



Item No. **11 (A)**

REPORT TO THE CITY COUNCIL

DATE: SEPTEMBER 13, 2016

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF RESOLUTION IN OPPOSITION TO MEASURE Z

RECOMMENDATION:

It is recommended the City Council adopt a Resolution in opposition to Measure Z.

BACKGROUND:

Measure Z will be on the November 8th ballot and is sponsored by Protect Monterey County. It would ban the use of hydraulic fracturing, commonly called fracking, as well as other high-intensity methods of oil and gas extraction, such as acid stimulation.

At the August 9th meeting, Mayor Cullen requested staff to provide a recommendation on whether the Council should take a formal position on Measure Z, which was agreed to by the Council. Staff contacted both Protect Monterey County and No on Measure Z to request information. Both groups were invited to attend the City Council meeting to provide additional information and be available for questions. Since the objective of Measure Z is largely based on addressing concerns over potential groundwater contamination, staff also contacted California Water Service to determine if they have concerns and feel Measure Z is necessary. They indicated that they have not taken a position.

DISCUSSION:

Supporters of the initiative argue that fracking causes a serious threat to the health of citizens, the environment and the success of the agricultural and tourism industries. Those who think fracking should not be allowed argue that

**CITY COUNCIL
CONSIDERATION OF RESOLUTION IN SUPPORT OF MEASURE Z
SEPTEMBER 13, 2016
PAGE 2 OF 3**

fracking poses the threat of wastewater, including harmful chemicals, being released into groundwater through cracked well casings and accidental spills.

Currently, there are no fracking operations in Monterey County. The primary problem with the measure that has generated strong opposition from the oil industry is the following two items contained within the measure:

- The drilling of new oil and gas wells is prohibited on all lands within the county's unincorporated areas.
- Land uses in support of oil and gas wastewater injection and oil and gas wastewater impoundment are prohibited.

Monterey County is the fourth largest oil producing county in California. Opponents of the measure site that it produces nearly 1,000 jobs and \$186 million in local economic activity. While the measure allows existing pumps to continue operation, opponents argue that it will have a devastating impact on the industry because the extraction of oil cannot be adequately controlled without flexibility in the number of pumps allowed. Wells pressurize and depressurize and when one depressurizes, another one has to come online. Therefore, new pumps will be needed.

In addition, for every one barrel of oil that is extracted, 10 barrels of water come with it. Approximately 2,400 acre-feet of water is cleaned via reverse osmosis. Proponents of the measure argue that only 30% of the water is treated and the rest is injected into the ground, putting groundwater quality at risk. Therefore, Measure Z would prohibit wastewater injection. Opponents argue that all water injected into drinking water aquifers is treated. Other water is re-injected into the oil reservoir through steam injection, thousands of feet below the drinking water reservoirs. They state that reinjecting a modified fluid in the oil reservoir would impact the composition of the rock formations and cause disastrous results.

While fracking has been instrumental in decreasing the country's dependence on foreign oil, there is also growing evidence of risks and problems that create valid concerns. Staff has concluded there are beneficial provisions included in Measure Z, but believes it goes too far in adding restrictions that could cause severe impacts to Monterey County's economy and will have a direct negative impact on King City.

It is evident this is a highly complex and technical subject. It is difficult to confirm what information is accurate. Given the conflicting information provided by both sides of the measure, it is important to note that the City does not have the staff resources or expertise to provide the level of analysis necessary to make definitive conclusions regarding the groundwater quality issues involved with this debate. Therefore, staff's recommendation is based primarily on the results of the fiscal impact statement prepared by the County Auditor, which is attached.

**CITY COUNCIL
CONSIDERATION OF RESOLUTION IN SUPPORT OF MEASURE Z
SEPTEMBER 13, 2016
PAGE 3 OF 3**

The estimated impact in revenues to the County General Fund is projected to be over \$2 million annually. Since the deficiency in the level of services provided by the County to King City is already a concern, this impact could be very detrimental.

In addition, there is a serious concern expressed by County staff over the potential of oil well land owners to sue to recover the loss of value from a "taking". The value of San Ardo reserves is estimated at \$890 million to \$1.2 billion. Proponents of the measure argue that other counties that have adopted similar measures have experienced little cost impact for "taking" lawsuits. However, it would require a significant amount of analysis to determine whether that is sufficient evidence to conclude there would not be risks in Monterey County.

COST ANALYSIS:

There is no direct cost impact to the City from taking a position on Measure Z.

ALTERNATIVES:

The following alternatives have been identified for City Council consideration:

1. Adopt the Resolution opposing Measure Z;
2. Request staff to prepare a Resolution supporting Measure Z;
3. Take not position;
4. Request additional information; or
5. Provide staff other direction.

Exhibits:

1. Fiscal Impact Statement by County Auditor
2. Yes on Z Information
3. No on Z Information

Prepared and Approved by:



Steven Adams, City Manager

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING
IN OPPOSITION OF MEASURE Z, THE INITIATIVE TO BAN
FRACKING**

WHEREAS, Measure Z will be on the November 8, 2016 ballot and would ban the use of hydraulic fracturing, commonly called fracking, as well as other high-intensity methods of oil and gas extraction, such as acid stimulation; and

WHEREAS, Measure Z would also prohibit the drilling of new oil and gas wells on all lands within the county's unincorporated areas, as well as land uses in support of oil and gas wastewater injection and oil and gas wastewater; and

WHEREAS, Monterey County is the fourth largest oil producing county in California, which produces nearly 1,000 jobs and \$186 million in local economic activity; and

WHEREAS, the economic impact from Measure Z may cost the County of Monterey General Fund more than \$2 million annually and risk lawsuits involving land use takings potentially worth over \$1 billion; and

WHEREAS, many King City residents are dependent on employment related to the San Ardo oil wells.

THEREFORE, BE IT RESOLVED, that the City Council of the City of King opposes Measure Z and encourages voters to vote "NO" on November 8, 2016 in opposition to the measure.

This resolution was passed and adopted this 13th day of **September, 2016** by the following vote:

AYES, Council Members:

NAYS, Council Members:

ABSENT, Council Members:

ABSTAIN, Council Members:

APPROVED:

Robert Cullen, Mayor

ATTEST:

Steven Adams, City Clerk

APPROVED AS TO FORM:

Martin Koczanowicz, City Attorney

**FISCAL IMPACT STATEMENT BY COUNTY AUDITOR
MEASURE Z**

RECEIVED
CENTRAL OF VOTERS
MONTEREY COUNTY

Ballot Measure Z, if approved, would prospectively impact Monterey County revenues and expenditures as many oil extraction methods currently employed and some not currently employed in the County would be banned. Impacts would occur in property tax and sales tax revenues, with potential additional expenditures incurred due to possible litigation.

Because the prevailing price of oil is an important factor in calculating property taxes paid by the oil industry, collections fluctuate accordingly. Assessments are conducted annually by the elected Monterey County Assessor in conjunction with all of the oil producing Counties in California.

- In Fiscal Year 2015-16 (most current year available), the oil industry paid \$7,988,969 in property taxes, apportioned as follows:
 - Schools - \$5,476,862
 - County General Fund - \$2,157,427
 - Special Districts - \$328,835
 - Cities - \$7,159
 - Fire Districts - \$14,814
 - RDA Successor Agencies - \$3,872

- In Fiscal Year 2006-07 (lowest in 10 years), the oil industry paid \$2,242,423 in property taxes, apportioned as follows:
 - Schools – \$1,537,300
 - County General Fund – \$605,568
 - Special Districts – \$92,301
 - Cities – \$2,009
 - Fire Districts – \$4,158
 - RDA Successor Agencies - \$1,087

- In Fiscal Year 2014-15 (highest in 10 years), the oil industry paid \$8,689,512 in property taxes, apportioned as follows:
 - Schools – \$5,957,121
 - County General Fund – \$2,346,609
 - Special Districts – \$357,670
 - Cities – \$7,787
 - Fire Districts – \$16,113
 - RDA Successor Agencies - \$4,212

- While a cost cannot be estimated, a decrease in oil extraction will benefit the County by lowering the risk of potential costs related to environmental damage from the oil extraction process

- Similarly, while a cost cannot be estimated, a decrease in oil extraction will have a negative impact on financial activity. This is due to fewer jobs (approximately 730) and wages in the oil services industry and related consumer spending, resulting in decreases in sales and other taxes related to the industry

**FISCAL IMPACT STATEMENT BY COUNTY AUDITOR
MEASURE Z**

- The County would incur costs in processing applications for exemptions that Measure Z provides for. These exemptions, if secured, are intended to help avoid liability for an unconstitutional “takings” by exempting applicants from some or all of the provisions of Measure Z.

- If exemptions are secured, the County could face litigation challenging their validity, thus incurring litigation costs. These costs cannot be estimated.

- If exemptions are not secured, the County would be exposed to litigation for unconstitutional “takings” of property and/or any existing “vested rights”. The estimate of the cost of litigation is, of course, dependent on the outcome. As such, the cost, excluding legal fees, would be between \$0 if no “takings” were deemed by the court, up to the value of the potential profits of current and any future oil extraction if a court finds that an illegal “takings” had occurred. In the last three years, the Monterey County Assessor valued oil reserves in Monterey County between \$980 million and \$511 million, in sync with fluctuating worldwide oil prices.

- The County is not insured against court judgments for “takings” damages.



Michael J. Miller, CPA
Auditor/Controller
County of Monterey



STOP THE OIL & GAS SHUTDOWN

Measure Z is a deceptive, drastic and damaging ballot initiative that will hurt Monterey County families and have devastating consequences for crucial county programs like education, public safety and fire protection. Here are the facts on Measure Z:

Shuts Down All Existing Oil and Gas Production

Monterey County is the fourth largest oil producing county in California, and the oil and gas industry has safely and responsibly operated here for nearly 70 years. Measure Z would effectively ban permitted oil and gas operations, leading to a shutdown of energy production in the County, forcing us to import more oil from foreign countries, and eliminating nearly 1,000 jobs and \$186 million in local economic activity.

Devastates Monterey County Jobs, Residents and Vital Services

Energy production in Monterey County creates nearly 1,000 jobs and generates \$186 million in local economic activity. Measure Z would destroy these jobs and economic output, hurting everyone in the County. Measure Z would eliminate millions of dollars in annual tax revenue – robbing our schools, public safety and fire departments of vital funding.

Creates County's Largest Legal Liability, Putting County Finances at Risk

Measure Z creates the County's biggest legal exposure from takings lawsuits as companies, royalty owners and mineral owners seek compensation for the lost value of their property. Estimates place the value of oil and gas in Monterey in the hundreds-of-millions to billion-dollar range. The County is not insured against these lawsuits, so this expensive and extensive liability and costs to defend these lawsuits could bankrupt Monterey County.

Undermines Energy Independence and Environmental Protections

Banning oil and gas production in Monterey County means we would end up importing more oil from countries in the Middle East, Venezuela or Russia, exporting our jobs and tax revenues out of Monterey County and into foreign countries.

California energy production operates under the strictest environmental protections and production regulations in the world. Imported oil is produced in locations with weak or no environmental protections and has to be brought into California. Relying on foreign countries to provide us with the energy we need to sustain and grow our economy is risky, and it would make our energy security more reliant on often unreliable foreign sources.

www.NoOnMeasureZ.com

Paid for by No on Measure Z – Stop the Oil and Gas Shutdown with major funding from Aera Energy LLC and Chevron Corporation



[Home](#) / [THE INITIATIVE](#)

FAQs

PMC FAQ SHEET

Frequently Asked Questions & Answers

Q. The TV ads say that Monterey County's oil companies are overseen by regulations that are the "toughest in the world." Why aren't they enough to protect us? Why is a citizens' initiative needed?

A. Monterey County is one of the few oil producing counties in California that does not have oil and gas regulations. For decades, the County granted "blanket" permits which allow unlimited oil drilling on thousands of acres near the Salinas River. Over time, the density of oil wells has greatly increased. California's state regulatory agency, the Division of Geothermal Oil & Gas Resources (DOGGR), has provided little regulatory oversight.

In 2014, the U.S. Environmental Protection Agency alerted DOGGR that they have been allowing oil companies to inject wastewater from oil extraction operations into protected aquifers, in violation of the Safe Drinking Water Act. Most of the wastewater injection wells in Monterey County currently violate this federal law.

Q. The oil industry says there is no fracking in Monterey County, so why do we need to ban fracking?

A. Fracking and acid well-stimulation treatments have been used for several years in wells in the Bradley area, near the Salinas River. Monterey County granted permits for these activities in 2008 and 2004. These dangerous drilling techniques are used to extract oil from the Monterey Shale Formation, which underlies a significant part of Monterey County.

Q. How does the local oil industry compare with other sectors of Monterey County's economy?

A. According to a 2015-2016 report, the Monterey County Legislative Program, the County's top economic sectors are agriculture, hospitality, higher education/research, health care, and non-profits. The local oil industry was too insignificant

even to be mentioned as a contributor to the local economy. Agriculture provides over 73,000 jobs and hospitality provides over 22,000 jobs -- far more than local oil industry.

Q. What about the oil industry's claim that the initiative will threaten almost 2,000 jobs?

A. According to the U.S. Bureau of Labor Statistics' March 2011 data, Monterey County's oil extraction industry provides no more than 200 jobs. The oil industry's claim of 1,941 jobs is hugely inflated and probably includes jobs at Monterey County's many gas stations.

Q. Will this initiative make Monterey County less energy independent? Will it cause the price of gasoline go up?

A. Oil is a commodity that's traded on the world market. The price of oil is determined by global production and demand. The oil extracted in Monterey County does not stay in our county. In 2015, oil companies successfully lobbied the U.S. government to lift restrictions on oil exports to allow the price of U.S. oil to move higher. Many U.S. oil companies are facing bankruptcy because the price of oil has been so low.

Q. What if I want to make money by leasing my land for oil drilling?

A. Revenue from leases to oil and gas companies may turn out to be much less lucrative than promised. In 2015, the Pennsylvania Attorney General's office filed a lawsuit against Chesapeake Energy, on behalf of many citizens who claimed to be defrauded after leasing their land for fracking. Additionally, many property owners have surface rights but do not own the mineral rights. This means other people can come onto their property and drill for oil without their permission.

Q. Why are regular people trying to write complicated land use laws? Shouldn't this be left this to the experts?

A. Our Monterey County Supervisors have failed to take action to protect our water, health, and economy. The California initiative process was established more than a century ago for just these kinds of situations. If our elected officials are not doing their job, citizens can use the initiative process to enact laws. Protect Monterey County has hired the respected law firm, Shute, Mihaly and Weinberger. They are experts in land use law and have worked with many community groups to write initiatives that have withstood legal scrutiny.

Q. Will the initiative trigger lawsuits that could bankrupt Monterey County?

A. In 2014, the oil industry threatened to bankrupt San Benito County after it passed a citizens' initiative to ban fracking and high risk oil extraction. San Benito faced a lawsuit in 2015, which was dropped. To date, San Benito County has paid only \$684 to defend its citizens' initiative. Monterey County's initiative was written by the same attorneys who wrote San Benito's initiative. The Initiative is based on land use laws, which the courts have historically upheld.

Q. Can't we ask our elected officials to protect us?

A. Over 1,800 people petitioned Monterey County officials in 2014 to protect their community from fracking and dangerous oil extraction. In response, the Monterey Planning Commission recommended that the County adopt a moratorium on fracking and acid well stimulation, and also draft specific oil and gas regulations like those in neighboring counties. In 2015, after almost a year of lobbying by the oil industry, the Monterey County Board of Supervisors rejected the recommendations of its Planning Commission and failed to enact any protections.



cyclic steam injection toxic drilling pollution monterey oil

Do you like this page?

[Like](#) 6 people like this. [Sign Up](#) to see what your friends like.

