



CITY OF MODESTO
COMMITTEE AGENDA REPORT

DATE OF MEETING:
3/30/09

March 13, 2009

TO: Economic Development Committee
Janice Keating, Chair
Garrad Marsh, Vice-Chair
Dave Lopez, Member

THROUGH: Greg Nyhoff, City Manager

FROM: H. Brent Sinclair, AICP
Director of Community & Economic Development

SUBJECT: 2009 Urban Growth Review Update Workshop No. 4

CONTACTS: Brad Wall, AICP, Principal Planner, bwall@modestogov.com, 577-5267
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DESCRIPTION:

Consider accepting staff report regarding the final vacant land inventory and absorption analysis, opportunities for future residential and economic development (in follow-up to the February 9, 2009 EDC meeting), and provide direction to staff.

FISCAL IMPACT:

There is no fiscal impact other than the cost of staff time in conducting work to execute the work program. The 2009 Urban Growth Review (UGR) may lead to a recommendation for an Advisory Vote(s) in November 2009. In that instance, there would be costs associated with preparing for the election.

BACKGROUND:

The purpose of UGR is to inventory vacant residential, commercial and industrial land in Modesto to assist the City Council in determining the timing and direction of growth to those areas that can most feasibly be served with urban infrastructure. As an end result of this review, the City Council may determine which, if any, sewer trunk extensions as defined by the Modesto Citizens Advisory Growth Act of 1995 (Measure M), are warranted, and schedule those areas for a public advisory election in November 2009.

At the February 9, 2009, Economic Development Committee (EDC) meeting, staff presented the final vacant land inventory and absorption analysis. This analysis was confirmed by the EDC, with the caveat that an adjustment be made to reflect the Redevelopment Area inventory of 750 dwelling units per the Redevelopment Master Plan. The utilities and infrastructure analysis included in the February 9 packet was accounted for in the summary of "opportunities and constraints" for potential new growth areas presented below.

At the March 9, 2009, EDC meeting, staff facilitated group discussions for the purpose of gathering input with regard to the best areas to accommodate new growth, and the best locations to provide opportunities for enhanced economic development. A summary of the most popular ideas and consensus is discussed below, and a complete list of all the ideas and comments generated is attached to this report.

ISSUES:

Vacant Land Inventory and Land Absorption Analysis

There are two main differences from the 2003 Urban Growth Report regarding the residential land absorption analysis. First, the 2009 report considers the specific plan processing time which is the time it takes to add residential land inventory. The estimated time to process a specific plan is seven years which makes 2016 the critical year if there is no Measure M process in 2009. At the February 9, 2009, EDC meeting, Table 2 (below) was presented to show analysis through the year 2018. The second change from the 2003 report is the absorption analysis includes the addition of the "Five-Year Target Inventory", that shows how much residential land inventory is needed to maintain a five year supply annually. The "Five-Year Target Inventory" would provide a sufficient inventory on an annual basis to avoid over inflated land values. The data suggests that if there is no action to add inventory in 2009, there would be a projected deficit of 64 acres of actual residential land inventory and a deficit of 1,049 acres of the five-year target residential land inventory in 2016. There would be a deficit of 144 acres of the five-year target inventory by 2012.

Table 2, Impact of Annual Acreage Demand on Residential Inventory (within incorporated area)

	Assumed Growth Rate	Estimated Units (Developed)	Estimated Acres (Developed)	Running Total of Actual Inventory (In Acres)	Five-Year Target Inventory (In Acres)	Running Total of Five-Year Target Inventory (In Acres)	Inventory 7 Years Later if No Advisory Vote (In Acres – 7 years to add inventory)	
							Actual	5-Yr Target
2008	--	--	--	929				
2009 year 1	1.7% growth	115	17	912	402	510	-64	-1,049
2010 year 2	2 year average	355	54	858	582	276		
2011 year 3	2 year average	355	54	804	725	79	-458	-1,443
2012 year 4	5 year average	529	80	724	868	[-144]		
2013 year 5	Historic average	1,300	197	527	985	[-458]		
2014 year 6	Historic average	1,300	197	330	985	[-655]		
2015 year 7	Historic average	1,300	197	133	985	[-852]		
2016 year 8	Historic average	1,300	197	[-64]	985	[-1,049]		
2017 year 9	Historic average	1,300	197	[-261]	985	[-1,246]		
2018 year 10	Historic average	1,300	197	[-458]	985	[-1,443]		

