

October 2, 2015

Neelima Palacherla, Executive Officer

LAFCO OF SANTA CLARA COUNTY

70 West Hedding Street

11th Floor, East Wing

San Jose, CA 95110

**SUBJECT: LETTER OF REQUEST FOR MORGAN HILL URBAN SERVICE AREA AMENDMENT, 2015
LAFCO APPLICATION –
Sports - Recreation - Leisure District and Monterey-South-Hordness/City of Morgan
Hill Urban Service Area Amendment**

Dear Ms. Palacherla:

The City of Morgan Hill respectfully requests the Local Agency Formation Commission (LAFCO) consideration of the expansion of the Morgan Hill Urban Service Area (USA) boundary to include areas referred to as the Sports - Recreation - Leisure District USA Amendment Area and Monterey-South-Hordness - City of Morgan Hill USA Amendment Area. These two USA boundary adjustments would directly advance several City objectives, notably:

1. Implementation of the City's Agricultural Lands Preservation Program by funding the acquisition of agricultural land conservation easements;
2. Establishment of a Sports - Recreation - Leisure District, a key component of the City's economic development strategy, by allowing for the development of community and regional serving facilities;
3. Provision of educational and cultural facilities for Morgan Hill residents by allowing the construction of a new private high school and recreational facilities;
4. Efficient use of existing City infrastructure to serve existing urban uses as well as to serve new development envisioned within the City's General Plan;
5. Funding of improvements to existing infrastructure through new development consistent with the City's Desirable Infill policies;
6. Regularization of City boundaries by aligning USA and City boundaries.

The Sports - Recreation - Leisure District USA Amendment Area (SRL District) is located along the east side of Highway 101 at the intersection of Highway 101 and Tennant Avenue. The area is generally to the south of San Pedro Avenue and within an area known as the South East Quadrant.

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The site is outside the current Urban Service Area but within the City's planning Sphere of Influence, Urban Growth Boundary (UGB) and Urban Limit Line (ULL). The SRL District project encompasses 21 parcels totaling approximately 215 acres or 17% of the approximately 1,290 acres within the Southeast Quadrant (Figure 1).

The Monterey-South-Hordness / City of Morgan Hill project covers a geographically contiguous area located on Monterey Road, south of Watsonville Road. This area encompasses 17 parcels totaling approximately 65 acres. All of these parcels are located outside of the City's Urban Service Area but seven of them are located within the City boundaries. All of the parcels are located within the City's Urban Growth Boundary (UGB) and Urban Limit Line (ULL). Thirteen of the parcels, shaded grey on the 'Project Parcels Data Table', were part of a previous application for Urban Service Area Amendment filed in October 2012. This application requested the Local Agency Formation Commission (LAFCO) consideration of the expansion of the Morgan Hill Urban Service Area (USA) boundary to include a project area referred to as 'Monterey-South of Watsonville' which included the said 13 parcels and 4 additional parcels at the intersection of Monterey Road and Watsonville Road. In October 2013 LAFCO approved inclusion of the smaller area encompassing these four parcels (APNs 779-040-056, 001, 003 and 004) within the City's USA. The Monterey-South-Hordness / City of Morgan Hill Urban Service Area Amendment request encompasses the 13 parcels that were not included in the Urban Service Area expansion in 2013 and four additional parcels (APNs 779-04-011, 012, 013, 058). This area is shown in Figure 2.

I hope you find this submittal includes all the information you need to process the Morgan Hill Urban Service Area Amendment, 2015, LAFCO application. If you have any questions or require additional information, please do not hesitate to contact me via phone or email at 408-310-4657 or Andrew.Crabtree@morganhill.ca.gov. Included below is the reasoning for the requested amendment. The application packet contains the items listed in LAFCO's filing requirements for Urban Service Area amendments. I sincerely appreciate your assistance throughout this process.