[Tweet](#)

[G+](#)

PROTECT MONTEREY COUNTY

Contact: info@protectmontereycounty.org

Protect Monterey County, P.O. Box 1946, Monterey, CA 93942

FPPC #1378176

Sign in with [Facebook](#), [Twitter](#) or [email](#).

Created with [NationBuilder](#)



Item No. **11 (B)**

REPORT TO THE CITY COUNCIL

DATE: SEPTEMBER 13, 2016

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF RESOLUTION IN SUPPORT OF MEASURE T

RECOMMENDATION:

It is recommended the City Council adopt a Resolution in support of Measure T.

BACKGROUND:

Measure T is a \$167,000,000 bond measure for Hartnell College on the November 8th ballot, which will fund upgrades and expansion to classrooms and facilities. Attached is information regarding the measure. The initial tax rate will be an estimated \$19.85 per \$100,000 of assessed value. This translates to about \$5 per month for a home assessed at \$300,000.

DISCUSSION:

Services provided by Hartnell College to King City residents are extremely important to efforts to create jobs and reduce poverty. In addition to much needed improvements to the main campus in Salinas, specific objectives of the bond measure include the addition of science laboratories and a community room, which could be available for joint use. The science laboratories have been identified as necessary to be able to implement job training and education programs that are planned, which will be of tremendous benefit to youth in the community. Therefore, staff believes Measure T will have a significant direct benefit to King City.

COST ANALYSIS:

Measure T will expand important educational facilities and services to the community at no cost to the City.

**CITY COUNCIL
CONSIDERATION OF RESOLUTION IN SUPPORT OF MEASURE T
SEPTEMBER 13, 2016
PAGE 2 OF 2**

ALTERNATIVES:

The following alternatives have been identified for City Council consideration:

1. Adopt the Resolution supporting Measure T;
2. Request staff to prepare a Resolution opposing Measure T;
3. Take no position;
4. Request additional information; or
5. Provide staff other direction.

Exhibits:

1. Hartnell College Measure T FAQ
2. Bond Measure Potential Facilities Project List

Prepared and Approved by:



Steven Adams, City Manager

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING
IN SUPPORT OF MEASURE T, THE HARTNELL COMMUNITY
COLLEGE DISTRICT FACILITIES BOND MEASURE**

WHEREAS, the Board of Trustees (the "Hartnell Board") of the Hartnell Community College District (the "District") has determined that certain educational facilities, infrastructure and equipment at each of the District's campuses need to be constructed, renovated, acquired and equipped in a fiscally prudent manner, to enable the District to maintain Hartnell College as a valuable community resource that provides an affordable, local education, which increases the educational opportunities of all local students, including career and support facilities for veterans who desire to learn in-demand job skills or transfer to four-year universities; and

WHEREAS, the District partners with area employers, K-12 education systems, other higher education institutions, community organizations, and private businesses to train students and save taxpayer money; and

WHEREAS, the costs of attending the University of California system or the California State University system are becoming so expensive, students rely on Hartnell College, and the high quality, affordable college options it provides; and

WHEREAS, Hartnell College provides the most feasible and affordable higher education opportunity for King City students after high school graduation and also to attend while in high school through concurrent enrollment; and

WHEREAS, increasing opportunities for higher education and job training is extremely important to increase employment, reduce poverty, and to reduce the negative impacts of poverty; and

WHEREAS, in today's economic times and competitive job environment, the District must continue providing important training and education for local residents entering the workforce for new professions and income opportunities, as well as for local students to earn college credits, certifications and job skills all at a reasonable price; and

WHEREAS, the State of California is not providing the District with enough money for the District to adequately maintain Hartnell College's educational facilities and academic programs; and

WHEREAS, the Hartnell Board has received information regarding the feasibility of a local bond measure and the District's bonding capacity; and

WHEREAS, a local measure will help provide funds that cannot be taken away by the State to support local college transfer and job training; and

WHEREAS, such local measure will include mandatory taxpayer protections, including an independent citizens' oversight of all funds and mandatory annual financial audits to ensure funds are spent only as authorized; and

WHEREAS, the Hartnell Board and District has solicited stakeholder and community input on priorities from students, faculty, staff, business and civic leaders, and the community; and

WHEREAS, in the judgment of the Hartnell Board, it is advisable to provide additional funding to improve facilities to better prepare local students and military veterans for transfer to four-year colleges and universities, and/or successful jobs and careers, by means of a general obligation bond, issued in a financially prudent manner; and

WHEREAS, pursuant to Education Code Section 15270, based upon a projection of assessed property valuation, the Hartnell Board has determined that, if approved by voters, the tax rate levied to meet the debt service requirements of the bonds proposed to be issued will not exceed the Proposition 39 limits per year per \$100,000 of assessed valuation of taxable property; and

THEREFORE, BE IT RESOLVED, that the City Council of the City of King supports the facilities improvements sought by the Hartnell Community College District and encourages voters to vote "YES" for Measure T on November 8, 2016 in favor of the measure.

This resolution was passed and adopted this 13th day of **September, 2016** by the following vote:

AYES, Council Members:

NAYS, Council Members:

ABSENT, Council Members:

ABSTAIN, Council Members:

APPROVED:

Robert Cullen, Mayor

ATTEST:

Steven Adams, City Clerk

APPROVED AS TO FORM:

Martin Koczanowicz, City Attorney



HARTNELL COLLEGE

FAQ – Measure T (Facilities Bond Measure)

1. How is Hartnell College doing?

Hartnell College, founded in 1920, is one of the oldest educational institutions in California. Today, it provides excellent academic opportunities and job training right here in the Salinas Valley to nearly 17,000 local students of all ages each year. Hartnell College's accreditation was fully reaffirmed in June 2015 by the Accrediting Commission for Community and Junior Colleges (ACCJC).

In March of 2016 the Hartnell CCD completed an economic impact study that demonstrated Hartnell's powerful contributions to the economy and return on investments across business and commerce, society, students and taxpayers. The reports can be accessed at <http://www.hartnell.edu/presidents-presentations-communications-and-reports>.

2. How does Hartnell College serve our community?

Hartnell College is a vital part of our community. It provides an accessible, quality higher education throughout the Salinas Valley. Excellent college programs benefit the local economy, providing the training for a skilled workforce and the education the people of the Salinas Valley need for better paying jobs.

3. How would local residents benefit from Measure T?

By improving access to higher education, Hartnell College can help the people of the Salinas Valley earn associate degrees, certificates and four-year degrees to obtain better paying jobs. It is important to improve access to affordable community college, job training programs and quality college facilities in our areas because only 60% of Salinas Valley residents over the age of 25 have earned a high school diploma and only 5-7% of our local Latino population has attained a bachelor's degree or higher.

4. What facility upgrades are needed to continue supporting quality education?

Outdated and aging educational facilities need to be upgraded to meet the growing demand for STEM education (science, technology, engineering and math) and agriculture technology education. By providing new classrooms, science labs, and learning technology throughout the District, we ensure our students are prepared for 21st century success. In addition, we need to improve nursing facilities and programs to expand opportunities and better prepare skilled healthcare workers. To continue providing workforce training, we need to add and expand classrooms and labs on the Main Campus in Salinas, at the Alisal Campus in East Salinas, in South Monterey County and in North Monterey County to improve job skills, language literacy and digital literacy to prepare students for 21st century jobs.

5. How is the College planning to address these facility needs?

To continue providing a quality higher education that prepares students for 21st century jobs, the Hartnell Community College District Board of Trustees voted to place a \$167 million bond measure on the November 2016 ballot.

6. What projects would Measure T accomplish?

- Expand access to local higher education on the Main Campus in Salinas, at the Alisal Campus in East Salinas, in South Monterey County and in North Monterey County
- Add classrooms and labs for better paying job training, a skilled workforce and higher literacy rates
- Improve student access to computers and modern technology
- Improve nursing and skilled healthcare facilities and programs
- Expand access to agriculture, science, technology, engineering and math labs throughout the district
- Provide space for universities to offer four-year bachelor's degrees at Hartnell
- Expand facilities for serving military veterans
- Renovate and modernize outdated and aging classrooms, labs and student support facilities
- Make health, safety and handicapped accessibility improvements
- Make energy efficiency and sustainability improvements (e.g. solar energy, water conservation)

7. How could I be sure funds from Measure T would be spent wisely?

A potential funding measure would require fiscal accountability provisions including:

- Every penny raised by a potential measure would be spent right here in the Salinas Valley to improve our local college – no funds could be taken by the State.
- By law, no funds could be used for administrators' salaries
- Independent citizens' oversight, annual audits and public reports would be required
- A potential funding measure would cost local property owners no more than \$20 per \$100,000 of assessed (not market) value

8. Has Hartnell College passed bonds before?

Yes: in 2002, local voters approved Measure H. These funds have been used to make campus improvements including the new Library and Learning Resource Center, new Student Services Center, and new STEM Center Building at the Main Campus; the Center for Advanced Technology and the Technical Training Building at the Alisal Campus. Additional facilities expansion and modernization is needed to provide students with the technology and resources needed to succeed in the 21st-century.

In December of 2015 the Hartnell CCD refinanced some of the Measure H bond measure that was passed by the voters in 2002. This refinancing saved the taxpayers \$175 million. See

<http://www.hartnell.edu/news/hartnell-community-college-district-saves-taxpayers-175-million>.

9. When could I vote on Measure T?

Measure T will be on the November 8, 2016 Presidential General Election Ballot for Monterey County.

10. How much would Measure T cost?

The tax rate for Measure T is \$19.85 per \$100,000 of assessed (not market) value per year or about \$1.67 per month per \$100,000 of assessed value. For a home with assessed value of \$300,000 this will be about \$5.00 per month. This rate will generate approximately \$167 million to help ensure that Hartnell has world-class facilities to meet the learning needs of its students.

11. How many votes does it need to pass?

Measure T must be supported by 55% of people who vote on it in order to pass.

12. How do I find out more information?

To find out more about Hartnell College's facilities needs and how Measure T will address those needs, please contact Willard Lewallen, Superintendent/President at wlewallen@hartnell.edu or 831.755.6900.



POTENTIAL FACILITIES PROJECT LIST FOR GENERAL OBLIGATION BOND MEASURE 2016

New Buildings/Facilities to Support 21st-Century Job Training for High Demand/High Wage Jobs and to Support Transfer to Four-Year Universities

- ▲ Soledad Education Center: Construct multi-purpose education facility to expand education opportunities in South Monterey County, classrooms and laboratories to support STEM, healthcare and agriculture training, establish "Center for Literacy and Language Development" to address English language literacy and digital literacy throughout the District; include a "community room" for joint use
- ▲ Main Campus: Construct Hartnell Center for Nursing and Health Science: provide state of the art facilities and expand the student capacity of our nursing programs; include a student health clinic/center to provide basic health services to our students and to provide job experience opportunities for students preparing for nursing and health-related careers
- ▲ Alisal Campus: Add classrooms and laboratories for 21st-century job training programs (e.g., commercial refrigeration, food safety, seed science technology); Innovation Center (Fabrication Lab/Maker Space, AgTech); space for learning support and services; community room for joint use
- ▲ King City Education Center Expansion: Add science laboratories to support education and training for STEM, healthcare, agriculture and teaching; space for learning support and services; community room for joint use
- ▲ Partner with high schools within the Hartnell District to jointly fund the improvement of laboratories and classrooms that support STEM education (e.g. the Hartnell STEM Center at Soledad High School, to be jointly funded by Soledad USD and Hartnell CCD)
- ▲ North Monterey County: Construct multi-purpose education facility to expand education opportunities in North Monterey County; include laboratories to support STEM, healthcare and agriculture training; include a community room for joint use
- ▲ Acquire property to expand student capacity



Renovation/Modernization to Support 21st-Century Job Training for High Demand/High Wage Jobs and to Support Transfer to Four-Year Universities

- ▲ Main Campus Buildings: Renovate and modernize to expand and upgrade outdated classrooms and laboratories
 - Building N (Merrill Hall, former science building, built in 1964)
 - Buildings D and E (Classroom Administration Building, Built in 1977)
 - Building K (Performing Arts, built in 1979)
 - Building J (Visual Arts, built in 1977)
 - Buildings F, G, H and other physical education/athletic facilities (Main Gymnasium, built in 1974; Auxiliary Gymnasium, built in 1938)
- ▲ Establish "University Center" to provide space for four-year universities to offer bachelor's degrees on the Hartnell Campus (include in renovation of Merrill Hall)



We Value Your Feedback

As the Hartnell Community College District continues to gather feedback about facility funding needs, we would like to hear from you by any of the following methods.

Call the President's Office at 831-755-6900

Email to future@hartnell.edu

Provide feedback online at www.hartnell.edu/future



POTENTIAL PROJECT LIST FOR GENERAL OBLIGATION BOND MEASURE 2016

Information Technology and Equipment to Support 21st-Century Job Training for High Demand/High Wage Jobs and to Support Transfer to Four-Year Universities

- ▲ Upgrade and replace outdated computers, laboratory equipment and classroom furnishings
- ▲ Upgrade and replace existing information technology infrastructure and network systems to improve efficiency and increase capacity
- ▲ Install technology infrastructure and equipment to support distance learning
- ▲ Install additional electrical service capacity to improve computer technology and Internet access
- ▲ Upgrade and expand telecommunications, Internet and network connections
- ▲ Upgrade and replace technology, hardware and software systems

Site Accessibility, Safety, and Security

- ▲ Improve student safety, emergency preparedness and security systems to include: fire safety equipment, alarms, smoke detectors, sprinklers, video surveillance systems, emergency phones in classrooms, emergency lighting and fire safety doors
- ▲ Implement ADA accessibility improvements throughout the District's buildings, classrooms, and other facilities to ensure availability to persons with disabilities
- ▲ Remove hazardous materials like asbestos and lead paint from older buildings
- ▲ Replace broken concrete walks, deteriorated asphalt
- ▲ Upgrade roadway and pedestrian paths/walkways for improved safety and access for emergency vehicles, site parking, utilities and grounds

Energy Efficiency and Sustainability Improvements

- ▲ Replace outdated and inefficient mechanical, electrical, HVAC, sewer, water and related utility infrastructure systems
- ▲ Improve water conservation systems
- ▲ Add solar energy and other alternative energy systems
- ▲ Improve insulation, weather proofing and roofs to reduce costs



We Value Your Feedback

As the Hartnell Community College District continues to gather feedback about facility funding needs, we would like to hear from you by any of the following methods:

Call the President's Office at 831-755-6900

Email to future@hartnell.edu

Provide feedback online at www.hartnell.edu/future



Item No. **11 (C)**

REPORT TO THE CITY COUNCIL

DATE: SEPTEMBER 13, 2016

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF POSITION ON HIGH-SPEED RAIL PROJECT

RECOMMENDATION:

It is recommended the City Council take no position on the California high-speed rail project.

BACKGROUND:

At the August 9th meeting, Mayor Pro Tem Jernigan requested staff to provide a recommendation on whether the Council should take a formal position on the California high-speed rail project, which was agreed to by the Council. Staff has researched the project, contacted the League of California Cities, and contacted the Transportation Agency of Monterey County (TAMC). Attached for the Council's reference is the Executive Summary of the California High-Speed Rail Authority 2016 Business Plan and a recent presentation on the 2018 California State Rail Plan to the TAMC Rail Policy Committee.

The potential for high-speed rail in California has been pursued for several decades. In 1994, the State Legislature created the Intercity High-Speed Rail Commission, who issued a report concluding that a high-speed rail system was feasible. The High-Speed Rail Authority was created in 1996 and a State bond measure was approved by the voters to finance the system in 2008, followed by the award of Federal stimulus funding in 2010. In 2014, Governor Brown agreed to dedicate 25% of cap-and-trade funds to high-speed rail on an ongoing basis. Groundbreaking of construction of the initial segment from Fresno to Madera took place in 2015. The system is designed to eventually connect high-speed rail lines from San Diego to San Francisco and Sacramento with trains that will travel at speeds of 220 miles per hour.