The EDC requested that staff include the unincorporated areas with a completed advisory vote and potential residential development for the downtown area. Table 3 shows the five areas that have completed the advisory vote process, but are currently unincorporated. It is assumed that the Woodglen and Pelandale McHenry areas will add 93 acres of residential inventory by 2012 as shown in Table 4. These two projects were approximately half way through the review process before the applicants put a hold on the projects. Assuming these two projects restart in 2010, it will take about two years to complete the project through annexation approval. It is assumed that Johansen and Empire North areas will add more residential inventory by 2015 and Fairview will add inventory by 2016.

The Redevelopment Agency Master Plan identifies 750 potential new residential units in the downtown area which is estimated to be equivalent to 114 acres (750 units @ 6.6 units per acre). The new downtown residential development will occur primarily through redevelopment so the addition of 114 acres is not actual vacant land inventory but an equivalent based on estimated units that can be absorbed in the downtown area. In Table 4, it is assumed the new downtown residential redevelopment will occur by 2018. If there is no action to add inventory in 2009, Table 4 shows the additional residential inventory is estimated to result in 597 acres of actual residential land inventory but a deficit of 388 acres of the five-year target residential land inventory in 2016. There would be a deficit of the five-year target inventory by 2012.

Project Name	Total Acres	Commercial Acres	Public Facilities Acres	Developed Acres	Vacant Residential Acres (net)	10% Reduction	Adjusted Total
Woodglen	72	0	9	0	63	6	57
Pelandale-McHenry	84	3	26	15	40	4	36
Fairview CPD (west portion)	156	12	17	0	127	13	114
Johansen CPD	544	22	135	17	370	37	333
Empire North CPD	141	6	0	1	134	13	121
Total Acres	993	43	187	33	734	73	661

Total unit count (661 ac x 6.6 du/ac) = 4,363

	Estimated Units (Developed)	Estimated Acres (Developed)	Running Total of Actual Inventory (In Acres)	Additional Inventory (In Acres)	Adjusted Running Total of Actual Inventory (In Acres)	Five-Year Target Inventory (In Acres)	Running Total of Five-Year Target Inventory (In Acres)	Adjusted Inventory 7 Years Later if No Advisory Vote (In Acres – 7 years to add inventory)	
								Actual	5-Yr Target
2008	--	--	929						
2009 year 1	115	17	912		912	402	510	597	[-388]
2010 year 2	355	54	858		858	582	276		
2011 year 3	355	54	804		804	725	79	317	[-668]
2012 year 4	529	80	724	a 93	817	868	[-51]		
2013 year 5	1,300	197	527		620	985	[-365]		
2014 year 6	1,300	197	330		423	985	[-562]		
2015 year 7	1,300	197	133	b 454	680	985	[-305]		
2016 year 8	1,300	197	[-64]	c 114	597	985	[-388]		
2017 year 9	1,300	197	[-261]	d 57	457	985	[-528]		
2018 year 10	1,300	197	[-458]	e 57	317	985	[-668]		

a Woodglen and Pelandale-McHenry
 b Johansen and Empire North
 c Fairview
 d Half of downtown residential redevelopment
 e Half of downtown residential redevelopment

Advisory Vote Consideration

There are several Comprehensive Planning District areas (CPDs), or portions thereof, that could be considered for an advisory vote on the November 2009 election ballot. These CPDs are listed below, along with a brief summary of actions needed and opportunities associated with each (the complete description of infrastructure considerations was provided as Attachment 3 to the February 9 EDC packet).

