



AGENDA ITEM 6B

MEETING: September 16, 2015

TO: Humboldt LAFCo Commissioners

FROM: George Williamson, Executive Officer

SUBJECT: **Proposed Annexation of Four (4) Parcels and a Portion of State Route 299 Right-of-Way in the Boyd Road Area to the City of Arcata**

The Commission will consider a proposal submitted by resolution of application by the City of Arcata for annexation of approximately 26 acres of unincorporated territory, generally located along Boyd Road and including a portion of the State Route 299 right-of-way. The City has received written consent from all landowners within the proposed annexation area. Staff recommends approval of the proposal with conditions incorporated.

LAFcos are responsible under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 to regulate the formation and development of local governmental agencies and their municipal services. This includes approving or disapproving proposed changes of organization, such as city annexations, consistent with adopted policies and procedures pursuant to California Government Code (G.C.) Section 56375. LAFcos are authorized with broad discretion in amending and conditioning changes of organization as long as they do not directly regulate land use, property development, or subdivision requirements.

A. BACKGROUND

The proposal includes annexation of 26 acres of land in the Boyd Road area, including four parcels (15.5 acres) currently developed with commercial and industrial uses (referred to as the Eureka Ready Mix site; APNs 507-381-004, -005, and -007) or vacant (APN 507-381-001), and a portion of the State Route 299 corridor (10.6 acres). The subject property is within both the City's Sphere of Influence and its Urban Services Boundary, and is located outside of the coastal zone.

Parcel Number	Owner	Size (acres)	Current County GP Land Use ¹	Current County Zoning ²	Proposed City Zoning ³
507-381-004	ERM	5.5	AE (ARC 66)	ML	IL:SCI:SP
507-381-005	ERM	0.7	AE (ARC 66)	ML	IL:SCI:SP
507-381-007	ERM	9.1	AE (ARC 66)	ML	IL:SCI:SP
507-381-001	HFB	0.2	AE (ARC 66)	ML	IL:SCI:SP
SR 299 ROW	Caltrans	10.6	Undesignated	Undesignated	Undesignated

¹ AE = Agriculture Exclusive ARC 66 = Arcata 1966 Community Plan

² ML = Limited Industrial

³ IL:SCI:SP = Industrial Limited with Special Considerations Industrial Combining Zone and Streamside Protection Combining Zone

Proceedings for this proposal were initiated by the City of Arcata in response to expressed property owner interest in being annexed to the City for purposes of further developing its properties at a level that would otherwise not be feasible under Humboldt County's current land use regulations. Specifically, the Eureka Ready Mix (ERM) would like to receive City water and sewer services in order to facilitate further subdivision and industrial development. Currently, the ERM site is developed with an active in-stream gravel extraction operation and a variety of ancillary gravel, asphalt and concrete manufacturing uses. While there is no immediate development proposed, the City's Plan for Services indicates that additional development or subdivision could be anticipated within the next two (2) to five (5) years.

The City has pursued annexation for the following reasons: a) the subject properties are located within the City's Sphere of Influence and within its Urban Services Boundary and are, therefore, within the City's logical expansion area, and b) the increase in tax revenue for the City would be significant. It is estimated that the City would receive approximately \$30,000 per year in tax revenue from the existing ERM enterprise. As the properties develop further, it can be assumed that revenue to the City would continue to grow.

Currently, the McKinleyville Community Services District (MCSD) provides water service outside its jurisdictional boundary and sphere of influence to 22 connections in the Boyd Road area, including the ERM site within the proposed annexation area. In accordance with City Council Resolution No. 145-05, the City proposes to coordinate with MCSD to implement Option 1 of the City's Plan for Services (i.e., maintain the status quo by continuing to provide service without any change until such time as the City has extended water service to the user which would need to occur if ERM seeks to subdivide the property) (see City Resolution with Exhibits, Attachment A). MCSD has expressed its commitment to continue providing water services to the subject properties until such time as the District pays off its loan to the U.S. Department of Agriculture in the year 2022 (see MCSD Letter and Service Area Map, Attachment B).

B. DISCUSSION

Reasons for Proposal

According to the application, the reasons for annexation are as follows:

1. The owners of the three (3) Eureka Ready Mix (ERM) properties have expressed to the City an interest in developing and potentially subdividing their properties, but are currently limited by water, sewer, and County land use regulations. If annexed, the properties could be further developed through the extension of water and sewer services from existing City infrastructure and smaller parcel sizes allowed under the City's Industrial Limited (IL) zoning and land use designations. Including the highway right-of-way (ROW) creates a linear strip of City boundary that would allow additional neighboring properties to voluntarily annex in the future. The small, 0.2 acre parcel (owned by Humboldt Flake Board) is developed with a well and will not

likely be developed further given its very small size and proximity within the Streamside Protection zone of the Mad River.

2. The subject properties are within the City's Sphere of Influence (SOI) and Urban Services Boundary (USB). The non-highway properties are developed with a variety of industrial uses and represent an area where logical City boundary expansion should occur.
3. The annexation would result in significant sales tax revenue through the City's Transaction & Use Tax program as well as property and general sales tax revenue.

Current Services

MCSD provides water to 22 connections via a service line that ties in to the District's major intake transmission line. The 18-inch transmission line extends from the HBMWD Korblex Facility (located on Pipeline Road above West End Road in Arcata), crosses under the Mad River northeast of the annexation area, and continues to the MCSD Ramey Pump Station (located at the corner of North Bank and Azalea Roads in McKinleyville). Water service to the ERM site has been provided by MCSD since 2007. No wastewater services are provided; instead properties utilize onsite sewage disposal systems.

Proposed Services

The City has prepared a Plan for Services for the annexation area (see City Resolution; Attachment A, Exhibit 3). According to the City's Resolution of Application, the City and MCSD both agree to Option 1 as outlined in the Plan for Services wherein MCSD maintains the status quo by continuing to provide service without any change as the best immediate approach until such time as the City and MCSD meet to discuss a Memorandum of Understanding (MOU) and/or other approaches for long-term water service to the annexation area. Given the MCSD infrastructure investment and debt obligation incurred to serve the area, the MOU or service change agreement should be structured to allow sufficient time for full debt repayment or compensation. Should the agreement allow for additional MCSD water service to be provided prior to 2022 due to additional City development, LAFCo review would be required.

According to the Plan for Services, City water distribution and sewer collection services would be provided to annexed properties within the next two (2) to five (5) years. The improvements would be funded through a development (cost-sharing) agreement between the City of Arcata and property owners. The City and ERM have agreed on a Term Sheet outlining cost sharing and development responsibilities for the installation of water and sewer improvements (see City Resolution; Attachment A, Exhibit 2). As noted above, this agreement must also address MCSD's investment in existing infrastructure. After annexation, the City of Arcata would immediately be responsible for road maintenance and police services. There would be no change in fire protection services provided by the Arcata Fire Protection District.

Pre-Zoning Ordinance

The City approved a Pre-Zoning Ordinance (Ordinance No. 1428) for the annexation area on April 1, 2015. The subject property has been pre-zoned as Industrial Limited (IL) in compliance with Section 9.92.060.A.3 of the Land Use Code. The proposed zoning would change the County's ML zoning designation to the City's IL zoning designation, thereby decreasing the minimum parcel size from one acre to 6,000 square feet. The pre-zoning includes a Special Considerations Industrial combining zone (:SCI) to the properties that would allow the continuation of the existing sand and gravel extractive uses, as well as a Stream Protection combining zone (:SP).

C. ANALYSIS

The analysis of the proposal is organized into two sections. The first section considers the proposal relative to the factors mandated for review by the Legislature anytime LAFCos review boundary changes. The second section considers issues required by other applicable State statutes in processing boundary changes, such as environmental compliance with the California Environmental Quality Act.

Required Factors for Review

G.C. Section 56668 requires the Commission to consider 16 specific factors anytime it reviews proposals for a change of organization or reorganization involving cities. The majority of the prescribed factors focus on the impacts of the proposed boundary changes on the service and financial capacities of the affected agencies. No single factor is determinative. The purpose in considering these factors is to help inform the Commission in its decision-making process.

A summary of key statements and conclusions generated in the review of the mandated factors for the proposal follows, with a complete analysis provided in Attachment D.

- The proposed Boyd Road Annexation area is commercial, industrial and highway in nature. There are no inhabitants. Total assessed value of properties (land and improvements) is \$1,957,833. The boundaries were revised from the original more comprehensive annexation proposal based on landowner consent.
- The City of Arcata provided sufficient notice to interested and subject agencies of its intent to adopt a resolution of application, pursuant to GC Section 56654(c). LAFCo staff also provided a Notice of Filing to interested and subject agencies (see Notice of Filing, Attachment C).
- The City is proposing continued water service by MCSD as an interim service option. Should ERM pursue additional development or subdivision, there will be a need for the City and MCSD to address long-term water service to the annexation area that would support adequate service and business development.

Other Considerations

- o Environmental Review

In accordance with the California Environmental Quality Act (CEQA), the City of Arcata served as Lead Agency and adopted a Negative Declaration for the project on April 3, 2013. On behalf of the Commission in its role as Responsible Agency under CEQA, staff independently reviewed and commented on the draft Initial Study, and concurs that there will be no significant environmental impact from the project. This Negative Declaration also serves as the environmental document for the Commission's action on the proposed annexation.

- o Master Property Tax Exchange Agreement

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before LAFCo can consider a proposed boundary change. The proposal would apply a master property tax exchange agreement adopted by the City and the County in 1980; an agreement specifying Arcata shall receive 36.36 percent of the County's existing portion of property tax revenues generated from the affected territory. Neither agency objects to the application of the referenced agreement.

