



PROCEEDINGS OF THE
LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY

Wednesday, March 3, 2021
9:00 a.m.

Meeting Location: Virtual Setting (using Zoom)
Teleconference: 1-877-853-5257

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The March 3, 2021 Santa Cruz LAFCO meeting is called to order by declaration of Vice-Chairperson Lather. There are currently 4 public attendees joining this meeting.

ROLL CALL

Present and Voting:	Commissioners Jim Anderson, Roger Anderson, Coonerty, Estrada, Friend, Lather and Chairperson Cummings
Absent:	None
Alternates Present:	Banks, Brooks, Hunt
Alternates Absent:	Koenig
Staff:	Joe A. Serrano, Executive Officer Daniel H. Zazueta, LAFCO Counsel Debra Means, Commission Clerk Chris Carpenter, Commission Clerk

For the record, there is a quorum.

EXECUTIVE OFFICER'S MESSAGE

Mr. Serrano reminds the Commission and the public that this meeting is being conducted as a Zoom webinar. This allows Commissioners complete control of their webcams and microphones. Microphones and webcams for members of the public have been disabled but they will be able to see and view staff's presentations and the entire meeting with any Commissioner discussion.

For any members of the public who would like to speak on any agenda item, they can either email their comments to LAFCO and LAFCO staff will read the email on their behalf or they can raise their hand during public comment for any particular item. They can raise their hand by pressing the hand button on Zoom or if they are joining the meeting by teleconference, they can press *9. Members of the public will have up to three minutes to address the Commission on any particular item. The Commission Clerk will announce when there is one minute left and when their time is up.

For any Commission action, there will be a roll call vote for full transparency and for the record.

Chairperson Cummings reminds the Commission that if they wish to comment, use the raise hand button on the Zoom dashboard. He will call on them in the order their hand is raised.

MINUTES

MOTION AND ACTION

Motion: Coonerty Second: Lather	To approve LAFCO's February 3 rd minutes. Motion passes with a unanimous voice vote.
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PUBLIC HEARINGS

ATKINSON LANE / BREWINGTON AVENUE EXTRATERRITORIAL SERVICE AGREEMENT (ESA)

Mr. Serrano reports that this proposal involves the City of Watsonville and the property owner, Mid-Pen Housing. The subject area is approximately 14 acres and is just outside City limits but within the City's sphere of influence.

The purpose of this application is to provide water and sewer to a proposed 80-unit affordable housing project. The landowner is requesting an extraterritorial service agreement with the City for a subsequent annexation to occur after the completion of the development.

A similar two-part process occurred in 2014 involving the City and Mid-Pen Housing. After the extraterritorial service agreement was approved, the development area known as Phase 1 was eventually annexed to the City in 2018.

This current proposal is Mid-Pen Housing's Phase 2 of their affordable housing project. Since the proposal area is within the City's sphere of influence, State law allows an extraterritorial service agreement to occur as a precursor to annexation. The proposal fulfills the legal requirement under Government Code Section 56133 and it also addresses the Commission's requirements under their adopted Extraterritorial Service Agreement Policy.

Luis Preciado is the Project Manager for development project. On behalf of Mid-Pen Housing, he thanks and expresses gratitude for LAFCO's support and for Mr. Serrano's guidance in preparing their application.

Phase 2 is a partnership between the City of Watsonville, the County of Santa Cruz and Mid-Pen Housing Corporation. It is a continuation of the successful construction of Pippin Apartments' 46 units which also went through the LAFCO process. Phase 2 consists of 80 new affordable homes for low-income families earning between 30% and 60% of the area's median income. Of the 80 units, 39 of them are set aside for farmworker families, 15 units are set aside for special needs people, and the remainder of the units are for the general population.

Mid-Pen looks forward to continuing their successful partnership and collaboration in developing 80 new housing opportunities for the community.

Commissioner Roger Anderson asks how many units were in Phase 1.

Mr. Preciado answers that there were 46 units in Phase 1 and 80 units are proposed for Pippin Phase 2, totaling 126 units.

Alternate Banks thinks there are additional residential units under development or under actual construction in the Atkinson Lane area. He asks if there are plans to improve Atkinson Lane for increased traffic flow and how it will be addressed.

Mr. Serrano thinks the Environmental Impact Report addresses transportation and the impacts on Atkinson Lane. He does not know if they will implement mitigation to improve the street.

Mr. Preciado adds that primary access to the proposed development will be through Brewington Avenue. There will be no access through Atkinson Lane. There are some County traffic mitigation measures that need to be implemented along Crestview Drive.

Alternate Hunt asks if Pippin 2 is immediately adjacent to Pippin 1 geographically.

