant Agreements to receive the funding from the federal government.
5. Direct the County Executive to apply for Federal and State Grants for the Santa Clara County Airports to the maximum extent possible for the improvement of the airport's infrastructure.
6. Direct the County Executive to apply for property releases from the FAA consistent with the Business Plan Update.
7. Direct the County Executive to prepare Requests for Proposals consistent with the Business Plan Update for leasing properties and consolidating the Fixed Base Operators (FBOs) at Reid Hillview Airport.

Alternative

Alternatively, if the Board of Supervisors desires to preserve the County's options for possible use of the Reid-Hillview Airport for an alternate purpose, the following option may also be considered.

1. Approve a policy statement that the County will not apply for Airport Improvement Program grants for Reid-Hillview Airport.
2. Direct the County Executive or designee to accept \$1 million in FAA entitlement funding related to the airfield repaving project at San Martin Airport to help pay down the outstanding General Fund loan.
3. Direct the County Executive to apply for property releases at Reid-Hillview Airport from the FAA consistent with the Business Plan Update.
4. Renegotiate existing leaseholds to the extent possible to consolidate the FBOs at Reid-Hillview Airport to make available acreage for non-aviation development. This effort may be hindered by a decision to forego Federal grants since the future of Reid-Hillview will be viewed as uncertain by potential leaseholders.

The Board may wish to clearly state its intent regarding Reid-Hillview by:

5. Declaring its intent that the purpose in foregoing certain Federal AIP funds is to ultimately close Reid-Hillview Airport.
6. Directing the County Executive to prepare a new Master Plan for the San Martin Airport in consideration of the future closure of Reid-Hillview Airport.

CHILD IMPACT

The recommended action will impact the health and welfare of children and youth regarding lead contamination and/or ultimate usage of the airport property.

SENIOR IMPACT

The recommended action may also have a health and welfare impact upon seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

BACKGROUND

At the May 9, 2017 Board meeting, staff presented a report that recommended development of an updated business plan (BP) for county airports. With the Board's concurrence, staff was directed to return with an implementation plan that included a time-frame and the costs necessary to produce a new BP. Since that initial meeting, staff has held a series of 17 separate public meetings (attachment), including six Airport Commission meetings, to answer questions and solicit input from stakeholders.

On Dec. 12, 2017, an implementation plan was presented and accepted by the Board with direction to bring the completed business plan update back to the Board in spring 2018.

After completion of a series of stakeholder meetings, staff intended to bring the Business Plan Update to HLUET Committee on May 17, 2018 and the full Board in June. Due to questions about the Business Plan and the desire to obtain additional public input, the HLUET presentation was postponed until June 21, 2018. Due to the length of the June 21 agenda and the anticipated public input during this item, the HLUET presentation was postponed to August 16, the first HLUET meeting after summer recess. Subsequently a request was received from constituents to hold the HLUET meeting in the evening to ensure the greatest level of participation. The HLUET presentation was then scheduled for an evening meeting on September 17, 2018.

At the September 17, 2018 HLUET meeting, the committee requested that staff evaluate a third option to move the Reid-Hillview Airport operations to San Martin and to establish a regional training center, and to bring the updated report back to HLUET prior to submission to the full Board.

At the end of the October 18, 2018 HLUET meeting, a discussion between the Committee members resulted in a request for staff to present the information requested by HLUET relative to Option 3 and the Business Plan to the full Board of Supervisors prior to the end of the 2018 calendar year without a presentation to HLUET first.

Airports Commission Meeting

The Airports Commission will submit its comments on the Business Plan separately directly to the Board of Supervisors. However, the Commission did point out that the time periods for various fiscal analysis in the Business Plan were inconsistent. The Airport Commission also noted that in the Business Plan Update's discussion around the issue of grant acceptance, the report did not fairly balance the pros and cons of grant acceptance.

Reid-Hillview Meeting

Staff held a public meeting on May 22, 2018 between 6:30 P.M. and 8:30 P.M. in the Ocala Middle School cafeteria. Prior to the meeting, notice was posted on the County website, Facebook page, Nextdoor website and on the airport's website and Facebook page. In addition, an email notice was sent to all past registered meeting attendees and all airport

tenants. A flyer was distributed to all airport-based businesses and a postcard notice was mailed to approximately 6,500 properties near Reid-Hillview Airport.

Approximately 100 people attended the meeting. About half of the attendees were from the neighborhoods surrounding Reid-Hillview and the other half were airport users and tenants. Spanish and Vietnamese interpreters were made available to assist in communication.

