

DATE: January 8, 2008

TO: Mayor and City Council

FROM: Director of Community and Economic Development

SUBJECT: Mt. Eden Annexation Phase II – Request for Authorization to Contract with Pacific Municipal Consultants to Prepare LAFCo Application

RECOMMENDATION

That Council reads and comments on this report and that the Council adopts the attached resolution appropriating up to \$77,000 from the City's General Fund and authorizing the City Manager to negotiate and execute a contract with Pacific Municipal Consultants (PMC) for the purposes of assembling an application to the Local Agency Formation Commission of Alameda County (LAFCo) for the second phase of the Mt. Eden reorganization.

SUMMARY

The Mt. Eden Annexation Phase II involves a reorganization to consist of annexation of two unincorporated groups of parcels (islands) and withdrawal of those islands from the Alameda County Library and Fire Districts. Staff requests authorization to hire PMC to assist with the preparation of the LAFCo application package, which would include a fiscal impact analysis and an environmental analysis. The Alameda County Redevelopment Agency will reimburse the City for costs associated with processing the Phase II reorganization (annexation) application up to \$100,000. Terms of the reimbursement are set forth in the *Mt. Eden Redevelopment Sub-Area Annexation and Public Improvements Agreement*, which was reached between the City of Hayward and Alameda County during the Phase I annexation. The Agreement also requires the City to "use diligent good faith efforts to cause completion, within one (1) year after the approval and effectiveness of the Phase I Annexation, of all administrative and procedural requirements for annexation of the Phase II Annexation Area."

BACKGROUND

In the summer of 2003, the City initiated the Mt. Eden Annexation Study to determine the desirability and feasibility of annexing unincorporated lands in the Mt. Eden area into the City of Hayward. That study included various focused analyses and community meetings held in the Mt. Eden area, as well as a walking tour of the neighborhood. The annexation was pursued for the following reasons:

- State law encourages the logical formation and determination of local agency boundaries;
- the Hayward General Plan encourages annexation of such islands; and
- there were property owners who expressed an interest in having their properties annexed into the City of Hayward and developed.

Mt. Eden Phase I reorganization was approved by LAFCo on March 5, 2007 and included the annexation of three westerly, largely underdeveloped islands (Exhibit B). The reorganization included withdrawal of the three islands from the Alameda County Library and Fire Districts. The properties were left in the County's Redevelopment Project area in order to use tax increment revenue funds generated by future development to finance infrastructure upgrades. A program level Environmental Impact Report (EIR) and a Fiscal Impact Analysis were prepared. Also, a benefit district was formed in January of 2007 for the Phase I residential properties, providing a mechanism for future developers to pay their fair share of the costs for installation of public sewer and water facilities.

Dutra Enterprises, a private development company and the largest single property owner in the Saklan Road Island, agreed to provide financing for improvements. This includes the installation of water and sewer mains, storm drainage facilities, and street improvements for Phase I and a portion of the Phase II annexation improvements. The *Mt. Eden Redevelopment Sub-Area Annexation and Public Improvements Agreement* and the *Reimbursement Agreement* between the City and Dutra Enterprises contain the terms and conditions for reimbursing Dutra Enterprises. Reimbursement will be facilitated by the benefit district and tax increment revenue funds generated by future development.

DISCUSSION

Project Area

The project area is located in the westerly portion of Hayward's Sphere of Influence, south of West Street and north of Depot Road, generally along Mohr Drive. The proposal involves annexing the two remaining unincorporated "islands" in the Mt. Eden area that are completely surrounded by the City of Hayward. Exhibit A depicts the location of the project site in context of the City of Hayward and Exhibit B shows the location of the two Phase II islands as well as the previously annexed three Phase I islands.

The project area is approximately 61 acres, including 5.68 acres of road right-of-way, and contains 69 parcels located in two islands – the Mohr-Depot Island and the West-Mohr Island. The area is primarily developed with single-family residential parcels, all but four of which are developed. The area also includes the northern portion of the Chabot Community College property, the Herman-Mohr Estate parcel, which is being used as a drug and alcohol recovery center operated by Horizon Services, and the Mohr-Fry Estate parcel located along Hesperian Boulevard. A limited number of properties are served by City of Hayward public sewer and water systems, while most properties are served by on-site private septic systems and private wells or the Mohrland Mutual Water Association, a private water company. Fire protection services are provided by the City of Hayward via a contract with Alameda County and police services are provided primarily by the Alameda

County Sheriff's Department. Most streets do not meet City standards and lack curb, gutter, and sidewalks.