Best Regards,

Andrew Crabtree
Community Development Director
City of Morgan Hill

City Rationale for this USA Expansion Request

The City of Morgan Hill has a well established commitment to land use planning best practices, including the City's rigorous use of a growth management system (known as the Residential Development Control System or RDCS) to maintain a steady growth rate, discourage irregular growth patterns and insure that the City is able to provide affordable housing, open space preservation, infrastructure and community amenities as the community grows. The RDCS was developed and adopted through a citizen initiative process in the 1970s to temper the rapid and largely unplanned growth of the previous decade, which had an effect that can still be seen in the City's development pattern. The City has continued to refine its growth management and land use planning policies to support a beneficial amount of growth consistent with community values.

Morgan Hill is proud of its small town character, strong sense of community and proximity to open space and seeks to promote these desirable qualities through thoughtful land use planning. The City Council and community take pride in being regional leaders in providing affordable housing, preserving open space and hillsides, water conservation, and for recently adopting a forward thinking Agricultural Lands Preservation Program.

Moving forward, the City seeks to build upon its previous success by maintaining a steady, well-defined, and responsible rate of growth, providing housing to support the region, while also maintaining the City's jobs / housing balance. City policies support the ongoing revitalization and intensification of the City's Downtown, including new higher density housing, commercial and mixed-use projects currently under construction or in the entitlement process. Through the City's comprehensive General Plan update process, scheduled for completion in 2016, the City has identified additional sites to support multi-family housing closer in to the City's core areas. The City also highly values the preservation of viable agricultural lands within the City's Sphere of Influence and the prevention of needless sprawl, consistent with LAFCO objectives.

It is the City's sincere intent to advance responsible land use development through the expansion of its Urban Service Area to include the two districts addressed within this application. Each property included within the application has been carefully considered by the City's Planning Commission and City Council, staff, land use, economic, and agricultural preservation experts, and community stakeholders through extensive planning processes. In the case of the proposed Sports - Recreation - Leisure (SRL) District, the City's planning processes include more than 10 years of public hearings and community engagement efforts.

More recently, Morgan Hill made a significant revision to its envisioned application when a significant area (approximately 454 acres) of the eastern portion of the SEQ was removed from proposed annexation and now will remain in the County. This change was made after learning of specific concerns from LAFCO staff, County Planning staff, Open Space Authority staff, and other stakeholders related to the City's intentions for this area. As a result, the City believes that the proposal before LAFCO reflects its genuine commitment to preserve viable agriculture while advancing its economic and community development goals.

It is thus with well thought-out consideration and a commitment to careful stewardship of the City's land resources that the City is submitting the subject USA Expansion request. The following discussion provides further detail as to how this request will help to fulfill the City's objectives of preserving agricultural lands, promoting economic development, utilizing existing infrastructure and enabling the more efficient delivery of urban services.

Sports - Recreation - Leisure District USA Amendment Area (SRL District)

The proposed SRL District expansion would allow the development of sports and recreational uses and a private high school on lands along the eastern edge of Highway 101, just south of the City's existing City limits, and adjacent to the City's existing Outdoor Sports Complex and Aquatics Center. In addition to the proposed development of a private Catholic high school, which would provide a faith-based educational opportunity not currently available within the South County, current planned development includes a City-owned baseball/softball complex, various indoor and outdoor recreational facilities, and supporting commercial uses. The boundaries of the SRL District application are a subset of the SRL lands identified within the City's General Plan and were determined to be consistent with the desire of respective property owners to be incorporated into Morgan Hill.

Prior to the current Urban Service Area Amendment request, the Morgan Hill City Council adopted General Plan Land Use Designation changes and rezonings for the parcels included in the amendment area as specified in the Table entitled 'Sports-Recreation-Leisure District Parcels' included with this application. Per the recently adopted General Plan and Zoning, the parcels included in this amendment request are intended to support the development of Sports/Recreation/Leisure (SRL) uses on approximately 177 acres and development of a private high school on approximately 38 acres, consistent with the SRL and Public Facility land use designations respectively applied to those properties. The City adopted a Planned Development (PD) rezoning for the school site consistent with the specific development proposed for that property. The SRL and PF (PD) pre-zoning are consistent with the said General Plan designations.