- o Conducting Authority Proceedings

All proposed boundary changes approved by the Commission are subject to conducting authority proceedings (i.e., a protest hearing) unless waived in accordance with criteria outlined under G.C. Section 56662. Given that the affected territory is uninhabited, all landowners have provided their written consent, and no written opposition to a waiver of protest proceedings has been received by an affected local agency, staff recommends the Commission waive the conducting authority/protest proceedings.

D. RECOMMENDATION

The proposed Boyd Road Annexation to the City of Arcata appears appropriate relative to the factors required by statute for consideration. It is recommended the following conditions of approval be applied with delegation to the Executive Officer to determine when the requested actions have been sufficiently satisfied before proceeding with a recordation.

- o Completion of the 30-day reconsideration period provided under G.C. Section 56895.
- o Submittal of a final map and geographic description of the affected territory conforming to the requirements of the State Board of Equalization.
- o Payment of any outstanding fees as identified in the Commission's adopted fee schedule.
- o Given the MCSD infrastructure investment and debt obligation incurred to serve the area, a MOU or service change agreement should be structured to allow sufficient time for full debt repayment or compensation. Should the agreement

allow for additional MCSD water service to be provided prior to 2022 due to additional City development, LAFCo review would be required.

Alternatives for Commission Action

Staff has identified three options for Commission consideration with respect to the proposal. These options are summarized below.

- Alternative Action One (Recommended):
Adopt the draft resolution identified as Attachment E, approving the proposal with the recommended conditions along with any desired changes as requested by the Commission.
- Alternative Action Two:
Continue consideration of the item to the next regular meeting and provide direction to staff for additional information as needed.
- Alternative Action Three:
Disapprove the proposal. Disapproval would statutorily prohibit the initiation of a similar proposal for one year unless a request for reconsideration is filed and approved within 30 days of Commission action.

Procedures for Consideration

This item has been agenzized for consideration as part of a noticed public meeting. A public hearing is not necessary because the applicant received 100 percent property owner consent for the proposal. As such, the following procedures are recommended with respect to the Commission's consideration of this item:

- A. Receive verbal report from staff
- B. Invite testimony
- C. Discuss item and – if appropriate – consider action on recommendation:

"I move to adopt Resolution No. 15-11, approving the Annexation of Four (4) Parcels and a Portion of State Route 299 Right-of-Way in the Boyd Road Area to the City of Arcata, as described in the staff report, subject to the recommended conditions".

Attachments

- Attachment A: City Resolution with Exhibits
- Attachment B: MCSD Letter and Service Area Figure
- Attachment C: LAFCo Notice of Filing
- Attachment D: Required Factors for Review
- Attachment E: Draft LAFCo Resolution of Approval (No. 15-11)

RESOLUTION NO.145-05

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCATA AUTHORIZING THE FILING
OF AN ANNEXATION APPLICATION TO THE HUMBOLDT COUNTY LOCAL AGENCY
FORMATION COMMISSION FOR ASSESSOR PARCEL NUMBERS: 507-381-001, 507-381-004,
507-381-005 and 507-381-007 and THAT PORTION OF STATE ROUTE 299 RIGHT OF WAY
LOCATED BETWEEN THE CURRENT CITY OF ARCATA BOUNDARY AT BOYD ROAD AND THE
EASTERN EDGE OF THE URBAN SERVICES BOUNDARY**

WHEREAS, the City of Arcata desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for a change of organization consisting of the annexation of territory to the City of Arcata; and

WHEREAS, pursuant to Section 56654 of the California Government Code, notice of intent to adopt this resolution of application was given to the Humboldt County Local Agency Formation Commission, interested agencies and subject agencies at least twenty-one (21) days before the adoption of this resolution; and

WHEREAS, on June 18, 2014, January 21, 2015 and March 18, 2015 this Council conducted a public hearing based upon this notification; and

WHEREAS, the principle reasons for the proposed reorganization are as follows:

1. Assessor Parcels 507-381-001, 507-381-004, 507-381-005 and 507-381-007 (the "Subject Parcels") and that portion of the State Route 299 right of way located between the current City of Arcata boundary at Boyd Road and the eastern edge of the Urban Services Boundary (the "State Route 299 Right of Way") are currently located within the land use jurisdiction of Humboldt County, but within in the City of Arcata's Sphere of Influence as adopted by the Humboldt County Local Area Formation Commission (LAFCo) and are within the City of Arcata's Urban Services Boundary pursuant to the General Plan;
2. The McKinleyville Community Services District (MCSD) has been providing water service to the Subject Parcels, which is outside its mapped service area, since the 1970s;
3. Eureka Ready Mix, which owns three (3) parcels adjacent to the existing Arcata City's jurisdictional boundary along the western edge of the Boyd Road right of way has expressed an interest in annexing;
4. The City of Arcata and Eureka Ready Mix will enter into an Infrastructure Agreement regarding the installation cost and timing for providing water and sewer extension to the Subject Parcels from the existing City-owned facilities;
5. Annexing the State Route 299 Right of Way in a longitudinal manner will facilitate the future annexation of other properties along Boyd Road and West End Road, as desired by the owners and at their cost;
6. The proposed annexation involves multiple properties and was initiated by the City Council in an effort to annex properties within the City's existing Urban Services Boundary in an orderly fashion;
7. The annexation of the Subject Parcels will result in an increase in tax revenue for the City; the annexation of the State Route 299 Right of Way will result in neither a loss nor an increase in revenue for the City; and

WHEREAS, the following agency or agencies would be affected by the proposed jurisdictional changes:

<u>Agency</u>	<u>Nature of Change</u>
City of Arcata	Annexation

WHEREAS, the territory proposed to be reorganized is uninhabited, and a map and description of the boundaries of the territory are attached hereto as Exhibit 1 and by this reference incorporated herein;

WHEREAS, this Council certifies that the annexation of the Subject Parcels and State Route 299 Right of Way is not in conflict with General Plan policy GM-2c;

WHEREAS, the City has prepared a Plan for Services that addresses the City's short- and long-term plans for providing water and sewer infrastructure to the newly annexed territory. and includes a

WHEREAS, the City of Arcata and the McKinleyville Community Services District both agree to Option 1 as outlined in the Plan for Services wherein MCSD maintains the status quo by continuing to provide service without any change is the best immediate approach until such time as the City and MCSD meet to discuss an MOU and or other approaches for long term water service to the annexation area.

WHEREAS, The City and Eureka Ready Mix have agreed on a Term Sheet outlining cost sharing and development responsibilities for the installation of water and sewer improvements.

WHEREAS, pursuant to Resolution 123-26, and based upon the complete record, including the Initial Study, comments regarding the Initial Study, and responses to such comments, the Council determined that the proposed project will not have a significant effect on the environment and adopted the Negative Declaration prepared for the project.

BE IT THEREFORE RESOLVED by the City Council of the City of Arcata as follows:

1. This Resolution of Application is hereby adopted and approved and the Local Agency Formation Commission of Humboldt County is hereby requested to take proceedings in the matter of the annexation of territory as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
2. The Plan for Services is hereby approved and upon annexation, Staff shall coordinate with McKinleyville Community Services District to implement Option 1 of the Plan for Service (Exhibit 3).
3. The City Attorney shall draft and the City Manager shall execute an agreement with Eureka Ready Mix for cost sharing and development responsibilities as outlined in the Term Sheet (Exhibit 2).
4. Staff is directed to submit an application for annexation for the Subject Parcels and State Route 299 Right of Way as identified in Exhibit 1, attached hereto and incorporated herein, to the Humboldt County Local Agency Formation Commission.

DATED: _____, 2015

ATTEST:

APPROVED:

City Clerk, City of Arcata

Mayor, City of Arcata

Clerk's Certificate

I hereby certify that the foregoing is a true and correct copy of Resolution No. 145-05, passed and adopted at a regular meeting of the City Council of the City of Arcata, Humboldt County, California held on the ____ day of _____, 2015, by the following vote:

AYES:

NOES:

ABSENT:

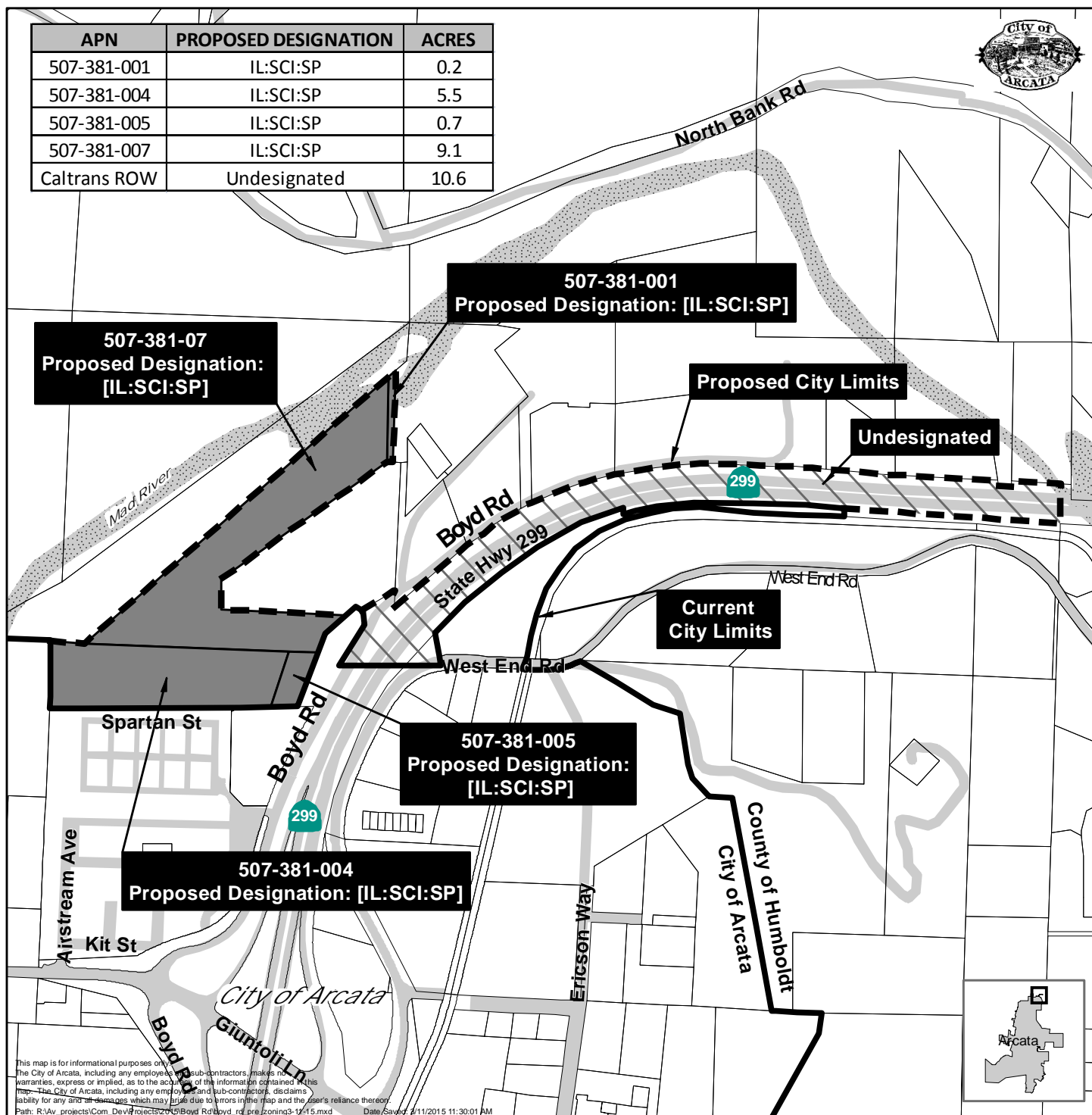
ABSTENTIONS:

City Clerk, City of Arcata

City of Arcata

BOYD ROAD LAND USE CODE PREZONING MAPPREZONE INDUSTRIAL LIMITED WITH SPECIAL CONSIDERATIONS (INDUSTRIAL)
AND STREAM PROTECTION COMBINING ZONE (IL:SCI:SP)

3/11/2015

**Legend**

- Proposed City Boundary Adjustment
- Proposed Designation: Industrial Limited [IL:SCI:SP]
- Caltran Right of Way (Not Zoned)

- Arcata City Limits
- Parcel
- Mad River



0 250 500 Feet

CITY OF ARCATA

Infrastructure / Term Sheet

March 18, 2015

Project Name: Eureka Ready Mix Annexation/Sewer Extension Agreement

Project Location: 4945 Boyd Road, Arcata 95521

Purpose: Eureka Ready Mix (ERM) owns three (3) industrial properties along Boyd Road adjacent to the existing City limits. ERM has expressed an interest in annexing to the City of Arcata so that it can further develop its properties at a level that would not be feasible under Humboldt County's current land use regulations. The total land area under ERM's ownership is 15.3 acres. The property owner would like water and sewer to be extended to these parcels to facilitate further subdivision and industrial development. The City can extend water and sanitary sewer lines from their existing terminus near the intersection of Boyd Road with Giuntoli Lane to the southeast corner of the Eureka Ready Mix (ERM) parcel known as Assessor Parcel No. 507-381-005. An estimate for the construction and installation of the water and sewer lines was prepared by the City engineer and is included in the table below.

The City is interested in annexing the properties because: a) they are located within the City's Sphere of Influence and within its Urban Services Boundary and are, therefore, within the City's logical expansion area, and b) the increase in tax revenue for the City would be significant. It is estimated that the City would receive approximately \$30,000.00/year in tax revenue from the existing ERM enterprise. As the properties develop further, it can be assumed that revenue to the City will continue to grow.

Process: This term sheet specifies the conditions under which the City and ERM will complete the work described in the table below.

Key Conditions: The City and ERM agree to the following conditions;

- ERM will contract for and finance all of the Sewer improvements described in the table below;
- ERM will submit Sewer Improvement Plans subject to the review and approval of the Public Works Director;
- The Sewer improvements shall be inspected by the City's Public Works Director prior to their dedication into the City's maintained system; The City will contribute the lesser of \$30,000 or the total amount of property tax, sales tax and Transactions & Use Tax generated annually for the first years; i.e., \$30,000 the first year, \$60,000 the second year, up to \$95,500, toward the cost of the Sewer improvements;

- The City, at its election, may utilize the additional tax revenue generated above \$95,500 to pay the cost to bring water service down from to the Eureka Ready Mix Property, or may contract with McKinleyville Community Service District as outline in Option 1 of the Plan for Services at its election.
- The City's contribution timeline will start on the day of final approval of the annexation by LAFCo to 5 years from that date;
- ERM will receive an Encroachment Permit from the City's Public Works Dept for all work within the City's portion of Boyd Rd.;
- ERM will conform to the terms and requirements of the City's Encroachment Permit;
- ERM will provide proof of ownership (either in fee or via easement) or otherwise show its right to undertake improvements within the portion of Boyd Rd that is privately owned;
- If the Sewer infrastructure is not installed by ERM within 7 years from the date of annexation, ERM will be responsible for 100% of the cost to provide water and sewer services.

Public Works Dept's Estimate for Boyd Road Water & Sewer Line Extension

			Engineer's Est. Unit Cost	Engineer's Estimated Total Cost
	<u>Items of Work</u>	<u>Unit Totals</u>		
1	4-Inch Sanitary Sewer Force Main (sewer)	1400	\$40.00	\$56,000.00
2	6-Inch Sanitary Sewer (sewer)	400	\$60.00	\$24,000.00
3	New Sewer Manholes (sewer)	1	\$3,500.00	\$3,500.00
4	Fire Hydrant (water)	1	\$2,500.00	\$2,500.00
5	New Sewer Laterals w/ Clean-out (sewer)	2	\$1,500.00	\$3,000.00
6	Rehabilitate Existing Manhole (sewer)	1	\$1,500.00	\$1,500.00
7	6" Water Main (water)	900	\$65.00	\$58,500.00
8	6" Water Valves (water)	2	\$1,500.00	\$3,000.00
9	Traffic Control (sewer)	LS	\$7,500.00	\$7,500.00
	Estimated cost			\$159,500.00
	15% Contingency			\$23,925.00
	5% Design engineering		\$7,975.00	
	5% Construction Management		\$7,975.00	
	<u>Total estimated Construction Cost</u>			<u>\$183,425.00</u>
	City Engineering Support		\$15,950.00	

DRAFT PLAN FOR SERVICES

LAFCO Boundary Change Application Boyd Road Annexation to the City of Arcata

1.0 INTRODUCTION AND PURPOSE

The purpose of this document is to outline a Plan for Services to support an application submitted to the Humboldt County Local Agency Formation Commission (LAFCO) for the annexation of approximately 26 acres, generally along Boyd Road and including a portion of the State Route 299 right-of-way (ROW), to the City of Arcata. This Plan for Services describes the need for, and anticipated benefits of, annexation, and the implementation strategy to facilitate the connection of the annexed properties to the existing City of Arcata infrastructure.

The project consists of the annexation of approximately 15.5 acres of unincorporated land currently developed with light industrial uses (referred to as the Eureka Ready Mix site) or vacant (referred to as the Humboldt Flake Board site), and a portion of the State Highway 299 corridor (10.6 acres), into the City of Arcata (City) city limits. The unincorporated land is within both the City's Sphere of Influence (SOI) and its Urban Services Boundary (USB), which are set by the Humboldt County LAFCO (see Figure 1). The existing SOI boundary was reaffirmed by LAFCO on March 17, 2010. A SOI is described as a plan for the probable ultimate physical boundary and service area of a local agency. The Boyd Road annexation area consists of a total of four (4) Assessor's parcels: 507-381-004, 507-381-005, and 507-381-007 (comprising the Eureka Ready Mix site) and APN 507-381-001 (comprising the Humboldt Flake Board site), in addition to the State Highway 299 right of way. The annexation area is located outside of the coastal zone. The annexation will incorporate both vacant and developed parcels that are within the logical boundaries of the City (south of the Mad River), and provide City services to those areas. The following is a plan for providing services pursuant to Government Code Section 56653.

This document identifies the long-term infrastructure improvements necessary to connect the Boyd Road annexation area to City of Arcata water and sewer services. With a determination of the project needs and an explanation of how these needs will be or are already being met, this document will be used to support an application submitted to LAFCO for the annexation of the 26-acre Boyd Road annexation area by the City of Arcata.

2.0 EXISTING INFRASTRUCTURE

2.1 Water Infrastructure

The Eureka Ready Mix site currently receives water through a connection to McKinleyville Community Services District's (MCSD) water system, although the site is not located within MCSD's mapped service area.