Kiernan / Carver CPD – “Area 1”

The Kiernan / Carver CPD is located between American Ave. on the west and Tully Rd. on the east, and between Kiernan and Bangs Avenues to the north and south, respectively. This area includes approximately 480 acres. This CPD is relatively close to SR99 and is within the Sphere of Influence (SOI). Furthermore, the North (sewer) Trunk has been extended from the west to Carver Road. An advisory vote regarding further extension of the North Trunk to Tully Road would be necessary. It is estimated that the necessary sewer system improvements would cost approximately 2.15M, plus the costs of additional downstream improvements. Following the advisory vote process, adoption of a specific plan and annexation would be needed in order to add the area to the available vacant residential land inventory. This area could be considered for potential land use change to encourage economic development as discussed on page 6 (see “Additional Areas to consider for Economic Development”).

Hetch-Hetchy CPD – “Area 2”

The Hetch-Hetchy CPD is located along the south side of Claribel Ave., between McHenry Ave. and Oakdale Rd., within the SOI. The westernmost portion along McHenry is designated Regional Commercial, and the remainder is designated Village Residential. One of the most significant constraints to near-term development of this CPD is the approximate \$9M cost estimate for needed wastewater system improvements. The 2007 Wastewater Master Plan (WWMP) indicates that this CPD, like the Kiernan / Carver CPD, is to receive sewer service via extension of the North Trunk.

The westernmost portion of the CPD along McHenry (designated Regional Commercial) is generally developed with auto dealerships and other commercial uses. This portion of the CPD is a good candidate for an advisory vote, given that the area is already developed, would benefit from sewer extensions, and promote economic development goals and objectives.

Roselle / Claribel CPD – “Area 3”

The Roselle-Claribel CPD is located immediately east of the Hetch-Hetchy CPD, within the SOI. The easternmost portion is designated Business Park, and the remainder is designated Residential (except for some Regional Commercial acreage within the Tivoli Specific Plan area). One of the most significant constraints to near-term development of this CPD is an approximate \$8.5M cost estimate for needed wastewater system improvements. The WWMP calls for extension of the Sonoma and Lakewood sewer trunks to provide sewer to this CPD. While it would not be realistic to offer the entire CPD for advisory vote consideration, the area north of the Tivoli specific plan area could be considered due to the potential for both residential and economic development.

Unincorporated County Island Areas

Currently, there are six unincorporated County “islands” that have received a positive Measure M vote. To date, only one of those areas has progressed toward annexation (staff is in the process of conducting research and preparing annexation application documents for the Shackelford neighborhood). The Modesto Citizens’ Advisory Growth Management Act of 1995 requires significant preparation in advance of scheduling advisory votes for the most substantial infill areas (unincorporated islands). In accordance with existing City policy, prior to scheduling the most substantial infill areas for an advisory vote, City and County officials should meet to discuss tax sharing agreements and other fiscal matters – primarily those related to utilities and infrastructure.

Table 5 – Advisory Vote Consideration			
Comprehensive Planning District Summary			
Area	Land Use	Acres	Estimated Infrastructure Cost
Area 1 Kiernan / Carver CPD (east of American)	Village Residential	480	Sewer \$2.15 Million plus possible downstream cost
	Business Park	0	
Area 2 Hetch-Hetchy CPD	Village Residential	830	Sewer \$8.82 Million plus possible downstream cost
	Regional Commercial	130	
Area 3 Roselle / Claribel CPD (excludes Tivoli)	Village Residential	910	Sewer \$8.55 Million plus possible downstream cost
	Business Park	260	

Regional Housing Needs Analysis

The City is in the process of updating the Housing Element for the Urban Area General Plan. Pursuant to State law, the deadline for submitting the Housing Element update to the State Department of Housing and Community Development (HCD) is August 31, 2009. In addition to local housing needs, every city and county has an obligation to address the housing needs of the entire region. The Regional Housing Needs Allocation (RHNA) identifies the allocation to cities and counties of their “fair share” of the region’s housing needs as well as future projected housing needs by income group.