A slide presentation was provided to the attendees with a question and answer session following. Among the neighbors, the general consensus was that the airport is an undesirable neighbor with numerous comments to close the airport and redevelop it into affordable, multifamily housing and/or community-serving uses such as schools or parks. San Jose State University Aviation Department students attended and expressed the value that the airport holds for them and their efforts to obtain an aviation-based education and the opportunities that are available to the local youth because of the SJSU presence at the airport. Current airport tenants were concerned with the proposal to realign the FBO leaseholds with a desire to understand the mechanics of that change. There was also much discussion on the lack of clarity in the preliminary draft report regarding the benefits Airport Improvement Program (AIP) grant funding provides to the County and what benefits in terms of freedom and flexibility that would be obtained should the County elect not to accept future grant funding and allow the existing grant assurances to expire.

A summary of the meeting with comments and responses is attached.

San Martin Meeting

On May 23, 2018 between 6:30 P.M. and 8:30 P.M., a public meeting was held at the San Martin Airport to discuss the preliminary Business Plan Update. The meeting notice was posted on the County website, Facebook page, Nextdoor, and on the airport's website and Facebook page. In addition, an email notice was sent to all past registered meeting attendees and all airport tenants. A postcard notice was mailed to approximately 500 properties near San Martin Airport.

Approximately 50 people attended this meeting and fewer than five attendees identified themselves as being from the surrounding community. The remainder were airport users and tenants.

The same slide-show presentation from Reid-Hillview was presented at the San Martin Airport. The discussion at San Martin was largely about what will happen when the FBO leasehold expires in 2020. The FBO leasehold includes hangars that will revert to County ownership upon expiration of the FBO lease. Some occupants of the FBO hangars claim ownership of the hangars. This is not consistent with the FBO lease. Additional discussion was held on the value of accepting AIP grant funds, and the existing Airport Master Plan that includes possible additional development at the airport, including a lengthened runway.

A summary of the meeting with comments and responses is attached.

Meeting with the Federal Aviation Administration

Staff met with the FAA, Airport District Office (ADO) on July 27, 2018 to present the preliminary draft Business Plan Update and discuss its intent and purpose.

County staff presented the Plan to the FAA staff in attendance. Staff explained the intent of monetizing excess land and realignment of the FBOs at Reid Hillview in the context of improving the fiscal outlook for the Santa Clara County Airports.

The FAA staff expressed continued concerns about the County's failure to apply for AIP grant funding. The FAA staff indicated that failure to apply for grants is usually a precursor to an attempt to close an airport. In addition, property release requests are also frequently seen as an effort by an airport operator to justify future closure of an airport. The FAA indicated that past property releases submitted by the County were viewed in that context.

After an in-depth discussion of the Plan's strategy, including the property releases, the FAA staff indicated that there is likely to be an opportunity to negotiate the property releases once the Business Plan Update is approved.

The FAA was receptive and appreciative of the efforts the County has made and expressed a desire to actively partner on improving the airports. To that end, staff and the ADO office will meet again in the fall of 2018 to review the outcome of the HLUET and Board of Supervisors actions.

CONSEQUENCES OF NEGATIVE ACTION

The County would continue to operate the airports with the existing leasehold mix; revenue and expenditures would largely remain the same with expenses rising relative to economic conditions and increases to rents indexed to the Consumer Price Index (CPI).

The FY 2019 budget for the Airports division calls for a \$268,000 transfer from Retained Earnings to the operating budget. Without additional revenue sources, this is a trend that is expected to continue indefinitely. The deficit does not include any capital investment. All capital needs will necessitate additional funding. Under this scenario, a long-term subsidy of approximately \$20 million dollars over ten years is required.

STEPS FOLLOWING APPROVAL

Send notification of completed processing to:

1. Pam Rebillot, Roads and Airports Department, Administration
2. Eric Peterson, Roads and Airports Department, Airports Division

ATTACHMENTS:

- RHV Public Meeting Summary 05/22/18 (PDF)
- San Martin Public Meeting Summary 05/23/18 (PDF)
- Written Public Comments (PDF)
- Grant Assurances (PDF)
- FAA Release Requests (PDF)
- Airports Business Plan Update (PDF)
- Comments from Airports Commission(PDF)
- Public Comment - CAAPSO (PDF)
- Written Public Comments Addendum (PDF)
- Airports Business Plan Presentation 9-17-18 (PDF)
- Public Comment 9-17-18 (PDF)
- Meeting Schedule (PDF)
- Airports Business Plan - redline view (PDF)
- Reid-Hillview Airport Masterplan (PDF)
- San Martin Airport Master Plan (PDF)
- Typical Elements of an Airport Master Plan (PDF)
- Public Comment relating to DART (PDF)
- Public Comment 12-3-18 (a) (PDF)
- Public Comment 12-3-18 (b) (PDF)
- Public Comment 12-3-18 (c) (PDF)
- Public Comment 12-3-18 (d) (PDF)
- Memo from Vice President Chavez (PDF)
- Airports Business Plan Update Presentation Final (PDF)
- Public Comment 12-4-18 (e) (PDF)
- Public Comment 12-4-18 (f) (PDF)
- Public Comment 12-4-18 (g) (PDF)
- Public Comment (PDF)
- Written Comment (PDF)
- Written Comment (PDF)



Special - Regular Meeting Agenda

City Council

Rich Constantine - Mayor
Rene Spring - Mayor Pro Tem
Yvonne Martinez Beltran - Council Member
Larry Carr - Council Member
John McKay - Council Member

Wednesday, February 20, 2019 6:00 pm

Council Chamber
17555 Peak Avenue, Morgan Hill, CA 95037

SPECIAL/REGULAR MEETING

A special meeting of the City Council is called at 6:00 p.m. for the purpose of conducting Planning Commission interviews.

