

MINUTES

Joint Meeting of the Scotts Valley City Council and Redevelopment Agency Board of Directors

Date: September 5, 2007

POSTING:

The agenda was posted on 8-31-07
at City Hall by the City Clerk.

CALL TO ORDER 6:03 p.m.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

Present:

Mayor Bustichi
Vice Mayor Johnson
Council Member Aguilar
Council Member Barrett
Council Member Reed

City Manager Comstock
City Attorney Powell
Deputy City Mgr/Admin Svs Dir Ando
Police Chief Weiss
Public Wks Director Anderson
Interim Community Development Dir Westman
City Clerk Ferrara

COMMITTEE REPORTS VM Johnson reported that a Skypark Town Center Community meeting was held on August 28 at 6:00 p.m. at the Scotts Valley Community Center. He stated that approximately 110 people were in attendance and the City's consultant gave an interactive presentation. He stated that report cards were also distributed for people attending the meeting to provide feedback.

VM Johnson reported that the Santa Cruz County Regional Transportation Commission (SCCRTC) met with California Transportation Commissioner, Carl Gardino, who went over what the SCCRTC can do better and how they can access funds better.

CM Barrett reported that he attended a LAFCO conference in Sacramento where a lot of valuable information was shared. He stated that one issue discussed was global warming and he stated that we need to do what we can to help the environment at every level.

PUBLIC COMMENT PWD Anderson notified the City Council and Scotts Valley residents that there will be paving activity on Friday, September 7, Wednesday, September 12, and Thursday, September 13 at the following locations: Upper Navarra, Lower Navarra, Hacienda, and on Bluebonnet in front of the Community Center.

Mayor Bustichi paraphrased a letter that he received from Websense, who has acquired Surf Control on Scotts Valley Drive, regarding the closure of Surf Control and the loss of 176 employees in Scotts Valley. He stated that he read this letter to give the community an idea of the challenges this City and many other cities face as far as keeping jobs and businesses.

**ALTERATIONS TO
CONSENT AGENDA**

CM Reed requested that item C be moved to the regular for a separate vote, as he has to recuse himself from voting on this item due to the proximity of his residence to this project.

M/S: Aguilar/Barrett

To approve the Consent Agenda as amended moving item C to the regular agenda for a separate vote.

Carried 5/0

Consent Agenda:

- A. Approve Joint City Council/RDA meeting minutes of 8-15-07
- B. Approve check register – 8-10-07, 8-28-07
- D. Second reading and adoption of Ordinance No. 16-ZC-207 approving a Planned Development zoning for a new 27,256 square foot residence hall on the Bethany University Campus // APNs 023-041-09 / 023-072-01 & -08
- E. Approve the proposed expenditures for the State Supplemental Law Enforcement Services Fund (SLESF) / Citizens Option for Public Safety (COPS)
- F. Approve site rental agreement between the City of Scotts Valley and Sojourners Church for rental of the Scotts Valley Community Center
- G. Approve Resolution No. 1697.2 amending the heritage tree inventory pursuant to Section 17.44.080.L of the Scotts Valley Municipal Code tree protection regulations
- H. Second reading and adoption of Ordinance No. 16-123 (Zoning Ordinance Amendments AZO-07 and ND007-03), an ordinance of the City of Scotts Valley amending sections 17.04.040, 17.04.060, 17.04.090, 17.04.160, 17.04.170, 17.04.190, 17.04.210, 17.04.230, 17.06.010, 17.10.020, 17.10.030, 17.12.020, 17.12.030, 17.14.020, 17.14.030, 17.16.020, 17.18.020, 17.18.030, 17.26.030, 17.20.020, 17.20.030, 17.20.045, 17.22.020, 17.22.030, 17.22.040, 17.26.020, 17.44.030, 17.50.060(f); adding sections 17.10.035, 17.12.035, 17.14.035, 17.16.035, 17.26.030, 17.26.035; deleting sections 17.46.130, 17.44.080(H)5(b), and 17.50.060 (E); adding Chapter 17.09 Very High Density Residential to the Scotts Valley Municipal Code; adding to the C-S Service Commercial Zoning regulations allowing mixed use development on sites designated in the Housing Element as a permitted use and transitional housing as a conditional use
- I. Accept dedication of a portion of King's Village Road (APN 022-601-13 / portion of) from the Manana Woods Mutual Water Company (MWMWC) by the following actions:
 - (1) Approve Resolution No. 1805 accepting grant deed for a portion of King's Village Road / APN 022-601-13 (portion of)
 - (2) Approve easement agreement between the Manana Woods Mutual Water Company and the City of Scotts Valley;
 - (3) Authorize the Mayor to execute the grant of easement in accordance with the easement agreement.