**CITY COUNCIL
CONSIDERATION OF POSITION ON HIGH-SPEED RAIL PROJECT
SEPTEMBER 13, 2016
PAGE 2 OF 3**

DISCUSSION:

Due to limitations on staff resources and the need to prioritize efforts, it is recommended the City Council take positions only on items with a significant direct impact on the City or those where the League of California Cities has made a request. In this case, staff also does not have the expertise or time to adequately evaluate the overall merits of the high-speed rail project. Therefore, the analysis prepared limited its focus to the direct impacts of the project on King City.

Proponents of the project advocate that it will provide a tremendous economic stimulus to the State, both in terms of the construction, as well as providing future state-of-the-art rail connections throughout California. A completed system would significantly increase overall mobility throughout the state and decrease reliance on automobiles.

Opponents argue that the system is too costly. There is a concern that billions of dollars are being spent to construct a segment of the system that will provide little demand for ridership, while the remainder of the system will not be affordable and never be completed. This could result in a huge waste of taxpayer funds that could be used more effectively for streets, roads and other transportation improvements.

The current cost estimate in the 2016 Business Plan to connect the Bay Area to Los Angeles is \$64.2 billion. The first segment will be funded from a combination of State bond funds, Federal funds and cap-and-trade funds. The High-Speed Rail Authority intends to utilize these funding sources for future costs, but also projects private investment to fund a major portion. However, a definitive plan does not yet appear to exist on how the entire project will be paid for. Therefore, while staff does not believe the initial segment will have an impact on funding that could otherwise be available to the City, a problem could exist in the future if funding needs consume a major portion of State transportation revenues.

The League of California Cities has not taken an official position on the California High-Speed Rail project. TAMC has supported the project.

Staff recommends no position be taken by the City Council for three primary reasons. First, while there is a valid concern regarding the potential of high-speed rail to defer funding from local projects, the lack of a detailed funding plan also makes it difficult for staff to site conclusive evidence this will occur. Second, project construction is under way and no decisions are pending at this time. Therefore, any position taken by the City will likely have no impact on the project, and it is not clear what action by the State the City Council would be advocating. Third, in consulting with TAMC representatives, staff learned the State's priority

**CITY COUNCIL
CONSIDERATION OF POSITION ON HIGH-SPEED RAIL PROJECT
SEPTEMBER 13, 2016
PAGE 3 OF 3**

is not only to fund the high-speed rail project, but also other rail connections. As a result, efforts related to the project could benefit the City's efforts to obtain a coast daylight service stop and new station. More importantly, opposing the project that is a major priority of the current Administration could potentially have a negative impact on the City's efforts to obtain State funding and support.

COST ANALYSIS:

Taking a position on the California High-Speed Rail Project would have no immediate budget impact.

ALTERNATIVES:

The following alternatives have been identified for City Council consideration:

1. Approve staff's recommendations and take no position;
2. Approve supporting the project and direct staff to draft a Resolution;
3. Approve opposing the project and direct staff to draft a Resolution; or
4. Provide staff other direction.

Exhibits:

1. Executive Summary of the California High-Speed Rail Authority 2016 Business Plan; and
2. 2018 California State Rail Plan Presentation to the TAMC Rail Policy Committee

Prepared and Approved by:



Steven Adams, City Manager

Executive Summary

Much has happened since we issued our 2014 Business Plan. There are now more than 119 miles of construction underway in the Central Valley. We have made a fundamental transition from being a planning organization to a program-delivery organization. And the Legislature and the Governor reaffirmed their commitment to the program by providing an ongoing revenue stream through the state's Cap and Trade proceeds (also referred to as Greenhouse Gas Reduction Funds). We are now positioned to deliver the program in a logical and practical way.

As we move forward, we remain focused on three fundamental objectives:

→ **First, initiate high-speed rail passenger service as soon as possible.**

By doing so we both demonstrate its benefits and begin generating revenues which will then attract private sector participation and help fund extending the system beyond an initial line.

→ **Second, make strategic, concurrent investments throughout the system that will be linked together over time.**

By making discrete investments that connect state, regional and local rail systems, we can provide immediate mobility, environmental, economic and community benefits. Together these prepare a solid foundation for high-speed rail. We will enter into partnering agreements with other transportation providers, aggregate federal, state and local funding sources and advance regional planning and coordination. This approach will yield the best and fastest results.

→ **Third, position ourselves to construct additional segments as funding becomes available.** This requires completing the required environmental analyses for every mile of the program and securing environmental approvals as soon as possible. These three objectives will continue to provide a framework for decision-making as we move forward.

THIS IS THE AUTHORITY'S 2016 BUSINESS PLAN

This 2016 Business Plan provides an update on the progress made, the changes that have occurred and the lessons we have learned over the past two years. It focuses on achieving the above objectives and specifically it:

- Lays out an approach to sequencing the Phase 1 system that will ultimately connect the San Francisco Bay Area to the Los Angeles Basin via the Central Valley with high-speed passenger rail service.
 - ▶ This sequencing approach is designed to maximize current federal and state dollars – and use them to deliver the earliest operating high-speed rail line within anticipated funding levels and to comply with Proposition 1A, which the voters approved in 2008.

What Is Different from our 2014 Business Plan

- **Funding** - The funding authorized by the Governor and Legislature, by the federal government and the people of California is sufficient to deliver a high-speed rail line connecting the Silicon Valley to the Central Valley
- **Schedule** – We now project starting passenger service on that line in 2025 instead of on a line between Merced and the San Fernando Valley in 2022
- **Cost Estimates** - Our capital cost estimates for building the Phase 1 system between San Francisco/Merced and Los Angeles/Anaheim are lower than prior estimates

- ▶ It also positions the program to begin generating revenues that will allow access to private sector investment that in turn will be used to continue building out the Phase 1 system.
- Describes our plan to deliver high-speed rail service connecting the Silicon Valley to the Central Valley, and offer high-speed rail passenger service between these two important economic regions within the next ten years
- Provides a clear path for making concurrent investments in concert with regional partners and delivering early, tangible mobility and safety benefits in Southern California, while building a solid foundation for the critically important passenger rail corridor that links Burbank, Los Angeles and Anaheim
- Commits to completing environmental clearance, and selecting alignments and station locations for the remaining sections in order to position the entire system to be ready for immediate construction as funds become available.
- Provides updated capital cost estimates, showing that the projected cost of the entire system has been revised downward by \$5.5 billion. This lower cost estimate comes about mainly through value engineering efforts, better operational and technical approaches to design, and the favorable bidding environment.

California's investment in high-speed rail will provide both near- and long-term transportation benefits—in addition to increasing safety, protecting the environment, creating jobs, supporting disadvantaged communities, businesses and workers, and helping California continue to prosper in an increasingly competitive global economy.

WE ARE MOVING FORWARD

Building on lessons learned. Over the past few years, we have received bids for three design-build construction contracts in the Central Valley from 13 world-class teams with significant experience delivering large, complex transportation projects including developing high-speed rail projects internationally. The proposals for the first three construction packages not only offered valuable design innovations, they contained bids that were hundreds of millions of dollars under our estimates. The international marketplace for construction has been very responsive and competitive in its bidding.

However, advancing construction on the first design-build construction package (Construction Package 1) has been challenging. Specifically, as construction got underway, acquiring the necessary right of way lagged. Further, the time associated with completing third party agreements, such as utility relocations, took longer and is now projected to cost more than originally predicted. We acted quickly to analyze and address these challenges. Based on this experience, we reorganized and enhanced our land acquisition processes, increased our estimates for the cost of third party agreements, and instituted aggressive management and mitigation strategies. Despite these challenges, we have been able to maintain project momentum as we advance through the Central Valley.

This 2016 Business Plan focuses on three positive developments that impact how we are advancing the delivery of the program:

- **Progress on Environmental Clearance** – Over the last two years, significant progress has been made in advancing environmental clearance of the Phase 1 system. In June 2014, we achieved a Record of Decision on the Fresno to Bakersfield section. Completing the rest of the environmental clearance for the entire Phase 1 system is a high priority yielding maximum flexibility to take advantage of opportunities to develop any segment of the system as circumstances allow.

→ **New funding** – As previously noted, with the passage of Senate Bill 862, the Legislature and Governor approved an annual appropriation of 25% of the annual Cap and Trade proceeds on a continuous basis to fund high-speed rail. In making that continuous appropriation, the Legislature determined that these funds can be used to pay for planning and construction costs for the system and/or to repay loans made to the Authority.

→ **Updated cost estimates** - We have conducted a comprehensive update to our capital cost estimates, factoring in the lessons derived from our first design-build construction bids, design refinements suggested in those proposals and through other reviews, advancing more detailed engineering and design work, conducting value engineering, incorporating contractors' viewpoints and other changes. Through this process our overall Phase 1 cost estimate has been significantly reduced. For the same scope of work, these updated estimates reflect an 8% reduction in costs, down to \$62.1 billion in year of expenditure dollars (YOE\$), when compared to the \$67.6 billion (YOE\$) estimate presented in our 2014 Business Plan.¹

As a result, we now propose to reinvest some of these savings to enhance service levels in the vital Los Angeles to Anaheim segment. A \$2.1 billion investment in that corridor will provide not just blended service, but allow for one additional track and, in some segments, two additional tracks in the existing corridor. This would not only fulfill the commitment made in the 2012 and 2014 Business Plans to provide one-seat ride service all the way to Anaheim, it would significantly enhance the capacity, speed and reliability of this high demand rail service. Moreover, it will greatly benefit public safety by removing some of the most dangerous at-grade crossings in the state. After incorporating this additional investment, which represents a change in scope since our 2014 Business Plan, our cost estimate has still been reduced from \$67.6 to \$64.2 billion (YOE\$) which is our revised Phase 1 system capital cost estimate presented in this 2016 Business Plan.

Moving forward to deliver: Based on the above developments as well as updated ridership and revenue and other forecasts, we evaluated how to most efficiently achieve our three objectives and fulfill our mission of delivering the system.

With the goal of getting a high-speed passenger rail line into operations as quickly as possible, we evaluated how best to sequence the program. We analyzed how and where we could deliver a line that would meet all of the Proposition 1A requirements (e.g., designed and built to a standard that achieves travel speed and travel time criteria and generates sufficient revenues to cover operating costs) with the federal and state funds that have been committed and are allocated for the program to date.

Analysis, shows that the line that can be funded and built within projected sources, and initiate revenue producing operations on quickly, connects the Silicon Valley (San Jose) to the Central Valley near the existing Construction Package 4 southern construction terminus north of Bakersfield). The Silicon Valley to Central Valley line, from Diridon Station in San Jose to a station north of Bakersfield, which includes an interim facility that functions as a temporary station, meets Proposition 1A requirements including non-subsidized operations. It can be built with available funding from Proposition 1A bonds, federal funds and the continued anticipated Cap and Trade proceeds. The reason for identifying an interim station is to avoid a potential situation where a fully Prop 1A compliant line remains idle because of insufficient funding to reach the next station. The Authority's goal is to avoid the need for an interim station. If, however, an interim station is needed due to funding constraints, consideration will be given to alternative locations, such as adjacent to the existing Amtrak station in the City of Wasco, with the goals of reducing the level of interim investment, minimizing impacts, and maximizing connectivity with the permanent station in Bakersfield.

Connecting Merced to the Silicon Valley as Part of Initial Operations

The Authority is also adopting a goal of completing a connection between the City of Merced and San Jose as part of the initial Silicon Valley to Central Valley line. Connecting the cities of the Central Valley to those of the Silicon Valley and the broader Bay Area will tie together the regions as never before and create unprecedented economic opportunities for residents of the Central Valley. In large part due to the jobs-housing imbalance in the Bay Area, travel between the northern San Joaquin Valley and the Bay Area is growing significantly, putting increased pressure on roads and existing passenger rail systems. At the same time, air quality issues continue to be a challenge for the Central Valley. Long trip times of 2 to 3 hours reduce productivity and impose hardships on travelers. For those reasons, the State and regional leaders are working together to ensure that Merced is part of the first operations of the high-speed rail system.

Working with City of Merced and County of Merced officials, the Authority is developing plans to provide a single-track option for connecting to Merced, as well as initially constructing only the leg of the Central Valley Wye that will tie Merced to the Bay Area. These and other options will be further developed based on engineering, operations and financial factors. Ultimately, as part of the completion of the Phase 1 system, a two-track connection to Merced and full buildout of the Central Valley Wye will be completed but the immediate goal is to connect the Merced and Silicon Valley/Bay area regions together.

This 2016 Business Plan describes how we plan to build the Silicon Valley to Central Valley line by 2024 and begin offering passenger service on it by 2025. We also determined that this is the best way to begin sequencing of the larger Phase 1 system. By building a line connecting northern California to the Central Valley—commencing service and starting to generate revenue—we will be in a position to attract private investment and unlock additional capital to help move the rest of the system forward.

The Authority's objective is that the initial line would extend to Bakersfield and San Francisco, tying into the electrified Caltrain corridor. This extended line would significantly enhance ridership and revenues and therefore attract higher value private sector concession bids based on future discounted cash flows. It will require approximately \$2.9 billion of additional funding to extend the line to Bakersfield and for initial improvements in the San Jose to San Francisco corridor to allow reasonable operation of high-speed rail trains in the Caltrain corridor between San Jose and the 4th and King Station in San Francisco and ultimately Transbay Transit Center. It is also the Authority's goal to complete a connection to Merced. Given the opportunity to leverage more ridership, revenue and private sector participation, our priority will be to secure additional funds, including federal, to complete the full San Francisco to Bakersfield line. The state is working with the City and County of San Francisco and others to develop options for funding the extension from San Jose to San Francisco. On a cost-benefit basis, this extension would provide significant benefits for the system as a whole, enhance regional mobility and connectivity and expand private participation. If those additional funds are not forthcoming, we can and will still construct the Silicon Valley to Central Valley line described above.

The implications of the Silicon Valley to Central Valley connection are tremendous. Today it takes about three hours to drive from Fresno to the Bay Area; flights are available but often at exorbitant prices. With this new connection, a trip from Fresno to San Jose will take about an hour on high-speed rail which is a game changer both for the people and the economy of the Central Valley and for Silicon Valley as well. New job markets will be opened up for people living in the Central Valley and creating a high-speed connection to the Cen-

tral Valley would help address the affordable housing crisis in the Bay Area. New linkages will be created between higher education institutions in the Central Valley and high-tech and other cutting edge industries in the Silicon Valley. And some high-tech companies might choose to locate certain corporate functions in the Central Valley where commercial real estate is less expensive, generating new job opportunities in this region.

We will also advance the program in Southern California with specific focus on early Phase 1 investments in the Burbank-Los Angeles-Anaheim corridor. These investments represent our continued commitment to advance regionally significant connectivity projects with Proposition 1A and other funds as embodied in the 2012 Southern California Mem-

orandum of Understanding that we entered into with our transportation partners. By making strategic investments with our partners, and leveraging our mutual resources, we will provide early benefits to transit riders and local communities and lay a solid foundation for high-speed rail (see Section 4 for details).

This corridor is of regional and statewide significance and is critical to supporting the economy of Southern California. It is a shared corridor – in addition to moving people, it is a vital freight and goods movement corridor. We propose to invest, together with our partners, up to \$4 billion on a range of improvements in the corridor and we are poised to move forward this year. Our early investments will focus on one of the highest priority grade separations in the state, at Rosecrans Avenue/Marquardt Avenue, the Southern California Regional Interconnection Project (SCRIP), and improvements at Los Angeles Union Station. These and other investments identified in this 2016 Business Plan will increase capacity and improve safety in this highly-congested travel corridor. They are also critical to improving air quality and reducing greenhouse gas emissions in the region and will be an investment in disadvantaged communities. Immediate benefits will accrue to freight and passenger rail operations. Every project will be used for high-speed rail once service starts on the Burbank to Anaheim corridor.