SPECIAL MEETING

6:00 P.M.

COMMISSION INTERVIEWS

1. INTERVIEWS TO FILL TWO (2) VACANCIES ON THE PLANNING COMMISSION

Recommendation:

1. Discuss the characteristics/traits that a successful applicant(s) would possess;
2. Conduct Interviews;
3. Council Members identify top applicant(s) and provide recommendation to the Mayor; and
4. Discuss and/or appoint applicant(s).

CALL TO ORDER

Mayor Constantine

ROLL CALL ATTENDANCE

Deputy City Clerk Bigelow

DECLARATION OF POSTING AGENDA

Per Government Code Section 54954.2
Deputy City Clerk Bigelow

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 McKay

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin

OTHER REPORTS

PRESENTATIONS

YAC PRESENTATION ASSET #1 - FAMILY SUPPORT

REGIONAL AGENCY REPORTS

Santa Clara County Roads and Airports

San Martin Airport

Harry Freitas

Valley Transportation Authority

2019 New Transit Services Plan

Jay Tyree

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)

EMAIL SUBMITTED FOR PUBLIC COMMENT

ADOPTION OF AGENDA

February 20, 2019

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

2. APPROVE PURCHASE OF PROPERTY (BETPOLICE) APN 767-03-036 FOR THE HALE AVENUE EXTENSION PROJECT

Recommendation:

1. Adopt resolution approving the purchase of a portion of APN 767-03-036 for \$310,500 plus escrow and closing costs from Farideh Betpolice for the Hale Avenue Extension Project; and
2. Authorize the City Manager to execute all documents and make minor modifications as necessary in order to consummate the transaction.

3. APPROVE SERVICE AGREEMENT FOR DESIGN PROFESSIONALS WITH LUHDORFF & SCALMANINI CONSULTING ENGINEERS FOR WELL REMEDIATION AND FIELD OVERSIGHT SERVICES

Recommendation:

1. Approve Service Agreement for Design Professionals with Lohdorff & Scalmanini Consulting Engineers for a total not to exceed contract amount of \$45,000; and
2. Authorize the City Manager to execute and administer the Service Agreement for Design Professionals with Lohdorff & Scalmanini Consulting Engineers.

4. APPROVE PURCHASE OF 150KW TRAILER-MOUNTED PORTABLE GENERATOR

Recommendation:

1. Approve the purchase of one 150kW trailer-mounted diesel generator from Leete Generators, in the amount of \$84,776.15;
2. Authorize City Manager to approve purchase order in the amount of \$84,776.15 with Leete Generators;
3. Declare generator W99014 to be surplus; and
4. Authorize the disposal of equipment in accordance with Section 3.04.400 of the City of Morgan Hill Municipal Code.

5. AWARD CORPORATION YARD SPACE NEEDS STUDY

Recommendation:

1. Approve and authorize the City Manager to execute an agreement with Griffin Structures in the amount of \$141,480 for a space needs analysis of the City's Corporation Yard and the Morgan Hill Unified School District's (MHUSD) transportation yard;
2. Approve and authorize the City Manager to execute a Cost Sharing Agreement with the MHUSD for the Space Needs Project; and
3. Adopt resolution amending the Capital Improvement Program Budget for Fiscal Year 2018-19, and appropriating an additional expenditure of \$61,480, and reimbursement revenue of \$70,740 in the Public Facilities Fund (347).

6. ADOPT ORDINANCE 2297 APPROVING A ZONING AMENDMENT FOR APPROXIMATELY 8.55 ACRES OF PROPERTY LOCATED ON THE NORTHEAST CORNER OF MONTEREY ROAD AND BURNETT AVENUE (APN NO. 725-01-018, -032, AND -033) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK ONE

Recommendation:

Waive the reading, adopt Ordinance No. 2297, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

7. ADOPT ORDINANCE 2298 APPROVING A ZONING AMENDMENT FOR APPROXIMATELY 7.58 ACRES OF PROPERTY LOCATED ON THE EAST SIDE OF MONTEREY ROAD OPPOSITE OLD MONTEREY ROAD (APN NOS. 726-25-006 AND -005) FROM THE PLANNED UNIT DEVELOPMENT (PUD) AND SERVICE COMMERCIAL (CS) ZONING DISTRICTS TO THE MIXED USE FLEX/PLANNED DEVELOPMENT (PD) COMBINING DISTRICT TO ESTABLISH A BLOCK-LEVEL MASTER PLAN (BLMP) FOR MONTEREY ROAD CORRIDOR BLOCK FOUR

Recommendation:

Waive the reading, adopt Ordinance No. 2298, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

8. APPROVE THE FEBRUARY 6, 2019 MEETING MINUTES

Recommendation:

Approve Minutes.

