

Attachment B

LAFCO Proposal Review Factors - Government Code 56668

ANNEXATION #90 TO THE CITY OF PASO ROBLES

(GATEWAY) – LAFCO No. 3-R-21

Factor (a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.

Response. The Gateway Annexation involves 170 acres located in San Luis Obispo County, outside of the City of Paso Robles Sphere of Influence (SOI). It is bounded by State Route 46 West on the South, South Vine Street and US Highway 101 on the east, and scattered vineyard and residential uses on the north and west. Many of these factors are addressed in the staff report. The Gateway annexation was initiated by a resolution of application by the City of Paso Robles. The annexation was approved by the City on June 16, 2020. The project site had County land use designations of “Residential Suburban” (1 unit per acre) and approximately 100+ acres of land zoned “Agriculture”. A General Plan Amendment was approved by the City to make land use designations consistent with the pre-zoning application. The new land use designations for the Annexation Area included RC (Regional Commercial), RMF (Residential Multiple Family) – low density, AG (Agriculture), Open Space (OS), and Resort Lodging (RL). The land use amendments would not become effective until completion of the annexation.

The potential population growth as a direct result of the project would not be substantial and is consistent with the City’s General Plan Land Use Element Update 2014. When added to the existing city population the project would potentially increase the city’s total population to an estimated 31,481 residents.

The project proposes up to 97 new dwelling units which includes 80 resort residential units and 17 workforce housing units. Development of the project would add approximately 260 residents to the city (97 dwelling units x 2.68 people/unit) based on California Department of Finance 2020 estimates for average household size in the City of Paso Robles. This would result in a <0.8% increase in the City’s population of 31,221 (DOF 2020).

As of 2010, the City’s population was approximately 29,793. The total population growth rate from the year 2000 to 2010 was 18.4%. The year 2020 population estimate is 31,221. Build out population is approximately 44,000 by 2045 or later.

Paso Robles Population [DOF]			
2000	2010	2015	2020
24,297	29,793	30,952	31,221

Significant growth in the areas around the project is not anticipated at this time but could be likely in the next 10 years following this project proposal beyond what is already accounted for in the City's General Plan. The Gateway annexation would increase service demand and the City is prepared to provide services and has provided a plan for services with the annexation application. Funding for the increase in services would be via the approved Developer Agreement (Attachment G) and by revenue generated from the City's Community Facilities District.

Although the project area is not in the City's SOI the City has been planning to pursue the annexation and sphere amendment concurrently, as detailed in the 2013 Municipal Service Review (MSR). The MSR studied this area and concluded that the best approach for future growth would be to conduct an SOI amendment and annexation simultaneously. An Environmental Impact Report was prepared and approved in May of 2020 for the Paso Robles Gateway Project. The Environmental Impact Report identified the Project would be located in close proximity to existing visitor-serving and retail commercial uses south of SR 46 West and east of U.S. 101.

The topography on the site is comprised of grasslands, scattered oak trees, and ephemeral drainages. The Project would alter the existing drainage pattern but the impacts to existing drainage patterns would be Class III, less than significant. Perimeter landscaping will be implemented for retention/drainage basins and will consist of low maintenance trees and shrubs.

Assessed Valuation: The total assessed value of the annexation area, as determined by the County Assessor, is \$5,571,259. This breaks down as \$5,524,117 in land value and \$47,142 in improvement values. The amount of property tax revenue to be transferred between the County of San Luis Obispo and the City of Paso Robles shall be as per the approved Tax Exchange Agreement (November 2, 2021):

- No base property tax revenue shall be transferred from the County of San Luis Obispo to the City of Paso Robles.
- County will retain all of the future property tax increment, after transfers to the Educational Revenue Augmentation Fund (ERAF), in Fiscal Year 2022-23 and each fiscal year thereafter.

Factor (b) **1) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; and probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.**

(2)"Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local

agencies subject to this division, and includes the public facilities necessary to provide those services.

