



City of Merced

MERCED

April 20, 2020

Bill Nicholson, Executive Officer
Local Agency Formation Commission of Merced County
2222 M St.
Merced, CA 95340

RE: Assembly Bill 3312 (Gray) proposed special legislation for the annexation of UC Merced.

Dear Mr. Nicholson,

The City of Merced (City) appreciates that LAFCO of Merced County is formally reviewing and discussing AB 3312 (Gray). This proposed special legislation would amend the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 to provide for an alternative method for the City of Merced to annex the University of California Merced Campus and other contiguous territory.

As you and the Commission are aware, the City has undertaken a feasibility study in the North Merced Area, generally the area north of Yosemite Avenue to the extent of the City's existing Sphere of Influence (SOI). This study area includes the UC Merced Campus, Bellevue Community Plan Area, University Community Plan Area, the proposed Yosemite Lake Estates Plan Area, and other developed and undeveloped properties. The City began this study due to increasing interest by private property owners to possibly annex and develop their land. The work has been open and has included many opportunities for public participation. The City also initiated polls to registered voters and property owners to solicit their input on potential annexation. This work is ongoing, but it is likely to conclude with an opportunity for formal policy direction by the City Council later this summer.

Concurrent with the Annexation Feasibility Study the City has also been working on the Waste Water Collection System Master Plan. This plan addresses the lines and facilities that would be needed to provide services to proposed annexations. That work includes the environmental analysis which is going to culminate in a Draft Environmental Impact Report likely out before the end of 2020. Work on creating the financing mechanisms for this infrastructure will also be initiated. Having a plan for providing services in support of annexation and development is a required element that would accompany a formal annexation application to LAFCO.

The City has received numerous inquiries for potential annexation and development in the North Merced Area. Most of the inquiries are not currently adjacent to the City's existing city limits. Clearly the UC Merced Campus is an attraction for development interest. Currently there are only two ways to accommodate development adjacent or within a close proximity to the UC campus.

First, is a contiguous annexation that would likely involve other intermediate properties being included in a large scale annexation. This idea was the basis for the Bellevue Community Plan. The plan generally discussed an avenue or corridor along Bellevue Road reaching from the current City limits at G Street traveling west to reach the UC Merced Campus. As noted in the Plan, development may occur in an east to west approach which would likely follow a normal annexation approach. Another method would include a larger annexation area that may allow for a nodal approach. This method would allow for concurrent development to occur at both ends similar to a dumbbell. This approach would allow for development to extend in both an east and west approach supporting the infill of the Bellevue Community Plan. Early feedback from the North Merced Feasibility Study indicates that the nodal - dumbbell approach is the most likely to succeed, given market interests and other factors that will be outlined in the study.

The other potential method to support development closer to the UC Merced Campus would potentially be an Out of Boundary Service Agreement approach (OBSA). Under this scenario, development would occur within the County with services being provided by contract to a special district by the City. Work being done in the North Merced Annexation Feasibility Study will analyze both of these options.

The study is also now looking at a new potential method which would be provided through AB 3312. If enacted and subject to LAFCO approval, the potential for an annexation using this approach is somewhat of a hybrid between the traditional contiguous annexation and an OBSA as described above. It's essentially another tool available for consideration by the City Council.

The City Council has not yet formally taken action in support or opposition of AB 3312. As currently drafted, AB 3312 is in alignment with the City of Merced's 2020 Legislative Platform in that it provides greater local control to the City Council in determining the best approach for annexation related to support the UC Merced Campus. Because of this fact, staff recommends that LAFCO of Merced County to support the AB 3312 and also asks that a request be made of the California Association of Local Agency Formation Commission refrain from taking a position of opposition.

Respectfully,

Matthew Serratto, Mayor Pro Tem
City of Merced
LAFCO City Member Alternate