



LAFCO - San Luis Obispo - Local Agency Formation Commission
SLO LAFCO - Serving the Area of San Luis Obispo County

TO: MEMBERS, FORMATION COMMISSION
FROM: DAVID CHURCH, EXECUTIVE OFFICER *(DC)*
DATE: NOVEMBER 16, 2017
SUBJECT: STATUS REPORT-ANNEXATION #80 TO THE CITY OF SAN LUIS OBISPO-SAN LUIS RANCH SPECIFIC PLAN

Recommendation

It is respectfully recommended that the Commission receive and file this status report.

Summary: This proposal considers the annexation of the San Luis Ranch Specific Plan area which is generally bounded by Madonna Road, Dalidio Drive and U.S. Highway 101. The area is within the City's Sphere of Influence which was updated in 2016. The San Luis Obispo City Council has submitted a Resolution of Application to LAFCO for annexation. The City and County are continuing to work out the Negotiated Tax Agreement for the annexation. The proposal will remain on hold until the tax agreement is approved by both the City and County.

Background: The City approved specific plan envisions up to 580 residential units, 200,000 square feet of commercial development, 150,000 square feet of office development, a 200-room hotel, and significant portions of the site to remain for agriculture and open space. The City has approved a Specific Plan, General Plan Amendment/Pre-Zoning, Development Plan/Vesting Tentative Tract Map, Annexation, and a Final Environmental Impact Report (FEIR).

On July 18, 2017, the City of San Luis Obispo certified an EIR for the San Luis Ranch Specific Plan (SLRSP). Anticipated environmental impacts associated with future development and annexation of these areas into the City were identified and evaluated as part of these studies. The EIR for studied the potential impacts of the Specific Plan and analyzed the effects of the project once the area was annexed into the City.

Attachments

Attachment A - City Council Staff Report from 7/5/17 found online at www.slolafco.com/current-projects-notices.html

Attachment B - EIR Executive Summary found online at www.slolafco.com/current-projects-notices.html

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Many of the policies and development standards are designed to reduce the impacts of the future development within the City. The Specific Plan provided the policy base and detailed development standards that would facilitate the growth of these areas within the City.

LAFCO POLICIES AND FACTORS

In 2016, LAFCO updated the Sphere of Influence (SOI) to maintain the San Luis Ranch Specific Plan area. The SOI identifies areas that might be served by a jurisdiction in the future. The Municipal Services Review completed with the SOI summarizes the service capability of the City. Overall, the City was found to have adequate capability to provide services to the SOI areas. A number of LAFCO Policies (#2.1.7, #2.1.15, #2.3.4, & #2.3.6) call for directing growth towards urban existing areas that have the capability of providing services. Other important LAFCO Policies include (#2.1.8, #2.9) regarding agricultural preservation of prime farmland. Policy #2.1.16 regarding adequate, reliable and sustainable water supply among others will assist in making decisions. Below are a number of LAFCO policies that will be addressed in the review of this annexation:

2.1 LAFCO General Policies

1. *The Commission shall endeavor to balance the need to efficiently provide public services with the sometimes-competing interests of discouraging urban sprawl, preserving prime agriculture land and open space (CKH Act 56001 and 56301).*
4. *Jurisdictions are encouraged to create places to live that integrate various land uses as a way of providing for a diverse social and economic community.*
5. *Cities and special districts are encouraged to annex unincorporated islands as well as land that is mostly surrounded by a jurisdiction. (CKH 56001, 56375.3).*
7. *The Commission prefers urban development within Cities and the Urban Reserve Line of unincorporated communities as opposed to development in the unincorporated area (CKH 56001).*
8. *The Commission will recognize and preserve clearly defined, long-term agricultural and open space areas established by the County or other jurisdictions to preserve critical environmental areas and to bolster local economies (CKH 56001). This may be accomplished using agricultural easements, open space easements, conservation easements, or other mechanisms, that preserve agricultural or open space lands in perpetuity.*
15. *Prior to annexation of territory within an agency's Sphere of Influence, the Commission encourages development on vacant or underutilized parcels already within the boundaries of a jurisdiction. The agency should provide LAFCO with a build-out estimate or inventory and document how it was prepared.*
16. *In any proposal requiring water service, the Commission requires that the agency to which the annexation is proposed should demonstrate the availability of an adequate,*

reliable and sustainable supply of water. In cases where a phased development is proposed, the agency should demonstrate that adequate service capacity will be provided as needed for each phase. In cases where a proposed annexation will be served by an onsite water source, the proponent should demonstrate its adequacy (CKH 56668 (k)).