MCSD serves the area from its major intake transmission line which crosses the Mad River northeast of the annexation area, with a service line located generally along the south side of the Mad River, through the northerly portion of the served parcels. Service along that system will initially be maintained through agreement with the MCSD. MCSD will either continue service or transfer service responsibility to the City after the City has completed infrastructure improvements. Following annexation, the City of Arcata may extend the existing municipal water system along Boyd Road, enabling the City to serve the affected parcels with standard City water connections.

An 8-inch-diameter water main owned by the City is located approximately 470 feet south of the annexation area, near the entrance to the Town and Country Mobile Home Village on Boyd Road, where it currently dead-ends. The City has not reported any pressure or water volume issues that would indicate that the system is experiencing insufficient capacity to serve the area appropriately.

2.2 Sewer Infrastructure

The Eureka Ready Mix site is not currently served by the City's municipal wastewater systems. Several sanitary sewer facilities are in place within the vicinity of the site. An 8-inch-diameter City of Arcata-owned gravity flow sewer main is located along Giuntoli Lane. Due to the shallow depth of the sewer main in Giuntoli Lane, the nearby Town and Country Mobile Home Village uses a private pump station to discharge wastewater into this main.

2.3 Roads

The frontage of said parcel is currently City of Arcata right-of-way.

2.4 Police Service

The annexation area is currently served by the Humboldt County Sheriff's Office. Following annexation, the City of Arcata Police Department will be responsible for providing police services to the annexation area.

2.5 Fire Protection

Currently the annexation area is within the Arcata Fire Protection District (AFPD).

2.6 Recreation

Park and recreation services for the annexation area are served by the Humboldt County Department of Public Works. Following annexation, the City of Arcata Park and Recreation Department will be responsible for park and recreation services. There are no parks or recreation facilities within the annexation area.

3.0 ANTICIPATED SERVICE DEMANDS FROM THE PROPOSED DEVELOPMENT

The Boyd Road annexation area consists of 4 parcels that are either vacant or developed with industrial uses. These parcels have a Humboldt County land use designation of Exclusive Agriculture (ARC 66) and zoning designation of Limited Industrial (ML). The site is currently pre-zoned Industrial Limited (IL) in compliance with Section 9.92.060.A.3 of the Land Use Code. The zoning change proposed for these properties, from the County ML zoning designation to City's IL pre-zoning designation, will decrease the minimum parcel size from one acre to 6,000 square feet. Following annexation, increased access to municipal services may lead to increased development on the Eureka Ready Mix site. However, this

development would be constrained by existing infrastructure and City stream protection policies which require setbacks from the Mad River and adjacent riparian vegetation. Industrial Limited zoning permits light industrial uses, such as furniture and cabinet manufacturing, printing and publishing, warehouse storage, and feed and farm supply. The annexation includes the adoption of an Ordinance which adds a Special Considerations combining zone (:SC) to the ERM properties that will allow the continuation of the existing sand and gravel extractive uses as well as a Stream Protection combining zone (:SP). At approximately 0.2 acres in size, the Humboldt Flake Board property will not likely experience industrial development.

3.1 Water Infrastructure

There are several options for water services to be provided to the ERM properties: 1) extend the mainline in Boyd Road from its current location in Giuntoli Lane, 2) continue the status quo with MCSD providing service until such time as additional development or subdivision is proposed for the ERM properties, 3) accept the MCSD line into the City water system and take over maintenance, billing, meter reading, etc., or 4) the City could contract with MCSD for service to existing meters. Once the properties have been annexed, the City can provide services under Option 1 at any time and Option 2 continues the status quo which would not require immediate action on either parties' part, but Options 3 and 4 would require some negotiation with the MCSD. Current monthly water usage by ERM, averaged over a 12 month period, is approximately 7,200 cubic feet. City Staff has no concern regarding the City's ability to provide this quantity for the existing uses.

3.2 Sewer Infrastructure

Unless additional development occurs on this property, the property owners will not be required to connect to the City of Arcata public sewer (AMC Section 7422 – Sewer Required)

3.3 Roads

No additional requirements for road capacity are anticipated as a result of the annexation.

3.4 Police Service

Per correspondence with Lt. Ryan Peterson of the City of Arcata Police Department, because of the size and character of the annexation area, the City does not anticipate a significant increase in demand for police services resulting from the annexation (personal communication, October 17, 2012).

3.5 Fire Protection

The annexation will not result in a change of fire providers, and will thus not impact demand for fire protection services in excess of current levels.

3.6 Recreation

There are no parks or recreation facilities within the annexation area; no increase in demand for services is anticipated.

4.0 PROPOSED SERVICE INFRASTRUCTURE

4.1 Water Infrastructure

There are four (4) options for continued water service to the subject properties. The first 3 represent interim options and the fourth is the ultimate goal for the City's long-term provision of water service to the Boyd Road area:

1. MCSD can maintain the status quo by continuing to provide service without any change until such time as the City has extended water service to the user which would need to occur if ERM seeks to subdivide the property. ***This is the City's interim preferred option;***
2. MCSD can continue to provide service under a **joint service agreement** with Arcata within Arcata's USB. This would require that MCSD send water bills to the City of Arcata allowing the Finance Department to process the bills, incorporating the City's Utility Users Tax, then collecting the payments and forwarding the appropriate amount back to MCSD;
3. The City can negotiate to purchase the lateral water line that extends from MCSD's mainline to the subject parcels for an amount expected to be between \$25,000-\$32,000 and enter into a wheeling agreement with MCSD as described in the MCSD staff report dated March 14, 2012 and excerpted herein:
Since MCSD can provide water service most effectively to the Area, an arrangement could be worked out whereby the City pays MCSD a wheeling fee for the use of the District's pipeline. The District would be responsible for the maintenance of the transmission line as is the case today, but Arcata would responsible for maintaining the service connections, reading meters and billing. In this way, MCSD could be justly compensated for the use of the infrastructure, but Arcata would maintain control of development in the area [once annexed]; or
4. Extend a new water line within the Boyd Rd right-of-way from the existing infrastructure at Giuntoli Lane to service the subject parcels. The cost for the extension will be borne by ERM with cost-sharing by the City of up to \$30,000. This line would be developed in such a way to allow the future installation of a partner sewer line. This option would facilitate the future annexation and water/sewer service extension to additional Boyd Rd properties if and when they desire to be annexed into the City. ***This is the City's preferred long-term alternative.***

Existing water infrastructure is shown on Figure 1.

4.2 Sewer Infrastructure

Eureka Sand & Gravel will continue to utilize its onsite sewage disposal system (SDS) until such time as the City can extend a sewer line to the aforementioned properties. At such time, the sewer extension will likely consist of a gravity six-inch (6") sewer main on Giuntoli Lane and a lift station and four-inch (4") pressure main on Boyd Road. Eureka Sand & Gravel will pay its fair share for the extension of the sewer line and appurtenant fixtures.

This service extension would take place within the existing paved right-of-way of Boyd Road. Existing sewer infrastructure is shown on Figure 1.

4.3 Roads

None proposed.

4.4 Police Service

Upon annexation, policing jurisdiction will be transferred from the Humboldt County Sheriff's Office to the Arcata Police Department. City police currently patrol the adjacent Giuntoli Lane neighborhood, and would extend their patrol area slightly to encompass the Boyd Road annexation area.

4.5 Fire Protection

As the area is already served by the Arcata Fire Protection District, no changes in fire response will need to be made upon annexation.