PUBLIC HEARING

9. ORDINANCE APPROVING DEPOT-LATALA- DEVELOPMENT AGREEMENT TO CONFIRM RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDCS) PUBLIC BENEFIT COMMITMENTS FOR 49 DOWNTOWN RDCS BUILDING ALLOTMENTS. THE PROPERTY, IDENTIFIED BY ASSESSOR PARCEL NUMBER 726-13-049, IS LOCATED ON THE EAST SIDE OF DEPOT STREET, NORTH OF EAST DUNNE AVENUE

Recommendation:

1. Open and close public hearing;
2. Waive first and second reading of Development Agreement Ordinance; and
3. Introduce Development Agreement Ordinance.

Estimated Time: 20 Minutes

OTHER BUSINESS

10. FIRE DISASTER PREPAREDNESS

Recommendation:

Receive report.

Estimated Time: 45 Minutes

11. REGIONAL HOUSING NEEDS ASSESSMENT (RHNA) UPDATE

Recommendation:

Receive Report.

Estimated Time: 30 Minutes

12. ORDINANCE AMENDING SECTION 14.04.070 ALTERNATIVES OF CHAPTER 14.04, INCLUSIONARY HOUSING

Recommendation:

1. Waive the first and second reading of the ordinance; and
2. Introduce ordinance.

Estimated Time: 10 Minutes

13. ACCEPT DECEMBER 2018 FINANCIAL AND INVESTMENT REPORT

Recommendation:

Accept and file report.

Estimated Time: 5 Minutes

14. INTRODUCE WASTEWATER RATE STUDY, RECEIVE POLICY DIRECTION, AND SET PUBLIC HEARING TO ADOPT RATE INCREASES

Recommendation:

1. Introduce the 2019 Wastewater Rate Study; and
2. Discuss and provide policy direction to staff on wastewater rate implementation.

Estimated Time: 30 Minutes

15. INTRODUCE DEVELOPMENT IMPACT FEE UPDATE STUDY AND RECEIVE POLICY DIRECTION

Recommendation:

1. Introduce 2019 Development Impact Fee Update Study;
2. Discuss and provide policy direction to staff on Development Impact Fee Update implementation.

Estimated Time: 30 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.

CLOSED SESSION

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

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

Number of Cases: One (1)

RECONVENE

CLOSED SESSION ANNOUNCEMENT

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:

To sustain a safe, inclusive, socially responsible, environmentally conscious, and economically sound community

Choose Morgan Hill:

The City of Morgan Hill is the best community for people to live, work, visit, and operate their businesses.

CITY COUNCIL ONGOING PRIORITIES

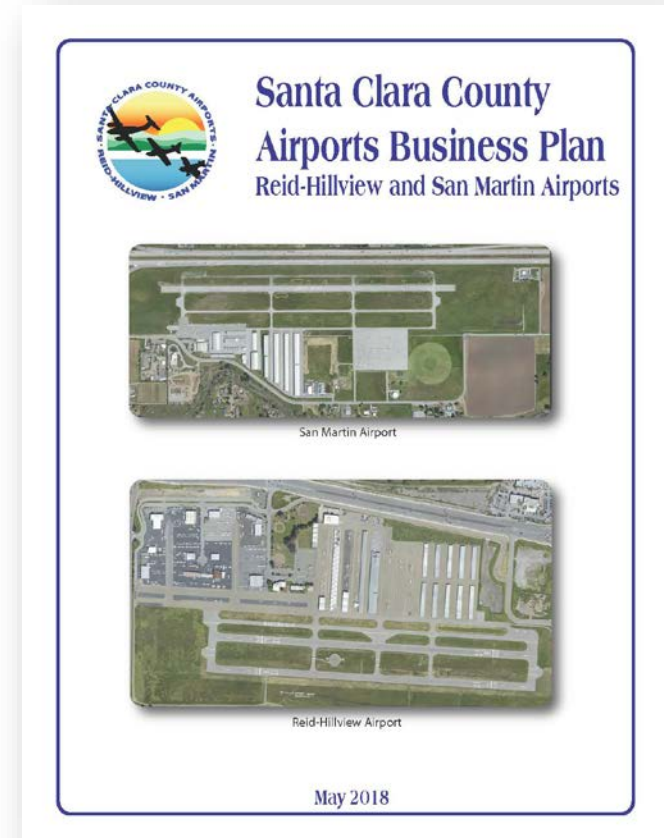
Enhancing Public Safety · Protecting the Environment · Maintaining Fiscal Responsibility ·
Supporting Our Youth, Seniors, and Entire Community · Fostering a Positive Organizational
Culture · Preserving and Cultivating Public Trust · Preserving Our Community History ·
Enhancing Diversity and Inclusiveness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