Mr. Preciado answers yes.

Commissioner Estrada wonders why there were delays in Pippin Phase 1 before annexation and whether they expect delays for Phase 2.

Mr. Preciado answers that Phase 1's delay was mostly due to acquiring the funding necessary to finance and complete construction. They are currently working on the finances necessary to complete Phase 2. They are looking for an investor for their housing tax credits. They hope there will be no significant barriers or delays in Phase 2.

Commissioner Estrada asks when they hope to annex Phase 2 to Watsonville.

Mr. Preciado says it is very competitive to find an investor. They are hoping to begin construction by early 2023. There is a 19-month construction schedule so they hope to complete construction by summer of 2024. With this schedule, they could complete annexation within one year of securing the last certificate of occupancy.

Mr. Serrano adds that LAFCO conducted a two-part process for Phase 1 of approving the ESA followed by a subsequent annexation back in 2014. They added a condition for a two-year deadline for annexing to the City but unanticipated challenges occurred and the Commission approved extensions to the annexation.

For Phase 2, LAFCO coordinated with the City and the applicant to figure out a realistic timeframe. Once it is developed, annexation should occur within one year of the final occupancy.

Chairperson Cummings asks if annexations are delayed, whether there are any impacts on the jurisdictions involved.

Mr. Serrano replies that a resolution will be drawn up to clarify those issues. If the Commission requires action, then a resolution is required. Having a binding agreement such as a resolution in writing which says that an annexation needs to occur by a certain timeframe will allow all those involved to know what to expect. A timeframe can be followed and the Commission can provide extensions if necessary. The language in this resolution allows flexibility for the City and the applicant.

Chairperson Cummings asks if the annexation process is delayed, would the City of Watsonville not receive the fees for water service and what other impacts there could be.

Mr. Serrano answers that as part of the extraterritorial service agreement, it allows the City to provide services to the area. The services and the fees will already be implemented. The subsequent annexation would reflect the services provided by the City through the extraterritorial service agreement.

Chairperson Cummings wonders about the island parcel that will be substantially surrounded by the City.

Mr. Serrano says that parcel will be brought up as part of the annexation application. He thinks this parcel should ultimately be annexed into the City.

Mr. Preciado says this parcel has a substation on it and it is owned by PGE.

Commissioner Roger Anderson asks when the water service would be provided. The maps seem to indicate there are some environmental impacts. He wonders if the maps are still valid and whether there are any restrictions on what Mid-Pen can do.

Mr. Serrano thinks there are some mitigated efforts. The area west of the parcel is active farmland. There may be an agricultural buffer to minimize environmental impacts to the existing adjacent farmland.

Watsonville requires LAFCO's approval before they can provide services to landowners. If the Commission approves this ESA, this allows Watsonville and the applicant to connect to services. He does not know the exact timeframe for when the services will be connected.

Mr. Preciado says water and sewer services will occur prior to occupancy. The infrastructure will be installed during construction and actual services will be delivered prior to occupancy.

The EIR and its addendum are current for this development. The only documents that were update were the site plan and the delineation of the wetlands and agricultural buffer. Any improvements on this development will be outside of the 50' buffer that will protect the habitat immediately adjacent to the actual wetlands.

Commissioner Roger Anderson recalls parcels for Phase 1 where there was designated parking would provide an addition to the required setbacks and buffers.

Commissioner Jim Anderson thinks PGE would have to decide whether they would want to be annexed. The tax rate between the City and the County may be different. Since the parcel is a substation, PGE would probably be most interested in the lowest tax rate.

Mr. Serrano says PGE will be included in the discussion about whether they are open to annexation.

MOTION AND ACTION

Motion: J. Anderson Second: Estrada	To adopt draft Resolution No. 2021-05 approving the extraterritorial service agreement with the City of Watsonville with the condition that the area be annexed within one year of the final occupancy of the entire development. Motion passes with a unanimous voice vote.
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SERVICE AND SPHERE REVIEW FOR THE CITY OF SCOTTS VALLEY

Mr. Serrano reports that the City of Scotts Valley encompasses about five square miles and serves approximately 12,000 residents. The latest service and sphere review provides a snapshot of the City's performance during the last six years. Based upon staff's analysis and anticipated slow growth, it is anticipated that the City's population will still be under 13,000 by 2040.

The City has been facing financial constraints over the years. The City's operations can be categorized into two activities: Government and Business. Business activities involving wastewater and recreation services have been running in the red each year since 2015. It results in an overall deficit for five of the last six fiscal years.

The City has recently implemented a new wastewater rate structure to address this fiscal gap by balancing incoming revenue with actual expenditures. They will be presenting a new rate study to their City Council next month.