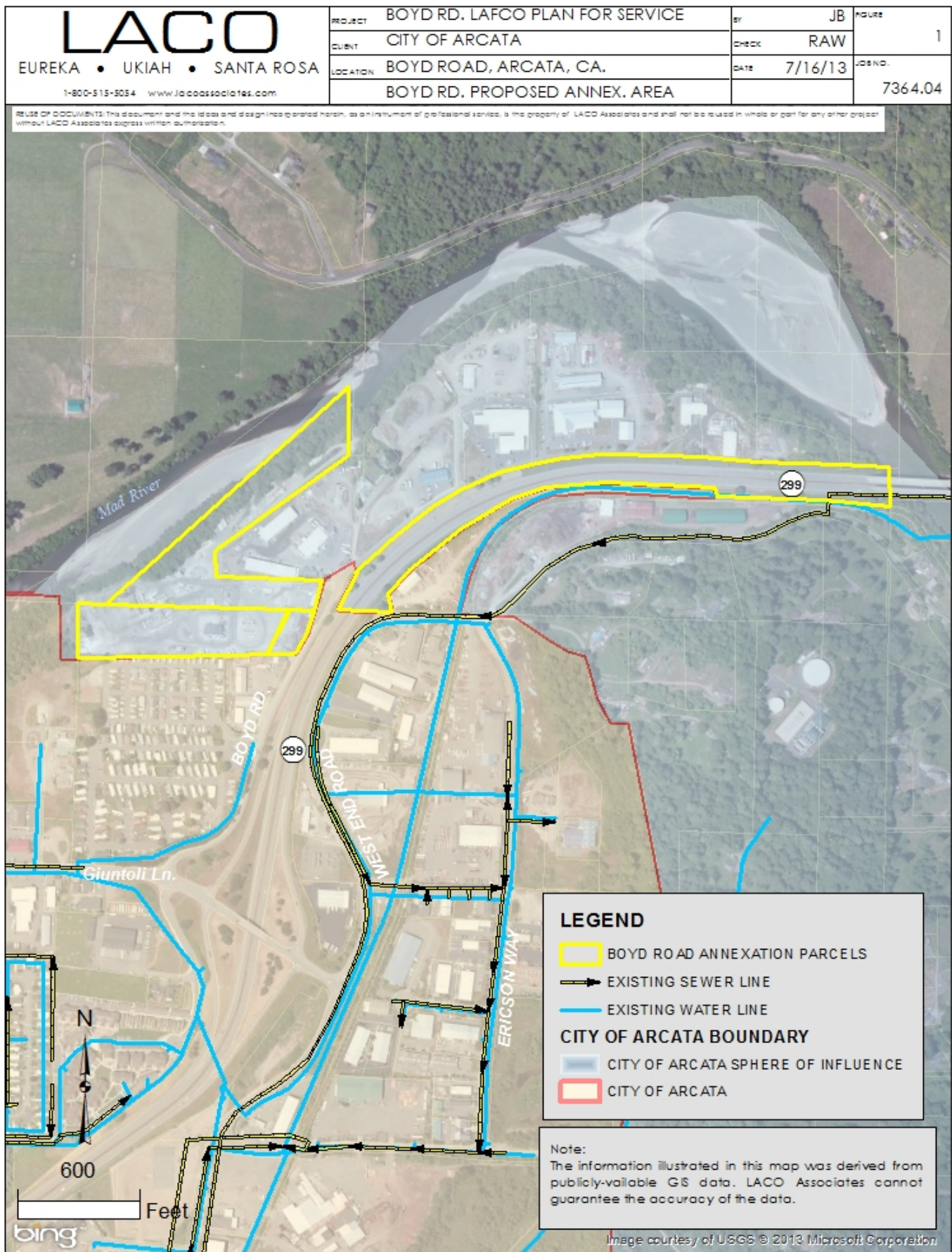
4.6 Recreation

None proposed

5.0 RESPONSIBILITIES / CONDITIONS OF SERVICE

It is anticipated that water distribution and sewer collection services will be provided throughout the annexed properties within the next two (2) to five (5) years. The improvements will be funded through a development agreement between the City of Arcata and property owners. After annexation, the City of Arcata will immediately be responsible for road maintenance and Police services. Changes in water and sewer services will be in accordance with the development agreement between the City of Arcata and property owners.

FIGURE 1



PHYSICAL ADDRESS:

1656 SUTTER ROAD
McKINLEYVILLE, CA 95519

MAILING ADDRESS:

P.O. BOX 2037
McKINLEYVILLE, CA 95519

**MAIN OFFICE:**

PHONE: (707) 839-3251
FAX: (707) 839-8456

PARKS & RECREATION OFFICE:

PHONE: (707) 839-9003
FAX: (707) 839-5964

September 2, 2015

George Williamson,
Executive Director
Humboldt LAFCo
1125 16th Street, Suite 202
Arcata, CA 95521

LAFCo Executive Director,

The McKinleyville Community Services District (MCSD) is in receipt of LAFCo's "Notice of Filing," dated August 21, 2015, regarding the City of Arcata's Boyd Road annexation application. According to the Notice of Filing,

...water service to the annexation area will continue to be provided by MCSD without any change (i.e., Option 1 of the Plan for Service) until such time as the City and MCSD meet to discuss a Memorandum of Understanding (MOU) and/or other approaches for long-term water service to the annexation area. It is anticipated that once the properties are annexed and ERM [Eureka Ready Mix] chooses to make application to the City for an expansion of uses at the site, the City would extend a new waterline within the Boyd Road right-of-way from existing infrastructure located near Boyd Road and Giuntoli Lane (Town & Country Mobilehome Park) to serve the ERM site (i.e., Option 4 of the Plan for Service).

It is anticipated that City water distribution and sewer collection services would be provided throughout the annexed properties within the next two (2) to five (5) years.

MCSD's legal counsel has investigated whether the City of Arcata can annex a portion of land into the City limits where MCSD provides water service without violating 7 U.S.C. § 1926(b). Legal counsel has concluded that the City of Arcata may legally annex this portion of land, but it may not provide water service to MCSD's service area until MCSD pays off its loan to the U.S. Department of Agriculture (Attachment 1). MCSD's loan is scheduled to be paid off in the year 2022. Therefore, the City of Arcata may not provide water service to the

annexation area until that time. Meanwhile, water service to the annexation area will need to be provided by MCSD without any change (i.e., Option 1 of the Plan for Service).

MCSD supports the City's proposed interim service option (Option 1 of the Plan for Service), for MCSD to continue to provide water service to the annexation area, provided an MOU is in place between MCSD and the City, prior to any change in water service.

MCSD's other concern with the proposed annexation and eventual extension of water service to the area from City of Arcata has to do with the cost and quality of water service to the customers. MCSD remains committed to a cooperative approach that will ensure that there is no duplication of service or unreasonable increase in cost to our customers, that flows and pressures are adequate for fire protection of the entire Boyd Road community and associated MCSD infrastructure, and that the integrity of our water quality is not jeopardized. MCSD supports the City's desire to generate jobs in the Boyd Road industrial area. As water purveyor to the Boyd Road area for more than 43 years, we actively supported business development by providing a secure and safe public water supply to the entire Boyd Road community, at pressures and flows for which the City will have to invest significant capital outlay to duplicate. The provision of water to this area by MCSD makes as much sense today as it did when we started providing service in 1972, for the reason that MCSD's 18-inch main transmission line traverses the area.

The community members in the designated areas deserve to have the most economical and efficient service available; MCSD, City of Arcata and LAFCo are in full agreement with this goal. MCSD looks forward to discussing an MOU with the City of Arcata and developing a definitive timeline with milestones for resolution of these matters.

Sincerely,



Gregory Orsini, General Manager
McKinleyville Community Services District

CC: Colette Metz, LAFCO
Mark Andre, City of Arcata
Karen Diemer, City of Arcata
Russ Gans

TO: Russ Gans

FROM: Amy Hunt

DATE: 2 July 2015

FILE: MCSD

RE: Annexation of area served by MCSD

QUESTION PRESENTED

Can the City of Arcata annex a portion of land into the City limits where MCSD provides water service without violating 7 U.S.C. § 1926(b)?

SHORT ANSWER

Yes, but the City of Arcata may not serve the customers in the area until MCSD pays off its loan.

DISCUSSION

A. Governing Law

7 U.S.C. § 1926 states that, during the term of a loan authorized by that section,¹ the service provided by an association (such as MCSD) “shall not be curtailed or limited by inclusion of the area served...within the boundaries of any municipal corporation or other public body...during the term of such loan.” (7 U.S.C., § 1926(b).)

B. Application

The City of Arcata would like to annex a portion of land served by MCSD into its city limits. The loan MCSD has with the U.S. Department of Agriculture almost certainly falls under this section, therefore an annexation of this land that included a requirement that Arcata provide the water service to these customers would violate section 1926(b).

As noted above, section 1926(b) specifically states that the service provided cannot be curtailed by inclusion of part of the service area within the boundaries of another town. However, the question of whether an action constitutes “curtailment” appears to hinge on whether the municipality annexing the area is going to be providing

¹ “The Secretary is authorized to make grants to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas.” (7 U.S.C., § 1926(a)(2)(A)(i).)

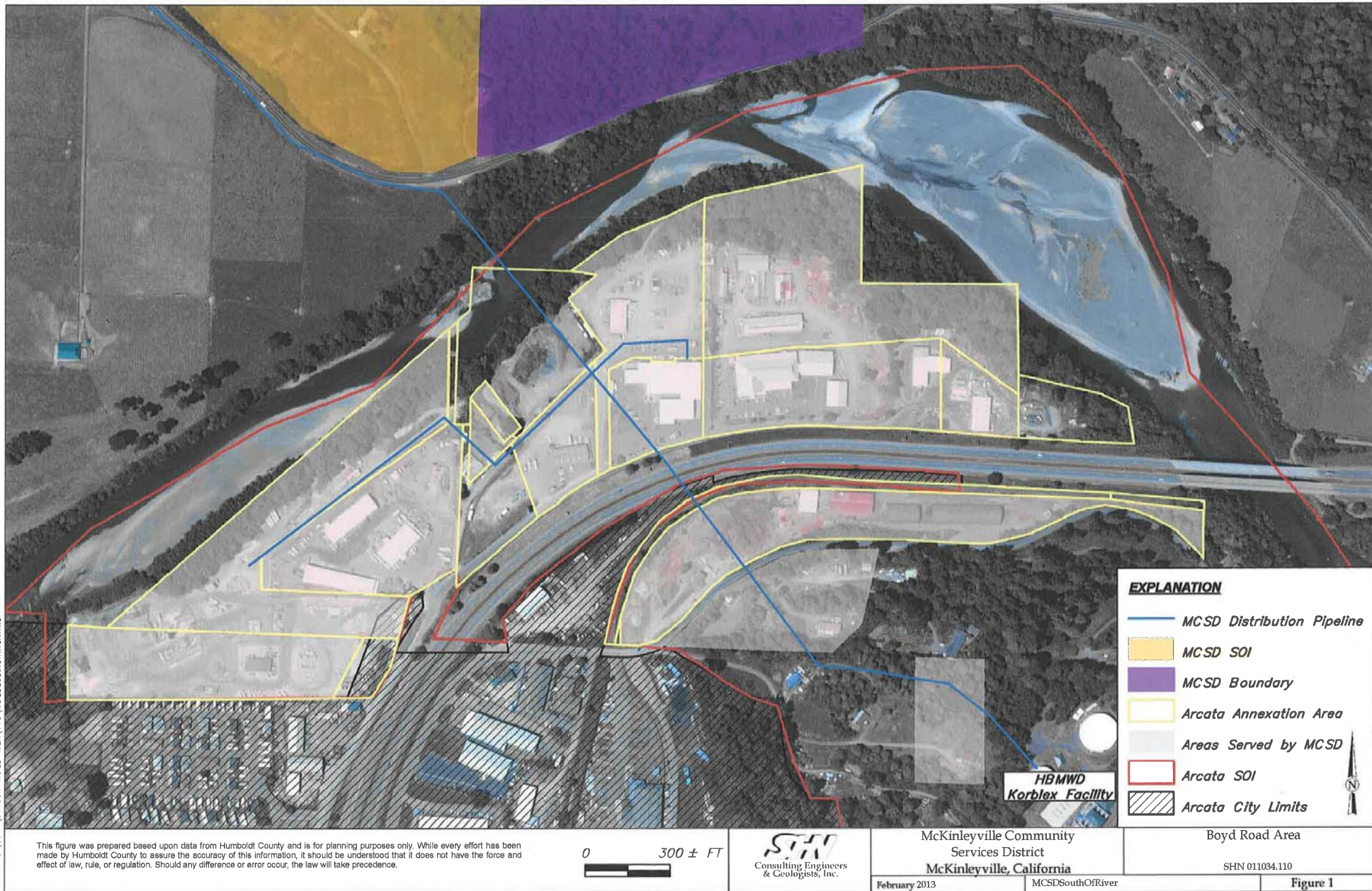
service, not necessarily whether the land is actually annexed. (See, *Adams County Regional Water Dist. v. Village of Manchester, Ohio* (6th Cir. 2000) 226 F.3d 513, 518.) In *Adams*, a municipality agreed to provide water to a village that was under contract to receive water from a local water district. (*Id.*) Even though the municipality did not attempt to include the water district's service area within its boundaries, the fact that its provision of service to the village would contravene the district's right to provide service to the village was held to still violate section 1926(b) as a "curtailment." (*Id.*)

