Title: Initiate an application to amend to the Southern Sphere of Influence Planning and Annexation Project area which was approved in 2014 and 2016. Specific amendments would include an expansion of the City Sphere of Influence, expansion of the previous annexation area boundaries, and modifications to the General Plan Land Use and Zoning maps. This action includes a request to direct staff to apply for Senate Bill 2 (SB 2) funds to pay for this process in support of housing. These actions will result in a need to complete a Subsequent or Supplemental Environmental Impact Report (SEIR) and need to amend and finalize three pre-annexation agreements.

Recommended Motion: That Council direct staff to file an appropriate application and take the following actions: 1) initiate an amendment to the City’s Sphere of Influence; 2) expand the previously considered annexation boundaries to include the entire planning area; 3) amend the previously approved General Plan Land Use and Prezoning maps to address the overall land use mix; 4) amend the three previously-approved pre-annexation agreements, and; 4) direct staff to apply for SB 2 funds to pay for the planning and environmental effort needed to complete the project.

Background Information: In 2013 the City Council initiated a land use planning project that included 416 acres of land located outside the City limits but within the City’s Sphere of Influence (SOI). The 416 acres are located south of the City limits on both sides of Highway 49. This project included a collaborative process that involved all the property owners, Nevada County, and LAFCo staff. Attached are City Council and Planning Commission staff reports from 2016 which provide a more detailed background on this project (note: this report does not include all the attachments referenced in the 2016 reports). Though the Council approved all the project actions in 2014 and several changes in 2016, the pre-annexation agreement was never finalized with one key owner so the annexation application was not submitted to the Local Agency Formation Commission (LAFCo). Attached is the current General Plan map for this planning area.

Recently, City staff has met with Hansen Brothers Enterprises (HBE) to discuss its expansion plans. HBE now owns all the properties to its east and south which were owned by Sierra Pacific Enterprises (SPI) when the land use plan was approved in 2014. HBE has requested the City consider a different land use mix to accommodate their long-term expansion plans. Some of the plan is to eliminate an area of medium density residential land, add more industrial designated land, and to reduce some areas of open space that can accommodate development for industrial uses. The amendment to the SOI is needed to add 26.8 acres owned by HBE that are located between the Empire Mine and the current City SOI. This action is needed to prevent a County island area between the proposed City limits and the state park (see attached map and noted as “Not Within the City’s SOI”). Additionally, the owners of Berriman Ranch, located on the west side of Highway 49 have requested the City consider a different land use mix that eliminates the 26+- acres of commercial land to allow additional residential land.
SB 2, signed into law in 2017, created a funding mechanism for local agencies in support of a variety of housing programs. The first phase of the implementation and use of SB 2 funds is for the “Planning Grants Program”. This program provides the City with up to $160,000 for planning programs that promote or provide support for new housing. Staff recommends the Council consider the use of these funds to pay for the above effort. This would include the preparation of a SEIR. The proposed use of these funds will meet the intent of the bill since it will establish lands zoned for residential housing, it will complete the environmental review for future development, and will annex the land into the City. If implemented, all three of these will reduce the time and costs for potential development of the residential areas, and therefore meet SB 2 requirements. However, the state must still approve of the project and use of these funds.

If the Council initiates the amendments, staff will first meet with all the property owners to discuss potential changes to the current General Plan and Zoning and annexation boundaries. Staff will then prepare a draft land use plan and review those changes with the City Council and Planning Commission. If the Council supports the draft amendments, the City will then select a consultant to prepare the SEIR. Once the SEIR process is complete, the City will conduct the formal public hearings on the proposed changes in the project.

Staff has met with the LAFCo Executive Director and discussed the concept of an SOI amendment and annexation of the entire 443 acres of land. She has expressed preliminary support for this approach.

**Council Goals/Objectives:** This project meets the City’s goals of improving livability and encouraging a robust and sustainable economy.