2.3 Policies for City Annexations

- 1. The boundaries of a proposed annexation must be definite and certain and must conform to lines of assessment whenever possible.*
- 2. The boundaries of an area to be annexed will not result in any areas difficult to serve.*
- 3. There is a demonstrated need for governmental services and controls in the area proposed for annexation.*
- 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.*
- 5. There is a mutual social and economic community of interest between the residents of the municipality and the proposed territory.*
- 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.*
- 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.*

2.9 Agricultural Policies

- 12. The Commission may approve annexations of prime agricultural land only if mitigation that equates to a substitution ratio of at least 1:1 for the prime land to be converted from agricultural use is agreed to by the applicant (landowner), the jurisdiction with land use authority. The 1:1 substitution ratio may be met by implementing various measures:*
 - a. Acquisition and dedication of farmland, development rights, and/or agricultural conservation easements to permanently protect farmlands within the annexation area or lands with similar characteristics within the County Planning Area.*
 - b. Payment of in-lieu fees to an established, qualified, mitigation/conservation program or organization sufficient to fully fund the acquisition and dedication activities stated above in 12a.*
 - c. Other measures agreed to by the applicant and the land use jurisdiction that meet the intent of replacing prime agricultural land at a 1:1 ratio.*

Factors: Cortese-Knox-Hertzberg Act

Government Code Section 56668 identifies a number of factors that are to be considered by LAFCO in reviewing a proposal. As with all change of organizations (annexations, detachments, formations, dissolutions, etc.), these factors will be addressed in an attachment to the staff report. Each factor will be listed and a staff response provided for LAFCO's consideration. The factors are intended to provide the Commission with information about certain topics that are often relevant to annexations. The factors include information on:

• Population and Land Use	• Need for Services	• Impact on Adjacent Areas
• Commission Policies	• Agricultural Lands	• Definite Boundaries
• Consistency with General Plans and Reg. Trans. Plan	• Sphere of Influence	• Other Agency Comments
• Ability to provide services	• Availability of water supplies	• Housing
• Comments from landowner, voters or residents	• Existing information about existing land use	• Environmental Justice

Environmental Impact Report (EIR)

The EIR completed for the Specific Plan included mitigation measures relative to future development, there is a reference provided to the mitigation measures and associated findings adopted in City Council Resolution No. 10822. References are also provided where Findings of Overriding Consideration were required because certain impacts associated with future development are considered significant and unavoidable. The City has used a number of documents regarding the area to be annexed, including:

- City of San Luis Obispo Land Use and Circulation Element, 2014
- City of San Luis Obispo Climate Action Plan, 2012
- Conservation and Open Space Element, City of San Luis Obispo, 2006
- GIS Data downloaded from the Farmland Mapping and Monitoring Program website: <http://www.consrv.ca.gov/DLRP/fmmp/>
- APCD CEQA Air Quality Handbook, 2012
- APCD Clean Air Plan, 2001
- Airport Land Use Plan, 2014
- City of San Luis Obispo Historical Preservation Program Guidelines
- City of San Luis Obispo Safety Element, July 2014
- Central Coast Regional Water Quality Control Plans
- City of San Luis Obispo, Waterways Management Plan
- City of San Luis Obispo, Water Resources Reports and Plans
- City of San Luis Obispo, Noise Guidebook, May 1996
- City of San Luis Obispo, Noise Element, May 1996

The City used the above documentation to prepare the EIR for the annexation of the

San Luis Ranch Specific Plan along with many other state and federal criteria. As a Responsible Agency, LAFCO has approval authority over only a part of the project; in this case the annexation. A Responsible Agency relies on the lead agencies environmental documentation to approve the portion of the project under its jurisdiction. As Lead Agency the City has completed the necessary environmental document to comply with the California Environmental Quality Act (CEQA). Under CEQA, LAFCO is required to prepare and adopt its own set of findings and overriding considerations based on the City’s environmental documentation.