A REALISTIC, REASONABLE AND ACHIEVABLE APPROACH TO FUNDING AND DELIVERING THE SYSTEM

In previous business plans, we have noted the importance of being able to adapt to changing circumstances as we move forward to complete the system. There is now a clear path forward for funding the initial operating line from the Silicon Valley to the Central Valley with public funds that have been committed by the Legislature and the federal government. With these funds, we expect to be able to begin serving passengers in 2025. As work proceeds to complete this line, equal attention will be focused on advancing and extending the system through concurrent investments that provide early benefits – and with the goal of starting service on the full Phase 1 system by 2029.

Since the inception of planning for high-speed rail in California, it has been assumed that the program would be funded with federal funds, state funds and private sector investment, each at approximately one third. This was the underlying assumption when the Legislature and the voters approved Proposition 1A in 2008. However, there were no other established funding sources for the program in place at the time. But the Legislature and voters determined that it was appropriate to move forward, stating that, “It is the intent of the Legislature by enacting this chapter and of the people of California by approving the bond measure pursuant to this chapter to initiate the construction of a high-speed train system....” In addition to providing \$9 billion in state bond funds, Proposition 1A directed that the Authority “...pursue and obtain other private and public funds, including but not limited to, federal funds, funds from revenue bonds, and local funds...” to augment the high-speed rail bond funds. In addition, Proposition 1A requires a 50 percent match for construction funds from other sources, none of which were identified by the Legislature, voters, or Authority at the time.

Subsequent to the passage of Proposition 1A by the voters in 2008, the federal government made funding for intercity and high-speed passenger rail systems available as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and The Passenger Rail Investment and Improvement Act of 2008 (PRIIA). The Authority competed for and successfully secured \$3.5 billion in federal funds. More recently, the Legislature provided an ongoing commitment of Cap and Trade proceeds to help fund the system. That commitment is expected to provide over \$10 billion of funding for construction for the Silicon Valley to Central Valley line. Clearly, between Proposition 1A and Cap and Trade, the State is stepping up to fund a significant portion of the system costs.

Traditionally, transportation infrastructure projects of this magnitude can rely on the federal government as a funding

partner with grants of up to 50 percent or higher. Key transportation corridors, such as the Interstate Highway System, were built with 90% federal funding. A very recent example of this is the Gateway Tunnel Project to improve intercity and commuter rail services in the Northeast. In 2015, officials from the federal government as well as the governments of New York and New Jersey announced an agreement to fund the approximately \$20 billion Gateway Tunnel Project which will add two new rail tunnels under the Hudson River to connect New York and New Jersey for both intercity and commuter railroads. The agreement calls for at least 50% of the cost of the project to be borne by the federal government with the states providing matching funds. This is consistent with historical precedent where the federal government plays an important role in funding large infrastructure projects, and it reaffirms the reasonableness of the assumptions in Proposition 1A.

A fundamental goal of the Authority is to create a commercially successful high-speed rail transportation system to connect the State. As segments of the program are delivered, they are projected to generate significant revenues and positive cash flow which will support private sector investment. As the high-speed rail system expands and connects with other passenger rail networks, network connectivity will increase and the passenger experience will be enhanced – generating more ridership and revenue. Over time, the value of the system as a commercial enterprise will be significant for the State of California, creating the opportunity for private investment to further support system expansion.

Of equal importance to securing additional funding is delivering the project cost effectively. Alternative delivery models, such as public-private partnerships, will be utilized when appropriate to help reduce both capital and operating costs. After initial start-up costs, it is expected that cost efficiencies will increase as the high-speed rail industry grows in strength and maturity and as competitive pressures continue to drive industry costs down. Using these types of delivery models can also help accelerate the construction schedule which will help reduce costs and risk to the State.

We are funding and implementing California's high-speed rail program in the same way that high-speed rail systems have been – and are continuing to be – developed throughout the world. Specifically, we have a clear long-term vision and a long-term plan for implementing it, we are advancing it through a series of phases allowing for incremental extensions. That is the implementation strategy that we laid out in our 2012 Business Plan and that we continue to follow. And just like other systems around the world, we will fund and build it in a series of overlapping, not sequential, phases. So just as we fund and proceed with constructing the Silicon Valley to Central Valley line, we are also moving forward with initial funding for system extensions and laying the building blocks for future phases.

This 2016 Business Plan lays out the business model for how the Silicon Valley to Central Valley line will be delivered and operated. It presents a snapshot of the cost estimates and the funding available in addition to the strategies we plan to implement to fully fund that line. It also provides an estimate of the ridership and revenue forecasts associated with passenger operations. The funding and financing section describes how the revenues generated by this first line will be captured (monetized) which will position us to engage the private sector in a meaningful way to deliver additional elements of the system. It also lays out a range of near and long-term sources of funding and revenue, as well as efficiencies and cost savings, that could potentially be used to help complete the Phase 1 system.

This 2016 Business Plan further describes our business model for delivery and operation of the entire Phase 1 system including updated Phase 1 forecasts and cost estimates. It also includes a summary of the risks that the program faces along with our strategies for managing and mitigating these risks. This plan also summarizes the status of planning for advancing the Phase 2 extensions, from Merced to Sacramento and from Los Angeles to San Diego via the Inland Empire, which will ultimately be constructed to serve all of California's major population and employment centers.



TRANSPORTATION AGENCY FOR MONTEREY COUNTY

Memorandum

To: Rail Policy Committee
From: Christina Watson, Principal Transportation Planner
Meeting Date: August 1, 2016
Subject: 2018 California State Rail Plan

RECOMMENDED ACTION

RECEIVE presentation on the 2018 California State Rail Plan.

SUMMARY

Andy Cook, Chief, Rail Planning Branch, Caltrans Division of Rail & Mass Transportation, will attend the meeting to present the draft 2018 California State Rail Plan.

FINANCIAL IMPACT

Inclusion of Monterey County rail projects in the statewide rail plan is important for future grant applications and service planning.

DISCUSSION

Caltrans is developing the 2018 California State Rail Plan over the next year, with input from all the stakeholder rail agencies, including TAMC. **Attachment 1** is a fact sheet on the plan. Caltrans will prepare the Rail Plan on a 4-year schedule moving forward based on state and federal requirements. The plan includes separate sections for passenger and freight rail, including a short-term four year program of projects, a 10-year interim program, and a long-term "vision" with a 2040 horizon year. The plan is scheduled to be released for public review in March 2017.

The passenger component of the plan is based on a proposed "Integrated Network" to provide "Core Services" with coordinated schedules and efficient transfers providing access to and supporting convenient intercity rail travel. Caltrans has established a principle in its planning process to connect communities with a population of 40,000 or greater to a statewide passenger rail network. This ambitious plan is intended to establish a long term framework to guide service planning and investment decisions that supports, or does not preclude, development of the integrated network.

The passenger rail planning effort includes a market assessment, a rail infrastructure review (a.k.a. capacity analysis), and a refinement of network service scenarios. Outside the scope of the plan but a necessary next step is an analysis of organizational structures required to support the plan's implementation. Caltrans is also developing principles for prioritizing investments such as: services

tailored to market demand, minimizing freight interference, avoiding duplication of services and investments, and minimizing throw-away interim investments.

Caltrans has developed a draft term sheet (**Attachment 2**) for Northern California that includes the Central Coast, a region they define as Gilroy to San Luis Obispo, including Santa Cruz, Monterey, San Benito and San Luis Obispo Counties. The respective agencies met at TAMC on June 27 to discuss the draft term sheet. The document reflects the goal of auto-competitive alternatives for statewide travel and a connection to the statewide High-Speed Rail network at Gilroy. The plan includes intercity bus options as well as rail, and much of the service proposed for the Central Coast region is envisioned to be bus in the near term, while planning for increased rail service in the longer term. As reported at the June RPC meeting, the draft plan includes the Salinas Rail Extension project, and Salinas as a rail hub.

The next meeting with stakeholders is scheduled for August 23 in Sacramento. Caltrans staff will present an update at the meeting.

Approved by:



Debra L. Hale, Executive Director

Date signed: 7/19/2016

Regular Agenda

Counsel Approval: N/A

Finance Approval: N/A

Attachments:

1. 2018 California State Rail Plan Fact Sheet
2. Discussion Draft Term Sheet – Central Coast

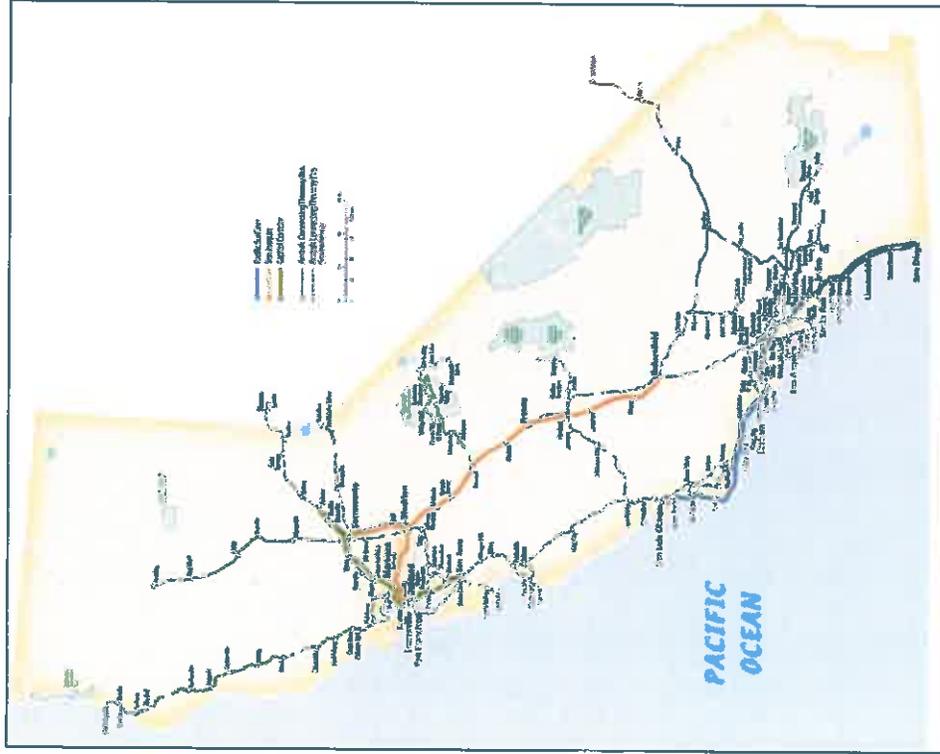
2018 California State Rail Plan *Passenger Rail Network Integration* Transportation Agency for Monterey County

August 1, 2016

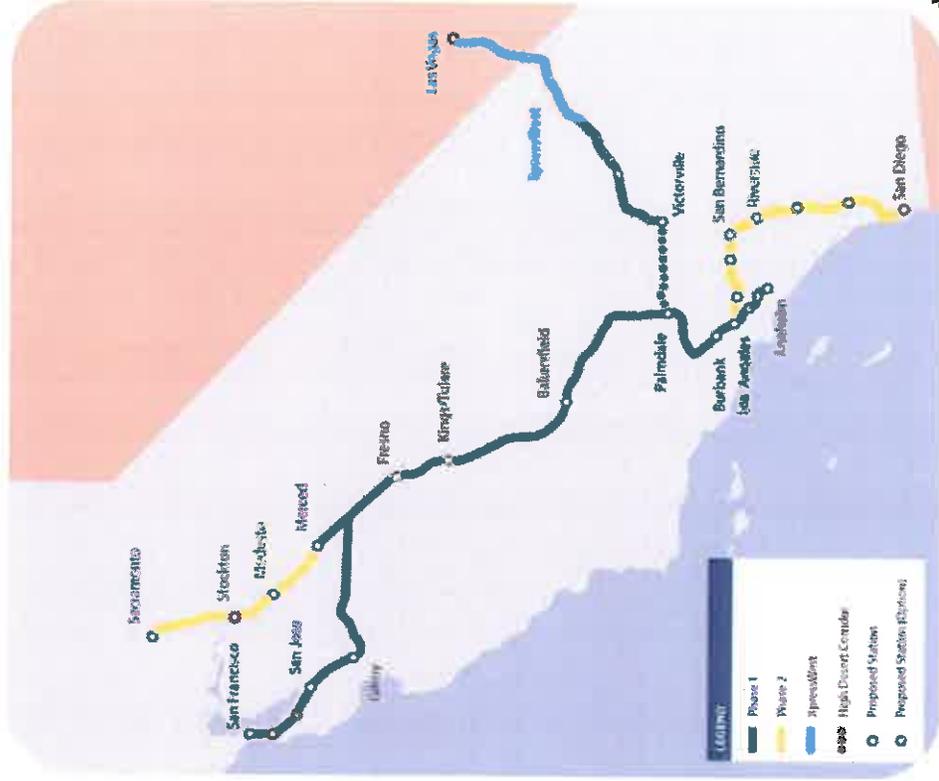


California Rail Services: Both Regional and High Speed

Existing Amtrak + Bus



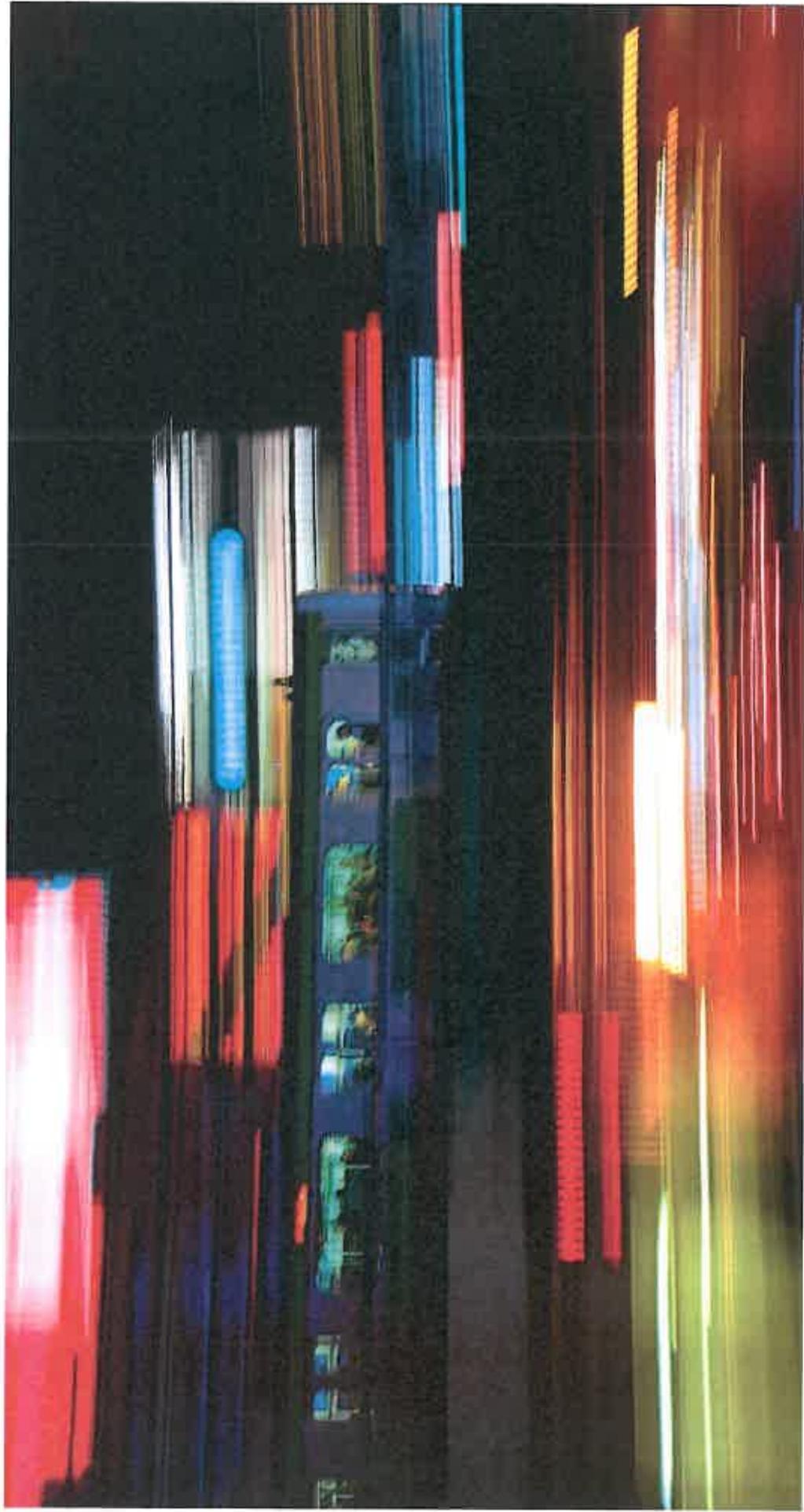
High Speed Rail



2018 Rail Plan – Overview of Scope

- **PRIIA** (Passenger Rail Investment and Improvement Act)
 - Short and long-term Rail Investment Program
 - Analysis of “Program Effects”
- **AB 528**: state-specific requirements
 - 10-year intercity rail capital program
 - Planning for an integrated network
- **Establishes vision: A multimodal plan**