**Fiscal Impact:** The City proposes to use SB 2 funds to pay for this project.

**Funds Available:** Yes, if the SB 2 funds are granted

**Account #:** TBD

**Reviewed by:**

City Manager

**Attachments:**

Map of the Southern Sphere of Influence Planning Project area
September 27, 2016, City Council Report
August 16, 2016, Planning Commission Report
LEGEND:
- Grass Valley City Limits
- Proposed Annexation Area
- UED (Urban Estate Density)
- ULD (Urban Low Density)
- UMD (Urban Medium Density)
- C (Commercial)
- M-I (Manufacturing / Industrial)
- P (Public)
- BP (Business Park)
- OS (Open Space)
City of Grass Valley
City Council
Agenda Action Sheet

Council Meeting Date: September 27, 2016 Date Prepared: September 21, 2016
Prepared by: Thomas Last, Community Development Director

Title: An amendment to add two parcels to the annexation boundaries, addition of a combining zone for eight parcels, and approval of three pre-annexation agreements on properties located in the Southern Sphere of Influence Planning and Annexation Project area that was approved by the City Council in 2014.

Recommended Action: After conducting the public hearing: 1) waive the reading of the ordinance in its entirety and read by title only; 2) introduce the ordinance prezoning 56 acres to include the Southeast Industrial District Combining Zone; 3) approve the Pre-annexation agreements with Hansen Brothers Enterprises, Rare Earth Landscape Materials, and Kilroy’s Auto Dismantling; and 4) adopt Resolution No. 2015-55, which requests LAFCo to amend the City’s Sphere of Influence Plan, approves an amendment to Annexation application (13PLN-08), and approves the Addendum to the previously certified Final Environmental Impact Report (FEIR).

Agenda: Public Hearing

Background Information: On March 11, 2014, the City Council certified an Environmental Impact Report (EIR) and approved the Southern Sphere of Influence Planning and Annexation project applications. The approved project included: 1) an amendment to the General Plan land use designations on 416 acres; 2) a prezone of 416 acres of land to various zoning districts that were consistent with the General Plan amendments; and 3) an annexation of approximately 120 acres. However, prior to the submittal of the annexation application to LAFCo, Council requested the City finalize pre-annexation agreements with several property owners and directed staff to review the fiscal implications of the annexation.

Staff presented an update on the project and requested City Council direction on April 12, 2016. At this meeting, the City Council directed staff to: 1) amend the City’s Sphere of Influence (SOI) Plan to change 56 acres (two parcels) of land from the long-term to the near-term annexation time horizon and include these parcels in the annexation boundaries; 2) create a Southeast Industrial District Combining zone for eight parcels; and 3) prepare an addendum to the previously certified EIR.

The Planning Commission, on August 16, 2016, recommended by a 3-0-2 vote (two members abstained), that the Council approve the three actions noted in the previous paragraph. Please refer to page 3 of the Planning Commission Report (Attachment 3) for a more details on the project background and analysis. Pages 2 and 3 discuss the use of the Addendum for the project changes. In summary: 1) the inclusion of the two parcels in the annexation is a logical request for a boundary change and the City is now in year five of the City’s SOI Plan so the parcels can be considered for annexation; 2) the proposed combining zone reflects the goals of this planning effort (to protect existing industry), is consistent with the pre-annexation agreement points; and 3) the certified EIR for the original project provided a comprehensive analysis of the full range of impacts on the entire sphere.
416 acre planning area and the proposed project changes were anticipated (full build out analyzed) and will not affect the fundamental conclusions reached in the EIR.

Attachment 4 includes three of the four pre-annexation agreements. The overall intent of these agreements were to recognize and protect those unique industrial operations. The Rare Earth Landscape Materials and Kilroy’s Auto Dismantling agreements are the same as were reviewed by the City in 2014 except for changes to the dates. The agreement with Hansen Brothers Enterprises (HBE) includes the agreement points previously reviewed in 2014 and on April 12, 2016. It also includes a commitment by the City to work with LAFCo and the property owner to ensure two additional parcels, currently not in the SOI, to be included in LAFCo’s next update to the City’s Sphere of Influence plan. The City has yet to receive a final agreement with Vulcan; however, representatives have indicated it will be modeled after the HBE agreement. This agreement will be scheduled for a later Council meeting.

Reviewed by: ___ City Manager

Attachments:

1. Resolution No. 2016-55
   a. Exhibit A – Addendum to EIR
   b. Exhibit B – Annexation Boundary Map
2. Prezoning Ordinance
   a. Exhibit A – Proposed Map of Combining Zone
   b. Exhibit B – Proposed Text of Combining Zone
3. Planning Commission Staff Report from August 16, 2016
4. Pre-annexation Agreements
   a. Hansen Brothers Enterprises
   b. Rare Earth Landscape Materials
   c. Kilroy’s Auto Dismantling

CC via emails:
SR Jones, Executive Officer, Nevada County Local Agency Formation Commission
Brian Foss, Nevada County Planning Director
Joshua Pack, Nevada County Public Works
Jeff Hansen
David Temblador
Kevin Torell
Sean Harrigan
Jim Flaherty
Kent Kilroy
Jim and Jami Hopper
DATA SUMMARY:

Application Number: 13PLN-08 (Original Project approved in 2014)
Subject: An amendment to the Southern Sphere of Influence Planning and Annexation project to: 1) change the City's Sphere of Influence Plan on approximately 56 acres of land from the long-term to the near-term annexation time horizon; 2) include these approximately 56 acres of land in the annexation boundaries; and 3) amend the City Development Code to create the Southeast Industrial District Combing Zone.

Applicant: City of Grass Valley
Project Location: For the SOI and additional annexation lands (APN 09-620-12 and 34-140-350. For the Southeast Industrial District Combing Zone (35-140-08, 10, 11, 12, 21, 22, 25). The properties are located south of the City limits on the east side of La Barr Meadows Road.

PURPOSE OF MEETING: The purpose of this meeting is for the Planning Commission to consider the changes to the project and approve an addendum to the previously certified Final Environmental Impact Report (FEIR).

PROJECT BACKGROUND: On March 12, 2013, the City Council directed staff to move forward with an amendment to the General Plan Land Use Map for an area located in the southern Sphere of Influence (SOI). The planning effort also included a Prezoning of all the project area and an annexation of 120 acres of land on the east side of SR49. Prior to and after the March Council meeting, staff conducted several meetings with property owners within and adjacent to the project area. On May 7, 2013, the City Council and Planning Commission held a joint study session to review alternative land use proposals and to consider expanding the planning area to both sides of SR49. At the conclusion of the meeting the Council directed staff to proceed with the land use alternative and the preparation of an Environmental Impact Report (EIR) which included 416 acres of land on both sides of SR49.

The City's primary goal of the project was to create a comprehensive, community-guided plan and take a proactive approach to address job growth needs and retail opportunities. Several project objectives were established as follows: a) recognize and protect existing industrial uses in this area; b) create an urban rather than suburban land use form in the southern sphere of influence (i.e. create a sustainable and smart growth land use
pattern); c) develop a land use plan that could better support infrastructure (primarily sewer and roads); d) preserve the hillsides and habitat corridors; and e) annex a portion of the area to place the City in a better position to apply for infrastructure grants.

On March 11, 2014, the City Council certified the Environmental Impact Report (EIR) and approved the Southern Sphere of Influence Planning and Annexation project applications. However, prior to the submittal of an annexation application to LAFCo, Council requested the City finalize pre-annexation agreements with several property owners and directed staff to review the fiscal implications of the annexation.

At this same meeting, the Council considered specific agreement points and two draft pre-annexation agreements and with Hansen Brothers Enterprises (HBE), Vulcan Materials, Kilroy’s Auto Dismantling, and Rare Earth Landscape Materials. While the draft agreement points were accepted by Council and the property owners, HBE and Vulcan representatives requested additional time to review the agreement terms and details. Staff began working with HBE and Vulcan representatives on revised agreements. Based on these meetings, HBE and Vulcan requested the City create a combining zone, or overlay zone, that further enforces the provisions in the agreements. Additionally, HBE, and a second land owner, requested the City include other properties in the annexation. For the City to support the annexation of the additional properties, the Council will need to request LAFCo to amend the City’s SOI.

On April 12, 2016, the City Council directed staff to: 1) amend the City’s Sphere of Influence Plan to change 56 acres (two parcels) of land from the long-term to the near-term annexation time horizon and include these parcels in the annexation boundaries; 2) create a Southeast Industrial District Combining zone for seven parcels; and 3) prepare an addendum to the previously certified EIR. See the maps and Addendum for a more detailed description. Pages 2 and 3 of the addendum include the proposed Southeast Industrial District Combining Zone.

ENVIRONMENTAL IMPACT REPORT (EIR): As noted above, the City certified the final EIR for the original project in 2014. This was a program EIR that was considered a first tier EIR used for projects in which a series of future more specific actions are anticipated. This means any proposed development in the project area will require some form of discretionary approval from the City. Specifically, any development in the area will first require approval of applications for land divisions and/or development review. The City will impose all applicable mitigation measures to each of these future entitlements. Additionally, some of the future projects, depending on the location, will require site specific protocol surveys and some projects may be subject to subsequent environmental review (e.g. Negative Declaration, Mitigated Negative Declaration, or a subsequent EIR, supplement or addendum to an EIR, or project EIR).