The SRL zoning district consists of two sub districts, SRL-A, and SRL-B, which are distinguished by the allowed intensity of development. The SRL - A sub district supports lower intensity recreational uses, including adventure sports/facilities, batting cages, equestrian centers, and indoor/outdoor sports centers. The SRL - B sub district supports low and medium intensity recreational and associated commercial uses, including conditionally uses such as service stations, restaurants, hotels, and stadiums. The SRL - B sub district pre-zoning is applied generally to properties close to Highway 101, while the less intense SRL-A sub district is applied to properties intended to serve as a buffer between the SRL B sub district and adjacent agricultural uses with the goal of enabling the long-term preservation of those agricultural lands.

In the near-term, in addition to the proposed private high school which will ultimately be a 210,441 square foot indoor facility, sufficient to accommodate 1,600 students and 125 staff, the City is actively working toward the development of a baseball/softball sports field complex that would be located within the SRL district. Other uses are speculative at this time, but an economic consultant developed a likely development scenario for the SEQ amendment area that includes the development of sports oriented retail and restaurant uses, a sports medical office building, a 100,000 square foot indoor sports complex, two 120-room hotels, a gas station, and approximately 138 acres of assorted sports fields. This development scenario was developed based on uses supported by the SRL General Plan and Zoning designations and likely market conditions and analyzed at a programmatic level of detail in the 'Citywide Agriculture Preservation Program and Southeast Quadrant Land Use Plan' project Environmental Impact Report (EIR). The proposed high school was evaluated at the project level in the EIR. These uses are discussed further in the Fiscal Analysis Report prepared for this area of the Morgan Hill USA Amendment, 2015, application. Supplemental or subsequent environmental review will be required at a 'project level' for the other SRL uses to address project level detail once such projects are initiated.

As further discussed below, allowing this proposed development of the SRL District would directly support the preservation of agricultural lands and the advancement of the City's General Plan goals and policies, including key Economic and Community Development Goals.

Agricultural Lands Preservation

As noted in the submittal letter, a key objective for the SRL District USA expansion is to enable future development of sports and recreational uses on a limited portion of the City's Southeast Quadrant area in order to preserve and strengthen nearby agricultural activity through the acquisition of agricultural land conservation easements within the City's identified Agricultural Lands Conservation Area. The City has adopted General Plan goals and policies, a Citywide Agricultural Lands Preservation Program, and an Agricultural Lands Mitigation Ordinance in order to achieve the permanent preservation and enhancement of open space and agriculture areas within the City's Sphere of Influence. The adopted Agricultural Lands Preservation Program and implementing ordinance require any new development within the City that impacts identified farmlands to place an equivalent amount of farmland area under permanent conservation easements. These permanent conservation easements are encouraged in the City's identified Agricultural Lands Priority Preservation Area, which includes the majority of the SEQ. This Program was developed based upon the guidance of highly respected agricultural lands preservation and economic consultants with the objective of providing a feasible set of tools to permanently preserve agricultural lands and agricultural activity consistent with the community's desire to have such uses in close proximity.

The City has also codified elements of the Program in the City's Zoning Ordinance to strengthen and streamline implementation of the Program goals and procedures. The Agricultural Lands Preservation Program includes a "Stay Ahead" provision that requires the City insure conservation easements are acquired in advance or concurrent with actual development. Individual projects thus may establish offsetting easements ahead of or concurrent with development activity. The

Agricultural Lands Mitigation Ordinance also establishes an In Lieu Fee that future projects would be required to pay as a means of mitigation of impacts upon agricultural lands if the establishment of conservation easements is not included directly within the project. Consistent with the Stay Ahead provision, easements acquired using the In Lieu Fee would also need to be fully in place concurrent with the related development activity. The City Council has formally declared an intent to use the City's existing open space funds to further supplement the acquisition of agricultural mitigation lands within the City's identified Agricultural Lands Conservation Area. The City currently has approximately \$5 million in open space funds available and anticipates further revenue for this fund through the ongoing implementation of the RDCS.