General Plan & Zoning/Development Potential

No changes to existing Hayward General Plan land use designations are anticipated as part of this project. The parcels in the project area were pre-zoned by the City in 1990 as part of the Mt. Eden Neighborhood Plan. However, analysis of pre-zoning designations will be performed by the consultant with input from City policy-makers and neighborhood residents. Based on the pre-zoning designations, an evaluation of development potential will be conducted by the consultant and will form the basis of assessing environmental and fiscal impacts.

Consultant

PMC was one of two firms who submitted responses to the RFP. PMC's proposal was the lowest bid received and meets all objectives of the RFP. City staff has worked and continues to work with PMC on other projects. PMC has proven to be competent, responsive, and professional in their delivery of services. PMC has extensive experience working on environmental impact analysis, fiscal impact analysis, and annexation projects throughout California. PMC will contract with DMJM Harris to provide the transportation analysis component and Ambient Air Quality and Noise Consulting for the air quality and noise evaluation sections of the Initial Study.

The Initial Study will be prepared by the PMC, per the California Environmental Quality Act (CEQA). Due to the lower development potential for Phase II compared with Phase I, the need for analysis of environmental impacts is much more limited. Impacts expected to be of concern for Phase II include the following: air quality; historical resources, specifically the Mohr-Fry and Herman-Mohr Estates; storm drainage; biological resources, possible loss of trees due to street widening; provision of utilities, recreational facilities and traffic impacts.

An infrastructure cost assessment will be prepared by a separate consultant selected and managed by the Public Works Department. The contract for this consultant is not expected to exceed \$25,000. The budget proposed by PMC is \$70,199 with an optional task of assembling the LAFCo application package priced at an additional \$6,050. Total costs for consultants and the LAFCo application fees will not exceed \$100,000. If necessary, City staff will prepare the LAFCo application. Any money remaining after consultant costs and LAFCo application fees will be applied toward public noticing costs and staff time.

FISCAL IMPACT

The contract with PMC will be charged to the General Fund, until later in 2008 when the City will be reimbursed by the County Redevelopment Agency. Staff time, meeting and noticing costs, and application costs to LAFCo may also be reimbursed up to \$100,000.

Regarding the long-term fiscal impact of the annexation, a fiscal impact analysis will be prepared by the consultant. Revenue projections will include property tax, property tax increment (through a tax sharing agreement), motor vehicle license tax, sales tax, business license tax, property transfer tax,

emergency facilities tax, franchise fees, fines and forfeitures, and highway users tax (gas tax). Expenditures will include costs for providing police, fire, public works, community development, library, and parks and recreation services. Subsequent to annexation, the City would be responsible for \$700,000 of the estimated \$5 million total for Phase II infrastructure improvements.

PUBLIC CONTACT

Letters to affected owners and occupants will be provided for the first community meeting. Once the draft plans, studies, and the environmental document are completed, they will be presented to the public at a second community meeting anticipated in the spring. Also, notification of the Planning Commission and City Council hearings, anticipated for late spring, will be sent to all affected property owners.

SCHEDULE

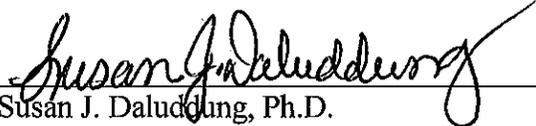
As indicated in the attached timeline, a community meeting will be held at Ochoa Middle School in late January to introduce the project, timeline, gather comments on pre-zoning, and identify issues to be addressed. Staff expects to hold a second community meeting in the spring to present draft documents and plans. Presentation to the Planning Commission and City Council is expected in late spring. The current schedule anticipates submitting an application to LAFCo in early May in order for it to be considered at their July meeting.