Response. The present cost and adequacy of governmental services and controls in the area is technically the County's responsibility, however, in emergency response situations the City is normally the first responder. While the annexation area was not part of the City's 2013 SOI Update, the property was noted in the Memorandum of Agreement (MOA) between the City of Paso Robles and the County of San Luis Obispo as a Special Area of Interest. It was noted that upon annexation to the city, the site would be primarily served by city governmental services.

All public services and utilities are located adjacent to the annexation area where the Paso Robles City Limits reside, avoiding costly long distance extensions of service lines or boundaries. The City of Paso Robles has adopted the "Special Tax" to finance public services for new development within the Community Facilities District, which would include the development proposed in the Gateway Annexation Area. In addition, funding for services would be provided by the approved Developer Agreement (Attachment G).

The City intends to provide all typical urban services to the area and has demonstrated its capability to do so as documented by the Certified Environmental Impact Report, approved land use entitlements, the attached Plan for Services, economic analysis report, and other associated materials. Overall, the project is primarily a visitor serving/tourist-oriented project and would generate substantial Transient Occupancy Tax and sales tax revenue. This revenue will be a significant contribution to the fiscal health of the City.

Factor (c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.

Response. The proposed action would allow the City to be implemented upon compliance with the conditions of approval. The area would be removed from the County's unincorporated area and be within the City's incorporated service area. The City would be responsible for providing services to the area as detailed in the Plan for Services. The new regional commercial, residential multiple family and resort lodging development would increase the population and the economic activity in the area and contribute to local businesses, social and economic interests. As discussed in the economic analysis report for the Gateway project, substantial economic growth is expected to occur, which would result in an overall benefit to the social and economic interests of the City and County. Highlights of expected job and economic growth is bulleted below.

Short term economic benefits Include:

- Increase economic output by \$103.9 million, with \$81.9 million generated in the City of Paso Robles and \$21.9 million elsewhere in San Luis Obispo County
- Support 684 jobs, with 549 jobs supported in Paso Robles and 135 elsewhere in San Luis Obispo County

- Increase labor income by \$48.5 million, with \$41.8 million generated in Paso Robles and \$6.7 million elsewhere in San Luis Obispo County
- Increase local tax revenue by \$1.4 million, with \$584,600 generated in Paso Robles and \$789,900 elsewhere in San Luis Obispo County.

On-going economic benefits include:

- Increase economic output by \$183.3 million, with \$105.6 million generated in Paso Robles and \$77.6 million elsewhere in San Luis Obispo County
- Support 2,028 jobs, with 1,279 jobs in Paso Robles and 800 elsewhere in San Luis Obispo County
- Increase labor income by \$65.7 million, with \$38.6 million generated in Paso Robles and \$27.1 million elsewhere in San Luis Obispo County
- Increase local tax revenue by \$9.3 million, with \$6.5 million generated in Paso Robles and \$2.7 million elsewhere in San Luis Obispo County.

The proposed project will result in the continuation and long-term preservation of open space and agricultural operations as well. Approximately 98 acres would remain in agricultural production, with approximately 32 acres of the 98 acres being conserved in perpetuity for agricultural production based on prime soil types.

Factor (d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities set forth in Section 56377.

Response. The Gateway Project provides for the planned, orderly and efficient development of the area. The City's Environmental Impact Report, Plan for Services and Water Supply Assessment for the Gateway Project demonstrate that the project would result in orderly and efficient development of the area and potential impacts would be mitigated accordingly. Specifically related to Section 56377, the project would fully offset the loss of prime soils by permanently conserving soils on-site at a 1:1 ratio as per LAFCO Policy 12.

The following are the San Luis Obispo LAFCO Policies for City Annexations and a brief analysis of the proposal under these policies:

Policy 1. The boundaries of a proposed annexation must be definite and certain and must conform to lines of assessment whenever possible.