Other cases have reached similar results. In *Glenpool*, the court held that a municipality could not use its annexation of land within a rural water district as a "springboard" for providing water within that district because doing so would be a violation of section 1926(b). (*Glenpool Utility Services Authority v. Creek County Rural Water Dist. No. 2* (10th Cir. 1988) 861 F.2d 1211, 1214.) There, the land had been annexed and the annexation was not what violated the statute. (*Id.*). Instead, it was the act of providing water to the land within the water district that caused a violation. (*Id.*) Similarly, in *Moore Bayou*, a municipality was barred from providing water service within an association's service area, even though the service area had been annexed into the municipality. (*Moore Bayou Water Ass'n, Inc. v. Town of Jonestown, Miss.* (N.D. Miss. 1986) 628 F.Supp. 1367, 1368.)

CONCLUSION

The City of Arcata may legally annex this portion of land, but it may not provide water service to MCSD's service area until the MCSD pays off its loan to the U.S. Department of Agriculture.

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1125 16th Street, Suite 202, Arcata, CA 95521
 (707) 445-7508 / (707) 825-9181 fax
www.humboldtlafo.org

NOTICE OF FILING

DATE: August 21, 2015

TO: Arcata Fire Protection District
 McKinleyville Community Services District
 Humboldt Bay Municipal Water District
 Humboldt County Planning and Building Department
 Humboldt County Public Works Department
 Humboldt County Sheriff's Office
 Humboldt County Elections Office
 Humboldt County Assessor's Office
 Humboldt County Auditor's Office
 Humboldt County Administrative Office
 California Department of Transportation

FROM: Colette Metz, LAFCo Administrator

SUBJECT: APPLICATION RECEIVED – CITY OF ARCATA BOYD ROAD ANNEXATION

APPLICATION INFORMATION

Project: Proposed Annexation of Four (4) Parcels and a Portion of State Route 299 Right-of-Way to the City of Arcata

Location: Boyd Road area (See Exhibit A)

APNs: 507-381-001, 507-381-004, 507-381-005 and 507-381-007

Notice: The above referenced proposal has been submitted to LAFCo and this notice of filing is being issued in accordance with Government Code Section 56658(b)(1). If you wish to receive a copy of the application and supporting documents, please contact LAFCo at (707)445-7508. We request agency comments by **September 4, 2015**.

LAFCo has received a proposal submitted by Resolution of Application from the City of Arcata for annexation of approximately 26 acres of unincorporated territory, generally located along Boyd Road and including a portion of the State Route 299 right-of-way. The annexation area consists of four parcels (15.5 acres) currently developed with commercial and industrial uses (referred to as the Eureka Ready Mix (ERM) site; APNs 507-381-004, 507-381-005, and 507-381-007) or vacant (APN 507-381-001), and a portion of the State Route 299 corridor (10.6 acres). The subject property is within both the City's Sphere of Influence (SOI) and its Urban Services Boundary (USB), and is located outside of the coastal zone.

The City of Arcata circulated a Notice of Intent to Adopt a Resolution of Application on December 18, 2014, and conducted public hearings on June 18, 2014, January 21, 2015, and March 18, 2015. The Resolution of Application (Resolution No.145-05) was

passed on March 18, 2015. Pursuant to the California Environmental Quality Act (CEQA), the City prepared and filed a Negative Declaration for the proposed annexation on April 3, 2013 (Resolution No. 123-26).

Please note: The City has received written consent from all landowners within the proposed annexation area. In accordance with Government Code Section 56662, the Commission may make determinations upon the proposal without notice and hearing and may waive protest proceedings entirely if an affected local agency has not submitted a written demand for notice and hearing within 10-days of receiving this notice.

Reasons for Proposal

According to the application, the reasons for annexation are as follows:

- The owners of the three (3) Eureka Ready Mix (ERM) properties have expressed to the City an interest in developing their properties further, and potentially subdividing, but they are currently limited by water, sewer and County land use regulations. If annexed, the properties could be further developed through the extension of water and sewer services from existing City infrastructure and smaller parcel sizes allowed under the City's Industrial Limited (IL) zoning and land use designations. Including the highway right-of-way (ROW) creates a linear strip of City boundary that would allow additional neighboring properties to voluntarily annex in the future. The small, 0.2 acre parcel (owned by Humboldt Flake Board) is developed with a well and will not likely be developed further given its very small size and proximity within the Streamside Protection zone of the Mad River.
- The subject properties are within the City's Sphere of Influence (SOI) and Urban Services Boundary (USB). The non-highway properties are developed with a variety of industrial uses and represent an area where logical City boundary expansion should occur.
- The annexation would result in significant sales tax revenue through the City's Transaction & Use Tax program as well as property and general sales tax revenue.

Provision of Public Services

Water service to the unincorporated Boyd Road area is currently provided by the McKinleyville Community Services District (MCSD). MCSD provides water to 22 connections via a service line that ties in to the District's major intake transmission line. The 18-inch transmission line extends from the HBMWD Korblex Facility (located on Pipeline Road above West End Road in Arcata), crosses under the Mad River northeast of the annexation area, and continues to the MCSD Ramey Pump Station (located at the corner of North Bank and Azalea Roads in McKinleyville). Water service to the ERM site has been provided by MCSD since 2007. No wastewater services are provided; instead the property utilizes an onsite sewage disposal system.

The City has prepared a Plan for Service for the annexation area. According to the City's Resolution of Application, water service to the annexation area will continue to be provided by MCSD without any change (i.e., Option 1 of the Plan for Service) until

such time as the City and MCSD meet to discuss a Memorandum of Understanding (MOU) and/or other approaches for long-term water service to the annexation area. It is anticipated that once the properties are annexed and ERM chooses to make application to the City for an expansion of uses at the site, the City would extend a new waterline within the Boyd Road right-of-way from existing infrastructure located near Boyd Road and Giuntoli Lane (Town & Country Mobilehome Park) to serve the ERM site (i.e., Option 4 of the Plan for Service).

It is anticipated that City water distribution and sewer collection services would be provided throughout the annexed properties within the next two (2) to five (5) years. The improvements would be funded through a development (cost-sharing) agreement between the City of Arcata and property owners. After annexation, the City of Arcata would immediately be responsible for road maintenance and police services. There would be no change in fire protection services provided by the Arcata Fire Protection District.

Pre-Zoning Ordinance

The City approved a Pre-Zoning Ordinance (Ordinance No. 1428) for the annexation area on April 1, 2015. The subject property has been pre-zoned as Industrial Limited (IL) in compliance with Section 9.92.060.A.3 of the Land Use Code. The proposed zoning would change the County's ML zoning designation to the City's IL zoning designation, thereby decreasing the minimum parcel size from one acre to 6,000 square feet. The pre-zoning includes a Special Considerations (Industrial) combining zone (:SCI) to the properties that would allow the continuation of the existing sand and gravel extractive uses, as well as a Stream Protection combining zone (:SP).

Property Tax Sharing Agreement

California Revenue and Taxation Code Section 99(b)(6) requires the adoption of a property tax exchange agreement by the affected local agencies before LAFCo can consider a proposed boundary change. The proposal would apply a master property tax exchange agreement adopted by the City and the County in 1980; an agreement specifying Arcata shall receive 36.36 percent of the County's existing portion of property tax revenues generated from the affected territory.