The City's Agricultural Lands Preservation Program thus will insure that when farmlands are converted to other uses, the City will accomplish the preservation of comparable agricultural land in the City's Agricultural Conservation Priority Area. This approach of a fee-based 1:1 mitigation ratio is similar to other agricultural preservation programs in use within California (e.g., Yolo County, San Joaquin County) that also rely upon the development of some farmland to generate economic support for the conservation of other areas. The City's General Plan and Agricultural Lands Preservation Program also support the use of transfers of development rights or other mechanisms to promote agricultural preservation, but the fee-based conservation easement strategy was determined to be the most feasible tool for addressing a large number of parcels under multiple ownership and with near-term potential to be removed from agricultural use.

To move the City's Agricultural Lands Preservation Program forward, the City is in the process of identifying a third-party entity to administer and implement the program. This strategy is consistent with past communication from other organizations (including LAFCO staff) on how to most effectively manage this effort. Lastly, the City Council adopted a resolution of support for Santa Clara County's "Sustainable Agricultural Lands Policy Framework" grant and will be working with them and other stakeholders now that the grant has been awarded. If it is determined that the City's own program can be enhanced during this collaborative process, the City is committed to taking the necessary actions to ensure its Agricultural Lands Preservation Program is as effective as possible.

Morgan Hill General Plan - Economic and Community Development Goals

LAFCO policies are based on the objectives of insuring orderly growth, preventing sprawl and preserving agricultural and other open space lands. The City's General Plan is the primary planning tool for advancing the goal of orderly growth. The City of Morgan Hill has incorporated within its General Plan a Land Use Diagram and growth management policies that reflect the LAFCO land use planning goals. Inclusion of the proposed amendment area properties in the City's USA would facilitate orderly growth and development patterns, while development in a portion of the SEQ would provide economic incentive to ensure that agricultural activity and open space are maintained and permanently preserved in the larger SEQ area in locations suitable for agriculture, where they might otherwise be converted to residential as well as non-residential uses currently allowable on these lands under the County jurisdiction.

The development of regionally-oriented recreational facilities and commercial uses along Highway 101 is a key economic development strategy identified within the City's General Plan. After conducting extensive analysis, the City has concluded that the proposed USA amendment area provides the most logical location for the establishment of the proposed SRL and private high school uses, consistent with the City's General Plan goals and policies. These policies include encouraging tourist oriented and sub-regional retail uses at the southwest Tennant freeway interchange and providing a high quality education experience for school age children. The Highway 101/Tennant Avenue interchange, one of only three interchanges serving Morgan Hill, provides a high degree of access to the proposed amendment area and represents a significant investment in public infrastructure that should be capitalized upon with land uses that will directly benefit from that infrastructure and provide a return benefit to Morgan Hill. The proposed tourist and recreation oriented commercial development (SRL uses) and the high school would greatly benefit from and add to the utilization of this access to Highway 101, as well as to the proximity of the City's other regionally oriented sports field complex (Outdoor Sports Center) and the Aquatics Center. The project area would also be unique within Morgan Hill in that it would provide the significantly large lots required for the nature of proposed development while also funding the City's Agricultural Lands Preservation Program and establishing land uses compatible with and supportive of the long-term preservation of the adjacent agricultural area.

As part of the City's SEQ stakeholder engagement process, the City consulted with County Planning staff, who suggested three criteria for the City to consider for any proposed USA expansion (and/or annexations):

- 1) Could the planned land use be accommodated within the existing City limits?
- 2) Is the location appropriate for the proposed land uses?
- 3) Would any farmlands lost through annexation and subsequent development be adequately mitigated.