Analysis. The boundaries are definite and certain and adhere to assessor parcel lines. The annexation map has been approved by the County Surveyor.

Policy 2. The boundaries of an area to be annexed will not result in any areas difficult to serve.

Analysis. The properties are adjacent to the City and are not difficult for the provision of City services. There are no limitations resulting in the annexation from being difficult to serve. Annexing this area would provide for the efficient and effective provision of services by the City as planned for in its Plan for Services.

Policy 3. There is a demonstrated need for governmental services and controls in the area proposed for annexation.

Analysis. The City will be able to provide an increased level of service and controls for these areas. The Plan for Services approved by the City address the provision of governmental services, financing of improvements, a plan for all services and improved sales tax revenues.

Policy 4. The municipality has the resources capable of meeting the need for services in the area proposed for annexation and has submitted studies and information documenting its ability to serve.

Analysis. The City has demonstrated its ability to serve the area in the certified Environmental Impact Report completed for the project. The individual environmental impact sections of this EIR provide detailed analysis of the City's capability to provide the necessary resources (see Section 4.12, Public Services and Recreation, and Section 4.15, Utilities/Service Systems) to the Project. The City further documented its capabilities in the Water Supply Assessment and the Plan for Services found in Attachment I and D of this Staff Report. The City has the capability to provide water and wastewater, police, fire, and other services as well.

Policy 5. There is a mutual social and economic community of interest between the residents of the municipality and the proposed territory.

Analysis. The proposed annexation would become part of the social and economic fabric of the City of Paso Robles. The Area is adjacent to the City and its social and economic communities of interest.

Numerous residents provided the Planning Commission with public comment after the release of the FEIR. Several letters were submitted expressing concern on topics related to increased traffic, timing on the construction of infrastructure, water, workforce housing, and connectivity. The Templeton Area Advisory Group had also submitted a letter to LAFCO in October 2020 expressing concerns about the SR 46 W / US 101 interchange and Templeton Main Street interchange.

Under Mitigation Measure T-1 of the FEIR, the project applicant shall contribute an equitable share to the Templeton Road Improvements Fee Program to assist with offsetting the traffic impacts. However, improvements to U.S. 101/Main Street interchange are in the beginning planning phases and funding and

feasibility cannot be guaranteed at this time and are beyond the control of the City making this a Class I significant and unavoidable impact, as stated in the FEIR.

Conversely, the Project would provide City desired improvements (e.g., South Vine Street realignment), increased tax revenues to the City, and development fees, which also compensate for municipal services, and would support local tourism to the benefit of the City's economy as demonstrated by the economic analysis report (Attachment H).

Overall, while the project would result in environmental impacts, the long term social and economic benefits are significant. In addition, the project as a whole is consistent with CKH and LAFCO Policies.

Policy 6. The proposed annexation is compatible with the municipality's general plan. The proposed annexation represents a logical and reasonable expansion of the annexing municipality.

Analysis. The project was not accounted for in the City's General plan but has included a General Plan amendment, SOI amendment, and rezoning of the Project site.

Policy 7. The Commission shall determine if a disadvantaged unincorporated community is associated with an application. If a disadvantaged unincorporated community does exist, the procedures for processing the annexation as outlined in the CKH Act shall be implemented.

Analysis. The proposed annexation does not contain a disadvantaged unincorporated community. LAFCO conducted a Municipal Service Review of the City in February 2013 which concluded the City of Paso Robles Sphere of Influence does not have disadvantaged unincorporated community located within or adjacent to its boundaries. Since that time, no changes have occurred within or adjacent to the Gateway area annexation that changes this determination.

Policy 8. That the City Prezone the area to be annexed and complete CEQA as the Lead Agency for the proposal and/or project. LAFCO should in most instances act as the Responsible Agency with regard to an annexation and CEQA.

