



Local Agency Formation Commission  
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DATE: September 17, 2020 (Agenda)

TO: Merced LAFCo Commissioners

FROM: <sup>BN</sup> Bill Nicholson, Executive Officer

RE: Update on the North Merced Annexation Feasibility Study being prepared by the City of Merced, and the status of AB3312 (Gray) involving annexation of the UC Merced Campus along with a "road strip" and land contiguous to the UC Merced Campus.  
**(Agenda Item VII. B.)**

The Commission last received a report on the North Merced Annexation Feasibility Study on April 16, 2020, along with a review of special legislation through AB 3312 (Gray) that would enable annexation of the University of California Merced (UC Merced) Campus and contiguous lands to the City of Merced through connection by a "road strip" extending to the current City limits. The Commission deferred taking a position on AB 3312 until hearing the position taken by the Merced City Council and UC Merced. This agenda item is intended to update the Commission on the City Council meeting of August 17, 2020, and the recent passage of AB 3312 by the State Senate.

#### North Merced Annexation Feasibility Study

The City's efforts to complete this major planning effort were delayed due to the COVID-19 Pandemic and because of delays in completing the critical Sewer Master Plan and its related Environmental Impact Report. Based on the Staff presentation, on August 17, 2020, the City Council provided direction to staff in several important areas. Of significance to LAFCo, were the following actions:

- Support a development pattern allowing for "East and West Growth Nodes" extending along Bellevue Road. This decision would provide for continued conventional development of the City east of G Street, but would also allow for development adjacent to UC Merced at Lake Road (refer to Attachment 1 for a map). The City Council also clarified that development adjacent to the UC Merced Campus could be located both south of and west of the Campus which would accommodate the Virginia Smith Trust Property.
- The Council opposes extending sewer and water service outside the City limits and would prefer to save these limited utility services for properties located within the City. However, they accepted an exception to this prohibition based upon the understanding that should AB 3312 not become law, the only way the City could accommodate development next to the Campus would be to provide service extensions into the County.
- At staff's suggestion, the Council agreed to the development of "annexation policies" which could be used to prioritize the processing of annexation and development applications in North Merced. Rather than allow every application for development and annexation to be accepted and processed by City Staff, the City would use the "annexation policies" to weigh the applications, and they would be presented to the City Council to determine whether they would be accepted for processing. This process is designed to help save applicant's time and money by not allowing the processing applications that would have little chance for approval.
- The City Council directed staff to prepare performance based measures to allocate their interim remaining sewer capacity to worthy projects, and to develop a timeline for actual construction of sewer improvements. Considerations such as mixed use projects, student housing, affordable housing, and recreation amenities were mentioned.

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Initial findings of the Sewer Master Plan were also presented at the Council meeting based upon sewer flow monitoring studies and estimates of remaining trunk line capacity to serve the North Merced area in the near term. However, due to a more conservative estimate of sewer generation rates used by the City of 85 gallons per day per person (gpd/person), there is less remaining capacity available than if the City used generation estimates similar to other cities in the Central Valley. For example, Modesto uses a 73 gpd/person generation rate, and the City will conduct more research and determine a reasonable generation rate for the final analysis.

Based on initial estimates using City of Merced generation rate figures, there could be interim capacity for an additional 3,350 equivalent dwelling units although some of this would be used by UC Merced. Without reaching any conclusions, the City Council instructed Staff to release the Draft EIR for the Sewer Master Plan to the public in mid-September. They also directed Staff to continue work in determining estimated assessment rates for a new Sewer Assessment District which must be formed to finance the long term sewer infrastructure for North Merced.

### Status of Assembly Bill 3312 (Gray)

As another action by the City Council on August 17, 2020, they unanimously supported AB 3312, as it had been modified in the Senate Government and Finance Committee. While the Committee was considering a temporary amendment to allow annexation of property adjacent to the UC Merced Campus and also along the two-mile long "road strip" between Lake Road and G Street, by the time of the City Council's action, the Bill was modified back to its earlier version which only allowed for annexation of the UC Merced Campus and land immediately contiguous to the Campus.

The Regents of the University of California appointed a new Chancellor for UC Merced effective on July 1, 2020. Chancellor Juan Munoz becomes the fourth Chancellor of this 10<sup>th</sup> UC Campus. Neither Chancellor Munoz nor the UC Board of Regents has taken a position on AB 3312.

With the support of the Merced City Council and several local landowners including the Virginia Smith Trust, the State Senate unanimously passed AB 3312 on August 24, 2020, and was enrolled on August 27<sup>th</sup>. (The final version of the Bill is presented in Attachment 2.) As passed, the Bill would not allow annexation of property contiguous only to the road strip or land that is adjacent to the lands contiguous to the UC Merced Campus. However, land contiguous to the current or future City limits on the west side near G Street would not be affected by this legislation. Therefore, the City and LAFCO could process annexation applications contiguous to existing and future City limits for areas east of G Street relying on existing LAFCO law.