**ALTERATIONS TO
REGULAR AGENDA**

M/S: Barrett/Aguilar

To approve the Regular Agenda as amended moving item C to the regular agenda for a separate vote.

Carried 5/0

REGULAR AGENDA

- C. **Accept request from Sky Park Limited Partnership for termination of the Pre-Development Agreement for the development of a mixed-use retail and housing project from the Sky Park Limited Partnership**

CM Reed recused from voting on this item due to the proximity of this project to his residence.

M/S: Aguilar/Johnson

***To accept the request from Sky Park Limited Partnership for termination of the Pre-Development Agreement between the Scotts Valley Redevelopment Agency and the Sky Park Limited Partnership, for the development of a mixed-use and retail housing project
Carried 4/0/1 (ABSTAIN: Reed)***

1. **Consider reserving affordable housing funds for a Habitat for Humanity affordable housing project**

DCM/ASD Ando presented the written staff report and responded to questions from Council.

CM Reed stated that as he understands things, the previous Council in 2000 agreed to let Lennar partner with Habitat to do this project in return for Lennar not having to build affordable housing on-site in their development, or to pay an in-lieu fee. He questioned if the amount that Lennar had contributed to the project commensurate with the amount they would have had to have paid in in-lieu fees if they had built on-site. CM Comstock responded that he believed that with the purchase of the land, the entitled project, and all the impact fees, it is at least equal to or maybe more than they would have had to do.

CM Aguilar stated that the City also negotiated additional costs for the developer for them to do all the infrastructure, which is more than their in-lieu fee for the affordable element.

Dan Kriege, Habitat for Humanity, stated that they are very excited about this project and thanked the City Council for their consideration. He stated that they hope to begin construction on this project in the summer of 2008. Mr. Kriege gave a history of Habitat for Humanity and their concept/purpose, and stated that Habitat for Humanity has built over 200,000 homes worldwide.

Bill Brooks, local housing developer, stated that he has worked with Mr. Kriege for several years and spoke in favor of the Council encumbering these Affordable Housing funds.

Andrea Tolaio, Acting Executive Director/Director of Development for Habitat for Humanity, stated that if these funds are approved Scotts Valley will be helping to fund homes in perpetuity. She stated that these homes are built with volunteer labor, in-kind donations, and fundraising dollars.

Anne Thomas, Scotts Valley resident, spoke in favor of the Habitat for Humanity project.

Gene Fletcher, Scotts Valley resident, spoke in favor of the Habitat for Humanity project and urged the support of the City Council.

Mayor Bustich asked Mr. Brooks if he could give a percentage breakdown of the cost of materials versus the cost of labor for a residential building. Mr. Brooks responded that the rule of thumb is 50/50.

CM Johnson spoke highly of Habitat for Humanity, however, he stated that he would like to see some hard figures before allocating this large an amount of money.

CM Aguilar spoke in favor of using this money for Habitat for Humanity. She stated that the City is not allocating the \$1 million, we would be encumbering the funds. She stated that Habitat would have to get a loan and that the City would reimburse Habitat for their expenditures up to the amount encumbered. She stated that Habitat would first have to get an architect who would provide a breakdown of costs, and the City would then be provided with a spreadsheet showing those costs. She stated that the \$1 million is from our affordable housing budget and that the City is in danger of losing some of our affordable housing money to the State if we do not spend it.

CM Reed spoke highly of Habitat for Humanity, however, he feels the question before the Council tonight is not about the integrity of Habitat, but it is about the appropriate use of public funds. He stated that after speaking with staff he is aware that there is a substantial surplus of affordable housing funds, however, it is his understanding that we are not in a situation where this is a use or lose situation for the City's affordable housing money. He stated that the City will receive ample notice before we get to the point where the affordable housing funds will have to be used or they will be lost. He stated that he feels there are many other ways that this money can be used for example: affordable housing at the town center, a first-time home buyer program, or a program to help public sector workers afford housing, etc.