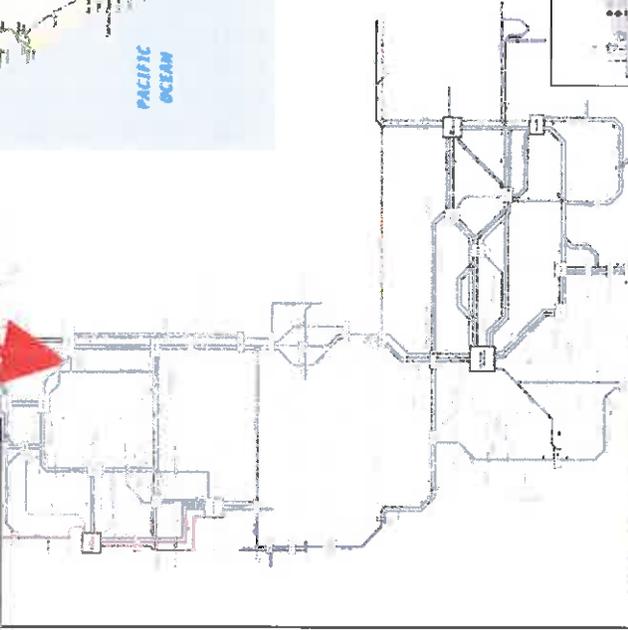
Network Integration Planning



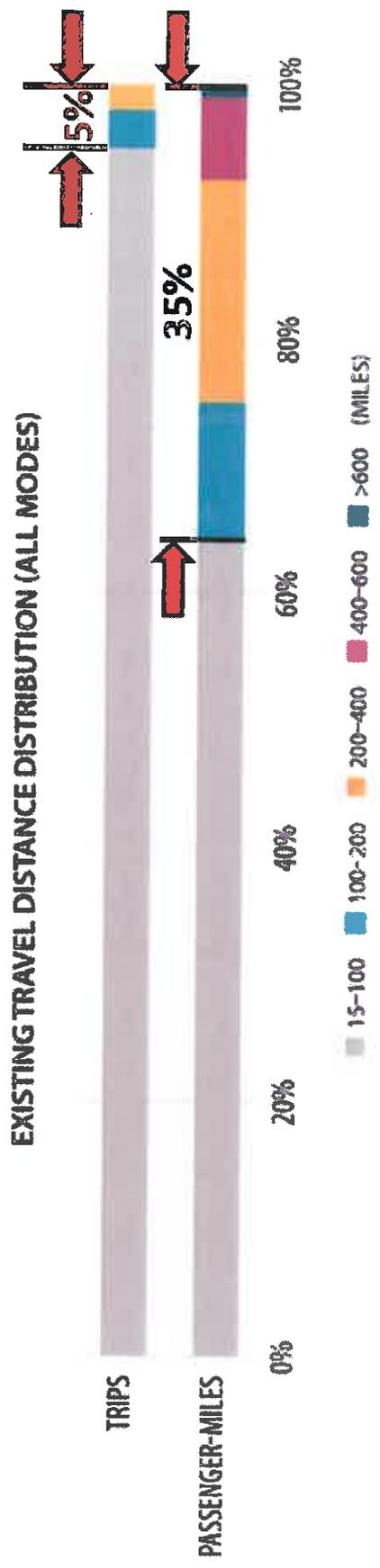
Network Integration Strategic Service Plan

Potential Characteristics:

- **Useful** and **efficient** public transportation system
- System creates a **comprehensive network**
- **Leverages** the **opportunities** of an expanding **high-speed rail** system
- **Auto-competitive** travel times to offer a reliable alternative to highway travel
- **Seamless** door-to-door travel experience
- The **State** serving as a **coordinator** for planning, funding and technology decisions with system-wide impacts
- Relying on **local agencies** to **know what's best for their region.**



Why is a Statewide Vision Warranted?

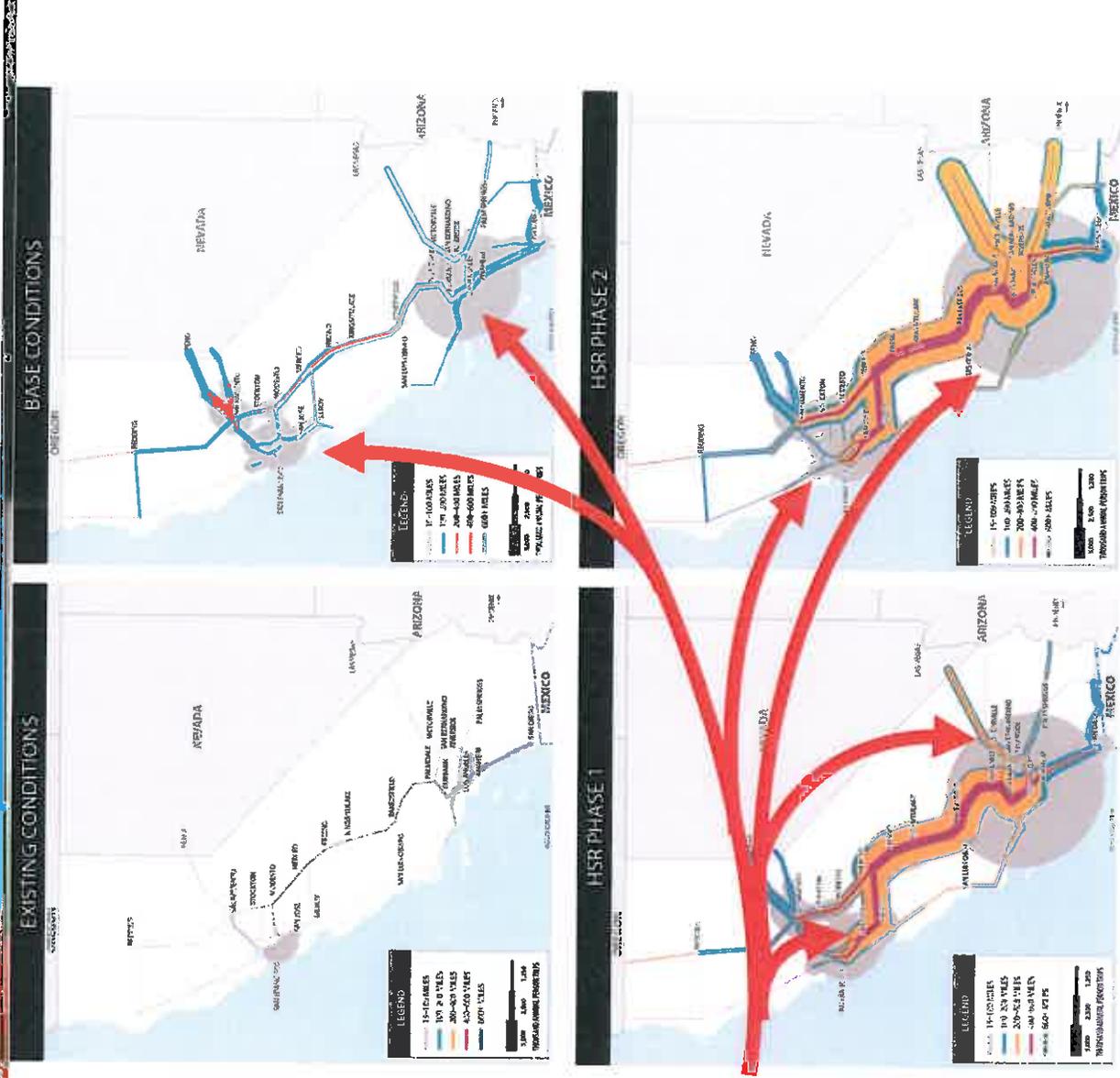


For trips over 15 miles, about 5% of those trips are longer than 100 miles and generate about 35% of passenger miles!



Why is a Statewide Vision Warranted?

Comparison of rail ridership potential by travel distance. (Thousand Annual Person Trips)



These are local, regional and statewide gains in ridership potential with a Network Vision!