Analysis. The City also completed CEQA and filed an Environmental Impact Report, certified on June 16, 2020. LAFCO is acting as a Responsible Agency and will rely on this document. The City pre-zoned the Annexation Area as RC (Regional Commercial), RMF (Residential Multiple Family) – low density, AG (Agriculture), Open Space (OS), and Resort Lodging (RL).

Government Code Section 56377 states:

56377. *In reviewing and approving or disapproving proposals which could reasonably be expected to include, facilitate, or lead to the conversion of existing open-space lands to uses other than open-space uses, the commission shall consider all of the following policies and priorities:*

(a) Development or use of land for other than open-space uses shall be guided away from existing prime agricultural lands in open-space use toward areas containing nonprime agricultural lands, unless that action would not promote the planned, orderly, efficient development of an area.

(b) Development of existing vacant or nonprime agricultural lands for urban uses within the existing jurisdiction of a local agency or within the sphere of influence of a local agency should be encouraged before any proposal is approved which would allow for or lead to the development of existing open-space lands for non-open-space uses which are outside of the existing sphere of influence or the local agency.

Analysis. The annexation to the City of Paso Robles promotes the development of lands proximate to the City. The project would impact 32 acres of prime soils but would offset the impact by conserving prime soils on-site at a ratio of at least 1:1. In addition, will retain more than 60 acres for agricultural production. Overall, the proposal has guided development into agricultural and open space lands, but it will maintain agricultural viable production surrounding the subdivision.

Factor (e) **The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.**

Response. The area includes six parcels, under one ownership. The area is unincorporated and has seen no development under County agricultural and residential suburban zoning, currently consisting of cattle grazing. The proposed development will build out resort hotels/ lodging, multi-family residences, commercial, open space, and agriculture land uses. The City has pre-zoned the 170 acres as follows: 49.7 acres for Agriculture Land, 32.3 for Agriculture Land that will be under conservation easement, 16.6 for Open Space, 0.2 for Residential, 59.3 for Hotel, 10.6 for Commercial Center, and 3.2 for Public Roads. The project includes on-site conservation of prime soils consistent with LAFCO Policy 12 which requires that prime soils are mitigated at a minimum ra

Factor (f) **The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.**

Response. The annexation boundary follows lines of assessment and does not create island or corridor of unincorporated territory.

Factor (g) A regional transportation plan adopted pursuant to Section 65080.

Response. With implementation of mitigation measures prescribed by the EIR, the Project would be consistent with all applicable City policies and Standards, and the land use strategy in SLOCOG's 2019 Regional Transportation Plan.

Factor (h) The proposal's consistency with city or county general and specific plans.

Response. While the Project site falls outside of the Paso Robles city limits, the site is in the city's General Plan Planning Impact Area and included in the City's Purple Belt Action Plan and the Paso Robles Gateway Plan: Design Standards and certified in the Environmental Impact Report for the Gateway annexation area. This area was also studied in the 2013 MSR and is consistent with the established the processes and procedures for future annexation of this area.

Factor (i) The Sphere of Influence of any local agency that may be applicable to the proposal being reviewed.

Response. Although the proposal site is not within the current Sphere of Influence which was updated in 2013, it was mentioned at the time as a Special Area of Interest and established the processes and procedures for future annexation of this area. The proposal does not conflict with the Sphere of Influence of any other jurisdiction.

Factor (j) The comments of any affected local agency or other public agency.

Response. No comments were received from public agencies.

Factor (k) The ability of the newly formed or receiving entity to provide the services that are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.

Response. The City of Paso Robles is capable of providing services to all of the property within the annexation area, this is documented in Environmental Impact Report, Plan for Services, Water Supply Assessment, and other studies completed by the City. The property tax agreement has been approved by the City and the County of San Luis Obispo. Services and infrastructure for the annexation area would be funded by the existing Community Facilities District, the Developer Agreement, and other revenue generated by the project.

Factor (l) Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.