CM Aguilar stated that the City currently has a first-time home buyer program that could be augmented, and reviewed the different affordable housing programs currently available in Scotts Valley. She stated that because of the surplus of affordable housing funds, the Affordable Housing Subcommittee met and they looked into the \$1 million for Habitat for Humanity and putting \$1 million into the Town Center in 2008 and \$2 million in 2010. She stated that the City will accrue a cumulative surplus if we do not expend the \$4 million by 2012 of \$2,669,000.

M/S: Aguilar/Barrett

To approve encumbering up to \$1 million of Affordable Housing funds for use on the Habitat for Humanity project in fiscal year 2008-2009, with Habitat providing all of their financials to the City, at which time, the City Council can either fund the project or withdraw the encumbrance.

The following discussion was held regarding CM Aguilar's motion:

CM Johnson stated that he does not feel it is appropriate to allocate the money without a business plan. He stated that he would agree to a stipend of \$20,000 to \$30,000 for architecture and design fees, if that is what is in the way of Habitat providing financials to the City.

Mayor Bustichi requested the following friendly amendment to CM Aguilar's motion:

1. Allocate the funds to be spent, with a stipulation that the funds need to be justified to the Affordable Housing Subcommittee, where bills would be submitted from Habitat for review, and if acceptable to the Affordable Housing Subcommittee, the bills would then come to the City Council for review and approval.
2. 100% of the funds will be spent for materials only, not labor.

CM Aguilar stated that the City is not actually allocating the money, we are encumbering it. She stated that she believes Habitat will be getting a loan with a guarantee that they will be receiving some monies from the City for reimbursement. She recommended that bills be submitted no more than once a month to the Council for approval.

CM Aguilar stated that she would agree to Mayor Bustichi's amendment if Habitat could be given some money up front for their architectural designs. Mayor Bustichi stated that he would agree to that change to his amendment.

Amended motion:

M/S: Aguilar/Barrett

To approve encumbering up to \$1 million of Affordable Housing funds for use on the Habitat for Humanity project in fiscal year 2008-2009, with the following stipulations: (1) the funds need to be justified to the Affordable Housing Subcommittee, with bills submitted from Habitat for review, and if acceptable to the Affordable Housing Subcommittee, the bills would then come to the City Council for review and approval; (2) 100% of the funds will be spent for materials only, not labor; and (3) Habitat will be given some money up front for architectural designs.

Carried 3/2 (NOES: Johnson/Reed)

Dan Kriege, Humanity for Humanity, stated that they will provide a spreadsheet and bills to the City as requested. He stated that Habitat does not texture the walls, they hire it out, and he asked if Habitat could use some of the money to pay for texturing. Mayor Bustichi responded that the motion passed with no labor costs and they would have to find another way to pay for texturing the walls.

2. Consider economic development incentives for Scarborough / Gilbert Partners project

The Economic Development Subcommittee, Mayor Bustichi/Vice Mayor Johnson, presented the written staff report and responded to questions from Council.

Rod Kilcrease, Scotts Valley Rock and Landscape Supply, stated that he just heard about this item approximately two hours ago. He spoke in opposition to Central Home Supply moving to Scotts Valley and stated that he feels they would be in direct competition with his business and Scarborough. He stated that his business is small and does approximately \$1.2 million per year. He stated that he spoke with Central Home Supply a few weeks ago and that they were trying to negotiate with him, but they would not make any commitments. Mr. Kilcrease stated that he feels the City has this business already and would only be hurting local existing businesses.

Bill Gilbert, Scarborough/Gilbert partners, stated that he has been talking with Central Home Supply for the last year and a half. He stated that they are looking at this as an opportunity to bring in \$100,000 per year in annual sales tax to the City. He stated that he feels the businesses already in town will actually increase their sales because of the larger number of people coming into town to shop for supplies. He stated that there are local people who like to deal with smaller businesses and he believes they will continue to use the SV Rockery.