Land Use

The project is a mix of residential, commercial, and hotel uses while preserving substantial areas of open space and agriculture on a 131 acre singular property. The current zoning under the County’s General Plan for the area is Multiple Use. The City has pre-zoned the 131 acres as follows: 53 acres would be zoned for agriculture, 39.8 acres for residential, 19.6 acres would be zoned Commercial/Retail/Hotel with 10.8 acres dedicated as road right of way, 2.8 acres for parks, and 7.8 acres being zoned Conservation/Open Space.

Development Potential: The table below compares the allowed development potential under the County’s General Plan (Measure J) alongside the pre-zoning from the City (San Luis Ranch) for the area as follows:

**County General Plan - Measure J –Existing Zoning
Compared to City General Plan Pre-Zone-San Luis Ranch**

Land Use/Zoning	Measure J Acres	Percent	San Luis Ranch Acres	Percent
Business Park	8.9 acres	7%	0 acres	0%
Commercial Service	57 acres	44%	19.6 acres	15%
Residential Single Family	0 acres	0%	28.8 acres	22%
Residential Multi-Family	3.3 acres	3%	11 acres	8%
Recreation	23 acres	18%	2.8 acres	2%
Agriculture	13 acres	10%	53 acres	41%
Open Space	10 acres	8%	7.8 acres	6%
Total	115	87%	123	94%

1) Does not include road rights-of-way

Under the County’s existing General Plan as amended by Measure J, 51% of the land in the area is zoned for future commercial development. Only 13 acres is zoned agriculture and 10 acres for open space or not planned for more urbanized uses under the County. The recreation area called for sports fields. The number of residential units that could be developed in the County would be up to 60 units at 18 units per acre density. One limiting factor for future development is the lack of urban level services

available in the unincorporated areas. The City has the resources to provide an increased level of urban services, including water, wastewater, police and fire.

Under the City's jurisdiction, San Luis Ranch would have increased residential density than if it was developed in the County. The variety of residential zones (Low to High Density) that the City offers allows for flexibility in the way the project is designed and would increase the number of affordable units. Also, the City's Open Space and Conservation Polices are more protective than the County's. The City's capability to provide increased urban services allows for increased intensity and diversity of land uses in the area. This is consistent with the smart growth principal of directing growth toward urban existing areas.

Agricultural/Open Space Potential: Under the City's General Plan policies and adopted Specific Plan, agricultural preservation would provide greater protection through conservation easements and a policy to protect 50% of the net site area. The net site area includes the prime agricultural area to be converted (56 acres). The area does not include the already existing ranch house, roads, and associated structures, as well as environmental resources like Perfumo Creek. The net site area is the gross acreage 131, minus the acreage (22 acres) being used for other than productive agricultural uses. A total of 53 acres of prime agricultural land would be protected on-site under the San Luis Ranch Specific Plan. To meet the 1:1 mitigation ratio the City has also required that an additional three acres be protected off-site.

The map on the next page shows the overall acreage and the current uses on the site. The prime agricultural land being proposed for conversion to other land uses is 56 acres. This is the amount of prime agricultural land that would need to be mitigated for because it is what is being converted. To meet the 1:1 mitigation requirement, the 53 acre piece (just west of 101) will be set aside in a conservation easement with another three acres to be preserved through an off-site easement on another property. Please note that 11 acres are used for the existing ranch house and roads as well as agricultural structures and staging areas on the site. Another 11 acres contains environmental resources such as creek habitat.

The EIR identified agricultural resources that were verified as the properties current use for agricultural purposes. The EIR reviewed the cultivated row crops, soils content, and prime farmland assessment. Approximately 109 acres of the 131-acre project site are currently used for the production of irrigated row crops including celery, broccoli, lettuce, Asian vegetables, and peas. Dry and partially irrigated field crops on the site include garbanzo beans, dry beans and other field crops. The area not in production included about 22 acres including a vegetable packing facility, storage areas, Perfumo Creek watershed drainages, and eucalyptus trees.



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Additional data provided by Department of Conservation FMMP, 2015.