As it pertains to the project changes, the City has prepared an Addendum to the EIR. Pages 3 through 6 of the attached addendum describe the City’s reliance and use of an addendum. In summary, since the original EIR considered the General Plan and zoning changes on all the properties in the planning area and considered buildout of all these
lands, the proposed project changes do not reach the level of a substantial change that would substantially create new environmental impacts. The certified EIR provided a comprehensive analysis of the full range of potential impacts and the proposed project changes would not affect any of the conclusions reached in the EIR.

PROJECT ANALYSIS:

Sphere of Influence Plan and Annexation: The project changes are to amend the City’s SOI map and include two additional parcels in the annexation. Staff has discussed this concept and met with LAFCo staff on several occasions since mid-2014 to ensure the changes would meet LAFCo’s basic policies. Both parcels are in a similar predicament in that they represent an island of land between the City limits and the Empire Mine. These two parcels are shown on the City’s Sphere of Influence (SOI) map as being within the long-term annexation time horizon, which generally means the land can be considered for annexation approximately 5 years after the adoption of the SOI plan in 2011. Though the City is now within the 5 year time frame, the City would need to request LAFCo amend the SOI map in conjunction with the annexation. City staff believes the appropriate findings can be made to amend the SOI map. This would add approximately 60 acres to the annexation application. As a related note, HBE has two additional parcels that are not in the City SOI but between the City SOI and Empire Mine. HBE also requests the City and LAFCo add these remaining parcels to the City’s SOI during LAFCo next update, which is anticipated to be in 2017. City and LAFCo staff has reviewed this request and believe the issue should be addressed during the next update.

Southeast Industrial District Combing Zone: The proposed combining zone would be added as a new section, 17.28.80, to the City Development Code. The proposed approach is modeled after the Hills Flat Business District and incorporates the concept points in the pre-annexation development agreements that were considered with the original project in 2014. The primary goal with all the pre-annexation agreements was to acknowledge the unique operating characteristics of several businesses. A secondary goal was to take steps to protect the long-term viability of these “primary job” sector businesses. Finally, the agreements were to help establish a cooperative relationship between the landowners and the City to work together to solve some of the road circulation issues in this part of the community. Therefore, staff supports the concept of the combining zone for these parcels.

RECOMMENDATION: Staff recommends the Planning Commission take the following actions:

A. Open and close the public hearing;
B. Adopt the Findings listed in the following section.
C. Recommend the City Council approve the addendum to the previously certified EIR.
D. Recommend the City Council request LAFCo amend the City's Sphere of Influence Plan to change the annexation time horizon from Long-term to Near-Term for APNs 09-620-12 and 34-140-350.

E. Recommend the City Council include APNs 09-620-12 and 34-140-350 in the annexation application to be submitted to LAFCo.

F. Recommend the City Council approve an ordinance amending the Development Code to create the Southeast Industrial District Combing Zone on APN's 35-140-08, 10, 11, 12, 21, 22, and 25.

FINDINGS:

1. On August 16, 2016, the Planning Commission conducted a public hearing and reviewed and considered project changes to application 13PLN-08.

2. The City certified an Environmental Impact Report for the original project application on March 11, 2014.

3. The City prepared an Addendum to the certified EIR to address project changes and the project changes do not meet the standards of Section 15162 of the California Environmental Quality Act; therefore an Addendum is the appropriate environmental document to address the project changes.

4. The Planning Commission has independently reviewed, analyzed and considered the proposed Addendum to the EIR prior to making its recommendation on this project, and the Addendum reflects the independent judgment of the City of Grass Valley.

5. This project is consistent with City's General Plan.

6. The project area is located in the City's Sphere of Influence and is planned to be adequately and reasonably served by public facilities, services and utilities.

7. The project area is located in the City's Sphere of Influence and the location, size, planning concepts, design features, and operating characteristics of the project area and will be compatible with the character of the area and the land uses and development intended for the surrounding neighborhood by the General Plan.

Attachments:

Addendum to the EIR
1. Exhibit A – Proposed map of the Combining Zone
2. Exhibit B – Proposed map of the annexation area