Source: Rail Market Analysis Tool, CalSTA

Leveraging State and Regional Services



2018 CSRP – Passenger Rail Network Integration

Meeting
Customer
Expectations

Synchronized
Timetables

Integrated
Mobility
Solution

Co-opetition

Strategic
Planning

Consensus
Vision



Building Blocks of Statewide Passenger Network

Potential
Phase 2 HSR

Potential New
Intercity

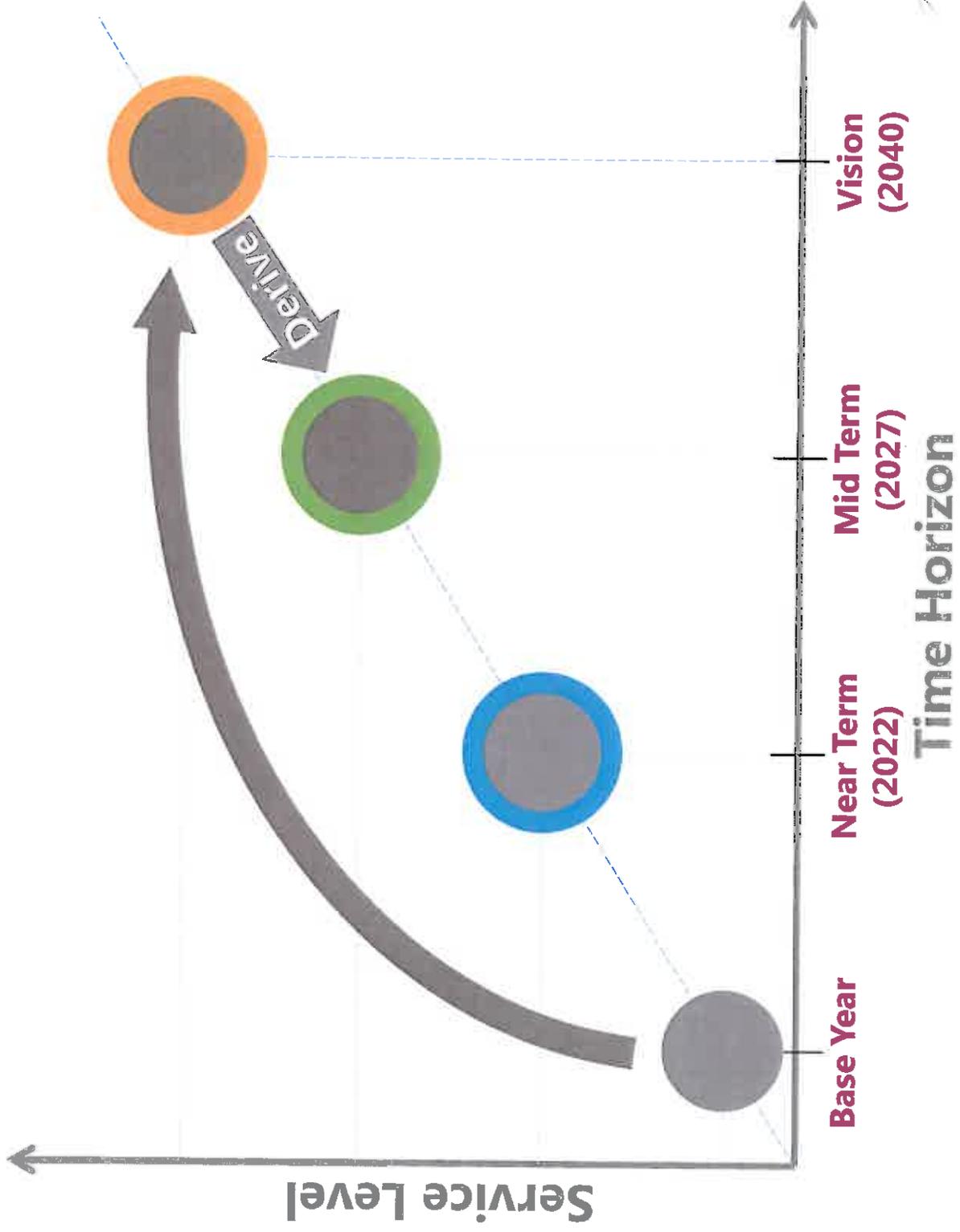
New
Connectivity
Projects

High Speed
Rail

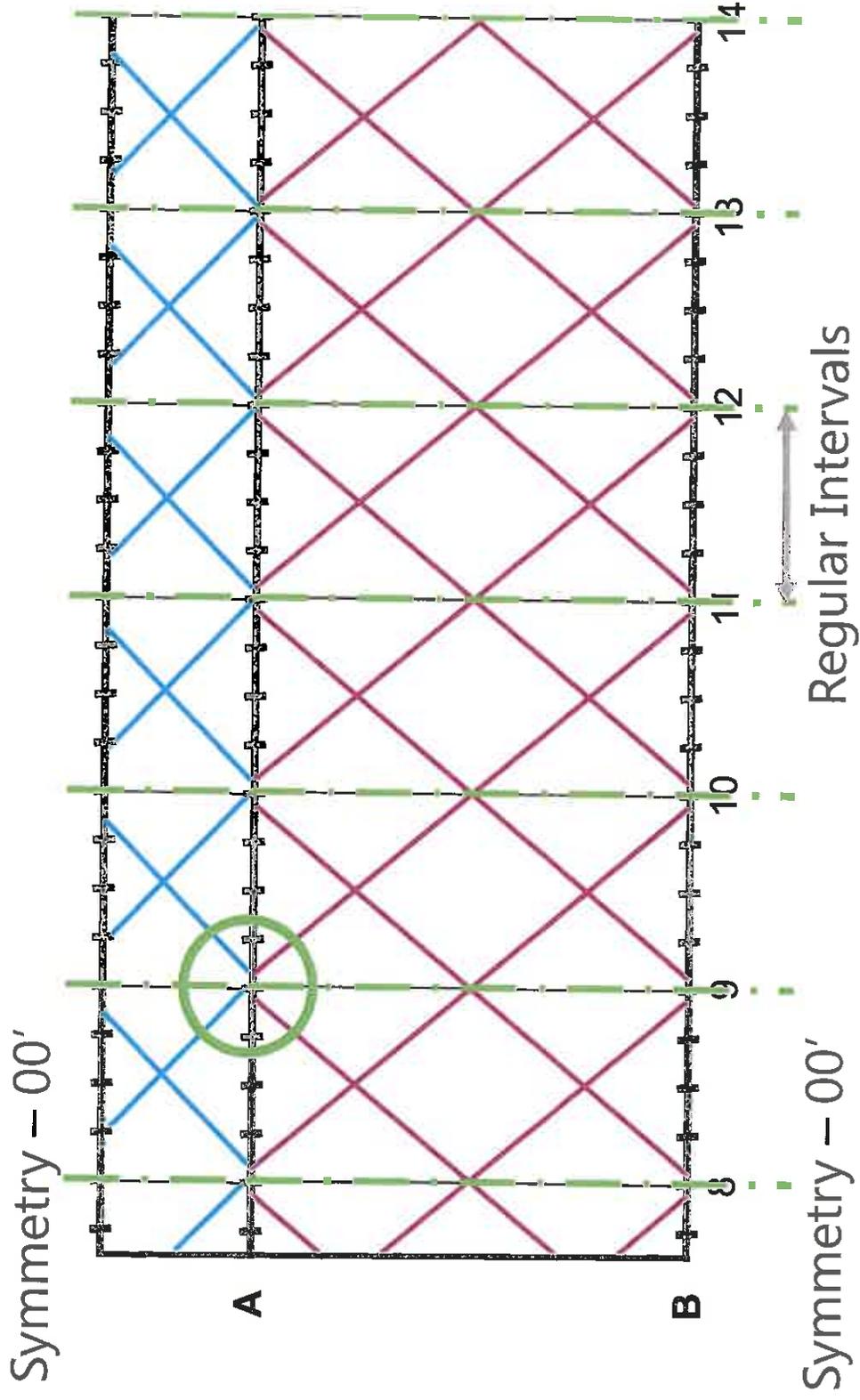
Planned Service
Expansions

Existing Services – Intercity,
Regional Rail & Mass Transit

Potential Phasing of Vision Plan



How? – Pulse Schedule System



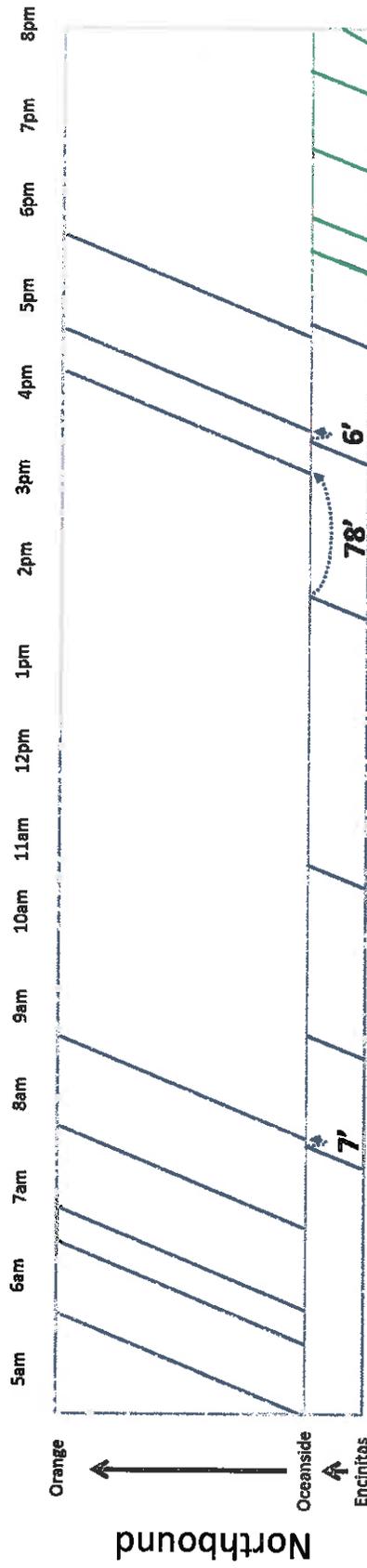
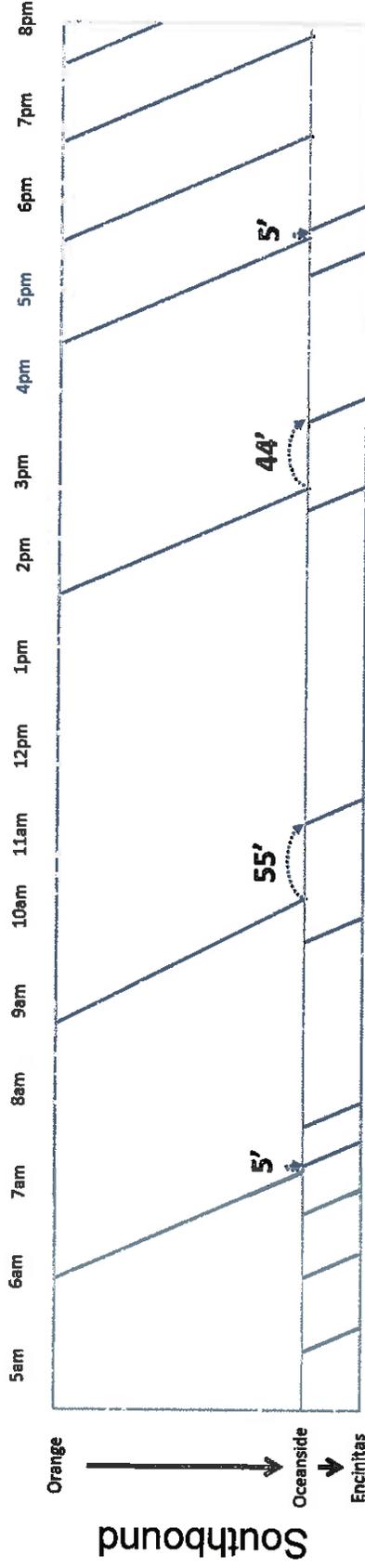
Existing: Non-Integrated Network

Example: Single Relationship between two stations along a corridor
Orange <> Encinitas



Existing: Non-Integrated Network

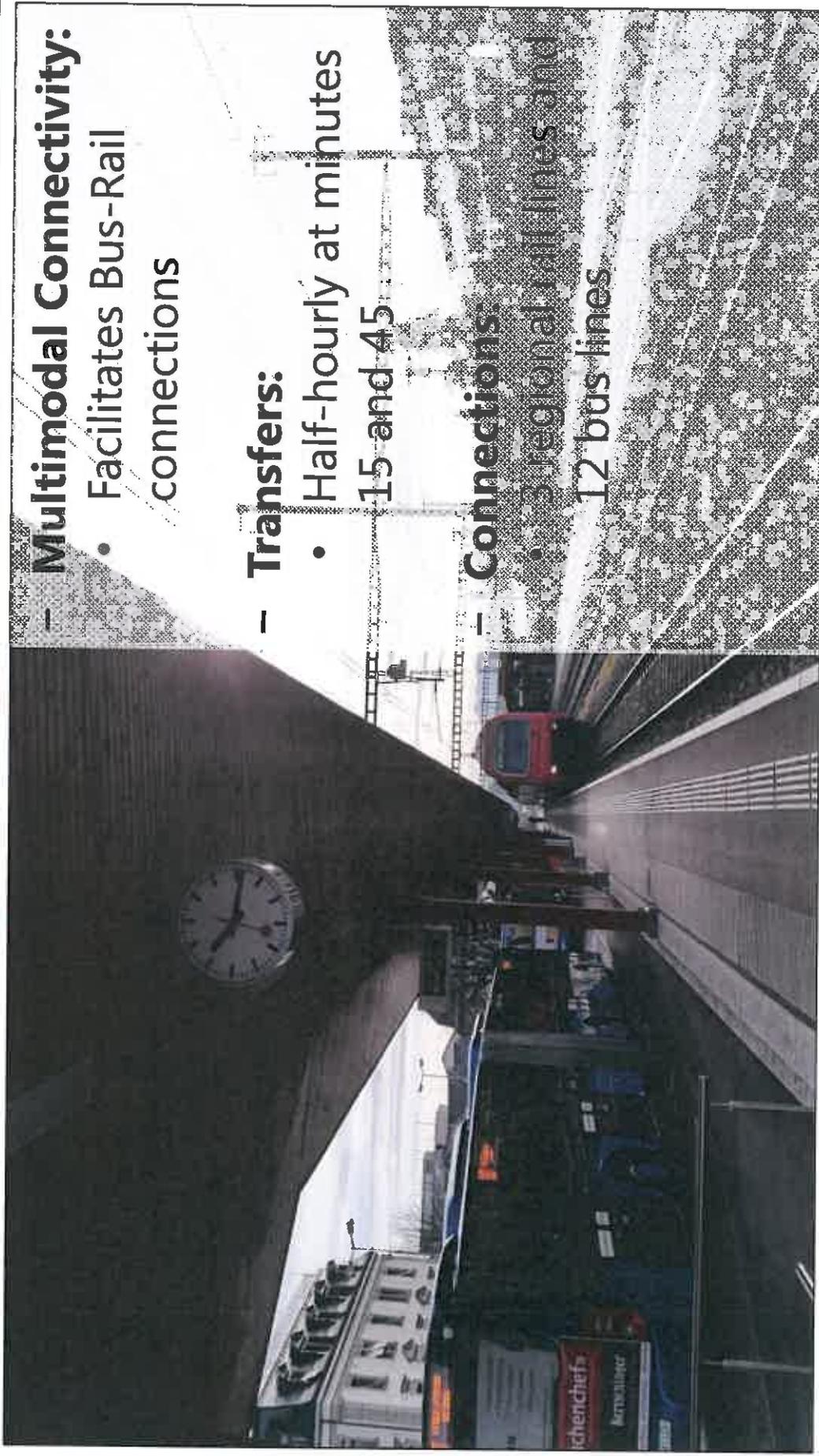
Example: Single Relationship between two stations along a corridor
 Orange <> Encinitas



This simplified string line chart shows only Metrolink services calling at Orange AND Coaster services calling at Orange AND Coaster services calling at Encinitas to highlight the possible connections between these two nodes.



An Example of an Integrated Network - Wetzikon



- **Multimodal Connectivity:**

- Facilitates Bus-Rail connections

- **Transfers:**

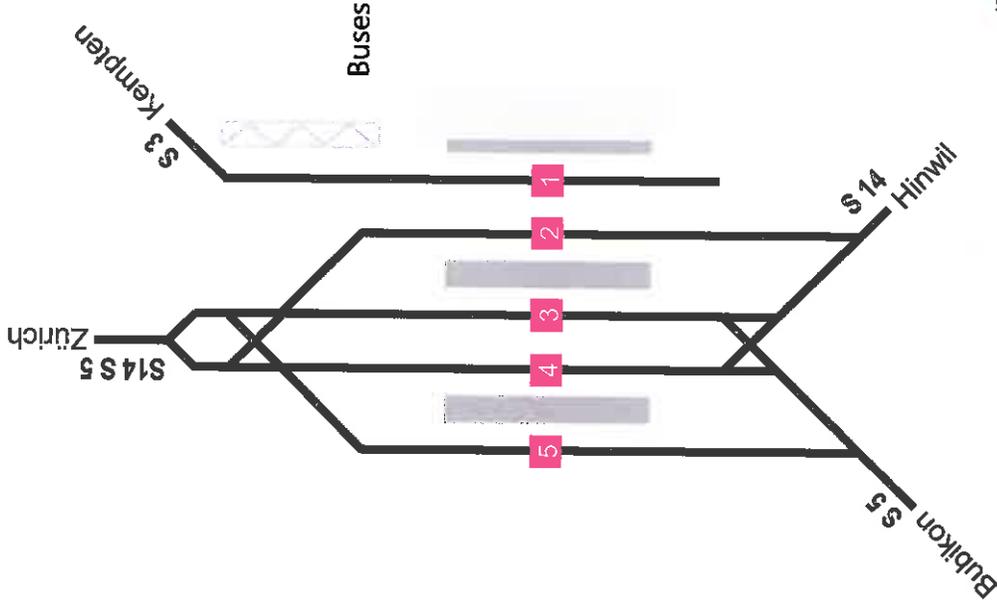
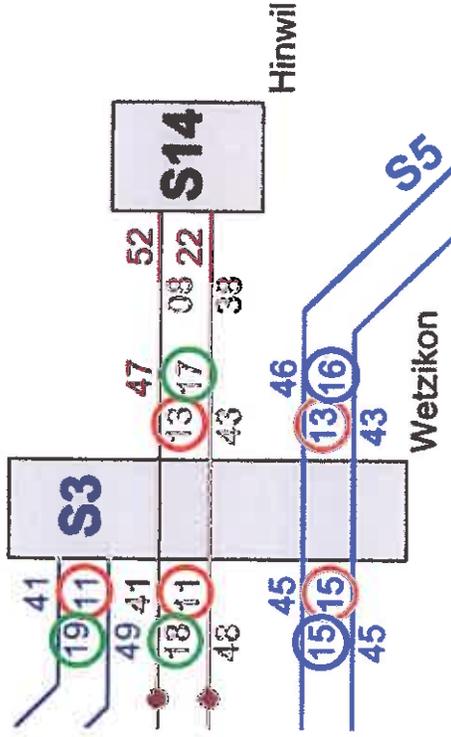
- Half-hourly at minutes 15 and 45

- **Connections:**

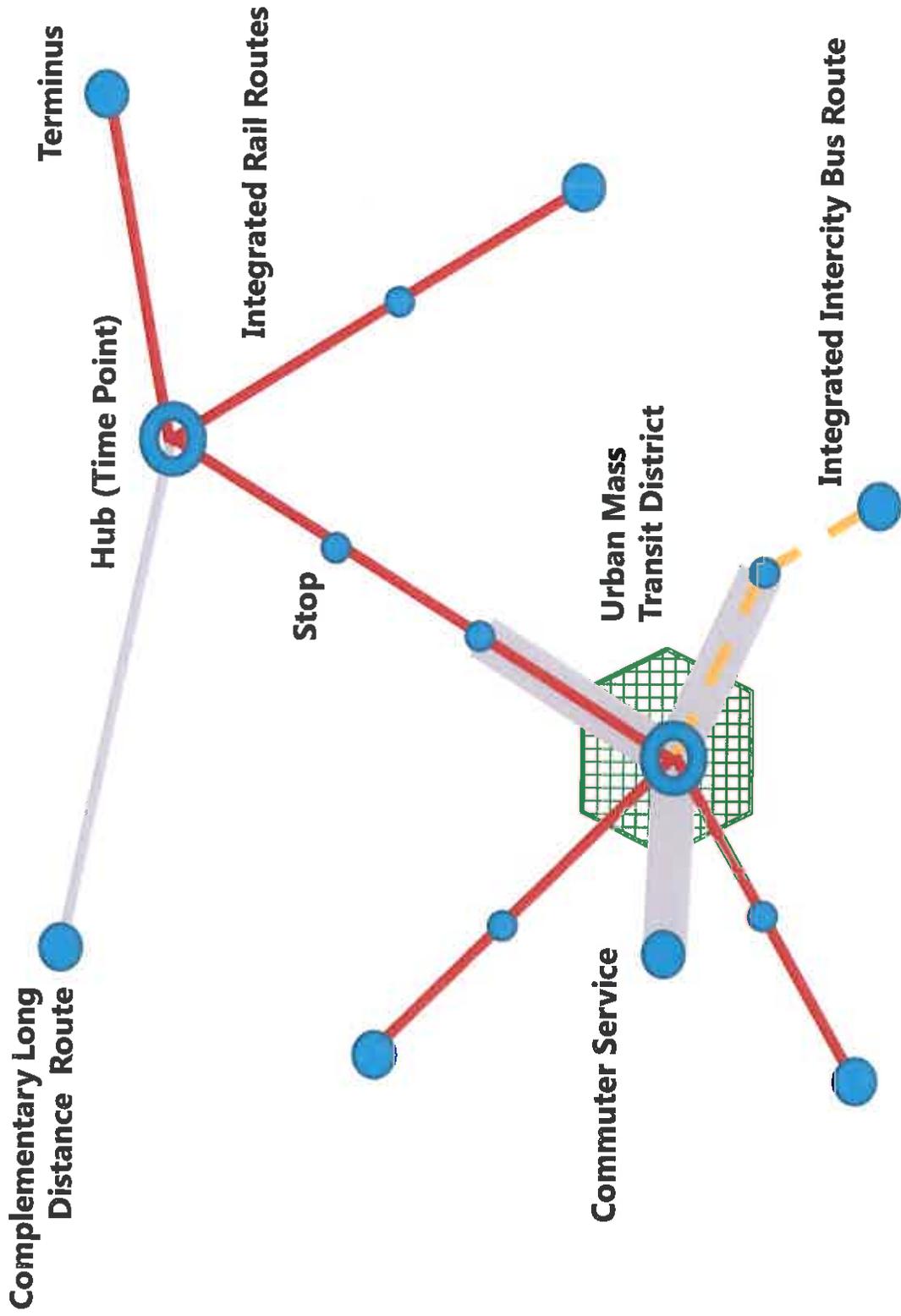
- 3 regional rail lines and 12 bus lines