EIR – MITIGATIONS AND OVERRIDING CONSIDERATIONS

AREAS OF CONCERN

Through the City process several areas of controversy and issues were raised by comment letters from public agencies and members of the public to be addressed by the City. Primary environmental areas of concern raised by the commenting agencies and public include:

AREA OF CONCERN	EIR SECTION
Access to U.S. Highway 101	Section 4.12: Transportation
Drainage characteristics, hydrology, flooding, and other impacts associated with the area floodplain	Section 4.8: Hydrology and Water
Aviation Safety and airport/aviation hazards	Section 4.7: Hazards, Section 4.9: Land Use/Policy Consistency
Construction equipment regulation and permit requirements associated with air pollution emissions	Section 4.3: Air Quality
Existing structure demolition and potential to encounter asbestos containing materials	Section 4.7: Hazards
Naturally occurring asbestos exposure	Section 4.3: Air Quality
Operational permit requirements associated with air pollutant emissions	Section 4.3: Air Quality
Long-term and short-term air quality impacts	Section 4.3: Air Quality
Impacts associated with greenhouse gas emissions	Section 4.6: Greenhouse Gas Emissions
Alternatives to the project	Section 6.0: Alternatives
Routing plans relative to access to site and nearby land uses	Section 4.12: Transportation
Residential displacement	Section 4.9: Land Use/Policy Consistency, Section 4.14: Issues Addressed in the Initial Study

KEY MITIGATION

Pursuant to the CEQA process, mitigation for the environmental impacts have been identified and required by the City through conditions of approval placed on the project.

Transportation: The EIR has identified a number of mitigation measures along with City conditions of approval that require the landowners of the development to make improvements to various intersections and roadways including but not limited to Madonna Road, Dalidio Drive, Prado Road, Higuera and South Streets, to Los Osos Valley Road, From Ranch Way, Tank Farm Road and the on and off ramps of Hwy 101. For greater detail of these mitigations and conditions you may refer to pages 230-235 of the City Council staff report for a list of the mitigation measures, which are described in even more detail in the EIR Executive Summary; see pages 348-356 and 385-386 of the pdf. Also see project conditions 5 to 27 on pages 239-243 of the pdf, which covers the timing of many of these requirements in greater detail.

Agriculture: The EIR has identified mitigation measures along with City Land Use Policy to protect agricultural resources. Below are the mitigation and policy requirements that San Luis Ranch must abide by.

AG-1. Agricultural Conservation. Prior to issuance of any grading permits the project proponent shall provide that for every one (1) acre of Important Farmland (Prime Farmland, Farmland of Statewide Importance, and Unique Farmland) on the site that is permanently converted to non-agricultural use as a result of project development, one (1) acre of land of comparable agricultural productivity shall be preserved in perpetuity. The land dedicated to agriculture pursuant to this measure shall be of size, location and configuration appropriate to maintain a viable, working agricultural operation. The acreage required to meet the 1:1 ratio may be met by the off-site agricultural conservation easement/deed restriction proposed by the project applicant, as long as this land meets the conditions outlined in this measure. Said mitigation shall be satisfied by the applicant through:

1) Granting a perpetual conservation easement(s), deed restriction(s), or other farmland conservation mechanism(s) to the City or qualifying entity which has been approved by the City, such as the Land Conservancy of San Luis Obispo, for the purpose of permanently preserving agricultural land. The required easement(s) area or deed restriction(s) shall therefore total a minimum of 56 acres of Prime Farmland. The land covered by said on- and/or off-site easement(s) or deed restriction(s) shall be located within or contiguous to the City's Urban Reserve Line or Greenbelt subject to review and approval of the City's Natural Resources Manager; or

2) Making an in-lieu payment to a qualifying entity which has been approved by the City, such as the Land Conservancy of San Luis Obispo, to be applied toward the future purchase of a minimum of 56 acres of Prime Farmland in San Luis Obispo County, together with an endowment amount as may be required. The payment amount shall be determined by the qualifying entity or a licensed appraiser; or

3) Making an in-lieu payment to a qualifying entity which has been approved by the City and that is organized for conservation purposes, to be applied toward a future perpetual conservation easement, deed restriction, or other farmland conservation mechanism to preserve a minimum of 56 acres of Prime Farmland in San Luis Obispo County. The amount of the payment shall be determined by the qualifying entity or a licensed appraiser; or

4) Any combination of the above.

Land Use Element Policy 8.1.4 requires that 50% of the net site area (which is the total site area less 1.8 acres dedicated for right of way associated with a possible future Prado Road interchange improvement) be left in agriculture or open space. The City Council may consider allowing a portion of required open space to be met through off-site dedication provided three requirements are met: 1) a substantial multiplier for the amount of open space is provided for the off-site property exchanged to meet the on-site requirement; 2) off-site land is of similar agricultural and visual value to the community; and 3) off-site land is protected through an easement, dedication or fee title in perpetuity for agriculture/open space. The City Council may, based on Planning Commission's recommendation, determine whether these requirements are met.