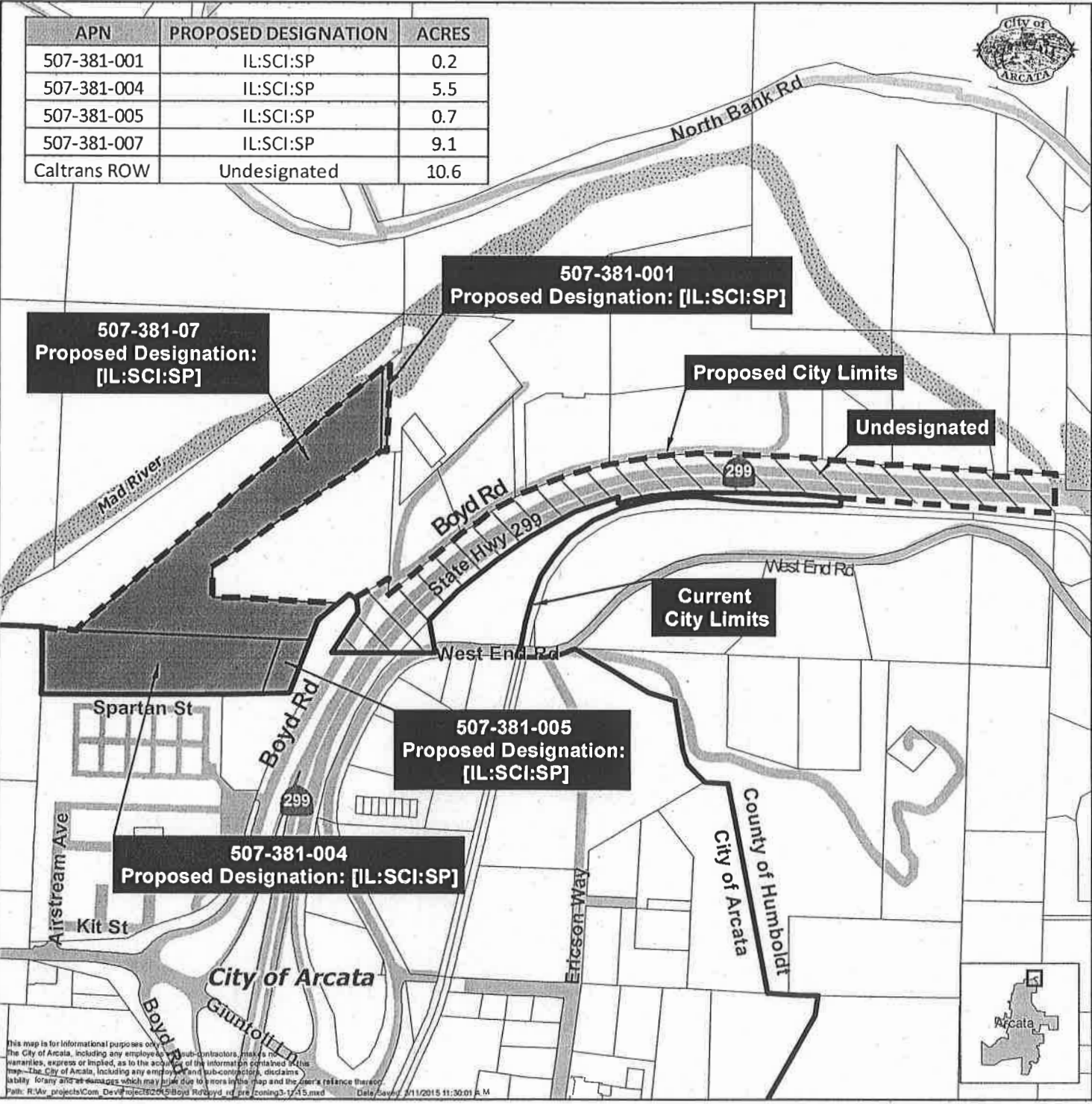
If you have any questions regarding this proposal or wish to request a copy of the application, please contact LAFCo at administrator@humboldtlafo.org or (707) 445-7508.

Cc:





Alyson Hunter, City of Arcata

City of Arcata
BOYD ROAD LAND USE CODE PREZONING MAP
PREZONE INDUSTRIAL LIMITED WITH SPECIAL CONSIDERATIONS (INDUSTRIAL)
AND STREAM PROTECTION COMBINING ZONE (IL:SCI:SP)
3/11/2015

APN	PROPOSED DESIGNATION	ACRES
507-381-001	IL:SCI:SP	0.2
507-381-004	IL:SCI:SP	5.5
507-381-005	IL:SCI:SP	0.7
507-381-007	IL:SCI:SP	9.1
Caltrans ROW	Undesignated	10.6



Legend

-  Proposed City
 Boundary Adjustment
 Proposed Designation: Industrial Limited [IL:SCI:SP]
 Caltran Right of Way
 (Not Zoned)

-  Arcata City Limits
 Parcel
 Mad River



0 250 500 Feet

ATTACHMENT D ANALYSIS OF REQUIRED FACTORS

Government Code Section 56668 requires the Commission to consider 16 specific factors anytime it reviews proposals for a change of organization or reorganization involving cities. The purpose in considering these factors is to help inform the Commission in its decision-making process.

1) 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.

The proposed Boyd Road Annexation area is commercial, industrial and highway in nature. There are no inhabitants. Total assessed value of properties (land and improvements) is \$1,957,833. The boundaries were revised from the original more comprehensive annexation proposal based on landowner consent.

The ERM properties (APNs 507-381-003, -004, and -007) consist of ±15 acres and are developed with an active in-stream gravel extraction operation and a variety of ancillary gravel, asphalt and concrete manufacturing processes. There is a non-domestic water well, several industrial metal buildings and an on-site sewage disposal system (SDS). The 0.2 acre parcel owned by Humboldt Flake Board (APN 507-381-001) is developed with a nondomestic well that has historically served the HFB's industrial wood product manufacturing plant on West End Road to the south of the annex area and within the existing City boundaries. Other uses immediately adjacent to the territory to be annexed include: a variety of industrial, manufacturing, heavy commercial uses as well as several offices that support industrial/construction/manufacturing uses in the area. Immediately adjacent to the southern parcel line of the ERM site is the Town & Country Mobilehome Park, to the west of ERM's site is the Mad River and State Route 299 adjacent to the east of Boyd Road.

2) 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; 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.

Pursuant to Government Code Section 56653, the District prepared a Plan for Services to evaluate the needs of the proposed annexation. The need for expanded community services within the affected territory includes water, wastewater, and fire protection services. An analysis of the availability and adequacy of these core municipal services relative to projected needs of the proposal follows.

- o Water

The ERM site currently receives water services through a connection to McKinleyville Community Services District's (MCSD) water system. In accordance with City Council

Resolution No. 145-05, the City proposes to coordinate with MCSD to implement Option 1 of the City's Plan for Services (i.e., maintain the status quo by continuing to provide service without any change until such time as the City has extended water service to the user which would need to occur if ERM seeks to subdivide the property) (see City Resolution with Exhibits, Attachment A). An 8-inch-diameter water main owned by the City is located approximately 470 feet south of the annexation area, near the entrance to the Town and Country Mobile Home Village on Boyd Road, where it currently dead-ends. The City has not reported any pressure or water volume issues that would indicate that the system is experiencing insufficient capacity to serve the area appropriately.

MCSD has expressed its commitment to continue providing water services to the subject properties until such time as the District pays off its loan to the U.S. Department of Agriculture, which is scheduled to be paid off in the year 2022 (see MCSD Letter and Service Area Map, Attachment B). As such, there is a need for continued coordination among the City and MCSD to address long-term water service to the annexation area that would support adequate service and business development.

- o Wastewater

Several sanitary sewer facilities are in place within the vicinity of the site. An 8-inch-diameter City of Arcata-owned gravity flow sewer main is located along Giuntoli Lane. Due to the shallow depth of the sewer main in Giuntoli Lane, the nearby Town and Country Mobile Home Village uses a private pump station to discharge wastewater into this main. At such time ERM seeks to develop or subdivide the property, a sewer extension would likely consist of a gravity six-inch (6") sewer main on Giuntoli Lane, and a lift station and four-inch (4") pressure main on Boyd Road.

- o Fire Protection

As the area is already served by the Arcata Fire Protection District, no changes in fire response will need to be made upon annexation.

- o Police

Upon annexation, policing jurisdiction will be transferred from the Humboldt County Sheriff's Office to the Arcata Police Department. City police currently patrol the adjacent Giuntoli Lane neighborhood, and would extend their patrol area slightly to encompass the Boyd Road annexation area.

- o Roads

No additional requirements for road capacity are anticipated as a result of the annexation.

3) 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.

The owners of the three (3) ERM properties have expressed to the City an interest in developing their properties further, and potentially subdividing, but they are currently limited by water, sewer and County land use regulations. If annexed, the properties could be further developed through the extension of water and sewer services from existing

City infrastructure and smaller parcel sizes allowed under the City's Industrial Limited (IL) zoning and land use designations. Including the highway right-of-way creates a linear strip of City boundary that would allow additional neighboring properties to voluntarily annex in the future.

4) The conformity of 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 G.C. Section 56377.

Within the proposed annexation area, the properties (other than the highway ROW) are already designated on the City's General Plan Land Use map as Industrial Limited (within the USB and SOI). As such, the pre-zoning ordinance (Ordinance No. 1428) establishes Industrial Limited (IL) zoning for the properties, and also adds the Stream Protection (:SP) and Special Considerations-Industrial (:SCI) combining zones.

With respect to G.C. Section 56377, the affected territory is not substantially unimproved and devoted to an open-space use under the Humboldt County General Plan. The proposed annexation would not convert agricultural land or open space uses, and does not propose to change land uses or land use patterns. Therefore, the proposal does not conflict with G.C. Section 56377.

5) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by G.C. Section 56016.

There are agricultural lands in the County's jurisdiction across the Mad River to the north but, according to the County's website, these lands are not under Williamson Act contract. There are no agricultural activities in the vicinity of the annexation area.