An Example of an Integrated Network - Wetzikon

1. Buses arrive in advance of the trains
2. Trains arrive in the station
3. All services are in the station
4. Trains depart from the station
5. Buses depart from the station



Integrated Statewide Rail Network



Draft 2040 Statewide Network: Central Coast

- **State Service Goals: Regular Hourly Service**

- Regional Connections to North and South
 - Monterey, Salinas/Salinas Valley
- Regional Connections between cities
 - Santa Cruz-Monterey/Salinas
 - Local stops connected to state system

- **Auto-Competitive Travel Times**

- Salinas-San Jose: Less than 90 minutes
- Salinas-San Francisco: Less than 2hrs 15mins
- Salinas-Sacramento: 3 hours
- Salinas-Los Angeles: 3 hours 40mins



Draft 2040 Statewide Network: Central Coast

- **Connectivity Options**
 - **Gilroy:**
 - Connection to High Speed Rail
 - **Watsonville (Pajaro):**
 - Connection to Santa Cruz
 - **Castroville:**
 - Connection to Monterey
 - **Salinas:**
 - Connection to SLO, Santa Barbara and South

Draft 2040 Statewide Network: Central Coast

- **Service Delivery Options**
- Salinas-Gilroy/San Jose:
 - Regional Rail (less frequent rail with bus option)
- Santa Cruz-Monterey:
 - Regional Rail (integrated bus option)
- Salinas-San Luis Obispo/Santa Barbara:
 - Integrated Bus
 - Intercity Express Trains in some slots



Short-Term Planning and Projects

- **Initial Market-Based Service**
 - Negotiations with Railroad
 - San Luis Obispo/Salinas to Bay Area
 - Evaluation of layover needs in Salinas and SLO
- **Caltrans Service Planning for Coast & No. CA**
- **High Speed Rail Gilroy Station Planning**
- **Evaluation of Additional Station Stops**
- **Near Term Capital Projects in STIP**

Website: californiastaterailplan.com

Stay Informed
Receive email updates on the 2018-2011 California State Rail Plan.

California State Rail Plan

California's Governor
Edmund G. Brown Jr.
View His Website

CalSTA Secretary
Brian P. Kelly
California State Transportation Agency

Caltrans Director
Mabelyn Dougherty
Caltrans

Quick Links

- Subscribe to Email List
- Contact Us
- Tribal Outreach



2018 California State Rail Plan

Connecting California ... Better

Caltrans is beginning work on its new 2018 Rail Plan which will provide an exciting new framework for California's rail network and set the stage for new and better rail and community connections in the State for the next 20 years and beyond.

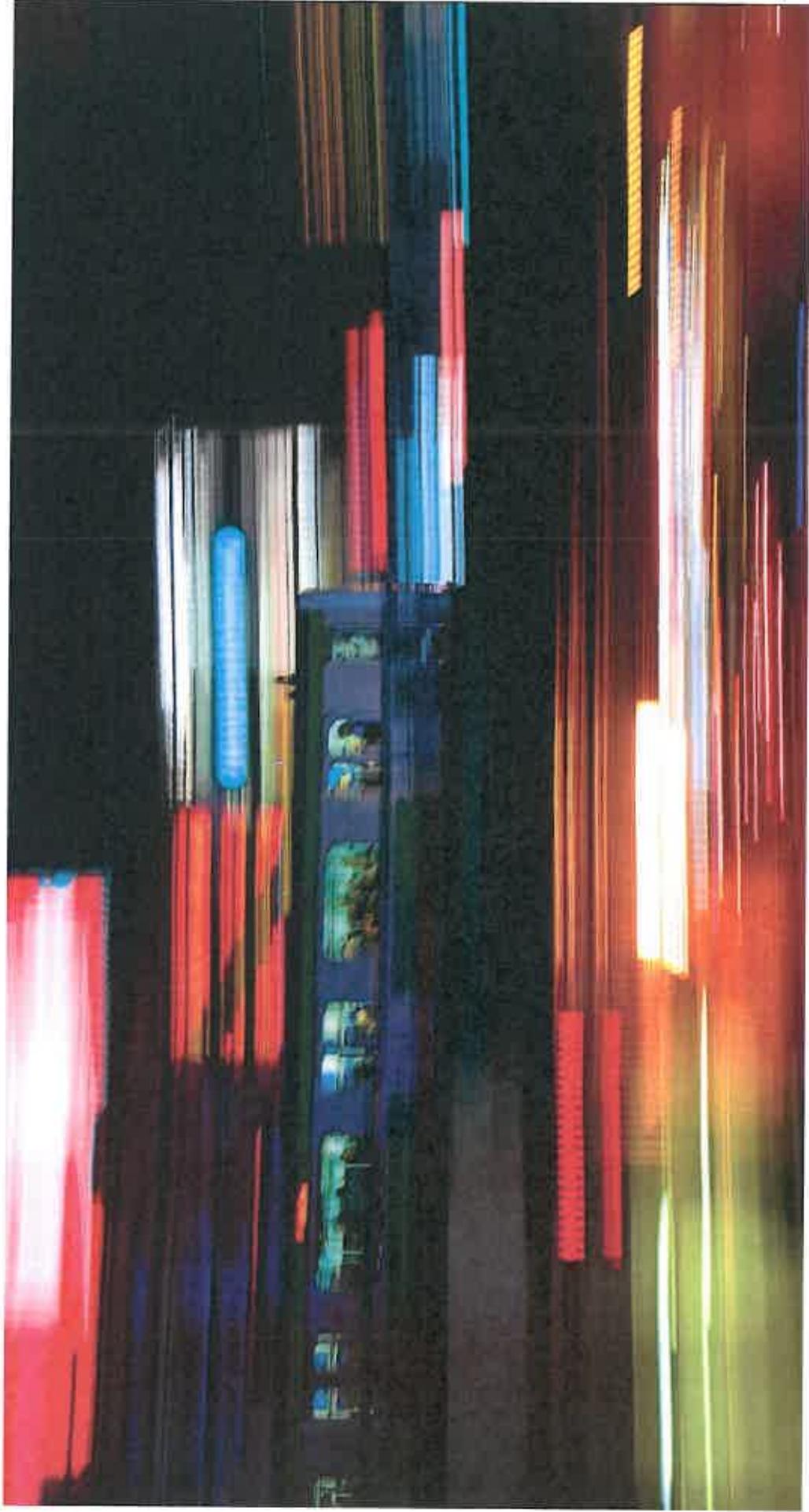
The creation of a railroad network in California in the 19th century connected us to the rest of the nation with what was then the highest-speed form of transportation. Continued rail investments in the 20th century helped California's rapid economic development. For the 21st century, California is again poised to put "high speed" back in rail, and achieve a modernized and integrated rail system to improve both freight and passenger transportation.

Rail can provide significant solutions to today's transportation challenges:

- Californians collectively save billions of tons to millions of destinations each year, and the state needs quality modal choices among cars, transit, air travel, and active transportation to efficiently move people and freight to their destinations.
- California is a highly urbanized state with significant levels of highway congestion and a population expected to grow to 50-million by 2050. California must make cost-effective investments in transportation infrastructure that minimize impacts on our communities and support economic growth.

— Rail is often the best-value investment.





Schedule



2018 CSRP – Schedule

Project Milestones	Timeframe
Visioning process and Technical work Draft 2040 Integrated Passenger Vision Draft 2040 Freight Vision & Capital Programs	Fall 2015 – September 2016 August 23, 2016 October 19, 2016
High Speed Rail Business Plan	May 2016
Draft Rail Plan Development	June 2016 - March 2017
Release of Public Review Draft	March 1, 2017
Public Comment Period Public Workshops on Draft CSRP Revision of Draft	March – April 2017 May – August 2017
Agency Reviews and Submittal to Legislature	Sept 2017 - May 31, 2018





Item No. 11 (D)

REPORT TO THE CITY COUNCIL

DATE: SEPTEMBER 13, 2016

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: DOREEN LIBERTO-BLANCK, AICP, COMMUNITY
DEVELOPMENT DIRECTOR
DAVE HALE, ASSISTANT CITY ATTORNEY

RE: CONSIDERATION OF MEMORANDUM OF UNDERSTANDING
WITH SGH HOLDINGS, LLC AND SMITH-MONTEREY, LLC.

RECOMMENDATION:

It is recommended that the City Council enter in a Memorandum of Understanding ("MOU") with SGH Holdings, LLC and Smith-Monterey, LLC.

BACKGROUND:

In January 2016, David Gill and Steve Scaroni submitted an application for a rezone, conditional use permit, architectural review and variance applications to allow agricultural employee housing at 218 North First Street (Meyers Warehouse Property). The rezone application amending the FSC zoning district to permit agricultural employee was approved by the City Council on March 22, 2016. The Mitigated Negative Declaration ("MND") analyzing all the applications was also adopted by the City Council on March 22, 2016. The conditional use permit, architectural review and variance applications were continued by the Planning Commission on March 1, 2016 at the applicant's request. On June 20, 2016, SGH Holding, LLC (includes Mr. Gill and Mr. Scaroni) acquired the Meyer Warehouse Property. Subsequently, Smith-Monterey, LLC and SGH Holding, LLC entered into a Purchase and Sale Agreement and Joint Escrow Instructions to purchase a portion of the Meyers Warehouse Property.

To implement the Downtown Addition Vesting Tentative Map conditions of approval and the recorded Development Agreement, Smith-Monterey, LLC submitted a tentative parcel map on the Meyers Warehouse Property creating two (2) parcels (Parcels 1 and 2). Once recorded, the parcel map allows Smith-Monterey, LLC to purchase Parcel 2. Parcel 2 would be used for the Broadway

**CITY COUNCIL
CONSIDERATION OF MEMORANDUM OF UNDERSTANDING WITH SGH
HOLDINGS, LLC AND SMITH-MONTEREY, LLC.
SEPTEMBER 13, 2016
PAGE 2 OF 3**

Street Right-of-Way as well as for the "MMTC/Bassett Street Right of Way" and the construction of an affordable housing project. The tentative parcel map was approved by the Planning Commission on August 2, 2016. To collaborate on the Broadway Street Right-of-Way and Bassett Street Right-of-Way, an MOU between the City, SGH Holdings, LLC and Smith-Monterey, LLC has been prepared for the City Council's consideration. The attached MOU is a draft and we are waiting for comments from the other parties to the agreement.

DISCUSSION:

On June 14, 2011, the City Council adopted Ordinance No. 2011-697, approving General Plan Amendment Case No. GPA2010-0001, Rezone Case No. RZ2010-001 and the Downtown Addition Specific Plan, Case No. SP2010-001. On February 19, 2014, the City Council approved the Vesting Tentative map for the Downtown Addition. The City and Smith-Monterey, LLC also entered into a development Agreement for the Downtown Addition, dated August 8, 2014.

Vesting Tentative map conditions require Smith-Monterey, LLC to attempt to acquire certain easements to be used as right-of-way for the extension of Broadway Street and to construct and install certain improvements in the Broadway Street right-of-way. Certain obligations of Smith-Monterey and the City are also set forth with respect to the acquisition of portions of the Meyer Warehouse property, which would be used to extend Broadway Street. Smith Monterey is required to negotiate in good faith to acquire the property. If they are unsuccessful, the City then is required to condemn the property, which will be paid for by Smith-Monterey.

The purpose of the MOU is to ensure that these arrangements have been resolved prior to any additional use allowed of the Meyer Warehouse property since the Planning Commission will be considering a conditional use permit (CUP) application to allow a temporary agricultural employee housing project to be constructed in a portion of the Meyer Warehouse building. It is particularly important to note that if Smith-Monterey were to fail to proceed with their project, there would be no existing provisions to extend Broadway Street. Therefore, actions taken by the City Council to rezone and allow this use could be detrimental to implementation of the Specific Plan and the City's circulation plans for this area.

The proposed MOU sets forth the provisions agreed upon whereby SGH Holdings, LLC will agree to sell the subject property to Smith-Monterey, LLC and Smith-Monterey, LLC will provide the right-of-way to the City for extension of Broadway Street. In particular, provisions have been included to provide the rights to the City necessary to construct the street extension when needed and to

**CITY COUNCIL
CONSIDERATION OF MEMORANDUM OF UNDERSTANDING WITH SGH
HOLDINGS, LLC AND SMITH-MONTEREY, LLC.
SEPTEMBER 13, 2016
PAGE 3 OF 3**

avoid any conflicts that otherwise might arise at that time. The CUP, architectural review and variance applications are scheduled for the September 20th Planning Commission meeting.

COST ANALYSIS:

The costs associated with this item are being funded by SGH Holdings, LLC and Smith-Monterey, LLC.

ALTERNATIVES:

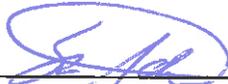
The following alternatives have been identified for City Council consideration:

1. Approve the MOU;
2. Request changes and approve the MOU;
3. Do not approve the MOU and rely on the Parcel Map and CUP conditions to address issues as best as possible;
4. Do not approve the MOU and request the CUP to be heard by the City Council; or
5. Provide staff other direction.

Exhibits:

1. MOU

Submitted by: *Cecilia Lonne for Doreen Liberto-Blanck*
Doreen Liberto-Blanck, AICP, Community Development Director

Approved by: 
Steven Adams, City Manager

DRAFT MEMORANDUM OF
UNDERSTANDING BETWEEN THE CITY
OF KING,
SGH HOLDINGS, LLC,
AND
SMITH-MONTEREY, LLC

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered as of _____, 2016 (the "Effective Date"), between the City of King, a California municipal corporation ("City"), SGH Holdings, LLC, a California limited liability company ("SGH"), and Smith-Monterey, LLC, a California limited liability company ("Smith-Monterey"), collectively referred to as the "Parties".

RECITALS

The Parties enter into this MOU based on the following facts, understandings, and intentions:

A. SGH has submitted to the City an application for the issuance of a CUP for the development of an agricultural employee housing project (CUP Case No. 2016-0001), under the federal H2-A Visa Farmworker Housing Program ("CUP Application").

B. SGH proposes to temporarily house farmworkers for five to ten years in a dormitory like setting in a portion of the existing approximately 84,445 square foot warehouse building (the "Warehouse Building") located at 218 North First Street, City of King, California, APN 026-293-002 (the "Meyer Warehouse Property"). SGH proposes to convert an approximately 36,700 square feet portion of the Warehouse Building to be used for the agricultural employee housing project (the "Agricultural Employee Housing Building").