2019-2020 STRATEGIC PRIORITIES

Agricultural Preservation
Cannabis Policy
Community Engagement and Messaging
Economic Development
Financial Stewardship
High Speed Rail
Homelessness
Housing Infrastructure
Telecommunications
Traffic/Transportation

County Airports Status Report

Presented to
City of Morgan Hill
February 20, 2019



www.countyairports.org



Business Plan Process

- Directed by the Board of Supervisors.
- One-year process
- Housing, Land Use , Environment, Transportation Committee
November 2018
- Heard by the Board of Supervisors
on December 4, 2018



Outreach and Coordination

November 2017	Airport Commission HLUET
December 2017	Airport Commission Board of Supervisors
January 2018	RHV Leaseholders SM Pilots and Neighbors
February 2018	RHV Stakeholders
March 2018	RHV Neighbors
May 2018	Airport Commission RHV Pilots and Neighbors SM Pilots and Neighbors
September 2018	Airport Commission X2
October 2018	HLUET



Staff Recommendation

- Adopt Business Plan
- Accept Federal Grants
- Proceed with implementation action for Business Plan

Alternative

- Forego Grants to allow for future flexibility

HLUET Committee and Option 3

Consolidation of RHV to San Martin

- New/updated Master Plan for San Martin
- New EIR/EIS for the Master Plan
- Approximately \$2.5 million
- About 3 to 4 years to complete

BOS Actions on December 4, 2018

1. Approve a policy statement that the County will not apply for Airport Improvement Program grants for Reid-Hillview Airport and will make General Fund-funded improvements required to operate Reid-Hillview safely.
2. Direct the County Executive or designee to accept \$1 million in FAA entitlement funding related to the airfield repaving project at San Martin Airport to help pay down the outstanding General Fund Loan.



BOS Actions on December 4, 2018

3. Direct the County Executive to apply for property releases at Reid-Hillview Airport from the FAA consistent with the Business Plan Update.
4. Invite the City of San Jose to engage within the next two years in joint planning for the Reid-Hillview / Eastridge area, including possible alternative uses of Reid-Hillview after 2031.
5. Develop a plan, including a transparent community engagement process, to consolidate the County's aviation uses at San Martin Airport, based on Alternative 3 in the Board-adopted 2006 South County Airport Master Plan as updated to include tower and navigation capacity to meet current standards.



RHV Open House
Sept. 8, 2018
Eric Peters

BOS Actions on December 4, 2018

6. Develop a plan to implement any necessary improvements to ensure adequate traffic flow and safety on East San Martin Avenue and Highway 101 and adjacent roadway
7. Establish a Capital Plan to implement the improvements at the San Martin Airport, including both General Fund-funded and FAA-funded improvements.
8. Direct the County Executive to report back to the Board with a recommended plan to analyze and address any concerns regarding airborne lead and associated concerns.



RHV Open House
Sept. 8, 2018
Eric Peters

BOS Actions on December 4, 2018

9. Engage San Jose State University relating to negotiations for possible accommodation at the San Martin Airport
10. Engage Office of Emergency Services partners relating to consideration of capacity for emergency and disaster response should a change of use occur at Reid-Hillview Airport
11. Engage the aviation community in determining the feasibility of allowing only non-leaded aviation fuel at the Reid-Hillview and San Martin Airports.



Federal Grant Obligations

- Reid-Hillview and San Martin are Federally Obligated
- Grant obligations include a requirement to operate in conformance with FAA requirements
- Last grants taken by Santa Clara County in 2011
- Grant obligations expire in 2031



Next Steps to Implement the BOS Direction

- Request property releases
- Apply for retroactive grant for San Martin
- Procure lead consultant