The legislation is now awaiting the Governor's approval or veto. A lack of action by the Governor would result in the Bill becoming law. As of the writing of this Memo on September 9<sup>th</sup>, the Governor has not taken action on the Bill.

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**Possible Actions by the Commission**

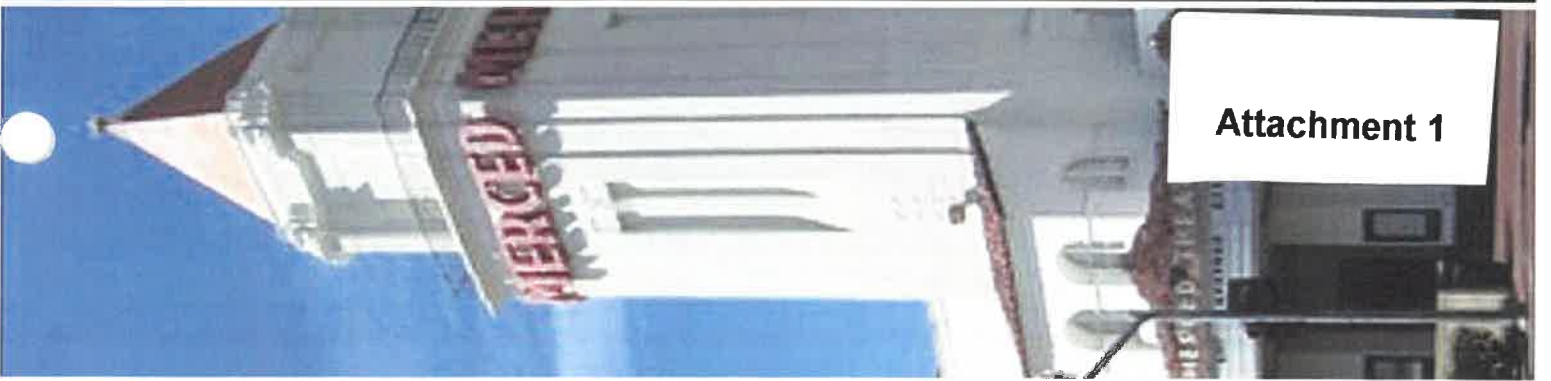
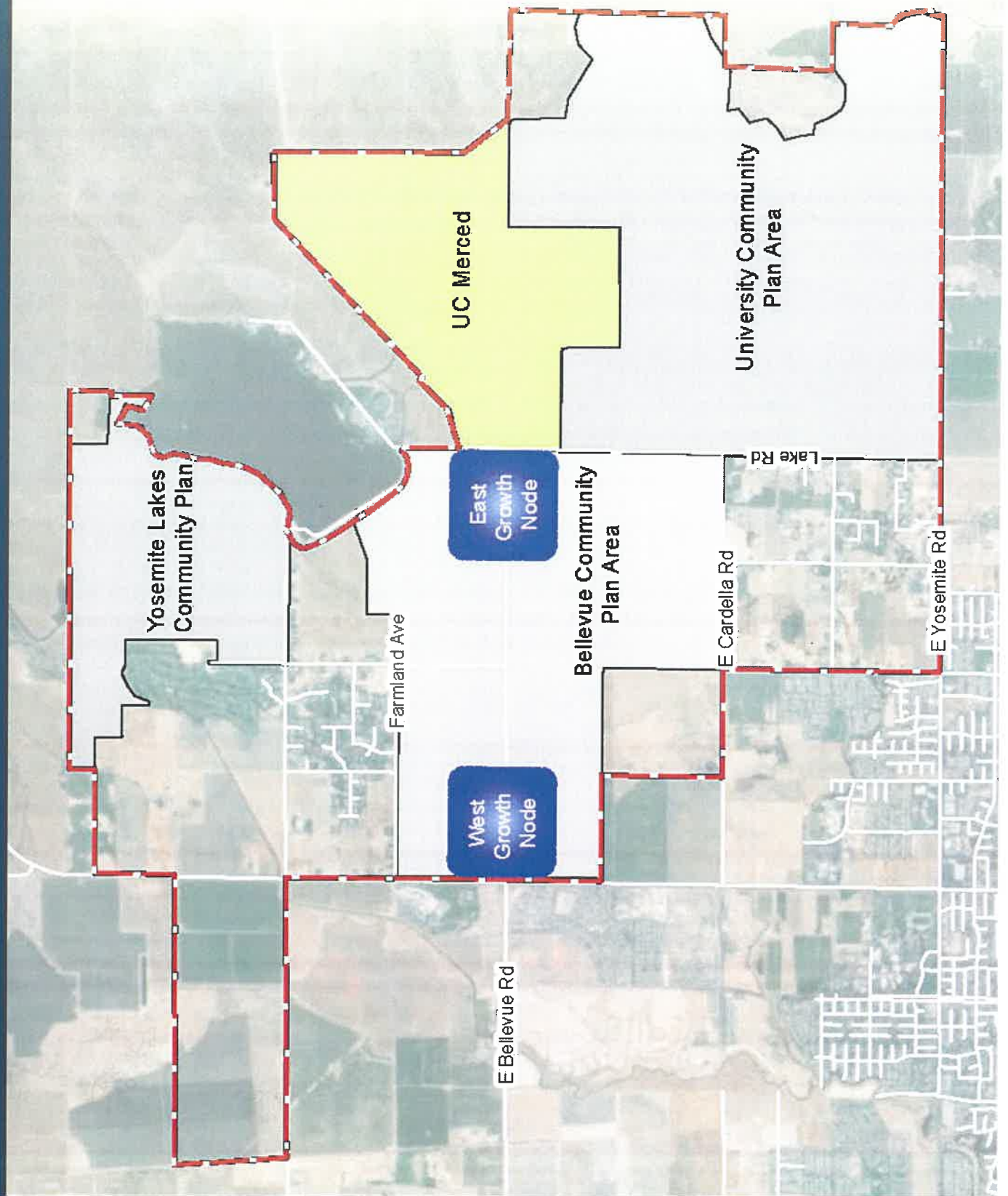
This Agenda Item has been presented for Commission consideration and information and no action is requested. However, following a discussion by the Commission and input from the public the Commission may consider whether to take a position on AB 3312 for the record or to influence the Governor's action on the Bill.

**Attachments:**

1. Map from Merced City Council Meeting identifying the West & East Growth Nodes and UC Merced Campus boundaries
2. AB 3312 (Gray) as passed by the Legislature

cc: Stephanie Deitz, Interim City Manager, City of Merced  
Cori Lucero, UC Merced, Executive Director, Government & Community Relations  
Steve Tietjen, Superintendent, Merced County Board of Education (VST)  
Mark Hendrickson, Director, Merced County Community and Economic Development Department  
Scott McBride, Community Development Director, City of Merced  
Phillip Woods, Campus Planning Director, UC Merced  
LAFCO Counsel

# BCP – West + East Growth Nodes



Attachment 1

## CHAPTER \_\_\_\_\_

An act to add Section 56748 to the Government Code, relating to local government.

## LEGISLATIVE COUNSEL'S DIGEST

AB 3312, Gray. Local agency formation: annexation: City of Merced.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the sole and exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. The act grants a local agency formation commission the power to review and approve a change of organization of a local agency, which includes an annexation into a city. The act generally requires that a territory to be annexed be contiguous to the city at the time the proposal is initiated. The act also requires each commission to develop and determine the sphere of influence of each city and special district within the county. The act defines sphere of influence, for purposes of these provisions, as a plan for the probable physical boundaries and service area of the local agency, as determined by the commission.

This bill would authorize the annexation of territory comprising the main campus of the University of California, Merced, as specified, and the road strip, as defined, to the City of Merced, notwithstanding the requirement that the territory be contiguous with the city, if other conditions are met, including that the territory is within the city's sphere of influence. The bill would prohibit the commission from approving a subsequent annexation to the road strip pursuant to these provisions unless the territory proposed to be annexed is contiguous to the property comprising the main campus of the University of California, Merced or the boundaries of the City of Merced as it existed on January 1, 2021.

This bill would make legislative findings and declarations as to the necessity of a special statute for the County of Merced.

*The people of the State of California do enact as follows:*

SECTION 1. Section 56748 is added to the Government Code, to read:

56748. (a) As used in this section:

(1) “Affected territory” means the main campus of the University of California, Merced and a road strip proposed for annexation to the City of Merced.

(2) “Main campus of the University of California, Merced” means the area within the boundaries of the campus of the University of California, Merced, as described in the University of California, Merced 2020 Long-Range Development Plan dated March 2020, and comprising of no more than 1,026 acres.

(3) “Road strip” means the street, highway, or road that connects the territory of the property to be annexed to the annexing city.

(b) Notwithstanding Section 56741, unincorporated territory consisting of property comprising the main campus of the University of California, Merced, together with the road strip, may be annexed to a city pursuant to this division, upon approval of the commission, if the following conditions are met:

(1) The affected territory is within the sphere of influence of the annexing city, as adopted by the commission.

(2) The affected territory lies within an unincorporated area within the County of Merced.

(c) The commission shall not approve any subsequent annexation to the road strip unless the territory proposed to be annexed is contiguous to the property comprising the main campus of the University of California, Merced or the boundaries of the City of Merced as it existed on January 1, 2021.

(d) This section applies only to the City of Merced.

SEC. 2. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances relating to the property comprising the University of California, Merced, campus located in unincorporated territory within the County of Merced.