CM Barrett stated that he had some questions and concerns, and that he feels there are better uses for the City's RDA funds. He stated that SV Rockery currently contributes to sales tax in Scotts Valley, and he does not feel that the full \$100,000 in sales tax will come in with the relocation. He stated that he has heard that Central Home Supply is looking at expanding to Aptos, which he feels would reduce the estimated sales tax coming into Scotts Valley. He recommended that Scarborough/Gilbert partners lower their rent and work things out directly with Central Home Supply.

CM Aguilar stated that she would like to see a financial analysis of the companies, and she would like Central Home Supply commit in writing to being in Scotts Valley for five years. She stated that she would also like to see a cost analysis of the tax dollars the City could lose if the SV Rockery goes away, in contrast to the tax dollars that we would get from Central Home Supply. She stated that she is not opposed or in favor, she simply needs more information. She would also like to see a financial analysis from Scarborough showing whether they can afford to do this without the City's help.

Mayor Bustichi questioned the amount of sales tax that would be lost if the SV Rockery were to close down. DCM/ASD Ando responded that based on Mr. Kilcrease's statement that his business makes approximately \$1.2 million per year, the loss in sales to the City annually would be approximately \$12,000.

Mr. Gilbert stated that they can afford to do it, however, they probably wouldn't because, they have already made a number of concessions for this move. He stated that he feels this is the best use for this property. He stated that Central Home Supply is looking to move because they are losing their lease on a portion of the property that they use at their Santa Cruz location, and they will not be able to run their business without that space. He stated that approximately 50% of Central Home Supply's customers come from the Santa Cruz Mountains. He stated that Central Home Supply has purchased Aptos Landscape Supply, however, they are not planning to have a rockery there. CM Aguilar questioned if Central Home Supply would be willing to go into an

agreement with the RDA, to reimburse the RDA if they don't stay for five years. CA Powell responded that if this approved, she would prepare an agreement that would require that if Central Home Supply left prior to the RDA being paid back through the sales tax, the City would look to Scarborough/Gilbert to repay that difference.

CM Reed stated that he feels this is a positive move for the City and a good business decision.

Mr. Kilcrease stated that Central Home Supply told him that their plan was to buy a number of satellite locations, and he stated that his sources told him that Central Home Supply has no intention of moving out of Santa Cruz. He stated that he purchased SV Rockery in 1998 and as a local business he serves the community and provides good customer service. He stated that in the nine years he has owned the business they have "grown" their business from \$300,000 to \$1.2 million annually.

CM Johnson spoke in favor of this proposal and stated that he feels this is a good business decision for the City.

CM Aguilar questioned if the property was located in the redevelopment agency area and asked what the increased property tax dollars would be in property tax increment. DCM/ASD Ando responded that the property is located in the redevelopment agency area and that the increase to the tax increment would be approximately \$4,000.

Mayor Bustichi spoke in favor of this proposal and stated that he felt it was an opportunity that we cannot afford to pass up.

CM Aguilar stated that she will be abstaining from this vote. She stated that she is in favor of increased sales tax, and she is not for or against the project, she just needs more information before making a final decision. Mayor Bustichi asked for a clarification on why CM Aguilar was abstaining. CM Aguilar stated that she would like to see financials from Scarborough/Gilbert and that if she had the additional information her vote would probably be a yes.

CM Barrett stated that he feels the City should be trying to fill business leakage problems, and he feels this is piggybacking on existing businesses. He stated that he would prefer to see this money used for the Town Center project.

***M/S: Johnson/Reed
To approve in concept the proposal between the Redevelopment Agency
of the City of Scotts Valley and Scarborough / Gilbert Partners.
Carried 3/1/1 (NOES: Barrett / ABSTAIN: Aguilar)***

PUBLIC HEARINGS

3. Consideration of rezoning various properties to implement the Housing Element / AZO07-001

Interim CDD Westman presented the written staff report and responded to questions from Council. She stated that staff is recommending that the Council go forward with option 3, which would include the rezoning of the original properties submitted to Council on August 15, 2007, with the exception of the four parcels adjacent to Scotts Valley Heights, which would be rezoned to R-M-6000, and direct staff to go through the process to rezone the two additional parcels on Mt. Hermon Road to residential very high density, and instruct staff to start the process of looking at the four parcels on Lundy Lane for rezoning to residential very high density.