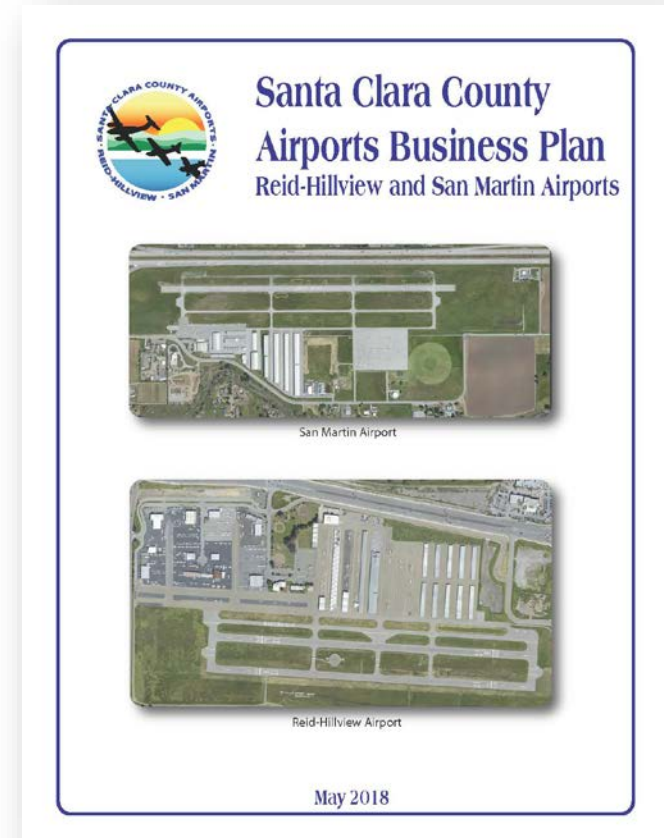
Helpful Studies and Links

- Staff Report for Business Plan
- Master plan for San Martin Airport
- Master plan for Reid-Hillview
- Draft Business Plan
- <https://www.sccgov.org/sites/air>



County Airports Status Report

Presented to
City of Morgan Hill
February 20, 2019



www.countyairports.org



2019 New Transit Service Plan

Draft Proposal

Morgan Hill City Council • February 12, 2019

Background

2016 Community engagement → Draft Next Network

2017 VTA Board adopts final Next Network plan

...waiting for BART service to start Next Network...

2018 VTA Financial Stability Committee looks at long-term financial sustainability

Dec 2018 VTA Board directs staff to develop new service plan

Jan 2019 VTA Board directs staff to conduct outreach on new plan

January Community engagement

February Community engagement

VTA Board Direction for the 2019 New Transit Service Plan

- 1** Maintain today's total cost (no service increase)
- 2** More ridership service & less coverage service
- 3** Minimize cuts in South County

current service

\$360M / year

total cost

70/30

ridership/coverage

Next Network

\$375M / year

total cost

83/17

ridership/coverage

Draft 2019
New Transit
Service Plan

\$360M / year

total cost

90/10

ridership/coverage

Two Types of Transit Routes

- **Ridership** routes: service to areas with higher ridership
- **Coverage** routes: service to areas with lower ridership

70%
RIDERSHIP



30%
COVERAGE

10,000+ Points of Community Feedback Created this Plan

What we heard...

- ✓ Service should be more frequent
- ✓ Willing to walk to faster transit
- ✓ Less coverage service
- ✓ More ridership service
- ✓ Make service easy to understand



Proposed Light Rail Service

- B** Shortened (Baypointe – Santa Teresa)
- G** No change (Old Ironsides – Winchester)
- O** No change (Mountain View – Alum Rock)
- P** Replaced with bus route



Proposed Bus Improvements (compared to Next Network)

Frequent Service to New Areas

26

68

More Frequent Service Between BART and Downtown San Jose

500

More Morning and Evening Trips on Popular Routes

522

23

Proposed Bus Cuts (Compared to Next Network)