6) 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.

The proposed boundaries of the annexation area are drawn to follow Assessor's Parcels. However, the annexation would result in an adjacent unincorporated parcel (APN 507-381-006) to be "substantially surrounded" by incorporated territory; however, according to the City this parcel was part of the original expanded annexation proposal that was reduced due to lack of property owner consent. In response, the City has included the SR 299 right-of-way in a longitudinal manner to facilitate the future annexation of other properties along Boyd Road and West End Road, as desired by the owners and at their cost. Therefore, the current annexation boundaries, as proposed, are sufficient at this time based on landowner consent.

7) A regional transportation plan adopted pursuant to G.C. Section 65080.

The Humboldt Regional Transportation Plan (RTP) was last updated in 2013/14 and is a long-range transportation planning document for Humboldt County. No specific projects are included in the RTP that would affect the proposed annexation.

8) Consistency with city or county general and specific plans.

The Boyd Road annexation area consists of 4 parcels that are either vacant or developed with industrial uses. These parcels have a Humboldt County land use designation of Exclusive Agriculture (ARC 66) and zoning designation of Limited Industrial (ML). The site is currently pre-zoned Industrial Limited (IL) in compliance with Section 9.92.060.A.3 of the City of Arcata Land Use Code. The zoning change proposed for these properties, from the County ML zoning designation to City's IL pre-zoning designation, will decrease the minimum parcel size from one acre to 6,000 square feet.

Following annexation, increased access to municipal services may lead to increased development on the Eureka Ready Mix site. However, this development would be constrained by existing infrastructure and City stream protection policies which require setbacks from the Mad River and adjacent riparian vegetation. Industrial Limited zoning permits light industrial uses, such as furniture and cabinet manufacturing, printing and publishing, warehouse storage, and feed and farm supply. The annexation includes the adoption of an Ordinance which adds a Special Considerations combining zone (:SC) to the ERM properties that will allow the continuation of the existing sand and gravel extractive uses as well as a Stream Protection combining zone (:SP). At approximately 0.2 acres in size, the Humboldt Flake Board property will not likely experience industrial development.

9) The sphere of influence of any local agency which may be applicable to the proposal being reviewed.

The subject territory is within both the City's Sphere of Influence and its Urban Services Boundary. The existing SOI boundary was reaffirmed by LAFCo on March 17, 2010. A SOI is described as a plan for the probable ultimate physical boundary and service area of a local agency. In addition, the annexation area is located outside of the coastal zone. The annexation will incorporate both vacant and developed parcels that are within the logical boundaries of the City (south of the Mad River).

10) The comments of any affected local agency or other public agency.

The City of Arcata provided sufficient notice to interested and subject agencies of its intent to adopt a resolution of application, pursuant to GC Section 56654(c). LAFCo staff also provided a Notice of Filing to interested and subject agencies (see Notice of Filing, Attachment C). LAFCo received comments from MCSD on September 2, 2015. According to the MCSD letter:

...Legal counsel has concluded that the City of Arcata may legally annex this portion of land, but it may not provide water service to MCSD's service area until MCSD pays off its loan to the U.S. Department of Agriculture. MCSD's loan is scheduled to be paid off in the year 2022. Therefore, the City of Arcata may not provide water service to the annexation area until that time. Meanwhile, water service to the annexation area will need to be provided by MCSD without any change (i.e., Option 1 of the Plan for Service).

MCSD supports the City's proposed interim service option (Option 1 of the Plan for Service), for MCSD to continue to provide water service to the annexation area, provided an MOU is in place between MCSD and the City, prior to any change in water service.

MCSD's other concern with the proposed annexation and eventual extension of water service to the area from City of Arcata has to do with the cost and quality of water service to the customers. MCSD remains committed to a cooperative approach that will ensure that there is no duplication of service or unreasonable increase in cost to our customers, that flows and pressures are adequate for fire protection of the entire Boyd Road community and associated MCSD infrastructure, and that the integrity of our water quality is not jeopardized. MCSD supports the City's desire to generate jobs in the Boyd Road industrial area. As water purveyor to the Boyd Road area for more than 43 years, we actively supported business development by providing a secure and safe public water supply to the entire Boyd Road community, at pressures and flows for which the City will have to invest significant capital outlay to duplicate. The provision of water to this area by MCSD makes as much sense today as it did when we started providing service in 1972, for the reason that MCSD's 18-inch main transmission line traverses the area.

The City is proposing continued water service by the MCSD as an interim service option. Should ERM pursue additional development or subdivision, there will be a need for the City and MCSD to address long-term water service to the annexation area that would support adequate service and business development.

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

It is estimated that the City would receive approximately \$30,000 per year in tax revenue from the existing ERM enterprise. As the properties develop further, it can be assumed that revenue to the City will continue to grow. The City and ERM have agreed on a Term Sheet outlining cost sharing and development responsibilities for the installation of water and sewer improvements.

12) Timely availability of water supplies adequate for projected needs as specified in G.C. Section 65352.5.

ERM has long-term plans for developing their properties with additional light industrial uses while preserving the existing in-stream gravel extraction and manufacturing uses. There are no development applications proposed at this time. Once annexed, ERM will have the ability to subdivide in the future. The City would be required to process a subdivision in accordance to local code and regulations and the Subdivision Map Act. This would require additional coordination and negotiation with MCSD. As indicated by MCSD, the City may not provide water service to MCSD's service area until MCD pays off its loan in the year 2022.

13) 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.

The annexation area is industrial in nature and would not have an impact on any local agencies in accommodating their regional housing needs.

14) Any information or comments from the landowner or owners, voters, or residents of the affected territory.

The City of Arcata received signed consent forms from the property owners Eureka Ready Mix and Humboldt Flake Board. Caltrans was informed by the City in the early stages of the project, as part of the City's 21-day notice of intent to adopt a resolution of application, and then again as part of the LAFCo referral process. No comments from Caltrans have been received.

15) Any information relating to existing land use designations.

The County's zoning and general plan designations for the subject properties are Limited Industrial (ML) and Agriculture Exclusive (in the Arcata 1966 General Plan), respectively. The highway ROW is undesignated. The properties, other than the highway ROW, are already designated on the City's General Plan Land Use map as Industrial Limited (within the USB and SOI).

16) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the local of public facilities and the provision of public services.

The proposal would not result in inconsistencies with environmental justice safeguards.

RESOLUTION NO. 15-11**APPROVING THE ANNEXATION OF FOUR PARCELS
AND A PORTION OF STATE ROUTE 299 RIGHT-OF-WAY
IN THE BOYD ROAD AREA TO THE CITY OF ARCATA**

WHEREAS, the Humboldt Local Agency Formation Commission, hereinafter referred to as the "Commission," is responsible for regulating boundary changes affecting cities and special districts pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the City of Arcata filed a proposal with the Commission by resolution of application; and

WHEREAS, the proposal seeks Commission approval to annex approximately 26 acres of unincorporated territory in the Boyd Road area to the City of Arcata; and

WHEREAS, the subject territory is uninhabited as defined in Government Code Section 56046; and

WHEREAS, the proposal represents 100 percent consent of all landowners within the subject territory; and

WHEREAS, the proposal conforms to the adopted Sphere of Influence and Urban Services Boundary for the City of Arcata; and

WHEREAS, the Executive Officer's report and recommendations on the proposal were presented to the Commission in the manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public meeting on September 16, 2015; and

WHEREAS, the Commission considered all the factors required by law under Government Code Section 56668 and adopted local policies and procedures.

NOW, THEREFORE, BE IT RESOLVED by the Humboldt Local Agency Formation Commission as follows:

1. The Commission's determinations on the proposal incorporate the information and analysis provided in the Executive Officer's written report.
2. The Commission, as Responsible Agency, certifies it has independently reviewed and considered the Negative Declaration prepared by the City of Arcata, as Lead Agency, concerning potential impacts associated with the proposal in accordance with the California Environmental Quality Act (CEQA). The Commission finds the Negative Declaration (finding of no significant adverse

environmental effect) is adequate and directs the Executive Officer to file a Notice of Determination within five (5) working days with the Humboldt County Clerk.

3. The Commission approves the proposal, contingent upon the satisfaction of following terms and conditions as determined by the Executive Officer:
 - a) Completion of the 30-day reconsideration period provided under G.C. Section 56895.
 - b) Submittal of a final map and geographic description of the affected territory conforming to the requirements of the State Board of Equalization.
 - c) Payment of any outstanding fees as identified in the Commission's adopted fee schedule.
 - d) Given the MCSD infrastructure investment and debt obligation incurred to serve the area, a MOU or service change agreement should be structured to allow sufficient time for full debt repayment or compensation. Should the agreement allow for additional MCSD water service to be provided prior to 2022 due to additional City development, LAFCo review would be required.
4. The effective date shall be the date of recordation of the Certificate of Completion. The Certificate of Completion must be filed within one calendar year from the date of approval unless a time extension is approved by the Commission.
5. Upon effective date of the proposal, the affected territory will be subject to all previously authorized charges, fees, assessments, and taxes that were lawfully enacted by the City of Arcata. The affected territory will also be subject to all of the rates, rules, regulations, and ordinances of the City of Arcata.

PASSED AND ADOPTED at a meeting of the Humboldt Local Agency Formation Commission on the 16th day of September, 2015, by the following roll call vote:

AYES: Commissioners:
NOES: Commissioners:
ABSENT: Commissioners:
ABSTAIN: Commissioners:

Attest:

Virginia Bass, Chair
Humboldt LAFCo

George Williamson, Executive Officer
Humboldt LAFCo