Mayor Bustichi disclosed that he leases property at 38 and 48 Mt. Hermon Road. He stated that he will be moving in a few months and that the rezoning has no financial impact on his business.

PUBLIC HEARING OPENED - 8:10 PM

Steve Winters, Scotts Valley Heights, expressed the thanks and appreciation of the Scotts Valley Heights neighborhood for the Council's reconsideration of this item. He stated that they support option 3 as recommended by City staff. They feel it is much more appropriate zoning and that it will help with traffic and safety concerns. He stated that they have three remaining concerns: (1) traffic on the southern end of town in the Scotts Valley Heights through neighborhood if these parcels are developed; (2) should any developments be proposed, they will ask for restrictions at the Planning Commission level like limiting the number of stories, open space, and maintaining existing landscaping as much as possible; and (3) why are all of the very high density parcels at the southern end of town.

CM Reed made comments regarding the role of the State in this issue and again urged those in attendance at the meeting and at home to contact their State legislators if they are concerned about the larger issue here (State Assembly Member Laird 425-1503 and State Senator Maldonado 408-277-9461).

Ida McCoy, Bluebonnet Lane, asked if the density is higher than the existing developments on Bluebonnet. Mayor Bustichi responded that it will be slightly more dense. CM Aguilar stated that Mr. Brooks did density transfer on his other development on Bluebonnet, so the density may be equal. Ms. McCoy stated that she is concerned about property values and the height of buildings on the Brooks project and any other projects that may be proposed on Bluebonnet Lane. Mayor Bustichi recommended that Ms. McCoy address her concerns at the Planning Commission level when the project is submitted for review and approval.

Patrick Shay, Scotts Valley Heights, questioned why mixed use zoning is proposed for the parcel on Scotts Valley Drive and Disc Drive, instead of high density residential. Mayor Bustichi responded that only a very small amount of mixed use is not acceptable to the State for the Housing Element, and that

lot was not included at this time because of that. Mayor Bustichi stated that the Council will be evaluating some of the same lots previously looked at, including mixed use zoning properties, in the next Housing Element review starting in 2008.

Sam Revino, Bluebonnet Lane, spoke in favor of the Brooks project on Bluebonnet Lane and stated that he had some concerns about view. He stated that he is opposed to a three story parking structure on the site next door.

Sharon Walker, 104 Kirkorian Court, questioned why the very high density parcels are on the south end of town. Mayor Bustichi responded that he feels it is simply because of the evolution of the community, and the many older neighborhoods on the north end of town. He stated that the Glenwood referendum reduced the number houses constructed at Glenwood. He also stated that Mt. Hermon Road is a transportation corridor and they are looking at packaging density in a way that public transportation is accessible.

Jenny Mason, 109 Kirkorian Court since 1985, stated that she feels they have won for Scotts Valley Heights, but not for Scotts Valley. She stated that she is concerned about the impact of very high density development on water and safety services in Scotts Valley.

Chris Fish, Oak Creek, spoke in opposition to rezoning to very high density residential on the south end of town because of the traffic impact.

Tom Mason, Kirkorian Court, questioned what the threat is to the City from the State if the City does not have a certified Housing Element. CA Powell responded that if the City does not approve the Housing Element as the State Department of Housing and Community Development has mandated, the City will have an incomplete General Plan, which would put all projects at risk, could prevent us from obtaining any grant funds, and could potentially stop all development in the City. She stated that the County of Santa Cruz was recently sued by some housing groups because their Housing Element didn't comply, and it did put a stop to all development until they reached a settlement. Mr. Mason asked if HCD took into consideration the availability of water, sewer, etc. when they place these requirements on cities? CA Powell stated that they do not. She stated that the problem with the whole process is that we have to zone the parcels, but HCD cannot force the City to actually build all of the units.

Unknown, stated that she was happy with the City's response the concerns of the Scotts Valley Heights neighbors. She asked if they would be notified in the case of any proposed development.

CA Powell responded that any properties within a 300' radius of an application for a proposed development would receive a notice. She stated that in addition, anyone can send a written request to the City requesting to be notified of any development within a specific area, whether or not you are within 300' radius.