The Stanislaus Council of Governments (StanCOG) is tasked to develop a methodology for distributing the regional RHNA total among the nine cities and the county. The current RHNA covers a seven-and-a-half-year period, from January 2007 to July 2014. In September 2008, StanCOG completed the RHNA analysis for Stanislaus County, which established a total of 25,602 housing units for the region. Based on estimates and negotiations among the various StanCOG jurisdictions, Modesto’s fair share under the StanCOG plan is 11,130 new housing units for the seven-and-a-half-year period described above.

Modesto's RHNA breakdown by income category (2007 – 2014)

Very Low	Low	Moderate	Above-Moderate	Total
2,596	1,818	2,145	4,571	11,130

Source: 2009 City of Modesto Draft Housing Element

Income Categories:

2008 Family Median Income for Stanislaus County - \$55,000

Very Low Income:	<50% of median	Up to \$27,500
Low Income:	50% to 80% of median	\$27,500 to \$44,000
Moderate Income:	80% to 120% of median	\$44,000 to \$66,000
Above Moderate Income:	>120% of median	above \$66,000

The preliminary analyses conducted for the current Housing Element will assist in determining how much additional land is needed to be considered for an advisory vote on the November 2009 ballot. Staff will work closely with HCD staff in completing preparation of the new Housing Element, in order to verify that the strategies contained in the document are sound and the update is ultimately certified by HCD. At the time this report was prepared, the Housing Element update was not yet developed to a point where specific programs and strategies could be confirmed. Staff will present these concepts, in as much detail as possible, to the EDC and City Council as the UGR process moves toward completion.

Additional Areas to Consider for Economic Development

In order to facilitate economic development, the EDC and City Council may desire to consider additional CPDs and individual sites or locations for an advisory vote, SOI amendment and/or annexation. With regard to economic development, staff met with local commercial real estate professionals on February 2, 2009, for the purpose of identifying the best potential sites for commercial, industrial, and business park development. Some of the areas that were identified as having potential for facilitation of economic development opportunities are currently designated by the General Plan for Residential land use. In order to build upon the ideas discussed on February 2, the main focus of the March 9, 2009, EDC Urban Growth Review workshop was a small-group exercise that led to a list of ideas regarding possible changes to the General Plan land use exhibit that might facilitate economic development.

Generally speaking, there seemed to be consensus among EDC workshop participants, and local commercial real estate experts, that changing Village Residential designations in certain areas along the north side of Modesto's General Plan (Kiernan / Carver, Kiernan / Carver North, and the Oakdale Road corridor between Hetch-Hetchy & Roselle / Claribel) to Regional Commercial or Business Park could help promote job creation and other economic benefits. In addition, the Business Park and Regional Commercial areas in the northwest part of the City (College West, Beckwith / Dakota, and Kiernan / Carver) were identified as priority sites that have economic development potential. Finally, the Kiernan / McHenry CPD and the north McHenry Regional Commercial areas were identified as having significant potential for economic development.

Other noteworthy comments and input received includes: recognition of the water constraints south Modesto; the Business Park triangles in Village One and Roselle / Claribel may not be viable and should be studied; priority areas for residential inventory should include the Johansen / Empire North and Roselle / Claribel CPDs. Comments and discussions also indicate that the City of Modesto lacks large parcels of Business Park land located close to major transportation corridors, and that additional Regional Commercial acreage is needed to serve both east Modesto and west Modesto along SR99. It should be noted that many of the identified opportunity areas for economic development may not be subject to an advisory vote. These areas include the College West, Beckwith / Dakota, Kiernan / Carver CPD (west of Kaiser), and Kiernan / McHenry CPDs. A complete list of all comments and input received at the March 9 EDC workshop is attached to this report.

As a result of the economic development discussions described above, the City Council may desire to pursue a future General Plan Amendment(s) in order to change certain land use designations (see "Table 6 - Economic Development" at the end of this section). Additional information that is meant to provide CPD-specific details related to economic development opportunities and constraints is provided below. The areas identified below are shown in the context of the General Plan land use diagram on the attached CPD exhibit.