Community Facilities District (CFD): The City is working with the applicant to create a CFD that would provide a funding mechanism for a variety of required infrastructure. A CFD is a District set up by the landowner(s) and the City to fund the construction of infrastructure like water, sewer and transportation improvements. This appears to be still a work in progress. The specific infrastructure components and costs continue to be researched and are not fully known at this time.

OVERRIDING CONSIDERATIONS - SIGNIFICANT AND UNAVOIDABLE IMPACTS

The following impacts were identified by the City to be significant and unavoidable and required the City to adopt overriding considerations. LAFCO is also required to make similar findings.

1. The project would be inconsistent with the SLOAPCD 2001 Clean Air Plan because it would result in an increase in vehicle miles traveled (VMT) that would exceed the rate of population growth.
2. The project is inconsistent with the 2001 Clean Air Plan, which SLOAPCD guidance states is a cumulative air quality impact.
3. The project would result in the relocation, demolition, and removal of structures on the San Luis Ranch property which are individually identified as historic resources. In addition, the project would eliminate the San Luis Ranch Complex, which is eligible for listing as a historic resource. Relocation, demolition, and/or removal of these historic resources would permanently alter the historic context of the project site and on-site structures.
4. Removal of the San Luis Ranch Complex would contribute to the cumulative loss of historic resources in the City.
5. The project would be potentially inconsistent with adopted City policies in the General Plan designed to protect historical resources and ensure adequate multimodal transportation levels of service.
6. Temporary construction activity would create noise that could exceed City of San Luis Obispo Municipal Code regulations, and mitigation may not be feasible to reduce the impact to less than the applicable threshold.
7. Under Existing and Near-Term Plus Project conditions nine study area intersections would operate at unacceptable automobile, bicycle, or pedestrian LOS based on adopted multimodal level of service standards during AM and PM peak hours. Mitigation would reduce impacts at seven of these intersections to an acceptable level. However, impacts at the Madonna Road & Dalidio Drive and Los Osos Valley Road & Froom Ranch Way intersections would be significant and unavoidable.
8. Under Existing and Near-Term Plus Project conditions, the volume of traffic at 19 study area intersections would exceed lane capacities. Mitigation would reduce impacts at 18 of these intersections to an acceptable level. However, impacts at the Los Osos Valley Road & Froom Ranch Way intersection would be significant and unavoidable.

9. Under Existing and Near-Term conditions four study area segment groups would operate at unacceptable automobile, bicycle, pedestrian, and transit LOS based on adopted multimodal level of service standards during AM and PM peak hours. Mitigation would reduce impacts at three of these segment groups to an acceptable level. However, impacts at Higuera Street roadway segment would be significant and unavoidable.
10. Under Cumulative Plus Project conditions nine study area intersections would operate at unacceptable automobile, bicycle, or pedestrian LOS based on adopted multimodal level of service standards during AM and PM peak hours. Mitigation would reduce impacts at seven of these intersections to an acceptable level. However, impacts at the Madonna Road & Dalidio Drive and Los Osos Valley Road & Froom Ranch Way intersections would be significant and unavoidable.
11. Under Cumulative Plus Project conditions, the volume of traffic at 18 study area intersections would exceed lane capacities. Mitigation would reduce impacts at 17 of these intersections to an acceptable level. However, impacts at the Madonna Road & Dalidio Drive and Los Osos Valley & Froom Ranch Way intersection would be significant and unavoidable.
12. Under Cumulative Plus Project conditions five study area segments groups, as well as mainline segments of U.S. 101, would operate at unacceptable automobile, bicycle, pedestrian, and transit LOS based on adopted multimodal level of service standards during AM and PM peak hours.

SUMMARY

The information provided at this Study Session has been summarized from the documentation submitted by the City for this annexation. The SLO LAFCO website has additional information about the project proposal:

<http://www.slolafco.com/current-projects-notice.html>.

The City of San Luis Obispo also has extensive documentation:

<http://www.slocity.org/government/department-directory/community-development/planning-zoning/specific-area-plans/san-luis-ranch>