Prepared by:



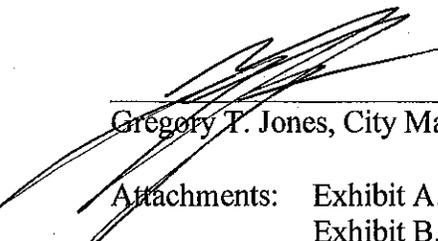
Erik J. Pearson, AICP
Senior Planner

Recommended by:



Susan J. Daluddung, Ph.D.
Director of Community and Economic Development

Approved by:



Gregory T. Jones, City Manager

Attachments: Exhibit A. Area Map
Exhibit B. Map Showing Five Islands
Exhibit C. Timeline
Draft Resolution

1/2/2008

**THE REFERENCED EXHIBIT(S) IS/ARE
ATTACHED AS A SEPARATE LINK**

**MT. EDEN REORGANIZATION - PHASE II
PROJECT TIMELINE**

Phase I: Project Scope Formulation

2008

- January 8 City Council Legislative Business: Seek authorization from Council to hire selected consultant; present project scope and timeline
- Late January Community Meeting (at Ochoa): Introduction to study scope and timeline, review of existing land use/zoning patterns, identification of issues, discuss pre-zoning as it relates to Mt. Eden Neighborhood Plan; discuss infrastructure improvements issues

Phase II: Preparation of LAFCO Submittal Package and Technical Analyses

Step	Task	Timing
1	Develop recommendations for pre-zoning designations, based on input from neighborhood, direction from City Council and per Neighborhood and General Plan policies	Mid to Late January
2	Development potential assessment	By early February
3	Conduct Traffic Impact Analysis	2 – 3 weeks Complete by late February
4	Develop infrastructure costs estimates (separate contract through Public Works Department)	2 – 3 months (separate consultant and contract)
5	Prepare CEQA initial study and issue Notice of Preparation, and develop draft Environmental Document	Complete by late February
6	Prepare Plan for Providing Municipal Services	Early to mid March
7	Prepare Fiscal Impact Analysis	4 weeks Complete by mid March

Phase III: Public Hearings & Meetings

- Early March Community Meeting (at Ochoa): Presentation of draft documents, including proposed pre-zoning recommendations, draft mitigated negative declaration, plan for providing municipal services, sewer connection ordinance, City-County fee comparison, etc.
- Late March Planning Commission Public Hearing

Anticipated Action Items:

- Proposed rezoning designations
- Initial Study and Mitigated Negative Declaration (IS/MND)
- Mitigation Monitoring and Reporting Program (MMRP)
- Vacation of public right-of-way – finding of conformance with General Plan

Late April

City Council Public Hearing

Anticipated Action Items:

Resolution:

- Resolution for Annexation (Application to LAFCO)
- Plan For Providing Municipal Services
- IS/MND & MMRP
- Vacation of public right-of-way (to be effective after reorganization)
- Redevelopment Tax Increment Revenue Transfer Agreement (to be prepared by City staff)

Ordinance:

- Proposed rezoning designations
- Sewer Connection Ordinance (to be prepared by City staff)

Phase IV: Submittal of Reorganization Application to LAFCo

Early May

Finalize reorganization application submittal package

By May 9

Submit reorganization application package to LAFCo

July 10

LAFCo Hearing

Revised 12/11/2007

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 08-_____

me
12/18/07

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO
NEGOTIATE AND EXECUTE A CONTRACT WITH
_____ TO ASSIST WITH PREPARATION OF THE
LAFCO APPLICATION PACKAGE FOR THE MT. EDEN
ANNEXATION PHASE II PROJECT

BE IT RESOLVED that the City Council of the City of Hayward hereby
authorizes the City Manager to negotiate and execute a contract with _____ to
assist the City with preparation of the LAFCo application package, which would include a
fiscal impact analysis and an environmental analysis, for the Mt. Eden Annexation Phase II
Project, in an amount not to exceed \$ _____, in a form to be approved by the City
Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2008

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 08-

Introduced by Council Member _____

msl
12/17/07

RESOLUTION AMENDING RESOLUTION 07-079, AS AMENDED, THE BUDGET RESOLUTION FOR FISCAL YEAR 2007-08 RELATING TO AN APPROPRIATION OF FUNDS FOR THE MT. EDEN ANNEXATION PHASE II PROJECT

BE IT RESOLVED by the City Council of the City of Hayward that Resolution No. 07-079, as amended, the Budget Resolution for fiscal year 2007-08, is hereby further amended by approving an appropriation of \$75,000 from the General Fund, Fund 100, to hire _____ for purposes of assembling an application to the Local Agency Formation Commission of Alameda County (LAFCo) for the second phase of the Mt. Eden reorganization.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2008

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward