



Agenda Report

MEETING DATE: Tuesday, March 8, 2022

TO: City Council

FROM: COMMUNITY DEVELOPMENT DIRECTOR MERRIAM
PRINCIPAL PLANNER MATT ORBACH
ECONOMIC & PLANNING SYSTEMS, INC.

SUBJECT: ANALYSIS OF THE WATSONVILLE PLANNED GROWTH AND
FARMLAND PROTECTION INITIATIVE

STATEMENT OF ISSUES:

The Watsonville Planned Growth & Farmland Protection Initiative ("Initiative") Petition obtained the required 2,411 (10% of registered voters) valid signatures to qualify for adoption or be placed on the ballot. On February 8, 2022, the City Council adopted Resolution No. 24-22 (CM), accepting the City Clerk's certification of the results of the examination of the signatures on the petition and ordering a report analyzing the impacts of the proposed measure on the City, pursuant to California Elections Code Section 9212, to be submitted to the Council on March 8, 2022. The report is contained herein.

RECOMMENDED ACTION:

Staff recommends that the City Council receive the report regarding the analysis of the Initiative. No action required.

BACKGROUND

On March 14, 2000, the City Council adopted Resolution No. 69-00 (CM), approving a Memorandum of Understanding (MOU) regarding the City of Watsonville Local Coastal Plan (LCP) Amendment 1-99, which authorized the development of Pájaro Valley High School but ensured that there would be no additional urban development to the west of the current western boundary of the City of Watsonville. Under the MOU, the City of Watsonville reserved the right to annex only one additional parcel in that area, identified as "Green Farm" (APN 052-271-04), also known as the Redman House parcel. The full text of the MOU can be found in Attachment 1.

On November 5, 2002, the Watsonville Urban Limit Line and Development Timing Initiative (Measure U) was approved by a majority of the registered voters of the City of Watsonville. The Community Development Director, under Resolution No. 304-02 (CM), was subsequently authorized and directed to make the changes included in Amendment No. 16 upon the Watsonville 2005 General Plan and to designate the effective date and number of

the resolution authorizing the change. The full text of Measure U can be found in Attachment 1.

On June 3, 2021, Amy Newell, Betty Bobeda, and Peter Navarro filed a Notice of Intent to Circulate a Petition to amend the City of Watsonville General Plan, primarily to the City's Urban Limit Line (ULL), set by Measure U and approved by Watsonville voters in 2002. The initiative as proposed would prevent changes to the ULL, as established by the former Measure U, through the year 2040. The full text of the ULL Initiative can be found in Attachment 3.

On June 18, 2021, the City provided Petitioners with the City Attorney's Title and Summary, as required by California Elections Code Section 9203. The Petitioners published the Notice of Intent and the Title and Summary on July 2, 2021, and filed the Certificate of Publication with the City Clerk's Office on July 9, 2021.

As of February 17, 2021, there were 21,699 registered voters in the City, as indicated in the last report filed with the Secretary of State. The Petitioners returned the petitions with signatures to the City Clerk's Office on December 13, 2021. After determining that the number of "prima facie" or gross signatures for the Watsonville Urban Limit Line 2040 Extension petition was 3,176, which is in excess of the required minimum number of 2,170 (10%), the City Clerk accepted the petition for examination of signatures. In order to meet the deadline for examination of signatures, the Santa Cruz County Clerk was contracted to conduct the examination of the signatures.

On January 19, 2022, Santa Cruz County Clerk, Tricia Webber, confirmed the sufficiency of the petition, certifying the petition was sufficient with 2,411(10%) valid signatures.

On February 8, 2022, the City Council adopted Resolution No. 24-22 (CM), accepting the City Clerk's certification of the results of the examination of the signatures on the petition and ordering a report analyzing the impacts of the proposed measure on the City, pursuant to California Elections Code Section 9212, to be submitted to the Council on March 8, 2022.

DISCUSSION:

Economic and Planning Systems Analysis

The City of Watsonville engaged Economic & Planning Systems (EPS) to assist with a City-led process to evaluate the impact of a renewal of the Urban Limit Line (ULL) established under Measure U in 2002. As part of the EPS effort, the firm coordinated with City staff from the City Manager's Office and the Community Development Department and interviewed leadership within the Police Department, Fire Department, and Public Works Department. EPS provided a memorandum offering a summary of key findings from the study of the ULL measure (Attachment 4) and a briefing document (Attachment 5), including background context concerning the ULL, description of observed outcomes from the past 20 years, a summary of research and analysis efforts to evaluate a potential renewal of the ULL, and commentary related to fiscal and economic impacts.

Overview of Measure U

Measure U was the product of a yearlong community visioning process undertaken by Action Pajaro Valley (APV), a nonprofit that brought together government leaders, farming companies, environmentalists, and business owners to create a long-term plan of how Watsonville could grow and meet the challenges facing the City at the time. The purpose of the Watsonville Urban Limit Line and Development Timing Initiative (“Measure U”) is below.

The purpose of this Initiative is to define a new Urban Limit Line (“ULL”) for the City of Watsonville and to direct the phasing of development within the ULL to promote continued economic development and efficient urban growth while sustaining and enhancing the agricultural economy in the City of Watsonville and the surrounding region.

Measure U included seven findings supporting this purpose and describing how the initiative would promote the health, safety, welfare, and quality of life of the residents of Watsonville. The findings focused on several common themes:

1. Promoting stability in long-term planning;
2. Balancing economic development with protection of agricultural, open space, and other natural resource uses;
3. Encouraging growth in specific limited areas within or adjacent to existing developed areas;
4. Encouraging infill development; and
5. Encouraging affordable housing.

Measure U did not provide any specific or measurable economic or residential development targets. However, given the stated purpose, the themes found in the findings, specific plans and general plans created since the adoption of Measure U, and available data related to how growth has occurred over the last 20 years, staff identified three areas in which the outcomes of Measure U could be measured:

1. Protection of Farmland;
2. Housing (“urban growth”); and
3. Jobs (“economic development”).

The following sections will analyze the outcomes of Measure U in these areas. The full text of Measure U can be found in Attachment 1.

1. Protection of Farmland

Farmlands west of Highway 1 have been protected under the Memorandum of Understanding (MOU) related to the City of Watsonville Local Coastal Plan (LCP) Amendment 1-99 since it was signed by the City of Watsonville, the County of Santa Cruz, and the California Coastal Commission in September 2000. The memorandum specifically identifies the Coastal Act requirements directing the Coastal Commission to maximize and protect agricultural land adjacent to urban uses and protect environmentally sensitive habitats and wetlands. The memorandum may only be amended by agreement of all parties.

Measure U added an additional backstop to the MOU, stating: “should the MOU terminate for any reason, the Westerly ULL, nonetheless, may not be amended until on or after November 1, 2027 except by a vote of the people or as provided in Implementation Measure 3.C.3 or for public facilities described in the MOU.” This provision has never been implemented because the MOU remains in effect.

Under Measure U, the only farmlands that were developed were in Area B – Atkinson Lane, Area E – “Villages,” Area F – Manabe/Burgstrom. No other farmland in the County of Santa Cruz adjacent to the ULL has been annexed or developed.

2. Providing Housing

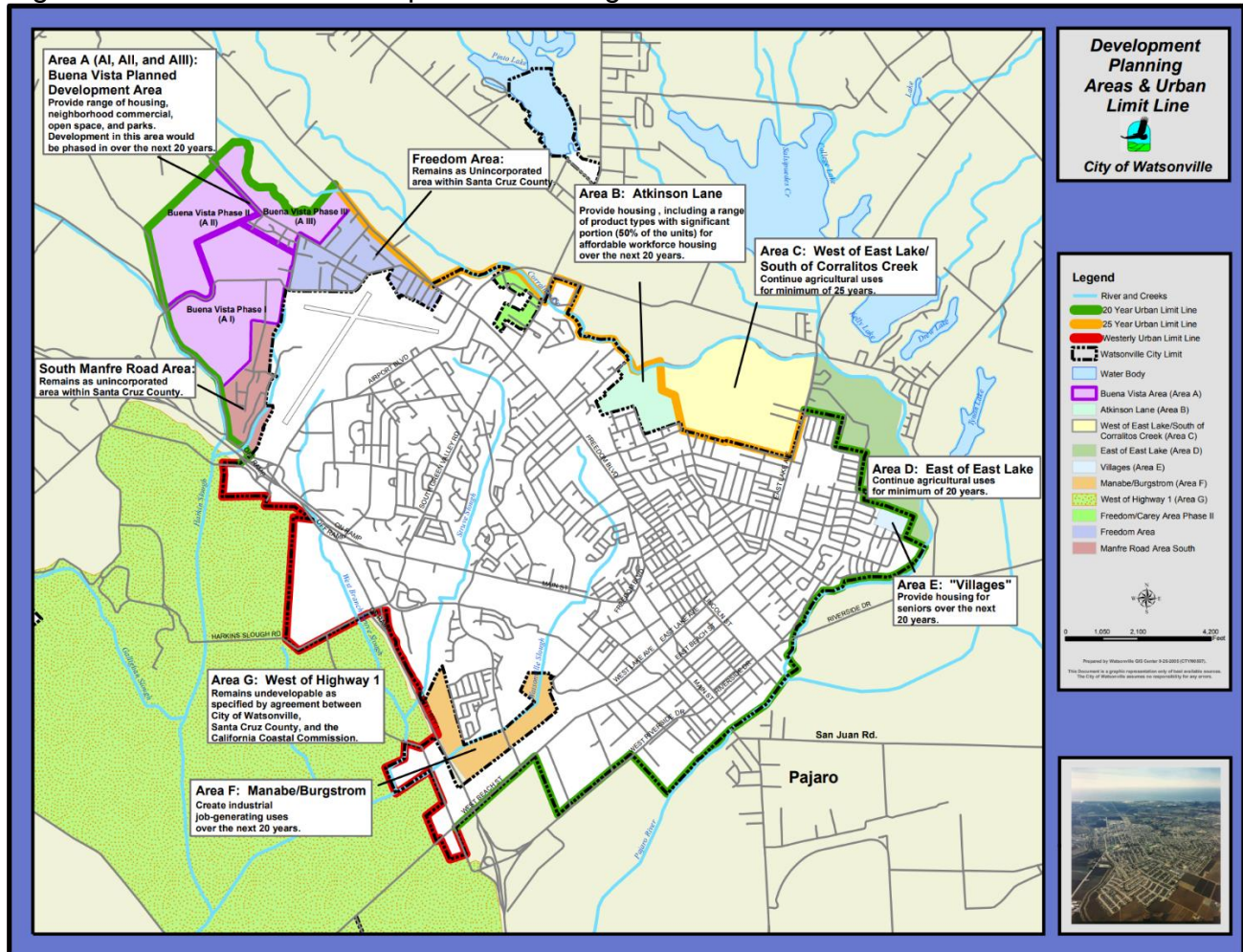
The APV community visioning process occurred during the 3rd Cycle of the Regional Housing Needs Allocation (RHNA) for the City of Watsonville, which at the time required the City to plan for an additional 2,283 housing units in the 2000-2007 time period. Citing the need for more housing, and specifically more affordable housing, Measure U identified how housing development could be permitted in specific areas both inside and outside the ULL. Those areas included:

1. Area A – Buena Vista
 - a. Located within the ULL.
 - b. Development in this area permitted in three phases following completion of a specific plan calling for primarily residential uses, with some neighborhood commercial, light industrial, schools, open space, and parks.
2. Area B – Atkinson Lane
 - a. This area is located within the ULL.
 - b. Development in this area permitted following completion of a specific plan.
 - c. Uses in this area restricted to residential with a requirement that at least fifty percent of the number of units be deed restricted affordable workforce housing with an emphasis on the housing of agricultural workers.
3. Area C – The area south of Corralitos Creek
 - a. This area lies outside of the ULL.
 - b. Not available for planning or processing for development until on or after November 1, 2027.
4. Area D – The area east of East Lake Avenue
 - a. This area lies outside of the ULL.
 - b. Not available for planning or processing for development until on or after November 1, 2022.
5. Area E – The Villages
 - a. This area is located within the ULL.
 - b. May be planned and processed for residential development as soon as possible.
 - c. Development limited to senior housing.
6. Area F – The Manabe/Burgstrom area.
 - a. This area lies within the ULL.
 - b. May be planned and processed for development as soon as possible.

- c. Uses in this area restricted to industrial and other job-generating uses.
- 7. Area G – The area west of the Westerly ULL.
 - a. Subject to MOU between the City of Watsonville, the County of Santa Cruz, and the California Coastal Commission.
 - b. Should the MOU terminate for any reason, the area will not be subject to planning or processing for development until on or after November 1, 2027.

These development planning areas are illustrated in Figure 1 below.

Figure 1: Measure U - Development Planning Areas & Urban Limit Line



Measure U did not provide specific numerical targets for housing development or job creation in these areas. Instead, it required specific plans for development in key development areas, through which feasible housing development and job creation estimates could be produced. Accordingly, specific housing development and job creation targets were identified in the draft 2030 General Plan Update, the draft Atkinson Lane Specific Plan, and the Manabe-Ow Business Park Specific Plan, as illustrated in the table below.

Table 1: Projected Housing Units and Jobs in Measure U Growth Areas

Projected Housing Units and Jobs in Measure U Growth Areas		
	Projected Housing Units	Projected Jobs
Area A – Buena Vista	1,300	200
Area B – Atkinson Lane	450	90
Area E – The “Villages”	74	0
Area G – Manabe/Bugstrom	100	2,100
Total	1,850	2,390

Housing Approved/Developed

The following table illustrates the housing development that has occurred since the approval of Measure U in Area A, B, E, and G:

Table 2: Housing Units Created in Measure U Growth Areas

Housing Units Created in Measure U Growth Areas				
	Projected Housing Units	Units Developed	Total Units Approved/Developed	% of Projected
Area A – Buena Vista	1,300	0	0	0%
Area B – Atkinson Lane	450	46	46	10%
Area E – The “Villages”	N/A	74	74	N/A
Area G – Manabe Ow Specific Plan	100	0	87	87%
Housing Total	1,850	46	207	11%

As illustrated in the table above, only 207 (11%) of the 1,850 projected housing units in the Measure U growth areas have been approved/developed in the 20 years since Measure U was adopted. The failure to meet projections is due to complications in the planning and development of two of the three main growth areas: Area A (Buena Vista) and Area B (Atkinson Lane).

The Action Pajaro Valley compromise identified the Buena Vista area (Area A) as having the potential to provide a large majority of the housing development needed to meet the City’s housing targets under projected growth and Regional Housing Needs Assessment (RHNA) planning requirements from the California Department of Housing and Community Development (HCD). In the original 2030 General Plan Update (2006), the area was identified as being able to produce up to 2,250 housing units. However, after reductions in developable area related to topographic constraints (steep slopes) and airport safety zones, the 2030 General Plan Update (2012) identified the area as being able to produce only 1,300 housing units. The configuration of the remaining developable land, cost of extending

infrastructure, and potential for additional future legal challenges related to development in this area have made Area A infeasible for any future development.