Highway 132 CPD – "Area A"

The Highway 132 CPD is located generally south of Kansas Avenue and west of Carpenter Road. This CPD is located within the City's General Plan boundary and SOI, and is currently designated for Business Park land use. There has been discussion, at the meetings referenced above, regarding the viability of Business Park development at this location. Some suggest that the Highway 132 CPD should be designated as Village Residential instead of Business Park. Before any Village Residential development could proceed, a Measure M vote would be necessary, in addition to the standard specific plan / EIR and annexation process. Finally, it is worth noting that current Council policy requires any advisory vote to cover the entire CPD area, rather than only a portion of the CPD.

College West CPD – "Area B"

The College West CPD is located along the west side of SR99, generally between the Standiford Ave. and Briggsmore Ave. interchanges. This site is currently designated in the General Plan for Business Park land uses. Close proximity to the freeway and the existence of the West Trunk through the site (no Advisory Vote needed) make this site a good candidate for near-term economic development. However, lack of downstream sewer capacity combined with the need to increase capacity at the freeway interchanges referenced above present significant constraints to development. A specific plan / EIR and annexation process would be necessary in order to bring this CPD into the City of Modesto.

Beckwith / Dakota CPD – "Area C"

This particular CPD is located along the west side of SR99, just south of Salida, and outside of the City's SOI. Because it is outside of the SOI, the Beckwith / Dakota area was not included in any of the utility Master Plan studies and analyses that have occurred in the last several years. Despite these constraining factors, this CPD may still be a good candidate to be considered for future development because of its proximity to SR99 and the potential job creation and tax revenue that could be realized. In order to add this CPD (or a portion thereof) to the City, the SOI would need to be expanded to encompass it. Concurrently, a specific plan / EIR and annexation process would be necessary. It has been suggested that it may make sense from an economic development standpoint to process only a portion of the Beckwith / Dakota CPD.

Kiernan / Carver CPD (west of Kaiser medical campus) – “Area D”

The portion of the Kiernan / Carver CPD that lies to the west of the new Kaiser hospital is within the City’s General Plan boundary, but outside of the SOI. This site received an advisory vote in 1997 along with the rest of the Kiernan Business Park area (east portion of the Kiernan / Carver CPD). That fact, combined with the site’s close proximity to SR99, makes this area a potentially good candidate for near-term economic development. Drawbacks for this area include the need to amend the SOI, and an estimated \$3M in sewer system improvements. While the existing Kiernan / Carver specific plan covers this area, a specific plan update may be needed to comply with current policies. In addition, a SOI amendment and annexation are the other steps needed to make it available for development.

Kiernan / Carver North CPD – “Area E”

The Kiernan / Carver North CPD is located between Dale Rd. on the west and McHenry Ave. on the east, and north of Kiernan Ave. It is currently designated in the General Plan for Village Residential land use, but may be a viable site for Business Park uses. Discussions regarding a change in General Plan land use classification to promote economic development in this area include both the north and south sides of the Kiernan Avenue corridor. The Kiernan / Carver north CPD is relatively close to SR99 but is outside the SOI. A change to the SOI boundary, a General Plan amendment (to change the land use designation from Village Residential to Business Park), a specific plan / EIR, and utility Master Plan updates would be necessary. Depending on the specific circumstances, an advisory vote may also be needed.

Kiernan / McHenry CPD – “Area F”

The Kiernan / McHenry CPD is located east of Tully Rd., north of Pelandale Ave., west of McHenry Ave., and south of Kiernan Ave. It is designated as Business Park on the General Plan land use exhibit, and is located within the SOI. It received a negative advisory vote in 1997. The Kiernan / McHenry CPD has been partially developed with business park uses under Stanislaus County jurisdiction. This area would need a specific plan / EIR and could be annexed whereby the City would encourage continued development. There would be infrastructure costs including an estimated \$6.75 million for sewer improvements plus potential downstream sewer improvements as well.