There are two water districts providing water to City residents. The primary provider is Scotts Valley Water District (SVWD). San Lorenzo Valley Water District (SLVWD) also provides a portion of water to the Whispering Pines area and Mount Hermon Road. There are also two supervisorial districts encompassing Scotts Valley. It may be beneficial for LAFCO to coordinate with the City and the affected agencies to determine whether there is a benefit to having one water district or one supervisorial district rather than two.

The City's sphere is currently larger than the City's jurisdictional limits. The sphere boundary is a planning tool which indicates areas that should be annexed into the City in the foreseeable future. There are 11 areas in the sphere that total about 500 acres. It would be up to the City and the affected residents if and when these areas are annexed.

Taylor Bateman works for the City of Scotts Valley. He thanks LAFCO staff for a great review process.

Commissioner Roger Anderson used to live in Scotts Valley and he appreciates this review. He wonders how many people live in the non-annexed parts of the sphere of influence. Most of this area is zoned as very low density and does not know how much of this area is occupied.

He is also curious about the City's property tax share. He thinks this is a big problem since it is a general law city so they tend to get a small fraction of its property tax. He wonders what work arounds such as vehicle license fees have been used to try to straighten this out.

He is impressed with the City's sewer facilities since they have true tertiary treatment and they use recycled water whenever possible. Unfortunately, their rates have not kept up but he hopes the recent increases will continue to take care of that problem.

He recalls many people in Scotts Valley liking the idea of having two supervisorial districts politically as well as having two supervisors that would allow their voice to be more likely heard than just having one supervisor.

He was also pleased to find out that there is a \$2.5 million capital budget item for sidewalks in Scotts Valley.

Mr. Serrano says that it is difficult to figure out populations for the 11 unincorporated communities. AMBAG does population forecasts and they provide populations for public agencies such as cities, but not for special districts and specific unincorporated areas. For this review, the acreage and land use determinations were identified for these areas because that information is available. All 11 areas are zoned as Residential and some are Mountain Residential or Rural Residential.

He finds it interesting that two supervisorial districts split Scotts Valley in half. The County is currently deciding whether to redistrict. There may be benefits of having two Supervisors representing one city. He does not oppose the status quo but since it is already being discussed, he thinks it is worth highlighting to understand why the City is currently established this way.

Chairperson Cummings has attended a few virtual meetings between Scotts Valley Water District (SVWD) and San Lorenzo Valley Water District (SLVWD) and it seems to be a controversial topic. He wonders about the timeline for those two water agencies considering a consolidation and what the role of LAFCO would be for this process.

Mr. Serrano answers that there is no set schedule to initiate consolidation at this time. Consolidation is usually a multi-year effort. Currently, these two water districts are looking at exploring the idea of consolidation. SVWD is willing to look into consolidation if SLVWD agrees. If SLVWD's board takes action to explore the benefits and/or constraints of consolidation, it will allow staff from both water districts to have further discussions.

He has presented to both boards that the next step would be for both districts to look into the pros and cons of consolidation. They could develop a stakeholder group to share their findings and concerns such as pension obligations, potential board composition, and effects to existing and future services if they do consolidate.

It may be worthwhile to hire an outside consultant to do a feasibility study. It is helpful to have a third party who is unbiased to provide the benefits and constraints of consolidation. The two water districts can share that study with their residents to determine whether to move forward with consolidation.

Assuming they determine consolidation makes sense, that is when they can submit an application to LAFCO. It can take a year to do the initial exploration and then another year to actually go through the LAFCO process. Fortunately, LAFCO can use the recent fire consolidation as a model and that one took several years.

Some of the misconceptions residents have is if this consolidation happens, their property taxes will increase or they will lose their community identity. These issues should be discussed with the residents before discussions of initiating consolidation.

Chairperson Cummings asks why this conversation is happening now and whether it come up in the past.

Mr. Serrano replies that special districts and cities in general look for internal or external efficiencies. Consolidation is another tool to improve efficiencies. The two water districts have a good working relationship. Due to the success of the recent fire consolidation, this alternative governance option will be talked about around the County and the State since many agencies are struggling.

Commissioner Jim Anderson adds that he and Commissioners Friend and Roger Anderson experienced the consolidation with Lompico and San Lorenzo Valley water districts. There was a lot of opposition, more so from Lompico's residents. It was evident that they needed SLVWD's resources and water to serve Lompico. It could be a long time before they actually file an application with LAFCO.

When Mr. Serrano was asked whether a consolidation was ever denied, he answered no because these discussions sometimes never make it to filing an application.