Discontinue Entire Route

65

83

Reduce Weekend Service Frequency

27

44

47

59

Change Route Alignment

53

56

Fewer Early Morning & Late Evening Trips

20

21

22

27

31

40

44

47

52

53

56

57

59

61

63

71

77

72

73

Discontinue some Express Bus Trips

101

102

103

121

122

168

182

185

Morgan Hill

improved

68

no change

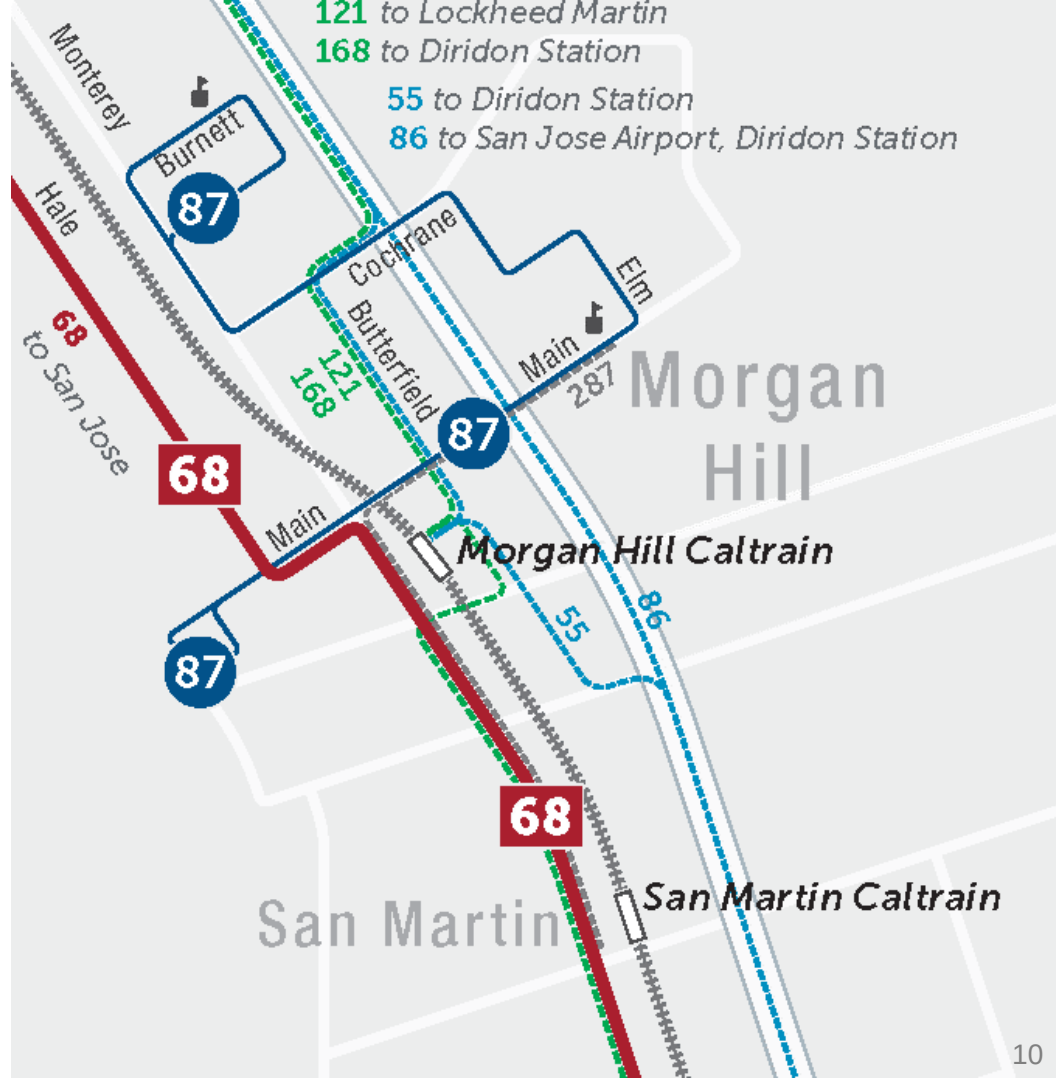
87

reduced

121

168

185



Gilroy

improved

68

no change

84

85

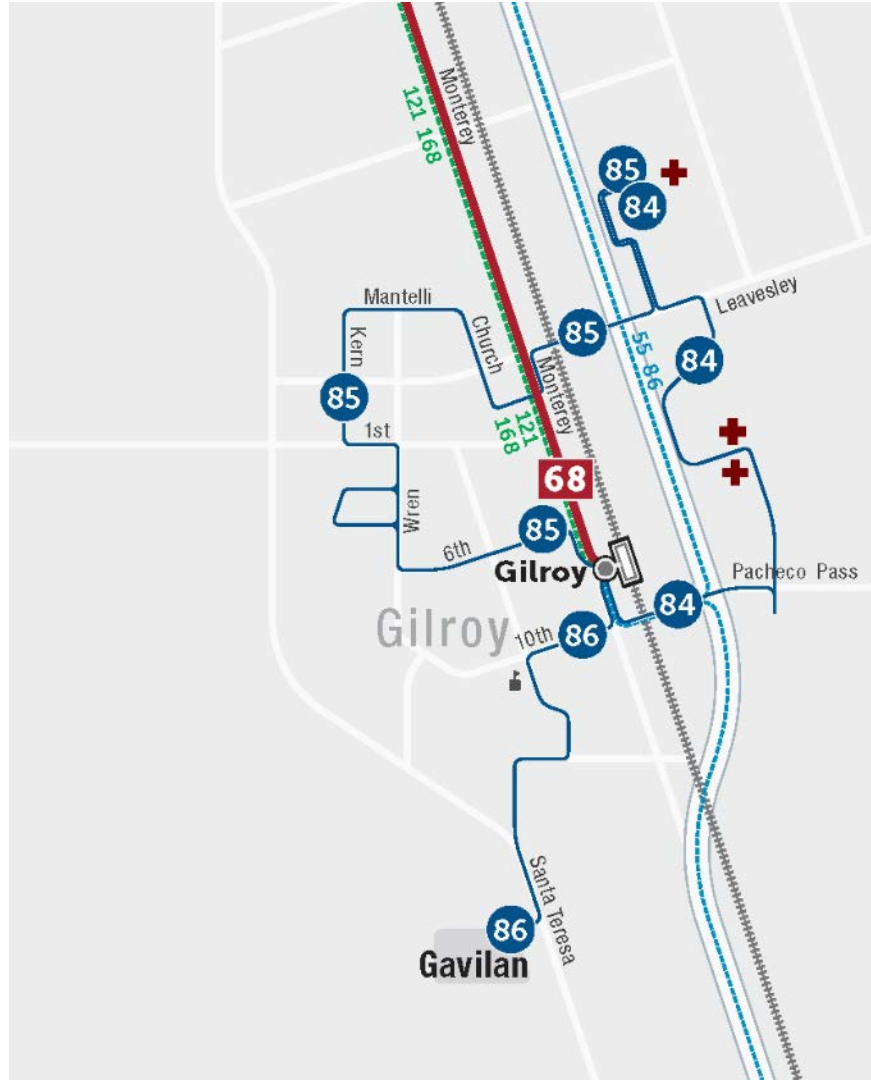
86

reduced

121

168

185



Ridership Impact

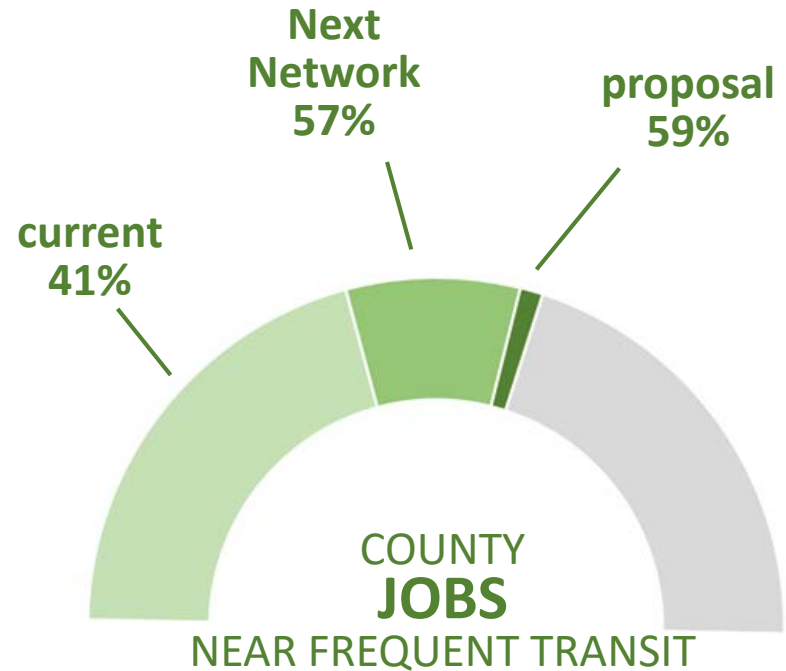
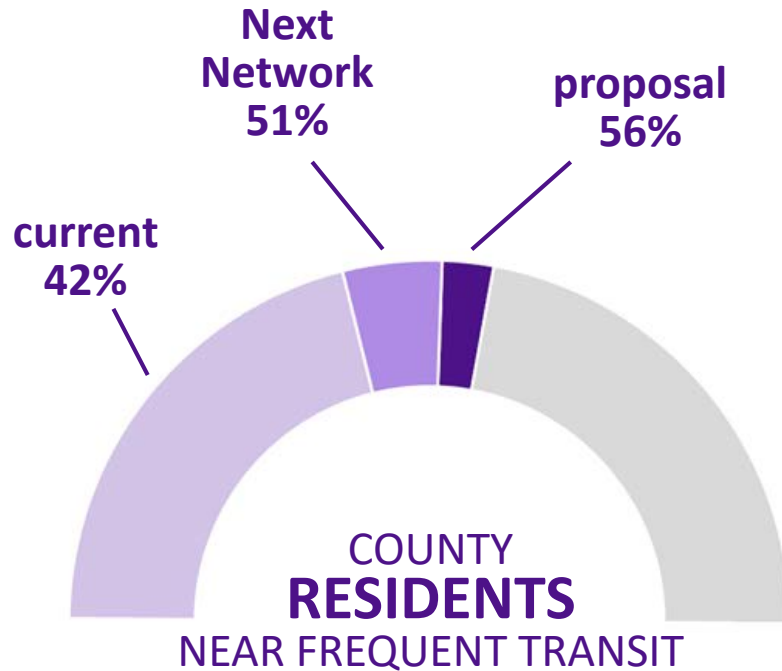
7-9%

higher ridership
than current service

1%

lower ridership
than Next Network

More County residents & jobs near Frequent transit → ridership increase



Other Impacts to be Analyzed

- Impact to *VTA Access* ADA paratransit customers
- Impact to Title VI low-income and minority customers

*both **Title VI** and **paratransit** analyses to be conducted in March*

Community Engagement

- 6 VTA-hosted community meetings
- Presentations at other meetings
- YouTube Live online meeting
- Flyers on buses + trains
- Email blasts, blog posts

newtransitplan.vta.org

collecting feedback through February 28

Next

January Community engagement

February Community engagement

March Revise plan

April Final plan to VTA committees

May **Final plan to VTA Board of Directors**

June
July
August
September

} Implementation activities (scheduling, manufacturing signage, preparing and printing passenger materials, operator training, etc.)

Oct – Dec New service starts when BART service begins