North McHenry Regional Commercial – “Area G”

The commercial properties fronting along McHenry Avenue between Kiernan / Claribel on the north and Pelandale / Claratina on the south are largely developed – mostly with automobile dealerships. This area has been identified as a potential high priority economic development catalyst site and is located in the east portion of the Kiernan / McHenry CPD and west portion of the Hetch-Hetchy CPD. Annexation of this area would likely be preceded by an advisory vote (any such requirement would need to be verified by the staff in the City Attorney’s office). A change in the adopted City Council policy requiring advisory votes to cover entire CPDs would need to be modified in that instance.

Hetch-Hetchy CPD & Roselle / Claribel CPD – “Area H”

Area H consists of both sides of Oakdale Rd. between Claratina Ave. and Claribel Rd. This location has been discussed as an important site for additional regional commercial development. This would be a logical extension of the regional commercial area located to the south, within the recently-approved and yet-to-be-developed Tivoli Specific Plan area. The Crossroads regional shopping center is mostly developed, and is located immediately to the north of this area within the City of Riverbank. Area H would be subject to an Advisory Vote, General Plan amendment, a specific plan / EIR, annexation process and possible change in adopted City Council policy.

Table 6 – Economic Development
 Comprehensive Planning District Summary

CPD	Land Use designation(s)	Acres	Possible GPA	Estimated Infrastructure Cost
Area A Highway 132 CPD	Business Park	660	Change BP	Sewer \$3.06 Million
Area B College West	Business Park	230	No Change	Not Available
Area C Beckwith / Dakota	Regional Commercial	350	No Change	Not Available
	Business Park	690		
Area D Kiernan / Carver (west)	Business Park	225	No Change	Sewer \$3.13 Million plus possible downstream cost
Area E Kiernan / Carver North	Village Residential	460	Add BP	Not Available
	Regional Commercial	30	No Change	
Area F Kiernan / McHenry	Regional Commercial	100	No Change	Sewer \$6.75 Million plus possible downstream cost
	Business Park	370		
Area G North McHenry Regional Commercial	Regional Commercial (Kiernan / McHenry)	100	No Change	See Area F
	Regional Commercial (Hetch-Hetchy)	130	No Change	See Area H
Area H Hetch-Hetchy and Roselle / Claribel (includes Tivoli)	Village Residential	830	Reduce VR	Sewer \$8.82 Million plus possible downstream cost
	Regional Commercial	130	Increase RC	
	Village Residential	1290	Reduce VR	Sewer \$8.55 Million plus possible downstream cost
	Regional Commercial	70	Increase RC	
	Business Park	260	Change BP	
Area 1 Kiernan / Carver (east of American Ave.)	Village Residential	730	Reduce VR	Sewer \$2.15 Million plus possible downstream cost
	Business Park	0	Increase BP	

CEQA/NEPA REQUIREMENTS:

The requested guidance action qualifies as “general policy and procedure making,” and therefore is not a project pursuant to CEQA Guidelines Section 15378. However, the draft UGR report and Measure M consideration will be subject to environmental review per the California Environmental Quality Act.

STRATEGIC PLAN ELEMENT:

Future development of Modesto is guided by two fundamentally and mutually supportive needs: economic development and maintaining the fiscal base of the City. These needs are addressed in the Community Growth Strategy of the General Plan. The existing policies in the General Plan support the adopted land use growth strategies (VB.B.1, & 2) and City Finance strategies (VII.C) of the City’s Strategic Plan by calling for a review of the growth trends in the Modesto Urban Area on a periodic basis.

Approved by:

H. Brent Sinclair, AICP
Director of Community & Economic Development

Greg Nyhoff, City Manager

Attachments:

Attachment 1 – Map of Comprehensive Planning District areas
Attachment 2 – Map of Potential Advisory Vote Areas
Attachment 3 – List of comments received at the March 9 workshop