C. SGH has acquired the Meyer Warehouse Property on June 20, 2016. Prior to SGH's acquisition of the Meyer Warehouse Property, Smith-Monterey, with authorization from Meyer LLC as the prior owner of the Meyer Warehouse Property, submitted an application to subdivide the Meyer Warehouse Property into two lots through a Parcel Map (the "Parcel Map Application"). Such application was deemed complete by the City on June 27, 2016. On July 12, 2016, SGH provided its authorization, as the new owner of the Meyer Warehouse Property, for the Parcel Map Application.

D. One lot to be created through the Parcel Map Application, of approximately 2.2 acres in size and located on the northwestern end of the Meyer Warehouse Property, would be used for the Agricultural Employee Housing Building ("Parcel 1"). A second lot to be created through the Parcel Map Application, of approximately 1.0 acres in size, would be located on the southeastern end of the Meyer Warehouse Property ("Parcel 2").

E. Smith-Monterey and SGH have entered into a Purchase and Sale Agreement and Joint Escrow Instructions ("PSA") which provides for Smith-Monterey's purchase of Parcel 2. Smith-Monterey is prepared to purchase Parcel 2 upon the City's approval of the Parcel Map Application and recordation of the approved Parcel Map.

F. The City intends as a fulfillment of the purpose and objectives of the Historic Corridor Revitalization Plan to expand and extend Broadway Street beyond First Street through a portion of Parcel 2 to the railroad right of way immediately adjacent to Parcel

G. Smith-Monterey has proposed the development of a master planned, mixed use project known as the "Downtown Addition," located east of and adjacent to City's historic downtown area. The proposed Downtown Addition project would include the development of up to six hundred fifty dwelling units in various configurations of attached and detached forms, up to one hundred ninety thousand six hundred square feet of commercial space, approximately twenty-four acres of open space and parks, and associated public improvements and infrastructure.

H. On June 14, 2011, the City Council of the City approved Ordinance No. 2011-697 approving General Plan Amendment Case No. GPA2010-001, Rezone Case No. RZ2010-001, and the Downtown Addition Specific Plan, Case No. SP2010-001, and approved an Owner Participation Agreement between City and Smith-Monterey. On February 19, 2014, the City approved the Vesting Tentative Map for the Downtown Addition, Case No. 2013-001. The City and Smith-Monterey have also entered into a Development Agreement for the Downtown Addition, dated August 8, 2014.

I. Vesting Tentative Map Conditions of Approval Nos. 41C, 43 and 48 of the Downtown Addition Project require Smith-Monterey to attempt to acquire certain easements to be used as right-of-way for the extension of Broadway Street (the "Broadway Street Right-of-Way"), and to construct and install certain improvements in the Broadway Street Right of Way, subject to certain fee credits and reimbursement that may be available pursuant to Vesting Tentative Map Conditions of Approval Nos. 99 and 100. In addition, Sections 1.03 and 1.04 of the Development Agreement set forth certain obligations of Smith-Monterey KC (an affiliate of Smith-Monterey) and the City with respect to the acquisition of portions of the Meyer Warehouse Property, which would be used for the Broadway Street Right-of-Way as well as for the "MMTC/Bassett Street Right of Way" and the construction of an affordable housing project. Such rights-of-way are necessary for the establishment of a multi-modal transportation center and re-establishment of train service within the City.

J. The parties desire that the Parcel Map will be configured in a manner which facilitates Smith-Monterey's acquisition, concurrent dedication to the City and future improvement of the Broadway Street Right-of-Way and MMTC/Bassett Street Right of Way consistent with the Downtown Addition Specific Plan and Vesting Tentative Map Conditions, Downtown Addition Development Agreement, and the Historic Corridor Revitalization Plan.

AGREEMENT

1. Conditions to City CUP Approval. The Parties herein agree that the issuance by City of CUP Case No. 2016-0001 is, among other conditions, specifically conditioned upon the Parties agreeing to the terms and conditions of this MOU and the recordation of the Parcel Map.

2. Parcel Map. Smith-Monterey will continue to diligently pursue the City's approval of the Parcel Map Application, and SGH will continue to cooperate with Smith-Monterey and the City in the processing of the Parcel Map Application. The Parcel Map shall be configured to facilitate the dedication and improvement of the Broadway Street Right-of-Way and MMTC/Bassett Street Right of Way by Smith-Monterey, in accordance with the Downtown Addition Vested Tentative Map Conditions of Approval

and the Development Agreement. Specifically, without limitation, the full area of the Broadway Street Right of Way and MMTC/Bassett Street Right of Way shall be contained within the boundaries of Parcel.

3. Dedication of Rights-of-Way. Upon Smith-Monterey's acquisition of fee title to Parcel 2, and concurrent with the City's approval of the Parcel Map Application, Smith-Monterey shall execute and deliver to City (i) an offer of dedication of the Broadway Street Right of Way, substantially in the form of Exhibit "A" attached hereto, and (ii) an offer of dedication of the MMTC/Bassett Street Right of Way, substantially in the form of Exhibit "B" attached hereto. The City and Smith-Monterey acknowledge and agree that the property subject to such offers of dedication constitutes the "desired rights of way" for the Broadway Street Right of Way and the MMTC/Bassett Street Right of Way pursuant to Section 1.04 of the Development Agreement. Nothing in this MOU shall be construed as an amendment or modification of the rights or obligations of Smith-Monterey or the City under the Downtown Addition Vesting Tentative Map Conditions of Approval or the Development Agreement. Smith-Monterey and the City agree to negotiate with each other in good faith towards an amendment or other revision of the Development Agreement which would provide for an equitable Developer Fee Credit to be applied in connection with Smith-Monterey's cost of acquisition of Parcel 2.

4. Smith-Monterey's Purchase of Parcel 2. The City and Smith-Monterey acknowledge and agree that Smith-Monterey's acquisition of Parcel 2 from SGH will fully satisfy the obligations of Smith-Monterey KC, LLC pursuant to Section 1.03 of the Development Agreement to make a good faith offer to the owner of the Meyer Warehouse Property to purchase the Meyer Warehouse Property for a price not to exceed its appraised value. In the event that Smith-Monterey does not acquire Parcel 2 from SGH, SGH shall convey the Broadway Street Right of Way and the MMTC/Bassett Street Right of to the City and SGH and Smith-Monterey agree to negotiate in good faith with each to arrive at compensation for SGH's conveyance to the City of the portions of Parcel 2 which are necessary for the Broadway Street Right of Way and the MMTC/Bassett Street Right of Way.

5. Applicable Fees. SGH agrees to pay to City all fees applicable to CUP Case No. 2016-0001. Smith-Monterey agrees to pay to City all fees applicable to the Parcel Map Application.

6. Material Breach of MOU. SGH shall be responsible for compliance with all conditions of CUP Case No. 2016-0001, and the failure to comply with any of the conditions of the CUP shall amount to a material breach of this MOU wherein City shall be authorized to exercise any and all remedies which may otherwise be available to the City, which shall be cumulative, including but not limited to termination of this MOU and revocation of the CUP.

7. Successors and Assigns. The terms and conditions of this MOU shall be binding upon and shall inure to the benefit of the heirs, successors and assigns of the Parties. SGH or Smith-Monterey may not assign its rights and/or obligations under this MOU without the prior written consent of City, which consent shall not be unreasonably withheld. Any such consent by City shall not, in any way, relieve SGH or Smith-Monterey of their obligations and responsibilities under this MOU.

8. Notices. Any notice required or intended to be given to either party under the terms of this MOU shall be in writing and shall be deemed to be duly given if delivered personally, transmitted by facsimile followed by telephone confirmation or receipt, or sent by United States registered or certified mail, with postage prepaid, return receipt requested, addressed to the party to which notice is to be given at the party's address set forth on the signature page of this MOU or at such other address as the parties may from time to time designate by written notice. Notices served by United States mail in the manner above described shall be deemed sufficiently served or given at the time of the mailing thereof.

9. Waiver. The waiver by either party of a breach by the other of any provisions of this MOU shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or a different provision of this MOU. No provisions of this MOU may be waived unless in writing and signed by all Parties to this MOU. Waiver of any one provision herein shall not be deemed to be a waiver of any other provision herein.

10. Public Health, Safety and Welfare. Nothing contained in this MOU shall limit City's authority to exercise its police powers, governmental authority or take other appropriate actions to address threats to public health, safety and welfare.

11. Governing Law and Venue. This MOU shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction. Venue for purposes of the filing of any action regarding the enforcement or interpretation of this MOU and any rights and duties hereunder shall be Monterey County, California.

12. Heading. The section headings in this MOU are for convenience and reference only and shall not be construed or held in any way to explain, modify or add to the interpretation of meaning of the provisions of this MOU.

13. Severability. The provisions of this MOU are severable. The invalidity or unenforceability of any one provision in this MOU shall not affect the other provisions.

14. Interpretation. The Parties acknowledge that this MOU in its final form is the result of the combined efforts of the Parties and that, should any provision of this MOU be found to be ambiguous in any way, such ambiguity shall not be resolved by construing this MOU in favor of or against any Party, but rather by construing the terms in accordance with their general accepted meaning.

15. Attorney's Fees. If any Party is required to commence any proceeding or legal action to enforce or interpret any term, covenant, or condition of this MOU, the prevailing Party in such proceeding or action shall be entitled to recover from the losing Party its reasonable attorney's fees and legal expenses.

16. Exhibits. Each exhibit and attachment reference in this MOU is, by the reference, incorporated into and made a part of this MOU.

17. Precedence of Documents. In the event of any conflict between the body of this MOU and any Exhibit or Attachment hereto, the terms and conditions of the body of this MOU shall control and take precedence over the terms and conditions expressed within the Exhibit or Attachment. Furthermore, any terms or conditions contained within

any Exhibit or Attachment hereto which purport to modify the allocation of risk between the Parties, provided for within the body of this MOU, shall be null and void.

18. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

19. No Third Party Beneficiaries. The rights, interests, duties and obligations defined within this MOU are intended for the specific Parties hereto as identified in the preamble of this MOU. Notwithstanding anything stated to the contrary in this MOU, it is not intended that any rights or interests in this MOU benefit or flow to the interest of any third parties.

20. Extent of MOU. Each Party acknowledges that it has read and fully understand the contents of this MOU. This MOU represents the entire and integrated agreement among the Parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, either written or oral. This MOU may be modified only by written instrument duly authorized and executed by all Parties herein.

21. Recitals. All provisions and Recitals within this MOU shall be considered part of this contract and carry the same weight, force and effect as any other terms and conditions herein.

IN WITNESS WHEREOF, the Parties have executed this MOU as of the day and year first above written.

CITY:

CITY OF KING, a California municipal corporation

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

SGH:

SGH HOLDINGS, LLC, a California limited liability company

By: _____

By: _____

SMITH-MONTEREY:

SMITH-MONTEREY, LLC, a California limited liability company

By: _____
Jeffrey P. Smith, Member

By: _____
Gregory H. Smith, Member

EXHIBIT "A"

Recording requested by
and when recorded mail to:

City of King
212 S. Vandenhurst Avenue
King City, California 93930
Attention: City Clerk

**IRREVOCABLE OFFER OF DEDICATION
(Broadway Street ROW)**

SMITH-MONTEREY, LLC, a California limited liability company ("Grantor"), the present owner of record of the herein described parcel of real property, effective as of _____, 20___, does hereby make an irrevocable Offer of Dedication of an easement for right-of-way purposes to the **CITY OF KING** ("City"), for public purposes, over the real property situated in the City of King, County of Monterey, State of California, which is more particularly described in Exhibit A attached hereto, and shown on Exhibit B attached hereto, both of which are incorporated herein.

This Irrevocable Offer of Dedication is made in accordance with the Downtown Addition General Plan Amendment/Rezone/Specific Plan/Future Vesting/Non-Vesting Tentative Tract Map Conditions of Approval/Mitigation Measures approved by the City Council on May 24, 2011, the Vesting Tentative Map Conditions of Approval approved by the City on February 19, 2014, and the Development Agreement between the City and Smith-Monterey KC, LLC, dated August 8, 2014.

The City's right to accept this Offer of Dedication shall be initially contingent upon the final approval by the California Public Utilities Commission of an at-grade crossing which includes the right-of-way easement that is the subject hereof. Should those contingencies not materialize within a 10-year period from the execution of the MOU City may elect to accept the Offer of Dedication if other options for the use of those right-of-way are identified. Upon the City's acceptance of this Offer of Dedication, Grantor shall prepare, execute and record a right-of-way easement deed containing the terms of this Offer of Dedication.

It is understood and agreed that the City shall incur no liability with respect to such Offer of Dedication and shall assume no responsibility for the offered right-of-way easement until such offer has been accepted by appropriate action of the City.

The provisions hereof shall run with and become a burden upon the herein described parcel of real property, and shall inure to the benefit of and be binding upon the heirs, successors, assigns, and personal representatives of the respective parties hereto.

GRANTOR:

SMITH-MONTEREY, LLC, a California limited liability company

By: _____
Jeffrey P. Smith, Member

By: _____
Gregory H. Smith, Member

EXHIBIT A TO IRREVOCABLE OFFER OF DEDICATION

LEGAL DESCRIPTION OF DEDICATION PARCEL

(To Be Attached)

DRAFT

EXHIBIT B TO IRREVOCABLE OFFER OF DEDICATION

MAP OF DEDICATION PARCEL

(To Be Attached)

DRAFT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California
that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

Recording requested by
and when recorded mail to:

City of King
212 S. Vandenhurst Avenue
King City, California 93930
Attention: City Clerk

**IRREVOCABLE OFFER OF DEDICATION
(Bassett Street ROW)**

SMITH-MONTEREY, LLC, a California limited liability company ("Grantor"), the present owner of record of the herein described parcel of real property, effective as of _____, 20___, does hereby make an irrevocable Offer of Dedication of an easement for right-of-way purposes to the **CITY OF KING** ("City"), for public purposes, over the real property situated in the City of King, County of Monterey, State of California, which is more particularly described in Exhibit A attached hereto, and shown on Exhibit B attached hereto, both of which are incorporated herein.

This Irrevocable Offer of Dedication is made in accordance with the Downtown Addition General Plan Amendment/Rezone/Specific Plan/Future Vesting/Non-Vesting Tentative Tract Map Conditions of Approval/Mitigation Measures approved by the City Council on May 24, 2011, the Vesting Tentative Map Conditions of Approval approved by the City on February 19, 2014, and the Development Agreement between the City and Smith-Monterey KC, LLC, dated August 8, 2014.

The City's right to accept this Offer of Dedication shall initially be contingent upon the final approval by Union Pacific Railroad of a train station platform which includes the right-of-way easement that is the subject hereof. Should those contingencies not materialize within a 10-year period from the execution of the MOU, City may elect to accept the Offer of Dedication if other options for the use of those right-of-way are identified. Upon the City's acceptance of this Offer of Dedication, Grantor shall prepare, execute and record a right-of-way easement deed containing the terms of this Offer of Dedication.

It is understood and agreed that the City shall incur no liability with respect to such Offer of Dedication and shall assume no responsibility for the offered right-of-way easement until such offer has been accepted by appropriate action of the City.

The provisions hereof shall run with and become a burden upon the herein described parcel of real property, and shall inure to the benefit of and be binding upon

the heirs, successors, assigns, and personal representatives of the respective parties hereto.

DRAFT

GRANTOR:

SMITH-MONTEREY, LLC, a California limited liability company

By: _____
Jeffrey P. Smith, Member

By: _____
Gregory H. Smith, Member

EXHIBIT A TO IRREVOCABLE OFFER OF DEDICATION

LEGAL DESCRIPTION OF DEDICATION PARCEL

(To Be Attached)

DRAFT

EXHIBIT B TO IRREVOCABLE OFFER OF DEDICATION

MAP OF DEDICATION PARCEL

(To Be Attached)

DRAFT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)

County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California
that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)