The City does not have other lands designated and zoned for SRL uses or a private high school or that would be feasible to rezone for such uses elsewhere in the City. Although there is vacant industrial and commercial land inventory within the City that theoretically could be converted to support SRL or a private high school use, such lands are not suitably located, of suitable size, or economically feasible to support the proposed establishment of an SRL district as envisioned within the City's General Plan. Furthermore, as concluded through recent economic analyses, the City's existing inventory of vacant commercial and industrial lands is already inadequate to meet the City's long-term goals for economic development and a balanced community that supports a job supply and commercial activity consistent with planned population growth. The City similarly has a limited supply of vacant residential land within its City limits and is contemplating the need for other USA expansions that would allow for continued residential growth while also regularizing the City's boundaries. Thus while the conversion of other commercial and industrial lands would not be feasible to support an SRL district or the development of a private high school, the City also needs to maintain them to have an adequate inventory of employment generating lands for its long-term jobs/housing balance, which is important for Morgan Hill as well as the region as a whole.

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Implementation of the proposed SRL District would result in an appropriate land use. SRL uses and the private high school would directly benefit from proximity to Highway 101, the Highway 101-Tennant interchange, existing recreational facilities (the City's Aquatic Center and Outdoor Sports Center), and proximity to each other. Unlike other potential uses (including residential development that could occur within the County), the SRL District uses would be compatible with adjacent agricultural activity and could support that activity by supporting agriculture related tourism activity.

As discussed above, the City has adopted policies and ordinances to mitigate the loss of agricultural lands that would occur with development of the SRL District. Furthermore, the City is looking to that development to help fund its agricultural preservation activities.

The proposed USA Expansion would thus be consistent with these three criteria as well as with LAFCO policies for Urban Service Area Amendment requests.

Monterey-South-Hordness / City of Morgan Hill USA Amendment

The Monterey-South-Hordness / City of Morgan Hill USA Amendment area (amendment area) includes 17 parcels, seven of which are already under the City's jurisdiction and receiving City services including utilities, police and fire. Six of these parcels are currently developed. The other 10 parcels are located outside the City boundary, eight of which are currently developed. All 17 of the parcels are outside of the Urban Service Area boundaries of Morgan Hill.

The seven incorporated properties and six of the 10 properties in the area outside the City boundary described below, along with four properties at the intersection of Monterey Road and Watsonville Road, were part of an Urban Service Area amendment application to LAFCO in October 2012, referred to as Monterey-South of Watsonville. In October, 2013, LAFCO approved extension of the USA to include the latter four properties. The current application includes the remaining 13 parcels that were the subject of the 2012 LAFCO application and four additional residential properties, located on John Wilson Way between the Oakwood School and Morgan Hill Church properties.

A detailed discussion of the City's policies related to USA adjustments evaluating the Monterey-South-Hordness-City of Morgan Hill amendment area under two separate applications: Watsonville-Hordness and Monterey-City of Morgan Hill, is provided in the attached Planning Commission staff reports of September 23, 2014 and August 11, 2015. The following text includes a broad discussion of the nature of development in the amendment area and why its inclusion in the City's Urban Service area is warranted at this time.

Consistent with the fact that seven of the seventeen parcels, constituting more than half (37.43 acres) of the total amendment area (64.49 acres), are already in the city limits (incorporated) and that the area in general consists of properties already developed with urban forms of development, the primary goals for this USA amendment request are to regularize the City boundaries, improve

service delivery efficiencies and implement City of Morgan Hill General Plan goals. The following discussion provides more detail on how these goals would be achieved through the requested USA expansion.

The Incorporated Area:

Development in the incorporated area includes single family residential, non-retail commercial, and institutional uses, and one parcel of vacant land. There is an existing 60,000 square foot public school (Oakwood School) in this area on a 24.9 acre site. Four single-family housing units, and approximately 5,050 square feet of non-retail commercial development encompass five properties. The one vacant/undeveloped incorporated parcel (6.12 acres) is located generally to the west of Monterey Road, between a single family residence to the northwest and businesses to the south east.

The school has been approved for expansion for up to 776 students from 347 students under a Conditional Use Permit issued by the City of Morgan Hill in 2004. The school property is designated Single Family Medium (SFM) under the City of Morgan Hill General Plan and has a corresponding Single Family District R1(9,000) zoning district to be consistent with the General Plan. Private schools are generally subject to approval through a Conditional Use Permit process as is required within this zoning district.