In 2009, the City developed the Atkinson Lane Specific Plan in collaboration with the County of Santa Cruz's effort to rezone properties for affordable housing in the same area. The Specific Plan identified the potential for up to 450 housing units in Area B. However, the City and County plans were challenged in court. As a result, the original planning area effectively split into two sections: (1) the County Entitlements Area on which development was allowed and (2) the City Specific Plan Area for which development requires another specific plan and CEQA review. In 2018, LAFCO approved the annexation of a small portion of the County Entitlements Area, on which the 46-unit affordable housing development Pippin Orchards is built. In December 2021, the Santa Cruz County Board of Supervisors approved a development proposal for an adjacent parcel in the County Entitlements Area, which includes construction of an 80-unit multifamily development ("Pippin II"). At this time, there are no additional future developments proposed for this area.

3. Jobs Created

The following table illustrates the job creation that has occurred since the approval of Measure U in Area A, B, and G:

Table 3: Jobs Created in Measure U Growth Areas

Jobs Created in Measure U Growth Areas				
	Projected Jobs	Jobs Created	Pending Project Job Total	% of Target
Area A – Buena Vista	200	0	0	0%
Area B – Atkinson Lane	90	0	0	0%
Area G – Manabe Ow Specific Plan	2,100	~200	~400	19%
Total Jobs	2,390	~200	~400	17%

As illustrated in the table above, only ~400 (17%) of the 2,390 projected jobs in the Measure U growth areas have been approved/created in the 20 years since Measure U was adopted. The failure to meet projections is due to the lack of development in Area A and Area B and the type of development that has occurred in Area G.

The Action Pajaro Valley compromise identified the Area G – Manabe/Burgstrom (now Manabe Ow) annexation area as having the greatest potential to provide future job creation. In 2010, the City approved the Manabe-Ow Business Park Specific Plan, which identified the area as being able to produce 2,100 jobs and up to 100 units of workforce housing. The business park was described as “the primary new employment and economic development area in the City of Watsonville over the next 25 years,” and envisioned a business park setting with varying building sizes and architectural styles supporting “the needs of existing and future local and regional businesses, from corporate headquarters to small light industrial and manufacturing start-ups.”

In 2015, the first development within the specific plan area, a 194,151-square-foot FedEx distribution facility, was approved. The facility covered the entirety of the North Business Park Planning Area and the project included construction of Manabe Ow Road and the roundabout at Manabe Ow Road and Ohlone Parkway. The facility, however, only provided approximately 200 jobs. There are currently two more active applications, one for a 156,961-square-foot distribution facility and another for a 175,328-square-foot distribution facility, that would cover the entire West Business Park Planning Area and provide approximately 200 additional jobs. The East Business Park Planning Area has expansive soils that may render the area undevelopable without significant surcharging, and there are no active development applications for that area. However, even with potential future development of the East Business Park Planning Area, Area G will fall well short of the job creation levels envisioned under Measure U and the specific plan.

Watsonville Planned Growth and Farmland Protection Initiative (2021)

The purpose of the Watsonville Planned Growth and Farmland Protection Initiative (“Initiative”) is stated below.

The purpose of the Watsonville Planned Growth and Farmland Protection Initiative (“Initiative”) is to promote stability in long-term planning for the City of Watsonville by extending key features of the Watsonville Urban Limit Line and Development Timing Initiative, otherwise known as the Watsonville Orderly Growth and Agricultural Protection Initiative or Measure U, which added cornerstone policies within the General Plan that establish geographic limits for long-term development while allowing sufficient flexibility within those limits to respond to the City’s changing needs over time.

Measure U vs. ULL Initiative

The ULL Initiative would make four significant changes to Chapter 3, Growth and Conservation Strategy, compared to what was established under Measure U. The ULL Initiative would:

1. Rename the three Urban Limit Line sections as follows:
 - a. 20-Year ULL becomes Segment 1
 - b. 25-Year ULL becomes Segment 2
 - c. Westerly ULL becomes Segment 3
2. Extend the expiration of all three ULL segments to November 3, 2040, and add additional language specifying that the ULL segments, Policies 3.B and 3.C, and Implementation Measures 3.C.1 through 3.C.3 “retain their full force and effect until the City Council amends the General Plan in accordance with state law without a vote of the people.”
3. Remove phasing and specific plan requirements for Area A – Buena Vista and Area B – Atkinson Lane; and
4. Allow the City Council to amend the location of the ULL, Policies 3.B and 3.C, or Implementation Measures 3.C.1 through 3.C.3 if the City determines that doing so is necessary to comply with state or federal law regarding the provision of housing, as long as the City Council makes the following three findings based on substantial

evidence: (i) A specific provision of state or federal law requires the City to accommodate the housing that will be permitted by the amendment, (ii) The amendment permits no greater density than that necessary to accommodate the required housing, and (iii) An alternative site within the ULL is not available to satisfy the specific state or federal housing law.

ULL Initiative Findings

The Initiative includes ten findings, which are listed below with staff analysis.

Findings:

- 1. In November 2002, City of Watsonville voters approved the Watsonville Urban Limit Line and Development Timing Initiative, otherwise known as the Watsonville Orderly Growth and Agricultural Protection Initiative or Measure U. Measure U defined a new Urban Limit Line for the City and directed the phasing of development within the Urban Limit Line to promote continued economic development and efficient urban growth while sustaining and enhancing the agricultural economy in the City and surrounding region.**

Analysis: See analysis of Measure U outcomes related to the three main focus areas: (1) protection of farmland, (2) housing production, (3) job production. Given the infeasibility of development in several of the identified residential growth areas and the build-out of economic growth areas falling well short of job creation projections, the ability of the Initiative to “promote continued economic development and efficient urban growth” without identifying additional areas available for residential and economic growth is unclear. Infill residential development and economic growth will continue with or without the Initiative.

- 2. Measure U has succeeded in managing the City's growth in a manner that fosters and protects the unique character of Watsonville by allowing appropriate economic development and residential growth, while protecting and promoting important agricultural, open space, and other natural resource uses.**

Analysis: In terms of growth, the EPS analysis (Attachment 4) found that “the limited number of vacant sites and viable annexation areas allowed under the ULL measure provide land supply for an estimated 876 new dwelling units, which is insufficient to accommodate projected growth in five out of eight demand forecasts.”

In terms of policy goals for housing, the upcoming 6th RHNA Cycle will require the City to plan for approximately 2,100 additional housing units, and there will be two more RHNA cycles before 2040. The EPS analysis found that a renewal of the ULL “could create a significant barrier to meeting policy goals for housing, with estimates of unmet need for housing ranging from roughly 2,300 to 2,900 dwelling units by 2040.”

In terms of economic development, the only area identified for economic development under the existing ULL, the Manabe-Ow Business Park Specific Plan area, will be almost entirely built out in the near future, having provided only a small percentage of the projected economic development and jobs. According to the EPS analysis, visitor-serving uses on the only additional parcel identified in the MOU for potential City annexation in Area G (West of Highway 1), the Redman House parcel, “likely would have a strong positive impact on the City’s General Fund, generating new transient occupancy tax (TOT) and sales tax for the City.” However, this parcel would be not be available for annexation or development under an extension of the ULL.

The finding does not provide or reference any substantial evidence demonstrating that “Measure U has succeeded in managing the City’s growth in a manner that fosters and protects the unique character of Watsonville by allowing appropriate economic development and residential growth, while protecting and promoting important agricultural, open space, and other natural resource uses.”

- 3. Likewise, Measure U has encouraged efficient growth patterns and protected quality of life in Watsonville by concentrating future development largely within or adjacent to existing developed areas where adequate infrastructure and services can be provided.**

Analysis: While there has been a small amount of residential development in Measure U-identified Area E – “Villages” (74 units) and Area B – Atkinson Lane (46 built, 80 approved in the County in December 2021), the primary growth area identified in Measure U is Area A – Buena Vista, which was projected to provide up to 1,300 housing units. This area is located to the northwest of the Watsonville Municipal Airport and is separated from existing City infrastructure and services by both the airport and several residential areas in the County of Santa Cruz with substandard infrastructure that the City would need to take over to provide utilities to Area A. The combination of infrastructure costs, airport safety zones, topographical constraints such as steep slopes, and threat of litigation from adjacent residential areas significantly reduce the probability of any future development in Area A.

The finding does not provide or reference any substantial evidence demonstrating that “Measure U has encouraged efficient growth patterns and protected quality of life in Watsonville by concentrating future development largely within or adjacent to existing developed areas where adequate infrastructure and services can be provided.”

- 4. This Initiative will build on Measure U's success, and will continue to promote stability in long-term planning for the City of Watsonville by designating appropriate geographical areas for urban development over the next 18 years.**

Analysis: Over the last 20 years, the “appropriate geographical areas for urban development” identified by Measure U have only yielded 207 of the 1,850 housing units identified in the 2006 version of the 2030 General Plan, the 2009 Atkinson Lane Specific Plan, the 2010 Manabe-Ow Business Park Specific Plan, and in the

“Villages.” The EPS analysis found that “the limited number of vacant sites and viable annexation areas allowed under the ULL measure provide land supply for an estimated 876 new dwelling units, which is insufficient to accommodate projected growth in five out of eight demand forecasts,” and that, even if certain portions of Area C were to become available for development, “anticipated policy goals for housing supply far outstrip vacant land capacity.”

The finding does not provide or reference any substantial evidence illustrating how “the Initiative will build on Measure U's success,” or how it “will continue to promote stability in long-term planning for the City of Watsonville by designating appropriate geographical areas for urban development over the next 18 years.”

5. **Specifically, this Initiative amends the General Plan to extend the voter approval requirement for amendments to the City's existing Urban Limit Line, related diagrams (Land Use Diagram and Development Planning Areas & Urban Limit Line map), Policies 3.B and 3.C, and Implementation Measures 3.C.1 through 3.C.3 through November 3, 2040. The diagrams, with amendments, are shown in Exhibit A (General Plan Land Use Diagram) and Exhibit B (Development Planning Areas & Urban Limit Line map). The text of Policy 3.B and Implementation Measures 3.C.1 and 3.C.3, with amendments, are provided in Sections 2 and 3 below. Policy 3.C and Implementation Measure 3.C.2 are not amended by this Initiative but are provided for reference in Exhibit C.**

Analysis: No comments.

6. **Land use in the area west of the City is controlled by a Memorandum of Understanding among the City, the County of Santa Cruz, and the California Coastal Commission ("MOU"), provided for reference in Exhibit D. Measure U provided that the MOU's provisions "govern the City's planning and development policies" in that area. Measure U also provided that in the event the MOU terminated for any reason, the "Westerly ULL" could not be amended except by a vote of the people or pursuant to another exception until November 1, 2027. This Initiative extends the voter approval requirement to November 3, 2040 and renames the Westerly ULL as ULL Segment 3 but otherwise does not substantively change this provision.**

Analysis: Farmlands and wetlands west of Highway 1 have been protected under the Memorandum of Understanding (MOU) related to the City of Watsonville Local Coastal Plan (LCP) Amendment 1-99 since it was signed by the City of Watsonville, the County of Santa Cruz, and the California Coastal Commission in September 2000 (Attachment 1). Additionally, the Coastal Act requires the Coastal Commission to maximize and protect agricultural land adjacent to urban uses and protect environmentally sensitive habitats and wetlands. The memorandum may only be amended by agreement of all parties.

Measure U added an additional backstop to the MOU, stating that “should that MOU terminate for any reason, the Westerly ULL, nonetheless, may not be amended until on or after November 1, 2027 except by a vote of the people or as provided in Implementation Measure 3.C.3 or for public facilities described in the MOU.” This provision has never been implemented because the MOU remains in effect.

The finding does not provide or reference any substantial evidence demonstrating that the MOU is under any threat of termination.

- 7. Measure U required development in the Buena Vista and Atkinson Lane areas to proceed on a phased schedule. However, these phasing requirements expired in 2010 (Atkinson Lane) and 2016 (Buena Vista), and are therefore obsolete. This Initiative removes these obsolete requirements from the General Plan.**

Analysis: As the dates after which maps could be approved in Area A – Buena Vista and Area B – Atkinson Lane have already passed, there are no issues with removing those sections of Measure U.

There are no findings related to the removal of the specific plan requirements for Area A – Buena Vista and Area B – Atkinson Lane or how the removal of those requirements would allow the ULL Initiative to achieve its stated purpose and goals.

- 8. Measure U imposed use restrictions on certain areas in the City, and provided that these restrictions could not be amended without a vote of the people until November 1, 2022, or November 1, 2027, depending on the area. This Initiative leaves Measure U's use restrictions in place and does not extend or otherwise alter the dates after which these use restrictions may be amended by the City Council without voter approval. For clarity, the voter approval requirements for the use restrictions found in amended Implementation Measures 3.G.1 and 3.G.2 are now provided in a new Implementation Measure 3.G.4.**

Analysis: Implementation Measure 3.G.4(b) enables the City Council to amend the restrictions related to Area A – Buena Vista, Area E – “Villages”, or Area F – Manabe-Ow without a vote of the people any time on or after November 1, 2022.

Implementation Measure 3.G.4(c) enables the City Council to amend the restrictions related to Area B – Atkinson Lane without a vote of the people any time on or after November 1, 2027.

However, Implementation Measure 3.G.4(d) of the Initiative allows the City Council to amend Policy 3.G or Implementation Measures 3.G.1 and 3.G.2 without a vote of the people “if the City Council determines that doing so is necessary to comply with state or federal law regarding the provision of housing.” This section requires the City Council to make three findings (which are the same ones required under 3.C.3(e)): (i) A specific provision of state or federal law requires the City to accommodate the

housing that will be permitted by the amendment, (ii) The amendment permits no greater density than that necessary to accommodate the required housing, and (iii) An alternative site within the ULL is not available to satisfy the specific state or federal housing law.

- 9. To the extent this Initiative does not amend or readopt text or exhibits adopted by Measure U, such text and exhibits may be further amended in accordance with state law.**

Analysis: No comments.

- 10. As the General Plan's Housing Element shows, the land within the Urban Limit Line provides sufficient capacity to accommodate the City's regional housing needs allocation and to meet state housing law goals. This Initiative allows the City to continue to meet housing needs for all economic segments of the population by directing the development of housing into areas where services and infrastructure can be provided more economically. It also includes exceptions to the voter approval requirement for amendments that are necessary to implement state or federal housing law.**

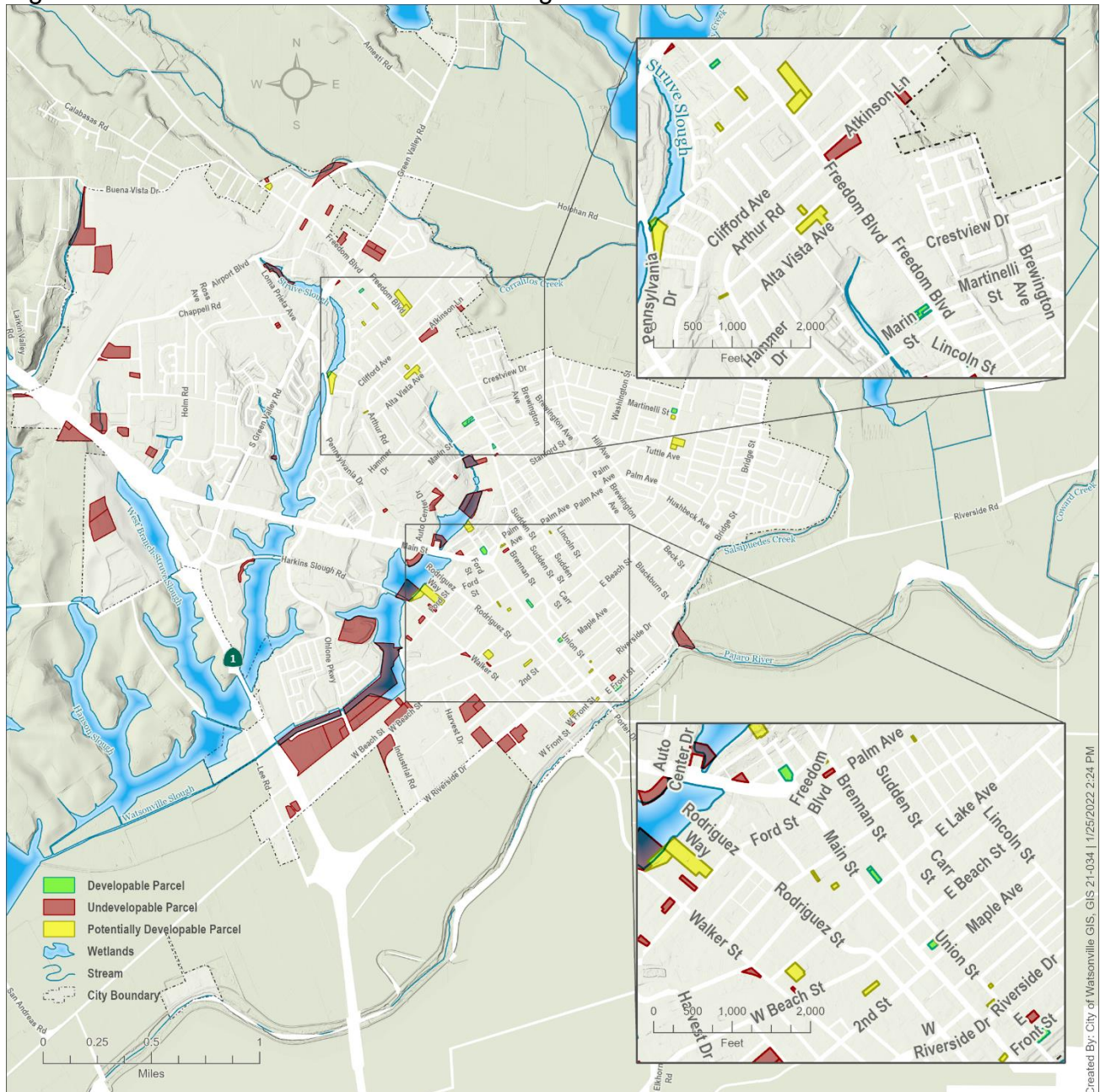
Analysis: The City of Watsonville 2015-2023 Housing Element demonstrates the availability of sufficiently zoned land in the City of Watsonville to provide the City's share of the region's future housing need for the 2014 to 2023 planning period (5th RHNA cycle), which was 700 units. The total number of permits issued during the 5th cycle so far is 302, as opposed to 644 in the County of Santa Cruz and 867 in the City of Santa Cruz. However, the City of Watsonville's share of the 6th RHNA cycle has been identified at over 2,000 additional units, and there will be two more RHNA cycles before 2040. The EPS analysis found that a renewal of the ULL "could create a significant barrier to meeting policy goals for housing, with estimates of unmet need for housing ranging from roughly 2,300 to 2,900 dwelling units by 2040."

The EPS analysis also included an in-depth review of vacant parcels within the existing ULL. Staff worked with the IT department to update the existing GIS vacant parcel layer, which identified 147 vacant parcels within the ULL. Staff then conducted a parcel-by-parcel review of the 147 vacant parcels to verify the current zoning, airport safety zones, zoning of adjacent parcels, existing uses, and any other potential impediments to residential development. The analysis identified that 107 of the original 147 vacant parcels had some characteristic, such as airport safety zones, existing entitlements, and proximity wetlands, that prohibited residential development. Of the remaining 40 parcels, 30 would require additional analysis and/or changes in zoning to allow residential development. The remaining ten parcels could currently be developed with residential units. The results of the analysis are included in Table 4 and illustrated in Figure 1 below.

Table 4: Residential Infill Potential of Existing Vacant Lots

Residential Infill Potential of Existing Vacant Lots	
Undevelopable Parcels	107
Potentially Developable Parcels	30
Developable Parcels	10
Total	147

Figure 2: Residential Infill Potential of Existing Vacant Lots



The developable and potentially developable parcels combined are approximately 17.55 acres. Assuming a density of 16 dwelling units per acre (du/acre), which is typical for recent, medium-density, residential development projects within the City of Watsonville, this area could accommodate approximately 281 residential dwelling units.