Reagan Katz, Sunridge Drive, stated that she is concerned about increased noise with any high density residential construction and she would like to see sound walls required because she is severely affected by traffic noise from Highway 17. She asked if any affordable housing constructed in this area could be restricted for seniors or public employee housing. Mayor Bustichi responded that the City would not be able to make those restrictions as it would be discriminatory. Mayor Bustichi recommended that Ms. Katz contact Caltrans and/or the Santa Cruz County Regional Transportation Commission regarding sound walls for Highway 17 traffic noise. CA Powell stated that if and when there is a project proposed on these properties, she is welcome to submit her comments and concerns.

Daryl Tempesta, Silverwood Drive, stated that he wants to be sure that the gateway to Scotts Valley maintains its current character. He stated that he is concerned about very high density in the gateway corridor and feels it is unwise. He recommended moving the middle school to the high school campus, moving the high school to the Borland Campus, and rezoning the current middle school property to very high density residential.

Chris Perri, owner of one of the parcels proposed for rezoning on Scotts Valley Drive next to Scotts Valley Heights, stated that he would bring any proposed development to the neighbors before submitting anything to the City.

John Sosa, 120 Kirkorian Court, stated that he was concerned about speeding on Glen Canyon and the impact that very high residential zoning will have. He also stated that he does not want to lose the character of his neighborhood.

Lisa Sosa, 120 Kirkorian Court, stated that she was concerned about notification process for development, traffic, and overcrowding in Scotts Valley.

Frank Kurtai, President of Monte Fiore Homeowners Association, recommended that the City use their powers of persuasion with State officials to try to remedy this situation.

Mark Nicholson, 105 Kirkorian, stated that he feel the proposed development on Mt. Hermon Road takes away from the character of the entrance to Scotts Valley. He questioned if Mayor Bustichi should excuse himself from making decisions in this matter because he owns property on Scotts Valley Drive and does business in the City.

PUBLIC HEARING CLOSED - 9:00 PM

M/S: Aguilar/Reed

To rezone the list of parcels presented on August 15, 2007, but modify the zoning for the four parcels adjacent to Scotts Valley heights to R-M-6000, and introduce Ordinance No. 16-ZC-208 rezoning the following: APN 22-162-69, 22-162-74, 22-732-48, 22-732-01, and 22-151-04 shall be rezoned to R-M-6000 Residential - Medium High Density; APN 21-321-04, 22-151-05, 22-151-11, 22-211-92, and 22-151-03 shall be rezoned to R-VHD Residential - Very High Density (15.1 - 20 units per acre); and APN

22-162-76 shall be rezoned to C-S Service Commercial (Zoning Ordinance Amendments AZO07-001 and ND007-03), and waive the reading thereof.

Carried 5/0

M/S: Aguilar/Reed

To approve Resolution No. 1803 directing staff to proceed with additional rezonings listed in resolution and approving amended Chart 4-4.

Carried 5/0

4. **Consideration of amendments and updates to the large family child care regulations / Citywide / AZO07-001 and ND007-03**

Interim CDD Westman presented the written staff report and responded to questions from Council.

PUBLIC HEARING OPENED - 9:05 PM

No one came forward.

PUBLIC HEARING CLOSED - 9:05 PM

M/S: Reed/Barrett

To introduce Ordinance No. 16.124 approving the addition of Section 17.50.015 "Large Family Child Care Homes" to the Scotts Valley Municipal Code (Zoning ordinance Amendments AZO07-001 and ND007-03), and waive the reading thereof.

Carried 4/1 (NOES: Aguilar)

REGULAR AGENDA
(Resumed)

5. **Future Council/RDA agenda items**

None.

CONVENE TO CLOSED SESSION

The City Council convened to closed session at 9:06 p.m. to discuss the following items:

1. Pursuant to Government Code Section 54956.9, the City Council met in closed session to confer with their legal counsel regarding existing litigation. Name of Case: City of Scotts Valley vs. County of Santa Cruz, Santa Cruz County Superior Court, Case No. CV 157460.

RECONVENE TO OPEN SESSION

The City Council reconvened to open session at 9:28 p.m.

REPORT ON ACTION TAKEN DURING CLOSED SESSION

Mayor Bustichi announced that there was nothing to report.

ADJOURNMENT

The meeting adjourned at 9:29 p.m.

Approved:

Dene Bustichi, Mayor / Chair

Attest:

Tracy A. Ferrara, City Clerk / Secretary