The remaining six incorporated properties are located along Monterey Road and designated non-retail commercial by the City's General Plan with a CLR PD zoning. No specific development plans are proposed for these six properties. The likely development scenario anticipates future construction of 117,000 square foot of non-retail commercial space on these sites.

The proposed inclusion of the already incorporated area into the City's USA would regularize the City's boundaries by reducing incongruity between the USA and City boundaries, thereby eliminating confusion over jurisdictional lines. The proposed USA expansion would also produce a more regular (rectilinear) boundary line. Furthermore, as earlier indicated, these parcels already receive City services and their inclusion in the Urban Service Area would help facilitate more logical development patterns within the City.

Area Outside of City Boundary:

The remaining 27.06 acre area within the proposed amendment is outside of the existing City limits, but generally developed with urban uses that would be more logically served through Morgan Hill's municipal services. The already urbanized parcels include a church (Morgan Hill Bible Church) on an 8.69 acre site encompassing 2 parcels, five single-family residential units and approximately 4,540 square feet of non-retail commercial development on six sites totaling 8.79 acres. Two parcels are vacant, one of which is 2.20 acres, owned by SCVWD and maintained as open space for future flood control purposes and the other (7.38 acres) is located generally to the west of the SCVWD parcel along Watsonville Road. While the SCVWD parcel will remain in use as flood control channel, the 7.38 parcel is designated for multi-family residential development within the City's General Plan.

The Monterey-Morgan Hill Bible Church (APNs 779-04-016 and 779-04-061) site is currently developed with the church facility, including the church, classrooms, surface parking, a sports field, baseball diamond, and volleyball courts. The Church envisions expanding the facility by 8,400 square feet. The site carries a General Plan designation of Public Facility (PF), with Public Facility (PF) pre-zoning. The church is a Conditional Use under the Public Facilities Zoning District and considered consistent with the General Plan designation for the site. The Church, which provides various social services beneficial to the Morgan Hill Community, would like to expand at the existing location to support its current activities within Morgan Hill. Incorporation of this property into the City's USA would allow for more efficient delivery of urban services to an already urbanized property, while also providing a benefit to the overall health and welfare of the community by allowing the Church to eliminate the leach field in an area subject to flooding.

The most likely development scenario for this area includes, in addition to the church expansion, the development of multifamily housing (123 units) on the vacant parcel adjacent to the SCVWD property, designated Multi Family Residential under the City's General Plan. This vacant parcel was evaluated for agricultural significance as part of the previously adopted initial study/MND for the 2012 Monterey-South of Watsonville project and its conversion found to be a less than significant impact under CEQA. However, because the City has formally adopted an Agricultural Lands Preservation Program and Agricultural Lands Mitigation Ordinance as described earlier, any future development of the property would be required to provide mitigation at a ratio of 1 acre of permanent agricultural conservation for each 1 acre of mapped farmland lost through its development. With the understanding that the loss of agricultural lands associated with the future development of the parcel would be fully mitigated through the City's Agricultural Lands Preservation Program, the City is requesting that the property be brought into the City's USA because its future annexation and development would conform with the City's Desirable Infill policies. Specifically, the development of this parcel would provide the benefit of installation of one-half street improvements along the entire Watsonville Road frontage from the property's western boundary to Monterey Road.

This SCVWD property has a GP designation of Open Space and is pre-zoned Open Space (OS). The land use and pre-zoning designations for this parcel are not anticipated to result in any foreseeable physical changes but rather continuance of the current use of the property. Any future physical changes to the property undertaken by the SCVWD would be subject to environmental review by the District as Lead Agency.

The application includes four residential properties located between the Morgan Hill Bible Church property and the Oakwood School property. These properties are already developed with residential uses at an urban density and no future intensification is anticipated if they are brought into the City's USA. These properties are included in the Urban Services area expansion request so as to avoid the creation of an unincorporated peninsula between the school and the church properties (e.g., to establish a regular, rectilinear boundary) and to allow for more efficient delivery of services by the City to an existing urban use. There are no anticipated plans for development of these properties at this time.