Strategic Growth Areas at the Urban Edge

Staff worked with EPS to identify whether there were any strategic growth areas outside of the existing and proposed Urban Limit Lines that would be feasible for residential or economic development under a scenario where the urban limits lines established under Measure U expired. All of Area D – East of East Lake Avenue, which would become available if the 20-Year ULL expired in November 2022, is located in the 100-year FEMA floodplain. In addition, the land outside the southeastern 20-Year ULL/Segment 1 is either in agricultural production or adjacent to industrial areas that would not be compatible with residential development.

Based on the analysis by EPS and staff, two farmland areas outside of the existing ULL were identified for potential residential or economic development if Measure U were to expire: a small portion of Area C (77 acres) that could be utilized for residential development and the Redman House parcel (13.6 acres) that could be utilized for economic development. Those two strategic growth areas are analyzed below.

Area C (77 Acres) – Potential Residential Development

The majority of Area C – West of East Lake/South of Corralitos Creek is within the 100- and 500-year FEMA floodplain. However, there are 77 acres of Area C that are outside of the floodplain, adjacent to existing residential areas, and could potentially provide residential development, needed connectivity between Freedom Boulevard and East Lake Avenue/CA-152, and park land in an area with a very low number of parks per capita.

If the ULL Initiative were to be adopted, this parcel would be outside of the ULL and unavailable for annexation without an adjustment to the ULL. Under the ULL Initiative, this could either approved by the City Council through the exception to comply with state or federal law regarding the provision of housing allowed under Implementation Measure 3.C.3(e) or with an adjustment to the ULL approved by a vote of the people.

Redman House Parcel (13.6 Acres) – Potential Economic Growth Area

There are very few economic growth areas outside of the existing ULL. However, the Redman House parcel near the intersection of West Riverside Drive/CA-129 and Highway 1 is surrounded by the City of Watsonville on three sides and has the potential to provide visitor-serving uses that the EPS study found “likely would have a strong positive impact on the City’s General Fund by generating new transient occupancy tax (TOT) and sales tax revenue for the City.”

If the ULL Initiative were to be adopted, this parcel would be unavailable for annexation without an adjustment to the ULL approved by a vote of the people.

EPS Analysis

The EPS analysis of the ULL Initiative made the following key findings:

1. While the existing ULL has restricted development of prime farmland and environmentally sensitive open space, minimal new development has occurred in growth areas defined by the measure.
2. A range of public- and private-sector housing demand projections as well as policy goals for new housing reveal significant variation in potential future residential development in Watsonville, and renewal of the ULL likely will cause a land supply constraint, with insufficient developable area to accommodate projected growth in more than half (four of seven) of the demand projections considered.
3. Allowing development in currently restricted, new strategic growth areas creates new land supply to meet housing demand projections, but even if new strategic growth areas are opened for development, land supply constraints will continue to affect the City's ability to meet policy goals for housing development.
4. New development in Watsonville, whether infill within the City limits or development of new strategic areas at the City's edge, will have one-time infrastructure improvement requirements.
5. Interviews with Police, Fire, and Public Works departments confirm that population growth increases service burdens and department costs under any growth pattern scenario, with the Police department indicating that providing service to new neighborhoods on the urban edge will be more expensive than serving infill development.
6. Creating strategic growth areas at the urban edge could support new economic development opportunities, including a potential visitor-serving development at the intersection of Highway 1 and State Route 129.

STRATEGIC PLAN:

Extending the Urban Limit Line established by Measure U would affect available land for development and expansion, ultimately affecting each Strategic Plan Goal: 1-Housing, 2-Fiscal Health, 3-Infrastructure & Environment, 4-Economic Development, 5-Community Engagement & Well-Being, 6-Public Safety, 7-Efficient and High Performing Government.

FINANCIAL IMPACT:

The Economics & Planning Systems (EPS) memorandum identified several potential financial impacts related to the Initiative:

- (1) New development in Watsonville, whether infill within City limits or development of new strategic areas at the City's edge, will have one-time infrastructure improvement costs;
- (2) Interviews with Police, Fire, and Public Works departments confirm that population growth increases service burdens and department costs under any growth pattern scenario; and
- (3) Creating strategic growth areas at the urban edge could support new economic development opportunities, including a potential visitor-serving development at the intersection of Highway 1 and State Route 129 that likely would have a strong positive

impact on the City's General Fund by generating new transient occupancy tax (TOT) and sales tax revenue for the City.

ALTERNATIVE ACTION:

None.

ATTACHMENTS AND/OR REFERENCES (If any):

Attachment 1 - Measure U with MOU Attachment

Attachment 2 - ULL Initiative – City Attorney Title & Summary

Attachment 3 - ULL Initiative

Attachment 4 - EPS - Memorandum – Summary of Findings

Attachment 5 - EPS - Watsonville ULL Ballot Initiative Impact Assessment Briefing Document

Attachment 6 - Measure U vs ULL Initiative Comparison Table