MOTION AND ACTION

Motion: R. Anderson Second: J. Anderson	To adopt Resolution No. 2021-06 approving the 2021 Service and Sphere of Influence Review for the City of Scotts Valley, including the four conditions: <ul style="list-style-type: none">• Reaffirm the City's sphere with no changes,• Direct staff to coordinate with the City and the two water districts to analyze how water is provided,• Direct staff to coordinate with the City and District 1 and District 5's supervisorial districts to analyze whether City benefits from having one or two supervisorial districts, and• Direct staff to provide copies of the service review to any affected or interested agencies. Motion passes with a unanimous voice vote.
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OTHER BUSINESS

EMPLOYEE PERFORMANCE EVALUATION

Mr. Serrano reports that each year, the Commission conducts a performance evaluation for staff. This Commission had a Closed Session and reviewed the performance evaluation documentation and determined that a salary increase was warranted.

MOTION AND ACTION

Motion: R. Anderson Second: Friend	To approve draft Resolution No. 2021-07 approving the proposed salary adjustments for LAFCO's Executive Officer. Motion passes with a unanimous voice vote.
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SPECIAL DISTRICT ELECTIONS UPDATE

Mr. Serrano reports LAFCO is required to help when there is a vacancy involving special districts. There are vacancies for this Commission involving the two special district seats. Calls for Nominations were solicited and only one application was received for each position. If there is no more than one application per vacancy, then no election is required. In lieu of an election, Jim Anderson and Ed Banks have been reappointed to LAFCO's Commission.

In a similar situation, there was only one application received for each of the two vacancy positions for the Consolidated Redevelopment Successor Agency Oversight Board. These vacancies were advertised to all the special districts and Jim Anderson and Ed Banks were the only applications received. An election was not necessary so Jim Anderson will be the regular member and Ed Banks will be the alternate for those positions.

LEGISLATIVE UPDATE

Mr. Serrano reports that the new legislative session has begun. CALAFCO and LAFCO staff are currently tracking 17 LAFCO-related bills. CALAFCO is sponsoring an Omnibus Bill which is intended to focus on minor non-controversial edits to the Cortese-Knox-Hertzberg Act. One aspect in this bill is removing obsolete provisions. There are two obsolete provisions involving Santa Cruz County and they have been inactive for more than ten years. CALAFCO is recommending the deletion of these obsolete provisions. Once this Omnibus Bill has its title and bill number, he will present it to the Commission.

The Omnibus Bill process is spearheaded by CALAFCO's Executive Director, Pamela Miller and a LAFCO liaison who is typically one of LAFCO's 58 Executive Officers who holds that role for two to three years. Sam Martinez, San Bernardino's Executive Officer, has been in that role for three years and he is ready for a replacement. Mr. Serrano accepted this position and he is looking forward to being engaged with these legislative efforts.

Commissioner Roger Anderson congratulates Mr. Serrano for his appointment. It is a great service to local LAFCOs and the State. He asks him what new issues he will be interested in pursuing.

Mr. Serrano answers that he has always been interested in the legislative aspects of LAFCO. He looks forward to helping CALAFCO with any legislative actions. He is confident he can balance this new role as well as cover the responsibilities of Santa Cruz LAFCO.

WRITTEN CORRESPONDENCE

WRITTEN CORRESPONDENCE DURING THE MONTH OF FEBRUARY

Mr. Serrano reports that staff received CALAFCO's regular Quarterly Report as well as an email from Becky Steinbruner regarding an MOU between UC Davis, the City of Davis, and Yolo County. Ms. Steinbruner's email is about previous discussions regarding UC Santa Cruz and this LAFCO's draft comment letter. She provided more information about what transpired in Yolo County.

PRESS ARTICLES

PRESS ARTICLES DURING THE MONTHS OF JANUARY AND FEBRUARY

Mr. Serrano reports that there is a lot of talk in the press about proposed water consolidations. It is a topic being discussed statewide.

COMMISSIONERS' BUSINESS

Chairperson Cummings says that at the last Santa Cruz City Council meeting, there was a motion to direct the cities' LAFCO representative to request an item on the next LAFCO meeting's Closed Session agenda to discuss the lawsuit filed by UC Santa Cruz regarding extraterritorial water rights.

He asks Counsel Zazueta if they need to vote whether to put this on the next agenda.

Counsel Zazueta answers that he can work with Mr. Serrano to put it on the next agenda.

Commissioner Roger Anderson asks if LAFCO is a party to this new lawsuit.

Counsel Zazueta answers that this LAFCO is not a party to this lawsuit.


ADJOURNMENT

The next LAFCO meeting is scheduled for 9:00 a.m. Wednesday, April 7, 2021.



JUSTIN CUMMINGS, CHAIRPERSON

Attest:



Joe A. Serrano, Executive Officer