Response. Development of the annexation area was not considered in the water demand and supply projections in the City’s 2015 Urban Water Management Plan (UWMP). The estimated maximum water use of the annexation area of up to 144 AFY would increase the City’s projected demand at buildout in 2045. However, the City would continue to have the necessary water supply to meet the projected demand, of 9,663 AFY with the project. If less groundwater is available to the city from the basin than anticipated at that time, the City’s water portfolio provides for additional water availability to meet all of the City’s demand (e.g., through increased delivery and treatment of Nacimiento water).

The City holds a 6,488 AFY delivery entitlement from Lake Nacimiento water. In order to directly use the Nacimiento entitlement, the City constructed a surface water treatment plant with an anticipated yield of approximately 2,017 AFY at City buildout in 2045. The treatment plant operation could be increased to provide up to 2,688 AFY of water for City use, or 617 AFY more than currently anticipated by the 2045 demand.

The EIR concluded the City has adequate potable supply to provide a reliable long-term water supply for the project under normal and drought conditions. Also noted in the WSA, the Paso Robles Groundwater Basin is currently facing legal challenges (Quiet Title) with the next phase of the case to determine how much water is allocated to the various users. The City is prepared for this by diversifying its water portfolio which allows the City to serve its existing and future residents.

Factor (m) **The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.**

Response. This project would provide 17 workforce apartments that would be rental units restricted by deed and not available for sale to the occupant of the unit. The units would also be prohibited from short-term rental use. By making these rental units, this would more likely meet the needs of Very Low-, Low-, and Moderate-income people than if it were for-sale units and in turn this would help the City achieve its Regional Housing Needs Allocation.

The applicant has also agreed to pay an affordable housing in-lieu fee. The fees due under this agreement are estimated at approximately \$500,000. The City does not currently have an affordable housing in-lieu fee program, so it is unsure whether these fees will have a significant impact on the affordable housing issue. In addition, the affordable housing planned for the in Certified Housing Element is anticipated to meet the demand for affordable housing generated by the Gateway project.

Factor (n) Any information or comments from the landowner or landowners, voters, or residents of the affected territory.

Response. None received.

Factor (o) Any information relating to existing land use designations.

Response. The site is presently zoned agriculture and residential suburban. The City's entitlement process for the project will change the general plan land use designation and zoning to RC (Regional Commercial), RMF (Residential Multiple Family) – low density, AG (Agriculture), Open Space (OS), and Resort Lodging (RL). The land use amendments would not become effective until completion of the annexation. These new designations would retain some of the agricultural and open space of the site such that impacts would be fully mitigated.

Factor (p) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the location of public facilities and the provision of public services, to ensure a healthy environment for all people such that the effects of pollution are not disproportionately borne by any particular populations or communities.

Response. The residential and hotel units and commercial spaces proposed would be available to people of all races, cultures, and incomes.

With regard to the location of public facilities and the provision of public services, this project does not affect the fair treatment of people of all races, cultures, and incomes. Facilities (pipelines and other infrastructure) associated with development will be located within public roadways or on the site.

Factor (q) Information contained in a local hazard mitigation plan, information contained in a safety element of a general plan, and any maps that identify land as a very high fire hazard zone pursuant to Section 51178 or maps that identify land determined to be in a state responsibility area pursuant to Section 4102 of the Public Resources Code, if it is determined that such information is relevant to the area that is the subject of the proposal. (Amended by Stats. 2019, Ch. 360)

Response. According to Cal Fire Hazard Severity Zones, the risk of fire hazard is considered high within and adjacent to the planning area (Cal Fire 2019). However, the project provides uniform fire prevention, hazardous material, and building construction regulations pursuant to the California Fire Code. In addition, new development on the Project site would be required to comply with the city's Local Hazard Mitigation Plan, updated building code and fire protection measures, and fuel modification and landscape plan review procedures. The EIR

addresses the Safety Element and any other local hazard mitigation planning in detail. Impacts related to wildfires and wildland fire hazards remain less than significant.